RAYMOND JAMES FINANCIAL INC
Form 10-Q
August 08, 2017

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

FORM 10-Q
(Mark one)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2017
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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o
	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨
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.

144,187,610 shares of common stock as of August 4, 2017

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

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

	June 30, 2017	September 30, 2016
	($ in thousands)	
Assets:		
Cash and cash equivalents	$2,615,479	$1,650,452
Assets segregated pursuant to regulations and other segregated assets	3,393,008	4,884,487
Securities purchased under agreements to resell and other collateralized financings	483,820	470,222
Financial instruments, at fair value:		
Trading instruments	699,300	766,805
Available-for-sale securities	2,010,991	859,398
Private equity investments	196,037	194,634
Other investments	179,927	296,844
Derivative instruments associated with offsetting matched book positions	291,955	422,196
Receivables:		
Brokerage clients, net	2,672,861	2,714,782
Securities borrowed	120,037	170,860
Bank loans, net	16,630,191	15,210,735
Brokers-dealers and clearing organizations	238,579	164,908
Loans to financial advisors, net	865,789	838,721
Other	641,706	610,417
Deposits with clearing organizations	211,446	245,364
Prepaid expenses and other assets	768,474	722,095
Investments in real estate partnerships held by consolidated variable interest entities	114,783	116,133
Property and equipment, net	421,174	321,457
Deferred income taxes, net	382,753	322,024
Goodwill and identifiable intangible assets, net	495,116	504,442
Total assets	$33,433,426	$31,486,976

(continued on next page)

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

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

	June 30, 2017	September 30, 2016
	($ in thousands)	
Liabilities and equity:		
Trading instruments sold but not yet purchased, at fair value	$326,059	$328,938
Securities sold under agreements to repurchase	226,972	193,229
Derivative instruments associated with offsetting matched book positions, at fair value	291,955	422,196
Payables:		
Brokerage clients	5,773,289	6,444,671
Securities loaned	397,556	677,761
Bank deposits	16,310,881	14,262,547
Brokers-dealers and clearing organizations	267,511	306,119
Trade and other	781,640	583,340
Other borrowings	805,198	608,658
Accrued compensation, commissions and benefits	903,594	915,954
Senior notes payable	1,848,021	1,680,587
Total liabilities	27,932,676	26,424,000
Commitments and contingencies (see Note 17)		
Equity		
Preferred stock; $.10 par value; 10,000,000 shares authorized; -0- shares issued and outstanding	—	—
Common stock; $.01 par value; 350,000,000 shares authorized; 154,046,800 and 151,424,947 shares issued as of June 30, 2017 and September 30, 2016, respectively, and 143,853,338 and 141,544,511 shares outstanding as of June 30, 2017 and September 30, 2016, respectively	1,540	1,513
Additional paid-in capital	1,623,568	1,498,921
Retained earnings	4,178,883	3,834,781
Treasury stock, at cost; 10,143,369 and 9,766,846 common shares as of June 30, 2017 and September 30, 2016, respectively	(392,709)	(362,937)
Accumulated other comprehensive loss	(22,010)	(55,733)
Total equity attributable to Raymond James Financial, Inc.	5,389,272	4,916,545
Noncontrolling interests	111,478	146,431
Total equity	5,500,750	5,062,976
Total liabilities and equity	$33,433,426	$31,486,976

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

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

	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
	(in thousands, except per share amounts)			
Revenues:				
Securities commissions and fees	$1,017,908	$871,764	$2,994,405	$2,574,756
Investment banking	104,191	72,714	267,993	198,971
Investment advisory and related administrative fees	117,378	96,343	335,901	288,816
Interest	204,224	163,810	579,550	467,920
Account and service fees	174,084	129,334	485,856	373,685
Net trading profit	23,404	29,795	59,770	66,379
Other	21,918	23,237	68,714	58,437
Total revenues	1,663,107	1,386,997	4,792,189	4,028,964
Interest expense	(38,560)	(28,033)	(111,203)	(83,841)
Net revenues	1,624,547	1,358,964	4,680,986	3,945,123
Non-interest expenses:				
Compensation, commissions and benefits	1,082,382	908,884	3,124,563	2,663,219
Communications and information processing	77,819	71,717	226,047	212,337
Occupancy and equipment costs	46,507	40,825	140,057	123,505
Clearance and floor brokerage	12,296	10,214	36,053	30,727
Business development	39,305	36,488	116,186	112,529
Investment sub-advisory fees	20,133	15,030	57,206	43,866
Bank loan loss provision	6,209	3,452	13,097	26,991
Acquisition-related expenses	3,366	13,445	17,118	21,332
Other	59,589	54,055	304,900	141,582
Total non-interest expenses	1,347,606	1,154,110	4,035,227	3,376,088
Income including noncontrolling interests and before provision for income taxes	276,941	204,854	645,759	569,035
Provision for income taxes	91,590	72,261	204,160	206,541
Net income including noncontrolling interests	185,351	132,593	441,599	362,494
Net income/(loss) attributable to noncontrolling interests	1,927	7,089	(1,147)	4,814
Net income attributable to Raymond James Financial, Inc.	$183,424	$125,504	$442,746	$357,680
Earnings per common share – basic	$1.27	$0.89	$3.09	$2.51
Earnings per common share – diluted	$1.24	$0.87	$3.02	$2.47
Weighted-average common shares outstanding – basic	143,712	141,165	143,059	141,902
Weighted-average common and common equivalent shares outstanding – diluted	147,103	143,952	146,347	144,618
Net income attributable to Raymond James Financial, Inc.	$183,424	$125,504	$442,746	$357,680
Other comprehensive income/(loss), net of tax: (1)				
Unrealized gain/(loss) on available-for-sale securities and non-credit portion of other-than-temporary impairment losses	1,776	(955)	(418)	(6,647)
Unrealized gain/(loss) on currency translations, net of the impact of net investment hedges	7,423	2,302	10,647	6,401
Unrealized gain/(loss) on cash flow hedges	(3,775)	(6,922)	23,494	(15,126)
Total comprehensive income	$188,848	$119,929	$476,469	$342,308

Other-than-temporary impairment:				
Total other-than-temporary impairment, net	$1,022	$423	$2,279	$444
Portion of charge-offs/(recoveries) recognized in other comprehensive income	(1,022)	(423)	(2,279)	(444)
Net impairment losses recognized in other revenue	$—	$—	$—	$—

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

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

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

	Nine months ended June 30, 2017	2016
	(in thousands, except per share amounts)	
Common stock, par value $.01 per share:		
Balance, beginning of year	$1,513	$1,491
Share issuances	27	20
Balance, end of period	1,540	1,511
Additional paid-in capital:		
Balance, beginning of year	1,498,921	1,344,779
Employee stock purchases	20,229	23,861
Exercise of stock options and vesting of restricted stock units, net of forfeitures	31,556	15,337
Restricted stock, stock option and restricted stock unit expense	72,036	57,176
Excess tax benefit from share-based payments	— [1]	34,791
Other	826	379
Balance, end of period	1,623,568	1,476,323
Retained earnings: [2]		
Balance, beginning of year	3,834,781	3,422,169
Net income attributable to Raymond James Financial, Inc.	442,746	357,680
Cash dividends declared	(98,644)	(88,155)
Balance, end of period	4,178,883	3,691,694
Treasury stock:		
Balance, beginning of year	(362,937)	(203,455)
Purchases/surrenders	(9,265)	(152,598)
Exercise of stock options and vesting of restricted stock units, net of forfeitures	(20,507)	(7,691)
Balance, end of period	(392,709)	(363,744)
Accumulated other comprehensive loss: [3]		
Balance, beginning of year	(55,733)	(40,503)
Net change in unrealized gain/(loss) on available-for-sale securities and non-credit portion of other-than-temporary impairment losses, net of tax	(418)	(6,647)
Net change in currency translations and net investment hedges, net of tax	10,647	6,401
Net change in cash flow hedges, net of tax	23,494	(15,126)
Balance, end of period	(22,010)	(55,875)
Total equity attributable to Raymond James Financial, Inc.	$5,389,272	$4,749,909
Noncontrolling interests: [2]		
Balance, beginning of year	$146,431	$154,454
Net income/(loss) attributable to noncontrolling interests	(1,147)	4,814
Capital contributions	9,776	696
Distributions	(39,968)	(10,367)
Derecognition resulting from sales	(4,628)	—
Other	1,014	(1,710)

Balance, end of period	111,478	147,887
Total equity	$5,500,750	$4,897,796

(1) During the nine months ended June 30, 2017, we adopted new stock compensation simplification guidance. See Notes 1, 16 and 20 for additional information.

(2) Each respective prior period balance has been restated to reflect the impact of the deconsolidation of certain VIEs. See Note 1 for additional information.

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

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

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

	Nine months ended June 30,	
	2017	2016
	(in thousands)	
Cash flows from operating activities:		
Net income attributable to Raymond James Financial, Inc.	$442,746	$357,680
Net income/(loss) attributable to noncontrolling interests	(1,147)	4,814
Net income including noncontrolling interests	441,599	362,494
Adjustments to reconcile net income including noncontrolling interests to net cash provided by/(used in) operating activities:		
Depreciation and amortization	62,149	53,964
Deferred income taxes	(56,948)	(33,857)
Premium and discount amortization on available-for-sale securities and unrealized gain on other investments	(23,468)	(18,284)
Provisions for loan losses, legal and regulatory proceedings and bad debts	159,131	31,022
Share-based compensation expense	76,419	60,777
Compensation expense which is payable in common stock of an acquiree	12,810	—
Unrealized gain on company owned life insurance, net of expenses	(30,076)	(12,959)
Extinguishment of senior notes payable	8,282	—
Other	18,129	9,950
Net change in:		
Assets segregated pursuant to regulations and other segregated assets	1,491,529	(758,424)
Securities purchased under agreements to resell and other collateralized financings, net of securities sold under agreements to repurchase	20,145	(37,046)
Securities loaned, net of securities borrowed	(229,382)	144,559
Loans provided to financial advisors, net of repayments	(42,336)	(100,186)
Brokerage client receivables and other accounts receivable, net	(75,882)	(48,418)
Trading instruments, net	69,481	(98,318)
Prepaid expenses and other assets	134,780	(25,730)
Brokerage client payables and other accounts payable	(649,199)	596,267
Accrued compensation, commissions and benefits	(17,117)	(104,664)
Proceeds from sales of securitizations and loans held for sale, net of purchases and originations of loans held for sale	44,369	(61,580)
Net cash provided by/(used in) operating activities	1,414,415	(40,433)
Cash flows from investing activities:		
Additions to property and equipment	(152,845)	(86,518)
Increase in bank loans, net	(1,789,994)	(1,980,193)
Purchases of Federal Home Loan Bank/Federal Reserve Bank stock, net	(9,125)	(3,231)
Proceeds from sales of loans held for investment	287,669	116,736
Purchases, or contributions to private equity or other investments, net of proceeds from sales of, or distributions received from, private equity and other investments	97,785	(37,427)
Purchases of available-for-sale securities	(1,424,706)	(108,931)
Available-for-sale securities maturations, repayments and redemptions	198,654	65,723
Proceeds from sales of available-for-sale securities	65,656	1,530

Other investing activities, net	(1,830)	(23,425)
Net cash used in investing activities	$(2,728,736)	$(2,055,736)

(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)

	Nine months ended June 30,	
	2017	2016
	(in thousands)	
Cash flows from financing activities:		
Proceeds from/(repayments of) short-term borrowings, net	$—	$122,800
Proceeds from Federal Home Loan Bank advances	850,000	25,000
Repayments of Federal Home Loan Bank advances and other borrowed funds	(653,461)	(3,287)
Proceeds from senior note issuances, net of debt issuance costs paid	508,489	—
Repayment of senior notes payable	(350,000)	(250,000)
Acquisition-related contingent consideration received, net of payments	2,992	—
Exercise of stock options and employee stock purchases	51,183	36,850
Increase in bank deposits	2,048,334	1,812,313
Purchases of treasury stock	(32,179)	(161,501)
Dividends on common stock	(95,322)	(84,997)
Distributions to noncontrolling interests, net	(27,782)	(9,671)
Net cash provided by financing activities	2,302,254	1,487,507
Currency adjustment:		
Effect of exchange rate changes on cash	(22,906)	(14,287)
Net increase/(decrease) in cash and cash equivalents	965,027	(622,949)
Cash and cash equivalents at beginning of year	1,650,452	2,601,006
Cash and cash equivalents at end of period	$2,615,479	$1,978,057
Supplemental disclosures of cash flow information:		
Cash paid for interest	$92,930	$86,463
Cash paid for income taxes	$243,585	$210,789
Non-cash transfers of loans to other real estate owned	$5,359	$2,910

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

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
June 30, 2017

NOTE 1 – INTRODUCTION AND BASIS OF PRESENTATION

Description of business

Raymond James Financial, Inc. (“RJF” or the “Company”) is a financial holding company whose broker-dealer subsidiaries are engaged in various financial services 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 125 - 127 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, 2016, as filed with the United States (“U.S.”) Securities and Exchange Commission (the “2016 Form 10-K”) and in Notes 2 and 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 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 2016 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 for the reporting period. Actual results could differ from those estimates and could have a material impact on the condensed consolidated financial statements.

Principal subsidiaries

As of June 30, 2017, our principal subsidiaries, all wholly owned, include: Raymond James & Associates, Inc. (“RJ&A”), a domestic broker-dealer carrying client accounts; Raymond James Financial Services, Inc. (“RJFS”), an introducing domestic broker-dealer; Raymond James Financial Services Advisors, Inc. (“RJFSA”), a registered investment advisor; Raymond James Ltd. (“RJ Ltd.”), a broker-dealer headquartered in Canada; Eagle Asset

Management, Inc. ("Eagle"), a registered investment advisor; and Raymond James Bank, N.A. ("RJ Bank") a national bank.

Adoption of new accounting guidance

Effective October 1, 2016, we adopted new accounting guidance related to consolidation of legal entities, as well as new guidance simplifying certain aspects of accounting for stock compensation.

As a result of our October 1, 2016 adoption of the new consolidation guidance, we deconsolidated a number of tax credit fund VIEs that had been previously consolidated. We determined that under the new guidance, we are no longer deemed to be the primary beneficiary of these VIEs. We applied the new consolidation guidance on the full retrospective basis, meaning that we have reflected the adjustments arising from this adoption as of the beginning of our earliest comparative period presented. Accordingly, we deconsolidated $107 million in assets, $20 million in liabilities, $89 million in noncontrolling equity interests, and increased retained earnings by $2 million, each computed as of September 30, 2016. There was no net impact on our Condensed Consolidated Statements of Income and Comprehensive Income for the prior year period as the net change in revenues, interest and other expenses were offset by the impact of the deconsolidation on the net income/(loss) attributable to noncontrolling interests. See Notes 2 and 9 for additional information.

Our adoption of the new stock compensation simplification guidance impacts our determination of income tax expense. Generally, the amount of compensation cost recognized for financial reporting purposes varies from the amount that can ultimately be deducted on the tax return for share-based payment awards. Under the prior guidance, the tax effects of deductions in excess of compensation expense (“windfalls”), as well as the tax effect of any deficiencies (“shortfalls”) were recorded in equity to the extent of previously recognized windfalls, with any remaining shortfall recorded in income tax expense. Under the new guidance, all tax effects related to share-based payments are recorded through tax expense in the periods during which the awards are exercised or vest, as applicable. Under the transition provisions of the new guidance, we have applied this new guidance prospectively to excess tax benefits arising from vesting after the October 1, 2016 adoption date. Under the new guidance, excess tax benefits are included along with other income tax cash flows as an operating activity in the Condensed Consolidated Statements of Cash Flows. Prior period cash flows have been adjusted to conform to the current presentation. See Notes 16 and 20 for additional information.

Reclassifications

Certain other prior period amounts have been reclassified to conform to the current period’s presentation.

NOTE 2 – UPDATE OF SIGNIFICANT ACCOUNTING POLICIES

A summary of our significant accounting policies is included in Note 2 on pages 108 - 127 of our 2016 Form 10-K. Other than the October 1, 2016 adoption of new consolidation guidance, which is described in Note 1 and below, and new guidance on stock compensation, which is discussed in Notes 1, 16 and 20, there have been no significant changes in our significant accounting policies since September 30, 2016.

Evaluation of VIEs to determine whether consolidation is required

Our significant accounting policies applicable to the evaluation of legal entities to determine whether consolidation is required are discussed on pages 125 - 127 of our 2016 Form 10-K. As of June 30, 2017, the nature of our involvement in legal entities as described therein is unchanged. However, our assessments of whether our involvement in such legal entities constitutes a VIE, and if so, whether we are deemed to be the primary beneficiary of such VIE, are now governed under new accounting guidance.

Other than as described below, our application of the new consolidation accounting guidance to our determinations of whether legal entities with which we are involved constitute VIEs, and if so our primary beneficiary determination of such entities, is unchanged from that described in our 2016 Form 10-K.

EIF Funds

The employee investment funds (“EIF Funds”) were formed many years ago as a compensation and retention mechanism offered to certain of our key employees. After application of the new consolidation guidance, we no longer consider the EIF Funds to be VIEs. Our consolidation conclusion regarding the EIF Funds is unchanged after application of the new consolidation guidance, and we continued to consolidate the EIF Funds through the application of the voting interest model. During the three months ended March 31, 2017, we sold our interests in the EIF Funds.

Non-guaranteed low-income housing tax credit funds

Raymond James Tax Credit Funds, Inc. (“RJTCF”), a wholly owned subsidiary of RJF is a managing member or general partner of low-income housing tax credit (“LIHTC”) funds (the “LIHTC Funds”). Under the new consolidation guidance, the fees earned by RJTCF from the LIHTC Funds are excluded from the determination of whether RJTCF has an obligation to absorb losses of, or the right to receive benefits from, the LIHTC Fund VIE, which could be potentially significant to the LIHTC Fund. Additionally, we determined that as the managing member, RJTCF acts as an agent in its decision-making role and not as a principal. As a result of these changes in the primary beneficiary determination criteria under the new guidance, we concluded that we are not the primary beneficiary of any of the non-guaranteed LIHTC Funds. Accordingly, we deconsolidated such funds as of our adoption of this new guidance.

Other real estate limited partnerships and LLCs

We have interests in several limited partnerships involved in various real estate activities in which a subsidiary is either the general partner or a limited partner. After application of the new consolidation guidance, we no longer consider these entities to be VIEs, and we do not consolidate these partnerships or limited liability companies (“LLCs”). Our consolidation conclusions regarding these interests are unchanged after application of the new consolidation guidance, as we did not consolidate these entities under the prior consolidation guidance.

Managed Funds

We have certain interests in legal entities formed for the purpose of making and managing investments in securities of other entities (“Managed Funds”). The new consolidation guidance eliminated the deferral of the determination of who is the primary beneficiary based on a power and benefits analysis. Under the prior consolidation guidance, the primary beneficiary determination was based upon an assessment of who would absorb a majority of the entity’s expected losses, receive a majority of the entity’s residual returns, or both.

We applied the new consolidation guidance to the Managed Funds and determined that they are not VIEs. Our conclusion that no consolidation of the Managed Funds is required is unchanged under the new consolidation guidance.

Private Equity Interests

We participate in principal capital and private equity activities and as a result, hold interests in a number of limited partnerships (our “Private Equity Interests”). Under the prior consolidation guidance, we concluded our Private Equity Interests were not VIEs, and our consolidation conclusions were based upon the application of the voting interest model. However, under the new consolidation guidance, we have concluded that the Private Equity Interests are VIEs, primarily as a result of the new consolidation model treatment of limited partner kick-out and participation rights. In most of our Private Equity Interests, a simple majority of the limited partners cannot initiate an action to kick-out the general partner without cause and the limited partners with equity at-risk lack substantive participating rights. As such, the Private Equity Interests are deemed to be VIEs.

In our analysis of the criteria to determine whether we are the primary beneficiary of the Private Equity Interests VIEs, we analyze the power and benefits criterion. In a number of these entities, we are a passive limited partner investor, and thus we do not have the power to make decisions that most significantly affect the economic performance of such VIEs. Accordingly, in such circumstances we have determined we are not the primary beneficiary and therefore we do not consolidate the VIE. However, in certain of these entities, we have concluded that we are the primary beneficiary as we meet the power and benefits criteria. In such instances, we consolidate the Private Equity Interests VIE.

The outcome of the application of the new consolidation guidance did not change the determination of which Private Equity Interests required consolidation under application of the prior guidance. Those Private Equity Interests deemed to be VIEs under the new consolidation guidance and for which we concluded we are the primary beneficiary, were previously consolidated through application of the voting interest model under the prior consolidation guidance.

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

As more fully described in Note 2 on page 116 - 117 of our 2016 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, transitional cost assistance, and retention purposes. We present the outstanding balance of loans to financial advisors on our Condensed Consolidated Statements of Financial Condition, net of the allowance for doubtful accounts. Of the gross balance outstanding, the portion associated with financial advisors who are no longer affiliated with us is $23 million and $13 million at June 30, 2017 and September 30, 2016, respectively. Our allowance for doubtful accounts is $7 million and $5 million at June 30, 2017 and September 30, 2016, respectively.

NOTE 3 – ACQUISITIONS

Acquisition announcements

On April 20, 2017, we announced we had entered into a definitive agreement to acquire 100% of the outstanding shares of Scout Investments, Inc. (the “Scout Group”), an asset management and distribution entity, from UMB Financial Corporation. The Scout Group includes Scout Investments (“Scout”) and its Reams Asset Management division (“Reams”), as well as Scout

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Distributors. The addition of Scout, an equity asset manager, and Reams, an institutional-focused fixed income specialist, broadens the investment solutions available to our clients. As of December 31, 2016, Scout and its Reams division had combined assets under management and advisement of approximately $27 billion. Upon completion of this acquisition, which we expect to occur prior to December 31, 2017, the Scout Group will operate within our Asset Management segment.

Acquisitions completed in the prior fiscal year

Mummert & Company Corporate Finance GmbH

On June 1, 2016, we acquired Mummert & Company Corporate Finance GmbH ("Mummert"), a middle market M&A advisory firm headquartered in Munich, Germany, that is focused primarily on the technology, industrial, healthcare, consumer and business services sectors. Mummert's results of operations have been included in our results prospectively from June 1, 2016. See Note 3 on pages 127 - 129 of our 2016 Form 10-K for additional information regarding the Mummert acquisition.

MacDougall, MacDougall & MacTier Inc.

On August 31, 2016, we completed our acquisition of all of the outstanding shares of MacDougall, MacDougall & MacTier Inc. ("3Macs"), an independent investment firm founded in 1849 and headquartered in Montreal, Quebec, Canada. 3Macs' results of operations have been included in our results prospectively from August 31, 2016. See Note 3 on pages 127 - 129 of our 2016 Form 10-K for additional information regarding the 3Macs acquisition.

U.S. Private Client Services unit of Deutsche Bank Wealth Management

On September 6, 2016, we completed an acquisition of certain specified assets and the assumption of certain specified liabilities of the U.S. Private Client Services unit of Deutsche Bank Wealth Management ("Alex. Brown") from Deutsche Bank Securities, Inc. Alex. Brown's results of operations have been included in our results prospectively from September 6, 2016. See Note 3 on pages 127 - 129 of our 2016 Form 10-K for additional information regarding the Alex. Brown acquisition.

The acquisition-related expenses presented on our Condensed Consolidated Statements of Income and Comprehensive Income pertain to certain incremental expenses incurred in connection with the acquisitions described above. The table below provides a summary of acquisition-related expenses incurred in each respective period:

	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
	(in thousands)			
Acquisition and integration related incentive compensation costs (1)	$—	$—	$5,474	$—
Severance (2)	177	—	5,734	—
Early termination costs of assumed contracts	—	—	1,329	—
Information systems integration costs	29	7,610	1,651	9,265
Legal and regulatory	1,509	2,309	2,336	4,232
Post-closing purchase price contingency	—	—	(3,499)	—

DBRSU obligation and related hedge [3]	(28)	2,468	770	5,787
All other	1,679	1,058	3,323	2,048
Total acquisition-related expenses	$3,366	$13,445	$17,118	$21,332

(1) Primarily comprised of non-recurring restricted stock unit ("RSU") grants authorized by the Board of Directors in their November 2016 meeting, made to certain employees and consultants for acquisition-related purposes. See Note 20 for discussion of share-based compensation.

(2) Primarily arising from the 3Macs acquisition. Such costs include severance costs as well as any forgiven employee loan balances and any unamortized balance of the prepaid compensation asset associated with terminated associates, which will not be collected (refer to the discussion of this prepaid asset in Note 3 on page 128, and Note 10 on page 157, each in our 2016 Form 10-K).

(3) The nine months ended June 30, 2017 include a loss on the Deutsche Bank RSU ("DBRSU") awards related to a Deutsche Bank AG ("DB") rights offering during the period, partially offset by a related gain on the DB shares purchased to satisfy the DBRSU obligation, which act as an economic hedge to this obligation. Refer to Note 3 on page 129 of our 2016 Form 10-K, as well as Notes 14 and 20 in this Form 10-Q for more information. The three and nine months ended June 30, 2016 represent the pre-Alex. Brown closing date unrealized loss on DB shares purchased to satisfy the DBRSU obligation.

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 110 of our 2016 Form 10-K.

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

	June 30, 2017	September 30, 2016
	(in thousands)	
Cash and cash equivalents:		
Cash in banks	$2,613,725	$ 1,649,593
Money market fund investments	1,754	859
Total cash and cash equivalents [1]	$2,615,479	$ 1,650,452
Assets segregated pursuant to regulations and other segregated assets [2]	$3,393,008	$ 4,884,487
Deposits with clearing organizations:		
Cash and cash equivalents	$160,787	$ 215,856
Government and agency obligations	50,659	29,508
Total deposits with clearing organizations	$211,446	$ 245,364

(1) The total amounts presented include cash and cash equivalents of $1.47 billion and $810 million as of June 30, 2017 and September 30, 2016, respectively, which are either held directly by RJF in depository accounts at third party financial institutions, held in a depository account at RJ Bank, or are otherwise invested by one of our subsidiaries on behalf of RJF, all of which are available without restrictions.

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

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NOTE 5 – FAIR VALUE

For a discussion of our accounting policies and valuation methodologies for assets and liabilities measured at fair value, and the fair value hierarchy, see Note 2 on pages 110 - 116 of our 2016 Form 10-K. There have been no material changes to our valuation methodologies or our fair value accounting policies since our year ended September 30, 2016.

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

June 30, 2017	Quoted prices in active markets for identical instruments (Level 1) (1)	Significant other observable inputs (Level 2) (1)	Significant unobservable inputs (Level 3)	Netting adjustments (2)	Balance as of June 30, 2017
	(in thousands)				
Assets at fair value on a recurring basis:					
Trading instruments:					
Municipal and provincial obligations	$363	$216,812	$ —	$ —	$217,175
Corporate obligations	9,724	83,414	—	—	93,138
Government and agency obligations	8,149	33,411	—	—	41,560
Agency mortgage-backed securities (“MBS”) and collateralized mortgage obligations (“CMOs”)	1,920	164,716	—	—	166,636
Non-agency CMOs and asset-backed securities (“ABS”)	—	65,502	6	—	65,508
Total debt securities	20,156	563,855	6	—	584,017
Derivative contracts	—	83,873	—	(49,862)	34,011
Equity securities	15,652	25	—	—	15,677
Brokered certificates of deposit	—	60,957	—	—	60,957
Other	43	—	4,595	—	4,638
Total trading instruments	35,851	708,710	4,601	(49,862)	699,300
Available-for-sale securities:					
Agency MBS and CMOs	—	1,877,395	—	—	1,877,395
Other securities	1,407	—	—	—	1,407
Auction rate securities (“ARS”):					
Municipal obligations	—	—	26,075	—	26,075
Preferred securities	—	—	106,114	—	106,114
Total available-for-sale securities	1,407	1,877,395	132,189	—	2,010,991
Private equity investments:					
Measured at fair value	—	—	85,043	—	85,043
Measured at net asset value (“NAV”)					110,994
Total private equity investments	—	—	85,043	—	196,037
Other investments (3)	179,476	333	118	—	179,927

Derivative instruments associated with offsetting matched book positions	—	291,955	—	—	291,955
Deposits with clearing organizations:					
Government and agency obligations	50,659	—	—	—	50,659
Total assets at fair value on a recurring basis	$267,393	$2,878,393	$ 221,951	$ (49,862)	$3,428,869
Assets at fair value on a nonrecurring basis:					
Bank loans, net:					
Impaired loans	$—	$17,933	$ 25,410	$ —	$43,343
Loans held for sale (4)	—	110,516	—	—	110,516
Total bank loans, net	—	128,449	25,410	—	153,859
Other assets: Other real estate owned (“OREO”) (5)	—	506	—	—	506
Total assets at fair value on a nonrecurring basis	$—	$128,955	$ 25,410	$ —	$154,365

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June 30, 2017	Quoted prices in active markets for identical instruments (Level 1) (1)	Significant other observable inputs (Level 2) (1)	Significant unobservable inputs (Level 3)	Netting adjustments (2)	Balance as of June 30, 2017
	(in thousands)				
	(continued from previous page)				
Liabilities at fair value on a recurring basis:					
Trading instruments sold but not yet purchased:					
Municipal and provincial obligations	$647	$910	$ —	$—	$1,557
Corporate obligations	2,564	20,235	—	—	22,799
Government obligations	233,004	—	—	—	233,004
Agency MBS and CMOs	1,456	—	—	—	1,456
Total debt securities	237,671	21,145	—	—	258,816
Derivative contracts	—	99,533	—	(39,153)	60,380
Equity securities	6,304	57	—	—	6,361
Other	—	502	—	—	502
Total trading instruments sold but not yet purchased	243,975	121,237	—	(39,153)	326,059
Derivative instruments associated with offsetting matched book positions	—	291,955	—	—	291,955
Trade and other payables:					
Derivative contracts (6)	—	6,709	—	—	6,709
Other liabilities	—	—	1,202 (7)	—	1,202
Total trade and other payables	—	6,709	1,202	—	7,911
Accrued compensation, commissions and benefits:					
Derivative contracts (8)	—	26,561	—	—	26,561
Total liabilities at fair value on a recurring basis	$243,975	$446,462	$ 1,202	$(39,153)	$652,486

(1) We had $2 million and $4 million in transfers of financial instruments from Level 1 to Level 2 during the three and nine months ended June 30, 2017, respectively. These transfers were a result of decreased market activity in these instruments. Our transfers from Level 2 to Level 1 were insignificant during the three months ended June 30, 2017 and amounted to $1 million during the nine months ended June 30, 2017. These transfers were a result of increased market activity in these instruments. Our policy is to treat transfers between levels as having occurred at the end of the reporting period.

(2) For derivative transactions, where permitted, we have elected to net derivative receivables and derivative payables and the related cash collateral received and paid when a legally enforceable master netting agreement exists. See Note 14 for additional information on the collateral related to our derivative contracts and Note 15 for information on offsetting financial instruments.

(3) Other investments include $43 million of financial instruments that are related to obligations to perform under certain deferred compensation plans (see Note 2 on page 116 and Note 24 on pages 186 - 191 of our 2016 Form 10-K, for further information regarding these plans), and DB shares with a fair value of $20 million as of June 30, 2017 which we hold as an economic hedge against the DBRSU obligation (see Note 20 for additional information).

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

(5) 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.

(6) Consists of derivatives arising from RJ Bank’s business operations. See Note 14 for additional information.

(7) Includes the fair value of forward commitments to purchase GNMA or FNMA (as hereinafter defined) MBS arising from our fixed income public finance operations. See Note 2 and Note 21 of our 2016 Form 10-K for additional information.

(8) The balance reflects the DBRSU obligation from our acquisition of Alex. Brown. See Notes 14 and 20 for additional information.

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September 30, 2016	Quoted prices in active markets for identical instruments (Level 1) (1)	Significant other observable inputs (Level 2) (1)	Significant unobservable inputs (Level 3)	Netting adjustments (2)	Balance as of September 30, 2016
	(in thousands)				
Assets at fair value on a recurring basis:					
Trading instruments:					
Municipal and provincial obligations	$480	$273,683	$ —	$—	$274,163
Corporate obligations	10,000	122,885	—	—	132,885
Government and agency obligations	6,412	43,186	—	—	49,598
Agency MBS and CMOs	413	164,250	—	—	164,663
Non-agency CMOs and ABS	—	34,421	7	—	34,428
Total debt securities	17,305	638,425	7	—	655,737
Derivative contracts	—	163,242	—	(107,539)	55,703
Equity securities	14,529	1,500	—	—	16,029
Brokered certificates of deposit	—	35,206	—	—	35,206
Other	555	3	3,572	—	4,130
Total trading instruments	32,389	838,376	3,579	(107,539)	766,805
Available-for-sale securities:					
Agency MBS and CMOs	—	682,297	—	—	682,297
Non-agency CMOs	—	50,519	—	—	50,519
Other securities	1,417	—	—	—	1,417
ARS:					
Municipal obligations	—	—	25,147	—	25,147
Preferred securities	—	—	100,018	—	100,018
Total available-for-sale securities	1,417	732,816	125,165	—	859,398
Private equity investments:					
Measured at fair value	—	—	83,165	—	83,165
Measured at NAV					111,469
Total private equity investments	—	—	83,165	—	194,634
Other investments (3)	296,146	257	441	—	296,844
Derivative instruments associated with offsetting matched book positions	—	422,196	—	—	422,196
Deposits with clearing organizations:					
Government and agency obligations	29,508	—	—	—	29,508
Other assets:					
Derivative contracts (4)	—	2,016	—	—	2,016
Other assets	—	—	2,448 (5)	—	2,448

Total other assets	—	2,016	2,448	—	4,464
Total assets at fair value on a recurring basis	$359,460	$1,995,661	$ 214,798	$(107,539)	$2,573,849
Assets at fair value on a nonrecurring basis:					
Bank loans, net:					
Impaired loans	$—	$23,146	$ 47,982	$—	$71,128
Loans held for sale [(6)]	—	18,177	—	—	18,177
Total bank loans, net	—	41,323	47,982	—	89,305
Other assets: OREO [(7)]	—	679	—	—	679
Total assets at fair value on a nonrecurring basis	$—	$42,002	$ 47,982	$—	$89,984

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September 30, 2016	Quoted prices in active markets for identical instruments (Level 1) (1)	Significant other observable inputs (Level 2) (1)	Significant unobservable inputs (Level 3)	Netting adjustments (2)	Balance as of September 30, 2016
	(in thousands)				
	(continued from previous page)				
Liabilities at fair value on a recurring basis:					
Trading instruments sold but not yet purchased:					
Municipal and provincial obligations	$1,161	$—	$ —	$—	$1,161
Corporate obligations	1,283	29,791	—	—	31,074
Government obligations	266,682	—	—	—	266,682
Agency MBS and CMOs	2,804	—	—	—	2,804
Total debt securities	271,930	29,791	—	—	301,721
Derivative contracts	—	151,694	—	(142,859)	8,835
Equity securities	18,382	—	—	—	18,382
Total trading instruments sold but not yet purchased	290,312	181,485	—	(142,859)	328,938
Derivative instruments associated with offsetting matched book positions	—	422,196	—	—	422,196
Trade and other payables:					
Derivative contracts (4)	—	26,671	—	—	26,671
Other liabilities	—	—	67	—	67
Total trade and other payables	—	26,671	67	—	26,738
Accrued compensation, commissions and benefits:					
Derivative contracts (8)	—	17,769	—	—	17,769
Total liabilities at fair value on a recurring basis	$290,312	$648,121	$ 67	$(142,859)	$795,641

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

(1) We had $3 million in transfers of financial instruments from Level 1 to Level 2 during the year ended September 30, 2016. These transfers were a result of decreased market activity in these instruments. We had $1 million in transfers of financial instruments from Level 2 to Level 1 during the year ended September 30, 2016. These transfers were a result of an increased market activity in these instruments. Our policy is to treat transfers between levels of the fair value hierarchy as having occurred at the end of the reporting period.

(2) For derivative transactions not cleared through a clearing organization, and where permitted, we have elected to net derivative receivables and derivative payables and the related cash collateral received and paid when a legally enforceable master netting agreement exists (see Note 15 for additional information regarding offsetting financial instruments). Deposits associated with derivative transactions cleared through a clearing organization are included in deposits with clearing organizations on our Condensed Consolidated

Statements of Financial Condition as of September 30, 2016.

(3) Other investments include $77 million of financial instruments that are related to obligations to perform under certain deferred compensation plans (see Note 2 and Note 24 of our 2016 Form 10-K for further information regarding these plans) and DB shares with a fair value of $12 million as of September 30, 2016 which we hold as an economic hedge against the DBRSU obligation (see Notes 2, 18, and 24 of our 2016 Form 10-K for additional information).

(4) Consists of derivatives arising from RJ Bank's business operations. See Note 14 for additional information.

(5) Includes the fair value of forward commitments to purchase GNMA or FNMA (as hereinafter defined) MBS arising from our fixed income public finance operations. See Note 2 and Note 21 of our 2016 Form 10-K for additional information.

(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 Consolidated Statements of Financial Condition is net of the estimated selling costs.

(8) The balance reflects the DBRSUs obligation from our acquisition of Alex. Brown. See Notes 14 and 20 for additional information.

The adjustment to fair value of the nonrecurring fair value measures for the nine months ended June 30, 2017 resulted in a $1 million increase to the provision for loan losses relating to impaired loans and an insignificant amount of other losses relating to loans held for sale and OREO. The adjustment to fair value of the nonrecurring fair value measures for the nine months ended June 30, 2016 resulted in a $7 million additional provision for loan losses relating to impaired loans and an insignificant amount of other losses relating to loans held for sale and OREO.

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Changes in Level 3 recurring fair value measurements

The realized and unrealized gains and losses for assets and liabilities within the Level 3 category presented in the tables below may include changes in fair value that were attributable to both observable and unobservable inputs. Our policy is to treat transfers between levels of the fair value hierarchy as having occurred at the end of the reporting period.

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

Three months ended June 30, 2017 Level 3 instruments at fair value
(in thousands)

	Financial assets							Financial liabilities
	Trading instruments		Available-for-sale securities		Private equity, other investments and other assets			Payables-trade and other
	Non-agency CMOs & ABS	Other	ARS – municipal obligations	ARS - preferred securities	Private equity investments	Other investments	Other assets	Other liabilities
Fair value beginning of period	$7	$13,141	$25,728	$105,418	$88,623	$ 374	$2,148	$(64)
Total gains/(losses) for the period:								
Included in earnings	—	(379)	—	—	3,995	(26)	(2,148)	(1,138)
Included in other comprehensive income	—	—	347	696	—	—	—	—
Purchases and contributions	—	14,449	—	—	—	—	—	—
Sales	—	(22,616)	—	—	(168)	(230)	—	—
Distributions	(1)	—	—	—	(7,407)	—	—	—
Transfers:								
Into Level 3	—	—	—	—	—	—	—	—
Out of Level 3	—	—	—	—	—	—	—	—
Fair value end of period	$6	$4,595	$26,075	$106,114	$85,043	$ 118	$—	$(1,202)
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	$—	$(284)	$347	$696	$3,983	$ 3	$—	$(3,286)

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Nine months ended June 30, 2017 Level 3 instruments at fair value
(in thousands)

	Financial assets							Financial liabilities
	Trading instruments		Available-for-sale securities		Private equity, other investments and other assets			Payables-trade and other
	Non-agency CMOs & ABS	Other	ARS – municipal obligations	ARS - preferred securities	Private equity investments	Other investments	Other assets	Other liabilities
Fair value beginning of period	$7	$3,572	$25,147	$100,018	$83,165	$ 441	$2,448	$(67)
Total gains/(losses) for the period:								
Included in earnings	—	(903)	—	1	4,285	117	(2,448)	(1,135)
Included in other comprehensive income	—	—	928	6,118	—	—	—	—
Purchases and contributions	—	55,550	—	—	5,168	—	—	—
Sales	—	(53,624)	—	(23)	(168)	(245)	—	—
Distributions	(1)	—	—	—	(7,407)	—	—	—
Transfers:								
Into Level 3	—	—	—	—	—	—	—	—
Out of Level 3	—	—	—	—	—	(195)	—	—
Fair value end of period	$6	$4,595	$26,075	$106,114	$85,043	$ 118	$—	$(1,202)
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	$—	$(510)	$928	$6,117	$4,284	$ 3	$—	$(3,586)

Three months ended June 30, 2016 Level 3 instruments at fair value
(in thousands)

	Financial assets							Financial liabilities
	Trading instruments		Available-for-sale securities		Private equity, other investments and other assets			Payables-trade and other
	Non-agency CMOs & ABS	Other	ARS – municipals obligations	ARS - preferred securities	Private equity investments (1)	Other investments	Other assets	Other liabilities
Fair value beginning of period	$8	$14,296	$25,422	$102,599	$73,139	$ 439	$3,112	$ (67)
Total gains/(losses) for the period:								

Included in earnings	—	(48)	—	—	12,073	(10)	1,788	—
Included in other comprehensive income	—	—	(529)	(2,453)	—	—	—	—
Purchases and contributions	—	5,598	—	—	—	—	—	—
Sales	—	(14,715)	—	—	—	—	—	—
Distributions	(1)	—	—	—	—	(4)	—	—
Transfers:								
Into Level 3	—	—	—	—	—	—	—	—
Out of Level 3	—	—	—	—	—	—	—	—
Fair value end of period	$7	$5,131	$24,893	$100,146	$85,212	$ 425	$4,900	$ (67)
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	$(34)	$(529)	$(2,453)	$12,073	$ (9)	$1,788	$ —

(1) Effective September 30, 2016, we adopted new accounting guidance related to the classification and disclosure of certain investments using NAV as a practical expedient to measure the fair value of the investment. The prior year amounts reflect the effect of reclassifications to conform the prior year period to current period presentation.

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Nine months ended June 30, 2016 Level 3 instruments at fair value
(in thousands)

	Financial assets								Financial liabilities
	Trading instruments			Available-for-sale securities		Private equity, other investments and other assets			Payables-trade and other
	Corporate obligations	Non-agency CMOs & ABS	Other	ARS – municipal obligations	ARS - preferred securities	Private equity investments (1)	Other investments	Other assets	Other liabilities
Fair value beginning of period	$156	$9	$1,986	$28,015	$110,749	$77,435	$ 565	$4,975	$ (58)
Total gains/(losses) for the period:									
Included in earnings	(137)	—	(397)	133	—	12,073	1	(75)	—
Included in other comprehensive income	—	—	—	(1,647)	(10,603)	—	—	—	—
Purchases and contributions	75	—	44,085	—	—	915	—	—	(9)
Sales	(94)	—	(40,543)	(1,583)	—	(18)	—	—	—
Redemptions by issuer	—	—	—	(25)	—	—	(18)	—	—
Distributions	—	(2)	—	—	—	(5,193)	(123)	—	—
Transfers:									
Into Level 3	—	—	—	—	—	—	—	—	—
Out of Level 3	—	—	—	—	—	—	—	—	—
Fair value end of period	$—	$7	$5,131	$24,893	$100,146	$85,212	$ 425	$4,900	$ (67)
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	$(40)	$2	$(105)	$(1,602)	$(10,603)	$12,073	$ 2	$(75)	$ —

(1) Effective September 30, 2016, we adopted new accounting guidance related to the classification and disclosure of certain investments using NAV as a practical expedient to measure the fair value of the investment. The prior year amounts reflect the effect of reclassifications to conform the prior year period to current period presentation.

As of June 30, 2017, 10% of our assets and 2% of our liabilities are instruments measured at fair value on a recurring basis. Instruments measured at fair value on a recurring basis categorized as Level 3 as of June 30, 2017 represent 6% of our assets measured at fair value. In comparison, as of June 30, 2016, 8% of our assets and 3% of our liabilities, represented instruments measured at fair value on a recurring basis. Instruments measured at fair value on a recurring basis categorized as Level 3 as of June 30, 2016 represented 10% of our assets measured at fair value. Level 3 instruments as a percentage of total financial instruments decreased as compared to June 30, 2016, primarily as a result of the increase in total assets measured at fair value since June 30, 2016.

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Gains/(losses) related to Level 3 recurring fair value measurements included in earnings are presented in net trading profit, other revenues and other comprehensive income in our Condensed Consolidated Statements of Income and Comprehensive Income as follows:

	Net trading profit	Other revenues	Other comprehensive income
	(in thousands)		
For the three months ended June 30, 2017			
Total gains/(losses) included in earnings	$(379)	$683	$ 1,043
Change in unrealized gains/(losses) for assets held at the end of the reporting period	$(284)	$700	$ 1,043
For the nine months ended June 30, 2017			
Total gains/(losses) included in earnings	$(903)	$820	$ 7,046
Change in unrealized gains/(losses) for assets held at the end of the reporting period	$(510)	$701	$ 7,045
For the three months ended June 30, 2016			
Total gains/(losses) included in earnings	$(48)	$13,851	$ (2,982)
Change in unrealized gains/(losses) for assets held at the end of the reporting period	$(33)	$13,852	$ (2,982)
For the nine months ended June 30, 2016			
Total gains/(losses) included in earnings	$(534)	$12,132	$ (12,250)
Change in unrealized gains/(losses) for assets held at the end of the reporting period	$(143)	$12,000	$ (12,205)

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Quantitative information about level 3 fair value measurements

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

Level 3 financial instrument	Fair value at June 30, 2017 (in thousands)	Valuation technique(s)	Unobservable input	Range (weighted-average)
Recurring measurements:				
Available-for-sale securities:				
ARS:				
Municipal obligations - issuer is a municipality	$ 10,739	Scenario 1 - recent trades	Observed trades (in inactive markets) of in-portfolio securities	80% of par - 80% of par (80% of par)
		Scenario 2 - Discounted cash flow	Average discount rate(a)	6.12% - 7.19% (6.65%)
			Average interest rates applicable to future interest income on the securities(b)	2.54% - 3.19% (2.87%)
			Prepayment year(c)	2019 - 2026 (2023)
			Weighting assigned to outcome of scenario1 / scenario 2	25%/75%
Municipal obligations - tax-exempt preferred securities	$ 15,336	Discounted cash flow	Average discount rate(a)	5.08% - 6.08% (5.58%)
			Average interest rates applicable to future interest income on the securities(b)	1.71% - 1.71% (1.71%)
			Prepayment year(c)	2017 - 2021 (2021)
Preferred securities - taxable	$ 106,114	Discounted cash flow	Average discount rate(a)	5.36% - 6.79% (5.95%)
			Average interest rates applicable to future interest income on the securities(b)	2.33% - 3.10% (2.45%)
			Prepayment year(c)	2017 - 2021 (2021)
Private equity investments (not	$ 64,394	Income or market approach:		

measured at NAV):				
		Scenario 1 - income approach - discounted cash flow	Discount rate[(a)]	13% - 25% (18.3%)
			Terminal growth rate of cash flows	3% - 3% (3%)
			Terminal year	2019 - 2042 (2021)
		Scenario 2 - market approach - market multiple method	EBITDA Multiple[(d)]	5.25 - 7.5 (6.2)
			Weighting assigned to outcome of scenario 1/scenario 2	83%/17%
	$ 20,649	Transaction price or other investment-specific events[(e)]	Not meaningful[(e)]	Not meaningful[(e)]
Nonrecurring measurements:				
Impaired loans: residential	$ 20,857	Discounted cash flow	Prepayment rate	7 yrs. - 12 yrs. (10.3 yrs.)
Impaired loans: corporate	$ 4,553	Appraisal or discounted cash flow value[(f)]	Not meaningful[(f)]	Not meaningful[(f)]

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

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

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

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

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

(f) The valuation techniques used for the impaired corporate loan portfolio are appraisals less selling costs for the collateral dependent loans and discounted cash flows for impaired loans that are not collateral dependent.

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Qualitative disclosure about unobservable inputs

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

Auction rate securities:

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

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

Private equity investments:

The significant unobservable inputs used in the fair value measurement of private equity investments relate to the financial performance of the investment entity and the market's required return on investments from entities in industries in which we hold investments. Significant increases (or decreases) in our investment entities' future economic performance will have a corresponding increase (or decrease) 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.

Investments in private equity measured at net asset value per share

As more fully described in Note 2 on pages 115 - 116 of our 2016 Form 10-K, as a practical expedient, we utilize NAV or its equivalent to determine the recorded value of a portion of our private equity portfolio.

Our private equity portfolio as of June 30, 2017 includes various direct and third party private equity investments, and various private equity funds which we sponsor. The portfolio is primarily invested in a broad range of industries including leveraged buyouts, growth capital, distressed capital, venture capital and mezzanine capital.

Due to the closed-end nature of certain of our fund investments, such investments cannot be redeemed directly with the funds. Our investment is monetized through distributions received through the liquidation of the underlying assets of those funds.

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The recorded value and unfunded commitments related to our private equity portfolio are as follows:

		Unfunded commitment [1]		
	Recorded value	RJF	Noncontrolling interests	Total
	(in thousands)			
June 30, 2017				
Private equity investments at NAV	$110,994 [2]	$21,684	$ 2,463	$24,147
Private equity investments at fair value	85,043			
Total private equity investments	$196,037 [3]			
September 30, 2016				
Private equity investments at NAV	$111,469	$27,542	$ 3,001	$30,543
Private equity investments at fair value	83,165			
Total private equity investments	$194,634 [3]			

(1) Unfunded commitments related to the portion of underlying investments held in our private equity portfolio. Such commitments are required to be funded either by RJF or by the holders of the noncontrolling interests.

(2) We anticipate 89% of these funds will be liquidated over a period of five years or less. The remaining 11% of these funds we anticipate to be liquidated over a period of six to nine years.

(3) The portions of these investments we do not own are $48 million and $51 million as of June 30, 2017 and September 30, 2016, respectively, and as such are included as a component of noncontrolling interest in our Condensed Consolidated Statements of Financial Condition. Of the total private equity investments, the weighted average portion we own is $148 million or 75% and $144 million or 74% as of June 30, 2017 and September 30, 2016, respectively.

Many of these fund investments meet the definition of prohibited “covered funds” as defined by the Volcker Rule of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Volcker Rule”). During the quarter ended March 31, 2017, we received approval from the Board of Governors of the Federal Reserve System (the “Fed”) to continue to hold the majority of our “covered fund” investments for up to an additional five-year conformance period, thereby extending our applicable holding period until July 2022 for such investments.

Fair value option

The fair value option is an accounting election that allows the reporting entity to apply fair value accounting for certain financial assets and liabilities on an instrument by instrument basis. As of June 30, 2017, we have not elected the fair value option for any of our financial assets or liabilities not already recorded at fair value.

Other fair value disclosures

Many, but not all, of the financial instruments we hold are recorded at fair value in the Condensed Consolidated Statements of Financial Condition. Refer to Note 5 on pages 140 - 142 of our 2016 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.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

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 instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total estimated fair value	Carrying amount
	(in thousands)				
June 30, 2017					
Financial assets:					
Bank loans, net [1]	$—	$60,896	$16,350,769	$16,411,665	$16,476,332
Loans to financial advisors, net	$—	$—	$726,067	$726,067	$865,789
Financial liabilities:					
Bank deposits	$—	$16,017,497	$292,240	$16,309,737	$16,310,881
Other borrowings [2]	$—	$30,472	$—	$30,472	$29,982
Senior notes payable	$—	$1,992,283	$—	$1,992,283	$1,848,021
September 30, 2016					
Financial assets:					
Bank loans, net [1]	$—	$196,109	$14,925,802	$15,121,911	$15,121,430
Loans to financial advisors, net	$—	$—	$706,717	$706,717	$838,721
Financial liabilities:					
Bank deposits	$—	$13,947,310	$318,228	$14,265,538	$14,262,547
Other borrowings [2]	$—	$34,520	$—	$34,520	$33,391
Senior notes payable	$362,180	$1,452,071	$—	$1,814,251	$1,680,587

(1) Excludes all impaired loans and loans held for sale which have been recorded at fair value in the Condensed Consolidated Statements of Financial Condition at June 30, 2017 and September 30, 2016.

(2) Excludes the components of other borrowings that are recorded at amounts that approximate their fair value in the Condensed Consolidated Statements of Financial Condition at June 30, 2017 and September 30, 2016.

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

The following table presents trading instruments and trading instruments sold but not yet purchased at fair value.

	June 30, 2017		September 30, 2016	
	Trading instruments	Trading instruments sold but not yet purchased	Trading instruments	Trading instruments sold but not yet purchased
	(in thousands)			
Municipal and provincial obligations	$217,175	$ 1,557	$274,163	$ 1,161
Corporate obligations	93,138	22,799	132,885	31,074
Government and agency obligations	41,560	233,004	49,598	266,682
Agency MBS and CMOs	166,636	1,456	164,663	2,804
Non-agency CMOs and ABS	65,508	—	34,428	—
Total debt securities	584,017	258,816	655,737	301,721
Derivative contracts (1)	34,011	60,380	55,703	8,835
Equity securities	15,677	6,361	16,029	18,382
Brokered certificates of deposit	60,957	—	35,206	—
Other	4,638	502	4,130	—
Total	$699,300	$ 326,059	$766,805	$ 328,938

(1) Represents the derivative instruments held for trading purposes. These balances do not include all derivative instruments. See Note 14 for further information regarding all of our derivative transactions, and see Note 15 for additional information regarding offsetting financial instruments.

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

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
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NOTE 7 – AVAILABLE-FOR-SALE SECURITIES

Available-for-sale securities are comprised of MBS and CMOs owned by RJ Bank and ARS owned by one of our non-broker-dealer subsidiaries. Refer to the discussion of our available-for-sale securities accounting policies, including the fair value determination process, in Note 2 on pages 113 - 114 of our 2016 Form 10-K.

There were $33 million and $66 million of proceeds from the sale of available-for-sale securities held by RJ Bank during the three and nine months ended June 30, 2017, respectively, and the related gains on such sales were $1 million in the three and nine months ended June 30, 2017. There were no sales of available-for-sale securities held by RJ Bank during the three and nine months ended June 30, 2016.

The proceeds from the sale of ARS during the three and nine months ended June 30, 2017 were insignificant. There were no proceeds from the sale or redemption of ARS during the three months ended June 30, 2016. There were $2 million of proceeds and an insignificant gain from the sale or redemption of ARS during the nine months ended June 30, 2016.

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

	Cost basis	Gross unrealized gains	Gross unrealized losses	Fair value
	(in thousands)			
June 30, 2017				
Available-for-sale securities:				
Agency MBS and CMOs	$1,886,224	$ 1,497	$(10,326)	$1,877,395
Other securities	1,575	—	(168)	1,407
Total RJ Bank available-for-sale securities	1,887,799	1,497	(10,494)	1,878,802
Auction rate securities:				
Municipal obligations	27,491	53	(1,469)	26,075
Preferred securities	103,204	2,952	(42)	106,114
Total auction rate securities	130,695	3,005	(1,511)	132,189
Total available-for-sale securities	$2,018,494	$ 4,502	$(12,005)	$2,010,991
September 30, 2016				
Available-for-sale securities:				
Agency MBS and CMOs	$680,341	$ 2,512	$(556)	$682,297
Non-agency CMOs [(1)]	53,427	9	(2,917)	50,519
Other securities	1,575	—	(158)	1,417
Total RJ Bank available-for-sale securities	735,343	2,521	(3,631)	734,233
Auction rate securities:				
Municipal obligations	27,491	14	(2,358)	25,147
Preferred securities	103,226	—	(3,208)	100,018
Total auction rate securities	130,717	14	(5,566)	125,165

Total available-for-sale securities	$866,060	$ 2,535	$(9,197)	$859,398

(1) As of September 30, 2016 the non-credit portion of unrealized losses related to non-agency CMOs with previously recorded other-than-temporary impairment (“OTTI”) before taxes was $2 million, recorded in accumulated other comprehensive income/(loss) (“AOCI”). See Note 18 for additional information. During the nine months ended June 30, 2017 we sold the remainder of our non-agency CMOs.

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 (MBS & CMOs) are backed by mortgages, actual maturities will differ from contractual maturities because borrowers may have the right to prepay obligations without prepayment penalties. Expected maturities of ARS may differ significantly from contractual maturities, as issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	June 30, 2017				
	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	$—	$82,424	$604,942	$1,198,858	$1,886,224
Carrying value	—	82,104	602,338	1,192,953	1,877,395
Weighted-average yield	—	1.90 %	1.88 %	2.04 %	1.98 %
Other securities:					
Amortized cost	$—	$—	$—	$1,575	$1,575
Carrying value	—	—	—	1,407	1,407
Weighted-average yield	—	—	—	—	—
Sub-total agency MBS & CMOs and other securities:					
Amortized cost	$—	$82,424	$604,942	$1,200,433	$1,887,799
Carrying value	—	82,104	602,338	1,194,360	1,878,802
Weighted-average yield	—	1.90 %	1.88 %	2.04 %	1.98 %
Auction rate securities:					
Municipal obligations					
Amortized cost	$—	$—	$—	$27,491	$27,491
Carrying value	—	—	—	26,075	26,075
Weighted-average yield	—	—	—	1.88 %	1.88 %
Preferred securities:					
Amortized cost	$—	$—	$—	$103,204	$103,204
Carrying value	—	—	—	106,114	106,114
Weighted-average yield	—	—	—	2.13 %	2.13 %
Sub-total auction rate securities:					
Amortized cost	$—	$—	$—	$130,695	$130,695
Carrying value	—	—	—	132,189	132,189
Weighted-average yield	—	—	—	2.08 %	2.08 %

Total available-for-sale securities:							
Amortized cost	$—	$82,424		$604,942		$1,331,128	$2,018,494
Carrying value	—	82,104		602,338		1,326,549	2,010,991
Weighted-average yield	—	1.90	%	1.88	%	2.04 %	1.99 %

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

	June 30, 2017					
	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	$1,305,585	$(9,778)	$63,461	$(548)	$1,369,046	$(10,326)
Other securities	1,407	(168)	—	—	1,407	(168)
ARS municipal obligations	—	—	22,659	(1,469)	22,659	(1,469)
ARS preferred securities	1,488	(42)	—	—	1,488	(42)
Total	$1,308,480	$(9,988)	$86,120	$(2,017)	$1,394,600	$(12,005)

	September 30, 2016					
	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	$208,880	$(361)	$28,893	$(195)	$237,773	$(556)
Non-agency CMOs	4,256	(21)	44,137	(2,896)	48,393	(2,917)
Other securities	1,417	(158)	—	—	1,417	(158)
ARS municipal obligations	13,204	(697)	11,695	(1,661)	24,899	(2,358)
ARS preferred securities	98,489	(3,208)	—	—	98,489	(3,208)
Total	$326,246	$(4,445)	$84,725	$(4,752)	$410,971	$(9,197)

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 Home Loan Mortgage Corporation ("FHLMC"), Federal National Mortgage Association ("FNMA"), as well as the Government National Mortgage Association ("GNMA"), guarantee the contractual cash flows of the agency MBS and CMOs. At June 30, 2017 of the 118 U.S. government-sponsored enterprise MBS and CMOs in an unrealized loss position, 110 were in a continuous unrealized loss position for less than 12 months and eight 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

During the nine months ended June 30, 2017 we sold the remainder of our non-agency CMOs. In prior periods, all individual non-agency securities were evaluated for OTTI on a quarterly basis. Only those non-agency CMOs whose amortized cost basis we did not expect to recover in full were considered to be other than temporarily impaired, as we had the ability and intent to hold these securities to maturity.

ARS

Our cost basis in the ARS we hold is the fair value of the securities in the period in which we acquired them. The par value of the ARS we hold as of June 30, 2017 is $153 million. Only those ARS whose amortized cost basis we do not expect to recover in full are considered to be other-than-temporarily impaired, as we have the ability and intent to hold these securities to maturity. All of our ARS securities are evaluated for OTTI on a quarterly basis.

As of June 30, 2017, there was one ARS preferred security with a fair value less than its cost basis, indicating potential impairment. We analyzed the credit ratings associated with the security as an indicator of potential credit impairment and, including subsequent ratings changes, determined that this security maintained an investment grade rating by at least one rating agency. We have the ability and intent to hold this ARS preferred security to maturity and expect to recover the entire cost basis and therefore concluded that none of the potential impairment is related to potential credit loss.

Within our municipal ARS holdings as of June 30, 2017, there were eight municipal ARS with a fair value less than their cost basis, indicating potential impairment. We analyzed the credit ratings associated with these securities as an indicator of potential credit impairment and, including subsequent ratings changes, determined that all of these securities maintained investment grade ratings by at least one rating agency. We have the ability and intent to hold these securities to maturity and expect to recover their entire cost basis and therefore concluded that none of the potential impairment within our municipal ARS portfolio is related to potential credit loss.

Other-than-temporarily impaired securities

There is no intent to sell our ARS and it is not more likely than not that we will be required to sell these securities as of June 30, 2017.

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

	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
	(in thousands)			
Amount related to credit losses on securities we held at the beginning of the period	$5,754	$11,847	$8,107	$11,847
Decreases to the amount related to credit loss for securities sold during the period	(5,754)	—	(8,107)	—
Amount related to credit losses on securities we held at the end of the period	$—	$11,847	$—	$11,847

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

For a discussion of our accounting policies regarding bank loans and allowances for losses, including the policies regarding loans held for investment, loans held for sale, off-balance sheet loan commitments, nonperforming assets, troubled debt restructurings (“TDRs”), impaired loans, the allowance for loan losses and reserve for unfunded lending commitments, and loan charge-off policies, see Note 2 on pages 117 – 121 of our 2016 Form 10-K.

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

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

	June 30, 2017		September 30, 2016	
	Balance	%	Balance	%
	($ in thousands)			
Loans held for sale, net [1]	$181,186	1 %	$214,286	1 %
Loans held for investment:				
Domestic:				
C&I loans	6,053,369	36 %	6,402,675	42 %
CRE construction loans	109,884	1 %	107,437	1 %
CRE loans	2,620,810	15 %	2,188,652	14 %
Tax-exempt loans	986,790	6 %	740,944	5 %
Residential mortgage loans	2,960,090	18 %	2,439,286	16 %
SBL	2,278,474	13 %	1,903,930	12 %
Foreign:				
C&I loans	1,200,402	7 %	1,067,698	7 %
CRE construction loans	—	—	15,281	—
CRE loans	463,861	3 %	365,419	2 %
Residential mortgage loans	2,827	—	2,283	—
SBL	915	—	897	—
Total loans held for investment	16,677,422		15,234,502	
Net unearned income and deferred expenses	(36,814)		(40,675)	
Total loans held for investment, net [1]	16,640,608		15,193,827	
Total loans held for sale and investment	16,821,794	100%	15,408,113	100%
Allowance for loan losses	(191,603)		(197,378)	
Bank loans, net	$16,630,191		$15,210,735	

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

At June 30, 2017, the Federal Home Loan Bank of Atlanta ("FHLB") had a blanket lien on RJ Bank's residential mortgage loan portfolio as security for the repayment of certain borrowings. See Note 12 for more information regarding borrowings from the FHLB.

Loans held for sale

RJ Bank originated or purchased $449 million and $1.28 billion of loans held for sale during the three and nine months ended June 30, 2017, respectively, and $339 million and $1.36 billion during the three and nine months ended June 30, 2016. Proceeds from the sale of these held for sale loans amounted to $114 million and $349 million during the three and nine months ended June 30, 2017, respectively, and $73 million and $244 million during the three and nine months ended June 30, 2016. Net gains resulting from such sales and the 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 insignificant in all periods during the three and nine months ended June 30, 2017 and 2016.

Purchases and sales of loans held for investment

As more fully described in Note 2 of our 2016 Form 10-K, corporate loan sales generally occur as part of a loan workout situation.

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

	C&I	CRE	Residential mortgage	Total
	(in thousands)			
Three months ended June 30, 2017				
Purchases	$103,013	$—	$100,104	$203,117
Sales (1)	$123,225	$—	$—	$123,225
Nine months ended June 30, 2017				
Purchases	$300,665	$38,980	$190,523	$530,168
Sales (1)	$295,754	$—	$—	$295,754
Three months ended June 30, 2016				
Purchases	$144,604	$12,804	$90,801	$248,209
Sales (1)	$21,003	$—	$—	$21,003
Nine months ended June 30, 2016				
Purchases	$293,711	$19,844	$301,624	$615,179
Sales (1)	$92,818	$—	$—	$92,818

(1) Represents the recorded investment of loans held for investment that were transferred to loans held for sale and subsequently sold to a third party during the respective period. Corporate loan sales generally occur as part of a loan workout situation.

Aging analysis of loans held for investment

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

	30-89 days and accruing	90 days or more and accruing	Total past due and accruing	Nonaccrual (1)	Current and accruing	Total loans held for investment (2)
	(in thousands)					
As of June 30, 2017:						
C&I loans	$—	$ —	$ —	$ 6,244	$7,247,527	$7,253,771
CRE construction loans	—	—	—	—	109,884	109,884
CRE loans	—	—	—	—	3,084,671	3,084,671
Tax-exempt loans	—	—	—	—	986,790	986,790
Residential mortgage loans:						
First mortgage loans	799	—	799	36,681	2,900,208	2,937,688
Home equity loans/lines	—	—	—	31	25,198	25,229
SBL	—	—	—	—	2,279,389	2,279,389
Total loans held for investment, net	$799	$ —	$ 799	$ 42,956	$16,633,667	$16,677,422

As of September 30, 2016:

C&I loans	$—	$ —	$ —	$ 35,194	$7,435,179	$7,470,373
CRE construction loans	—	—	—	—	122,718	122,718
CRE loans	—	—	—	4,230	2,549,841	2,554,071
Tax-exempt	—	—	—	—	740,944	740,944
Residential mortgage loans:						
First mortgage loans	1,766	—	1,766	41,746	2,377,357	2,420,869
Home equity loans/lines	—	—	—	37	20,663	20,700
SBL	—	—	—	—	1,904,827	1,904,827
Total loans held for investment, net	$1,766	$ —	$ 1,766	$ 81,207	$15,151,529	$15,234,502

(1) Includes $19 million and $54 million of nonaccrual loans at June 30, 2017 and September 30, 2016, respectively, which are performing pursuant to their contractual terms.

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

Other real estate owned, included in other assets on our Condensed Consolidated Statements of Financial Condition, was $4 million and $5 million at June 30, 2017 and September 30, 2016, respectively. The recorded investment of mortgage loans secured

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by one-to-four family residential properties for which formal foreclosure proceedings are in process was $21 million at both June 30, 2017 and September 30, 2016.

Impaired loans

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

	June 30, 2017			September 30, 2016		
	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	$6,244	$7,035	$ 1,691	$35,194	$35,872	$ 13,351
Residential - first mortgage loans	24,248	32,324	2,370	30,393	41,337	3,147
Total	30,492	39,359	4,061	65,587	77,209	16,498
Impaired loans without allowance for loan losses: (2)						
CRE loans	—	—	—	4,230	11,611	—
Residential - first mortgage loans	16,912	25,575	—	17,809	26,486	—
Total	16,912	25,575	—	22,039	38,097	—
Total impaired loans	$47,404	$64,934	$ 4,061	$87,626	$115,306	$ 16,498

(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 $27 million residential first mortgage TDR's at June 30, 2017, and $4 million CRE and $28 million residential first mortgage TDR's at September 30, 2016.

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

	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
	(in thousands)			
Average impaired loan balance:				
C&I loans	$8,606	$18,836	$21,491	$12,200
CRE loans	—	4,408	925	4,540
Residential mortgage loans:				
First mortgage loans	42,356	50,797	44,813	52,414

Total	$50,962	$74,041	$67,229	$69,154
Interest income recognized:				
Residential mortgage loans:				
First mortgage loans	$304	$320	$1,239	$1,018
Total	$304	$320	$1,239	$1,018

Credit quality indicators

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

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

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

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

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

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

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

	Pass	Special mention(1)	Substandard(1)	Doubtful(1)	Total
	(in thousands)				
June 30, 2017					
C&I	$7,122,329	$33,050	$98,392	$—	$7,253,771
CRE construction	109,884	—	—	—	109,884
CRE	3,003,084	81,458	129	—	3,084,671
Tax-exempt	986,790	—	—	—	986,790
Residential mortgage:					
First mortgage	2,880,167	9,145	48,376	—	2,937,688
Home equity	25,120	76	33	—	25,229
SBL	2,279,389	—	—	—	2,279,389
Total	$16,406,763	$123,729	$146,930	$—	$16,677,422
September 30, 2016					
C&I	$7,241,055	$117,046	$112,272	$—	$7,470,373
CRE construction	122,718	—	—	—	122,718
CRE	2,549,672	—	4,399	—	2,554,071
Tax-exempt	740,944	—	—	—	740,944
Residential mortgage:					
First mortgage	2,355,393	11,349	54,127	—	2,420,869
Home equity	20,413	182	105	—	20,700
SBL	1,904,827	—	—	—	1,904,827
Total	$14,935,022	$128,577	$170,903	$—	$15,234,502

(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. Current LTVs are updated using the most recently available information (generally updated every six months) and are estimated based on the initial appraisal obtained at the time of origination, adjusted using relevant market indices for housing price changes that have occurred since origination. The value of the homes could vary from actual market values due to changes in the condition of the underlying property, variations in housing price changes within current valuation indices, and other factors. Residential mortgage loans with estimated LTVs in excess of 100% represent less than 1% of the residential mortgage loan portfolio.

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Allowance for loan losses and reserve for unfunded lending commitments

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

	Loans held for investment						
	C&I	CRE construction	CRE	Tax-exempt	Residential mortgage	SBL	Total
	(in thousands)						
Three months ended June 30, 2017							
Balance at beginning of period	$118,660	$ 1,527	$44,159	$ 4,353	$ 12,378	$5,157	$186,234
Provision/(benefit) for loan losses	1,719	171	3,712	696	(634)	545	6,209
Net (charge-offs)/recoveries:							
Charge-offs	(1,605)	—	—	—	(177)	—	(1,782)
Recoveries	—	—	—	—	621	—	621
Net (charge-offs)/recoveries	(1,605)	—	—	—	444	—	(1,161)
Foreign exchange translation adjustment	201	—	120	—	—	—	321
Balance at end of period	$118,975	$ 1,698	$47,991	$ 5,049	$ 12,188	$5,702	$191,603
Nine months ended June 30, 2017							
Balance at beginning of period	$137,701	$ 1,614	$36,533	$ 4,100	$ 12,664	$4,766	$197,378
Provision/(benefit) for loan losses	5,460	176	6,291	949	(715)	936	13,097
Net (charge-offs)/recoveries:							
Charge-offs	(24,298)	—	—	—	(742)	—	(25,040)
Recoveries	—	—	5,013	—	981	—	5,994
Net (charge-offs)/recoveries	(24,298)	—	5,013	—	239	—	(19,046)
Foreign exchange translation adjustment	112	(92)	154	—	—	—	174
Balance at end of period	$118,975	$ 1,698	$47,991	$ 5,049	$ 12,188	$5,702	$191,603
Three months ended June 30, 2016							
Balance at beginning of period	$137,299	$ 2,553	$32,668	$ 7,034	$ 11,254	$3,412	$194,220
Provision/(benefit) for loan losses	223	898	445	974	722	190	3,452
Net (charge-offs)/recoveries:							
Charge-offs	(782)	—	—	—	(47)	—	(829)
Recoveries	—	—	—	—	91	56	147
Net (charge-offs)/recoveries	(782)	—	—	—	44	56	(682)
Foreign exchange translation adjustment	(73)	(18)	(17)	—	—	—	(108)
Balance at end of period	$136,667	$ 3,433	$33,096	$ 8,008	$ 12,020	$3,658	$196,882
Nine months ended June 30, 2016							
Balance at beginning of period	$117,623	$ 2,707	$30,486	$ 5,949	$ 12,526	$2,966	$172,257
Provision/(benefit) for loan losses	21,398	746	2,557	2,059	(384)	615	26,991

Net (charge-offs)/recoveries:							
Charge-offs	(2,476)	—	—	—	(963)	—	(3,439)
Recoveries	—	—	—	—	841	77	918
Net (charge-offs)/recoveries	(2,476)	—	—	—	(122)	77	(2,521)
Foreign exchange translation adjustment	122	(20)	53	—	—	—	155
Balance at end of period	$136,667	$ 3,433	$33,096	$ 8,008	$ 12,020	$3,658	$196,882

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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					
	Allowance for loan losses			Recorded investment [1]		
	Individually evaluated for impairment	Collectively evaluated for impairment	Total	Individually evaluated for impairment	Collectively evaluated for impairment	Total
	(in thousands)					
June 30, 2017						
C&I	$1,691	$ 117,284	$118,975	$6,244	$7,247,527	$7,253,771
CRE construction	—	1,698	1,698	—	109,884	109,884
CRE	—	47,991	47,991	—	3,084,671	3,084,671
Tax-exempt	—	5,049	5,049	—	986,790	986,790
Residential mortgage	2,372	9,816	12,188	50,555	2,912,362	2,962,917
SBL	—	5,702	5,702	—	2,279,389	2,279,389
Total	$4,063	$ 187,540	$191,603	$56,799	$16,620,623	$16,677,422
September 30, 2016						
C&I	$13,351	$ 124,350	$137,701	$35,194	$7,435,179	$7,470,373
CRE construction	—	1,614	1,614	—	122,718	122,718
CRE	—	36,533	36,533	4,230	2,549,841	2,554,071
Tax-exempt	—	4,100	4,100	—	740,944	740,944
Residential mortgage	3,156	9,508	12,664	56,735	2,384,834	2,441,569
SBL	—	4,766	4,766	—	1,904,827	1,904,827
Total	$16,507	$ 180,871	$197,378	$96,159	$15,138,343	$15,234,502

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

The reserve for unfunded lending commitments, included in trade and other payables on our Condensed Consolidated Statements of Financial Condition was $10 million at June 30, 2017, and $11 million at September 30, 2016.

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.

Refer to Note 2 on pages 125 - 127 of our 2016 Form 10-K for a description of our principal involvement with VIEs and the accounting policies regarding determination of whether we are deemed to be the primary beneficiary of any VIEs. In addition, refer to Note 2 for the discussion of the changes in our significant accounting policies since September 30, 2016, governing our VIE determinations and consolidation conclusions resulting from our October 1, 2016 adoption of new consolidation accounting guidance.

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VIEs where we are the primary beneficiary

Of the VIEs in which we hold an interest, we have determined that certain Private Equity Interests, a LIHTC Fund in which RJ Bank is an investor member and an affiliate of RJTCF is the managing member, any LIHTC Funds where RJTCF provides an investor member with a guaranteed return on their investment, certain other LIHTC Funds, and the trust we utilize in connection with restricted stock unit awards granted to certain employees of our Canadian subsidiary (the "Restricted Stock Trust Fund") require consolidation in our financial statements, as we are deemed the primary beneficiary of such VIEs. The aggregate assets and liabilities of the VIEs we consolidate are provided in the table below.

	Aggregate assets (1)	Aggregate liabilities (1)
	(in thousands)	
June 30, 2017		
Private Equity Interests	$104,347	$ 3,839
LIHTC Fund in which RJ Bank is an investor member	66,278	277
Guaranteed LIHTC Fund (2)	52,758	2,811
Other LIHTC Funds	10,831	5,884
Restricted Stock Trust Fund	15,436	15,436
Total	$249,650	$ 28,247
September 30, 2016		
Private Equity Interests	$141,389	$ 4,888
LIHTC Fund in which RJ Bank is an investor member	60,688	240
Guaranteed LIHTC Fund (2)	63,415	2,556
Restricted Stock Trust Fund	9,949	9,949
Total	$275,441	$ 17,633

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

(2) In connection with one of the multi-investor tax credit funds in which RJTCF is the managing member, RJTCF has provided one investor member with a guaranteed return on their investment in the fund (the "Guaranteed LIHTC Fund"). See Note 17 for additional information regarding this commitment.

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

	June 30, 2017	September 30, 2016
	(in thousands)	
Assets:		
Cash and cash equivalents	$4,905	$ 8,302
Assets segregated pursuant to regulations and other segregated assets	4,511	2,833
Receivables, other	10,255	34,120
Intercompany receivables	459	473
Other investments	99,276	103,632
Investments in real estate partnerships held by consolidated variable interest entities (1)	114,783	116,133
Trust fund investment in RJF common stock (2)	15,434	9,948
Prepaid expenses and other assets	27	—
Total assets	$249,650	$ 275,441
Liabilities and equity:		
Trade and other payables	$10,717	$ 3,617
Intercompany payables	19,223	16,416
Total liabilities	29,940	20,033
RJF equity	114,009	122,680
Noncontrolling interests	105,701	132,728
Total equity	219,710	255,408
Total liabilities and equity	$249,650	$ 275,441

(1) Includes $54 million and $55 million as of June 30, 2017 and September 30, 2016, respectively, of investments in a LIHTC fund where RJ Bank is the sole investor member.
(2) Included in treasury stock in our Condensed Consolidated Statements of Financial Condition.

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 income/(loss) from these VIEs which are not ours.

	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
	(in thousands)			
Revenues:				
Interest	$18	$312	$436	$916
Other	6,205	11,665	8,640	12,709
Total revenues	6,223	11,977	9,076	13,625
Non-interest expenses (1)	3,873	1,818	14,339	11,360
Income/(loss) including noncontrolling interests and before provision for income taxes	2,350	10,159	(5,263)	2,265

Provision/(benefit) for income taxes	(2,273)	31	(4,587)	(3,540)
Net income/(loss) including noncontrolling interests	4,623	10,128	(676)	5,805
Net income/(loss) attributable to noncontrolling interests	716	6,324	(4,625)	795
Net income attributable to Raymond James Financial, Inc.	$3,907	$3,804	$3,949	$5,010

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

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Low-income housing tax credit funds

RJTCF is the managing member or general partner in over 100 low-income housing tax credit funds having one or more investor members or limited partners. Nearly all of these funds are determined to be VIEs. RJTCF has concluded that it is not the primary beneficiary of nearly all of the non-guaranteed LIHTC Fund VIEs and, accordingly, does not consolidate these funds. RJTCF consolidates the one Guaranteed LIHTC Fund VIE it sponsors (see Note 17 for further discussion of the guarantee obligation as well as other RJTCF commitments) as well as any non-guaranteed LIHTC fund of which it concludes it is the primary beneficiary. RJTCF holds an interest in a limited number of LIHTC Funds it determines not to be VIEs. RJ Bank is an investor member in one of the low-income housing tax credit funds which RJTCF sponsors. RJ Bank has concluded that it is the primary beneficiary and therefore the fund is consolidated.

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

Low-income housing tax credit funds

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

New market tax credit funds

One of our affiliates is the managing member of fewer than ten New Market Tax Credit Funds (“NMTC Funds”), and, as discussed in Note 2 on page 127 of our 2016 Form 10-K, this affiliate is not deemed to be the primary beneficiary of these NMTC Funds. These NMTC Funds are therefore not consolidated. Our risk of loss is limited to our receivables due from these funds.

Private Equity Interests VIEs which we are not the primary beneficiary

As discussed in Note 2, we have an interest in a number of limited partnerships held as a part of our principal capital and private equity activities. We have determined that such entities are VIEs, however, we have concluded we are not the primary beneficiary of these Private Equity Interest VIEs. Accordingly, we do not consolidate these Private Equity Interests. The carrying value of our investment in the Private Equity Interests VIEs we do not consolidate represents our risk of loss related to such unconsolidated VIEs.

Aggregate assets, liabilities and risk of loss

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

	June 30, 2017			September 30, 2016		
	Aggregate assets	Aggregate liabilities	Our risk of loss	Aggregate assets	Aggregate liabilities	Our risk of loss
	(in thousands)					
LIHTC Funds	$4,959,512	$2,009,287	$79,433	$4,217,812	$1,429,085	$83,562
NMTC Funds	30,213	96	9	65,338	68	12

Private Equity Interests	11,977,992	141,526	75,587	14,286,950	132,334	70,336
Other	137,890	73,931	3,088	144,579	83,174	2,240
Total	$17,105,607	$2,224,840	$158,117	$18,714,679	$1,644,661	$156,150

NOTE 10 - GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS

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

	June 30, 2017	September 30, 2016
	(in thousands)	
Goodwill	$408,673	$ 408,072
Identifiable intangible assets, net	86,443	96,370
Total goodwill and identifiable intangible assets, net	$495,116	$ 504,442

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Our goodwill and identified intangible assets result from various acquisitions. As more fully described in Note 3, in fiscal 2016 we acquired Alex. Brown, 3Macs and Mummert, which included a number of identifiable intangible assets as well as goodwill. See Note 13 on pages 161 - 164 of our 2016 Form 10-K for a discussion of the components of our goodwill balance and additional information regarding our identifiable intangible assets. See the discussion of our intangible assets and goodwill accounting policies in Note 2 on pages 122 - 123 of our 2016 Form 10-K.

Goodwill

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

	Three months ended June 30,			Nine months ended June 30,		
	Segment			Segment		
	Private client group	Capital markets	Total	Private client group	Capital markets	Total
	(in thousands)					
Fiscal year 2017						
Goodwill as of beginning of period	$275,203	$131,809	$407,012	$275,521	$132,551	$408,072
Foreign currency translation	570	1,091	1,661	252	349	601
Impairment losses	—	—	—	—	—	—
Goodwill as of end of period	$275,773	$132,900	$408,673	$275,773	$132,900	$408,673
Fiscal year 2016						
Goodwill as of beginning of period	$189,355	$123,650	$313,005	$186,733	$120,902	$307,635
Additions (1)	—	9,012	9,012	—	9,012	9,012
Foreign currency translation	102	74	176	2,724	2,822	5,546
Impairment losses	—	—	—	—	—	—
Goodwill as of end of period	$189,457	$132,736	$322,193	$189,457	$132,736	$322,193

(1) The addition during fiscal year 2016 arose from our June 2016 acquisition of Mummert (see Note 3 for additional information).

We perform goodwill testing on an annual basis or when an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. During the nine months ended June 30, 2017, we changed our annual goodwill impairment test date for all reporting units from December 31 to January 1; however, the results of our test did not change as we continue to evaluate balances as of December 31. We performed our latest annual goodwill impairment testing during the quarter ended March 31, 2017, evaluating balances as of December 31, 2016, and no impairment was identified. In that testing, we performed both a qualitative impairment assessment for certain of our reporting units and a quantitative impairment assessment for our two RJ Ltd. reporting units operating in Canada.

We assign goodwill to reporting units. Our reporting units include: a domestic Private Client Group (RJ&A domestic retail brokerage operations and our subsidiary The Producers Choice LLC (“TPC”)) and a Canadian Private Client Group (RJ Ltd. Private Client Group), each included in our Private Client Group segment; and RJ&A Fixed Income, U.S. Managed Equity Capital Markets, and RJ Ltd. Capital Markets (associated with our Canadian operations), each included in our Capital Markets segment.

Qualitative Assessments

For each reporting unit on which we performed a qualitative assessment, we determined whether it was more likely than not that the carrying value of the reporting unit, including the recorded goodwill, was in excess of the fair value of the reporting unit. In any instance in which we are unable to qualitatively conclude that it is more likely than not that the fair value of the reporting unit exceeds the reporting unit carrying value including goodwill, a quantitative analysis of the fair value of the reporting unit would be performed. Based upon the outcome of our qualitative assessments, we determined that no quantitative analysis of the fair value of any of the reporting units we elected to qualitatively analyze was required, and we concluded that none of the goodwill allocated to any of those reporting units was impaired. No events have occurred since our assessment that would cause us to update this impairment testing.

Quantitative Assessments

For our two RJ Ltd. reporting units, we elected not to perform a qualitative assessment and instead performed quantitative assessments of the equity value of each RJ Ltd. reporting unit that had an allocation of goodwill. In our determination of the reporting unit fair value of equity, we used a combination of the income approach and the market approach. Under the income approach, we used discounted cash flow models applied to each respective reporting unit. Under the market approach, we calculated an estimated fair value based on a combination of multiples of earnings of guideline companies in the brokerage and capital markets industry that are publicly traded on organized exchanges, and the book value of comparable transactions. The estimated fair value of the equity of the reporting unit resulting from each of these valuation approaches was dependent upon the estimates of future business unit revenues and costs. Such estimates were subject to critical assumptions regarding the nature and health of financial markets in future years as well as the discount rate to apply to the projected future cash flows. In estimating future cash flows, a balance sheet as of December 31, 2016 and a statement of operations for the last twelve months of activity for each reporting unit were compiled. Future balance sheets and statements of operations were then projected, and estimated future cash flows were determined by the combination of these projections. The cash flows were discounted at the reporting unit’s estimated cost of equity, which was derived through application of the capital asset pricing model. The valuation result from the market approach was dependent upon the selection of the comparable guideline companies and transactions and the earnings multiple applied to each respective reporting unit’s projected earnings. Finally, significant management judgment was applied in determining the weight assigned to the outcome of the market approach and the income approach, which resulted in one single estimate of the fair value of the equity of the reporting unit.

The following summarizes certain key assumptions utilized in our quantitative analysis:

		Key assumptions				
					Weight assigned to the outcome of:	
Segment	Reporting unit	Goodwill as of December 31, 2016 (in thousands)	Discount rate used in the income approach	Multiple applied to revenue/EPS in the market approach	Income approach	Market approach
Private client group:	RJ Ltd. Private Client Group	$ 22,735	14.5%	1.2x/12.9x	75%	25 %
Capital markets:	RJ Ltd. Capital Markets	$ 18,997	14.5%	1.2x/13.3x	75%	25 %

The assumptions and estimates utilized in determining the fair value of reporting unit equity are sensitive to changes, including, but not limited to, a decline in overall market conditions, adverse business trends and changes in the regulations.

Based upon the outcome of our quantitative assessments, we concluded that none of the goodwill associated with our two RJ Ltd. reporting units was impaired.

No events have occurred since our quantitative assessments during the quarter ended March 31, 2017 that would cause us to update this impairment testing.

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Identifiable intangible assets, net

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

	Segment Private client group	Capital markets	Asset management	RJ Bank	Total
	(in thousands)				
For the three months ended June 30, 2017					
Net identifiable intangible assets as of beginning of period	$49,901	$24,777	$ 13,024	$1,508	$89,210
Additions	—	—	—	76	76
Amortization expense	(1,490)	(938)	(497)	(94)	(3,019)
Foreign currency translation	42	7	127	—	176
Impairment losses	—	—	—	—	—
Net identifiable intangible assets as of end of period	$48,453	$23,846	$ 12,654	$1,490	$86,443
For the nine months ended June 30, 2017					
Net identifiable intangible assets as of beginning of period	$52,936	$27,937	$ 14,101	$1,396	$96,370
Additions	—	—	—	283	283
Amortization expense	(4,504)	(4,065)	(1,495)	(276)	(10,340)
Foreign currency translation	21	(26)	48	—	43
Impairment losses	—	—	—	87	87
Net identifiable intangible assets as of end of period	$48,453	$23,846	$ 12,654	$1,490	$86,443
For the three months ended June 30, 2016					
Net identifiable intangible assets as of beginning of period	$17,415	$29,892	$ 15,199	$1,453	$63,959
Additions	—	1,013 (1)	—	132	1,145
Amortization expense	(384)	(1,405)	(541)	(111)	(2,441)
Foreign currency translation	—	1	36	—	37
Impairment losses	—	—	—	—	—
Net identifiable intangible assets as of end of period	$17,031	$29,501	$ 14,694	$1,474	$62,700
For the nine months ended June 30, 2016					
Net identifiable intangible assets as of beginning of period	$18,182	$32,532	$ 17,137	$1,476	$69,327
Additions	—	1,013 (1)	—	292	1,305
Amortization expense	(1,151)	(4,045)	(1,722)	(294)	(7,212)
Foreign currency translation	—	1	(501)	—	(500)
Impairment losses	—	—	—	—	—
Other	—	—	(220)	—	(220)
Net identifiable intangible assets as of end of period	$17,031	$29,501	$ 14,694	$1,474	$62,700

(1) The additions are attributable to the acquisition of identifiable intangible assets, primarily a customer relationship intangible asset, arising from our fiscal year 2016 acquisition of Mummert (see Note 3 for additional information).

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Identifiable intangible assets by type are presented below:

	June 30, 2017		September 30, 2016	
	Gross carrying value	Accumulated amortization	Gross carrying value	Accumulated amortization
	(in thousands)			
Customer relationships	$99,534	$ (29,153)	$99,470	$ (22,895)
Trade name	8,213	(1,675)	8,172	(499)
Developed technology	12,630	(11,625)	12,630	(10,280)
Intellectual property	521	(113)	516	(73)
Non-compete agreements	3,319	(1,305)	3,314	(612)
Seller relationship agreements	5,300	(693)	5,300	(69)
Mortgage servicing rights	2,292	(802)	2,144	(748)
Total	$131,809	$ (45,366)	$131,546	$ (35,176)

NOTE 11 – BANK DEPOSITS

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

	June 30, 2017		September 30, 2016	
	Balance	Weighted-average rate (1)	Balance	Weighted-average rate (1)
	($ in thousands)			
Bank deposits:				
NOW accounts	$5,631	0.01 %	$4,958	0.01 %
Demand deposits (non-interest-bearing)	13,482	—	7,264	—
Savings and money market accounts	15,998,384	0.13 %	13,935,089	0.05 %
Certificates of deposit	293,384	1.57 %	315,236	1.55 %
Total bank deposits (2)	$16,310,881	0.16 %	$14,262,547	0.08 %

(1) Weighted-average rate calculation is based on the actual deposit balances at June 30, 2017 and September 30, 2016, respectively.

(2) Bank deposits exclude affiliate deposits of $1.11 billion at June 30, 2017, and $353 million at September 30, 2016. These affiliate deposits include $1.07 billion as of June 30, 2017, and $350 million at September 30, 2016, held in a deposit account at RJ Bank on behalf of RJF.

Savings and money market accounts in the table above consist primarily of deposits that are cash balances swept from the client investment accounts maintained at RJ&A to RJ Bank. These balances are held in Federal Deposit Insurance Corporation ("FDIC") insured bank accounts through the Raymond James Bank Deposit Program ("RJBDP"). The aggregate amount of time deposit account balances that exceed the FDIC insurance limit at June 30, 2017 is $19 million.

Scheduled maturities of certificates of deposit are as follows:

	June 30, 2017		September 30, 2016	
	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	$7,917	$ 5,835	$14,252	$ 12,663
Over three through six months	2,995	2,752	14,191	9,750
Over six through twelve months	3,236	3,042	15,452	12,321
Over one through two years	56,353	22,823	32,816	11,060
Over two through three years	46,828	24,088	43,730	22,148
Over three through four years	38,452	21,764	58,425	28,863
Over four through five years	36,219	21,080	26,173	13,392
Total	$192,000	$ 101,384	$205,039	$ 110,197

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
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Interest expense on deposits is summarized as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
	(in thousands)			
Certificates of deposit	$1,042	$1,320	$3,176	$4,174
Money market, savings and NOW accounts (1)	3,202	1,413	7,248	3,330
Total interest expense on deposits	$4,244	$2,733	$10,424	$7,504

(1) Excludes interest expense associated with affiliate deposits.

NOTE 12 – OTHER BORROWINGS

The following table details the components of other borrowings:

	June 30, 2017	September 30, 2016
	(in thousands)	
Other borrowings:		
FHLB advances	$775,000 (1)	$ 575,000 (2)
Mortgage notes payable (3)	29,982	33,391
Borrowings on ClariVest revolving credit facility (4)	216	267
Borrowings on secured lines of credit (5)	—	—
Borrowings on unsecured lines of credit (6)	—	—
Total other borrowings	$805,198	$ 608,658

(1) Borrowings from the FHLB as of June 30, 2017 are comprised of both floating and fixed-rate advances. As of June 30, 2017 the floating-rate FHLB advances have interest rates which reset quarterly, total $750 million and mature in June 2019. We use interest rate swaps to manage the risk of increases in interest rates associated with these floating-rate advances by converting all of these balances subject to variable interest rates to a fixed interest rate. Refer to Note 14 for information regarding these interest rate swaps which are accounted for as hedging instruments. The fixed-rate FHLB advance, in the amount of $25 million, matures in October 2020 and bears interest at a rate of 3.4%. All of the FHLB advances are secured by a blanket lien granted to the FHLB on RJ Bank's residential mortgage loan portfolio. The weighted average interest rate on these advances as of June 30, 2017 is 1.4%.

(2) Borrowings from the FHLB as of September 30, 2016 are comprised of floating-rate advances which have rates that reset quarterly, total $550 million and mature in September 2018, and a fixed-rate advance in the amount of $25 million, which matures in October 2020 and bears interest at a rate of 3.4%.

(3) Mortgage notes payable pertain to mortgage loans on certain of our corporate headquarters offices located in St. Petersburg, Florida. These mortgage loans are secured by land, buildings, and improvements. These mortgage loans bear interest at 5.7% with repayment terms of monthly interest and principal debt service and have a January 2023 maturity.

(4) ClariVest Asset Management, LLC (“ClariVest”), a subsidiary of Eagle, is a party to a revolving line of credit provided by a third party lender (the “ClariVest Facility”). The maximum amount available to borrow under the ClariVest Facility is $500 thousand, bearing interest at a variable rate which is 1% over the lender’s prime rate. The ClariVest Facility expires in September 2018.

(5) Any borrowings on secured lines of credit are day-to-day and are generally utilized to finance certain fixed income securities.

(6) In August 2015, RJF entered into a revolving credit facility agreement in which the lenders are a number of financial institutions (the “RJF Credit Facility”). This committed unsecured borrowing facility provides for maximum borrowings of up to $300 million, at variable rates of interest. There are no borrowings outstanding on the RJF Credit Facility as of either June 30, 2017 or September 30, 2016. In May 2017 the RJF Credit Facility was amended to extend the maturity date to May 2022. Borrowings on unsecured lines of credit, with the exception of the RJF Credit Facility, are day-to-day and are generally utilized for cash management purposes.

There were other collateralized financings outstanding in the amount of $227 million and $193 million as of June 30, 2017 and September 30, 2016, respectively. These other collateralized financings are included in securities sold under agreements to repurchase (“repurchase agreements”) on the Condensed Consolidated Statements of Financial Condition. These financings are collateralized by non-customer, RJ&A-owned securities, or by securities that we have received as collateral under agreements that are included in securities purchased under agreements to resell (“reverse repurchase agreements”) that were available to be delivered or repledged. See Note 15 for additional information regarding offsetting asset and liability balances as well as additional information regarding the collateral.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
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NOTE 13 – SENIOR NOTES PAYABLE

The following summarizes our senior notes payable:

	June 30, 2017	September 30, 2016
	(in thousands)	
8.60% senior notes, due 2019	$300,000	$300,000
5.625% senior notes, due 2024	250,000	250,000
3.625% senior notes, due 2026	500,000	500,000
4.95% senior notes, due 2046	800,000	300,000
6.90% senior notes, due 2042	—	350,000
	1,850,000	1,700,000
Unaccreted premium/(discount)	11,968	(1,601)
Unamortized debt issuance costs	(13,947)	(17,812)
Total senior notes payable	$1,848,021	$1,680,587

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.

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.

In July 2016, we sold in a registered underwritten public offering $500 million in aggregate principal amount of 3.625% senior notes due September 2026. 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 35 basis points, plus accrued and unpaid interest thereon to the redemption date.

In July 2016, we sold in a registered underwritten public offering $300 million in aggregate principal amount of 4.95% senior notes due July 2046. In May 2017, we reopened the offering and sold, in a registered underwritten public offering, an additional $500 million in aggregate principal amount of 4.95% senior notes due July 2046. These additional senior notes were consolidated, formed into a single series, and are fully fungible with the $300 million in aggregate principal amount 4.95% senior notes issued in July 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 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 45 basis points, plus accrued and unpaid interest thereon to the redemption date.

Redemption at par of certain senior notes

On March 15, 2017 (the “Redemption Date”), we redeemed all of our outstanding 6.90% Senior Notes due 2042, which were originally sold in a registered underwritten public offering in 2012. The aggregate principal amount outstanding of the 6.90% Senior Notes was $350 million. The redemption price on the Redemption Date was equal to the principal, plus accrued and unpaid interest thereon to the Redemption Date. Unamortized debt issuance costs as of the Redemption Date of $8 million were accelerated and are included in Other expenses in our Condensed Consolidated Statements of Income and Comprehensive Income for the nine months ended June 30, 2017.

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 114 - 115 of our 2016 Form 10-K.

Derivatives arising from our fixed income business operations

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

In our over-the-counter market activities, we enter into interest rate swaps and futures contracts either as part of our fixed income business to facilitate client transactions or to actively manage risk exposures that arise from our client activity, including a portion of our trading inventory. The majority of these derivative positions are executed in the over-the-counter market, either directly with financial institutions or trades cleared through a clearing organization (together referred to as the “OTC Derivatives Operations”). Cash flows related to the interest rate contracts arising from the OTC Derivative Operations are included as operating activities (the “trading instruments, net” line) on the Condensed Consolidated Statements of Cash Flows.

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

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

The receivable for uncollected derivative transaction fee revenues of RJFP is $5 million and $7 million at June 30, 2017 and September 30, 2016, respectively, and is included in other receivables on our Condensed Consolidated Statements of Financial Condition.

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

Derivatives arising from RJ Bank’s business operations

We enter into forward foreign exchange contracts and interest rate swaps as part of RJ Bank's business operations through its hedging activities (see Note 2 on pages 114 - 115 of the 2016 Form 10-K for the accounting policies associated with these transactions). Each of these activities is described further below.

A Canadian subsidiary of RJ Bank conducts operations directly related to RJ Bank's Canadian dollar-denominated 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.

The cash flows associated with certain assets held by RJ Bank provide interest income at fixed interest rates. Therefore, the value of these assets, absent any risk mitigation, is subject to fluctuation based upon changes in market rates of interest over time. We have executed certain interest rate swap contracts (the "RJ Bank Interest Hedges") which swap variable interest payments on certain debt for fixed interest payments. Through the RJ Bank Interest Hedges, we mitigate a portion of the market risk associated with certain fixed interest earning assets held by RJ Bank.

Description of collateral related to derivative contracts

To reduce credit exposure on certain of our derivative transactions, we may enter into a master netting arrangement that allows for net settlement of all derivative transactions with each counterparty. In addition, the credit support annex allows parties to the master netting agreement to mitigate their credit risk by requiring the party which is out of the money to post collateral. We accept collateral in the form of cash or other marketable securities. Where permitted, we elect to net-by-counterparty certain derivative contracts entered into under a legally enforceable master netting agreement and, therefore, the fair value of those derivative contracts are netted by counterparty in the Condensed Consolidated Statements of Financial Condition. As we elect to net-by-counterparty the fair value of such derivative contracts, we also net-by-counterparty any cash collateral exchanged as part of those derivative agreements. Refer to Note 15 for additional information regarding offsetting asset and liability balances.

We are required to maintain cash or marketable security deposits with the clearing organizations we utilize to clear certain of our interest rate derivative transactions. These deposits, referred to as “initial margin,” are a component of deposits with clearing organizations on our Condensed Consolidated Statements of Financial Condition. On a daily basis we also pay cash to or receive cash from these clearing organizations due to changes in the fair value of the derivatives which they clear. Such payments are referred to as “variation margin.” During the quarter ended March 31, 2017, the Chicago Mercantile Exchange, a clearing organization we utilize to clear certain of our interest rate derivatives, adopted a rule change which requires variation margin to be considered settlement of the related derivatives instead of collateral. The impact of this change on our Condensed Consolidated Statements of Financial Condition was to reduce the gross fair value of these derivative assets and/or liabilities by the amount of variation margin received or paid on the related derivatives. Prior to the quarter ending March 31, 2017, such balances were included as a component of deposits with clearing organizations when such balances were in an asset position, or trade and other payables when such balances were in a liability position, on our Condensed Consolidated Statements of Financial Condition.

The cash collateral included in the net fair value of all open derivative asset positions arising from our OTC Derivatives Operations aggregates to a net asset of $37 million and $33 million as of June 30, 2017 and September 30, 2016, respectively. The cash collateral included in the net fair value of all open derivative liability positions from our OTC Derivatives Operations aggregates to a net liability of $48 million as of June 30, 2017 and a net asset of $3 million as of September 30, 2016. Our maximum loss exposure under the interest rate swap contracts arising from our OTC Derivatives Operations at June 30, 2017 is $28 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 generally not required to post collateral with and do not generally receive collateral from the respective counterparties.

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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. The fair value in the table below is presented on a gross basis before netting of cash collateral and before any netting by counterparty according to our legally enforceable master netting arrangements. The fair value in the Condensed Consolidated Statements of Financial Condition is presented net. See Note 15 for additional information regarding offsetting asset and liability balances.

	June 30, 2017			September 30, 2016		
	Asset derivatives					
	Balance sheet location	Notional amount	Fair value	Balance sheet location	Notional amount	Fair value
	(in thousands)					
Derivatives designated as hedging instruments:						
RJ Bank business operations						
Forward foreign exchange contracts (1)	Prepaid expenses and other assets	$—	$—	Prepaid expenses and other assets	$988,200	$1,396
Derivatives not designated as hedging instruments:						
OTC derivatives operations						
Interest rate contracts	Trading instruments	$2,230,805	$78,060	Trading instruments	$2,036,233	$153,482
Interest rate contracts (1)	Trading instruments	$211,760	$5,813	Trading instruments	$121,715	$9,760
RJ Bank business operations						
Forward foreign exchange contracts (1)	Prepaid expenses and other assets	$—	$—	Prepaid expenses and other assets	$411,300	$620
Other						
Interest rate contracts	Derivative instruments associated with offsetting matched book positions	$1,401,199	$291,955	Derivative instruments associated with offsetting matched book positions	$1,469,295	$422,196
	Liability derivatives					
Derivatives designated as hedging instruments:						
RJ Bank business operations						

Interest rate contracts	Trade and other payables	$750,000	$985	Trade and other payables	$550,000	$26,671
Forward foreign exchange contracts (1)	Trade and other payables	$1,101,100	$4,007	Trade and other payables	$—	$—
Derivatives not designated as hedging instruments:						
OTC derivatives operations						
Interest rate contracts	Trading instruments sold	$2,783,176	$98,686	Trading instruments sold	$1,997,100	$145,296
Interest rate contracts (1)	Trading instruments sold	$89,707	$847	Trading instruments sold	$133,108	$6,398
RJ Bank business operations						
Forward foreign exchange contracts (1)	Trade and other payables	$421,400	$1,565	Trade and other payables	$—	$—
Forward foreign exchange contracts (2)	Trade and other payables	$54,200	$152	Trade and other payables	$—	$—
Other						
Interest rate contracts	Derivative instruments associated with offsetting matched book positions	$1,401,199	$291,955	Derivative instruments associated with offsetting matched book positions	$1,469,295	$422,196
DBRSUs (3)	Accrued compensation, commissions and benefits	$26,561	$26,561	Accrued compensation, commissions and benefits	$17,769	$17,769

(1) The notional amount presented is denominated in Canadian currency.

(2) The notional amount presented is denominated in Euro currency.

(3) This derivative liability arose from our fiscal year 2016 acquisition of Alex. Brown (see Note 3 for information regarding this acquisition), whereby we assumed certain DBRSU awards. The notional amount for this derivative is the number of outstanding DBRSU awards to be settled in DB common shares multiplied by the end of reporting period DB share price, as traded on the New York Stock Exchange. The fair value of this derivative includes both the pre-combination and the post-combination share obligation.

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Gains/(losses) recognized in AOCI, net of income taxes on derivatives are as follows (see Note 18 for additional information):

	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
	(in thousands)			
Forward foreign exchange contracts	$(12,939)	$(2,339)	$(6,152)	$(13,513)
RJ Bank Interest Hedges	(3,775)	(6,922)	23,494	(15,126)
Total gains/(losses) recognized in AOCI, net of taxes	$(16,714)	$(9,261)	$17,342	$(28,639)

There was no hedge ineffectiveness and no components of derivative gains or losses were excluded from the assessment of hedge effectiveness for each of the three and nine months ended June 30, 2017 and 2016. We expect to reclassify an estimated $4 million as additional interest expense out of AOCI and into earnings within the next 12 months. The maximum length of time over which forecasted transactions are or will be hedged is 10 years.

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

	Location of the impact recognized on derivatives in the Condensed Consolidated Statements of Income and Comprehensive Income	Gain/(loss) recognized during the period			
		Three months ended June 30,		Nine months ended June 30,	
		2017	2016	2017	2016
		(in thousands)			
Derivatives not designated as hedging instruments:					
Interest rate contracts - OTC Derivatives Operations	Net trading profit	$2,247	$1,194	$6,441	$2,315
Interest rate contracts - Offsetting Match Book Derivatives Operations	Other revenues	$21	$23	$16	$69
Forward foreign exchange contracts - RJ Bank business operations	Other revenues	$(11,473)	$(142)	$(5,837)	$(7,554)
DBRSUs (1)	Compensation, commissions and benefits expense	$(940)	$—	$(6,409)	$—
DBRSUs (2)	Acquisition-related expenses	$—	$—	$(2,383)	$—

(1) We also hold shares of DB as of June 30, 2017 as an economic hedge against this obligation. The change in value of such DB shares is recorded as a component of compensation, commissions and benefits expense on our Condensed Consolidated Statements of Income and Comprehensive Income, and offsets a portion of the change in value of the DBRSUs.

(2) Includes the impact on the DBRSU obligation of the DB rights offering during the nine months ended June 30, 2017 and from forfeitures which occurred during the periods presented. The impact of the DB rights offering on the DBRSU obligation was partially offset by a gain on the rights offering related to our economic hedge, which

was also reported in acquisition-related expenses.

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

Credit risk

We are exposed to credit losses in the event of nonperformance by the counterparties to forward foreign exchange derivative agreements, futures contracts and the interest rate contracts associated with our OTC Derivatives Operations that are not cleared through a clearing organization. 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. We may require collateral from counterparties in the form of cash deposits or other marketable securities to support certain of these obligations as established by the credit threshold specified by the agreement and/or as a result of monitoring the credit standing of the counterparties.

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

Interest rate and foreign exchange risk

We are exposed to interest rate risk related to the interest rate derivative agreements arising from certain of our OTC Derivatives Operations and RJ Bank Interest Hedges. We are also exposed to foreign exchange risk related to our futures contracts and forward foreign exchange derivative agreements. On a daily basis, we monitor our risk exposure in our derivative agreements 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.

Derivatives with credit-risk-related contingent features

Certain of the derivative instruments arising from our OTC Derivatives Operations and RJ Bank's forward foreign exchange contracts contain provisions that require our debt to maintain an investment grade rating from one or more of the major credit rating agencies. If our debt were to fall below investment grade, the counterparties to the derivative instruments could terminate and 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 both June 30, 2017 and September 30, 2016 is $3 million, for which we have posted collateral of $1 million and $2 million, respectively, in the ordinary course of business. If the credit-risk-related contingent features underlying these agreements were triggered on June 30, 2017 and September 30, 2016, we would have been required to post an additional $2 million and $1 million, respectively, of collateral to our counterparties.

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NOTE 15 – DISCLOSURE OF OFFSETTING ASSETS AND LIABILITIES, COLLATERAL, ENCUMBERED ASSETS AND REPURCHASE AGREEMENTS

Offsetting assets and liabilities

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

	Gross amounts of recognized assets/(liabilities)	Gross amounts offset in the Statements of Financial Condition	Net amounts presented in the Statements of Financial Condition	Gross amounts not offset in the Statements of Financial Condition		
				Financial instruments	Cash (received)/paid	Net amount
	(in thousands)					
As of June 30, 2017:						
Assets						
Securities purchased under agreements to resell and other collateralized financings	$483,820	$—	$483,820	$(483,820)(1)	$ —	$—
Derivatives - interest rate contracts (2)	83,873	(49,862)	34,011	(5,724)	—	28,287
Derivative instruments associated with offsetting matched book positions	291,955	—	291,955	(291,955)(3)	—	—
Securities borrowed	120,037	—	120,037	(116,895)	—	3,142
Total assets	$979,685	$(49,862)	$929,823	$(898,394)	$ —	$31,429
Liabilities						
Securities sold under agreements to repurchase	$(226,972)	$—	$(226,972)	$226,972 (4)	$ —	$—
Derivatives - interest rate contracts (2)	(99,533)	39,153	(60,380)	—	—	(60,380)
Derivatives - forward foreign exchange contracts (5)	(5,724)	—	(5,724)	—	—	(5,724)
Derivatives - RJ Bank Interest Hedges (6)	(985)	—	(985)	—	—	(985)
DBRSUs (7)	(26,561)	—	(26,561)	—	—	(26,561)
Derivative instruments associated with offsetting matched book positions	(291,955)	—	(291,955)	291,955 (3)	—	—

Securities loaned	(397,556)	—	(397,556)	383,596	—	(13,960)
Total liabilities	$(1,049,286)	$39,153	$(1,010,133)	$902,523	$ —	$(107,610)
As of September 30, 2016:						
Assets						
Securities purchased under agreements to resell and other collateralized financings	$470,222	$—	$470,222	$(470,222)(1)	$ —	$—
Derivatives - interest rate contracts (2)	163,242	(107,539)	55,703	(29,028)	—	26,675
Derivatives - forward foreign exchange contracts (5)	2,016	—	2,016	—	—	2,016
Derivative instruments associated with offsetting matched book positions	422,196	—	422,196	(422,196)(3)	—	—
Securities borrowed	170,860	—	170,860	(167,169)	—	3,691
Total assets	$1,228,536	$(107,539)	$1,120,997	$(1,088,615)	$ —	$32,382
Liabilities						
Securities sold under agreements to repurchase	$(193,229)	$—	$(193,229)	$193,229 (4)	$ —	$—
Derivatives - interest rate contracts (2)	(151,694)	142,859	(8,835)	2,437	—	(6,398)
Derivatives - RJ Bank Interest Hedges (6)	(26,671)	—	(26,671)	—	26,671	—
DBRSUs (7)	(17,769)	—	(17,769)	—	—	(17,769)
Derivative instruments associated with offsetting matched book positions	(422,196)	—	(422,196)	422,196 (3)	—	—
Securities loaned	(677,761)	—	(677,761)	664,870	—	(12,891)
Total liabilities	$(1,489,320)	$142,859	$(1,346,461)	$1,282,732	$ 26,671	$(37,058)

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

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

(1) We are over-collateralized since the fair value amount of financial instruments pledged as collateral for reverse repurchase agreements and other collateralized financings amounts to $498 million and $486 million as of June 30, 2017 and September 30, 2016, respectively.

(2) Derivatives - interest rate contracts are included in trading instruments on our Condensed Consolidated Statements of Financial Condition. See Note 14 for additional information.

(3) Although these derivative arrangements do not meet the definition of a master netting arrangement as specified by GAAP, the nature of the agreement with the third party intermediary include terms that are similar to a master netting agreement, thus we present the offsetting amounts net in this table. See Note 14 for further discussion of the "pass through" structure of the derivative instruments associated with Offsetting Matched Book Derivatives Operations.

(4) We are over-collateralized since the fair value amount of financial instruments pledged as collateral for repurchase agreements amounts to $234 million and $200 million as of June 30, 2017 and September 30, 2016, respectively.

(5) These contracts are associated with RJ Bank's activities to hedge its foreign currency exposure and are included in prepaid expenses and other assets and trade and other payables in our Condensed Consolidated Statements of Financial Condition. See Note 14 for additional information.

(6) These contracts are associated with our RJ Bank Interest Hedges and are included in trade and other payables in our Condensed Consolidated Statements of Financial Condition. See Note 14 for additional information.

(7) The derivative arose from our fiscal year 2016 acquisition of Alex. Brown, see the discussion of the circumstances giving rise to this derivative in Note 3 on pages 127 - 129 of our 2016 Form 10-K. As of June 30, 2017, we hold shares of DB with a fair value of $20 million as an economic hedge against the DBRSU obligation. As of September 30, 2016, such holdings amounted to shares of DB with a fair value of $12 million. See additional discussion of the DBRSUs in Note 20.

The table above excludes initial margin on derivative transactions posted with clearing organizations of $29 million and $20 million as of June 30, 2017 and September 30, 2016, respectively. These deposits are included in deposits with clearing organizations on our Condensed Consolidated Statements of Financial Condition. See Note 14 for additional information.

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

Collateral

We receive cash and securities as collateral, primarily in connection with reverse repurchase agreements and other collateralized financings, securities borrowed, derivative transactions not transacted through a clearing organization, and client margin loans arising from our domestic operations. The cash collateral we receive is primarily associated with our OTC Derivative Operations (see Note 14 for additional information). The collateral we receive reduces our credit exposure to individual counterparties.

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

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

	June 30, 2017	September 30, 2016
	(in thousands)	
Collateral we received that is available to be delivered or repledged	$2,939,717	$ 2,925,335
Collateral that we delivered or repledged	$1,137,876 (1)	$ 1,536,393 (2)

(1) The collateral delivered or repledged as of June 30, 2017, includes client margin securities which we pledged with a clearing organization in the amount of $259 million which were applied against our requirement of $229 million.

(2) The collateral delivered or repledged as of September 30, 2016, includes client margin securities which we pledged with a clearing organization in the amount of $389 million which were applied against our requirement of $203 million.

Encumbered assets

We pledge certain of our financial instruments to collateralize either repurchase agreements or other secured borrowings, or to satisfy our settlement requirements with counterparties who may or may not have the right to deliver or repledge such securities.

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

	June 30, 2017	September 30, 2016
	(in thousands)	
Financial instruments owned, at fair value, pledged to counterparties that:		
Had the right to deliver or repledge	$322,303	$ 440,642
Did not have the right to deliver or repledge	$43,644 (1)	$ 18,788 (2)

(1) Assets delivered or repledged as of June 30, 2017, includes securities which we pledged with a clearing organization in the amount of $44 million which were applied against our requirement of $229 million (client margin securities we pledged which are described in the preceding table constitute the remainder of the assets pledged to meet the requirement).

(2) Assets delivered or repledged as of September 30, 2016, includes securities which we pledged with a clearing organization in the amount of $19 million which were applied against our requirement of $203 million (client margin securities we pledged which are described in the preceding table constitute the remainder of the assets pledged to meet the requirement).

Repurchase agreements, repurchase-to-maturity transactions and securities lending transactions accounted for as secured borrowings

We enter into repurchase agreements where we sell securities under agreements to repurchase and also engage in securities lending transactions. These activities are accounted for as collateralized financings. Our repurchase agreements would include “repurchase-to-maturity” agreements, which are repurchase agreements where a security is transferred under an agreement to repurchase and the maturity date of the repurchase agreement matches the maturity date of the underlying security, if any, that we are a party to as of period-end. As of both June 30, 2017 and September 30, 2016, we did not have any “repurchase-to-maturity” agreements. See Note 2 on pages 110 and 117, respectively, of our 2016 Form 10-K for a discussion of our respective reverse repurchase agreements and repurchase agreements, and securities borrowed and securities loaned accounting policies.

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The following table presents the remaining contractual maturity of repurchase agreements and securities lending transactions accounted for as secured borrowings:

	Overnight and continuous	Up to 30 days	30-90 days	Greater than 90 days	Total
	(in thousands)				
As of June 30, 2017:					
Repurchase agreements					
Government and agency obligations	$113,045	$—	$ —	$ —	$113,045
Agency MBS and CMOs	113,927	—	—	—	113,927
Total Repurchase Agreements	226,972	—	—	—	226,972
Securities lending					
Equity securities	397,556	—	—	—	397,556
Total	$624,528	$—	$ —	$ —	$624,528
Gross amounts of recognized liabilities for repurchase agreements and securities lending transactions included in the Offsetting Assets and Liabilities table included within this footnote					$624,528
Amounts related to repurchase agreements and securities lending transactions not included in the Offsetting Assets and Liabilities table included within this footnote					$—
As of September 30, 2016:					
Repurchase agreements					
Government and agency obligations	$92,804	$6,252	$ —	$ —	$99,056
Agency MBS and CMOs	92,422	1,751	—	—	94,173
Total Repurchase Agreements	185,226	8,003	—	—	193,229
Securities lending					
Equity securities	677,761	—	—	—	677,761
Total	$862,987	$8,003	$ —	$ —	$870,990
Gross amounts of recognized liabilities for repurchase agreements and securities lending transactions included in the Offsetting Assets and Liabilities table included within this footnote					$870,990
Amounts related to repurchase agreements and securities lending transactions not included in the Offsetting Assets and Liabilities table included within this footnote					$—

We enter into repurchase agreements and conduct securities lending activities as components of the financing of certain of our operating activities. In the event the market value of the securities we pledge as collateral in these activities declines, we may have to post additional collateral or reduce the borrowing amounts. We monitor such levels daily.

NOTE 16 – INCOME TAXES

For discussion of income tax accounting policies and other income tax related information, see Note 2 on pages 124 - 125, and Note 20 on pages 176 - 179, of our 2016 Form 10-K.

Effective October 1, 2016, we adopted new accounting guidance related to stock compensation. The amended guidance involves several aspects of the accounting for share-based payment transactions, including the income tax consequences. Generally, the amount of compensation cost recognized for financial reporting purposes varies from the amount that can ultimately be deducted on the tax return for share-based payment awards. Under the prior guidance, the tax effects of deductions in excess of compensation expense (“windfalls”), as well as the tax effect of any deficiencies (“shortfalls”) were recorded in equity to the extent of previously recognized windfalls, with any remaining shortfall recorded in income tax expense. Under the new guidance, all tax effects related to share-based payments are recorded through tax expense in the periods during which the awards are exercised or vest, as applicable. While this simplification eliminates administrative complexities that existed under the prior guidance, it increases the volatility of income tax expense.

For the three and nine months ended June 30, 2017, our effective income tax rates are 33.3% and 31.6%, respectively, which are lower than the 33.9% effective tax rate for fiscal year 2016. The decrease in the current period effective tax rate compared to the fiscal year 2016 effective tax rate was primarily due to the impact of the adoption of the new share-based payment accounting guidance described in the preceding paragraph, which had a favorable impact of 4% on our effective rate for the nine months ended

June 30, 2017. Other factors, such as valuation gains associated with our company-owned life insurance, which are not subject to tax, and tax-exempt interest also favorably impacted our effective tax rate in the current period. The fiscal year 2016 effective tax rate was favorably impacted by a number of factors or events which have not recurred in the current period.

We anticipate that the uncertain tax position liability balance will not change significantly over the next twelve months.

NOTE 17 – COMMITMENTS, CONTINGENCIES AND GUARANTEES

Commitments and contingencies

In the normal course of business we enter into commitments for either fixed income or equity underwritings. As of June 30, 2017, we had four open underwriting commitments, which were subsequently sold in open market transactions and none of which resulted in a significant loss.

As part of our recruiting efforts, we offer loans to prospective financial advisors and certain key revenue producers, primarily for recruiting, transitional cost assistance, and retention purposes (see Note 2 on pages 116 - 117 of our 2016 Form 10-K for a discussion of our accounting policies governing these transactions). These commitments are contingent upon certain events occurring including, but not limited to, the individual joining us. As of June 30, 2017, we had made commitments through the extension of formal offers totaling approximately $101 million that had not yet been funded, however, it is possible that not all of our offers will be accepted and therefore we would not fund the total amount of the offers extended. As of June 30, 2017, $59 million of the total amount extended are unfunded commitments to prospects that had accepted our offer, or recently hired producers.

On April 20, 2017, we announced we had entered into a definitive agreement to acquire the Scout Group. We expect the closing date of this purchase transaction to occur during the first quarter of fiscal year 2018. See Note 3 for more information.

As of June 30, 2017, RJ Bank had not settled purchases of $150 million in syndicated loans. These loan purchases are expected to be settled within 90 days.

A subsidiary of RJ Bank has committed $80 million as an investor member in a low-income housing tax credit fund in which a subsidiary of RJTCF is the managing member (see the discussion of “direct investments in LIHTC project partnerships” in Note 2 on page 126 of our 2016 Form 10-K for information regarding the accounting policies governing these investments). As of June 30, 2017, the RJ Bank subsidiary has invested $59 million of the committed amount.

See Note 22 for additional information regarding RJ Bank’s commitments to extend credit and other credit-related off-balance sheet financial instruments, such as standby letters of credit and loan purchases.

We have unfunded commitments to various venture capital or private equity partnerships, which aggregate to $37 million as of June 30, 2017. Of the total, we have unfunded commitments to internally-sponsored private equity limited partnerships in which we control the general partner of $18 million.

As part of the terms governing our fiscal year 2015 acquisition of TPC (see Note 3 on page 129 of our 2016 Form 10-K, for additional information regarding this acquisition), on certain dates specified in the TPC purchase agreement there are a number of “earn-out” computations to be performed. The result of these computations could result in additional cash paid to the sellers of TPC over a measurement period up to three years after the TPC closing date (July 31, 2015). During the nine months ended June 30, 2017 certain earn-out payments were measured and applicable amounts paid to the sellers of TPC. The remaining elements of contingent consideration will be determined in the future based upon the outcome of either specific performance of defined tasks, or the achievement of specified revenue growth hurdles. Our initial estimate of the fair value of the elements of contingent consideration as of the TPC closing date was included in our determination of the goodwill arising from this acquisition. As of June 30, 2017, we computed an estimate of the fair value of the contingent consideration based upon the latest information available to us, and the excess of this fair value determination over the initial estimate is included in other expense on our Condensed Consolidated Statements of Income and Comprehensive Income.

As a part of the terms governing the fiscal year 2016 Mummert acquisition (see Note 3 for additional information), on certain dates specified in the Mummert purchase agreement, there are earn-out computations to be performed or contingent consideration provisions that may apply. These elements of contingent consideration will be finally determined in the future based upon the achievement of specified revenue amounts and the continued employment of specified associates. Since the ultimate payment of these elements of contingent consideration are conditioned upon continued employment as of the measurement dates which are three and five years from the Mummert acquisition date, these obligations are being recognized as a component of our compensation expense over such periods.

The measurement date to determine the amount of contingent consideration arising from the Alex. Brown acquisition occurred during the nine months ended June 30, 2017, resulting in a return to RJF of a portion of the purchase price paid at closing. Gains related to this contingent consideration were recorded as a reduction to acquisition-related expenses in the Condensed Consolidated Statements of Income and Comprehensive Income. In addition, the terms of the acquisition also included a post-closing date review process to adjust the cash consideration paid to the seller in the acquisition. This review process was completed during the three months ended June 30, 2017, which resulted in a return of a portion of the purchase price paid at closing and did not have a material impact on our Condensed Consolidated Statements of Income and Comprehensive Income or our Condensed Consolidated Statements of Financial Condition.

RJF has committed an amount of up to $225 million, subject to certain limitations and to annual review and renewal by the RJF Board of Directors, to either lend to RJTCF or to guarantee RJTCF's obligations, in connection with RJTCF's low-income housing development/rehabilitation and syndication activities. At June 30, 2017, RJTCF has $88 million outstanding against this commitment. RJTCF may borrow from RJF in order to make investments in, or fund loans or advances to, either partnerships that purchase and develop properties qualifying for tax credits ("Project Partnerships") or LIHTC Funds. Investments in Project Partnerships are sold to various LIHTC Funds, which have third party investors, and for which RJTCF serves as the managing member or general partner. RJTCF typically sells investments in Project Partnerships to LIHTC Funds within 90 days of their acquisition, and the proceeds from the sales are used to repay RJTCF's borrowings from RJF. RJTCF may also make short-term loans or advances to Project Partnerships, and LIHTC Funds.

As a part of our fixed income public finance operations, RJ&A enters into forward commitments to purchase GNMA or FNMA MBS (see the discussion of these activities within "financial instruments owned, financial instruments sold but not purchased and fair value" in Note 2 on page 112 of our 2016 Form 10-K). At June 30, 2017, RJ&A had $821 million principal amount of outstanding forward MBS purchase commitments which are expected to be purchased over the following 90 days. In order to hedge the market interest rate risk to which RJ&A would otherwise be exposed between the date of the commitment and the date of sale of the MBS, RJ&A enters into to be announced ("TBA") security contracts with investors for generic MBS securities at specific rates and prices to be delivered on settlement dates in the future. These TBA securities are accounted for at fair value and are included in Agency MBS and CMO securities in the table of assets and liabilities measured at fair value included in Note 5. At June 30, 2017, the fair value of these securities was insignificant. The estimated fair value of the purchase commitment is a $1 million liability balance as of June 30, 2017.

As a result of extensive regulation of financial holding companies, banks, broker-dealers and investment advisory entities, RJF and certain of its subsidiaries are subject to regular reviews and inspections by regulatory authorities and self-regulatory organizations. The reviews can result in the imposition of sanctions for regulatory violations, ranging from non-monetary censures to fines and, in serious cases, temporary or permanent suspension from conducting business, or limitations on certain business activities. In addition, regulatory agencies and self-regulatory organizations institute investigations from time to time into industry practices, which can also result in the imposition of such sanctions. Refer to the "Legal and regulatory matter contingencies" discussion within this footnote for information about related loss contingency reserves.

Guarantees

RJF guarantees interest rate swap obligations of RJ Cap Services. See Note 14 for additional information regarding interest rate swaps.

RJF guarantees the existing mortgage debt of RJ&A of $30 million. See Note 12 for information regarding this borrowing.

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

RJTCF issues certain guarantees to various third parties related to Project Partnerships whose interests have been sold to one or more of the funds in which RJTCF is the managing member or general partner. In some instances, RJTCF is not the primary guarantor of these obligations, which aggregate to $2 million as of June 30, 2017.

RJTCF has provided a guaranteed return on investment to a third party investor in one of its fund offerings ("Fund 34"), and RJF has guaranteed RJTCF's performance under the arrangement. Under the terms of the performance guarantee, should the underlying LIHTC project partnerships held by Fund 34 fail to deliver a certain amount of tax credits and other tax benefits to this investor over the next five years, RJTCF is obligated to pay the investor an amount that results in the investor achieving a minimum specified return on their investment. A $16 million financing asset is included in prepaid expenses and other assets, and a related $16 million liability is included in trade and other payables on our Condensed Consolidated Statements of Financial Condition as of June 30, 2017 related to this obligation. The maximum exposure to loss under this guarantee is $17 million at June 30, 2017, which represents the undiscounted future payments due the investor.

Legal and regulatory matter contingencies

In addition to the matters specifically described below, in the normal course of our business, we have been named, from time to time, as a defendant in various legal actions, including arbitrations, class actions and other litigation, arising in connection with our activities as a diversified financial services institution.

We are also subject, from time to time, to other reviews, investigations and proceedings (both formal and informal) by governmental and self-regulatory agencies regarding our business. Such proceedings may involve, among other things, our sales and trading activities, financial products or offerings we sponsored, underwrote or sold, and operational matters. Some of these proceedings have resulted, and may in the future result, in adverse judgments, settlements, fines, penalties, injunctions or other relief and/or require us to undertake remedial actions.

We cannot predict if, how or when such proceedings or investigations will be resolved or what the eventual settlement, fine, penalty or other relief, if any, may be. A large number of factors may contribute to this inherent unpredictability: the proceeding is in its early stages; the damages sought are unspecified, unsupported or uncertain; it is unclear whether a case brought as a class action will be allowed to proceed on that basis; the other party is seeking relief other than or in addition to compensatory damages (including, in the case of regulatory and governmental proceedings, potential fines and penalties); the matters present significant legal uncertainties; we have not engaged in settlement discussions; discovery is not complete; there are significant facts in dispute; and numerous parties are named as defendants (including where it is uncertain how liability might be shared among defendants).

We contest liability and/or the amount of damages, as appropriate, in each pending matter. Over the last several years, the level of litigation and investigatory activity (both formal and informal) by government and self-regulatory agencies has increased significantly in the financial services industry. While we have identified below certain proceedings that we believe could be material, individually or collectively, there can be no assurance that material losses will not be incurred from claims that have not yet been asserted or are not yet determined to be material.

We include in some of the descriptions of individual matters below certain quantitative information about the plaintiff's claim against us as alleged in the plaintiff's pleadings or other public filings. Although this information may provide insight into the potential magnitude of a matter, it does not represent our estimate of reasonably possible loss or our judgment as to any currently appropriate accrual related thereto.

Subject to the foregoing, we believe, after consultation with counsel and consideration of the accrued liability amounts included in the accompanying condensed consolidated financial statements, that the outcome of such litigation and regulatory proceedings will not have a material adverse effect on our consolidated financial condition. However, the outcome of such litigation and proceedings could be material to our operating results and cash flows for a particular future period, depending on, among other things, our revenues or income for such period.

With respect to legal and regulatory matters for which management has been able to estimate a range of reasonably possible loss (and excluding amounts subject to the below-described indemnification from Regions Financial Corporation ("Regions")), as of June 30, 2017, we estimate the upper end of the range of reasonably possible aggregate loss to be approximately $65 million in excess of the aggregate reserves for such matters. Refer to Note 2 on page 123 of our 2016 Form 10-K for a discussion of our criteria for recognizing liabilities for contingencies.

We and one of our financial advisors were named defendants in various lawsuits related to an alleged fraudulent scheme, created in 2007, conducted by Ariel Quiros ("Quiros") and William Stenger ("Stenger") involving the misuse of EB-5 visa program investor funds in connection with the Jay Peak ski resort in Vermont and associated limited partnerships ("Jay Peak"). Plaintiffs in the lawsuits alleged that Quiros misused $200 million of the amounts raised by the limited partnerships and misappropriated $50 million for his personal benefit. There were six civil court actions pending in which we or one of our subsidiaries were named. The plaintiffs variously demanded, among other things, compensatory damages, treble damages under the Racketeer Influenced and Corrupt Organizations Act ("RICO") and punitive damages.

On April 13, 2017, we entered into an agreement regarding a proposed final, comprehensive settlement of all past, present and future investor claims against us relating to the Jay Peak matters ("Jay Peak matter"). Under the agreement, we would pay to the SEC-appointed receiver for the Jay Peak entities an aggregate of $150 million, which includes $4.5 million previously paid in our settlement with the State of Vermont. The settlement amount, net of amounts previously paid, is included in Trade and other payables in our Condensed Consolidated Statements of Financial Condition as of June 30, 2017. The agreement further provided that the court would issue a bar order stipulating that no further civil actions will be commenced or prosecuted against us (other than by governmental bodies or agencies) on the basis of the events underlying the litigation. In addition, the settlement provides us with the right to recover some of our settlement payments through sharing in proceeds of certain third-party recoveries that may be obtained by or on behalf of the receiver or the receivership entities. On June 30, 2017, the court issued a final order approving the proposed settlement agreement and barring all existing or potential future claims against us for any actions or damages associated with the Jay Peak matters. The time period for appealing this final order expires 60 days following issuance of the order.

Morgan Keegan Litigation

Indemnification from Regions

Under the agreement with Regions governing our 2012 acquisition of Morgan Keegan & Company, Inc., and MK Holding, Inc. and certain of its affiliates (collectively referred to as "Morgan Keegan"), Regions is obligated to indemnify RJF for losses we may incur in connection with any Morgan Keegan legal proceedings pending as of the closing date for that transaction (which was April 2, 2012), or commenced after the closing date but related to pre-closing matters that are received prior to April 2, 2015.

The Morgan Keegan matter described below is subject to such indemnification provisions. As of June 30, 2017, management estimates the range of potential liability of all Morgan Keegan matters subject to indemnification, including the cost of defense, to be from $12 million to $44 million. Any loss arising from such matters, after application of any contractual thresholds and other reductions, as set forth in the agreement, will be borne by Regions. As of June 30, 2017 our Condensed Consolidated Statements of Financial Condition include an indemnification asset of $32 million which is included in other assets, and a liability for potential losses of $32 million which is included within trade and other payables, pertaining to the Morgan Keegan matters subject to indemnification. The amount included within trade and other payables is the amount within the range of potential liability related to such matters which management estimates is more likely than any other amount within such range.

Morgan Keegan matter (subject to indemnification)

In July 2006, Morgan Keegan & Company, Inc., a Morgan Keegan affiliate, and one of its former analysts were named as defendants in a lawsuit filed by Fairfax Financial Holdings Limited and an affiliate in the Superior Court of New Jersey, Law Division, in Morris County, New Jersey. Plaintiffs made claims under a civil 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 in order to improperly drive down the stock price of Fairfax, so that others could profit from short positions. Plaintiffs alleged that the defendants' actions disparaged them and harmed their business relationships. Plaintiffs alleged various categories of damages, including lost insurance business, losses on stock and bond offerings, reputational loss, increased audit fees and directors and officers insurance premiums, and lost acquisitions. They requested actual and punitive damages and treble damages under their RICO claims. On May 11, 2012, the trial court ruled that New York law applied to plaintiffs’ RICO claims and dismissed those claims because New York does not allow private RICO claims. On June 27, 2012, the trial court dismissed plaintiffs’ tortious interference with prospective relations claim, but allowed the other claims to go forward. Prior to commencement of a jury trial, the court dismissed the remaining claims with prejudice. A hearing on plaintiffs’ appeal of the court’s rulings was held on October 17, 2016. In a decision issued on April 27, 2017, the Superior Court of New Jersey, Appellate Division, affirmed the trial court's dismissal of certain claims against Morgan Keegan, including RICO allegations, while remanding to the trial court the claims of disparagement, tortious interference with prospective business relations, and civil conspiracy, and limiting the actual damages to certain lost insurance business. The appeals court likewise affirmed the trial court's exclusion of plaintiffs' damages expert's report. On July 10, 2017, Plaintiffs filed a petition with the Supreme Court of New Jersey requesting review of the Appellate Division’s opinion.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
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NOTE 18 – ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

Other comprehensive income/(loss)

The activity in other comprehensive income/(loss), net of the respective tax effect, is as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
	(in thousands)			
Unrealized gain/(loss) on available-for-sale securities and non-credit portion of other-than-temporary impairment losses	$1,776	$(955)	$(418)	$(6,647)
Unrealized gain/(loss) on currency translations, net of the impact of net investment hedges	7,423	2,302	10,647	6,401
Unrealized gain/(loss) on cash flow hedges	(3,775)	(6,922)	23,494	(15,126)
Net other comprehensive income/(loss)	$5,424	$(5,575)	$33,723	$(15,372)

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
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Accumulated other comprehensive income/(loss)

The following table presents the changes, and the related tax effects, of each component of accumulated other comprehensive income/(loss) for the three and nine months ended June 30, 2017 and 2016 (in thousands):

	Net investment hedges [1]	Currency translations	Sub-total: net investment hedges and currency translations	Available-for-sale securities	Cash flow hedges [2]	Total
Three months ended June 30, 2017						
Accumulated other comprehensive income/(loss) as of the beginning of the period	$ 93,269	$ (125,139)	$ (31,870)	$ (6,350)	$ 10,786	$ (27,434)
Other comprehensive income/(loss) before reclassifications and taxes	(20,676)	21,444	768	2,322	(7,360)	(4,270)
Amounts reclassified from accumulated other comprehensive income/(loss), before tax	—	—	—	557	1,272	1,829
Pre-tax net other comprehensive income/(loss)	(20,676)	21,444	768	2,879	(6,088)	(2,441)
Income tax effect	7,737	(1,082)	6,655	(1,103)	2,313	7,865
Net other comprehensive income/(loss) for the period, net of tax	(12,939)	20,362	7,423	1,776	(3,775)	5,424
Accumulated other comprehensive income/(loss) as of end of period	$ 80,330	$ (104,777)	$ (24,447)	$ (4,574)	$ 7,011	$ (22,010)
Nine Months Ended June 30, 2017						
Accumulated other comprehensive income/(loss) as of the beginning of the period	$ 86,482	$ (121,576)	$ (35,094)	$ (4,156)	$ (16,483)	$ (55,733)
Other comprehensive income/(loss) before reclassifications and taxes	(9,831)	10,839	1,008	(1,481)	33,551	33,078
Amounts reclassified from accumulated other comprehensive income/(loss), before tax	—	6,537	6,537	639	4,342	11,518
Pre-tax net other comprehensive income/(loss)	(9,831)	17,376	7,545	(842)	37,893	44,596
Income tax effect	3,679	(577)	3,102	424	(14,399)	(10,873)
Net other comprehensive income/(loss) for the period, net of tax	(6,152)	16,799	10,647	(418)	23,494	33,723
Accumulated other comprehensive income/(loss) as of end of period	$ 80,330	$ (104,777)	$ (24,447)	$ (4,574)	$ 7,011	$ (22,010)
Three months ended June 30, 2016						
Accumulated other comprehensive income/(loss) as of the beginning of the period	$ 82,029	$ (115,203)	$ (33,174)	$ (4,272)	$ (12,854)	$ (50,300)
Other comprehensive income/(loss) before reclassifications and taxes	(3,738)	4,798	1,060	(1,496)	(12,813)	(13,249)
	—	—	—	—	1,649	1,649

Amounts reclassified from accumulated other comprehensive income/(loss), before tax						
Pre-tax net other comprehensive income/(loss)	(3,738)	4,798	1,060	(1,496)	(11,164)	(11,600)
Income tax effect	1,399	(157)	1,242	541	4,242	6,025
Net other comprehensive income/(loss) for the period, net of tax	(2,339)	4,641	2,302	(955)	(6,922)	(5,575)
Accumulated other comprehensive income/(loss) as of end of period	$ 79,690	$ (110,562)	$ (30,872)	$ (5,227)	$ (19,776)	$ (55,875)
Nine months ended June 30, 2016						
Accumulated other comprehensive income/(loss) as of the beginning of the period	$ 93,203	$ (130,476)	$ (37,273)	$ 1,420	$ (4,650)	$ (40,503)
Other comprehensive income/(loss) before reclassifications and taxes	(21,598)	20,952	(646)	(10,608)	(28,984)	(40,238)
Amounts reclassified from accumulated other comprehensive income/(loss), before tax	—	—	—	53	4,588	4,641
Pre-tax net other comprehensive income/(loss)	(21,598)	20,952	(646)	(10,555)	(24,396)	(35,597)
Income tax effect	8,085	(1,038)	7,047	3,908	9,270	20,225
Net other comprehensive income/(loss) for the period, net of tax	(13,513)	19,914	6,401	(6,647)	(15,126)	(15,372)
Accumulated other comprehensive income/(loss) as of end of period	$ 79,690	$ (110,562)	$ (30,872)	$ (5,227)	$ (19,776)	$ (55,875)

(1) Comprised of forward foreign exchange derivatives associated with hedges of RJ Bank's foreign currency exposure due to its non-U.S. dollar net investments (see Note 14 for additional information on these derivatives).

(2) Represents RJ Bank Interest Hedges (see Note 14 for additional information on these derivatives).

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
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Reclassifications out of accumulated other comprehensive income/(loss)

The following table presents the income statement line items impacted by reclassifications out of accumulated other comprehensive income/(loss), and the related tax effects, for the three and nine months ended June 30, 2017 and 2016:

Accumulated other comprehensive income/(loss) components:	Increase/(decrease) in amounts reclassified from accumulated other comprehensive income/(loss) (in thousands)	Affected line items in income statement
Three months ended June 30, 2017		
RJ Bank available-for-sale securities	$ 557	Other revenue
RJ Bank Interest Hedges (1)	1,272	Interest expense
	1,829	Total before tax
Income tax effect	(699)	Provision for income taxes
Total reclassifications for the period	$ 1,130	Net of tax
Nine months ended June 30, 2017		
RJ Bank available-for-sale securities	639	Other revenue
RJ Bank Interest Hedges (1)	4,342	Interest expense
Currency translations (2)	6,537	Other expense
	11,518	Total before tax
Income tax effect	(4,380)	Provision for income taxes
Total reclassifications for the period	$ 7,138	Net of tax
Three months ended June 30, 2016		
RJ Bank Interest Hedges (1)	$ 1,649	Interest expense
Income tax effect	(627)	Provision for income taxes
Total reclassifications for the period	$ 1,022	Net of tax
Nine months ended June 30, 2016		
Available-for-sale securities:		
Auction rate securities	$ 53	Other revenue
RJ Bank Interest Hedges (1)	4,588	Interest expense
	4,641	Total before tax
Income tax effect	(1,763)	Provision for income taxes
Total reclassifications for the period	$ 2,878	Net of tax

(1) See Note 14 for additional information regarding the RJ Bank Interest Hedges, and Note 5 for additional fair value information regarding these derivatives.

(2)

During the quarter ended December 31, 2016, we sold our interests in a number of Latin American joint ventures which had operations in Uruguay and Argentina. As a component of our computation of the gain or loss resulting from such sales, we recognized the sold entities' cumulative currency translation balances which, prior to such reclassification, had been a component of the accumulated other comprehensive loss.

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

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 19 – INTEREST INCOME AND INTEREST EXPENSE

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

	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
	(in thousands)			
Interest income:				
Margin balances	$21,637	$16,809	$61,930	$51,311
Assets segregated pursuant to regulations and other segregated assets	11,425	4,915	29,691	15,573
Bank loans, net of unearned income	143,306	126,354	416,617	357,325
Available-for-sale securities	8,811	1,880	17,886	5,452
Trading instruments	5,499	4,913	15,896	14,339
Securities loaned	4,016	2,296	10,662	6,423
Loans to financial advisors	3,360	2,091	9,937	6,001
Corporate cash and all other	6,170	4,552	16,931	11,496
Total interest income	$204,224	$163,810	$579,550	$467,920
Interest expense:				
Brokerage client liabilities	$1,121	$619	$2,649	$1,481
Retail bank deposits (1)	4,244	2,733	10,424	7,504
Trading instruments sold but not yet purchased	1,773	1,277	4,561	3,839
Securities borrowed	1,866	789	5,038	2,185
Borrowed funds	4,195	3,324	11,822	9,417
Senior notes	21,981	16,771	70,345	54,953
Other	3,380	2,520	6,364	4,462
Total interest expense	38,560	28,033	111,203	83,841
Net interest income	165,664	135,777	468,347	384,079
Subtract: bank loan loss provision	(6,209)	(3,452)	(13,097)	(26,991)
Net interest income after bank loan loss provision	$159,455	$132,325	$455,250	$357,088

(1) Excludes interest expense associated with affiliate deposits.

NOTE 20 – SHARE-BASED COMPENSATION

We maintain one share-based compensation plan for our employees, Board of Directors and non-employees (comprised of independent contractor financial advisors). The Amended and Restated 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. Our share-based compensation accounting policies are described in Note 2 on pages 123 - 124 of our 2016 Form 10-K. Other information relating to our share-based awards are presented in Note 24 on pages 186 – 191 of our 2016 Form 10-K.

Stock option awards

Expense and income tax benefits related to our stock options awards granted to employees and independent contractor financial advisors is presented below:

	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
	(in thousands)			
Total share-based expense	$3,049	$2,829	$10,421	$7,901
Income tax benefit related to share-based expense	408	261	1,379	696

For the nine months ended June 30, 2017, we realized $3 million of excess tax benefits related to our stock option awards which favorably impacted income tax expense in our Condensed Consolidated Statements of Income and Comprehensive Income as a result of our adoption of stock compensation simplification guidance (see Note 1 for additional information on our adoption of this new accounting guidance during the period).

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During the three months ended June 30, 2017, we granted no stock options to employees. During the nine months ended June 30, 2017, we granted 223,800 stock options to employees with a weighted-average grant-date fair value of $19.96.

There were no stock options granted to independent contractor financial advisors during the three months ended June 30, 2017. During the nine months ended June 30, 2017, we granted 50,200 stock options to independent contractor financial advisors. The fair value of each option awarded to our independent contractor financial advisors is estimated on the date of grant and periodically revalued using the Black-Scholes option pricing model. The weighted-average fair value for outstanding stock options granted to independent contractor financial advisors as of June 30, 2017 was $33.38.

Pre-tax expense not yet recognized for stock option awards granted to employees and independent contractor financial advisors, net of estimated forfeitures, and the remaining period over which the expense will be recognized as of June 30, 2017, are presented below:

	Pre-tax expense not yet recognized	Remaining weighted-average amortization period
	(in thousands)	(in years)
Employees	$ 16,644	2.6
Independent contractor financial advisors	2,952	3.1

Restricted stock and restricted stock unit awards

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

	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
	(in thousands)			
Total share-based expense	$16,863	$14,621	$62,963 (1)	$49,441
Income tax benefit related to share-based expense	6,574	5,065	22,263	17,440

(1) The total share-based expense in the nine months ended June 30, 2017 includes $5 million which is included as a component of acquisition-related expenses on our Condensed Consolidated Statements of Income and Comprehensive Income. See Note 3 for additional information regarding such expense. There was no share-based compensation expense included as a component of acquisition-related expenses in the three months ended June 30, 2017.

For the nine months ended June 30, 2017, we realized $21 million of excess tax benefits related to our restricted equity awards which favorably impacted income tax expense in our Condensed Consolidated Statements of Income and Comprehensive Income as a result of our adoption of stock compensation simplification guidance (see Note 1 for additional information on our adoption of this new accounting guidance during the period).

During the three and nine months ended June 30, 2017, we granted 40,400 and 1,585,200 restricted stock units to employees, respectively with a weighted-average grant-date fair value of $73.29 and $72.21. During the nine months ended June 30, 2017 we granted 14,100 restricted stock units to outside members of our Board of Directors with a weighted-average grant date fair value of $79.05.

As of June 30, 2017, there was $139 million of total pre-tax compensation costs not yet recognized, net of estimated forfeitures, related to restricted equity awards granted to employees and members of our Board of Directors. These costs are expected to be recognized over a weighted-average period of 3.2 years.

There are no outstanding restricted stock units related to our independent contractor financial advisors as of June 30, 2017.

Restricted stock awards associated with Alex. Brown

As part of our acquisition of Alex. Brown, RJ&A assumed certain DBRSU awards, including the associated plan terms and conditions. Refer to Note 24 on page 190 of our 2016 Form 10-K for additional information regarding these awards. The DBRSUs are accounted for as derivatives. See Note 14 for additional information regarding these derivatives.

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The net impact of the DBRSUs in our Condensed Consolidated Statements of Income and Comprehensive Income for the three and nine months ended June 30, 2017, including the related income tax effects, is presented below:

	Three months ended June 30, 2017	Nine Months Ended June 30, 2017
	(in thousands)	
Amortization of DBRSU prepaid compensation asset	$1,240	$4,018
Change in fair value of derivative liability (1)	940	8,792
Net expense before tax	$2,180	$12,810
Income tax benefit	$828	$4,776

(1) Includes the impact of a DB rights offering during the nine months ended June 30, 2017, which increased the fair value of the derivative liability due to the DBRSU plan terms and conditions, and was reported in acquisition-related expenses on the Condensed Consolidated Statements of Income and Comprehensive Income. Also includes the impact of DBRSUs forfeited during the nine months ended June 30, 2017.

As of June 30, 2017, there was an $11 million prepaid compensation asset included in prepaid expenses and other assets in our Condensed Consolidated Statements of Financial Condition related to these DBRSUs. This asset is expected to be amortized over a weighted-average period of 2.3 years. As of June 30, 2017, there was a $27 million derivative liability included in accrued compensation, commissions and benefits in our Condensed Consolidated Statements of Financial Condition based on the June 30, 2017 share price of DB shares of $17.79.
We hold shares of DB as of June 30, 2017 as an economic hedge against this obligation. Such shares are included in other investments on our Condensed Consolidated Statements of Financial Condition. The gains/losses on this hedge are included as a component of compensation, commissions and benefits expense, or acquisition-related expenses as applicable, and offset a portion of the gains/losses on the DBRSUs incurred during the periods discussed above.

NOTE 21 – REGULATORY CAPITAL REQUIREMENTS

RJF, as a financial holding company, RJ Bank, and our broker-dealer subsidiaries are subject to capital requirements by various regulatory authorities. Capital levels of each entity are monitored to assess the capital positions to ensure compliance with our various regulatory capital requirements. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on our financial results.

Under capital adequacy guidelines, 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 report regulatory capital under Basel III under the standardized approach. Various aspects of the Basel III rules are subject to multi-year transition periods through December 31, 2018.

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), Tier 1 capital to average assets (as defined), and under rules defined in Basel III, Common equity Tier 1 capital ("CET1") to risk-weighted assets. RJF and RJ Bank each calculate these ratios in order to assess compliance with both regulatory requirements and their internal capital policies. Effective January 1, 2016, the minimum CET1, Tier 1 Capital, and Total Capital ratios of RJF and RJ Bank are supplemented by an incremental capital conservation buffer, consisting entirely of capital that qualifies as CET1, that phases in beginning on January 1, 2016 in increments of 0.625% per year until it reaches 2.5% of risk weighted assets on January 1, 2019. The capital conservation buffer is intended to be used to absorb potential losses in times of financial or economic stress. If not maintained, we could be limited in the amount of certain discretionary bonuses that may be paid and the amount of capital that may be distributed, including dividends and common equity repurchases. As of June 30, 2017, RJF's and RJ Bank's capital conservation buffers were 15.3% and 5.7%, respectively. The applicable required capital conservation buffer for each as of June 30, 2017 was 1.25%.

At current capital levels, RJF and RJ Bank are each categorized as "well capitalized."

For further discussion of regulatory capital requirements applicable to certain of our businesses and subsidiaries, see Note 25 on pages 191 - 194 of our 2016 Form 10-K.

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To meet requirements for capital adequacy purposes or to be categorized as "well capitalized," RJF must maintain minimum Common equity Tier 1, Tier 1 risk-based, Total risk-based, and Tier 1 leverage amounts and ratios as set forth in the table below.

	Actual		Requirement for capital adequacy purposes		To be well capitalized under regulatory provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	($ in thousands)					
RJF as of June 30, 2017:						
Common equity Tier 1 capital	$4,888,136	22.3%	$984,948	4.5%	$1,422,703	6.5 %
Tier 1 capital	$4,888,136	22.3%	$1,313,265	6.0%	$1,751,019	8.0 %
Total capital	$5,098,971	23.3%	$1,751,019	8.0%	$2,188,774	10.0%
Tier 1 leverage	$4,888,136	15.1%	$1,298,345	4.0%	$1,622,932	5.0 %
RJF as of September 30, 2016:						
Common equity Tier 1 capital	$4,421,956	20.6%	$966,341	4.5%	$1,395,825	6.5 %
Tier 1 capital	$4,421,956	20.6%	$1,288,454	6.0%	$1,717,939	8.0 %
Total capital	$4,636,009	21.6%	$1,717,939	8.0%	$2,147,424	10.0%
Tier 1 leverage	$4,421,956	15.0%	$1,177,840	4.0%	$1,472,300	5.0 %

The increase in RJF's Total capital and Tier 1 capital ratios at June 30, 2017 compared to September 30, 2016 was primarily the result of positive earnings during the nine months ended June 30, 2017, partially offset by the growth of RJ Bank's assets.

To meet the requirements for capital adequacy or to be categorized as "well capitalized," RJ Bank must maintain CET1, Tier 1 risk-based, Total risk-based, and Tier 1 leverage amounts and ratios as set forth in the table below.

	Actual		Requirement for capital adequacy purposes		To be well capitalized under regulatory provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	($ in thousands)					
RJ Bank as of June 30, 2017:						
Common equity Tier 1 capital	$1,770,929	12.4%	$641,418	4.5%	$926,492	6.5 %
Tier 1 capital	$1,770,929	12.4%	$855,224	6.0%	$1,140,298	8.0 %
Total capital	$1,949,385	13.7%	$1,140,298	8.0%	$1,425,373	10.0%
Tier 1 leverage	$1,770,929	9.3 %	$760,821	4.0%	$951,027	5.0 %
RJ Bank as of September 30, 2016:						
Common equity Tier 1 capital	$1,675,890	12.7%	$592,864	4.5%	$856,360	6.5 %
Tier 1 capital	$1,675,890	12.7%	$790,486	6.0%	$1,053,981	8.0 %
Total capital	$1,841,112	14.0%	$1,053,981	8.0%	$1,317,476	10.0%

Tier 1 leverage	$1,675,890	9.9 %	$675,939	4.0%	$844,924	5.0 %

The decrease in RJ Bank’s Total and Tier 1 capital ratios at June 30, 2017 compared to September 30, 2016 was primarily due to growth in assets.

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.

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

	As of June 30, 2017	As of September 30, 2016
	($ in thousands)	
Raymond James & Associates, Inc.:		
(Alternative Method elected)		
Net capital as a percent of aggregate debit items	21.59 %	19.61 %
Net capital	$548,716	$512,594
Less: required net capital	(50,821)	(52,287)
Excess net capital	$497,895	$460,307

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

	As of June 30, 2017	As of September 30, 2016
	(in thousands)	
Raymond James Financial Services, Inc.:		
(Alternative Method elected)		
Net capital	$24,739	$27,013
Less: required net capital	(250)	(250)
Excess net capital	$24,489	$26,763

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

	As of June 30, 2017	As of September 30, 2016
	(in thousands)	
Raymond James Ltd.:		
Risk adjusted capital before minimum	$82,935	$77,110
Less: required minimum capital	(250)	(250)
Risk adjusted capital	$82,685	$76,860

At June 30, 2017, all of our other active regulated domestic and international subsidiaries are in compliance with and met all applicable capital requirements.

NOTE 22 – FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

For a discussion of our financial instruments with off-balance-sheet risk, see Note 26 on pages 194 - 195 of our 2016 Form 10-K.

As a part of our fixed income public finance operations, RJ&A enters into forward commitments to purchase GNMA or FNMA MBS. See Note 17 for information on these commitments. We utilize TBA security contracts to hedge our interest rate risk associated with these commitments. We are subject to loss if the timing of, or the actual amount of, the MBS securities differs significantly from the term and notional amount of the TBA security contracts we enter into.

RJ Ltd. is subject to foreign exchange risk primarily due to financial instruments denominated in U.S. dollars that may be impacted by fluctuation in foreign exchange rates. In order to mitigate this risk, RJ Ltd. enters into forward foreign exchange contracts. The fair value of these contracts is not significant. As of June 30, 2017, forward contracts outstanding to buy and sell U.S. dollars totaled CDN $25 million and CDN $1 million, 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 derivatives to mitigate a significant portion of this risk.

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

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

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

	June 30, 2017 (in thousands)
Standby letters of credit	$ 39,005
Open-end consumer lines of credit (primarily SBL)	4,874,649
Commercial lines of credit	1,705,037
Unfunded loan commitments	387,900

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

NOTE 23 – EARNINGS PER SHARE

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

	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
	(in thousands, except per share amounts)			
Income for basic earnings per common share:				
Net income attributable to RJF	$183,424	$125,504	$442,746	$357,680
Less allocation of earnings and dividends to participating securities [1]	(399)	(302)	(975)	(851)
Net income attributable to RJF common shareholders	$183,025	$125,202	$441,771	$356,829
Income for diluted earnings per common share:				
Net income attributable to RJF	$183,424	$125,504	$442,746	$357,680
Less allocation of earnings and dividends to participating securities [1]	(391)	(298)	(957)	(839)
Net income attributable to RJF common shareholders	$183,033	$125,206	$441,789	$356,841
Common shares:				
Average common shares in basic computation	143,712	141,165	143,059	141,902
Dilutive effect of outstanding stock options and certain restricted stock units	3,391	2,787	3,288	2,716
Average common shares used in diluted computation	147,103	143,952	146,347	144,618
Earnings per common share:				
Basic	$1.27	$0.89	$3.09	$2.51
Diluted	$1.24	$0.87	$3.02	$2.47
	365	2,283	1,686	3,309

Stock options and certain restricted stock units excluded from weighted-average diluted common shares because their effect would be antidilutive

(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 319 thousand and 349 thousand for the three months ended June 30, 2017 and 2016, respectively, and 324 thousand and 349 thousand for the nine months ended June 30, 2017 and 2016, respectively. Dividends paid to participating securities were insignificant in the three and nine months ended June 30, 2017 and 2016. Undistributed earnings are allocated to participating securities based upon their right to share in earnings if all earnings for the period had been distributed.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

Dividends per common share declared and paid are as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
Dividends per common share - declared	$0.22	$0.20	$0.66	$0.60
Dividends per common share - paid	$0.22	$0.20	$0.64	$0.58

NOTE 24 – SEGMENT INFORMATION

We currently operate through the following five business segments: “Private Client Group;” “Capital Markets;” “Asset Management;” RJ Bank; and “Other.” The business segments are determined 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 on pages 196 - 198 of our 2016 Form 10-K.

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

	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
	(in thousands)			
Revenues:				
Private Client Group	$1,131,452	$903,223	$3,263,329	$2,660,687
Capital Markets	265,433	257,038	762,895	727,335
Asset Management	125,675	100,954	356,291	298,034
RJ Bank	158,989	132,747	452,203	376,785
Other	15,417	17,170	46,885	31,442
Intersegment eliminations	(33,859)	(24,135)	(89,414)	(65,319)
Total revenues (1)	$1,663,107	$1,386,997	$4,792,189	$4,028,964
Income/(loss) excluding noncontrolling interests and before provision for income taxes:				
Private Client Group	$127,951	$81,911	$230,681	$234,283
Capital Markets	34,607	32,769	97,302	86,024
Asset Management	43,270	32,507	122,976	96,996
RJ Bank	99,990	88,930	296,022	239,929
Other	(30,804)	(38,352)	(100,075)	(93,011)
Pre-tax income excluding noncontrolling interests	275,014	197,765	646,906	564,221
Add: net income/(loss) attributable to noncontrolling interests	1,927	7,089	(1,147)	4,814
Income including noncontrolling interests and before provision for income taxes	$276,941	$204,854	$645,759	$569,035

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

	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
	(in thousands)			
Net interest income/(expense):				
Private Client Group	$35,557	$24,063	$99,615	$71,561
Capital Markets	489	1,217	5,163	6,890
Asset Management	219	47	354	135
RJ Bank	145,521	123,687	418,304	351,172
Other	(16,122)	(13,237)	(55,089)	(45,679)
Net interest income	$165,664	$135,777	$468,347	$384,079

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

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

	June 30, 2017	September 30, 2016
	(in thousands)	
Total assets:		
Private Client Group (1)	$8,681,507	$10,317,681
Capital Markets (2)	2,941,707	2,957,319
Asset Management	149,798	133,190
RJ Bank	19,045,191	16,613,391
Other	2,615,223	1,465,395
Total	$33,433,426	$31,486,976

(1) Includes $276 million of goodwill at both June 30, 2017 and September 30, 2016.

(2) Includes $133 million of goodwill at both June 30, 2017 and September 30, 2016.

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

	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
	(in thousands)			
Revenues:				
United States	$1,552,369	$1,289,579	$4,446,928	$3,738,631
Canada	86,602	72,969	263,633	197,284
Europe	24,132	18,780	77,358	63,695
Other	4	5,669	4,270	29,354
Total	$1,663,107	$1,386,997	$4,792,189	$4,028,964
Pre-tax income/(loss) excluding noncontrolling interests:				
United States	$273,811	$197,537	$644,621	$550,606
Canada	4,732	3,832	9,557	13,026
Europe	(2,184)	(2,234)	(2,771)	(3,577)
Other	(1,345)	(1,370)	(4,501)	4,166
Total	$275,014	$197,765	$646,906	$564,221

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

	June 30, 2017	September 30, 2016
	(in thousands)	
Total assets:		
United States (1)	$30,705,661	$29,112,182
Canada (2)	2,644,701	2,275,056

Europe [3]	63,789	61,067
Other	19,275	38,671
Total	$ 33,433,426	$ 31,486,976

(1) Includes $356 million of goodwill at both June 30, 2017 and September 30, 2016.

(2) Includes $43 million of goodwill at both June 30, 2017 and September 30, 2016.

(3) Includes $9 million of goodwill at both June 30, 2017 and September 30, 2016.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

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

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RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Management's Discussion and Analysis

Introduction

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

Factors Affecting “Forward-Looking Statements”

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

Executive overview

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

Quarter ended June 30, 2017 compared with the quarter ended June 30, 2016

We achieved net revenues of $1.62 billion for the quarter, a $266 million, or 20% increase. Our pre-tax income amounted to $275 million, an increase of $77 million, or 39%. Our net income of $183 million reflected an increase of $58 million, or 46%, and our earnings per diluted share amounted to $1.24, a 43% increase.

Net revenues increased in each of our four operating segments, including significant growth in the Private Client Group (“PCG”) segment and the Asset Management segment, which benefited from continued growth in client assets in fee-based accounts. The increase in net revenues in RJ Bank reflected an increase in average interest-earning assets and an increase in net interest margin. Investment banking revenues in our Capital Markets segment remained strong. Total client assets under administration reached $664.4 billion at June 30, 2017, a 24% increase. This increase in assets under administration is attributable to strong financial advisor recruiting results, a high level of retention of our existing advisors, our fourth quarter 2016 acquisitions of Alex. Brown and 3Macs, and equity market appreciation.

Non-interest expenses increased $193 million, or 17%. The increase primarily resulted from increased compensation, commissions and benefits expenses, primarily associated with the increase in net revenues and net income, as well as increased staffing levels, including in compliance and risk areas of the firm, to support our continued growth.

Our effective tax rate was 33.3% for the current quarter, a decrease from the 36.5% in the prior year. The reduction in our effective tax rate was primarily due to the favorable impact of the change in the amount of nontaxable gains arising from the value of our company-owned life insurance portfolio as a result of an increase in equity market values.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Management's Discussion and Analysis

A summary of our financial results by segment as compared to the prior year quarter are as follows:

- Our Private Client Group segment generated net revenues of $1.13 billion, a 25% increase, and pre-tax income of $128 million, a 56% increase. The increase in net revenues is primarily attributable to an increase in securities commissions and fees, most notably due to an increase in fee-based accounts. Account and service fee income also increased, primarily due to an increase in fees from our multi-bank sweep program, resulting from an increase in short-term interest rates and higher cash balances. Client assets under administration of the Private Client Group increased 25% to $631.5 billion at June 30, 2017. Client assets have been positively impacted by the successful recruiting and retention of financial advisors, the September 2016 acquisitions of Alex. Brown and 3Macs, and equity market appreciation. Non-interest expenses increased $181 million, or 22%, primarily resulting from an increase in sales commission expense, as well as increased administrative and incentive compensation and benefits expenses to support our continued growth. The segment's pre-tax margin on net revenues increased to 11.4% from 9.1%.

- The Capital Markets segment generated net revenues of $259 million, a 3% increase, while pre-tax income increased 6% to $35 million. The increase in net revenues was driven by significant increases in merger and acquisition and advisory fee revenues and, to a lesser extent, equity underwriting fees, offset by lower institutional fixed income commissions. Non-interest expenses increased $7 million, or 3%, resulting from an increase in administrative and incentive compensation and benefits expense associated with improved investment banking results, offset by lower sales commission expense.

- Our Asset Management segment benefited from increased client assets, generating a 24% increase in net revenues to $126 million, while pre-tax income increased $11 million, or 33% to $43 million. The increase in net revenues primarily reflected an increase in advisory fee revenues from managed programs as assets in managed programs were 26% higher than the prior year. Asset increases in both managed and non-discretionary asset-based programs resulted from the successful recruiting and retention of financial advisors, the move to fee-based accounts in response to the Department of Labor ("DOL") regulatory changes, equity market appreciation and the acquisition of Alex. Brown. Non-interest expenses increased $14 million, or 20%, primarily resulting from increases in investment sub-advisory fees and administrative and incentive compensation and benefits expense.

- RJ Bank generated a 19% increase in net revenues to $150 million, while pre-tax income increased 12% to $100 million. The increase in pre-tax income resulted primarily from an increase in net interest income, partially offset by higher affiliate deposit fees paid to the Private Client Group due to an increase in balances and, to a lesser extent, an increase in the loan loss provision as compared to the prior year quarter. The increase in net interest income was primarily the result of a significant increase in average interest-earning assets as well as an increase in net interest margin.

- Activities in our Other segment reflect a pre-tax loss that is $8 million, or 20% less than the loss in the prior year quarter, primarily due to a decrease in acquisition-related expenses, partially offset by the impact of higher interest expense on our senior notes due to an increase in the outstanding balances. Total revenues in the segment decreased $2 million, or 10%, due primarily to a decrease in private equity valuation gains.

Nine months ended June 30, 2017 compared with the nine months ended June 30, 2016

We achieved net revenues of $4.68 billion, a $736 million, or 19% increase. Our pre-tax income amounted to $647 million, an increase of $83 million, or 15%. Our net income of $443 million reflects an increase of $85 million, or 24%, and our earnings per diluted share amounted to $3.02, a 22% increase.

During the nine months ended June 30, 2017, earnings were impacted negatively by the Jay Peak matter, acquisition-related expenses and the acceleration of unamortized debt issuance costs due to the early extinguishment of certain of our senior notes. After excluding the impact of these expenses, which totaled $155 million in the current year on a pre-tax basis, our adjusted pre-tax income amounted to $802 million,[(1)] an increase of 35% compared with adjusted pre-tax income in the prior year, and adjusted net income amounted to $551 million,[(1)] an increase of 47% compared with adjusted net income in the prior year. Adjusted earnings per diluted share amounted to $3.76,[(1)] a 45% increase compared with adjusted earnings per diluted share in the prior year.

(1) "Adjusted pre-tax income," "adjusted net income," and "adjusted earnings per diluted share" are each non-GAAP financial measures. Please see the "reconciliation of GAAP measures to non-GAAP measures" in this Item 2, for a reconciliation of our non-GAAP measures to the most directly comparable GAAP measures, and for other important disclosures.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Management's Discussion and Analysis

Net revenues increased in each of our four operating segments. Non-interest expenses increased $659 million, or 20%. The increase primarily results from increased sales commission expense and incentive compensation expense associated with increased net revenues, increased administrative compensation expense to support our continued growth, and an increase in legal expenses for the Jay Peak matter.

Our effective tax rate was 31.6% in the current year, down from the 36.6% for the same prior year period. The decrease in our effective tax rate compared to the prior year period was primarily due to the favorable impact of the adoption of new stock compensation accounting guidance, which had a $24 million favorable impact on the provision for taxes (See Note 1 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for additional information on the adoption of new accounting guidance). Also contributing to the decrease was the favorable impact of the increase in the amount of nontaxable gains arising from the value of our company-owned life insurance portfolio as a result of an increase in equity market values.

A summary of our financial results by segment as compared to the prior year are as follows:

- Our Private Client Group segment generated net revenues of $3.25 billion, a 23% increase, while pre-tax income, which was negatively impacted by the expense associated with the Jay Peak matter, decreased 2% to $231 million. The increase in net revenues is primarily attributable to an increase in securities commissions and fees, driven by strong recruiting and retention results, the acquisitions of Alex. Brown and 3Macs in late fiscal 2016 and a stronger market environment compared to the first nine months of fiscal year 2016. Non-interest expenses increased $603 million, or 25%, primarily resulting from an increase in sales commission expense, increased legal expenses related to the Jay Peak matter and increased administrative and incentive compensation and benefits expense. The segment’s pre-tax margin on net revenues decreased to 7.1% from 8.8%.

- The Capital Markets segment generated net revenues of $748 million, a 5% increase, while pre-tax income increased 13% to $97 million. The increase in net revenues was primarily due to an increase in merger and acquisition and advisory fee revenues and equity underwriting fees, partially offset by a decline in fixed income institutional commissions. Non-interest expenses increased $25 million, or 4%, primarily resulting from an increase in administrative and incentive compensation and benefits expense primarily related to improved investment banking results.

- Our Asset Management segment benefited from increased client assets, generating a 20% increase in net revenues to $356 million, while pre-tax income increased 27% to $123 million. The increase in net revenues primarily reflected increases in advisory fee revenues from managed programs and in non-discretionary asset-based administration fee revenues as both financial assets under management in managed programs and assets held in non-discretionary asset-based programs increased over the prior year level. Non-interest expenses increased $31 million, or 16%, primarily resulting from increased investment sub-advisory fees and administrative and incentive compensation and benefits expense.

- RJ Bank generated a 19% increase in net revenues to $430 million, while pre-tax income increased 23% to $296 million. The increase in pre-tax income resulted primarily from an increase in net interest income and a decrease in the provision for loan losses, partially offset by higher affiliate deposit fees paid to the Private Client Group due to an increase in balances. Net interest income increased due to growth in average interest-earning assets and an increase in the net interest margin.

- Activities in our Other segment reflect a pre-tax loss that is $7 million, or 8% more than the prior year, primarily due to the accelerated expense associated with the March 2017 early extinguishment of certain of our senior notes, combined with higher interest expense related to the net increase in our senior notes payable due to issuances in July 2016 and May 2017. Total revenues in the segment increased $15 million, or 49%, due primarily to higher net private equity valuation gains, and an increase in interest income due to increased short-term interest rates and higher corporate cash balances.

We recently communicated changes to the rates of sales commissions paid to financial advisors in both RJ&A and RJFS, which will become effective on October 1, 2017. We expect these changes will result in a reduction of the ratio of sales commissions expense to securities commissions and fees in the Private Client Group segment of approximately 80 to 100 basis points, although other factors could also impact this ratio. We also expect these changes will result in a 30 to 50 basis point reduction in our overall compensation ratio, which is defined as compensation, commissions and benefits expense as a percentage of net revenues.

The number and significance of possible regulatory changes that impact the businesses in which we operate continues to grow and evolve. In June 2017, a portion of the DOL final regulation went into effect, expanding the definition of who is deemed an "investment advice fiduciary" under ERISA as a result of giving investment advice to a plan, plan participant or beneficiary, as well as under the Internal Revenue Code for individual retirement accounts and non-ERISA plans. While we continue to prepare for the full implementation in its current form, in June 2017 the DOL requested feedback from the public on the timing of the full implementation of the regulation and the associated deliverables in advance of the currently scheduled implementation date of January 1, 2018. Refer to the “Fiduciary Duty Standard” section of Item 1 “Regulation” in our 2016 Form 10-K for further discussion of the regulation and its potential impact.

Segments

We currently operate through four operating segments and our “Other” segment. The four operating segments are: Private Client Group; Capital Markets; Asset Management; and RJ Bank. The Other segment captures principal capital and private equity activities as well as certain corporate overhead costs of RJF that are not allocated to operating segments, including the interest cost on our public debt and the acquisition and integration costs associated with our acquisitions, such as costs associated with our announced acquisition of the Scout Group and our fiscal year 2016 acquisitions of Mummert, Alex. Brown, and 3Macs (see Note 3 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for additional information).

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

	Three months ended June 30,			Nine months ended June 30,		
	2017	2016	% change	2017	2016	% change
	($ in thousands)					
Total company						
Revenues	$1,663,107	$1,386,997	20 %	$4,792,189	$4,028,964	19 %
Net revenues	$1,624,547	$1,358,964	20 %	$4,680,986	$3,945,123	19 %
Pre-tax income excluding noncontrolling interests	$275,014	$197,765	39 %	$646,906	$564,221	15 %
Private Client Group						
Revenues	$1,131,452	$903,223	25 %	$3,263,329	$2,660,687	23 %
Net revenues	$1,127,285	$900,527	25 %	$3,252,551	$2,653,130	23 %
Pre-tax income	$127,951	$81,911	56 %	$230,681	$234,283	(2)%
Capital Markets						
Revenues	$265,433	$257,038	3 %	$762,895	$727,335	5 %
Net revenues	$258,909	$252,054	3 %	$748,096	$715,881	5 %
Pre-tax income	$34,607	$32,769	6 %	$97,302	$86,024	13 %
Asset Management						
Revenues	$125,675	$100,954	24 %	$356,291	$298,034	20 %
Net revenues	$125,664	$100,940	24 %	$356,226	$297,978	20 %
Pre-tax income	$43,270	$32,507	33 %	$122,976	$96,996	27 %
RJ Bank						
Revenues	$158,989	$132,747	20 %	$452,203	$376,785	20 %
Net revenues	$150,487	$126,584	19 %	$429,873	$360,240	19 %
Pre-tax income	$99,990	$88,930	12 %	$296,022	$239,929	23 %

Other						
Revenues	$15,417	$17,170	(10)%	$46,885	$31,442	49 %
Net revenues	$(7,251)	$28	NM	$(24,912)	$(24,379)	(2)%
Pre-tax loss	$(30,804)	$(38,352)	20 %	$(100,075)	$(93,011)	(8)%
Intersegment eliminations						
Revenues	$(33,859)	$(24,135)		$(89,414)	$(65,319)	
Net revenues	$(30,547)	$(21,169)		$(80,848)	$(57,727)	

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Management's Discussion and Analysis

Reconciliation of GAAP measures to non-GAAP measures

We utilize certain non-GAAP calculations as additional measures to aid in, and enhance, the understanding of our financial results and related measures. We believe that the non-GAAP measures provide useful information by excluding certain material items that may not be indicative of our core operating results. We believe that these non-GAAP measures will allow for better evaluation of the operating performance of the business and facilitate a meaningful comparison of our results in the current period to those in prior and future periods. The non-GAAP financial information should be considered in addition to, not as a substitute for, measures of financial performance prepared in accordance with GAAP. In addition, our non-GAAP measures may not be comparable to similarly titled non-GAAP measures of other companies.

The following table provides a reconciliation of GAAP measures to non-GAAP measures for the periods which include non-GAAP adjustments. Non-GAAP measures for the three and nine months ended June 30, 2016 have been revised from those previously reported to conform to our current presentation, which includes amounts related to the Jay Peak matter.

	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
	($ in thousands, except per share amounts)			
Net income [1]	$183,424	$125,504	$442,746	$357,680
Non-GAAP adjustments:				
Acquisition-related expenses [2]	3,366	13,445	17,118	21,332
Other expenses: [3]				
Extinguishment of senior notes payable	—	—	8,282	—
Jay Peak matter	—	7,050	130,000	7,050
Sub-total pre-tax non-GAAP adjustments	3,366	20,495	155,400	28,382
Tax effect of non-GAAP adjustments	(1,279)	(7,500)	(47,299)	(10,390)
Non-GAAP adjustments, net of tax	2,087	12,995	108,101	17,992
Adjusted net income	$185,511	$138,499	$550,847	$375,672
Pre-tax income [1]	$275,014	$197,765	$646,906	$564,221
Total pre-tax non-GAAP adjustments (as detailed above)	3,366	20,495	155,400	28,382
Adjusted pre-tax income	$278,380	$218,260	$802,306	$592,603
Pre-tax margin on net revenues [4]	16.9 %	14.6 %	13.8 %	14.3 %
Adjusted pre-tax margin on net revenues [4]	17.1 %	16.1 %	17.1 %	15.0 %
Earnings per common share:				
Basic	$1.27	$0.89	$3.09	$2.51
Diluted	$1.24	$0.87	$3.02	$2.47
Adjusted earnings per common share:				
Adjusted basic	$1.29	$0.98	$3.84	$2.64
Adjusted diluted	$1.26	$0.96	$3.76	$2.59
Average equity [5]	$5,298,510	$4,693,824	$5,148,611	$4,640,348
Adjusted average equity [5]	$5,299,553	$4,705,318	$5,209,715	$4,646,391
Return on equity [6]	13.8 %	10.7 %	11.5 %	10.3 %
Adjusted return on equity [6]	14.0 %	11.8 %	14.1 %	10.8 %

(1) Excludes noncontrolling interests.

(2) Acquisition-related expenses associated with our 2017 announced acquisition of the Scout Group as well as the 2016 acquisitions of Alex. Brown, 3Macs and Mummert.

(3) Other expenses include the acceleration of unamortized debt issuance costs due to the early extinguishment (March 15, 2017) of our 6.90% Senior Notes due 2042 and expenses related to the $150 million settlement associated with the Jay Peak matter announced in April 2017. See Notes 13 and 17 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for more information.

(4) Computed by dividing the pre-tax income attributable to RJF by net revenues for each respective period or, in the case of adjusted pre-tax margin on net revenues, computed by dividing adjusted pre-tax income attributable to Raymond James Financial, Inc. by net revenues for each respective period.

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

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

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

(6) Computed by dividing annualized net income attributable to RJF by average equity for each respective period or, in the case of adjusted return of equity, computed by dividing annualized adjusted net income attributable to RJF by adjusted average equity for each respective period. Adjusted average equity is computed by adjusting for the impact on average equity of the non-GAAP adjustments, as applicable for each respective period.

Net interest analysis

The Federal Reserve Bank announced increases in its benchmark short-term interest rate of 25 basis points in each of June 2017, March 2017 and December 2016. Increases in short-term interest rates such as these are likely to have an impact on our overall financial performance, as we have certain assets and liabilities, primarily held in our PCG and RJ Bank segments, which are sensitive to changes in interest rates. Given the relationship of our interest sensitive assets to liabilities held in each of these segments, increases in short-term interest rates result in an overall increase in our net earnings. We anticipate that gradual increases in short-term interest rates would have the most significant favorable impact on our PCG and RJ Bank segments (refer to the table in Item 3 - Interest Rate Risk in this Form 10-Q, which presents an analysis of RJ Bank’s estimated net interest income over a twelve month period based on instantaneous shifts in interest rates using the asset/liability model applied by RJ Bank).

Clients’ domestic cash sweep balances of $43.3 billion at June 30, 2017 increased $5 billion, or 13% from the June 30, 2016 balances of $38.4 billion. Our clients’ domestic cash sweep balances are deposited or invested in the RJBDP, client interest program and/or money market funds, depending on clients’ elections. We estimate that the short-term interest rate increase in June 2017 of 25 basis points will have a favorable impact on our pre-tax income of approximately $15 million on a quarterly basis for at least the remainder of fiscal year 2017. This estimate is based on several assumptions, including the amount and timing of increases in the earning/deposit rates paid on our clients’ cash balances, the level of client cash balances, and RJ Bank’s net interest margin. As recent increases in short-term interest rates have not yet had a significant impact on market deposit rates paid on client cash balances, any future increases in short-term interest rates may have a greater impact on market deposit rates paid on client cash balances.

If the Federal Reserve Bank was to reverse its previous actions and decrease the benchmark short-term interest rate, the impact on our net interest income would be an unfavorable reversal of the positive impact described above.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Management's Discussion and Analysis

Quarter ended June 30, 2017 compared with the quarter ended June 30, 2016 – Net interest

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

	Three months ended June 30,					
	2017			2016		
	Average balance (1)	Interest inc./exp.	Average yield/cost	Average balance (1)	Interest inc./exp.	Average yield/cost
	($ in thousands)					
Interest-earning assets:						
Margin balances	$2,365,850	$21,637	3.66 %	$1,710,742	$16,809	3.93 %
Assets segregated pursuant to regulations and other segregated assets	3,610,129	11,425	1.27 %	3,564,664	4,915	0.55 %
Bank loans, net of unearned income (2)	16,363,369	143,306	3.55 %	14,754,557	126,354	3.46 %
Available-for-sale securities	1,872,822	8,811	1.88 %	541,773	1,880	1.39 %
Trading instruments (3)	690,957	5,499	3.18 %	843,263	4,913	2.33 %
Securities loaned	396,573	4,016	4.05 %	622,268	2,296	1.48 %
Loans to financial advisors (3)	849,767	3,360	1.58 %	555,797	2,091	1.50 %
Corporate cash and all other (3)	3,025,182	6,170	0.82 %	2,357,685	4,552	0.76 %
Total	$29,174,649	$204,224	2.80 %	$24,950,749	$163,810	2.63 %
Interest-bearing liabilities:						
Brokerage client liabilities	$4,584,302	$1,121	0.10 %	$4,146,248	$619	0.06 %
Bank deposits (2)(4)	16,157,931	4,244	0.11 %	13,304,241	2,733	0.08 %
Trading instruments sold but not yet purchased (3)	347,257	1,773	2.04 %	274,429	1,277	1.86 %
Securities borrowed	102,206	1,866	7.30 %	64,732	789	4.88 %
Other borrowings	859,373	4,195	1.95 %	698,054	3,324	1.90 %
Senior notes	1,629,648	21,981	5.40 %	938,496	16,771	7.15 %
Other (3)	217,522	3,380	6.22 %	251,408	2,520	4.01 %
Total	$23,898,239	$38,560	0.65 %	$19,677,608	$28,033	0.57 %
Net interest income		$165,664			$135,777	

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

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

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

(4) Net of affiliate deposit balances and interest expense associated with affiliate deposits.

Net interest income increased $30 million, or 22%. Net interest income is earned primarily by our RJ Bank and PCG segments, which are discussed separately below.

The RJ Bank segment's net interest income increased $22 million, or 18%, resulting from an increase in average loans outstanding compared to the prior year quarter, as well as an increase in available-for-sale securities. Refer to the discussion of the specific components of RJ Bank's net interest income in the RJ Bank section of this MD&A.

Net interest income in the PCG segment increased $11 million, or 48%. Segregated asset balances increased, driven in large part as a result of an increase in average customer cash balances as a result of our September 2016 Alex. Brown acquisition. Additionally, the net interest earned on these segregated asset balances increased as a result of the increases in short-term interest rates since the prior year. Client margin balances outstanding increased compared to the prior year quarter, in large part a result of the September 2016 Alex. Brown acquisition. However, the favorable impact on net interest from this increase in client margin balances was partially offset by lower average client margin interest rates associated with such margin loans.

Interest expense incurred on our senior notes increased by $5 million, or 31%, as the average outstanding balance of senior notes increased compared to the prior year quarter. The net increase in the balance outstanding is due to our May 2017 and July 2016 issuances of a combined $1.30 billion in senior notes, offset by the April 2016 maturity and repayment of $250 million of senior notes, and the March 2017 repayment of $350 million of senior notes.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Management's Discussion and Analysis

Nine months ended June 30, 2017 compared with the nine months ended June 30, 2016 – Net interest

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

	Nine months ended June 30,					
	2017			2016		
	Average balance (1)	Interest inc./exp.	Average yield/cost	Average balance (1)	Interest inc./exp.	Average yield/cost
	($ in thousands)					
Interest-earning assets:						
Margin balances	$2,392,261	$61,930	3.45 %	$1,770,909	$51,311	3.86 %
Assets segregated pursuant to regulations and other segregated assets	3,944,665	29,691	1.00 %	3,444,704	15,573	0.60 %
Bank loans, net of unearned income (2)	16,026,521	416,617	3.51 %	14,126,661	357,325	3.39 %
Available-for-sale securities	1,404,869	17,886	1.70 %	549,541	5,452	1.32 %
Trading instruments (3)	686,805	15,896	3.09 %	749,375	14,339	2.55 %
Securities loaned	467,520	10,662	3.04 %	578,953	6,423	1.48 %
Loans to financial advisors (3)	842,522	9,937	1.57 %	532,170	6,001	1.50 %
Corporate cash and all other (3)	3,234,064	16,931	0.70 %	2,662,167	11,496	0.58 %
Total	$28,999,227	$579,550	2.66 %	$24,414,480	$467,920	2.56 %
Interest-bearing liabilities:						
Brokerage client liabilities	$4,799,463	$2,649	0.07 %	$4,216,125	$1,481	0.05 %
Bank deposits(2)(4)	15,506,009	10,424	0.09 %	12,752,863	7,504	0.08 %
Trading instruments sold but not yet purchased (3)	346,200	4,561	1.76 %	289,280	3,839	1.77 %
Securities borrowed	111,156	5,038	6.04 %	75,827	2,185	3.84 %
Other borrowings	804,672	11,822	1.96 %	739,925	9,417	1.70 %
Senior notes	1,642,703	70,345	5.71 %	1,078,974	54,953	6.79 %
Other (3)	214,335	6,364	3.96 %	242,588	4,462	2.45 %
Total	$23,424,538	$111,203	0.63 %	$19,395,582	$83,841	0.58 %
Net interest income		$468,347			$384,079	

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

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

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

(4) Net of affiliate deposit balances and interest expense associated with affiliate deposits.

Net interest income increased $84 million, or 22%. Net interest income is earned primarily by our RJ Bank and PCG segments, which are discussed separately below.

The RJ Bank segment's net interest income increased $67 million, or 19%, resulting from an increase in average loans outstanding and available-for-sale securities, as well as an increase in net interest margin as compared to the prior year. Refer to the discussion of the specific components of RJ Bank's net interest income in the RJ Bank section of this MD&A.

Interest income in the PCG segment increased as a result of: 1) increased segregated asset balances, driven in large part by our September 2016 acquisition of Alex. Brown, and the impact on those balances of an increase in short-term interest rates since the prior year; and 2) increased client margin balances, driven in large part by our September 2016 acquisition of Alex. Brown. The favorable impact of the growth was partially offset by a decrease in average client margin rates on the portfolio. Interest expense increased, albeit to a much lesser extent, due to the increase in average client cash balances (liabilities) and a slight increase in the interest rate paid to clients on such balances.

Interest expense incurred on our senior notes increased by $15 million, or 28%, as the average outstanding balance of senior notes increased compared to the prior year. The net increase in the balance outstanding is due to our May 2017 and July 2016 issuances of a combined $1.30 billion in senior notes, offset by the April 2016 maturity and repayment of $250 million of senior notes and the March 2017 repayment of $350 million of senior notes.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Management's Discussion and Analysis

Results of Operations – Private Client Group

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

	Three months ended June 30,			Nine months ended June 30,		
	2017	% change	2016	2017	% change	2016
	($ in thousands)					
Revenues:						
Securities commissions and fees:						
Fee-based accounts	$518,281	30 %	$399,961	$1,476,319	27 %	$1,158,836
Mutual funds	160,323	5 %	152,931	484,458	4 %	466,263
Insurance and annuity products	97,657	5 %	93,232	288,833	3 %	281,508
Equities	77,933	33 %	58,665	233,237	31 %	177,612
Fixed income products	25,747	15 %	22,298	86,834	21 %	71,849
New issue sales credits	22,542	81 %	12,459	62,903	109 %	30,059
Sub-total securities commissions and fees	902,483	22 %	739,546	2,632,584	20 %	2,186,127
Interest	39,724	48 %	26,759	110,393	40 %	79,118
Account and service fees:						
Client account and service fees	100,995	68 %	60,023	263,182	58 %	166,165
Mutual fund and annuity service fees	72,642	13 %	64,318	211,808	13 %	187,618
Client transaction fees	5,394	16 %	4,664	17,257	12 %	15,468
Correspondent clearing fees	628	7 %	585	1,929	—	1,922
Account and service fees – all other	162	78 %	91	454	77 %	257
Sub-total account and service fees	179,821	39 %	129,681	494,630	33 %	371,430
Other	9,424	30 %	7,237	25,722	7 %	24,012
Total revenues	1,131,452	25 %	903,223	3,263,329	23 %	2,660,687
Interest expense	(4,167)	55 %	(2,696)	(10,778)	43 %	(7,557)
Net revenues	1,127,285	25 %	900,527	3,252,551	23 %	2,653,130
Non-interest expenses:						
Sales commissions	672,894	23 %	545,628	1,958,794	21 %	1,616,137
Admin & incentive compensation and benefit costs	183,956	23 %	149,729	528,043	20 %	440,459
Communications and information processing	49,449	16 %	42,640	139,892	10 %	127,085
Occupancy and equipment costs	35,662	17 %	30,581	107,546	16 %	92,487
Business development	26,604	22 %	21,742	74,868	5 %	71,055
Clearance and other	30,769	9 %	28,296	212,727	197 %	71,624
Total non-interest expenses	999,334	22 %	818,616	3,021,870	25 %	2,418,847
Pre-tax income	$127,951	56 %	$81,911	$230,681	(2)%	$234,283
Pre-tax margin on net revenues	11.4 %		9.1 %	7.1 %		8.8 %

For an overview of our PCG segment operations, refer to the information presented in Item 1, Business, on pages 4 - 5 of our 2016 Form 10-K, as well as the description of the key factors impacting our PCG results of operations discussed on pages 44 - 47 of our 2016 Form 10-K.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Management's Discussion and Analysis

PCG client asset balances are as follows as of the dates indicated:

	June 30, 2017	March 31, 2017	September 30, 2016	June 30, 2016	March 31, 2016	September 30, 2015	% Change June 2017 vs. March 2017	% Change June 2017 vs. June 2016
	(in billions)							
Total PCG assets under administration	$631.5	$ 611.0	$ 574.1	$ 506.0	$485.6	$ 453.3	3 %	25 %
PCG assets in fee-based accounts	$276.9	$ 260.5	$ 231.0	$ 206.7	$196.1	$ 179.4	6 %	34 %

Total PCG assets under administration increased 25% over June 30, 2016, resulting from net client inflows and market appreciation. Our net client inflows were primarily attributable to strong financial advisor recruiting results as well as our fourth quarter 2016 acquisitions of Alex. Brown and 3Macs. Total PCG assets in fee-based accounts increased 34% compared to June 30, 2016. The increase in fee-based accounts is, in part, due to clients continuing to elect fee-based alternatives versus traditional transaction-based accounts in response to the recently implemented DOL regulatory changes. Increased client assets under administration typically result in higher fee-based account revenues and mutual fund and annuity service fees. In periods where equity markets improve, assets under administration and client activity generally increase, thereby having a favorable impact on financial advisor productivity. Generally, assets under administration, client activity, and financial advisor productivity decline in periods where equity markets reflect downward trends. Higher client cash balances generally lead to increased interest income and account fee revenues, depending upon spreads realized in our client interest program and RJBDP.

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

	June 30, 2017 (1)	September 30, 2016	June 30, 2016
Employees	2,996	3,098	2,821
Independent Contractors	4,289	4,048	4,013
Total advisors	7,285	7,146	6,834

(1) During the nine months ended June 30, 2017, we refined the criteria to determine our financial advisor population, which resulted in a decrease in our previously reported counts of approximately 100 advisors as of our date of adoption. The impact of the change in our methodology did not have a significant impact on the prior periods, and thus we have not revised the number of financial advisors reported in prior periods.

Quarter ended June 30, 2017 compared with the quarter ended June 30, 2016 – Private Client Group

Net revenues increased $227 million, or 25% to $1.13 billion. Pre-tax income increased $46 million, or 56% to $128 million. PCG’s pre-tax margin on net revenues increased to 11.4% compared to the prior year quarter’s 9.1%.

Securities commissions and fees increased $163 million, or 22%. The increased commission and fee revenues primarily benefited from growth in client assets under administration, as well as an increase in sales commissions on equity products and new issue sales credits. Client assets under administration increased to $631.5 billion, an increase of $125.5 billion, or 25% compared to June 30, 2016. The year-over-year increase in client assets was driven by positive net inflows, reflecting strong financial advisor retention and recruiting results and our September 2016 acquisitions of Alex. Brown and 3Macs, as well as equity market appreciation.

Total account and service fees increased $50 million, or 39%. The majority of this increase is due to client account and service fees, which increased $41 million, or 68%, primarily due to an increase in RJBDP fees resulting from increased average balances in the program, as well as an increase in applicable program rates as a result of the interest rate increases by the Federal Reserve.

Total segment revenues increased 25%. The portion of total segment revenues that we consider to be recurring is 79% for the quarter ended June 30, 2017, an increase from 77% for the quarter ended June 30, 2016. Recurring commission and fee revenues include asset-based fees, trailing commissions from mutual funds and variable annuities/insurance products, mutual fund and annuity service fees, fees earned on funds in our multi-bank sweep program, and interest. Assets in fee-based accounts at June 30, 2017 increased by a percentage greater than the percentage increases for total PCG client assets as clients continue to elect fee-based alternatives versus traditional transaction-based accounts in response to the DOL regulatory changes. At June 30, 2017, such assets were $276.9 billion, an increase of $70.2 billion, or 34% compared to June 30, 2016.

As previously discussed, net interest income in the PCG segment increased $11 million, or 48%.

Non-interest expenses increased $181 million, or 22%. Sales commission expense increased $127 million, or 23%, in line with the increase in commissions and fees revenue. We recently communicated changes to the rates of sales commissions paid to financial advisors in both RJ&A and RJFS, which will become effective on October 1, 2017. We expect these changes will result in a reduction of the ratio of sales commissions expense to securities commissions and fees of approximately 80 to 100 basis points, although other factors could also impact this ratio. Administrative and incentive compensation and benefits expense increased $34 million, or 23%, primarily resulting from additional staffing levels as a result of our fiscal 2016 acquisitions as well as an increase in our operations and information technology functions, including risk and compliance, to support our continued growth.

Nine months ended June 30, 2017 compared with the nine months ended June 30, 2016 – Private Client Group

Net revenues increased $599 million, or 23% to $3.25 billion. Pre-tax income decreased $4 million, or 2% to $231 million. PCG’s pre-tax margin on net revenues decreased to 7.1% as compared to the prior year’s 8.8%.

Securities commissions and fees increased $446 million, or 20%. The increased commission and fee revenues were driven by a variety of factors, including strong recruiting results, acquisitions of Alex. Brown and 3Macs in late fiscal 2016 and a stronger market environment.

Total account and service fees increased $123 million, or 33%. The majority of this increase was due to client account and service fees, which increased $97 million, or 58%, primarily due to an increase in RJBDP fees resulting from increased average balances in the program, as well as an increase in applicable program rates as a result of the short-term interest rate increases during the current fiscal year. Mutual fund and annuity service fees increased $24 million, or 13%, primarily as a result of an increase in education and marketing support (“EMS”) fees and mutual fund omnibus fees, which are paid to us by the mutual fund companies whose products we distribute. The increase in EMS fees is primarily due to increased fees pursuant to schedules in existing contracts, new contracts for certain existing fund families, and new fund families joining the program. Omnibus fees are generally based on the number of positions held in our client portfolios. Increases in such revenues are a result of increases in the number of positions invested in existing fund families on the omnibus platform, as well as new fund families joining the omnibus program.

Total segment revenues increased 23%. The portion of total segment revenues that we consider to be recurring is 78% at June 30, 2017, an increase from 77% at June 30, 2016. Recurring commission and fee revenues include asset-based fees, trailing commissions from mutual funds and variable annuities/insurance products, mutual fund and annuity service fees, fees earned on funds in our multi-bank sweep program, and interest.

As previously discussed, net interest income in the PCG segment increased $28 million, or 39%.

Non-interest expenses increased $603 million, or 25%. Sales commission expense increased $343 million, or 21%, relatively in line with the increase in commissions and fees revenue. Clearance and other expense increased $141 million, or 197%, primarily due to increased legal expenses for the Jay Peak matter. Administrative and incentive compensation and benefits expense increased $88 million, or 20%, primarily resulting from additional staffing levels, primarily in operations and information technology functions, to support our continued growth. Occupancy and equipment expenses increased $15 million, or 16%, primarily due to additional office space expenses resulting from the acquisition of Alex. Brown.

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RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Management's Discussion and Analysis

Results of Operations – Capital Markets

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

	Three months ended June 30,			Nine months ended June 30,		
	2017	% change	2016	2017	% change	2016
	($ in thousands)					
Revenues:						
Institutional sales commissions:						
Equity	$58,864	—	$58,916	$182,830	4 %	$175,244
Fixed income	65,820	(17)%	79,306	205,854	(11)%	231,147
Sub-total institutional sales commissions	124,684	(10)%	138,222	388,684	(4)%	406,391
Equity underwriting fees	19,172	33 %	14,373	55,953	82 %	30,738
Merger & acquisition and advisory fees	62,983	75 %	36,068	143,919	41 %	102,076
Fixed income investment banking	12,296	16 %	10,562	31,694	5 %	30,245
Tax credit funds syndication fees	9,581	(17)%	11,567	35,884	1 %	35,520
Investment advisory fees	3,811	(37)%	6,082	14,712	(29)%	20,838
Net trading profit	22,563	(23)%	29,476	57,208	(10)%	63,484
Interest	7,013	13 %	6,201	19,962	9 %	18,344
Other	3,330	(26)%	4,487	14,879	(24)%	19,699
Total revenues	265,433	3 %	257,038	762,895	5 %	727,335
Interest expense	(6,524)	31 %	(4,984)	(14,799)	29 %	(11,454)
Net revenues	258,909	3 %	252,054	748,096	5 %	715,881
Non-interest expenses:						
Sales commissions	44,259	(16)%	52,829	140,628	(8)%	153,135
Admin & incentive compensation and benefit costs	122,984	10 %	111,364	339,140	9 %	310,221
Communications and information processing	16,506	(10)%	18,351	52,114	(3)%	53,856
Occupancy and equipment costs	8,161	(2)%	8,360	25,141	(1)%	25,273
Business development	9,308	1 %	9,209	28,648	(4)%	29,730
Losses and non-interest expenses of real estate partnerships held by consolidated VIEs	2,733	144 %	1,120	10,107	28 %	7,892
Clearance and all other	23,225	21 %	19,190	65,493	16 %	56,322
Total non-interest expenses	227,176	3 %	220,423	661,271	4 %	636,429
Income before taxes and including noncontrolling interests	31,733	—	31,631	86,825	9 %	79,452
Noncontrolling interests	(2,874)	153 %	(1,138)	(10,477)	59 %	(6,572)
Pre-tax income excluding noncontrolling interests	$34,607	6 %	$32,769	$97,302	13 %	$86,024

For an overview of our Capital Markets segment operations, refer to the information presented in Item 1, Business, on pages 6 - 7 of our 2016 Form 10-K, as well as the description of the key factors impacting our Capital Markets segment results of operations discussed on pages 48 - 50 of our 2016 Form 10-K.

Quarter ended June 30, 2017 compared with the quarter ended June 30, 2016 – Capital Markets

Net revenues increased $7 million, or 3% to $259 million. Pre-tax income increased $2 million, or 6% to $35 million.

Merger and acquisition and advisory fees increased $27 million, or 75%, primarily due to increased merger and acquisition activity in the current period versus the prior year period and increased advisory fees.

Equity underwriting fees increased $5 million, or 33%, due to more favorable market conditions compared with the prior year period.

Institutional fixed income commissions were 17% lower and continue to be challenged by lower client trading volumes, driven by low levels of volatility and a flattening yield curve. Institutional equity sales commissions approximated the prior year level.

Net trading profit decreased $7 million, or 23%, primarily in our fixed income operations.

Non-interest expenses increased $7 million, or 3%. Administrative and incentive compensation and benefits expenses increased $12 million, or 10%, primarily as a result of incentive compensation expenses associated with increased investment banking revenues. Offsetting the increase, sales commission expenses decreased $9 million, or 16%, as a result of lower institutional fixed income commission revenues during the current period.

Nine months ended June 30, 2017 compared with the nine months ended June 30, 2016 – Capital Markets

Net revenues increased $32 million, or 5% to $748 million, led by merger and acquisition and advisory fee revenues and equity underwriting revenues. Pre-tax income increased $11 million, or 13% to $97 million.

Merger and acquisition and advisory fees increased $42 million, or 41%, primarily due to a stronger volume of both domestic and foreign merger and acquisition activity in the current year versus the prior year.

Equity underwriting fees increased $25 million, or 82%, due to the improvement in equity market conditions, both domestic and Canadian. The total number of both lead-managed and co-managed underwritings increased over the prior year level.

Total commission revenues decreased $18 million, or 4%. Institutional fixed income commissions decreased $25 million, or 11%, as a result of lower client trading volumes, driven by low levels of volatility and a flattening yield curve. Offsetting the decline in fixed income commissions, institutional equity sales commissions increased $8 million, or 4%, as a result of improved equity market conditions during the current year.

Non-interest expenses increased $25 million, or 4%. Administrative and incentive compensation and benefits expenses increased $29 million, or 9%, primarily resulting from the increase in incentive compensation as a result of the increase in net revenues. Offsetting the increase, sales commission expenses decreased $13 million, or 8%, as a result of lower institutional fixed income commission revenues during the current period.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Management's Discussion and Analysis

Results of Operations – Asset Management

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

	Three months ended June 30,			Nine months ended June 30,		
	2017	% change	2016	2017	% change	2016
	($ in thousands)					
Revenues:						
Investment advisory and related administrative fees:						
Managed programs	$84,009	25 %	$67,017	$237,694	19 %	$200,289
Non-discretionary asset-based administration	23,365	26 %	18,613	66,179	22 %	54,349
Sub-total investment advisory and related administrative fees	107,374	25 %	85,630	303,873	19 %	254,638
Other	18,301	19 %	15,324	52,418	21 %	43,396
Total revenues	125,675	24 %	100,954	356,291	20 %	298,034
Interest expense	(11)	(21)%	(14)	(65)	16 %	(56)
Net revenues	125,664	24 %	100,940	356,226	20 %	297,978
Non-interest expenses:						
Admin & incentive compensation and benefit costs	32,576	16 %	28,062	91,602	10 %	83,050
Communications and information processing	7,810	17 %	6,682	21,840	8 %	20,209
Occupancy and equipment costs	1,273	16 %	1,100	3,642	9 %	3,335
Business development	2,439	14 %	2,139	7,463	—	7,461
Investment sub-advisory fees	19,405	36 %	14,263	54,814	32 %	41,454
Other	17,625	15 %	15,330	50,295	17 %	42,897
Total non-interest expenses	81,128	20 %	67,576	229,656	16 %	198,406
Income before taxes and including noncontrolling interests	44,536	33 %	33,364	126,570	27 %	99,572
Noncontrolling interests	1,266	48 %	857	3,594	40 %	2,576
Pre-tax income excluding noncontrolling interests	$43,270	33 %	$32,507	$122,976	27 %	$96,996

For an overview of our Asset Management segment operations, refer to the information presented in Item 1, Business, on page 8 of our 2016 Form 10-K, as well as the description of the key factors impacting our Asset Management segment results of operations discussed on pages 51 - 53 of our 2016 Form 10-K.

Managed Programs

As of June 30, 2017, approximately 80% of investment advisory and related administrative fees recorded in this segment are earned from assets held in managed programs. Of these revenues, approximately 70% of such fees recorded in each quarter are determined based on balances at the beginning of a quarter, approximately 15% are based on balances at the end of the quarter and the remaining 15% are computed based on average assets throughout the quarter.

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

	June 30, 2017	March 31, 2017	September 30, 2016	June 30, 2016	March 31, 2016	September 30, 2015
	(in millions)					
Financial assets under management:						
Eagle Asset Management, Inc. (1)	$30,542	$29,174	$27,235	$26,399	$25,767	$25,692
Freedom accounts (2)	30,216	27,694	24,136	22,829	21,839	20,188
Raymond James Consulting Services (3)	22,291	21,181	18,883	16,131	15,064	13,484
Unified Managed Accounts (“UMA”) (4)	12,058	11,496	10,389	9,852	9,378	8,613
All other	1,178	1,119	1,086	1,066	1,071	1,116
Sub-total financial assets under management	96,285	90,664	81,729	76,277	73,119	69,093
Less: Assets managed for affiliated entities	(5,246)	(5,099)	(4,744)	(4,589)	(4,316)	(3,916)
Total financial assets under management	$91,039	$85,565	$76,985	$71,688	$68,803	$65,177

(1) Accounts for which Eagle portfolio managers are engaged to manage clients’ assets with investment decisions made by the Eagle portfolio manager.

(2) Accounts that provide the client a choice between a portfolio of mutual funds, exchange traded funds or a combination of both with investment decisions made by an in-house investment committee.

(3) Accounts for which in-house or third-party portfolio managers are engaged to manage clients’ assets with investment decisions made by such portfolio manager.

(4) Accounts that provide the client with the ability to combine separately managed accounts, mutual funds and exchange traded funds all in one aggregate account with investment decisions made by an in-house investment committee.

The following table summarizes the activity impacting the total financial assets under management in managed programs (including activity in assets managed for affiliated entities) for the periods indicated:

	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
	(in millions)			
Financial assets under management at beginning of period	$90,664	$73,119	$81,729	$69,093
Net inflows of client assets	3,249	1,404	7,574	3,122
Net market appreciation in asset values	2,372	1,754	6,982	4,062
Financial assets under management at end of period	$96,285	$76,277	$96,285	$76,277

Non-discretionary asset-based programs

As of June 30, 2017, approximately 20% of investment advisory and related administrative fee revenues recorded in this segment are earned for administrative services on assets held in certain non-discretionary asset-based programs. These assets totaled $144.8 billion, $135.1 billion, $119.3 billion, $106.0 billion and $91.0 billion as of June 30, 2017, March 31, 2017, September 2016, June 30, 2016 and September 30, 2015, respectively. The increase in assets over the prior year level is due, in part, to clients continuing to elect fee-based alternatives versus traditional transaction-based accounts in response to the recently implemented DOL regulatory changes. The majority of administrative fees associated with these programs are determined based on balances at the beginning of the quarter, and are reflected within "non-discretionary asset-based administration" revenues in this segment's results of operations.

Quarter ended June 30, 2017 compared with the quarter ended June 30, 2016 – Asset Management

Net revenues increased $25 million, or 24% to $126 million. Pre-tax income increased $11 million, or 33% to $43 million.

Total investment advisory and related administrative fee revenues increased $22 million, or 25%. Advisory fee revenues arising from managed programs increased $17 million, or 25%, and fee revenues on non-discretionary asset-based administration activities increased $5 million, or 26%. The increase in each is a result of the increases in assets held by such programs. Assets, both under management and non-discretionary, were positively impacted by the implementation of the DOL regulatory changes, market appreciation, the acquisition of Alex. Brown and successful financial advisor recruiting. Both the current and prior year periods include performance fee revenues, which are earned by managed funds for exceeding certain performance targets, of approximately $1 million.

Other income increased $3 million, or 19%, in part resulting from Raymond James Trust, N. A. ("RJ Trust") which generated an increase in trust fee revenue arising from the increase in trust assets from the prior year level to $5.3 billion as of June 30, 2017.

Non-interest expenses increased by $14 million, or 20%, primarily resulting from a $5 million, or 36% increase in investment sub-advisory fees resulting from the increase in assets in sub-advised managed programs. Administrative and incentive compensation expenses increased $5 million, or 16%, primarily as a result of annual salary increases and increases in personnel to support the growth of the business and incentive compensation increases associated with the 24% increase in net revenues.

Nine months ended June 30, 2017 compared with the nine months ended June 30, 2016 – Asset Management

Net revenues increased $58 million, or 20% to $356 million. Pre-tax income increased $26 million, or 27% to $123 million.

Total investment advisory and related administrative fee revenues increased $49 million, or 19%. Advisory fee revenues arising from managed programs increased $37 million, or 19%, and fee revenues on non-discretionary asset-based administration activities increased $12 million, or 22%, both resulting from the increases in assets held by such programs. Assets under management and non-discretionary assets were positively impacted by the implementation of the DOL regulatory changes, market appreciation, the acquisition of Alex. Brown and successful financial advisor recruiting.

Other income increased $9 million, or 21%, in part resulting from RJ Trust which generated increased trust fee revenue arising from the increase in trust assets to $5.3 billion as of June 30, 2017, as well as increased fund servicing fees.

Non-interest expenses increased $31 million, or 16%, primarily resulting from a $13 million, or 32% increase in investment sub-advisory fees and a $9 million, or 10% increase in administrative and incentive compensation expenses. The increase in investment sub-advisory fees is the result of the increase in assets in sub-advised managed programs. The increase in administrative and incentive compensation expenses results primarily from annual salary increases as well as increases in personnel to support the growth of the business.

Results of Operations – RJ Bank

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

	Three months ended June 30,			Nine months ended June 30,		
	2017	% change	2016	2017	% change	2016
	($ in thousands)					
Revenues:						
Interest income	$154,023	19 %	$129,850	$440,634	20 %	$367,717
Interest expense	(8,502)	38 %	(6,163)	(22,330)	35 %	(16,545)
Net interest income	145,521	18 %	123,687	418,304	19 %	351,172
Other income	4,966	71 %	2,897	11,569	28 %	9,068
Net revenues	150,487	19 %	126,584	429,873	19 %	360,240
Non-interest expenses:						
Compensation and benefits	8,735	19 %	7,342	25,233	17 %	21,533
Communications and information processing	1,972	(17)%	2,382	5,741	(3)%	5,920
Occupancy and equipment costs	363	29 %	281	1,063	23 %	863
Loan loss provision	6,209	80 %	3,452	13,097	(51)%	26,991
FDIC insurance premiums	4,006	(11)%	4,487	12,576	9 %	11,540
Affiliate deposit account servicing fees	18,874	64 %	11,542	46,719	49 %	31,444
Other	10,338	27 %	8,168	29,422	34 %	22,020
Total non-interest expenses	50,497	34 %	37,654	133,851	11 %	120,311
Pre-tax income	$99,990	12 %	$88,930	$296,022	23 %	$239,929

For an overview of our RJ Bank segment operations, refer to the information presented in Item 1, Business, on page 9 of our 2016 Form 10-K, as well as the description of the key factors impacting our RJ Bank segment results of operations discussed on page 54 of our 2016 Form 10-K.

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The following tables present certain credit quality trends for loans held by RJ Bank:

	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
	(in thousands)			
Net loan (charge-offs)/recoveries:				
C&I loans	$(1,605)	$(782)	$(24,298)	$(2,476)
CRE loans	—	—	5,013	—
Residential mortgage loans	444	44	239	(122)
SBL	—	56	—	77
Total	$(1,161)	$(682)	$(19,046)	$(2,521)

	June 30, 2017	September 30, 2016
	(in thousands)	
Allowance for loan losses:		
Loans held for investment:		
C&I loans	$118,975	$ 137,701
CRE construction loans	1,698	1,614
CRE loans	47,991	36,533
Tax-exempt loans	5,049	4,100
Residential mortgage loans	12,188	12,664
SBL	5,702	4,766
Total	$191,603	$ 197,378
Nonperforming assets:		
Nonperforming loans:		
C&I loans	$6,244	$ 35,194
CRE loans	—	4,230
Residential mortgage loans:		
Residential first mortgage	36,681	41,746
Home equity loans/lines	31	37
Total nonperforming loans	42,956	81,207
Other real estate owned:		
Residential first mortgage	4,372	4,497
Total other real estate owned	4,372	4,497
Total nonperforming assets	$47,328	