RAYMOND JAMES FINANCIAL INC
Form 10-Q
May 06, 2016
Index

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

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

For the quarterly period ended March 31, 2016
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number: 1-9109

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

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

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

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

141,531,601 shares of common stock as of May 4, 2016

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Form 10-Q for the quarter ended March 31, 2016

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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)

	March 31, 2016	September 30, 2015
	(in thousands)	
Assets:		
Cash and cash equivalents	$ 1,479,786	$ 2,601,006
Assets segregated pursuant to regulations and other segregated assets	3,614,811	2,905,324
Securities purchased under agreements to resell and other collateralized financings	428,864	474,144
Financial instruments, at fair value:		
Trading instruments	799,453	690,551
Available for sale securities	547,442	513,730
Private equity investments	204,398	209,088
Other investments	294,098	248,751
Derivative instruments associated with offsetting matched book positions	396,163	389,457
Receivables:		
Brokerage clients, net	2,219,963	2,185,296
Stock borrowed	123,156	124,373
Bank loans, net	14,348,481	12,988,021
Brokers-dealers and clearing organizations	152,905	134,890
Loans to financial advisors, net	551,701	488,760
Other	602,873	514,000
Deposits with clearing organizations	205,057	207,488
Prepaid expenses and other assets	660,366	705,391
Investments in real estate partnerships held by consolidated variable interest entities	191,801	199,678
Property and equipment, net	282,285	255,875
Deferred income taxes, net	272,644	266,899
Goodwill and identifiable intangible assets, net	376,964	376,962
Total assets	$ 27,753,211	$ 26,479,684

(continued on next page)

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

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

	March 31, 2016	September 30, 2015
	($ in thousands)	
Liabilities and equity:		
Trading instruments sold but not yet purchased, at fair value	$325,410	$287,993
Securities sold under agreements to repurchase	190,679	332,536
Derivative instruments associated with offsetting matched book positions, at fair value	396,163	389,457
Payables:		
Brokerage clients	5,031,276	4,671,073
Stock loaned	610,476	478,573
Bank deposits	12,729,457	11,919,881
Brokers-dealers and clearing organizations	575,855	164,054
Trade and other	563,891	729,245
Other borrowings	610,884	703,065
Accrued compensation, commissions and benefits	673,200	842,527
Loans payable of consolidated variable interest entities	19,365	25,960
Senior notes payable	1,149,316	1,149,222
Total liabilities	22,875,972	21,693,586
Commitments and contingencies (see Note 16)		
Equity		
Preferred stock; $.10 par value; authorized 10,000,000 shares; issued and outstanding -0- shares	—	—
Common stock; $.01 par value; authorized 350,000,000 shares; issued 150,853,426 at March 31, 2016 and 149,283,682 at September 30, 2015	1,507	1,491
Additional paid-in capital	1,452,786	1,344,779
Retained earnings	3,592,753	3,419,719
Treasury stock, at cost; 9,751,304 common shares at March 31, 2016 and 6,364,706 common shares at September 30, 2015	(361,456)	(203,455)
Accumulated other comprehensive loss	(50,300)	(40,503)
Total equity attributable to Raymond James Financial, Inc.	4,635,290	4,522,031
Noncontrolling interests	241,949	264,067
Total equity	4,877,239	4,786,098
Total liabilities and equity	$27,753,211	$26,479,684

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

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

	Three months ended March 31,		Six months ended March 31,	
	2016	2015	2016	2015
	(in thousands, except per share amounts)			
Revenues:				
Securities commissions and fees	$853,330	$860,214	$1,702,992	$1,694,223
Investment banking	68,704	74,240	126,257	151,778
Investment advisory and related administrative fees	93,877	91,016	192,418	189,777
Interest	161,567	134,413	304,038	266,522
Account and service fees	127,528	111,966	244,351	223,124
Net trading profit	14,415	17,060	36,584	25,941
Other	21,497	23,715	35,804	41,103
Total revenues	1,340,918	1,312,624	2,642,444	2,592,468
Interest expense	(29,424)	(26,846)	(56,433)	(54,230)
Net revenues	1,311,494	1,285,778	2,586,011	2,538,238
Non-interest expenses:				
Compensation, commissions and benefits	887,945	882,234	1,754,355	1,720,488
Communications and information processing	68,482	67,635	140,620	126,747
Occupancy and equipment costs	40,891	41,604	82,680	80,831
Clearance and floor brokerage	10,517	13,588	20,513	23,086
Business development	35,417	42,490	76,041	79,480
Investment sub-advisory fees	14,282	14,987	28,836	29,242
Bank loan loss provision	9,629	3,937	23,539	13,302
Acquisition-related expenses	6,015	—	7,887	—
Other	48,112	43,670	99,161	90,780
Total non-interest expenses	1,121,290	1,110,145	2,233,632	2,163,956
Income including noncontrolling interests and before provision for income taxes	190,204	175,633	352,379	374,282
Provision for income taxes	72,271	66,857	134,280	143,469
Net income including noncontrolling interests	117,933	108,776	218,099	230,813
Net loss attributable to noncontrolling interests	(7,914)	(4,687)	(14,077)	(8,946)
Net income attributable to Raymond James Financial, Inc.	$125,847	$113,463	$232,176	$239,759
Net income per common share – basic	$0.89	$0.79	$1.63	$1.68
Net income per common share – diluted	$0.87	$0.77	$1.60	$1.64
Weighted-average common shares outstanding – basic	141,472	142,320	142,273	141,813
Weighted-average common and common equivalent shares outstanding – diluted	144,012	146,050	145,047	146,188
Net income attributable to Raymond James Financial, Inc.	$125,847	$113,463	$232,176	$239,759
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	1,099	2,337	(5,692)	2,313
Unrealized gain (loss) on currency translations, net of the impact of net investment hedges	10,714	(15,279)	4,099	(21,719)
Unrealized loss on cash flow hedges	(11,469)	(1,501)	(8,204)	(1,501)

Total comprehensive income	$126,191	$99,020	$222,379	$218,852
Other-than-temporary impairment:				
Total other-than-temporary impairment, net	$(353)	$(627)	$21	$1,124
Portion of pre-tax losses (recoveries) recognized in other comprehensive income	353	627	(21)	(1,124)
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).

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

	Six months ended March 31,	
	2016	2015
	(in thousands, except per share amounts)	
Common stock, par value $.01 per share:		
Balance, beginning of year	$1,491	$1,444
Share issuances	16	32
Balance, end of period	1,507	1,476
Additional paid-in capital:		
Balance, beginning of year	1,344,779	1,239,046
Employee stock purchases	18,938	11,116
Exercise of stock options and vesting of restricted stock units, net of forfeitures	13,954	22,286
Restricted stock, stock option and restricted stock unit expense	39,962	38,685
Excess tax benefit from share-based payments	34,791	7,577
Other	362	278
Balance, end of period	1,452,786	1,318,988
Retained earnings:		
Balance, beginning of year	3,419,719	3,023,845
Net income attributable to Raymond James Financial, Inc.	232,176	239,759
Cash dividends declared	(59,142)	(52,526)
Other	—	5
Balance, end of period	3,592,753	3,211,083
Treasury stock:		
Balance, beginning of year	(203,455)	(121,211)
Purchases/surrenders	(152,284)	(7,100)
Exercise of stock options and vesting of restricted stock units, net of forfeitures	(5,717)	(5,016)
Balance, end of period	(361,456)	(133,327)
Accumulated other comprehensive loss:[(1)]		
Balance, beginning of year	(40,503)	(1,888)
Net change in unrealized gain/loss on available for sale securities and non-credit portion of other-than-temporary impairment losses, net of tax	(5,692)	2,313
Net change in currency translations and net investment hedges, net of tax	4,099	(21,719)
Net change in cash flow hedges, net of tax	(8,204)	(1,501)
Balance, end of period	(50,300)	(22,795)
Total equity attributable to Raymond James Financial, Inc.	$4,635,290	$4,375,425
Noncontrolling interests:		
Balance, beginning of year	$264,067	$292,020
Net loss attributable to noncontrolling interests	(14,077)	(8,946)
Capital contributions	7,855	10,008

Distributions	(5,033)	(10,860)
Other	(10,863)	(5,737)
Balance, end of period	241,949	276,485
Total equity	$4,877,239	$4,651,910

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

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

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

	Six months ended March 31,	
	2016	2015
	(in thousands)	
Cash flows from operating activities:		
Net income attributable to Raymond James Financial, Inc.	$232,176	$239,759
Net loss attributable to noncontrolling interests	(14,077)	(8,946)
Net income including noncontrolling interests	218,099	230,813
Adjustments to reconcile net income including noncontrolling interests to net cash (used in) provided by operating activities:		
Depreciation and amortization	35,652	33,929
Deferred income taxes	(13,295)	(26,277)
Premium and discount amortization on available for sale securities and unrealized/realized gain on other investments	(3,852)	(21,278)
Provisions for loan losses, legal proceedings, bad debts and other accruals	38,955	22,312
Share-based compensation expense	42,735	40,509
Other	20,227	16,137
Net change in:		
Assets segregated pursuant to regulations and other segregated assets	(709,487)	(71,185)
Securities purchased under agreements to resell and other collateralized financings, net of securities sold under agreements to repurchase	(96,577)	9,401
Stock loaned, net of stock borrowed	133,120	(30,124)
Loans provided to financial advisors, net of repayments	(70,836)	(47,438)
Brokerage client receivables and other accounts receivable, net	(141,555)	259,882
Trading instruments, net	(16,708)	34,333
Prepaid expenses and other assets	130,031	28,802
Brokerage client payables and other accounts payable	632,508	51,800
Accrued compensation, commissions and benefits	(168,896)	(125,006)
Purchases and originations of loans held for sale, net of proceeds from sales of securitizations and loans held for sale	(63,180)	(18,347)
Excess tax benefits from share-based payment arrangements	(34,791)	(7,577)
Net cash (used in) provided by operating activities	(67,850)	380,686
Cash flows from investing activities:		
Additions to property and equipment	(58,180)	(29,643)
Increase in bank loans, net	(1,490,887)	(1,279,233)
Purchases of Federal Home Loan Bank/Federal Reserve Bank stock	(3,231)	(4,446)
Proceeds from sales of loans held for investment	65,443	42,255
Purchases, or contributions, to private equity or other investments, net of proceeds from sales of, or distributions received from, private equity and other investments	(60,639)	(19,776)
Purchases of available for sale securities	(87,676)	—
Available for sale securities maturations, repayments and redemptions	42,729	33,855
Proceeds from sales of available for sale securities	1,530	47
	(12,849)	(8,705)

Investments in real estate partnerships held by consolidated variable interest entities, net of other investing activity		
Net cash used in investing activities	$(1,603,760)	$(1,265,646)

(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)

	Six months ended March 31,	
	2016	2015
	(in thousands)	
Cash flows from financing activities:		
(Repayments) proceeds of short-term borrowings, net	$(115,000)	$16,900
Proceeds from Federal Home Loan Bank advances	25,000	300,000
Repayments of Federal Home Loan Bank advances and other borrowed funds	(2,181)	(252,114)
Repayments of borrowings by consolidated variable interest entities which are real estate partnerships	(7,159)	(9,903)
Proceeds from capital contributed to and borrowings of consolidated variable interest entities which are real estate partnerships	—	110
Exercise of stock options and employee stock purchases	31,240	34,526
Increase in bank deposits	809,576	1,243,089
Purchases of treasury stock	(159,175)	(14,877)
Dividends on common stock	(56,152)	(49,405)
Excess tax benefits from share-based payments	34,791	7,577
Net cash provided by financing activities	560,940	1,275,903
Currency adjustment:		
Effect of exchange rate changes on cash	(10,550)	(49,869)
Net (decrease) increase in cash and cash equivalents	(1,121,220)	341,074
Cash and cash equivalents at beginning of year	2,601,006	2,199,063
Cash and cash equivalents at end of period	$1,479,786	$2,540,137
Supplemental disclosures of cash flow information:		
Cash paid for interest	$55,609	$53,080
Cash paid for income taxes	$124,521	$209,571
Non-cash transfers of loans to other real estate owned	$1,942	$3,653

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

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RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
March 31, 2016

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 118 - 121 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, 2015, as filed with the United States ("U.S.") Securities and Exchange Commission (the "2015 Form 10-K") and in Note 9 herein. When we do not have a controlling interest in an entity, but we exert significant influence over the entity, we apply the equity method of accounting. All material intercompany balances and transactions have been eliminated in consolidation.

Accounting estimates and assumptions

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

The nature of our business is such that the results of any interim period are not necessarily indicative of results for a full year. These unaudited condensed consolidated financial statements should be read in conjunction with Management's Discussion and Analysis and the consolidated financial statements and notes thereto included in our 2015 Form 10-K. To prepare condensed consolidated financial statements in conformity with GAAP, we must make certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and could have a material impact on the condensed consolidated financial statements.

Significant subsidiaries

As of March 31, 2016, our significant subsidiaries, all wholly owned, include: Raymond James & Associates, Inc. ("RJ&A") a domestic broker-dealer carrying client accounts, Raymond James Financial Services, Inc. ("RJFS") an introducing domestic broker-dealer, Raymond James Financial Services Advisors, Inc. ("RJFSA") a registered investment advisor, Raymond James Ltd. (“RJ Ltd.”) a broker-dealer headquartered in Canada, Eagle Asset Management, Inc. (“Eagle”) a registered investment advisor, and Raymond James Bank, N.A. (“RJ Bank”) a national bank.

Reclassifications

Certain prior period amounts 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 103 - 121 of our 2015 Form 10-K. There have been no significant changes in our significant accounting policies since September 30, 2015.

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

As more fully described in Note 2 on page 110 - 111 of our 2015 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 their applicable allowances for doubtful accounts. Of such balance, the portion associated with financial advisors who are no longer affiliated with us is approximately $10 million at both March 31, 2016 and September 30, 2015, and our allowance for doubtful accounts associated with such loans is approximately $4 million in each respective period.

NOTE 3 – ACQUISITIONS

Acquisition announcements

On December 3, 2015 (the "Announcement Date"), we announced that we entered into a definitive asset purchase agreement to acquire the U.S. Private Client Services unit of Deutsche Bank Wealth Management ("Deutsche WM"). As of the Announcement Date, Deutsche WM had approximately 200 financial advisors with approximately $50 billion of client assets which generate approximately $300 million in total annual revenues. The Deutsche WM financial advisors are focused primarily on high net worth clients. Upon completion of the acquisition, which we expect to occur during the fourth quarter of this fiscal year 2016, we plan for the Deutsche WM financial advisors to operate within a newly formed "Alex. Brown" division of RJ&A.

See Note 16 for additional information regarding the commitments we have made that are associated with this acquisition.

The acquisition-related expenses presented on our Condensed Consolidated Statements of Income and Comprehensive income for the three and six months ended March 31, 2016 pertain to certain incremental expenses incurred in connection with the future acquisition of Deutsche WM. In the three and six months ended March 31, 2016 we incurred the following acquisition-related expenses:

	Three months ended March 31, 2016	Six months ended March 31, 2016
	(in thousands)	
Unrealized loss in fair value of equity securities purchased to satisfy certain deferred compensation obligations to be assumed at closing	$3,165	$3,319
Legal	422	1,923
Information systems integration costs	1,655	1,655
Travel and all other	773	990
Total acquisition-related expenses	$6,015	$7,887

Acquisitions completed in the prior fiscal year

Cougar Global Investments Limited

On April 30, 2015, we completed our acquisition of Cougar Global Investments Limited ("Cougar"), an asset management firm based in Toronto, Canada. Cougar's global asset allocation strategies are now offered to our asset management clients worldwide through our Eagle subsidiary. Cougar's results of operations have been included in our results prospectively since April 30, 2015. See Note 3 on pages 121 - 122 of our 2015 Form 10-K for additional information regarding the Cougar acquisition.

The Producers Choice LLC

On July 31, 2015 (the "TPC Closing Date"), we completed our acquisition of The Producers Choice LLC ("TPC"), a Troy, Michigan based private insurance and annuity marketing organization. TPC brings additional life insurance and annuity specialists to our existing insurance product offerings. TPC's results of operations have been included in our results prospectively since July 31, 2015. See Note 3 on pages 121 - 122 of our 2015 Form 10-K for additional information regarding the TPC acquisition.

See Note 16 for information regarding the contingent consideration associated with this acquisition.

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

Our cash equivalents include money market funds or highly liquid investments with original maturities of 90 days or less, other than those used for trading purposes. For discussion of our accounting policies regarding assets segregated pursuant to regulations and other segregated assets, see Note 2 on page 104 of our 2015 Form 10-K.

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

	March 31, 2016	September 30, 2015
	(in thousands)	
Cash and cash equivalents:		
Cash in banks	$1,477,197	$ 2,597,568
Money market fund investments	2,589	3,438
Total cash and cash equivalents (1)	$1,479,786	$ 2,601,006
Assets segregated pursuant to federal regulations and other segregated assets (2)	$3,614,811	$ 2,905,324
Deposits with clearing organizations:		
Cash and cash equivalents	$175,421	$ 177,787
Government and agency obligations	29,636	29,701
Total deposits with clearing organizations	$205,057	$ 207,488

(1) The total amounts presented include cash and cash equivalents of $929 million and $1.22 billion as of March 31, 2016 and September 30, 2015, respectively, which are either held directly by RJF in depository accounts at third party financial institutions, held in a depository account at RJ Bank (computed as the lesser of RJ Bank's cash balance or the amount of RJF's depository account balance), or are otherwise invested by one of our subsidiaries on behalf of RJF, all of which are available without restrictions.

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

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NOTE 5 – FAIR VALUE

For a discussion of our valuation methodologies for assets, liabilities measured at fair value, and the fair value hierarchy, see Note 2 on pages 105 - 110 of our 2015 Form 10-K. There have been no material changes to our valuation methodologies since our year ended September 30, 2015.

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

March 31, 2016	Quoted prices in active markets for identical assets (Level 1) (1)	Significant other observable inputs (Level 2) (1)	Significant unobservable inputs (Level 3)	Netting adjustments (2)	Balance as of March 31, 2016
	(in thousands)				
Assets at fair value on a recurring basis:					
Trading instruments:					
Municipal and provincial obligations	$102	$239,478	$ —	$ —	$239,580
Corporate obligations	4,976	132,085	—	—	137,061
Government and agency obligations	7,897	125,590	—	—	133,487
Agency mortgage-backed securities ("MBS") and collateralized mortgage obligations ("CMOs")	433	98,144	—	—	98,577
Non-agency CMOs and asset-backed securities ("ABS")	—	35,925	8	—	35,933
Total debt securities	13,408	631,222	8	—	644,638
Derivative contracts	—	147,905	—	(96,630)	51,275
Equity securities	53,338	1,186	—	—	54,524
Brokered certificates of deposit	—	32,257	—	—	32,257
Other	534	1,929	14,296	—	16,759
Total trading instruments	67,280	814,499	14,304	(96,630)	799,453
Available for sale securities:					
Agency MBS and CMOs	—	354,430	—	—	354,430
Non-agency CMOs	—	63,694	—	—	63,694
Other securities	1,297	—	—	—	1,297
Auction rate securities ("ARS"):					
Municipals	—	—	25,422	—	25,422
Preferred securities	—	—	102,599	—	102,599
Total available for sale securities	1,297	418,124	128,021	—	547,442
Private equity investments	—	—	204,398 (3)	—	204,398
Other investments (4)	271,885	21,774	439	—	294,098
Derivative instruments associated with offsetting matched book positions	—	396,163	—	—	396,163
Deposits with clearing organizations:					
Government and agency obligations	29,636	—	—	—	29,636
Other assets:					
Derivative contracts (5)	—	2,938	—	—	2,938
Other assets	—	—	3,112 (6)	—	3,112

Total other assets	—	2,938	3,112	—	6,050
Total assets at fair value on a recurring basis	$370,098	$1,653,498	$ 350,274	$(96,630)	$2,277,240
Assets at fair value on a nonrecurring basis:					
Bank loans, net:					
Impaired loans	$—	$26,228	$ 35,720	$—	$61,948
Loans held for sale(7)	—	78,297	—	—	78,297
Total bank loans, net	—	104,525	35,720	—	140,245
Other real estate owned (“OREO”)(8)	—	238	—	—	238
Total assets at fair value on a nonrecurring basis	$—	$104,763	$ 35,720	$—	$140,483

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March 31, 2016	Quoted prices in active markets for identical assets (Level 1) (1)	Significant other observable inputs (Level 2) (1)	Significant unobservable inputs (Level 3)	Netting adjustments (2)	Balance as of March 31, 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	$4	$—	$ —	$—	$4
Corporate obligations	1,102	47,758	—	—	48,860
Government obligations	260,727	—	—	—	260,727
Agency MBS and CMOs	3,122	—	—	—	3,122
Total debt securities	264,955	47,758	—	—	312,713
Derivative contracts	—	135,641	—	(128,002)	7,639
Equity securities	4,958	—	—	—	4,958
Other securities	—	100	—	—	100
Total trading instruments sold but not yet purchased	269,913	183,499	—	(128,002)	325,410
Derivative instruments associated with offsetting matched book positions	—	396,163	—	—	396,163
Trade and other payables:					
Derivative contracts(5)	—	21,004	—	—	21,004
Other liabilities	—	—	67	—	67
Total trade and other payables	—	21,004	67	—	21,071
Total liabilities at fair value on a recurring basis	$269,913	$600,666	$ 67	$(128,002)	$742,644

(1) We had $1.3 million in transfers of financial instruments from Level 1 to Level 2 during the six months ended March 31, 2016. These transfers were a result of a decrease in the availability and reliability of the observable inputs utilized in the respective instruments' fair value measurement. There were no transfers of financial instruments from Level 1 to Level 2 during the three months ended March 31, 2016. We had $300 thousand and $700 thousand in transfers of financial instruments from Level 2 to Level 1 during the three and six months ended March 31, 2016. These transfers were a result of an increase in the availability and reliability of the observable inputs utilized in the respective instruments' fair value measurement. Our policy is that the end of each respective quarterly reporting period determines when transfers of financial instruments between levels are recognized.

(2) For derivative transactions not cleared through an exchange, 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 14 for additional information regarding offsetting financial instruments). Deposits associated with derivative transactions cleared through an exchange are included in deposits with clearing organizations on our Condensed Consolidated Statements of Financial Condition.

(3) The portion of these investments we do not own is approximately $50 million as of March 31, 2016 and are included as a component of noncontrolling interest in our Condensed Consolidated Statements of Financial Condition. The weighted average portion we own is approximately $154 million or 75% of the total private equity investments of $204 million included in our Condensed Consolidated Statements of Financial Condition.

(4) Other investments include $103 million of financial instruments that are related to obligations to perform under certain deferred compensation plans (see Note 2 on pages 117 - 118, and Note 24 on page 176, of our 2015 Form 10-K for further information regarding these plans).

(5) Consists of derivatives arising from RJ Bank’s business operations, see Note 13 for additional information.

(6) 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 on page 107, and Note 21 on page 170 of our 2015 Form 10-K, as well as Note 16 in this report, for additional information regarding the GNMA or FNMA MBS commitments.

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

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

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September 30, 2015	Quoted prices in active markets for identical assets (Level 1) (1)	Significant other observable inputs (Level 2) (1)	Significant unobservable inputs (Level 3)	Netting adjustments (2)	Balance as of September 30, 2015
	(in thousands)				
Assets at fair value on a recurring basis:					
Trading instruments:					
Municipal and provincial obligations	$17,318	$188,745	$ —	$ —	$206,063
Corporate obligations	2,254	92,907	156	—	95,317
Government and agency obligations	7,781	108,166	—	—	115,947
Agency MBS and CMOs	253	117,317	—	—	117,570
Non-agency CMOs and ABS	—	46,931	9	—	46,940
Total debt securities	27,606	554,066	165	—	581,837
Derivative contracts	—	132,707	—	(90,621)	42,086
Equity securities	24,859	3,485	—	—	28,344
Brokered certificates of deposit	—	30,803	—	—	30,803
Other	679	4,816	1,986	—	7,481
Total trading instruments	53,144	725,877	2,151	(90,621)	690,551
Available for sale securities:					
Agency MBS and CMOs	—	302,195	—	—	302,195
Non-agency CMOs	—	71,369	—	—	71,369
Other securities	1,402	—	—	—	1,402
ARS:					
Municipals	—	—	28,015	—	28,015
Preferred securities	—	—	110,749	—	110,749
Total available for sale securities	1,402	373,564	138,764	—	513,730
Private equity investments	—	—	209,088 (3)	—	209,088
Other investments (4)	230,839	17,347	565	—	248,751
Derivative instruments associated with offsetting matched book positions	—	389,457	—	—	389,457
Deposits with clearing organizations: (5)					
Government and agency obligations	29,701	—	—	—	29,701
Other assets:					
Derivative contracts (6)	—	917	—	—	917
Other assets	—	—	4,975 (7)	—	4,975
Total other assets	—	917	4,975	—	5,892
Total assets at fair value on a recurring basis	$315,086	$1,507,162	$ 355,543	$ (90,621)	$2,087,170
Assets at fair value on a nonrecurring basis:					
Bank loans, net:					
Impaired loans	$—	$28,082	$ 37,830	$ —	$65,912
Loans held for sale (8)	—	14,334	—	—	14,334
Total bank loans, net	—	42,416	37,830	—	80,246

OREO [9]	—	671	—	—	671
Total assets at fair value on a nonrecurring basis	$—	$43,087	$ 37,830	$ —	$80,917

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September 30, 2015	Quoted prices in active markets for identical assets (Level 1) (1)	Significant other observable inputs (Level 2) (1)	Significant unobservable inputs (Level 3)	Netting adjustments (2)	Balance as of September 30, 2015
	(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	$17,966	$347	$ —	$—	$18,313
Corporate obligations	167	33,017	—	—	33,184
Government obligations	205,658	—	—	—	205,658
Agency MBS and CMOs	5,007	—	—	—	5,007
Total debt securities	228,798	33,364	—	—	262,162
Derivative contracts	—	109,120	—	(88,881)	20,239
Equity securities	3,098	—	—	—	3,098
Other securities	—	2,494	—	—	2,494
Total trading instruments sold but not yet purchased	231,896	144,978	—	(88,881)	287,993
Derivative instruments associated with offsetting matched book positions	—	389,457	—	—	389,457
Trade and other payables:					
Derivative contracts (6)	—	7,545	—	—	7,545
Other liabilities	—	—	58	—	58
Total trade and other payables	—	7,545	58	—	7,603
Total liabilities at fair value on a recurring basis	$231,896	$541,980	$ 58	$(88,881)	$685,053

(1) We had $1.1 million in transfers of financial instruments from Level 1 to Level 2 during the year ended September 30, 2015. These transfers were a result of a decrease in the availability and reliability of the observable inputs utilized in the respective instruments' fair value measurement. We had $1.8 million in transfers of financial instruments from Level 2 to Level 1 during the year ended September 30, 2015. These transfers were a result of an increase in the availability and reliability of the observable inputs utilized in the respective instruments' fair value measurement. Our policy is that the end of each respective quarterly reporting period determines when transfers of financial instruments between levels are recognized.

(2) For derivative transactions not cleared through an exchange, 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 14 for additional information regarding offsetting financial instruments). Deposits associated with derivative transactions cleared through an exchange are included in deposits with clearing organizations on our Condensed Consolidated Statements of Financial Condition.

(3) The portion of these investments we do not own is approximately $52 million as of September 30, 2015 and are included as a component of noncontrolling interest in our Condensed Consolidated Statements of Financial Condition. The weighted average portion we own is approximately $157 million or 75% of the total private equity investments of $209 million included in our Condensed Consolidated Statements of Financial Condition.

(4) Other investments include $106 million of financial instruments that are related to obligations to perform under certain deferred compensation plans (see Note 2 on pages 117 - 118, and Note 24 on page 176, of our 2015 Form 10-K for further information regarding these plans).

(5) Consists of deposits we provide to clearing organizations or exchanges that are in the form of marketable securities.

(6) Consists of derivatives arising from RJ Bank’s business operations, see Note 13 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 on page 107, and Note 21 on page 170 of our 2015 Form 10-K for additional information.

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

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

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The adjustment to fair value of the nonrecurring fair value measures for the six months ended March 31, 2016 resulted in a $2 million additional provision for loan losses relating to impaired loans and $200 thousand in other losses relating to loans held for sale and OREO. The adjustment to fair value of the nonrecurring fair value measures for the six months ended March 31, 2015 resulted in a $200 thousand additional provision for loan losses relating to impaired loans and $100 thousand in other losses relating to loans held for sale and OREO.

Changes in Level 3 recurring fair value measurements

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

Additional information about Level 3 assets and liabilities measured at fair value on a recurring basis is presented below:
Three months ended March 31, 2016 Level 3 assets at fair value
(in thousands)

	Financial assets								Financial liabilities
	Trading instruments			Available for sale securities		Private equity, other investments and other assets			Payables-trade and other
	Corporate obligations	Non-agency CMOs & ABS	Other	ARS – municipals	ARS - preferred securities	Private equity investments	Other investments	Other assets	Other liabilities
Fair value December 31, 2015	$189	$ 9	$1,964	$27,480	$102,899	$207,523	$ 493	$1,526	$ (67)
Total gains (losses) for the period:									
Included in earnings	(97)	—	(100)	133	—	4,269	18	1,586	—
Included in other comprehensive income	—	—	—	(583)	(300)	—	—	—	—
Purchases and contributions	2	—	19,470	—	—	2,407	—	—	—
Sales	(94)	—	(7,038)	(1,583)	—	—	—	—	—
Redemptions by issuer	—	—	—	(25)	—	—	(5)	—	—
Distributions	—	(1)	—	—	—	(9,801)	(67)	—	—
Transfers: (1)									
Into Level 3	—	—	—	—	—	—	—	—	—
Out of Level 3	—	—	—	—	—	—	—	—	—
Fair value March 31, 2016	$—	$ 8	$14,296	$25,422	$102,599	$204,398	$ 439	$3,112	$ (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	$—	$ —	$(60)	$—	$—	$4,269	$ 18	$1,586	$ —

(1)

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

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Six months ended March 31, 2016 Level 3 assets at fair value
(in thousands)

	Financial assets								Financial liabilities
	Trading instruments			Available for sale securities		Private equity, other investments and other assets			Payables-trade and other
	Corporate obligations	Non-agency CMOs & ABS	Other	ARS – municipals	ARS - preferred securities	Private equity investments	Other investments	Other assets	Other liabilities
Fair value September 30, 2015	$156	$ 9	$1,986	$28,015	$110,749	$209,088	$ 565	$4,975	$ (58)
Total gains (losses) for the period:									
Included in earnings	(137)	—	(349)	133	—	4,440	11	(1,863)	—
Included in other comprehensive income	—	—	—	(1,118)	(8,150)	—	—	—	—
Purchases and contributions	75	—	38,487	—	—	6,961	—	—	(9)
Sales	(94)	—	(25,828)	(1,583)	—	(18)	—	—	—
Redemptions by issuer	—	—	—	(25)	—	—	(14)	—	—
Distributions	—	(1)	—	—	—	(16,073)	(123)	—	—
Transfers: (1)									
Into Level 3	—	—	—	—	—	—	—	—	—
Out of Level 3	—	—	—	—	—	—	—	—	—
Fair value March 31, 2016	$—	$ 8	$14,296	$25,422	$102,599	$204,398	$ 439	$3,112	$ (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)	$ 1	$(71)	$—	$—	$4,440	$ 11	$(1,863)	$ —

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

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Three months ended March 31, 2015 Level 3 assets at fair value
(in thousands)

	Financial assets								Financial liabilities
	Trading instruments			Available for sale securities		Private equity, other investments and other assets			Payables-trade and other
	Non-agency CMOs & ABS	Equity securities	Other	ARS – municipals	ARS - preferred securities	Private equity investments	Other investments	Other assets	Other liabilities
Fair value December 31, 2014	$11	$ 14	$5,264	$85,814	$112,955	$208,674	$ 1,564	$2,407	$ (58)
Total gains (losses) for the period:									
Included in earnings	—	—	(20)	2	25	14,414 (1)	41	(211)	—
Included in other comprehensive income	—	—	—	3,843	(282)	—	—	—	—
Purchases and contributions	—	—	11,358	—	—	2,241	—	—	—
Sales	—	—	(15,822)	(45)	—	—	—	—	—
Redemptions by issuer	—	—	—	—	(250)	—	(663)	—	—
Distributions	(1)	—	—	—	—	(4,385)	(26)	—	—
Transfers: (2)									
Into Level 3	—	—	—	—	—	—	—	—	—
Out of Level 3	—	—	—	—	—	—	—	—	—
Fair value March 31, 2015	$10	$ 14	$780	$89,614	$112,448	$220,944	$ 916	$2,196	$ (58)
Change in unrealized gains (losses) for the period included in earnings (or changes in net assets) for assets held at the end of the reporting period	$—	$ —	$—	$—	$—	$14,414	$ 41	$(211)	$ —

(1) Primarily results from valuation adjustments of certain private equity investments. Since we only own a portion of these investments, our share of the net valuation adjustments resulted in a gain of $9.8 million which is included in net income attributable to RJF (after noncontrolling interests). The noncontrolling interests' share of the net valuation adjustments was a gain of approximately $4.6 million.

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

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Six months ended March 31, 2015 Level 3 assets at fair value
(in thousands)

	Financial assets								Financial liabilities
	Trading instruments			Available for sale securities		Private equity, other investments and other assets			Payables-trade and other
	Non-agency CMOs & ABS	Equity securities	Other	ARS – municipals	ARS - preferred securities	Private equity investments	Other investments	Other assets	Other liabilities
Fair value September 30, 2014	$11	$ 44	$2,309	$86,696	$114,039	$211,666	$ 1,731	$787	$ (58)
Total gains (losses) for the period:									
Included in earnings	—	5	(40)	2	25	17,060 (1)	81	1,409	—
Included in other comprehensive income	—	—	—	2,961	(1,366)	—	—	—	—
Purchases and contributions	—	20	23,333	—	—	6,343	—	—	—
Sales	—	—	(24,822)	(45)	—	—	—	—	—
Redemptions by issuer	—	—	—	—	(250)	—	(673)	—	—
Distributions	(1)	—	—	—	—	(14,125)	(223)	—	—
Transfers: (2)									
Into Level 3	—	—	—	—	—	—	—	—	—
Out of Level 3	—	(55)	—	—	—	—	—	—	—
Fair value March 31, 2015	$10	$ 14	$780	$89,614	$112,448	$220,944	$ 916	$2,196	$ (58)
Change in unrealized gains (losses) for the period included in earnings (or changes in net assets) for assets held at the end of the reporting period	$—	$ 5	$—	$—	$—	$17,060	$ 81	$1,409	$ —

(1) Primarily results from valuation adjustments of certain private equity investments. Since we only own a portion of these investments, our share of the net valuation adjustments resulted in a gain of $12.2 million which is included in net income attributable to RJF (after noncontrolling interests). The noncontrolling interests' share of the net valuation adjustments was a gain of approximately $4.9 million.

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

As of March 31, 2016, 8.2% of our assets and 3.2% 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 March 31, 2016 represent 15.4% of our assets measured at fair value. In comparison, as of March 31, 2015, 8.9% and 3.9% of our assets and liabilities, respectively, represented instruments measured at fair value on a recurring basis. Instruments measured at fair value on a recurring basis categorized as Level 3 as of March 31, 2015 represented 19% of our assets measured at fair value. Level 3 instruments as a percentage of total financial instruments decreased by 4% as compared to March 31, 2015, primarily as a result of the sale or redemption of a portion of our ARS portfolio since March 31, 2015.

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Gains and 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 March 31, 2016			
Total (losses) gains included in revenues	$(197)	$6,006	$ —
Change in unrealized (losses) gains for assets held at the end of the reporting period	$(60)	$5,873	$ (883)
For the six months ended March 31, 2016			
Total (losses) gains included in revenues	$(486)	$2,721	$ —
Change in unrealized (losses) gains for assets held at the end of the reporting period	$(110)	$2,588	$ (9,268)
For the three months ended March 31, 2015			
Total (losses) gains included in revenues	$(20)	$14,271	—
Change in unrealized gains for assets held at the end of the reporting period	$—	$14,244	$ 3,561
For the six months ended March 31, 2015			
Total (losses) gains included in revenues	$(35)	$18,577	$ —
Change in unrealized gains for assets held at the end of the reporting period	$5	$18,550	$ 1,595

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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 March 31, 2016 (in thousands)	Valuation technique(s)	Unobservable input	Range (weighted-average)
Recurring measurements:				
Available for sale securities:				
ARS:				
Municipals - issuer is a municipality	$ 10,500	Discounted cash flow	Average discount rate[(a)]	5.37% - 6.61% (5.99%)
			Average interest rates applicable to future interest income on the securities[(b)]	1.29% - 2.31% (1.80%)
			Prepayment year[(c)]	2018 - 2025 (2022)
Municipals - tax-exempt preferred securities	$ 14,922	Discounted cash flow	Average discount rate[(a)]	4.58% - 5.58% (5.08%)
			Average interest rates applicable to future interest income on the securities[(b)]	1.07% - 1.07% (1.07%)
			Prepayment year[(c)]	2016 - 2021 (2020)
Preferred securities - taxable	$ 102,599	Discounted cash flow	Average discount rate[(a)]	4.58% - 6.38% (5.50%)
			Average interest rates applicable to future interest income on the securities[(b)]	1.07% - 2.83% (1.50%)
			Prepayment year[(c)]	2016 - 2021 (2020)
Private equity investments:	$ 49,393	Income or market approach:		
		Scenario 1 - income approach - discounted cash flow	Discount rate[(a)]	13% - 21% (17.8%)
			Terminal growth rate of cash flows	3% - 3% (3%)
			Terminal year	2017 - 2019 (2018)
		Scenario 2 - market approach - market multiple method	EBITDA Multiple[(d)]	4.75 - 7.5 (6.1)
			Weighting assigned to outcome of scenario 1/scenario 2	75%/25%
	$ 155,005		Not meaningful[(e)]	Not meaningful[(e)]

		Transaction price or other investment-specific events[e]		
Nonrecurring measurements:				
Impaired loans: residential	$ 22,937	Discounted cash flow	Prepayment rate	7 yrs. - 12 yrs. (10.21 yrs.)
Impaired loans: corporate	$ 12,783	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 the remaining 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 directly proportional impact on the valuation results. The value of our investment moves inversely with the market's expectation of returns from such investments. Should the market require higher returns from industries in which we are invested, all other factors held constant, our investments will decrease in value. Should the market accept lower returns from industries in which we are invested, all other factors held constant, our investments will increase in value.

Fair value option

The fair value option is an accounting election that allows the reporting entity to apply fair value accounting for certain financial assets and liabilities on an instrument by instrument basis. As of March 31, 2016, we have elected not to choose the fair value option for any of our financial assets or liabilities not already recorded at fair value.

Other fair value disclosures

Many, but not all, of the financial instruments we hold are recorded at fair value in the Condensed Consolidated Statements of Financial Condition. Refer to Note 5 on pages 132 - 133 of our 2015 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.

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

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total estimated fair value	Carrying amount
	(in thousands)				
March 31, 2016					
Financial assets:					
Bank loans, net [1]	$—	$93,926	$14,149,555	$14,243,481	$14,208,236
Financial liabilities:					
Bank deposits	$—	$12,380,262	$353,612	$12,733,874	$12,729,457
Other borrowings [2]	$—	$36,549	$—	$36,549	$35,584
Senior notes payable	$367,080	$875,288	$—	$1,242,368	$1,149,316
September 30, 2015					
Financial assets:					
Bank loans, net [1]	$—	$105,199	$12,799,065	$12,904,264	$12,907,776
Financial liabilities:					
Bank deposits	$—	$11,564,963	$358,981	$11,923,944	$11,919,881
Other borrowings [2]	$—	$38,455	$—	$38,455	$37,716
Senior notes payable	$368,760	$892,963	$—	$1,261,723	$1,149,222

(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 March 31, 2016 and September 30, 2015.

(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 March 31, 2016 and September 30, 2015.

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

	March 31, 2016		September 30, 2015	
	Trading instruments	Instruments sold but not yet purchased	Trading instruments	Instruments sold but not yet purchased
	(in thousands)			
Municipal and provincial obligations	$239,580	$ 4	$206,063	$ 18,313
Corporate obligations	137,061	48,860	95,317	33,184
Government and agency obligations	133,487	260,727	115,947	205,658
Agency MBS and CMOs	98,577	3,122	117,570	5,007
Non-agency CMOs and ABS	35,933	—	46,940	—
Total debt securities	644,638	312,713	581,837	262,162
Derivative contracts [(1)]	51,275	7,639	42,086	20,239
Equity securities	54,524	4,958	28,344	3,098
Brokered certificates of deposit	32,257	—	30,803	—
Other	16,759	100	7,481	2,494
Total	$799,453	$ 325,410	$690,551	$ 287,993

(1) Represents the derivative contracts held for trading purposes. These balances do not include all derivative instruments. See Note 13 for further information regarding all of our derivative transactions, and see Note 14 for additional information regarding offsetting financial instruments.

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

NOTE 7 – AVAILABLE FOR SALE SECURITIES

Available for sale securities are comprised of MBS and CMOs owned by RJ Bank and ARS owned by one of our non-broker-dealer subsidiaries. Refer to the discussion of our available for sale securities accounting policies, including the fair value determination process, in Note 2 on pages 107 - 108 of our 2015 Form 10-K.

There were no proceeds from the sale of available for sale securities held by RJ Bank during either of the three and six months ended March 31, 2016 or 2015.

There were $1.6 million of proceeds, and a gain in the amount of $100 thousand which is included in other revenues on our Condensed Consolidated Statements of Income and Comprehensive Income arising from the sale or redemption of ARS in the three and six months ended March 31, 2016. Sale or redemption activities within the ARS portion of the portfolio during the three and six months ended March 31, 2015 resulted in aggregate proceeds of $300 thousand and an insignificant gain which is included in other revenues on our Condensed Consolidated Statements of Income and Comprehensive Income.

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

	Cost basis	Gross unrealized gains	Gross unrealized losses	Fair value
	(in thousands)			
March 31, 2016				
Available for sale securities:				
Agency MBS and CMOs	$352,789	$ 1,896	$ (255)	$354,430
Non-agency CMOs [1]	68,135	9	(4,450)	63,694
Other securities	1,575	—	(278)	1,297
Total RJ Bank available for sale securities	422,499	1,905	(4,983)	419,421
Auction rate securities:				
Municipal obligations	27,491	14	(2,083)	25,422
Preferred securities	104,302	—	(1,703)	102,599
Total auction rate securities	131,793	14	(3,786)	128,021
Total available for sale securities	$554,292	$ 1,919	$ (8,769)	$547,442
September 30, 2015				
Available for sale securities:				
Agency MBS and CMOs	$301,001	$ 1,538	$ (344)	$302,195
Non-agency CMOs [2]	75,678	18	(4,327)	71,369
Other securities	1,575	—	(173)	1,402
Total RJ Bank available for sale securities	378,254	1,556	(4,844)	374,966
Auction rate securities:				
Municipal obligations	28,966	576	(1,527)	28,015
Preferred securities	104,302	6,447	—	110,749
Total auction rate securities	133,268	7,023	(1,527)	138,764
Total available for sale securities	$511,522	$ 8,579	$ (6,371)	$513,730

(1) As of March 31, 2016, the non-credit portion of other-than-temporary impairment (“OTTI”) recorded in accumulated other comprehensive income (loss) (“AOCI”) was $3.6 million (before taxes). See Note 17 for additional information.

(2) As of September 30, 2015, the non-credit portion of OTTI recorded in AOCI was $3.6 million (before taxes).

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

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The contractual maturities, amortized cost, carrying values and current yields for our available for sale securities are as presented below. Since RJ Bank's available for sale securities (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.

	March 31, 2016				
	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	$5	$24,179	$77,073	$251,532	$352,789
Carrying value	5	24,456	77,361	252,608	354,430
Weighted-average yield	0.86%	1.59%	1.51%	1.43%	1.46%
Non-agency CMOs:					
Amortized cost	$—	$—	$—	$68,135	$68,135
Carrying value	—	—	—	63,694	63,694
Weighted-average yield	—	—	—	2.52%	2.52%
Other securities:					
Amortized cost	$—	$—	$—	$1,575	$1,575
Carrying value	—	—	—	1,297	1,297
Weighted-average yield	—	—	—	—	—
Sub-total agency MBS & CMOs, non-agency CMOs, and other securities:					
Amortized cost	$5	$24,179	$77,073	$321,242	$422,499
Carrying value	5	24,456	77,361	317,599	419,421
Weighted-average yield	0.86%	1.59%	1.51%	1.65%	1.62%
Auction rate securities:					
Municipal obligations					
Amortized cost	$—	$—	$—	$27,491	$27,491
Carrying value	—	—	—	25,422	25,422
Weighted-average yield	—	—	—	0.55%	0.55%
Preferred securities:					
Amortized cost	$—	$—	$—	$104,302	$104,302
Carrying value	—	—	—	102,599	102,599
Weighted-average yield	—	—	—	0.80%	0.80%
Sub-total auction rate securities:					
Amortized cost	$—	$—	$—	$131,793	$131,793
Carrying value	—	—	—	128,021	128,021
Weighted-average yield	—	—	—	0.75%	0.75%

Total available for sale securities:					
Amortized cost	$5	$24,179	$77,073	$453,035	$554,292
Carrying value	5	24,456	77,361	445,620	547,442
Weighted-average yield	0.86 %	1.59 %	1.51 %	1.39 %	1.42 %

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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:

	March 31, 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	$27,073	$ (35)	$24,687	$ (220)	$51,760	$ (255)
Non-agency CMOs	4,347	(37)	58,720	(4,413)	63,067	(4,450)
Other securities	1,297	(278)	—	—	1,297	(278)
ARS municipal obligations	13,392	(508)	11,782	(1,575)	25,174	(2,083)
ARS preferred securities	101,070	(1,703)	—	—	101,070	(1,703)
Total	$147,179	$ (2,561)	$95,189	$ (6,208)	$242,368	$ (8,769)

	September 30, 2015					
	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	$3,488	$ (37)	$29,524	$ (307)	$33,012	$ (344)
Non-agency CMOs	—	—	65,854	(4,327)	65,854	(4,327)
Other securities	1,402	(173)	—	—	1,402	(173)
ARS municipal obligations	225	(3)	11,627	(1,524)	11,852	(1,527)
Total	$5,115	$ (213)	$107,005	$ (6,158)	$112,120	$ (6,371)

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

Agency MBS and CMOs

The Federal National Mortgage Association ("FNMA"), the Federal Home Loan Mortgage Corporation ("FHLMC"), as well as the Government National Mortgage Association ("GNMA"), guarantee the contractual cash flows of the agency MBS and CMOs. At March 31, 2016 of the 10 U.S. government-sponsored enterprise MBS and CMOs in an unrealized loss position, seven were in a continuous unrealized loss position for less than 12 months and three were for 12 months or more. We do not consider these securities other-than-temporarily impaired due to the guarantee provided by FNMA, FHLMC, and GNMA as to the full payment of principal and interest, and the fact that we have the ability and intent to hold these securities to maturity.

Non-agency CMOs

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

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

	March 31, 2016	
	Range	Weighted-average (1)
Default rate	0% - 6.6%	3.42%
Loss severity	0% - 69.2%	36.31%
Prepayment rate	5.6% - 32.0%	12.74%

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

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At March 31, 2016, 15 of the 16 non-agency CMOs were in a continuous unrealized loss position. Fourteen were in that position for 12 months or more and one was in a continuous unrealized loss position for less than 12 months. Based on the expected cash flows derived from the model utilized in our analysis, we expect to recover all unrealized losses not already recorded in earnings on our non-agency CMOs. However, it is possible that the underlying loan collateral of these securities will perform worse than current expectations, which may lead to adverse changes in the cash flows expected to be collected on these securities and potential future OTTI losses. As residential mortgage loans are the underlying collateral of these securities, the unrealized losses at March 31, 2016 reflect the uncertainty in the markets for these instruments.

ARS

Our cost basis in the ARS we hold is the fair value of the securities in the period in which we acquired them. The par value of the ARS we hold as of March 31, 2016 is $154.2 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 March 31, 2016, there were 37 ARS preferred securities with a fair value less than their cost basis, indicating potential impairment. We analyzed the credit ratings associated with each of 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 ARS preferred securities portfolio is related to potential credit loss.

Within our municipal ARS holdings as of March 31, 2016, there were nine 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

Although there is no intent to sell either our ARS or our non-agency CMOs, and it is not more likely than not that we will be required to sell these securities, as of March 31, 2016 we do not expect to recover the entire amortized cost basis of certain securities within the non-agency CMO available for sale security portfolio.

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 March 31,		Six months ended March 31,	
	2016	2015	2016	2015
	(in thousands)			
Amount related to credit losses on securities we held at the beginning of the period	$11,847	$18,703	$11,847	$18,703
Additional increases to the amount related to credit loss for which an OTTI was previously recognized	—	—	—	—
Amount related to credit losses on securities we held at the end of the period	$11,847	$18,703	$11,847	$18,703

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 and other consumer 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 111 – 115 of our 2015 Form 10-K.

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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.

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:

	March 31, 2016		September 30, 2015	
	Balance	%	Balance	%
	($ in thousands)			
Loans held for sale, net(1)	$172,222	1 %	$119,519	1 %
Loans held for investment:				
Domestic:				
C&I loans	6,236,413	43 %	5,893,631	44 %
CRE construction loans	143,437	1 %	126,402	1 %
CRE loans	2,035,699	14 %	1,679,332	13 %
Tax-exempt loans	610,274	4 %	484,537	4 %
Residential mortgage loans	2,215,264	15 %	1,959,786	15 %
SBL	1,702,766	12 %	1,479,562	11 %
Foreign:				
C&I loans	1,046,801	7 %	1,034,387	8 %
CRE construction loans	2,468	—	35,954	—
CRE loans	412,569	3 %	374,822	3 %
Residential mortgage loans	2,320	—	2,828	—
SBL	1,909	—	1,942	—
Total loans held for investment	14,409,920		13,073,183	
Net unearned income and deferred expenses	(39,441)		(32,424)	
Total loans held for investment, net(1)	14,370,479		13,040,759	
Total loans held for sale and investment	14,542,701	100 %	13,160,278	100 %
Allowance for loan losses	(194,220)		(172,257)	
Bank loans, net	$14,348,481		$12,988,021	

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

At March 31, 2016, 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 $397.5 million and $1.0 billion of loans held for sale during the three and six months ended March 31, 2016, respectively, and $219.7 million and $617.6 million during the three and six months ended March 31, 2015. Proceeds from the sale of held for sale loans amounted to $84.7 million and $170.9 million during the three and six months ended March 31, 2016, and $60.2 million and $97.5 million during the three and six months ended March 31, 2015. Net gains resulting from such sales amounted to $300 thousand and $600 thousand during the three and six months ended March 31, 2016 and were insignificant during both the three and six months ended March

31, 2015. 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 each of the three and six months ended March 31, 2016 and 2015.

Purchases and sales of loans held for investment

As more fully described in Note 2 of our 2015 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 March 31, 2016					
Purchases	$91,256	$7,040	$ 131,788	(2)	$230,084
Sales (1)	$36,569	$—	$ —		$36,569
Six months ended March 31, 2016					
Purchases	$149,107	$7,040	210,823	(3)	$366,970
Sales (1)	$71,815	$—	—		$71,815
Three months ended March 31, 2015					
Purchases	$106,197	$—	$ 1,337		$107,534
Sales (1)	$25,500	$—	$ —		$25,500
Six months ended March 31, 2015					
Purchases	$260,281	$—	$ 213,309	(4)	$473,590
Sales (1)	$32,360	$—	$ —		$32,360

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

(2) Includes the purchase from another financial institution of residential mortgage loans totaling $107.1 million in principal loan balance.

(3) Includes purchases from another financial institution of residential mortgage loans totaling $179.6 million in principal loan balance.

(4) Includes the purchase from another financial institution of residential mortgage loans totaling $207.3 million in principal loan balance.

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Aging analysis of loans held for investment

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

	30-89 days and accruing	90 days or more and accruing	Total past due and accruing	Nonaccrual [1]	Current and accruing	Total loans held for investment [2]
	(in thousands)					
As of March 31, 2016:						
C&I loans	$152	$ —	$ 152	$ 11,391	$7,271,671	$7,283,214
CRE construction loans	—	—	—	—	145,905	145,905
CRE loans	—	—	—	4,497	2,443,771	2,448,268
Tax-exempt loans	—	—	—	—	610,274	610,274
Residential mortgage loans:						
First mortgage loans	1,504	—	1,504	43,365	2,153,501	2,198,370
Home equity loans/lines	—	—	—	172	19,042	19,214
SBL	—	—	—	—	1,704,675	1,704,675
Total loans held for investment, net	$1,656	$ —	$ 1,656	$ 59,425	$14,348,839	$14,409,920
As of September 30, 2015:						
C&I loans	163	$ —	$ 163	$ —	6,927,855	$6,928,018
CRE construction loans	—	—	—	—	162,356	162,356
CRE loans	—	—	—	4,796	2,049,358	2,054,154
Tax-exempt	—	—	—	—	484,537	484,537
Residential mortgage loans:						
First mortgage loans	2,906	—	2,906	47,504	1,891,384	1,941,794
Home equity loans/lines	30	—	30	319	20,471	20,820
SBL	—	—	—	—	1,481,504	1,481,504
Total loans held for investment, net	$3,099	$ —	$ 3,099	$ 52,619	$13,017,465	$13,073,183

(1) Includes $31.2 million and $22.4 million of nonaccrual loans at March 31, 2016 and September 30, 2015, respectively, which are performing pursuant to their contractual terms.

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

Nonperforming loans represent those loans on nonaccrual status, troubled debt restructurings, and accruing loans which are 90 days or more past due and in the process of collection. The gross interest income related to the nonperforming loans reflected in the previous table, which would have been recorded had these loans been current in accordance with their original terms, totaled $500 thousand and $800 thousand for the three and six months ended March 31, 2016, respectively, and $500 thousand and $1.2 million for the three and six months ended March 31, 2015, respectively. The interest income recognized on nonperforming loans was $200 thousand and $500 thousand for the three and six months ended March 31, 2016, respectively and $400 thousand and $600 thousand for the three and six months ended March 31, 2015, respectively.

Other real estate owned, included in other assets on our Condensed Consolidated Statements of Financial Condition, was $4.5 million at March 31, 2016 and $4.6 million at September 30, 2015. The recorded investment of mortgage loans secured by one-to-four family residential properties for which formal foreclosure proceedings are in process was $21.6 million at March 31, 2016 and $24.6 million at September 30, 2015.

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Impaired loans and troubled debt restructurings

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

	March 31, 2016			September 30, 2015		
	Gross recorded investment	Unpaid principal balance	Allowance for losses	Gross recorded investment	Unpaid principal balance	Allowance for losses
	(in thousands)					
Impaired loans with allowance for loan losses:(1)						
C&I loans	$11,391	$11,535	$ 3,105	$10,599	$11,204	$ 1,132
Residential - first mortgage loans	33,437	45,090	2,804	35,442	48,828	4,014
Total	44,828	56,625	5,909	46,041	60,032	5,146
Impaired loans without allowance for loan losses:(2)						
CRE loans	4,497	11,611	—	4,796	11,611	—
Residential - first mortgage loans	18,532	27,189	—	20,221	29,598	—
Total	23,029	38,800	—	25,017	41,209	—
Total impaired loans	$67,857	$95,425	$ 5,909	$71,058	$101,241	$ 5,146

(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 $4.5 million CRE, and $30.6 million residential first mortgage TDR's at March 31, 2016, and $4.8 million CRE, $10.6 million C&I, and $32.8 million residential first mortgage TDR's at September 30, 2015.

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 March 31,		Six months ended March 31,	
	2016	2015	2016	2015
	(in thousands)			
Average impaired loan balance:				
C&I loans	$7,258	$11,613	$8,882	$11,732
CRE loans	4,540	17,257	4,606	17,394
Residential mortgage loans:				
First mortgage loans	52,713	59,875	53,223	61,493
Total	$64,511	$88,745	$66,711	$90,619
Interest income recognized:				
Residential mortgage loans:				
First mortgage loans	$334	$426	$707	$741
Total	$334	$426	$707	$741

During the three and six months ended March 31, 2016 and 2015, RJ Bank granted concessions to borrowers having financial difficulties, for which the resulting modification was deemed a TDR. These concessions granted for the respective first mortgage residential loans were interest rate reductions, maturity date extensions, capitalization of past due payments, or release of liability ordered under Chapter 7 bankruptcy not reaffirmed by the borrower.

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The table below presents the TDRs that occurred during the respective periods presented:

	Number of contracts	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment
	($ in thousands)		
Three months ended March 31, 2016			
Residential – first mortgage loans	1	$ 236	$ 236
Six months ended March 31, 2016			
Residential – first mortgage loans	1	$ 236	$ 236
Three months ended March 31, 2015			
Residential – first mortgage loans	1	$ 133	$ 134
Six months ended March 31, 2015			
Residential – first mortgage loans	3	$ 290	$ 293

There were no TDRs for which there was a payment default and for which the respective loan was modified as a TDR within the 12 months prior to the default during the three and six months ended March 31, 2016 and 2015. As of March 31, 2016, RJ Bank had no outstanding commitments on TDRs and had one outstanding commitment on a C&I TDR at September 30, 2015 in the amount of $600 thousand.

Credit quality indicators

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

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

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

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

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

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

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

	Pass	Special mention(1)	Substandard(1)	Doubtful(1)	Total
	(in thousands)				
March 31, 2016					
C&I	$7,046,244	$95,379	$ 141,591	$ —	$7,283,214
CRE construction	145,905	—	—	—	145,905
CRE	2,443,599	—	4,669	—	2,448,268
Tax-exempt	610,274	—	—	—	610,274
Residential mortgage:					
First mortgage	2,130,729	13,073	54,568	—	2,198,370
Home equity	18,827	215	172	—	19,214
SBL	1,704,675	—	—	—	1,704,675
Total	$14,100,253	$108,667	$ 201,000	$ —	$14,409,920
September 30, 2015					
C&I	$6,739,179	$97,623	$ 91,216	$ —	$6,928,018
CRE construction	162,356	—	—	—	162,356
CRE	2,034,692	39	19,423	—	2,054,154
Tax-exempt	484,537	—	—	—	484,537
Residential mortgage:					
First mortgage	1,868,044	14,890	58,860	—	1,941,794
Home equity	20,372	128	320	—	20,820
SBL	1,481,504	—	—	—	1,481,504
Total	$12,790,684	$112,680	$ 169,819	$ —	$13,073,183

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

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

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

	Balance(1) (in thousands)
LTV range:	
LTV less than 50%	$658,860
LTV greater than 50% but less than 80%	1,085,978
LTV greater than 80% but less than 100%	88,862
LTV greater than 100%, but less than 120%	13,466
LTV greater than 120%	1,681
Total	$1,848,847

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

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Allowance for loan losses and reserve for unfunded lending commitments

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

	Loans held for investment						
	C&I	CRE construction	CRE	Tax-exempt	Residential mortgage	SBL	Total
	(in thousands)						
Three months ended March 31, 2016							
Balance at beginning of period	$128,721	$ 2,635	$31,304	$ 7,119	$ 12,265	$3,415	$185,459
Provision (benefit) for loan losses	9,590	(100)	1,149	(85)	(902)	(23)	9,629
Net (charge-offs)/recoveries:							
Charge-offs	(1,427)	—	—	—	(369)	—	(1,796)
Recoveries	—	—	—	—	260	20	280
Net (charge-offs)/recoveries	(1,427)	—	—	—	(109)	20	(1,516)
Foreign exchange translation adjustment	415	18	215	—	—	—	648
Balance at March 31, 2016	$137,299	$ 2,553	$32,668	$ 7,034	$ 11,254	$3,412	$194,220
Six months ended March 31, 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	21,175	(152)	2,112	1,085	(1,106)	425	23,539
Net (charge-offs)/recoveries:							
Charge-offs	(1,694)	—	—	—	(916)	—	(2,610)
Recoveries	—	—	—	—	750	21	771
Net (charge-offs)/recoveries	(1,694)	—	—	—	(166)	21	(1,839)
Foreign exchange translation adjustment	195	(2)	70	—	—	—	263
Balance at March 31, 2016	$137,299	$ 2,553	$32,668	$ 7,034	$ 11,254	$3,412	$194,220
Three months ended March 31, 2015							
Balance at beginning of period	$109,582	$ 1,709	$25,095	$ 2,738	$ 15,319	$2,324	$156,767
Provision (benefit) for loan losses	1,530	(8)	900	1,171	168	176	3,937
Net (charge-offs)/recoveries:							
Charge-offs	—	—	—	—	(411)	—	(411)
Recoveries	536	—	—	—	—	6	542
Net (charge-offs)/recoveries	536	—	—	—	(411)	6	131
Foreign exchange translation adjustment	(523)	(26)	(278)	—	—	—	(827)
Balance at March 31, 2015	$111,125	$ 1,675	$25,717	$ 3,909	$ 15,076	$2,506	$160,008
Six months ended March 31, 2015							
Balance at beginning of period	$103,179	$ 1,594	$25,022	$ 1,380	$ 14,350	$2,049	$147,574
Provision for loan losses	8,364	117	1,062	2,529	787	443	13,302
Net (charge-offs)/recoveries:							
Charge-offs	(238)	—	—	—	(638)	—	(876)
Recoveries	536	—	—	—	577	14	1,127
Net recoveries/(charge-offs)	298	—	—	—	(61)	14	251
Foreign exchange translation adjustment	(716)	(36)	(367)	—	—	—	(1,119)

Balance at March 31, 2015	$111,125	$ 1,675	$25,717	$ 3,909	$ 15,076	$2,506	$160,008

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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)					
March 31, 2016						
C&I	$3,105	$ 134,194	$137,299	$11,391	$7,271,823	$7,283,214
CRE construction	—	2,553	2,553	—	145,905	145,905
CRE	—	32,668	32,668	4,497	2,443,771	2,448,268
Tax-exempt	—	7,034	7,034	—	610,274	610,274
Residential mortgage	2,814	8,440	11,254	58,403	2,159,181	2,217,584
SBL	—	3,412	3,412	—	1,704,675	1,704,675
Total	$5,919	$ 188,301	$194,220	$74,291	$14,335,629	$14,409,920
September 30, 2015						
C&I	$1,132	116,491	$117,623	$10,599	$6,917,419	$6,928,018
CRE construction	—	2,707	2,707	—	162,356	162,356
CRE	—	30,486	30,486	4,796	2,049,358	2,054,154
Tax-exempt	—	5,949	5,949	—	484,537	484,537
Residential mortgage	4,046	8,480	12,526	62,706	1,899,908	1,962,614
SBL	—	2,966	2,966	—	1,481,504	1,481,504
Total	$5,178	$ 167,079	$172,257	$78,101	$12,995,082	$13,073,183

(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 $7.8 million and $9.7 million at March 31, 2016 and September 30, 2015, respectively.

NOTE 9 – VARIABLE INTEREST ENTITIES

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

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

Refer to Note 2 on pages 118 - 121 of our 2015 Form 10-K for a description of our principal involvement with VIEs and the accounting policies regarding determination of whether we are deemed to be the primary beneficiary of any

VIEs. Other than as described below, as of March 31, 2016 there have been no significant changes in either the nature of our involvement with, or the accounting policies associated with the analysis of, VIEs as described in the 2015 Form 10-K.

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

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VIEs where we are the primary beneficiary

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

	Aggregate assets (1)	Aggregate liabilities (1)
	(in thousands)	
March 31, 2016		
LIHTC Funds	$135,581	$ 34,173
Guaranteed LIHTC Fund (2)	64,715	2,427
Restricted Stock Trust Fund	11,186	11,186
EIF Funds	4,040	—
Total	$215,522	$ 47,786
September 30, 2015		
LIHTC Funds	$143,111	$ 41,125
Guaranteed LIHTC Fund (2)	71,231	2,263
Restricted Stock Trust Fund	6,405	6,405
EIF Funds	4,627	—
Total	$225,374	$ 49,793

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

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

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The following table presents information about the carrying value of the assets, liabilities and equity of the VIEs which we consolidate and 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.

	March 31, 2016	September 30, 2015
	(in thousands)	
Assets:		
Assets segregated pursuant to regulations and other segregated assets	$8,019	$ 8,525
Receivables, other	5,494	5,542
Investments in real estate partnerships held by consolidated variable interest entities	191,801	199,678
Trust fund investment in RJF common stock [(1)]	11,185	6,404
Prepaid expenses and other assets	3,944	4,297
Total assets	$220,443	$ 224,446
Liabilities and equity:		
Trade and other payables	$23,443	$ 12,424
Intercompany payables	11,154	6,400
Loans payable of consolidated variable interest entities [(2)]	19,365	25,960
Total liabilities	53,962	44,784
RJF equity	6,112	6,121
Noncontrolling interests	160,369	173,541
Total equity	166,481	179,662
Total liabilities and equity	$220,443	$ 224,446

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

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

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

	Three months ended March 31,		Six months ended March 31,	
	2016	2015	2016	2015
	(in thousands)			
Revenues:				
Interest	$2	$ 2	$2	$ 2
Other	(201)	(382)	414	292
Total revenues	(199)	(380)	416	294
Interest expense	(315)	(537)	(625)	(1,066)
Net revenues	(514)	(917)	(209)	(772)
Non-interest expenses [(1)]	9,398	11,085	18,419	19,099
Net loss including noncontrolling interests	(9,912)	(12,002)	(18,628)	(19,871)
Net loss attributable to noncontrolling interests	(9,905)	(11,975)	(18,619)	(19,858)
Net loss attributable to RJF	$(7)	$ (27)	$(9)	$ (13)

(1)

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

Low-income housing tax credit funds

RJTCF is the managing member or general partner in 102 separate low-income housing tax credit funds having one or more investor members or limited partners, 88 of which are determined to be VIEs and 14 of which are determined not to be VIEs. RJTCF has concluded that it is the primary beneficiary of six non-guaranteed LIHTC Fund VIEs and, accordingly, consolidates these funds. In addition, RJTCF consolidates the one Guaranteed LIHTC Fund VIE it sponsors (see Note 16 for further discussion

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of the guarantee obligation as well as other RJTCF commitments). RJTCF also consolidates eight of the funds it determined not to be VIEs.

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

Low-income housing tax credit funds

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

New market tax credit funds

One of our affiliates is the managing member of six NMTC Funds, and, as discussed in Note 2 on page 120 of our 2015 Form 10-K, this affiliate is not deemed to be the primary beneficiary of these NMTC Funds. These NMTC Funds are therefore not consolidated. Our risk of loss is limited to our receivables due from these funds.

Other real estate limited partnerships and LLCs

We have a variable interest in several limited partnerships involved in various real estate activities in which a subsidiary is either the general partner or a limited partner. As discussed in Note 2 on page 120 of our 2015 Form 10-K, we have determined that we are not the primary beneficiary of these VIEs. Accordingly, we do not consolidate these partnerships or LLCs. The carrying value of our investment in these partnerships or LLCs represents our risk of loss.

Aggregate assets, liabilities and risk of loss

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

	March 31, 2016			September 30, 2015		
	Aggregate assets	Aggregate liabilities	Our risk of loss	Aggregate assets	Aggregate liabilities	Our risk of loss
	(in thousands)					
LIHTC Funds	$3,727,454	$1,114,185	$73,959	$3,317,594	$951,465	$42,244
NMTC Funds	65,468	67	12	65,388	40	12
Other Real Estate Limited Partnerships and LLCs	29,523	37,062	140	29,523	37,062	163
Total	$3,822,445	$1,151,314	$74,111	$3,412,505	$988,567	$42,419

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

Managed Funds

As described in Note 2 on page 121 of our 2015 Form 10-K, we have subsidiaries which serve as the general partner of the Managed Funds. For the Managed Funds, the primary beneficiary assessment applies prior accounting guidance which assesses who will absorb a majority of the entity’s expected losses, receive a majority of the entity’s expected residual returns, or both. Based upon the outcome of our assessments, we have determined that we are not required to consolidate the Managed Funds.

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

	March 31, 2016			September 30, 2015		
	Aggregate assets	Aggregate liabilities	Our risk of loss	Aggregate assets	Aggregate liabilities	Our risk of loss
	(in thousands)					
Managed Funds	$98,168	$ 577	$5,005	$83,132	$ 22	$53

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NOTE 10 - GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS

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

	March 31, 2016	September 30, 2015
	(in thousands)	
Goodwill	$313,005	$ 307,635
Identifiable intangible assets, net	63,959	69,327
Total goodwill and identifiable intangible assets, net	$376,964	$ 376,962

Our goodwill and identified intangible assets result from various acquisitions. As more fully described in Note 3, in April 2015 we completed our acquisition of Cougar which included a number of identifiable intangible assets. See Note 13 on pages 152 - 155 of our 2015 Form 10-K for a discussion of the components of our goodwill balance and additional information regarding our identifiable intangible assets which arose from acquisitions completed in prior years. See the discussion of our intangible assets and goodwill accounting policies in Note 2 on pages 116 - 117 of our 2015 Form 10-K.

Goodwill

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

	Three months ended March 31,			Six months ended March 31,		
	Segment			Segment		
	Private client group	Capital markets	Total	Private client group	Capital markets	Total
	(in thousands)					
Fiscal year 2016						
Goodwill as of beginning of period	$186,733	$120,902	$307,635	$186,733	$120,902	$307,635
Foreign currency translation	2,622	2,748	5,370	2,622	2,748	5,370
Impairment losses	—	—	—	—	—	—
Goodwill as of end of period	$189,355	$123,650	$313,005	$189,355	$123,650	$313,005
Fiscal year 2015						
Goodwill as of beginning of period	$174,584	$120,902	$295,486	$174,584	$120,902	$295,486
Impairment losses	—	—	—	—	—	—
Goodwill as of end of period	$174,584	$120,902	$295,486	$174,584	$120,902	$295,486

We performed our annual goodwill impairment testing during the quarter ended March 31, 2016, evaluating the balances as of December 31, 2015. We assign goodwill to reporting units. Our reporting units include a Private Client Group reporting unit comprised of our RJ&A domestic retail brokerage operations and TPC (included in our Private Client Group segment), RJ&A Fixed Income (included in our Capital Markets segment) and RJ&A Equity Capital Markets (included in our Capital Markets segment). In addition, we have two RJ Ltd. reporting units (RJ Ltd. Private Client Group (included in our Private Client Group segment) and RJ Ltd. Capital Markets (included in our Capital Markets segment)), each associated with our Canadian operations, and we elected to perform a quantitative assessment for each of the Canadian reporting units.

Qualitative Assessments

For each reporting unit that we performed qualitative assessments on, we determined whether it is more likely than not that the carrying value of the reporting unit, including the recorded goodwill, is in excess of the fair value of the reporting unit. In any instance in which we are unable to qualitatively conclude that it is more likely than not that the fair value of the reporting unit exceeds the reporting unit carrying value including goodwill, a quantitative analysis of the fair value of the reporting unit would be performed. Based upon the outcome of our qualitative assessments, we determined that no quantitative analysis of the fair value of any of the reporting units we elected to qualitatively analyze as of December 31, 2015 was required, and we concluded that none of the goodwill allocated to any of those reporting units as of December 31, 2015 was impaired. No events have occurred since December 31, 2015 that would cause us to update this impairment testing.

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Quantitative Assessments

For our two RJ Ltd. reporting units, we elected not to perform a qualitative assessment but instead to perform quantitative assessments of the equity value of each RJ Ltd. reporting unit that includes 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 the December 31, 2015 impairment test date 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 units 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 units' 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 as of December 31, 2015:

		Key assumptions				
					Weight assigned to the outcome of:	
Segment	Reporting unit	Goodwill as of the impairment testing date (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	$ 16,144	14%	1.2x/12.4x	75%	25 %
Capital markets:	RJ Ltd. Capital Markets	16,893	15%	1.1x/14.4x	75%	25 %
Total		$ 33,037				

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 as of December 31, 2015, we concluded that none of the goodwill associated with our two RJ Ltd. reporting units was impaired.

No events have occurred since December 31, 2015 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 March 31, 2016					
Net identifiable intangible assets as of beginning of period	$17,799	$31,211	$ 16,301	$1,461	$66,772
Additions	—	—	—	87	87
Amortization expense	(384)	(1,319)	(565)	(95)	(2,363)
Foreign currency translation	—	—	(537)	—	(537)
Impairment losses	—	—	—	—	—
Net identifiable intangible assets as of end of period	$17,415	$29,892	$ 15,199	$1,453	$63,959
For the six months ended March 31, 2016					
Net identifiable intangible assets as of beginning of period	$18,182	$32,532	$ 17,137	$1,476	$69,327
Additions	—	—	—	160	160
Amortization expense	(767)	(2,640)	(1,181)	(183)	(4,771)
Foreign currency translation	—	—	(537)	—	(537)
Impairment losses	—	—	—	—	—
Other	—	—	(220)	—	(220)
Net identifiable intangible assets as of end of period	$17,415	$29,892	$ 15,199	$1,453	$63,959
For the three months ended March 31, 2015					
Net identifiable intangible assets as of beginning of period	$8,472	$36,600	$ 10,663	$1,253	$56,988
Additions	—	—	—	118	118
Amortization expense	(139)	(1,375)	(333)	(72)	(1,919)
Impairment losses	—	—	—	—	—
Net identifiable intangible assets as of end of period	$8,333	$35,225	$ 10,330	$1,299	$55,187
For the six months ended March 31, 2015					
Net identifiable intangible assets as of beginning of period	$8,611	$37,975	$ 10,996	$1,193	$58,775
Additions	—	—	—	233	233
Amortization expense	(278)	(2,750)	(666)	(127)	(3,821)
Impairment losses	—	—	—	—	—
Net identifiable intangible assets as of end of period	$8,333	$35,225	$ 10,330	$1,299	$55,187

Identifiable intangible assets by type are presented below:

	March 31, 2016		September 30, 2015	
	Gross carrying value	Accumulated amortization	Gross carrying value	Accumulated amortization
	(in thousands)			
Customer relationships	$73,770	$ (19,545)	$75,217	$ (17,759)
Trade name	3,928	(267)	4,278	(111)
Developed technology	12,630	(9,017)	12,630	(7,754)

Intellectual property	521	(48)	561	(23)
Non-compete agreements	987	(453)	1,018	(206)
Mortgage servicing rights	2,227	(774)	2,067	(591)
Total	$94,063	$ (30,104)	$95,771	$ (26,444)

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NOTE 11 – BANK DEPOSITS

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

	March 31, 2016			September 30, 2015		
	Balance	Weighted-average rate (1)		Balance	Weighted-average rate (1)	
	($ in thousands)					
Bank deposits:						
NOW accounts	$5,078	0.01	%	$4,752	0.01	%
Demand deposits (non-interest-bearing)	1,890	—		9,295	—	
Savings and money market accounts	12,373,294	0.05	%	11,550,917	0.02	%
Certificates of deposit	349,195	1.61	%	354,917	1.64	%
Total bank deposits(2)	$12,729,457	0.09	%	$11,919,881	0.07	%

(1) Weighted-average rate calculation is based on the actual deposit balances at March 31, 2016 and September 30, 2015, respectively.

(2) Bank deposits exclude affiliate deposits of approximately $949 million and $458 million at March 31, 2016 and September 30, 2015, respectively. These affiliate deposits include $930 million and $451 million, held in a deposit account on behalf of RJF as of March 31, 2016 and September 30, 2015, respectively.

RJ Bank's savings and money market accounts in the table above consist primarily of deposits that are cash balances swept from the investment accounts maintained at RJ&A. These balances are held in Federal Deposit Insurance Corporation ("FDIC") insured bank accounts through the Raymond James Bank Deposit Program ("RJBDP") administered by RJ&A. The aggregate amount of time deposit account balances that exceed the FDIC insurance limit at March 31, 2016 is $23.5 million.

Scheduled maturities of certificates of deposit are as follows:

	March 31, 2016		September 30, 2015	
	Denominations greater than or equal to $100,000	Denominations less than $100,000	Denominations greater than or equal to $100,000	Denominations less than $100,000
	(in thousands)			
Three months or less	$9,292	$ 7,415	$6,206	$ 7,610
Over three through six months	10,135	7,920	11,731	7,304
Over six through twelve months	27,342	21,778	18,341	14,807
Over one through two years	17,199	13,719	43,133	33,163
Over two through three years	53,361	19,233	33,556	10,825
Over three through four years	56,871	25,473	51,140	23,616
Over four through five years	51,904	27,553	63,351	30,134
Total	$226,104	$ 123,091	$227,458	$ 127,459

Interest expense on deposits is summarized as follows:

	Three months ended March 31,		Six months ended March 31,	
	2016	2015	2016	2015
	(in thousands)			
Certificates of deposit	$1,406	$1,459	$2,854	$2,983
Money market, savings and NOW accounts [(1)]	1,346	631	1,917	1,244
Total interest expense on deposits	$2,752	$2,090	$4,771	$4,227

(1) The balances for the three and six months ended March 31, 2016, respectively, are presented net of interest expense associated with affiliate deposits.

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NOTE 12 – OTHER BORROWINGS

The following table details the components of other borrowings:

	March 31, 2016		September 30, 2015	
	(in thousands)			
Other borrowings:				
FHLB advances	$575,000	(1)	$ 550,000	(2)
Borrowings on secured lines of credit (3)	—		115,000	
Mortgage notes payable (4)	35,584		37,716	
Borrowings on ClariVest revolving credit facility (5)	300		349	
Borrowings on unsecured lines of credit (6)	—	(7)	—	(7)
Total other borrowings	$610,884		$ 703,065	

(1) Borrowings from the FHLB as of March 31, 2016 are comprised of three advances. One of the FHLB advances is in the amount of $250 million, and one is in the amount of $300 million, each of these advances mature in September 2017 and have interest rates which reset quarterly. We use interest rate swaps to manage the risk of increases in interest rates associated with these floating-rate advances by converting a substantial portion of these balances subject to variable interest rates to a fixed interest rate. Refer to Note 13 for information regarding these interest rate swaps which are accounted for as hedging instruments. The other FHLB advance, in the amount of $25 million, matures in October 2020 and bears interest at a fixed 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 March 31, 2016 is 0.78%.

(2) Borrowings from the FHLB as of September 30, 2015 are comprised of two floating-rate advances, one in the amount of $250 million and the other in the amount of $300 million. Both FHLB advances mature in March 2017 and have an interest rate which resets quarterly. We use interest rate swaps to manage the risk of increases in interest rates associated with these floating-rate advances by converting a substantial portion of these balances subject to variable interest rates to a fixed interest rate. Refer to Note 13 for information regarding these interest rate swaps which are accounted for as hedging instruments. Both of these advances were restructured during December 2015 in order to extend their maturity date.

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

(4) Mortgage notes payable pertain to mortgage loans on our corporate headquarters offices located in St. Petersburg, Florida. These mortgage loans are secured by land, buildings, and improvements with a net book value of $46.2 million at March 31, 2016. These mortgage loans bear interest at 5.7% with repayment terms of monthly interest and principal debt service and have a January 2023 maturity.

(5) 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 lenders prime rate. The ClariVest Facility expires on September 2018.

(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, with a facility maturity in August 2020. There are no borrowings outstanding on the RJF Credit Facility as of either March 31, 2016 or September 30, 2015.

(7) Any 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 $191 million and $333 million as of March 31, 2016 and September 30, 2015, respectively. These other collateralized financings are included in securities sold under agreements to repurchase on the Condensed Consolidated Statements of Financial Condition. These financings are collateralized by non-customer, RJ&A-owned securities. See Note 14 for additional information regarding offsetting asset and liability balances as well as additional information regarding the collateral.

NOTE 13 – DERIVATIVE FINANCIAL INSTRUMENTS

The significant accounting policies governing our derivative financial instruments, including our methodologies for determining fair value, are described in Note 2 on pages 108 - 109 of our 2015 Form 10-K.

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Derivatives arising from our fixed income business operations

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

We enter into interest rate swaps, futures contracts and forward foreign exchange contracts either as part of our fixed income business to facilitate client transactions, to hedge a portion of our trading inventory, or to a limited extent for our own account. The majority of these derivative positions are executed in the over-the-counter market either directly with financial institutions or trades cleared through an exchange (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.

Raymond James Financial Products, Inc. ("RJFP"), a wholly owned subsidiary, may enter 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. As a result of the structure of these transactions, we refer to the derivative contracts we enter into as a result of these operations as our offsetting "matched book" derivative operations (the "Offsetting Matched Book Derivatives Operations").

Any collateral required to be exchanged under the contracts arising from the Offsetting Matched Book Derivatives Operations is administered directly by the client and the third party financial institution. 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," as applicable, on our Condensed Consolidated Statements of Financial Condition.

The receivable for uncollected derivative transaction fee revenues of RJFP is $7 million at both March 31, 2016 and September 30, 2015, 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 derivatives contracts as part of RJ Bank's business operations through its hedging activities, which include forward foreign exchange contracts and interest rate swaps (see Note 2 on page 109 of the 2015 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. Beginning in February 2015, we entered into 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, RJ Bank is able to mitigate a portion of the market risk associated with certain fixed interest earning assets held by RJ Bank.

Description of the collateral we hold related to derivative contracts

Where permitted, we elect to net-by-counterparty certain derivative contracts entered into in our OTC Derivatives Operations. Certain of these contracts contain a legally enforceable master netting arrangement that allows for netting of all derivative transactions with each counterparty and, therefore, the fair value of those derivative contracts are netted by counterparty in the Condensed Consolidated Statements of Financial Condition. The credit support annex related to the interest rate swaps and certain

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forward foreign exchange contracts allows parties to the master agreement to mitigate their credit risk by requiring the party which is out of the money to post collateral. We accept collateral in the form of cash or other marketable securities. As we elect to net-by-counterparty the fair value of derivative contracts arising from our OTC Derivatives Operations, we also net-by-counterparty any cash collateral exchanged as part of those derivative agreements. Refer to Note 14 for additional information regarding offsetting asset and liability balances. This cash collateral is recorded net-by-counterparty at the related fair value. The cash collateral included in the net fair value of all open derivative asset positions arising from our OTC Derivatives Operations aggregates to a net liability of $59 million as of March 31, 2016 and $44 million as of September 30, 2015. The cash collateral included in the net fair value of all open derivative liability positions from our OTC Derivatives Operations aggregates to a net asset of $26 million at both March 31, 2016 and September 30, 2015. Our maximum loss exposure under the interest rate swap contracts arising from our OTC Derivatives Operations at March 31, 2016 is $52 million.

RJ Bank provides to counterparties for the benefit of its U.S. subsidiaries, a guarantee of payment in the event of the subsidiaries' default under forward foreign exchange contracts. Due to this RJ Bank guarantee and the short-term nature of these derivatives, RJ Bank's U.S. subsidiaries are not required to post collateral and do not receive collateral with respect to certain derivative contracts with the respective counterparties. Our maximum loss exposure under the forward foreign exchange contracts arising from RJ Bank's business operations at March 31, 2016 is $200 thousand.

Derivative balances included in our financial statements

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

	Asset derivatives							
	March 31, 2016				September 30, 2015			
	Balance sheet location	Notional amount		Fair value(1)	Balance sheet location	Notional amount		Fair value(1)
	(in thousands)							
Derivatives designated as hedging instruments:								
Forward foreign exchange contracts (2)	Prepaid expenses and other assets	$768,800	(3)	$2,257	Prepaid expenses and other assets	$752,600	(3)	$613
Derivatives not designated as hedging instruments:								
Interest rate contracts (4)	Trading instruments	$1,940,004		$138,228	Trading instruments	$2,473,946		$130,095
Interest rate contracts (5)	Derivative instruments associated with offsetting matched book positions	$1,507,020		$396,163	Derivative instruments associated with offsetting matched book positions	$1,649,863		$389,457
Forward foreign exchange contracts (4)	Trading instruments	$108,462	(3)	$9,677	Trading instruments	$74,873	(3)	$2,612
Forward foreign exchange contracts (2)	Prepaid expenses and other assets	$181,000	(3)	$681	Prepaid expenses and other assets	$214,300	(3)	$304
	Liability derivatives							
Derivatives designated as hedging instruments:								
Interest rate contracts (6)	Trade and other payables	$450,000		$20,803	Trade and other payables	$300,000		$7,545

Forward foreign exchange contracts (2)	Trade and other payables	$100,400	(3)	$84	Trade and other payables	$—		$—
Derivatives not designated as hedging instruments:								
Interest rate contracts (4)	Trading instruments sold	$1,928,733		$130,702	Trading instruments sold	$1,906,766		$104,255
Interest rate contracts (5)	Derivative instruments associated with offsetting matched book positions	$1,507,020		$396,163	Derivative instruments associated with offsetting matched book positions	$1,649,863		$389,457
Forward foreign exchange contracts (4)	Trading instruments sold	$119,856	(3)	$4,939	Trading instruments sold	$136,710	(3)	$4,865
Forward foreign exchange contracts (2)	Trade and other payables	$139,300	(3)	$117	Trade and other payables	$—		$—

(1) The fair value in this table is presented on a gross basis before netting of cash collateral and before any netting by counterparty according to our legally enforceable master netting arrangements. The fair value in the Condensed Consolidated Statements of Financial Condition is presented net. See Note 14 for additional information regarding offsetting asset and liability balances.

(2) These contracts are associated with RJ Bank's activities to hedge its foreign currency exposure.

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

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

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

(6) These contracts are associated with our RJ Bank Interest Hedges activities.

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Gains (losses) recognized in AOCI, net of income taxes on derivatives are as follows (see Note 17 for additional information):

	Three months ended March 31,		Six months ended March 31,	
	2016	2015	2016	2015
	(in thousands)			
Forward foreign exchange contracts	$(23,411)	$30,519	$(11,174)	$43,577
RJ Bank Interest Hedges	(11,469)	(1,501)	(8,204)	(1,501)
Total (losses) gains recognized in AOCI, net of taxes	$(34,880)	$29,018	$(19,378)	$42,076

There was no hedge ineffectiveness and no components of derivative gains or losses were excluded from the assessment of hedge effectiveness for the each of the three and six months ended March 31, 2016 and 2015. We expect to reclassify an estimated $6.1 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 ten 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 gain (loss) recognized on derivatives in the Condensed Consolidated Statements of Income and Comprehensive Income	Amount of gain (loss) on derivatives recognized in income Three months ended March 31,		Six months ended March 31,	
		2016	2015	2016	2015
		(in thousands)			
Derivatives not designated as hedging instruments:					
Interest rate contracts and forward foreign exchange contracts [(1)]	Net trading profit	$1,365	$2,403	$1,773	$2,280
Interest rate contracts [(2)]	Other revenues	$23	$44	$46	$66
Forward foreign exchange contracts [(3)]	Other revenues	$(12,970)	$8,683	$(7,412)	$12,305

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

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

(3) These contracts are associated with RJ Bank's activities to hedge its foreign currency exposure.

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

We are exposed to credit losses in the event of nonperformance by the counterparties to forward foreign exchange derivative agreements, futures contracts and the interest rate contracts associated with our OTC Derivatives Operations that are not cleared through an exchange. Where we are subject to credit exposure, we perform a credit evaluation of counterparties prior to entering into derivative transactions and we monitor their credit standings. Currently, we anticipate that all of the counterparties will be able to fully satisfy their obligations under those agreements. For our OTC Derivatives Operations that are not cleared through an exchange, we may require collateral from counterparties in the form of cash deposits or other marketable securities to support certain of these obligations as established by the credit threshold specified by the agreement and/or as a result of monitoring the credit standing of the counterparties. We are required to maintain cash or marketable security deposits with the exchange we utilize to clear our OTC Derivatives transactions that are cleared through such exchanges. These deposits are a component of deposits with clearing organizations on our Condensed Consolidated Statements of Financial Condition.

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

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

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credit rating agencies. If our debt were to fall below investment grade, we would be in breach of these provisions, and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing overnight collateralization on our derivative instruments in liability positions. The aggregate fair value of all derivative instruments with such credit-risk-related contingent features that are in a liability position at March 31, 2016 is $69.4 million, for which we have posted collateral of $67.9 million in the normal course of business. If the credit-risk-related contingent features underlying these agreements were triggered on March 31, 2016, we would have been required to post an additional $1.5 million of collateral to our counterparties.

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

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NOTE 14 – 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 not offset in the Statements of Financial Condition		
	Gross amounts of recognized assets (liabilities)	Gross amounts offset in the Statements of Financial Condition	Net amounts presented in the Statements of Financial Condition	Financial instruments	Cash (received) paid	Net amount
	(in thousands)					
As of March 31, 2016:						
Assets						
Securities purchased under agreements to resell and other collateralized financings	$428,864	$—	$428,864	$(428,864) [1]	$ —	$—
Derivatives - interest rate contracts[2]	138,228	(96,630)	41,598	(17,378)	—	24,220
Derivative instruments associated with offsetting matched book positions	396,163	—	396,163	(396,163) [3]	—	—
Derivatives - forward foreign exchange contracts[4]	2,938	—	2,938	—	—	2,938
Derivatives - forward foreign exchange contracts [5]	9,677	—	9,677	—	—	9,677
Stock borrowed	123,156	—	123,156	(119,957)	—	3,199
Total assets	$1,099,026	$(96,630)	$1,002,396	$(962,362)	$ —	$40,034
Liabilities						
Securities sold under agreements to repurchase	$(190,679)	$—	$(190,679)	$190,679 [6]	$ —	$—
Derivatives - interest rate contracts[2]	(130,702)	128,002	(2,700)	—	2,700 [7]	—
Derivative instruments associated with offsetting matched book positions	(396,163)	—	(396,163)	396,163 [3]	—	—
Derivatives - forward foreign exchange contracts[4]	(201)	—	(201)	—	—	(201)
Derivatives - forward foreign exchange contracts[5]	(4,939)	—	(4,939)	—	—	(4,939)
Derivatives - RJ Bank Interest Hedges	(20,803)	—	(20,803)	—	20,803 [8]	—
Stock loaned	(610,476)	—	(610,476)	599,876	—	(10,600)
Total liabilities	$(1,353,963)					