TMP WORLDWIDE INC
Form SC 13G/A
February 14, 2003

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

SCHEDULE 13G
Under the Securities Exchange Act of 1934
Amendment No. 1

TMP Worldwide Inc.

(Name of Issuer)

Common Stock, $0.001 par value

(Title of Class of Securities)

872941109

(CUSIP Number)

December 31, 2002

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[X] Rule 13d-1(b)

[_] Rule 13d-1(c)

[_] Rule 13d-1(d)

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CUSIP No. 872941109 13G

1. Name of Reporting Person
I.R.S. Identification No. of above Person

Goldman Sachs Asset Management, a separate business unit of
The Goldman Sachs Group, Inc.

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2. Check the Appropriate Box if a Member of a Group

(a) [_]
(b) [_]

---

3. SEC Use Only

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4. Citizenship or Place of Organization

New York

Number of Shares Beneficially Owned by Each Reporting Person With:	5. Sole Voting Power	6,216,638
	6. Shared Voting Power	0
	7. Sole Dispositive Power	7,377,753
	8. Shared Dispositive Power	0

---

9. Aggregate Amount Beneficially Owned by Each Reporting Person

7,377,753

---

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares

[_]

---

11. Percent of Class Represented by Amount in Row (9)

6.9%

---

12. Type of Reporting Person

IA

Item 4. Ownership.*

(a). Amount beneficially owned:
See the response(s) to Item 9 on the attached cover page(s).

(b). Percent of Class:
See the response(s) to Item 11 on the attached cover page(s).

(c). Number of shares as to which such person has:

(i). Sole power to vote or to direct the vote: See the response(s) to Item 5 on the attached cover page(s).

(ii). Shared power to vote or to direct the vote: See the response(s) to Item 6 on the attached cover page(s).

(iii). Sole power to dispose or to direct the disposition of: See the response(s) to Item 7 on the attached cover page(s).

(iv). Shared power to dispose or to direct the disposition of: See the response(s) to Item 8 on the attached cover page(s).

Item 10. Certification.
By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

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* In accordance with Securities and Exchange Commission ("SEC") Release No. 34-39538 (January 12, 1998), this filing reflects the securities beneficially owned by Goldman Sachs Asset Management, a separate business unit of The Goldman Sachs Group, Inc. ("GSAM"). GSAM, an investment advisor, disclaims beneficial ownership of any securities managed, on GSAM's behalf, by third parties. This filing does not reflect securities, if any, beneficially owned by any other business unit of The Goldman Sachs Group, Inc. and GSAM hereby disclaims beneficial ownership of any such securities.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: February 14, 2003

GOLDMAN, SACHS & CO. on behalf of
Goldman Sachs Asset Management

By: /s/ Roger S. Begelman

Name: Roger S. Begelman
Title: Attorney-in-fact

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0001pt;">CUSIP No.: 04621X108

1. NAME OF REPORTING PERSON

S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

The Vanguard Group - 23-1945930

2. CHECK THE APPROPRIATE [LINE] IF A MEMBER OF A GROUP

A. B. X

3. SEC USE ONLY

4. CITIZENSHIP OF PLACE OF ORGANIZATION

Pennsylvania

(For questions 5-8, report the number of shares beneficially owned by each reporting person with:)

5. SOLE VOTING POWER

120,468

6. SHARED VOTING POWER

7. SOLE DISPOSITIVE POWER

5,323,089

8. SHARED DISPOSITIVE POWER

111,668

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

5,434,757

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES

N/A

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9

7.73%

12. TYPE OF REPORTING PERSON

IA

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13G

Under the Securities Act of 1934

Check the following [line] if a fee is being paid with this statement N/A

Item 1(a) - Name of Issuer:

Assurant Inc

Item 1(b) - Address of Issuer's Principal Executive Offices:

One Chase Manhattan Plaza

41St Floor

New York, New York 10005

Item 2(a) - Name of Person Filing:

The Vanguard Group - 23-1945930

Item 2(b) – Address of Principal Business Office or, if none, residence:

100 Vanguard Blvd.

Malvern, PA 19355

Item 2(c) – Citizenship:

Pennsylvania

Item 2(d) - Title of Class of Securities:

Common Stock

Item 2(e) - CUSIP Number

04621X108

Item 3 - Type of Filing:

This statement is being filed pursuant to Rule 13d-1. An investment adviser in accordance with §240.13d-1(b)(1)(ii)(E).

Item 4 - Ownership:

(a) Amount Beneficially Owned:

5,434,757

(b) Percent of Class:

7.73%

(c) Number of shares as to which such person has:

(i) sole power to vote or direct to vote: 120,468

(ii) shared power to vote or direct to vote:

(iii) sole power to dispose of or to direct the disposition of: 5,323,089

(iv) shared power to dispose or to direct the disposition of: 111,668

Comments:

Item 5 - Ownership of Five Percent or Less of a Class:

Not Applicable

Item 6 - Ownership of More Than Five Percent on Behalf of Another Person:

Not applicable

Item 7 - Identification and Classification of the Subsidiary Which Acquired The Security Being Reported on by the Parent Holding Company:

See Attached Appendix A

Item 8 - Identification and Classification of Members of Group:

Not applicable

Item 9 - Notice of Dissolution of Group:

Not applicable

Item 10 - Certification:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired in the ordinary course of business and were not acquired for the purpose of and do not have the effect of changing or influencing the control of the issuer of such securities and were not acquired in connection with or as a participant in any transaction having such purpose or effect.

Signature

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: 02/09/15

By /s/ F. William McNabb III*

F. William McNabb III

President and Chief Executive Officer

*By: /s/ Glenn Booraem

Glenn Booraem, pursuant to a Power of Attorney filed September 9, 2013, see File Number 005-56905, Incorporated by Reference

Appendix A

Vanguard Fiduciary Trust Company ("VFTC"), a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 94,968 shares or .13% of the Common Stock outstanding of the Company as a result of its serving as investment manager of collective trust accounts.

Vanguard Investments Australia, Ltd. ("VIA"), a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 42,200 shares or .06% of the Common Stock outstanding of the Company as a result of its serving as investment manager of Australian investment offerings.

By /s/ F. William McNabb III*

F. William McNabb III

President and Chief Executive Officer

*By: /s/ Glenn Booraem

Glenn Booraem, pursuant to a Power of Attorney filed September 9, 2013, see File Number 005-56905, Incorporated by Reference padding-bottom:2px;">

(3
)

(1,058
)
Included in other comprehensive income

—

—

1,312

—

—

—

Purchases and contributions

—

20,279

—

—

—

—

Sales

—

(21,954

)

—

(77
)

—

—

Distributions

—

—

—

—

—

—

Transfers

Into Level 3

—

—

—

—

—

—

Out of Level 3

—

—

—

—

—

—

Fair value end of period

$
5

$
2,712

$
107,483

$
88,810

$
333

$
(1,058
)
Unrealized gains/(losses) for the period included in earnings for instruments held at the end of the reporting period

$
—

$
(243
)

$
1,312

$
—

$
(3
)

$
(1,058
)
Three months ended December 31, 2016 Level 3 instruments at fair value

	Financial assets						Financial liabilities
	Trading instruments		Available-for-sale securities		Private equity and other investments		Trading instruments
$ in thousands	Non-agency CMOs & ABS	Other	ARS – municipal obligations	ARS - preferred securities	Private equity investments	Other investments	Other
Fair value beginning of period	$7	$6,020	$25,147	$100,018	$83,165	$ 441	$ —
Total gains/(losses) for the period							
Included in earnings	—	(2,589)	—	1	301	(8)	(1,792)
Included in other comprehensive income	—	—	217	3,857	—	—	—
Purchases and contributions	—	18,683	—	—	—	—	—

Sales	—	(11,062)	—	(23)	—	(15)	—
Distributions	—	—	—	—	—	—	—
Transfers							
Into Level 3	—	—	—	—	—	—	—
Out of Level 3	—	—	—	—	—	(195)	—
Fair value end of period	$7	$11,052	$25,364	$103,853	$83,466	$ 223	$ (1,792)
Unrealized gains/(losses) for the period included in earnings for instruments held at the end of the reporting period	$—	$(124)	$217	$3,856	$301	$ —	$ (1,792)

As of both December 31, 2017 and September 30, 2017, 10% of our assets and 2% of our liabilities were instruments measured at fair value on a recurring basis. Instruments measured at fair value on a recurring basis categorized as Level 3 as of December 31, 2017 and September 30, 2017 represented 5% and 6%, respectively, of our assets measured at fair value. Level 3 instruments as a percentage of total financial instruments decreased as compared to September 30, 2017, primarily as a result of the increase in total assets measured at fair value since September 30, 2017.

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

The following table presents the gains/(losses) related to Level 3 recurring fair value measurements included in our Condensed Consolidated Statements of Income and Comprehensive Income.

$ in thousands	Net trading profit	Other revenues	Other comprehensive income
For the three months ended December 31, 2017			
Total gains/(losses) included in earnings	$(2,265)	$ (1)	$ 1,312
Unrealized gains/(losses) for assets held at the end of the reporting period	$(1,301)	$ (3)	$ 1,312
For the three months ended December 31, 2016			
Total gains/(losses) included in earnings	$(4,381)	$ 294	$ 4,074
Unrealized gains/(losses) for assets held at the end of the reporting period	$(1,916)	$ 301	$ 4,073

Quantitative information about level 3 fair value measurements

The tables below present the valuation techniques and significant unobservable inputs used in the valuation of a significant majority of our financial instruments classified as level 3. These inputs represent those that a market participant would take into account when pricing these instruments.

Level 3 financial instrument $ in thousands	Fair value at December 31, 2017	Valuation technique(s)	Unobservable input	Range (weighted-average)
Recurring measurements				
ARS preferred securities	$ 107,483	Discounted cash flow	Average discount rate	5.76% - 7.03% (6.32%)
			Average interest rates applicable to future interest income on the securities [1]	2.97% - 3.96% (3.12%)
			Prepayment year [2]	2018 - 2021 (2021)
Private equity investments (not measured at NAV)	$ 68,454	Income or market approach		
		Scenario 1 - income approach - discounted cash flow	Discount rate	13% - 25% (22.4%)
			Terminal growth rate of cash flows	3% - 3% (3%)
			Terminal year	2020 - 2042 (2021)
		Scenario 2 - market approach - market multiple method	EBITDA Multiple	5.25 - 7.0 (5.8)
			Weighting assigned to outcome of scenario	87%/13%

			1/scenario 2	
	$ 20,356	Transaction price or other investment-specific events (3)	Not meaningful (3)	Not meaningful (3)
Nonrecurring measurements				
Bank loans: impaired loans - residential	$ 20,421	Discounted cash flow	Prepayment rate	7 yrs - 12 yrs (10.3 yrs)
Bank loans: impaired loans - corporate	$ 2,997	Appraisal or discounted cash flow value (4)	Not meaningful (4)	Not meaningful (4)

(continued on next page)

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

(continued from previous page)

Level 3 financial instrument $ in thousands	Fair value at September 30, 2017	Valuation technique(s)	Unobservable input	Range (weighted-average)
Recurring measurements				
ARS preferred securities	$ 106,171	Discounted cash flow	Average discount rate	5.46% - 6.81% (6.03%)
			Average interest rates applicable to future interest income on the securities (1)	2.58% - 3.44% (2.72%)
			Prepayment year (2)	2017 - 2021 (2021)
Private equity investments (not measured at NAV)	$ 68,454	Income or market approach:		
		Scenario 1 - income approach - discounted cash flow	Discount rate	13% - 25% (22.4%)
			Terminal growth rate of cash flows	3% - 3% (3%)
			Terminal year	2020 - 2042 (2021)
		Scenario 2 - market approach - market multiple method	EBITDA Multiple	5.25 - 7.0 (5.8)
			Weighting assigned to outcome of scenario 1/scenario 2	87%/13%
	$ 20,431	Transaction price or other investment-specific events (3)	Not meaningful (3)	Not meaningful (3)
Nonrecurring measurements				
Bank loans: impaired loans - residential	$ 20,736	Discounted cash flow	Prepayment rate	7 yrs. - 12 yrs. (10.4 yrs.)
Bank loans: impaired loans - corporate	$ 3,258	Appraisal or discounted cash flow value (4)	Not meaningful (4)	Not meaningful (4)

(1) 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.

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

(3) Certain private equity investments are valued initially at the transaction price until either our periodic 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.

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

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, if any, 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. These securities generally have embedded penalty interest rate provisions in the event auctions fail to set the security's interest rate. These penalty rates are based upon a stated interest rate spread over what is typically a short-term base interest rate index. As short-term

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

interest rates rise, the penalty rate that is specified in the security increases. Changes in interest rates impact the fair value of our ARS portfolio, as we estimate 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. The faster and steeper short-term interest rates rise, the earlier prepayments will likely occur and the higher the fair value of the security. Therefore, the short-term interest rate assumption directly impacts the input related to the timing of any projected prepayment.

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/(decreases) in our investment entities' future economic performance will have a corresponding increase/(decrease) on the valuation results. The value of our investment moves inversely with the market's expectation of returns from such investments. Should the market require higher returns from industries in which we are invested, all other factors held constant, our investments will decrease in value. Should the market accept lower returns from industries in which we are invested, all other factors held constant, our investments will increase in value.

Investments in private equity measured at net asset value per share

As more fully described in Note 2 of our 2017 Form 10-K, as a practical expedient, we utilize net asset value ("NAV") or its equivalent to determine the recorded value of a portion of our private equity portfolio. We utilize NAV when the fund investment does not have a readily determinable fair value and the NAV of the fund is calculated in a manner consistent with the measurement principles of investment company accounting, including measurement of the investments at fair value.

Our private equity portfolio as of December 31, 2017 included various direct and third party private equity investments and various private equity funds which we sponsor. The portfolio is primarily invested in a broad range of industries including leveraged buyouts, growth capital, distressed capital, venture capital and mezzanine capital.

Due to the closed-end nature of certain of our fund investments, such investments cannot be redeemed directly with the funds. Our investment is monetized through distributions received through the liquidation of the underlying assets of those funds. We anticipate 90% of these underlying assets will be liquidated over a period of five years or less, with the remaining 10% to be liquidated over a period of nine years.

The table below presents the recorded value and unfunded commitments related to our private equity portfolio.

		Unfunded commitment		
$ in thousands	Recorded value	RJF	Noncontrolling interests	Total
December 31, 2017				
Private equity investments measured at NAV	$100,223	$20,739	$ 2,256	$22,995
Private equity investments not measured at NAV	88,810			
Total private equity investments	$189,033			

September 30, 2017				
Private equity investments measured at NAV	$109,894	$20,973	$ 2,273	$23,246
Private equity investments not measured at NAV	88,885			
Total private equity investments	$198,779			

Of the total private equity investments, the portions we owned were $138 million and $145 million as of December 31, 2017 and September 30, 2017, respectively. The portions of the private equity investments we did not own were $51 million and $54 million as of December 31, 2017 and September 30, 2017, respectively, and were included as a component of noncontrolling interests in our Condensed Consolidated Statements of Financial Condition.

Many of these fund investments meet the definition of prohibited "covered funds" as defined by the Volcker Rule of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"). We have received approval from the Board of Governors of the Federal Reserve System (the "Fed") to continue to hold the majority of our "covered fund" investments for up to an additional five-year conformance period, thereby extending our applicable holding period until July 2022 for such investments. However our current focus is on the divestiture of this portfolio.

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

Fair value option

The fair value option is an accounting election that allows the reporting entity to apply fair value accounting for certain financial assets and liabilities on an instrument by instrument basis. As of December 31, 2017, the amount of financial instruments for which we had elected the fair value option was not material.

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 4 of our 2017 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 recorded at fair value.

The table below presents the estimated fair values by level within the fair value hierarchy and the carrying amounts of certain of our financial instruments not carried at fair value. The carrying amounts below exclude financial instruments which have been recorded at fair value and those recorded at amounts which approximate fair value in the Condensed Consolidated Statements of Financial Condition.

$ in thousands	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total estimated fair value	Carrying amount
December 31, 2017					
Financial assets:					
Bank loans, net	$ —	$104,044	$17,353,626	$17,457,670	$17,588,476
Loans to financial advisors, net	$ —	$—	$704,853	$704,853	$879,929
Financial liabilities:					
Bank deposits	$ —	$18,392,535	$329,977	$18,722,512	$18,725,545
Other borrowings	$ —	$28,030	$—	$28,030	$27,627
Senior notes payable	$ —	$1,693,153	$—	$1,693,153	$1,548,975
September 30, 2017					
Financial assets:					
Bank loans, net	$ —	$23,001	$16,836,745	$16,859,746	$16,954,042
Loans to financial advisors, net	$ —	$—	$698,862	$698,862	$863,647
Financial liabilities:					
Bank deposits	$ —	$17,417,678	$313,359	$17,731,037	$17,732,362
Other borrowings	$ —	$29,278	$—	$29,278	$28,813
Senior notes payable	$ —	$1,647,696	$—	$1,647,696	$1,548,839

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

NOTE 5 – AVAILABLE-FOR-SALE SECURITIES

Available-for-sale securities are comprised of agency MBS and CMOs owned by Raymond James Bank, N.A. (“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 of our 2017 Form 10-K.

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

$ in thousands	Cost basis	Gross unrealized gains	Gross unrealized losses	Fair value
December 31, 2017				
Agency MBS and CMOs	$2,309,741	$ 180	$(24,870)	$2,285,051
Other securities	1,575	—	(788)	787
Total RJ Bank available-for-sale securities	2,311,316	180	(25,658)	2,285,838
ARS preferred securities	101,674	5,809	—	107,483
Total available-for-sale securities	$2,412,990	$ 5,989	$(25,658)	$2,393,321
September 30, 2017				
Agency MBS and CMOs	$2,089,153	$ 1,925	$(9,999)	$2,081,079
Other securities	1,575	—	(543)	1,032
Total RJ Bank available-for-sale securities	2,090,728	1,925	(10,542)	2,082,111
ARS preferred securities	101,674	4,497	—	106,171
Total available-for-sale securities	$2,192,402	$ 6,422	$(10,542)	$2,188,282

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

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

	December 31, 2017				
$ in thousands	Within one year	After one but within five years	After five but within ten years	After ten years	Total
Agency MBS and CMOs:					
Amortized cost	$—	$143,299	$745,234	$1,421,208	$2,309,741
Carrying value	—	142,159	737,410	1,405,482	2,285,051
Weighted-average yield	—	2.09 %	1.94 %	2.01 %	1.99 %
Other securities:					
Amortized cost	$—	$—	$—	$1,575	$1,575
Carrying value	—	—	—	787	787
Weighted-average yield	—	—	—	—	—
Sub-total agency MBS and CMOs and other securities:					

Amortized cost	$—	$143,299	$745,234	$1,422,783	$2,311,316
Carrying value	—	142,159	737,410	1,406,269	2,285,838
Weighted-average yield	—	2.09 %	1.94 %	2.01 %	1.99 %
ARS Preferred securities:					
Amortized cost	$—	$—	$—	$101,674	$101,674
Carrying value	—	—	—	107,483	107,483
Weighted-average yield	—	—	—	2.52 %	2.52 %
Total available-for-sale securities:					
Amortized cost	$—	$143,299	$745,234	$1,524,457	$2,412,990
Carrying value	—	142,159	737,410	1,513,752	2,393,321
Weighted-average yield	—	2.09 %	1.94 %	2.05 %	2.01 %

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

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:

	Less than 12 months		12 months or more		Total	
$ in thousands	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses
December 31, 2017						
Agency MBS and CMOs	$1,691,798	$(14,157)	$535,183	$(10,713)	$2,226,981	$(24,870)
Other securities	—	—	787	(788)	787	(788)
Total	$1,691,798	$(14,157)	$535,970	$(11,501)	$2,227,768	$(25,658)

	Less than 12 months		12 months or more		Total	
$ in thousands	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses
September 30, 2017						
Agency MBS and CMOs	$1,119,715	$(5,621)	$295,528	$(4,378)	$1,415,243	$(9,999)
Other securities	—	—	1,032	(543)	1,032	(543)
Total	$1,119,715	$(5,621)	$296,560	$(4,921)	$1,416,275	$(10,542)

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 and Non-agency CMOs

The Federal Home Loan Mortgage Corporation (“FHLMC”), Federal National Mortgage Association (“FNMA”) and Government National Mortgage Associations (“GNMA”) guarantee the contractual cash flows of the agency MBS and CMOs. At December 31, 2017, of the 195 U.S. government-sponsored enterprise MBS and CMOs in an unrealized loss position, 133 were in a continuous unrealized loss position for less than 12 months and 62 were for 12 months or more. We do not consider these securities to be other-than-temporarily impaired due to the guarantee provided by FNMA, FHLMC, and GNMA of the full payment of principal and interest, and the fact that we have the ability and intent to hold these securities. At December 31, 2017, debt securities we held from FNMA and FHLMC had an amortized cost of $1.56 billion and $626 million, respectively, and a fair value of $1.54 billion and $617 million, respectively.

During the three months ended December 31, 2017, there were no sales of agency MBS and CMO available-for-sale securities. During the three months ended December 31, 2016, there were $7 million in proceeds from the sale of non-agency CMO available-for-sale securities. These sales resulted in an insignificant loss, which was included in “Other revenues” on our Condensed Consolidated Statements of Income and Comprehensive Income.

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 held as of December 31, 2017 was $120 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. All of our ARS securities are evaluated for OTTI on a quarterly basis. As of December 31, 2017, there were no ARS preferred securities with a fair value less than cost basis.

During the three months ended December 31, 2017, there were no sales of ARS. During the three months ended December 31, 2016, sales of ARS were insignificant.

Other-than-temporarily impaired securities

There is no intent to sell our ARS and it was not more likely than not that we would be required to sell these securities as of December 31, 2017.

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Changes in the amount of OTTI related to credit losses recognized in “Other revenues” on available-for-sale securities were as follows:

	Three months ended December 31,	
$ in thousands	2017	2016
Amount related to credit losses on securities we held at the beginning of the period	$—	$8,107
Decreases to the amount related to credit losses for securities sold during the period	—	(2,353)
Amount related to credit losses on securities we held at the end of the period	$—	$5,754

NOTE 6 – DERIVATIVE FINANCIAL INSTRUMENTS

Our derivative assets and derivative liabilities are recorded at fair value and are included in “Derivative assets” and “Derivative liabilities” in our Condensed Consolidated Statements of Financial Condition. Cash flows related to our derivative contracts are included within operating activities in the Condensed Consolidated Statements of Cash Flows. The significant accounting policies governing our derivative financial instruments, including our methodologies for determining fair value, are described in Note 2 of our 2017 Form 10-K.

Derivatives arising from our fixed income business operations

We enter into interest rate contracts as part of our fixed income business to facilitate client transactions or to actively manage risk exposures that arise from our client activity, including a portion of our trading inventory. The majority of these derivatives are traded in the over-the-counter market and are executed directly with another counterparty or are cleared and settled through a clearing organization.

We also facilitate matched book derivative transactions in which Raymond James Financial Products, Inc. (“RJFP”), a wholly owned subsidiary, enters into interest rate derivative transactions with clients. For every derivative transaction RJFP enters into with a client, it also enters into an offsetting derivative on terms that mirror the client transaction with a credit support provider, which is a third-party financial institution. Any collateral required to be exchanged under these derivative contracts is administered directly between the client and the third-party financial institution. Due to this pass-through transaction structure, RJFP has completely mitigated the market and credit risk on these derivative contracts. As a result, derivatives for which the fair value is in an asset position have an equal and offsetting derivative liability. RJFP only has credit risk on its uncollected derivative transaction fee revenues. The receivable for uncollected derivative transaction fee revenues of RJFP was $5 million at both December 31, 2017 and September 30, 2017, and is included in “Other receivables” on our Condensed Consolidated Statements of Financial Condition.

Derivatives arising from RJ Bank’s business operations

We enter into forward foreign exchange contracts and interest rate swaps to hedge certain exposures arising out of RJ Bank’s business operations (see Note 2 of the 2017 Form 10-K for the accounting policies associated with these transactions). Each of these activities is described further below.

We enter into three-month forward foreign exchange contracts primarily to hedge the risks related to RJ Bank's investment in their Canadian subsidiary as well as their risk resulting from transactions denominated in currencies other than the U.S. dollar. The majority of these derivatives are designated as net investment hedges.

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. RJ Bank enters into floating-rate advances from the Federal Home Loan Bank of Atlanta ("FHLB") to, in part, fund these assets and then enters into interest rate swaps which swap variable interest payments on this debt for fixed interest payments. These interest rate swaps are designated as cash flow hedges and effectively fix RJ Bank's cost of funds associated with these assets to mitigate a portion of the market risk.

Derivative arising from our acquisition of Alex. Brown

As part of our acquisition of Alex. Brown (see Note 3 of the 2017 Form 10-K for additional information regarding the acquisition), we assumed certain DBRSU awards, including the associated plan terms and conditions. The DBRSU awards contain performance conditions based on Deutsche Bank and subsidiaries attaining certain financial results and will ultimately be settled in DB common shares, provided the performance metrics are achieved. The DBRSU obligation results in a derivative, the fair value and notional of

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which is measured by multiplying the number of outstanding DBRSU awards to be settled in DB common shares as of the end of the reporting period by the end of reporting period DB share price, as traded on the New York Stock Exchange.

Counterparty netting and collateral related to derivative contracts

To reduce credit exposure on certain of our derivative transactions, we may enter into a master netting arrangement that allows for net settlement of all derivative transactions with each counterparty. In addition, the credit support annex allows parties to the master netting agreement to mitigate their credit risk by requiring the party which is out of the money to post collateral. We accept collateral in the form of cash or other marketable securities. Where permitted, we elect to net-by-counterparty certain derivative contracts entered into under a legally enforceable master netting agreement and, therefore, the fair value of those derivative contracts are netted by counterparty in the Condensed Consolidated Statements of Financial Condition. As we elect to net-by-counterparty the fair value of such derivative contracts, we also net-by-counterparty cash collateral exchanged as part of those derivative agreements. We may also require certain counterparties to make a deposit at the inception of a derivative agreement, referred to as “initial margin.” This initial margin is included in “Other payables” on our Condensed Consolidated Statements of Financial Condition.

We are also required to maintain cash or marketable security deposits with the clearing organizations we utilize to clear certain of our interest rate derivative transactions. This initial margin is included as a component of “Receivables from brokers, dealers and clearing organizations” for cash initial margin or “Other investments” for marketable securities initial margin in our Condensed Consolidated Statements of Financial Condition. On a daily basis we also pay cash to or receive cash from these clearing organizations due to changes in the fair value of the derivatives which they clear. Such payments are referred to as “variation margin” and are considered to be settlement of the related derivatives.

RJ Bank provides to counterparties for the benefit of its U.S. subsidiaries, a guarantee of payment in the event of the subsidiary’s default under forward foreign exchange contracts. Due to this RJ Bank guarantee and the short-term nature of these derivatives, RJ Bank’s U.S. subsidiaries are generally not required to post collateral with and do not generally receive collateral from the respective counterparties.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
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Derivative balances included in our financial statements

The table below presents the gross fair value and notional amount of derivative contracts by product type, the amounts of counterparty and cash collateral netting in our Condensed Consolidated Statements of Financial Condition, as well as collateral posted and received under credit support agreements that do not meet the criteria for netting under GAAP.

	December 31, 2017			September 30, 2017		
$ in thousands	Derivative assets	Derivative liabilities	Notional amount	Derivative assets	Derivative liabilities	Notional amount
Derivatives not designated as hedging instruments						
Interest rate contracts:						
Matched book	$263,851	$263,851	$2,687,828	$288,035	$288,035	$2,766,488
Other	58,660	85,579	5,093,255	86,436	100,503	4,931,809
Foreign exchange contracts	4	7,032	529,000	3	530	437,783
DBRSU obligation (equity) (1)	—	28,413	28,413	—	25,800	25,800
Subtotal	322,515	384,875	8,338,496	374,474	414,868	8,161,880
Derivatives designated as hedging instruments						
Interest rate contracts	—	1,236	850,000	—	1,390	850,000
Foreign exchange contracts	—	12,678	893,317	29	116	1,048,646
Subtotal	—	13,914	1,743,317	29	1,506	1,898,646
Total gross fair value/notional amount	322,515	398,789	$10,081,813	374,503	416,374	$10,060,526
Offset in the Statements of Financial Condition						
Counterparty netting	(6,471)	(6,471)		(6,045)	(6,045)	
Cash collateral netting	(23,904)	(35,813)		(49,683)	(53,365)	
Total amounts offset	(30,375)	(42,284)		(55,728)	(59,410)	
Net amounts presented in the Statements of Financial Condition	292,140	356,505		318,775	356,964	
Gross amounts not offset in the Statements of Financial Condition						
Financial instruments (2)	(267,938)	(263,851)		(293,340)	(288,035)	
Total	$24,202	$92,654		$25,435	$68,929	

(1) The DBRSU obligation is not subject to an enforceable master netting arrangement or other similar arrangement. However, we held shares of DB as an economic hedge against this obligation with a fair value of $21 million and $19 million as of December 31, 2017 and September 30, 2017, respectively, which are a component of "Other investments" on our Condensed Consolidated Statements of Financial Condition. See additional discussion of the DBRSUs in Note 17.

(2) Although the matched book derivative arrangements do not meet the definition of a master netting arrangement as specified by GAAP, the agreement with the third-party intermediary includes terms that are similar to a master netting

agreement. As a result, we present the matched book amounts net in the table above.

Gains recognized in accumulated other comprehensive income/(loss) ("AOCI"), net of income taxes, on derivatives designated as hedging instruments are as follows (see Note 15 for additional information):

	Three months ended December 31,	
$ in thousands	2017	2016
Interest rate contracts (cash flow hedges)	$6,885	$25,738
Foreign exchange contracts (net investment hedges)	5,573	11,326
Total gains recognized in AOCI, net of taxes	$12,458	$37,064

There was no hedge ineffectiveness and no components of derivative gains or losses were excluded from the assessment of hedge effectiveness for each of the three months ended December 31, 2017 and 2016. We expect to reclassify an estimated $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 10 years.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
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Gains/(losses) on derivatives not designated as hedging instruments recognized on the Condensed Consolidated Statements of Income and Comprehensive Income were as follows:

$ in thousands	Location of gain/(loss) included in the Condensed Consolidated Statements of Income and Comprehensive Income	Gain/(loss) recognized during the period Three months ended December 31,	
		2017	2016
Interest rate contracts:			
Matched book	Other revenues	$38	$(26)
Other	Net trading profit	$1,562	$2,229
Foreign exchange contracts	Other revenues	$(1,366)	$7,914
DBRSUs	Compensation, commissions and benefits expense	$(2,613)	$(6,725)
DBRSUs	Acquisition-related expenses	$—	$350

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

Credit risk

We are exposed to credit losses in the event of nonperformance by the counterparties to forward foreign exchange derivative agreements and interest rate contracts that are not cleared through a clearing organization. Where we are subject to credit exposure, we perform a credit evaluation of counterparties prior to entering into derivative transactions and we monitor their credit standings. Currently, we anticipate that all of the counterparties will be able to fully satisfy their obligations under those agreements. We may require initial margin or collateral from counterparties in the form of cash deposits or other marketable securities to support certain of these obligations as established by the credit threshold specified by the agreement and/or as a result of monitoring the credit standing of the counterparties.

Our only exposure to credit risk in the matched book derivatives operations is related to our uncollected derivative transaction fee revenues. We are not exposed to market risk as it relates to these derivative contracts due to the pass-through transaction structure previously described.

Interest rate and foreign exchange risk

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

Derivatives with credit-risk-related contingent features

Certain of the derivative instruments arising from our interest rate contracts and forward foreign exchange contracts contain provisions that require our debt to maintain an investment-grade rating from one or more of the major credit rating agencies. If our debt were to fall below investment-grade, the counterparties to the derivative instruments could terminate and request immediate payment or demand immediate and ongoing overnight collateralization on our derivative instruments in liability positions. The aggregate fair value of all derivative instruments with such credit-risk-related contingent features that were in a liability position was $10 million at December 31, 2017, for which we had posted $1 million of collateral. Such amounts were not material at September 30, 2017.

NOTE 7 – COLLATERALIZED AGREEMENTS AND FINANCINGS

Collateralized agreements are securities purchased under agreements to resell (“reverse repurchase agreements”) and securities borrowed. Collateralized financings are securities sold under agreements to repurchase (“repurchase agreements”) and securities loaned. We enter into these transactions in order to facilitate client activities, invest excess cash, acquire securities to cover short positions and finance certain firm activities. The significant accounting policies governing our collateralized agreements and financings are described in Note 2 of our 2017 Form 10-K.

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

	Assets		Liabilities	
$ in thousands	Reverse repurchase agreements	Securities borrowed	Repurchase agreements	Securities loaned
December 31, 2017				
Gross amounts of recognized assets/liabilities	$307,742	$184,971	$229,036	$290,307
Gross amounts offset in the Condensed Consolidated Statements of Financial Condition	—	—	—	—
Net amounts presented in the Condensed Consolidated Statements of Financial Condition	307,742	184,971	229,036	290,307
Gross amounts not offset in the Condensed Consolidated Statements of Financial Condition	(307,742)	(178,524)	(229,036)	(277,154)
Net amount	$—	$6,447	$—	$13,153
September 30, 2017				
Gross amounts of recognized assets/liabilities	$404,462	$138,319	$220,942	$383,953
Gross amounts offset in the Condensed Consolidated Statements of Financial Condition	—	—	—	—
Net amounts presented in the Condensed Consolidated Statements of Financial Condition	404,462	138,319	220,942	383,953
Gross amounts not offset in the Condensed Consolidated Statements of Financial Condition	(404,462)	(134,304)	(220,942)	(373,132)
Net amount	$—	$4,015	$—	$10,821

The required market value of the collateral associated with collateralized agreements and financings generally exceeds the amount financed. Accordingly, the total collateral received under reverse repurchase agreements and the total amount of collateral posted under repurchase agreements exceeds the carrying value of these agreements in our Condensed Consolidated Statements of Financial Condition. In the event the market value of the securities we pledge as collateral in these activities declines, we may have to post additional collateral or reduce the borrowing amounts. We monitor such levels daily.

Collateral received and pledged

We receive cash and securities as collateral, primarily in connection with reverse repurchase agreements, securities borrowed, derivative transactions not transacted through a clearing organization, and client margin loans. The collateral we receive reduces our credit exposure to individual counterparties.

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

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

$ in thousands	December 31, 2017	September 30, 2017
Collateral we received that is available to be delivered or repledged	$ 2,891,841	$ 3,030,736
Collateral that we delivered or repledged	$ 957,943	$ 1,068,912

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RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
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Encumbered assets

We pledge certain of our financial instruments to collateralize either repurchase agreements or other secured borrowings, or to satisfy our collateral or settlement requirements with counterparties or clearing organizations who may or may not have the right to deliver or repledge such securities. The table below presents information about the fair value of our assets that have been pledged for one of the purposes described above:

$ in thousands	December 31, 2017	September 30, 2017
Financial instruments owned, at fair value, pledged to counterparties that:		
Had the right to deliver or repledge	$ 341,304	$ 363,739
Did not have the right to deliver or repledge	$ 129,260	$ 44,930

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

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

$ in thousands	Overnight and continuous	Up to 30 days	30-90 days	Greater than 90 days	Total
As of December 31, 2017:					
Repurchase agreements					
Government and agency obligations	$48,281	$ —	$ —	$ —	$48,281
Agency MBS and CMOs	180,755	—	—	—	180,755
Total Repurchase Agreements	229,036	—	—	—	229,036
Securities loaned					
Equity securities	290,307	—	—	—	290,307
Total	$519,343	$ —	$ —	$ —	$519,343
Gross amounts of recognized liabilities for repurchase agreements and securities loaned included in the table within this footnote					$519,343
Amounts related to repurchase agreements and securities loaned not included in the table within this footnote					$—
As of September 30, 2017:					
Repurchase agreements					
Government and agency obligations	$107,284	$ —	$ —	$ —	$107,284
Agency MBS and CMOs	113,658	—	—	—	113,658
Total Repurchase Agreements	220,942	—	—	—	220,942
Securities loaned					
Equity securities	383,953	—	—	—	383,953
Total	$604,895	$ —	$ —	$ —	$604,895
					$604,895

Gross amounts of recognized liabilities for repurchase agreements and securities loaned included in the table within this footnote	
Amounts related to repurchase agreements and securities loaned not included in the table within this footnote	$—

As of both December 31, 2017 and September 30, 2017, we did not have any “repurchase-to-maturity” agreements, which are repurchase agreements where a security is transferred under an agreement to repurchase and the maturity date of the repurchase agreement matches the maturity date of the underlying security.

NOTE 8 – BANK LOANS, NET

Bank client receivables are comprised of loans originated or purchased by RJ Bank and include commercial and industrial (“C&I”) loans, tax-exempt loans, securities based loans (“SBL”), and 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.

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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.

See Note 2 of our 2017 Form 10-K for a discussion of our accounting policies related to 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.

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. "Loans held for sale, net" and "Total loans held for investment, net" in the table below are presented net of unearned income and deferred expenses, which include purchase premiums, purchase discounts and net deferred origination fees and costs.

	December 31, 2017		September 30, 2017	
$ in thousands	Balance	%	Balance	%
Loans held for investment:				
C&I loans	$7,490,219	42 %	$7,385,910	43 %
CRE construction loans	164,847	1 %	112,681	1 %
CRE loans	3,136,101	18 %	3,106,290	18 %
Tax-exempt loans	1,136,468	6 %	1,017,791	6 %
Residential mortgage loans	3,270,780	18 %	3,148,730	18 %
SBL	2,530,521	14 %	2,386,697	14 %
Total loans held for investment	17,728,936		17,158,099	
Net unearned income and deferred expenses	(30,231)		(31,178)	
Total loans held for investment, net	17,698,705		17,126,921	
Loans held for sale, net	189,862	1 %	70,316	—
Total loans held for sale and investment	17,888,567	100%	17,197,237	100%
Allowance for loan losses	(191,269)		(190,442)	
Bank loans, net	$17,697,298		$17,006,795	

At December 31, 2017, the 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 $358 million and $522 million of loans held for sale during the three months ended December 31, 2017 and 2016, respectively. Proceeds from the sale of these held for sale loans amounted to $92 million and $150 million during the three months ended December 31, 2017 and 2016, respectively. Net gains resulting from such sales amounted to $1 million in both the three months ended December 31, 2017 and 2016. 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 both the three months ended December 31, 2017 and 2016.

Purchases and sales of loans held for investment

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

$ in thousands	C&I	CRE	Residential mortgage	Total
Three months ended December 31, 2017				
Purchases	$147,442	$20,087	$ 45,011	$212,540
Sales	$31,143	$—	$ —	$31,143
Three months ended December 31, 2016				
Purchases	$114,649	$38,980	$ 81,662	$235,291
Sales	$81,579	$—	$ —	$81,579

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Sales in the table above represent the recorded investment of loans held for investment that were transferred to loans held for sale and subsequently sold to a third party during the respective period. As more fully described in Note 2 of our 2017 Form 10-K, corporate loan sales generally occur as part of a loan workout situation.

Aging analysis of loans held for investment

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

$ in thousands	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)
As of December 31, 2017:						
C&I loans	$ 113	$ —	$ 113	$ 4,843	$7,485,263	$7,490,219
CRE construction loans	—	—	—	—	164,847	164,847
CRE loans	—	—	—	—	3,136,101	3,136,101
Tax-exempt loans	—	—	—	—	1,136,468	1,136,468
Residential mortgage loans:						
First mortgage loans	5,886	—	5,886	32,364	3,205,513	3,243,763
Home equity loans/lines	75	—	75	126	26,816	27,017
SBL	66	—	66	—	2,530,455	2,530,521
Total loans held for investment, net	$ 6,140	$ —	$ 6,140	$ 37,333	$17,685,463	$17,728,936
As of September 30, 2017:						
C&I loans	$ —	$ —	$ —	$ 5,221	$7,380,689	$7,385,910
CRE construction loans	—	—	—	—	112,681	112,681
CRE loans	—	—	—	—	3,106,290	3,106,290
Tax-exempt loans	—	—	—	—	1,017,791	1,017,791
Residential mortgage loans:						
First mortgage loans	1,853	—	1,853	33,718	3,086,701	3,122,272
Home equity loans/lines	248	—	248	31	26,179	26,458
SBL	—	—	—	—	2,386,697	2,386,697
Total loans held for investment, net	$ 2,101	$ —	$ 2,101	$ 38,970	$17,117,028	$17,158,099

(1) Includes $15 million and $18 million of nonaccrual loans at December 31, 2017 and September 30, 2017, respectively, which are performing pursuant to their contractual terms.

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

Other real estate owned, included in “Other assets” on our Condensed Consolidated Statements of Financial Condition, was $4 million and $5 million at December 31, 2017 and September 30, 2017, respectively. The recorded investment in mortgage loans secured by one-to-four family residential properties for which formal foreclosure proceedings were in process was $17 million and $18 million at December 31, 2017 and September 30, 2017, respectively.

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RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
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Impaired loans and troubled debt restructurings

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

	December 31, 2017			September 30, 2017		
$ in thousands	Gross recorded investment	Unpaid principal balance	Allowance for losses	Gross recorded investment	Unpaid principal balance	Allowance for losses
Impaired loans with allowance for loan losses:						
C&I loans	$4,843	$5,910	$ 1,846	$5,221	$6,160	$ 1,963
Residential - first mortgage loans	22,663	29,403	2,375	23,977	31,100	2,504
Total	27,506	35,313	4,221	29,198	37,260	4,467
Impaired loans without allowance for loan losses:						
CRE loans	—	—	—	—	—	—
Residential - first mortgage loans	16,480	24,096	—	16,737	24,899	—
Total	16,480	24,096	—	16,737	24,899	—
Total impaired loans	$43,986	$59,409	$ 4,221	$45,935	$62,159	$ 4,467

Impaired loan balances with allowances for loan losses have had reserves established based upon management's analysis. There is no allowance required when the discounted cash flow, collateral value or market value of a loan equals or exceeds the carrying value. These are generally loans in process of foreclosure that have already been adjusted to fair value.

The preceding table includes residential first mortgage TDR's of $26 million and $27 million at December 31, 2017 and September 30, 2017, respectively.

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

	Three months ended December 31,	
$ in thousands	2017	2016
Average impaired loan balance:		
C&I loans	$4,966	$32,808
CRE loans	—	2,776
Residential - first mortgage loans	39,935	46,533
Total	$44,901	$82,117
Interest income recognized:		
Residential - first mortgage loans	$287	$333
Total	$287	$333

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.

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

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

$ in thousands	Pass	Special mention	Substandard	Doubtful	Total
December 31, 2017					
C&I	$7,343,153	$35,606	$ 111,460	$ —	$7,490,219
CRE construction	164,847	—	—	—	164,847
CRE	3,097,041	38,933	127	—	3,136,101
Tax-exempt	1,136,468	—	—	—	1,136,468
Residential mortgage:					
First mortgage	3,194,572	6,914	42,277	—	3,243,763
Home equity	26,525	315	177	—	27,017
SBL	2,530,521	—	—	—	2,530,521
Total	$17,493,127	$81,768	$ 154,041	$ —	$17,728,936
September 30, 2017					
C&I	$7,232,777	$63,964	$ 89,169	$ —	$7,385,910
CRE construction	112,681	—	—	—	112,681
CRE	3,048,847	57,315	128	—	3,106,290
Tax-exempt	1,017,791	—	—	—	1,017,791
Residential mortgage:					
First mortgage	3,068,290	8,467	45,515	—	3,122,272
Home equity	26,352	75	31	—	26,458
SBL	2,386,697	—	—	—	2,386,697
Total	$16,893,435	$129,821	$ 134,843	$ —	$17,158,099

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

The credit quality of RJ Bank’s performing residential first mortgage loan portfolio is additionally assessed utilizing updated loan-to-value (“LTV”) ratios. Current LTVs are updated using the most recently available information (generally updated every six months) and are estimated based on the initial appraisal obtained at the time of origination, adjusted using relevant market indices for housing price changes that have occurred since origination. The value of the homes could vary from actual market values due to changes in the condition of the underlying property, variations in housing price changes within current valuation indices, and other factors. Residential mortgage loans with estimated LTVs in excess of 100% represented much less than 1% of the residential mortgage loan portfolio as of December 31, 2017.

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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						
$ in thousands	C&I	CRE construction	CRE	Tax-exempt	Residential mortgage	SBL	Total
Three months ended December 31, 2017							
Balance at beginning of period	$119,901	$ 1,421	$41,749	$ 6,381	$ 16,691	$4,299	$190,442
Provision/(benefit) for loan losses	2,337	686	(1,104)	537	(1,699)	259	1,016
Net (charge-offs)/recoveries:							
Charge-offs	(603)	—	—	—	(95)	—	(698)
Recoveries	—	—	—	—	604	—	604
Net (charge-offs)/recoveries	(603)	—	—	—	509	—	(94)
Foreign exchange translation adjustment	(66)	—	(29)	—	—	—	(95)
Balance at end of period	$121,569	$ 2,107	$40,616	$ 6,918	$ 15,501	$4,558	$191,269
Three months ended December 31, 2016							
Balance at beginning of period	$137,701	$ 1,614	$36,533	$ 4,100	$ 12,664	$4,766	$197,378
Provision/(benefit) for loan losses	(1,243)	581	(2,010)	393	997	242	(1,040)
Net (charge-offs)/recoveries:							
Charge-offs	(3,389)	—	—	—	(87)	—	(3,476)
Recoveries	—	—	5,013	—	65	—	5,078
Net (charge-offs)/recoveries	(3,389)	—	5,013	—	(22)	—	1,602
Foreign exchange translation adjustment	(164)	(92)	(4)	—	—	—	(260)
Balance at end of period	$132,905	$ 2,103	$39,532	$ 4,493	$ 13,639	$5,008	$197,680

The following table presents, by loan portfolio segment, RJ Bank's recorded investment (excluding any net unearned income and deferred expenses) and the related allowance for loan losses.

	Loans held for investment					
	Allowance for loan losses			Recorded investment		
$ in thousands	Individually evaluated for impairment	Collectively evaluated for impairment	Total	Individually evaluated for impairment	Collectively evaluated for impairment	Total
December 31, 2017						
C&I	$1,846	$ 119,723	$121,569	$4,843	$7,485,376	$7,490,219
CRE construction	—	2,107	2,107	—	164,847	164,847
CRE	—	40,616	40,616	—	3,136,101	3,136,101
Tax-exempt	—	6,918	6,918	—	1,136,468	1,136,468
Residential mortgage	2,389	13,112	15,501	44,429	3,226,351	3,270,780
SBL	—	4,558	4,558	—	2,530,521	2,530,521
Total	$4,235	$ 187,034	$191,269	$49,272	$17,679,664	$17,728,936

September 30, 2017						
C&I	$1,963	$ 117,938	$119,901	$5,221	$7,380,689	$7,385,910
CRE construction	—	1,421	1,421	—	112,681	112,681
CRE	—	41,749	41,749	—	3,106,290	3,106,290
Tax-exempt	—	6,381	6,381	—	1,017,791	1,017,791
Residential mortgage	2,506	14,185	16,691	47,368	3,101,362	3,148,730
SBL	—	4,299	4,299	—	2,386,697	2,386,697
Total	$4,469	$ 185,973	$190,442	$52,589	$17,105,510	$17,158,099

The reserve for unfunded lending commitments, which is included in “Other payables” on our Condensed Consolidated Statements of Financial Condition, was $10 million at December 31, 2017 and $11 million at September 30, 2017.

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NOTE 9 – VARIABLE INTEREST ENTITIES

A VIE requires consolidation by the entity's primary beneficiary. We evaluate all of the entities in which we are involved to determine if the entity is a VIE and if so, whether we hold a variable interest and are the primary beneficiary. Refer to Note 2 of our 2017 Form 10-K for a discussion of our principal involvement with VIEs and the accounting policies regarding determination of whether we are deemed to be the primary beneficiary of VIEs.

VIEs where we are the primary beneficiary

Of the VIEs in which we hold an interest, we have determined that certain Private Equity Interests, a Low-Income Housing Tax Credit fund ("LIHTC fund") in which RJ Bank is an investor and an affiliate of Raymond James Tax Credit Funds, Inc. ("RJTCF") is the managing member, a LIHTC fund where RJTCF provides an investor member with a guaranteed return on their investment ("Guaranteed LIHTC Fund"), certain other LIHTC funds and the trust we utilize in connection with restricted stock unit ("RSU") awards granted to certain employees of our Canadian subsidiary (the "Restricted Stock Trust Fund") require consolidation in our financial statements, as we are deemed the primary beneficiary of such VIEs. The aggregate assets and liabilities of the VIEs we consolidate are provided in the table below. Aggregate assets and aggregate liabilities may differ from the consolidated carrying value of assets and liabilities due to the elimination of intercompany assets and liabilities held by the consolidated VIE.

$ in thousands	Aggregate assets	Aggregate liabilities
December 31, 2017		
Private Equity Interests	$97,475	$ 3,614
LIHTC Fund in which RJ Bank is an investor member	56,556	1,154
Guaranteed LIHTC Fund	50,870	2,943
Other LIHTC Funds	7,519	2,915
Restricted Stock Trust Fund	17,951	17,951
Total	$230,371	$ 28,577
September 30, 2017		
Private Equity Interests	$104,414	$ 3,851
LIHTC Fund in which RJ Bank is an investor member	57,719	1,055
Guaranteed LIHTC Fund	51,400	2,872
Other LIHTC Funds	7,418	2,544
Restricted Stock Trust Fund	12,122	12,122
Total	$233,073	$ 22,444

In the Guaranteed LIHTC Fund, a multi-investor tax credit fund in which RJTCF is the managing member, RJTCF has provided one investor member a guaranteed return on their investment in the fund. See Note 9 in our 2017 Form 10-K for information regarding the financing asset associated with this fund and Note 14 of this Form 10-Q 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.

$ in thousands	December 31, 2017	September 30, 2017
Assets:		
Cash and cash equivalents	$ 2,343	$ 2,052
Assets segregated pursuant to regulations and other segregated assets	4,242	4,590
Other receivables	79	168
Intercompany receivables	443	454
Other investments	94,610	101,905
Investments in real estate partnerships held by consolidated variable interest entities	110,662	111,743
Trust fund investment in RJF common stock	17,949	12,120
Other assets	43	41
Total assets	$ 230,371	$ 233,073
Liabilities and equity:		
Other payables	$ 11,968	$ 9,667
Intercompany payables	22,302	16,520
Total liabilities	34,270	26,187
RJF equity	96,968	101,445
Noncontrolling interests	99,133	105,441
Total equity	196,101	206,886
Total liabilities and equity	$ 230,371	$ 233,073

The trust fund investment in RJF common stock in the table above is the Restricted Stock Trust Fund, which is included in "Treasury stock" in our Condensed Consolidated Statements of Financial Condition.

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

As discussed in Note 2 in our 2017 Form 10-K, we have concluded that for certain VIEs we are not the primary beneficiary and therefore do not consolidate these VIEs. Such VIEs include certain Private Equity Interests, certain LIHTC funds, New Market Tax Credit Funds ("NMTC Funds") and other limited partnerships. Our risk of loss for these VIEs is limited to our investments in, advances to, and/or receivables due from these VIEs.

Aggregate assets, liabilities and risk of loss

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

	December 31, 2017			September 30, 2017		
$ in thousands	Aggregate assets	Aggregate liabilities	Our risk of loss	Aggregate assets	Aggregate liabilities	Our risk of loss
Private Equity Interests	$9,270,590	$177,780	$71,048	$10,485,611	$174,354	$73,457
LIHTC Funds	5,432,342	2,129,756	86,098	5,372,367	2,134,600	60,959

NMTC Funds	30,196	115	9	30,297	105	9
Other	169,462	88,615	3,535	169,462	88,615	3,163
Total	$14,902,590	$2,396,266	$160,690	$16,057,737	$2,397,674	$137,588

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RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
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NOTE 10 - GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS, NET

Our goodwill and identified intangible assets result from various acquisitions. See Note 2 of our 2017 Form 10-K for a discussion of our intangible assets and goodwill accounting policies. The following are our goodwill and net identifiable intangible asset balances as of the dates indicated:

$ in thousands	December 31, 2017	September 30, 2017
Goodwill	$ 479,775	$ 410,723
Identifiable intangible assets, net	171,564	82,460
Total goodwill and identifiable intangible assets, net	$ 651,339	$ 493,183

As more fully described in Note 3, we acquired Scout Group during the three months ended December 31, 2017, which included a number of identifiable intangible assets as well as goodwill. See Note 12 of our 2017 Form 10-K for a discussion of the components of our goodwill balance and additional information regarding our identifiable intangible assets.

Goodwill

The following summarizes our goodwill by segment, along with the balance and activity for the periods indicated:

$ in thousands	Segment Private Client Group	Capital Markets	Asset Management	Total
For the three months ended December 31, 2017				
Goodwill as of beginning of period	$276,713	$134,010	$ —	$410,723
Additions	—	—	69,234	69,234
Foreign currency translation	(179)	(3)	—	(182)
Goodwill as of end of period	$276,534	$134,007	$ 69,234	$479,775
For the three months ended December 31, 2016				
Goodwill as of beginning of period	$275,521	$132,551	$ —	$408,072
Additions	—	—	—	—
Foreign currency translation	(537)	(1,038)	—	(1,575)
Goodwill as of end of period	$274,984	$131,513	$ —	$406,497

The addition to goodwill during the three months ended December 31, 2017 arose from acquisition of the Scout Group.

As described in Note 2 of our 2017 Form 10-K, we perform goodwill testing on an annual basis or when an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. We performed our latest annual goodwill impairment testing during the quarter ended March 31, 2017, evaluating balances as of December 31, 2016, and no impairment was identified. In that testing, we performed both a qualitative impairment assessment for certain of our reporting units and a quantitative impairment assessment for our two Raymond James Ltd. (“RJ Ltd.”) reporting units operating in Canada. No events have occurred since our assessment during the quarter ended March 31, 2017 that would cause us to update this impairment testing. See Note 12 in our 2017 Form 10-K for further information about our goodwill 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:

$ in thousands	Segment Private Client Group	Capital Markets	Asset Management	Total
For the three months ended December 31, 2017				
Net identifiable intangible assets as of beginning of period	$47,026	$23,077	$ 12,357	$82,460
Additions	—	—	92,290	92,290
Amortization expense	(1,496)	(769)	(871)	(3,136)
Foreign currency translation	(9)	—	(41)	(50)
Net identifiable intangible assets as of end of period	$45,521	$22,308	$ 103,735	$171,564
For the three months ended December 31, 2016				
Net identifiable intangible assets as of beginning of period	$52,936	$27,937	$ 14,101	$94,974
Additions	—	—	—	—
Amortization expense	(1,520)	(1,565)	(498)	(3,583)
Foreign currency translation	(45)	(38)	(132)	(215)
Net identifiable intangible assets as of end of period	$51,371	$26,334	$ 13,471	$91,176

The addition of intangible assets during the three months ended December 31, 2017 were attributable to the Scout Group acquisition.

The following table sets forth our acquired intangible asset balances by asset class:

	Weighted average useful life (in years)	Amount acquired (in thousands)
Customer relationships	13	$ 34,900
Trade name	20	3,590
Developed technology	10	1,800
Intangible assets subtotal	13	$ 40,290
Non-amortizing customer relationships	Indefinite	52,000
Total intangible assets acquired		$ 92,290

GAAP does not provide for the amortization of indefinite-lived intangible assets. Rather, these assets are subject to an evaluation of potential impairment on an annual basis to determine whether the estimated fair value is in excess of its carrying value, or more often if events or circumstances indicate there may be impairment. In the course of our evaluation of the potential impairment of such indefinite-lived asset, we may perform either a qualitative or a quantitative assessment. If after assessing the totality of events or circumstances, we determine it is more likely than not that the fair value is greater than its carrying amount, then performing a quantitative analysis is not required. However, if we conclude otherwise, we then perform a quantitative impairment analysis. We have elected January 1 as our annual impairment evaluation date, evaluating balances as of December 31.

The following summarizes our identifiable intangible assets by type:

$ in thousands	December 31, 2017 Gross carrying value	December 31, 2017 Accumulated amortization	September 30, 2017 Gross carrying value	September 30, 2017 Accumulated amortization
Customer relationships	$133,610	$ (32,275)	$99,749	$ (31,098)
Non-amortizing customer relationships	52,000	—	—	—
Trade name	11,854	(2,387)	8,366	(2,076)
Developed technology	3,430	(809)	1,630	(706)
Intellectual property	538	(144)	542	(131)
Non-compete agreements	2,902	(1,347)	3,336	(1,551)
Seller relationship agreements	5,300	(1,108)	5,300	(901)
Total	$209,634	$ (38,070)	$118,923	$ (36,463)

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NOTE 11 – BANK DEPOSITS

Bank deposits include savings and money market accounts, certificates of deposit of RJ Bank, Negotiable Order of Withdrawal ("NOW") accounts and demand deposits. The following table presents a summary of bank deposits including the weighted-average rate, the calculation of which was based on the actual deposit balances at December 31, 2017 and September 30, 2017.

	December 31, 2017			September 30, 2017		
$ in thousands	Balance	Weighted-average rate		Balance	Weighted-average rate	
Savings and money market accounts	$18,377,271	0.14	%	$17,391,091	0.14	%
Certificates of deposit	333,010	1.64	%	314,685	1.60	%
NOW accounts	5,982	0.01	%	5,197	0.01	%
Demand deposits (non-interest-bearing)	9,282	—		21,389	—	
Total bank deposits	$18,725,545	0.17	%	$17,732,362	0.17	%

Total bank deposits in the table above excludes affiliate deposits of $246 million at December 31, 2017 and $243 million at September 30, 2017. These affiliate deposits include $193 million at December 31, 2017 and $192 million at September 30, 2017, held in a deposit account at RJ Bank on behalf of RJF.

Savings and money market accounts in the table above consist primarily of deposits that are cash balances swept from the client investment accounts maintained at Raymond James & Associates, Inc. ("RJ&A") to RJ Bank. These balances are held in Federal Deposit Insurance Corporation ("FDIC") insured bank accounts through the Raymond James Bank Deposit Program ("RJBDP"). The aggregate amount of time deposit account balances that exceeded the FDIC insurance limit at December 31, 2017 was $25 million.

Scheduled maturities of certificates of deposit are as follows:

	December 31, 2017		September 30, 2017	
$ in thousands	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
Three months or less	$11,405	$ 5,583	$8,704	$ 4,132
Over three through six months	5,251	4,146	4,692	3,894
Over six through twelve months	42,837	16,649	34,005	11,865
Over one through two years	37,836	20,950	38,713	20,019
Over two through three years	49,602	27,797	48,082	27,847
Over three through four years	9,462	7,281	21,819	12,761
Over four through five years	62,534	31,677	50,805	27,347
Total	$218,927	$ 114,083	$206,820	$ 107,865

Interest expense on deposits, excluding interest expense related to affiliate deposits, is summarized as follows:

Three months ended

	December 31,	
$ in thousands	2017	2016
Certificates of deposit	$1,272	$1,135
Savings, money market, and NOW accounts	6,237	1,648
Total interest expense on deposits	$7,509	$2,783

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NOTE 12 – OTHER BORROWINGS

The following table details the components of other borrowings:

$ in thousands	December 31, 2017	September 30, 2017
FHLB advances	$ 875,000	$ 875,000
RJF Credit Facility	300,000	—
Secured lines of credit	180,000	260,000
Unsecured lines of credit	150,000	350,000
Mortgage notes payable and other	27,826	29,012
Total other borrowings	$ 1,532,826	$ 1,514,012

Borrowings from the FHLB were comprised of both floating and fixed-rate advances. As of December 31, 2017 and September 30, 2017 the floating-rate advances, which mature in June 2019 and have interest rates which reset quarterly, totaled $850 million. We use interest rate swaps to manage the risk of increases in interest rates associated with these floating-rate advances by converting the balances subject to variable interest rates to a fixed interest rate. Refer to Note 6 for information regarding these interest rate swaps, which are accounted for as hedging instruments. The fixed-rate advance as of both December 31, 2017 and September 30, 2017, in the amount of $25 million, matures in October 2020 and bears interest at a fixed rate of 3.4%. All of the advances were secured by a blanket lien granted to the FHLB on our residential mortgage loan portfolio. The weighted average interest rates on these advances as of December 31, 2017 and September 30, 2017 were 1.74% and 1.41%, respectively.

RJF is a party to a revolving credit facility agreement (the “RJF Credit Facility”) with a maturity date of May 2022 in which the lenders are a number of financial institutions. This committed unsecured borrowing facility provides for maximum borrowings of up to $300 million at variable rates of interest. The borrowings outstanding on the RJF Credit Facility bear interest at a rate of 2.98% per annum. The outstanding borrowings at December 31, 2017 were subsequently repaid in January 2018. There is a variable rate commitment fee associated with the RJF Credit Facility, which varies depending upon RJF’s credit rating. Based upon RJF’s credit rating as of December 31, 2017, the variable rate commitment fee which would apply to any difference between the daily borrowed amount and the committed amount, was 0.20% per annum. Any borrowings on unsecured lines of credit were short-term and were generally utilized for cash management purposes.

Any borrowings on secured lines of credit were day-to-day and were generally utilized to finance certain fixed income securities. In addition we have other collateralized financings included in “Securities sold under agreements to repurchase” on our Condensed Consolidated Statements of Financial Condition. See Note 7 for information regarding our collateralized financing arrangements.

The interest rates for all of our U.S. and Canadian secured and unsecured financing facilities are variable and are based on the Fed Funds rate, LIBOR, a lenders prime rate, or the Canadian prime rate, as applicable. For the three months ended December 31, 2017, interest rates on the U.S. facilities that were utilized during the period, other than the RJF Credit Facility which was previously described, ranged from 0.85% to 5.30%.

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

NOTE 13 – INCOME TAXES

For discussion of income tax accounting policies and other income tax related information, see Note 2 and Note 16 of our 2017 Form 10-K.

The income tax provision for interim periods is comprised of tax on ordinary income provided at the most recent estimated annual effective tax rate, adjusted for the tax effect of discrete items. We estimate the annual effective tax rate quarterly based on the forecasted pretax results of our U.S. and non-U.S. operations. Items unrelated to current year ordinary income are recognized entirely in the period identified as a discrete item of tax. These discrete items generally relate to changes in tax laws, adjustments to the actual liability determined upon filing tax returns and adjustments to previously recorded reserves for uncertain tax positions.

The Tax Cuts and Jobs Act (the "Tax Act")

On December 22, 2017, the Tax Act was enacted, which significantly revised the U.S. corporate income tax system by, among other things, lowering corporate income tax rates from 35% to 21% and implementing a territorial tax system which includes a one-time transition tax on deemed repatriated earnings of foreign subsidiaries. As the firm's fiscal year end is September 30th, our U.S. federal statutory tax rate will be 24.5% for our fiscal year ended September 30, 2018, which reflects a blended federal statutory rate of 35% for our first fiscal quarter and 21% for the remaining three fiscal quarters. This blended statutory rate is the basis for calculating our effective tax rate, which is also impacted by other factors.

In response to the enactment of the Tax Act, the SEC issued guidance which summarizes a three-step process to be applied at each reporting period to account for and qualitatively disclose: (1) the effects of the change in tax law for which accounting is complete; (2) provisional amounts (or adjustments to provisional amounts) for the effects of the tax law where accounting is not complete, but that a reasonable estimate has been determined; and (3) a reasonable estimate cannot yet be made and therefore taxes are reflected in accordance with law prior to the enactment of the Tax Act. Further to (2) above, a registrant should record provisional amounts during a "measurement period" when the registrant does not have the necessary information available, prepared, or analyzed in reasonable detail to complete its accounting for the change in tax law. The measurement period ends when a company has obtained, prepared, and analyzed the information necessary to finalize its accounting, not to exceed twelve months from the enactment date of the Tax Act. In accordance with the SEC guidance, our net income for the three months ended December 31, 2017 included an estimate of the discrete impact of the Tax Act of $117 million, primarily due to the remeasurement of U.S. deferred tax assets at the lower enacted corporate tax rate and, to a lesser extent, the transition tax on deemed repatriated earnings of foreign subsidiaries. This estimate incorporates assumptions made based on our current interpretation of the Tax Act and may change, possibly materially, as we complete our analysis and receive additional clarification and implementation guidance.

Reduction of U.S. federal corporate tax rate

We applied the SEC's guidance in estimating the remeasurement of U.S. deferred tax assets at the lower enacted corporate tax rate, resulting in an estimated impact of $104 million. This calculation includes projections related to the timing of realization of deferred tax assets during the remainder of fiscal year 2018 and beyond. We will update our calculation throughout the year as more information becomes available. These estimates may change, possibly materially, as we obtain further information regarding the timing of realization of deferred tax assets.

Transition tax

We also applied the SEC's guidance in estimating the transition tax, which we anticipate will be approximately $13 million, including the state tax liability associated with deemed repatriation of foreign earnings. Our tax liability calculations include projected amounts of unremitted earnings for our foreign subsidiaries for the remainder of the fiscal year. We will update our calculations throughout the year as more information on our foreign subsidiaries' earning and profits becomes available. These estimates incorporate assumptions made based on our current interpretation of the Tax Act and may change, possibly materially, as we complete our analysis and receive additional clarification and implementation guidance.

Executive compensation deduction limitation

We also applied the SEC's guidance in accounting for the deferred tax assets potentially impacted by the Tax Act legislation. Effective for tax years beginning after December 31, 2017, the Tax Act eliminates the exception for performance-based compensation from the $1 million executive compensation deduction limitation. Our covered employees are paid a portion of performance-based compensation in the form of RSUs and stock awards which creates a deferred tax asset upon grant. The necessary information is not yet available to determine whether the deferred compensation previously granted will be deductible as a business expense as the legislation published to date is unclear on the effects to the deferred tax assets previously recorded. As such, we are unable to calculate a reasonable impact of this tax law change, thus in accordance with the SEC's guidance, we did not include a provisional amount in our financial statements. We continue to apply accounting guidance based on the provisions of the tax laws that were in effect immediately prior to the Tax Act being enacted. We will report provisional amounts in the first reporting period in which a reasonable estimate can be determined.

Indefinite reinvestment assertion

We are in the process of assessing the impact of the Tax Act on our current policy of indefinitely reinvesting foreign earnings, our related assertion to indefinitely reinvestment foreign earnings, as well as any such impact on our consolidated financial statements. Accordingly, no adjustments were included in our Condensed Consolidated Financial Statements for the three months ended December 31, 2017 with respect to the firm's indefinite reinvestment assertion.

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Effective tax rate

For the three months ended December 31, 2017, our effective income tax rate was 61.7%, including the estimated discrete impact of the Tax Act of $117 million, partially offset by a lower blended federal corporate statutory tax rate of 24.5%. The discrete impact of the Tax Act increased our effective tax rate by 37.6 percentage points. The effective tax rate for fiscal year 2017 was 31.2%.

Uncertain tax positions

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

NOTE 14 – COMMITMENTS, CONTINGENCIES AND GUARANTEES

Commitments and contingencies

Loan and Underwriting Commitments

In the normal course of business we enter into commitments for fixed income and equity underwritings. As of December 31, 2017, we had one open underwriting commitment, which was subsequently settled in open market transactions and did not result in significant loss.

As part of our recruiting efforts, we offer loans to prospective financial advisors and certain key revenue producers primarily for recruiting, transitional cost assistance, and retention purposes (see Note 2 of our 2017 Form 10-K for a discussion of our accounting policies governing these transactions). These commitments are contingent upon the occurrence of certain events, including, but not limited to, the individual joining us. As of December 31, 2017, we had made commitments through the extension of formal offers totaling approximately $118 million that had not yet been funded; however, it is possible that not all of our offers will be accepted and therefore, we would not fund the total amount of the offers extended. As of December 31, 2017, $64 million of the total amount extended consisted of unfunded commitments to prospective financial advisors that had accepted our offers, or recently hired producers.

As of December 31, 2017, we had not settled purchases of $121 million in syndicated loans. These loan purchases are expected to be settled within 90 days.

Commitments to extend credit and other credit-related financial instruments

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

The following table presents RJ Bank's commitments to extend credit and other credit-related off-balance sheet financial instruments outstanding:

$ in thousands	December 31, 2017	September 30, 2017
Standby letters of credit	$ 38,436	$ 39,670
Open-end consumer lines of credit (primarily SBL)	$ 5,782,262	$ 5,323,003
Commercial lines of credit	$ 1,723,429	$ 1,673,272
Unfunded loan commitments	$ 521,676	$ 386,950

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

Investment Commitments

A subsidiary of RJ Bank has committed $80 million as an investor member in a LIHTC fund in which a subsidiary of RJTCF is the managing member (see Note 2 of our 2017 Form 10-K for information regarding the accounting policies governing these investments). As of December 31, 2017, the RJ Bank subsidiary had invested $62 million of the committed amount.

We have unfunded commitments to various private equity investments, which aggregate to $36 million as of December 31, 2017. Of the total, we have unfunded commitments of $18 million to internally-sponsored private equity investments in which we control the general partner.

Acquisition-Related Commitments and Contingencies

We have potential contingent payments related to our acquisitions of the Scout Group, The Producer's Choice LLC and Mummert & Company Corporate Finance GmbH. The estimated fair values of such contingent payments were included in our Condensed Consolidated Statements of Financial Condition as of December 31, 2017.

Other Commitments

RJF has committed an amount of up to $225 million, subject to certain limitations and to annual re-approval by the RJF Board of Directors, to either lend to, or guarantee obligations of RJTCF in connection with RJTCF's low-income housing development/rehabilitation and syndication activities. At December 31, 2017, RJTCF had $111 million outstanding against this commitment. RJTCF may borrow from RJF in order to make investments in, or fund loans or advances to, either partnerships that purchase and develop properties qualifying for tax credits ("project partnerships") or LIHTC funds. Investments in project partnerships are sold to various LIHTC funds, which have third party investors, and for which RJTCF serves as the managing member or general partner. RJTCF typically sells investments in project partnerships to LIHTC funds within 90 days of their acquisition, and the proceeds from the sales are used to repay RJTCF's borrowings from RJF. RJTCF may also make short-term loans or advances to project partnerships and LIHTC funds.

As a part of our fixed income public finance operations, we enter into forward commitments to purchase GNMA or FNMA MBS (see the discussion of these activities within Note 2 of our 2017 Form 10-K). At December 31, 2017, we had $851 million principal amount of outstanding forward MBS purchase commitments which were expected to be purchased over the following 90 days. In order to hedge the market interest rate risk to which we would otherwise be exposed between the date of the commitment and the date of sale of the MBS, we enter into to be announced ("TBA") security contracts with investors for generic MBS at specific rates and prices to be delivered on settlement dates in the future. These TBA securities and related purchased commitments are accounted for at fair value. As of December 31, 2017, the fair value of the TBA securities and the estimated fair value of the purchase commitments were insignificant.

Contingencies

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

Guarantees

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

RJTCF issues certain guarantees to various third parties related to project partnerships whose interests have been sold to one or more of the funds in which RJTCF is the managing member or general partner. In some instances, RJTCF is not the primary guarantor of these obligations, which aggregated to $3 million as of December 31, 2017.

RJTCF has provided a guaranteed return on investment to a third-party investor in the Guaranteed LIHTC Fund and RJF has guaranteed RJTCF's performance under the arrangement. Under the terms of the performance guarantee, should the underlying LIHTC project partnerships held by the Guaranteed LIHTC Fund fail to deliver a certain amount of tax credits and other tax benefits to this investor over the next five years, RJTCF is obligated to pay the investor an amount that results in the investor achieving a minimum specified return on their investment. A $16 million financing asset was included in "Other assets," and a related $16 million liability was included in "Other payables" on our Condensed Consolidated Statements of Financial Condition as of December 31, 2017 related to this obligation. The maximum exposure to loss under this guarantee was $17 million at December 31, 2017, which represented the undiscounted future payments due the investor.

Legal and regulatory matter contingencies

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

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

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

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

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

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

With respect to legal and regulatory matters for which management has been able to estimate a range of reasonably possible loss (and excluding amounts subject to the below-described indemnification from Regions Financial Corporation ("Regions")), as of December 31, 2017, we estimated the upper end of the range of reasonably possible aggregate loss to be approximately $70 million in excess of the aggregate reserves for such matters. Refer to Note 2 of our 2017 Form 10-K for a discussion of our criteria for recognizing liabilities for contingencies.

Morgan Keegan Litigation

Indemnification from Regions

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

The Morgan Keegan matter described below is subject to such indemnification provisions. As of December 31, 2017, management estimated the range of potential liability of all Morgan Keegan matters subject to indemnification, including the cost of defense, to be from $12 million to $44 million. Any loss arising from such matters, after application of any contractual thresholds and other reductions, as set forth in the agreement, will be borne by Regions. As of December 31, 2017 our Condensed Consolidated Statements of Financial Condition included an indemnification asset of $25 million which was included in “Other assets,” and a liability for potential losses of $25 million which was included within “Other payables,” pertaining to the Morgan Keegan matters subject to indemnification. The amount included within “Other payables” is the amount within the range of potential liability related to such matters which management estimated was more likely than any other amount within such range.

Morgan Keegan matter (subject to indemnification)

In July 2006, Morgan Keegan & Company, Inc., a Morgan Keegan affiliate, and one of its former analysts were named as defendants in a lawsuit filed by Fairfax Financial Holdings Limited and an affiliate in the Superior Court of New Jersey, Law Division, in Morris County, New Jersey. Plaintiffs made claims under a civil RICO statute, for commercial disparagement, tortious interference with contractual relationships, tortious interference with prospective economic advantage and common law conspiracy. Plaintiffs alleged that defendants engaged in a multi-year conspiracy to publish and disseminate false and defamatory information about plaintiffs in order to improperly drive down the stock price of Fairfax, so that others could profit from short positions. Plaintiffs alleged that the defendants’ actions disparaged them and harmed their business relationships. Plaintiffs alleged various categories of damages, including lost insurance business, losses on stock and bond offerings, reputational loss, increased audit fees and directors’ and officers’ insurance premiums, and lost acquisitions. They requested actual and punitive damages and treble damages under their RICO claims. On May 11, 2012, the trial court dismissed the plaintiffs’ RICO claims. On June 27, 2012, the trial court dismissed plaintiffs’ tortious interference with prospective relations claim, but allowed the other claims to go forward. Prior to commencement of a jury trial, the court dismissed the remaining claims with prejudice, and the plaintiffs appealed. On April 27, 2017, the Superior Court of New Jersey, Appellate Division, affirmed the trial court’s dismissal of certain claims against Morgan Keegan, including RICO allegations, while remanding to the trial court the claims of disparagement, tortious interference with prospective business relations, and civil conspiracy, and limiting the actual damages to certain lost insurance business. Plaintiffs petitioned the Supreme Court of New Jersey for review of the Appellate Division’s opinion, but on October 17, 2017, the Supreme Court of New Jersey denied the petition.

NOTE 15 – ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

Other comprehensive income/(loss)

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

	Three months ended December 31,	
$ in thousands	2017	2016
Unrealized loss on available-for-sale securities and non-credit portion of other-than-temporary impairment losses	$(11,953)	$(4,146)
Unrealized gain/(loss) on currency translations, net of the impact of net investment hedges	(187)	1,001

Unrealized gain on cash flow hedges	6,885	25,738
Net other comprehensive income/(loss)	$(5,255)	$22,593

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Accumulated other comprehensive income/(loss)

All of the components of other comprehensive income/(loss) described below, net of tax, are attributable to RJF. The following table presents the changes, and the related tax effects, of each component of accumulated other comprehensive income/(loss):

$ in thousands	Net investment hedges	Currency translations	Sub-total: net investment hedges and currency translations	Available-for-sale securities	Cash flow hedges	Total
Three months ended December 31, 2017						
Accumulated other comprehensive income/(loss) as of the beginning of the period	$ 60,201	$ (79,677)	$ (19,476)	$ (2,472)	$ 6,749	$ (15,199)
Other comprehensive income/(loss) before reclassifications and taxes	7,607	(5,760)	1,847	(15,549)	6,774	(6,928)
Amounts reclassified from accumulated other comprehensive income, before tax	—	—	—	—	1,409	1,409
Pre-tax net other comprehensive income/(loss)	7,607	(5,760)	1,847	(15,549)	8,183	(5,519)
Income tax effect	(2,034)	—	(2,034)	3,596	(1,298)	264
Net other comprehensive income/(loss) for the period, net of tax	5,573	(5,760)	(187)	(11,953)	6,885	(5,255)
Accumulated other comprehensive income/(loss) as of end of period	$ 65,774	$ (85,437)	$ (19,663)	$ (14,425)	$ 13,634	$ (20,454)
Three months ended December 31, 2016						
Accumulated other comprehensive income/(loss) as of the beginning of the period	$ 86,482	$ (121,576)	$ (35,094)	$ (4,156)	$ (16,483)	$ (55,733)
Other comprehensive income/(loss) before reclassifications and taxes	18,098	(17,756)	342	(6,858)	39,941	33,425
Amounts reclassified from accumulated other comprehensive income/(loss), before tax	—	6,537	6,537	(12)	1,572	8,097
Pre-tax net other comprehensive income/(loss)	18,098	(11,219)	6,879	(6,870)	41,513	41,522
Income tax effect	(6,772)	894	(5,878)	2,724	(15,775)	(18,929)
Net other comprehensive income/(loss) for the period, net of tax	11,326	(10,325)	1,001	(4,146)	25,738	22,593
Accumulated other comprehensive income/(loss) as of end of period	$ 97,808	$ (131,901)	$ (34,093)	$ (8,302)	$ 9,255	$ (33,140)

Our net investment hedges and cash flow hedges relate to our derivatives associated with RJ Bank’s business operations (see Note 6 for additional information on these derivatives).

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Reclassifications out of accumulated other comprehensive income/(loss)

The following table presents the income statement line items impacted by reclassifications out of accumulated other comprehensive income/(loss), and the related tax effects, for the three months ended December 31, 2017 and 2016:

Accumulated other comprehensive income/(loss) components: $ in thousands	Increase/(decrease) in amounts reclassified from accumulated other comprehensive income/(loss)	Affected line items in income statement
Three months ended December 31, 2017		
RJ Bank cash flow hedges	$ 1,409	Interest expense
	1,409	Total before tax
Income tax effect	(402)	Provision for income taxes
Total reclassifications for the period	$ 1,007	Net of tax
Three months ended December 31, 2016		
RJ Bank available-for-sale securities	$ (12)	Other revenue
RJ Bank cash flow hedges	1,572	Interest expense
Currency translations	6,537	Other expense
	8,097	Total before tax
Income tax effect	(3,076)	Provision for income taxes
Total reclassifications for the period	$ 5,021	Net of tax

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

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NOTE 16 – INTEREST INCOME AND INTEREST EXPENSE

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

	Three months ended December 31,	
$ in thousands	2017	2016
Interest income:		
Margin balances	$24,095	$19,981
Assets segregated pursuant to regulations and other segregated assets	12,122	7,170
Bank loans, net of unearned income	160,020	135,525
Available-for-sale securities	10,715	3,400
Trading instruments	5,138	5,006
Securities loaned	3,058	2,732
Loans to financial advisors	3,502	3,308
Corporate cash and all other	13,079	5,660
Total interest income	$231,729	$182,782
Interest expense:		
Brokerage client liabilities	$2,529	$676
Bank deposits	7,509	2,783
Trading instruments sold but not yet purchased	1,706	1,328
Securities borrowed	1,479	1,228
Borrowed funds	5,865	3,719
Senior notes	18,180	24,699
Other	2,163	1,533
Total interest expense	39,431	35,966
Net interest income	192,298	146,816
Bank loan loss (provision)/benefit	(1,016)	1,040
Net interest income after bank loan loss provision	$191,282	$147,856

Interest expense related to bank deposits in the above table for the three months ended December 31, 2017 and 2016 excludes interest expense associated with affiliate deposits, which has been eliminated in consolidation.

NOTE 17 – SHARE-BASED AND OTHER COMPENSATION

Share-based compensation plans

We have one share-based compensation plan for our employees, Board of Directors and non-employees (comprised of independent contractor financial advisors). The Amended and Restated 2012 Stock Incentive Plan (the “2012 Plan”) authorizes us to grant 40,244,000 new shares, including the shares available for grant under six predecessor plans. We generally issue new shares under the 2012 Plan; however, we are also permitted to reissue our treasury shares. Our share-based compensation accounting policies are described in Note 2 of our 2017 Form 10-K. Other information related to our share-based awards are presented in Note 20 of our 2017 Form 10-K.

Stock options

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

	Three months ended December 31,	
$ in thousands	2017	2016
Total share-based expense	$3,112	$4,176
Income tax benefit related to share-based expense	307	545

For the three months ended December 31, 2017, we realized $1 million of excess tax benefits related to our stock option awards which favorably impacted income tax expense in our Condensed Consolidated Statements of Income and Comprehensive Income.

During the three months ended December 31, 2017, we granted no stock options to employees and the stock option awards granted to independent contractor financial advisors were not material.

Pre-tax expense not yet recognized for stock option awards granted to employees and independent contractor financial advisors, net of estimated forfeitures, and the remaining period over which the expense will be recognized as of December 31, 2017, are presented below:

	Pre-tax expense not yet recognized	Remaining weighted-average amortization period
	(in thousands)	(in years)
Employees	$ 12,757	2.4
Independent contractor financial advisors	4,431	3.5

Restricted stock and RSU awards

Expense and income tax benefits related to our restricted equity awards granted to employees and members of our Board of Directors are presented below:

	Three months ended December 31,	
$ in thousands	2017	2016
Total share-based expense	$30,477	$27,650
Income tax benefit related to share-based expense	8,090	10,035

Total share-based expense during the three months ended December 31, 2016 included $5 million which is included as a component of “Acquisition-related expenses” on our Condensed Consolidated Statements of Income and Comprehensive Income.

For the three months ended December 31, 2017, we realized $8 million of excess tax benefits related to our restricted equity awards which favorably impacted income tax expense in our Condensed Consolidated Statements of Income and Comprehensive Income.

During the three months ended December 31, 2017, we granted 1,089,000 RSUs to employees with a weighted-average grant-date fair value of $86.50. During the three months ended December 31, 2017, we did not grant RSUs to outside members of our Board of Directors.

As of December 31, 2017, there was $184 million of total pre-tax compensation costs not yet recognized, net of estimated forfeitures, related to restricted equity awards granted to employees and members of our Board of Directors. These costs are expected to be recognized over a weighted-average period of 3.4 years.

There were no outstanding RSUs related to our independent contractor financial advisors as of December 31, 2017.

Restricted stock awards associated with Alex. Brown

As part of our acquisition of Alex. Brown, we assumed certain DBRSU awards, including the associated plan terms and conditions. Refer to Note 20 of our 2017 Form 10-K for additional information regarding these awards. The DBRSUs are accounted for as derivatives. See Note 6 for additional information regarding these derivatives.

The net impact of the DBRSUs in our Condensed Consolidated Statements of Income and Comprehensive Income for the three months ended December 31, 2017 and 2016, including the related income tax effects, is presented below:

	Three months ended December 31,	
$ in thousands	2017	2016
Amortization of DBRSU prepaid compensation asset	$1,312	$1,542
Increase in fair value of derivative liability	2,613	6,375
Net expense before tax	$3,925	$7,917
Income tax benefit	$1,104	$2,920

The table above includes the impact of DBRSUs forfeited during the three months ended December 31, 2016.

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As of December 31, 2017, there was a $9 million prepaid compensation asset included in “Other assets” in our Condensed Consolidated Statements of Financial Condition related to these DBRSUs. This asset is expected to be amortized over a weighted-average period of 1.8 years. As of December 31, 2017, there was a $28 million derivative liability included in “Accrued compensation, commissions and benefits” in our Condensed Consolidated Statements of Financial Condition based on the December 31, 2017 share price of DB shares of $19.03.
We held shares of DB as of December 31, 2017 as an economic hedge against this obligation. Such shares are included in “Other investments” on our Condensed Consolidated Statements of Financial Condition. The gains/losses on this hedge are included as a component of “Compensation, commissions and benefits expense” and offset a portion of the gains/losses on the DBRSUs incurred during the periods discussed above.

NOTE 18 – REGULATORY CAPITAL REQUIREMENTS

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

As a bank holding company, RJF is subject to the risk-based capital requirements of the Federal Reserve Board. These risk-based capital requirements are expressed as capital ratios that compare measures of regulatory capital to risk-weighted assets, which involve quantitative measures of our assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting guidelines. RJF’s and RJ Bank’s capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk-weightings, and other factors.

In July 2013, the Office of the Comptroller of the Currency (“OCC”), the Fed and the FDIC released final U.S. rules implementing the Basel III capital framework developed by the Basel Committee on Banking Supervision and certain Dodd-Frank Act and other capital provisions and updated the prompt corrective action framework to reflect the new regulatory capital minimums (the “U.S. Basel III Rules”). RJF and RJ Bank report regulatory capital under the Basel III standardized approach. Various aspects of the Basel III rules are subject to multi-year transition periods through December 31, 2018.

RJF and RJ Bank are required to maintain minimum amounts and ratios of Total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), Tier 1 capital to average assets (as defined), and under rules defined in Basel III, Common equity Tier 1 capital (“CET1”) to risk-weighted assets. RJF and RJ Bank each calculate these ratios in order to assess compliance with both regulatory requirements and their internal capital policies. The minimum CET1, Tier 1 Capital, and Total Capital ratios of RJF and RJ Bank are supplemented by an incremental capital conservation buffer, consisting entirely of capital that qualifies as CET1, that began phasing in on January 1, 2016 in increments of 0.625% per year until it reaches 2.5% of risk weighted assets on January 1, 2019. Failure to maintain the capital conservation buffer could limit our ability to take certain capital actions, including dividends and common equity repurchases, and to make discretionary bonus payments. As of December 31, 2017, both RJF’s and RJ Bank’s capital levels exceeded the fully-phased in capital conservation buffer requirement, and are each categorized as “well capitalized.”

For further discussion of regulatory capital requirements applicable to certain of our businesses and subsidiaries, see Note 21 of our 2017 Form 10-K.

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

	Actual		Requirement for capital adequacy purposes		To be well capitalized under regulatory provisions	
$ in thousands	Amount	Ratio	Amount	Ratio	Amount	Ratio
RJF as of December 31, 2017:						
CET1	$5,052,629	22.3%	$1,018,048	4.5%	$1,470,513	6.5 %
Tier 1 capital	$5,052,629	22.3%	$1,357,397	6.0%	$1,809,862	8.0 %
Total capital	$5,266,339	23.3%	$1,809,862	8.0%	$2,262,328	10.0%
Tier 1 leverage	$5,052,629	14.4%	$1,400,054	4.0%	$1,750,068	5.0 %
RJF as of September 30, 2017:						
CET1	$5,081,335	23.0%	$994,950	4.5%	$1,437,150	6.5 %
Tier 1 capital	$5,081,335	23.0%	$1,326,600	6.0%	$1,768,800	8.0 %
Total capital	$5,293,331	23.9%	$1,768,800	8.0%	$2,211,000	10.0%
Tier 1 leverage	$5,081,335	15.0%	$1,359,168	4.0%	$1,698,960	5.0 %

The decrease in RJF's Tier 1 capital and Total capital ratios at December 31, 2017 compared to September 30, 2017 was primarily due to an increase in goodwill and identifiable intangible assets related to the Scout Group acquisition and the growth of corporate loans at RJ Bank.

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

	Actual		Requirement for capital adequacy purposes		To be well capitalized under regulatory provisions	
$ in thousands	Amount	Ratio	Amount	Ratio	Amount	Ratio
RJ Bank as of December 31, 2017:						
CET1	$1,825,550	12.2%	$674,617	4.5%	$974,446	6.5 %
Tier 1 capital	$1,825,550	12.2%	$899,489	6.0%	$1,199,319	8.0 %
Total capital	$2,013,120	13.4%	$1,199,319	8.0%	$1,499,148	10.0%
Tier 1 leverage	$1,825,550	8.6 %	$852,884	4.0%	$1,066,105	5.0 %
RJ Bank as of September 30, 2017:						
CET1	$1,821,306	12.5%	$654,901	4.5%	$945,968	6.5 %
Tier 1 capital	$1,821,306	12.5%	$873,201	6.0%	$1,164,268	8.0 %
Total capital	$2,003,461	13.8%	$1,164,268	8.0%	$1,455,335	10.0%
Tier 1 leverage	$1,821,306	8.9 %	$816,304	4.0%	$1,020,379	5.0 %

The decrease in RJ Bank's Tier 1 and Total capital ratios at December 31, 2017 compared to September 30, 2017 was primarily due to corporate loan growth.

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

The following table presents the net capital position of RJ&A:

$ in thousands	As of December 31, 2017	September 30, 2017
Raymond James & Associates, Inc.:		
(Alternative Method elected)		
Net capital as a percent of aggregate debit items	25.37 %	21.37 %
Net capital	$694,733	$ 589,420
Less: required net capital	(54,758)	(55,164)
Excess net capital	$639,975	$ 534,256

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

The following table presents the net capital position of Raymond James Financial Services, Inc. ("RJFS"):

$ in thousands	As of December 31, 2017	September 30, 2017
Raymond James Financial Services, Inc.:		
(Alternative Method elected)		
Net capital	$23,489	$ 34,488
Less: required net capital	(250	