RAYMOND JAMES FINANCIAL INC
Form 10-K
November 26, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2013
Or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to
Commission file number 1-9109
RAYMOND JAMES FINANCIAL, INC.
(Exact name of registrant as specified in its charter)

Florida	No. 59-1517485
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
880 Carillon Parkway, St. Petersburg, Florida	33716
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code	(727) 567-1000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.01 Par Value	New York Stock Exchange
6.90% Senior Notes Due 2042	New York Stock Exchange
Securities registered pursuant to Section 12(g) of the Act:	None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

As of March 31, 2013, the aggregate market value of the registrant’s common stock held by non-affiliates of the registrant computed by reference to the price at which the common stock was last sold was $5,666,158,883.

The number of shares outstanding of the registrant’s common stock as of November 22, 2013 was 140,059,971

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement to be delivered to shareholders in connection with the Annual Meeting of Shareholders to be held February 20, 2014 are incorporated by reference into Part III.

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PART I

Item 1. BUSINESS

Raymond James Financial, Inc. (“RJF”), the parent company of a business established in 1962 and a public company since 1983, is a financial holding company headquartered in St. Petersburg, Florida whose subsidiaries are engaged in various financial services businesses predominantly in the United States of America (“U.S.”) and Canada. At September 30, 2013, its principal subsidiaries include Raymond James & Associates, Inc. (“RJ&A”), Raymond James Financial Services, Inc. (“RJFS”), Raymond James Financial Services Advisors, Inc. (“RJFSA”), Raymond James Ltd. (“RJ Ltd.”), Eagle Asset Management, Inc. (“Eagle”), and Raymond James Bank, N.A. (“RJ Bank”). All of these subsidiaries are wholly owned by RJF. RJF and its subsidiaries are hereinafter collectively referred to as “our,” “we” or “us.”

As a financial holding company, RJF is subject to the oversight and periodic examination of the Board of Governors of the Federal Reserve System (the “Fed”).

PRINCIPAL SUBSIDIARIES

Our principal subsidiary, RJ&A, with approximately 350 traditional branch and satellite offices throughout the U.S, is the largest full service brokerage and investment firm headquartered in the state of Florida and is one of the largest retail brokerage firms in the country. RJ&A is a self-clearing broker-dealer engaged in most aspects of securities distribution, trading, investment banking and asset management. RJ&A also offers financial planning services for individuals and provides clearing services for RJFS, RJFSA, other affiliated entities and several unaffiliated broker-dealers. In addition, RJ&A has seven institutional sales offices in Europe. RJ&A is a member of the New York Stock Exchange Euronext (“NYSE”) and most regional exchanges in the U.S. It is also a member of the Financial Industry Regulatory Authority (“FINRA”) and the Securities Investors Protection Corporation (“SIPC”). In mid-February 2013, we completed the transfer of all of the active businesses of Morgan Keegan & Company, Inc. (“MK & Co.”) to RJ&A. At the time of its acquisition, MK & Co. was a clearing broker-dealer, headquartered in Memphis, Tennessee. After the transfers of its businesses to RJ&A and effective September 2013, MK & Co. became a special purpose broker-dealer. In the prior year on April 2, 2012 (the “Closing Date”), RJF completed its acquisition of all of the issued and outstanding shares of MK & Co., and MK Holding, Inc. and certain of its affiliates (collectively referred to hereinafter as “Morgan Keegan”) from Regions Financial Corporation (“Regions”). In July 2013, MK & Co. formally changed its legal form from a corporation to a limited liability company, and is now known as Morgan Keegan & Company, LLC.

RJFS is one of the largest independent contractor brokerage firms in the U.S., is a member of FINRA and SIPC, but is not a member of any exchanges. Financial advisors affiliated with RJFS may offer their clients all products and services offered through RJ&A including investment advisory products and services which are offered through its affiliated registered investment advisor, RJFSA. Both RJFS and RJFSA clear all of their business on a fully disclosed basis through RJ&A.

RJ Ltd. is our Canadian broker-dealer subsidiary which engages in both retail and institutional distribution and investment banking. RJ Ltd. is a member of the Toronto Stock Exchange (“TSX”) and the Investment Industry Regulatory Organization of Canada (“IIROC”). Its U.S. broker-dealer subsidiary is a member of FINRA and SIPC.

Eagle is a registered investment advisor serving as the discretionary manager for individual and institutional equity and fixed income portfolios and our internally sponsored mutual funds.

RJ Bank originates and purchases commercial and industrial (“C&I”) loans, commercial and residential real estate loans, as well as consumer loans, all of which are funded primarily by cash balances swept from the investment accounts of our broker-dealer subsidiaries' clients.

REPORTABLE SEGMENTS

Effective September 30, 2013 we have five reportable segments: "Private Client Group" or "PCG"; "Capital Markets"; "Asset Management"; RJ Bank and the "Other" segment. We implemented changes in our reportable segments as a result of management's assessment of the usefulness and materiality of certain of our historic reportable segments. The result of the changes we implemented is the combination of the Private Client Group and the historic securities lending segments, the Capital Markets and the historic emerging markets segments, and the Other and the historic proprietary capital segments. Our financial information for each of the fiscal years ended on September 30, 2013, 2012, 2011 respectively, have been presented as if the change had been in effect throughout each year. See Note 28 of the Notes to Consolidated Financial Statements in this Form 10-K for additional information.

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PRIVATE CLIENT GROUP

We provide securities transaction and financial planning services to approximately 2.5 million client accounts through the branch office systems of RJ&A, RJFS, RJFSA, RJ Ltd. and in the United Kingdom ("UK") through Raymond James Investment Services Limited ("RJIS"). Our financial advisors offer a broad range of investments and services, including both third party and proprietary products, and a variety of financial planning services. We charge sales commissions or asset-based fees for investment services we provide to our Private Client Group clients based on established schedules. Varying discounts may be given, generally based upon the client's level of business, the trade size, service level provided, and other relevant factors. In fiscal year 2013, the portion of securities commissions and fee revenues from this segment that we consider recurring include asset-based fees, trailing commissions from mutual funds and variable annuities/insurance products, mutual fund services fees, fees earned on funds in our multi-bank sweep program, and interest income, and represented approximately 68% of the Private Client Group's total revenues. Revenues of this segment are correlated with total client assets under administration. As of September 30, 2013, client assets under administration of our Private Client Group amounted to approximately $403 billion.

RJ&A, RJFS and RJFSA offer investment advisory services under various financial advisor affiliation options. Fee revenues for such services are computed as either a percentage of the assets in the client account, or a flat periodic fee charged to the client for investment advice. RJ&A advisors operate under the RJ&A registered investment advisor ("RIA") license while independent contractors affiliated with RJFS may operate either under their own RIA license, or the RIA license of RJFSA. The investment advisory fee revenues associated with these activities are recorded within securities commissions and fee revenues on our consolidated financial statements. Refer to the securities commissions and fees section of our summary of significant accounting policies in Note 2 of the Notes to Consolidated Financial Statements in this Form 10-K for our accounting policies on presenting these revenues in our consolidated financial statements.

The majority of our U.S. financial advisors are also licensed to sell insurance and annuity products through our general insurance agency which was at one time known as Planning Corporation of America ("PCA"), a wholly owned subsidiary of RJF. In October 2013, PCA merged with another wholly owned subsidiary of RJF, and PCA, as the surviving entity, changed its name to Raymond James Insurance Group, Inc. ("RJIG"). Through the financial advisors of our domestic broker-dealer subsidiaries, RJIG provides product and marketing support for a broad range of insurance products, principally fixed and variable annuities, life insurance, disability insurance and long-term care coverage.

Our U.S. financial advisors offer a number of professionally managed load mutual funds, as well as a selection of no-load mutual funds. RJ&A and RJFS maintain dealer sales agreements with most major distributors of mutual fund shares sold through broker-dealers.

Net interest revenue in the Private Client Group is generated by customer balances, predominantly the earnings on margin loans and assets segregated pursuant to regulations, less interest paid on customer cash balances ("Client Interest Program"). We also utilize a multi-bank sweep program which generates fee revenue from unaffiliated banks in lieu of interest revenue. The cash sweep program, known as the Raymond James Bank Deposit Program ("RJBDP"), is a multi-bank (RJ Bank and several non-affiliated banks) program under which clients' cash deposits in their brokerage accounts are re-deposited through a third party service into interest-bearing deposit accounts (up to $250,000 per bank for individual accounts and up to $500,000 for joint accounts) at up to 12 banks. This program enables clients to obtain up to $2.5 million in individual Federal Deposit Insurance Corporation ("FDIC") deposit insurance coverage ($5 million for joint accounts) while earning competitive rates for their cash balances. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in this report for information regarding our net interest revenues.

Clients’ transactions in securities are affected on either a cash or margin basis. RJ&A and RJ Ltd. make margin loans to clients that are collateralized by the securities purchased or by other securities owned by the client. Interest is charged to clients on the amount borrowed. The interest rate charged to a client on a margin loan is based on current interest rates and on the outstanding amount of the loan.

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Typically, broker-dealers utilize bank borrowings and equity capital as the primary sources of funds to finance clients' margin account borrowings. RJ&A's source of funds to finance clients' margin account balances has been cash balances in brokerage clients' accounts, which are funds awaiting investment. In addition, pursuant to written agreements with clients, broker-dealers are permitted by the Securities and Exchange Commission ("SEC") and FINRA rules to lend client securities in margin accounts to other financial institutions. SEC regulations, however, restrict the use of clients' funds derived from pledging and lending clients' securities, as well as funds awaiting investment, to the financing of margin account balances; to the extent not so used, such funds are required to be deposited in a special segregated account for the benefit of clients. The regulations also require broker-dealers, within designated periods of time, to obtain possession or control of, and to segregate, clients' fully paid and excess margin securities.

No single client accounts for a material percentage of this segment's total business.

Raymond James & Associates

RJ&A is a full service broker-dealer that employs financial advisors throughout the U.S. RJ&A's financial advisors work in a traditional branch setting supported by local management and administrative staff. The number of financial advisors per office ranges from one to 46. RJ&A financial advisors are employees and their compensation includes commission payments and participation in the firm's benefit plans. Experienced financial advisors are hired from a wide variety of competitors. As a part of their agreement to join us we may make loans to financial advisors and to certain key revenue producers, primarily for recruiting and/or retention purposes. In addition, individuals are trained each year to become financial advisors at the Robert A. James National Training Center in St. Petersburg, Florida.

Raymond James Financial Services

RJFS is a broker-dealer that supports independent contractor financial advisors in providing products and services to their Private Client Group clients throughout the U.S. The number of financial advisors in RJFS offices ranges from one to 42. Independent contractors are responsible for all of their direct costs and, accordingly, are paid a larger percentage of commissions and fees than employee advisors. They are permitted to conduct, on a limited basis, certain other approved businesses outside of their RJFS activities such as offering insurance products, independent registered investment advisory services and accounting and tax services, among others, with the approval of RJFS management.

The Financial Institutions Division ("FID") is a subdivision of RJFS. Through FID, RJFS provides services to financial institutions such as banks, thrifts and credit unions, and their clients. RJFS also provides custodial, trading, research and other back office support and services (including access to clients' account information and the services of the Asset Management segment) to unaffiliated independent registered investment advisors through its Investment Advisor Division ("IAD").

Raymond James Financial Services Advisors

RJFSA is a registered investment advisor that exclusively supports the investment advisory activities of the RJFS financial advisors.

Raymond James Ltd.

RJ Ltd. is a wholly owned self-clearing broker-dealer subsidiary headquartered in Canada with its own operations and information processing personnel. Financial advisors can affiliate with RJ Ltd. either as employees or independent contractors.

Raymond James Investment Services Limited

RJIS is a wholly owned broker dealer that operates an independent contractor financial advisor network in the United Kingdom. RJIS also provides custodial and execution services to independent investment advisory firms.

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Securities Lending

RJ&A conducts its securities lending business through the borrowing and lending of securities from and to other broker-dealers, financial institutions and other counterparties. Generally, we conduct these activities as an intermediary (referred to as “Matched Book”). However, RJ&A will also loan customer marginable securities held in a margin account containing a debit (referred to as lending from the “Box”) to counterparties. The borrower of the securities puts up a cash deposit on which interest is earned. The lender in turn receives cash and pays interest. These cash deposits are adjusted daily to reflect changes in the current market value of the underlying securities. Additionally, securities are borrowed from other broker-dealers (referred to as borrowing for the “Box”) to facilitate RJ&A’s clearance and settlement obligations. The net revenues of this securities lending business are the interest spreads generated.

Operations and Information Technology

RJ&A operations personnel are responsible for the processing of securities transactions, custody of client securities, support of client accounts, receipt, identification and delivery of funds and securities, and compliance with certain regulatory and legal requirements for most of our U.S. securities brokerage operations through locations in Saint Petersburg, Florida, Memphis, Tennessee and Southfield, Michigan. RJ Ltd. operations personnel have similar responsibilities at our Canadian brokerage operations located in Vancouver, British Columbia.

The information technology department develops and supports the integrated solutions that provide a differentiated platform for our business. This platform is designed to allow our advisors to spend more time with their clients and enhance and grow their business.

In the area of information security, we have developed and implemented a framework of principles, policies and technology to protect both our own information assets as well as those we have pertaining to our clients. Safeguards are applied to maintain the confidentiality, integrity and availability of information resources.

Our business continuity program has been developed to provide reasonable assurance of business continuity in the event of disruptions at our critical facilities. Business departments have developed operational plans for such disruptions, and we have a staff which devotes their full time to monitoring and facilitating those plans. Our business continuity plan continues to be enhanced and tested to allow for continuous business processing in the event of weather-related or other interruptions of operations at our corporate office locations or one of our operations processing or data center sites.

We have also developed a business continuity plan for our PCG retail branches in the event these branches are impacted by severe weather. RJ&A PCG offices utilize an integrated telephone system to route clients to a centralized support center that services clients directly in the event of a branch office closure.

CAPITAL MARKETS

Capital Markets activities consist primarily of equity and fixed income products and services. No single client accounts for a material percentage of this segment’s total business.

Institutional Sales

Institutional sales commissions account for a significant portion of this segment’s revenue, which is fueled by a combination of general market activity and the Capital Markets group’s ability to identify and promote attractive investment opportunities. Our institutional clients are serviced by institutional equity departments of RJ&A and RJ Ltd.; the RJ&A fixed income department; RJ&A's European offices; Raymond James Financial International, Ltd., an institutional UK broker-dealer headquartered in London, England; and Raymond James European Securities, Inc., ("RJES") headquartered in Paris, France. We charge commissions on equity transactions based on trade size and the amount of business conducted annually with each institution. Fixed income commissions are based on trade size and the characteristics of the specific security involved.

More than 100 domestic and overseas professionals located in offices in the U.S. and Europe comprise RJ&A's institutional equity sales and sales trading departments and maintain relationships with more than 1,350 institutional clients. Some European and U.S. offices also provide services to high net worth clients. RJ Ltd. has over 30 institutional equity sales and trading professionals servicing predominantly Canadian, U.S. and European institutional investors from offices in Canada and Europe.

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From offices in various locations within the U.S., RJ&A distributes to institutional clients both taxable and tax-exempt fixed income products, primarily municipal, corporate, government agency and mortgage-backed bonds. RJ&A carries inventory positions of taxable and tax-exempt securities to facilitate institutional sales activities.

Trading

Trading equity securities involves the purchase and sale of securities from and to our clients or other dealers. Profits and losses are derived from the spreads between bid and asked prices, as well as market trends for the individual securities during the period we hold them. Similar to the equity research department, this operation serves to support both our institutional and Private Client Group sales efforts. RJ&A also offers an options trading platform that is operated primarily on an agency basis. The RJ Ltd. trading desks not only support client activity, but also take proprietary positions that are closely monitored within well defined limits. RJ Ltd. also provides specialist services in approximately 165 TSX listed common stocks.

RJ&A trades both taxable and tax-exempt fixed income securities. The taxable and tax-exempt fixed income traders purchase and sell corporate, municipal, government, government agency, and mortgage-backed bonds, asset-backed securities, preferred stock, and certificates of deposit from and to our clients or other dealers. RJ&A enters into future commitments such as forward contracts and "to be announced" securities (e.g., securities having a stated coupon and original term to maturity, although the issuer and/or the specific pool of mortgage loans is not known at the time of the transaction). Relatively small amounts of proprietary trading positions are also periodically taken by RJ&A or RJ Ltd. for various purposes and are closely monitored within well defined limits.

In addition, RJ Capital Services, Inc., a subsidiary of RJF, participates in the interest rate swaps market as a principal, either to economically hedge RJ&A fixed income inventory, for transactions with customers, or to a limited extent for its own account.

Equity Research

The more than 50 domestic analysts in RJ&A's research department support our institutional and retail sales efforts and publish research on more than 1,000 companies. This research primarily focuses on U.S. and Canadian companies in specific industries including consumer, energy, financial services, healthcare, industrial, mining and natural resources, real estate, technology, and communication and transportation. Proprietary industry studies and company-specific research reports are made available to both institutional and individual clients. RJ Ltd. has 13 analysts who publish research on approximately 270 primarily Canadian companies focused in the energy, energy services, mining, forest products, agricultural, technology, clean technology, consumer and industrial products, and real estate sectors. Additionally, we provide coverage of a limited number of European companies through RJES, as well as Latin American companies through a joint venture in which we hold an interest.

Investment Banking

The nearly 150 professionals of RJ&A's equity capital markets investment banking group reside in various locations within the U.S. and are involved in a variety of activities including public and private equity financing for corporate clients, and merger and acquisition advisory services. RJ Ltd.'s investment banking group consists of approximately 25 professionals who reside in various locations within Canada and provide equity financing and financial advisory services to corporate clients. Our investment banking activities provide a comprehensive range of strategic and financial advisory services tailored to our clients' business life cycles and backed by our strategic industry focus.

RJ&A's fixed income investment banking services include public finance and debt underwriting activities. Nearly 100 professionals in the RJ&A public finance group operate out of various offices located throughout the U.S., and serve as a financial advisor, placement agent or underwriter to various issuers who include municipal agencies (including political subdivisions), housing developers and non-profit health care institutions.

RJ&A acts as a consultant, underwriter or selling group member for corporate bonds, mortgage-backed securities ("MBS"), agency bonds, preferred stock and unit investment trusts. When underwriting new issue securities, RJ&A agrees to purchase the issue through a negotiated sale or submits a competitive bid.

Raymond James Financial Products, Inc. or Morgan Keegan Capital Services, LLC, both being non-broker-dealer subsidiaries (collectively referred to as the Raymond James matched book swap subsidiaries or "RJSS"), enter into derivative transactions, including interest rate swaps, options, and combinations of those instruments, primarily with government entities and not-for-profit counterparties. For every derivative transaction RJSS enters into with a customer, RJSS enters into an offsetting derivative transaction with a credit support provider who is a third party financial institution. Thus, we refer to RJSS's operations as our "matched book" derivatives business.

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Syndicate

The syndicate department consists of professionals who coordinate the marketing, distribution, pricing and stabilization of lead and co-managed equity underwritings. In addition to lead and co-managed offerings, this department coordinates the firm's syndicate and selling group activities in transactions managed by other investment banking firms.

Raymond James Tax Credit Funds, Inc.

Raymond James Tax Credit Funds, Inc. ("RJTCF") is the general partner or managing member in a number of limited partnerships and limited liability companies. These partnerships and limited liability companies invest in real estate project entities that qualify for tax credits under Section 42 of the Internal Revenue Code. RJTCF has been an active participant in the tax credit program since its inception in 1986 and currently focuses on tax credit funds for institutional investors that invest in a portfolio of tax credit-eligible multi-family apartments. The investors' expected returns on their investments in these funds are primarily derived from tax credits and tax losses that investors can use to reduce their federal tax liability. During fiscal year 2013, RJTCF invested approximately $600 million for large institutional investors in approximately 85 real estate transactions for properties located throughout the U.S. Since inception, RJTCF has sold, inclusive of unfunded commitments, over $5 billion of tax credit fund partnership interests and has sponsored more than 85 tax credit funds, with investments in over 1,700 tax credit apartment properties in nearly all 50 states and one U.S. Territory.

Emerging Markets

Raymond James International Holdings, Inc. ("RJIH"), through its subsidiaries, currently has interests in operations in Latin American countries including Argentina and Uruguay. Through these entities we operate securities brokerage, investment banking, asset management and equity research businesses. During fiscal year 2013, we closed our operations in Brazil.

ASSET MANAGEMENT

Our Asset Management segment includes the operations of Eagle, the Eagle Family of Funds ("Eagle Funds"), the asset management operations of RJ&A ("AMS"), Raymond James Trust, National Association ("RJT"), a wholly owned subsidiary of RJF, and other fee-based programs. Revenues for this segment are primarily generated by the investment advisory fees related to asset management services provided for individual and institutional investment portfolios, along with mutual funds. Investment advisory fees are earned on assets held in managed or non-managed programs. These fees are computed based on balances either at the beginning of the quarter, the end of the quarter, or average daily assets. Consistent with industry practice, fees from private client investment portfolios are typically based on asset values at the beginning of the period while institutional fees are typically based on asset values at the end of the period. Asset balances are impacted by both the performance of the market and new sales and redemptions of client accounts/funds. Rising markets have historically had a positive impact on investment advisory fee revenues as existing accounts increase in value, and individuals and institutions may commit incremental funds in rising markets. No single client accounts for a material percentage of this segment's total business.

Eagle Asset Management, Inc.

Eagle is a registered investment advisor that offers a variety of equity and fixed income objectives managed by a number of portfolio management teams and subsidiary investment advisors, including Eagle Boston Investment Management, Inc. and ClariVest Asset Management ("ClariVest"). Eagle has approximately $28 billion in assets under management (which includes the assets managed by ClariVest) and over $2 billion in assets under advisement (non-discretionary advised assets) as of September 30, 2013. Eagle's clients include institutions, corporations, pension and profit sharing plans, foundations, endowments, issuers of variable annuities, individuals and mutual funds. Eagle also serves as investment advisor to the Eagle Funds. Most clients are charged fees based upon asset levels including fees on non-discretionary assets for providing Eagle account models to professional advisors at other firms, however in some cases performance fees may be earned for outperforming respective benchmarks.

Eagle Fund Distributors, Inc. ("EFD"), a wholly owned subsidiary of Eagle, is a registered broker-dealer engaged in the distribution of the Eagle Funds.

The Small Cap Growth Fund, Mid Cap Growth Fund, Growth and Income Fund, Mid Cap Stock Fund, Investment Grade Bond Fund, and Eagle Smaller Company Fund are managed by Eagle. The Capital Appreciation Fund and International Stock Fund utilize ClariVest as a sub-advisor.

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Eagle acquired a 45% interest in ClariVest in December, 2012. See Note 3 of the Notes to the Consolidated Financial Statements in this Form 10-K for additional information regarding the ClariVest acquisition.

Eagle class shares of both a taxable and a tax-exempt money market fund are available to clients of Eagle and its affiliates through an unrelated third party.

AMS

AMS manages several investment advisory programs which maintain an approved list of investment managers, provide asset allocation model portfolios, establish custodial facilities, monitor the performance of client accounts, provide clients with accounting and other administrative services, and assist investment managers with certain trading management activities. One of AMS' programs, "Raymond James Consulting Services" is a managed program in which Raymond James Consulting Services serves as a conduit for AMS clients to access a number of independent investment managers, in addition to Eagle, with initial investment amounts that are below normal program minimums, as well as providing monitoring and due diligence services. AMS earns fees generally ranging from 0.30% to 0.85% of asset balances per annum, a portion of which is paid to predominately independent investment managers and Eagle who direct the investments within clients' accounts. In addition, AMS offers additional accounts managed within fee based asset allocation platforms under our program known as Freedom, and other managed programs. Freedom's investment committee manages portfolios of mutual funds, exchange traded funds and separately managed account models on a discretionary basis. AMS earns fees generally ranging from 0.10% to 0.50% of these asset balances per annum. For separately managed account models a portion of the fee may be paid to the investment managers who provide the models. At September 30, 2013, these managed programs had approximately $33 billion in assets under management, including approximately $5 billion managed by Eagle.

AMS also provides certain services for their non-managed fee-based programs (known as Passport, Ambassador or other non-managed programs). AMS provides performance reporting, research, sales, accounting, trading and other administrative services. Advisory services are provided by PCG financial advisors. Client fees are based on the individual account or relationship size and may also be dependent on the type of securities in the accounts. Total client fees generally range from 1.0% to 2.5% of assets, and the revenues are predominantly included in securities commissions and fees revenue in the PCG segment, with a lesser share of revenue generated from these activities included in investment advisory fee revenue in this Asset Management segment. As of September 30, 2013, these programs had approximately $63 billion in assets. RJFS and RJFSA offer a similar fee-based program known as IMPAC ("IMPAC"). All revenues for IMPAC are reported in the PCG segment. As of September 30, 2013, IMPAC had approximately $13 billion in assets serviced by RJFS financial advisors and RJFSA registered investment advisors (see the Private Client Group segment discussion in this Item 1 for additional information).

In addition to the foregoing programs, AMS also administers managed fee-based programs for clients who have contracted for portfolio management services from non-affiliated investment advisors that are not part of the Raymond James Consulting Services program.

Raymond James Trust, National Association

RJT provides personal trust services primarily to existing clients of our broker-dealer subsidiaries. Under its federal charter, RJT may act as trustee, custodian, personal representative or agent to the trustee. RJT administers approximately $2.92 billion in trust assets at September 30, 2013, including approximately $205 million in the donor-advised charitable foundation known as the Raymond James Charitable Endowment Fund.

RJ BANK

RJ Bank provides corporate, residential and consumer loans, as well as FDIC insured deposit accounts, to clients of our broker-dealer subsidiaries and to the general public. RJ Bank is active in corporate loan syndications and participations. RJ Bank generates revenue principally through the interest income earned on loans and investments, which is offset by the interest expense it pays on client deposits and on its borrowings. See Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in this report for financial information regarding RJ Bank’s net interest earnings. RJ Bank is a national bank regulated by the Office of the Comptroller of the Currency (“OCC”). During fiscal year 2012, RJ Bank converted from a thrift charter to a national bank charter to facilitate RJ Bank maintaining a loan portfolio with a greater percentage of corporate loans than were otherwise permissible under thrift regulations.

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RJ Bank operates from a single branch location adjacent to RJF’s corporate office complex in St. Petersburg, Florida. Access to RJ Bank’s products and services is available nationwide through the offices of our affiliated broker-dealers as well as through electronic banking services. RJ Bank’s assets include C&I loans, commercial and residential real estate loans, as well as consumer loans, primarily consisting of loans fully collateralized by marketable securities. Corporate loans represent approximately 75% of RJ Bank’s loan portfolio of which 95% are U.S. and Canadian syndicated loans. Residential mortgage loans are originated and held for investment or sold in the secondary market. RJ Bank’s total liabilities primarily consist of deposits that are cash balances swept from the investment accounts maintained at RJ&A.

RJ Bank does not have any significant concentrations with any one industry or customer (see table of industry concentration in Item 7A, “Credit Risk” in this Form 10-K).

OTHER

This segment includes our principal capital and private equity activities as well as various corporate overhead costs of RJF including the interest cost on our public debt, corporate settlements (including a settlement related to auction rate securities that occurred in fiscal year 2011) and the acquisition and integration costs associated with our acquisitions including, most significantly, Morgan Keegan (see further discussion in Note 3 of the Notes to the Consolidated Financial Statements in this Form 10-K).

Our principal capital and private equity activities include various direct and third party private equity and merchant banking investments; employee investment funds (the “Employee Funds”); and various private equity funds which we sponsor including Raymond James Capital Partners, L.P.

We participate in profits or losses from various investments through both general and limited partnership interests. Additionally, we realize profits or incur losses as a result of direct merchant banking investments. The Employee Funds are limited partnerships, some of which we are the general partner, that invest in our merchant banking and private equity activities and other unaffiliated venture capital limited partnerships. The Employee Funds were established as compensation and retention vehicles for certain of our qualified key employees. As of September 30, 2013, certain of our merchant banking investments include investments in a manufacturer of crime investigation and forensic supplies, an event photography business, and a company pursuing a new concept in the salon services market.

COMPETITION

We are engaged in intensely competitive businesses. We compete with many larger, better capitalized providers of financial services, including other securities firms, most of which are affiliated with major financial services companies, insurance companies, banking institutions and other organizations. We also compete with a number of firms offering on-line financial services and discount brokerage services, usually with lower levels of service, to individual clients. We compete principally on the basis of the quality of our associates, service, product selection, location and reputation in local markets.

In the financial services industry, there is significant competition for qualified associates. Our ability to compete effectively in these businesses is substantially dependent on our continuing ability to attract, retain and motivate qualified associates, including successful financial advisors, investment bankers, trading professionals, portfolio managers and other revenue producing or specialized personnel.

REGULATION

The following discussion sets forth some of the material elements of the regulatory framework applicable to the financial services industry and provides some specific information relevant to us. The regulatory framework is intended primarily for the protection of our customers and the securities markets, our depositors and the Federal Deposit Insurance Fund and not for the protection of our creditors or shareholders. Under certain circumstances, these rules may limit our ability to make capital withdrawals from RJ Bank or our broker-dealer subsidiaries.

To the extent that the following information describes statutory and regulatory provisions, it is qualified in its entirety by reference to the particular statutory and regulatory provisions. A change in applicable statutes, regulations or regulatory policy may have a material effect on our business.

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The financial services industry in the U.S. is subject to extensive regulation under federal and state laws. During our fiscal year 2010, the U. S. government enacted financial services reform legislation known as the Dodd-Frank Wall Street Reform & Consumer Protection Act ("Dodd-Frank Act"). Because of the nature of our business and our business practices, we presently do not expect the Dodd-Frank Act to have a significant direct impact on our operations as a whole. However, because some of the implementing regulations have yet to be adopted by various regulatory agencies, the specific impact on some of our businesses remains uncertain.

The SEC is the federal agency charged with administration of the federal securities laws. Financial services firms are also subject to regulation by state securities commissions in those states in which they conduct business. RJ&A and RJFS are currently registered as broker-dealers in all 50 states. The SEC recently adopted amendments, most of which were effective October, 2013, to its financial responsibility rules, including changes to the net capital rule, the customer protection rule, the record-keeping rules and the notification rules applicable to our broker-dealer subsidiaries. We are currently evaluating the impact of these amendments on our broker-dealer subsidiaries; however, based on our current analyses, we do not believe they will have a material adverse effect on any of our broker-dealer subsidiaries. In addition, financial services firms are subject to regulation by various foreign governments, securities exchanges, central banks and regulatory bodies, particularly in those countries where they have established offices. We have offices in Europe, Canada and Latin America.

Much of the regulation of broker-dealers in the U.S. and Canada, however, has been delegated to self-regulatory organizations ("SROs"), principally FINRA, the IIROC and securities exchanges. These SROs adopt and amend rules (which are subject to approval by government agencies) for regulating the industry and conduct periodic examinations of member broker-dealers.

The SEC, SROs and state securities commissions may conduct administrative proceedings that can result in censure, fine, suspension or expulsion of a broker-dealer, its officers or employees. Such administrative proceedings, whether or not resulting in adverse findings, can require substantial expenditures and can have an adverse impact on the reputation of a broker-dealer.

Our U.S. broker-dealer subsidiaries are required by federal law to be members of SIPC. The SIPC fund provides protection for securities held in customer accounts up to $500,000 per customer, with a limitation of $250,000 on claims for cash balances. When the SIPC fund falls below a certain amount, members are required to pay higher annual assessments to replenish the reserves. During fiscal year 2013, certain of our domestic broker-dealer subsidiaries incurred expenses amounting to 0.25% of net operating revenues as defined by SIPC, or approximately $4.6 million, to SIPC as a special assessment. We have purchased excess SIPC coverage through various syndicates of Lloyd's, a London-based firm that holds an "A+" rating from Standard and Poor's and Fitch Ratings. Excess SIPC is fully protected by the Lloyd's trust funds and Lloyd's Central Fund. For RJ&A, the additional protection currently provided has an aggregate firm limit of $750 million, including a sub-limit of $1.9 million per customer 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.

RJ Ltd. is currently registered in all provinces and territories in Canada. The financial services industry in Canada is subject to comprehensive regulation under both federal and provincial laws. Securities commissions have been established in all provinces and territorial jurisdictions which are charged with the administration of securities laws. Investment dealers in Canada are also subject to regulation by SROs, which are responsible for the enforcement of, and conformity with, securities legislation for their members and have been granted the powers to prescribe their own rules of conduct and financial requirements of members. RJ Ltd. is regulated by the securities commissions in the jurisdictions of registration as well as by the SROs and the IIROC.

RJ Ltd. is required by the IIROC to belong to the Canadian Investors Protection Fund (“CIPF”), whose primary role is investor protection. The CIPF Board of Directors determines the fund size required to meet its coverage obligations and sets a quarterly assessment rate. Dealer members are assessed the lesser of 1.0% of revenue or a risk-based assessment. The CIPF provides protection for securities and cash held in client accounts up to $1 million Canadian currency (“CDN”) per client with separate coverage of CDN $1 million for certain types of accounts. This coverage does not protect against market fluctuations.

See Note 25 of the Notes to Consolidated Financial Statements in this Form 10-K for further information on SEC, FINRA and IIROC regulations pertaining to broker-dealer regulatory minimum net capital requirements.

Our investment advisory operations, including the mutual funds that we sponsor, are also subject to extensive regulation. Our U.S. asset managers are registered as investment advisors with the SEC and are also required to make notice filings in certain states. Virtually all aspects of the asset management business are subject to various federal and state laws and regulations. These laws and regulations are primarily intended to benefit the asset management clients.

RJF is under the supervision of, and subject to the rules, regulations, and periodic examination by the Fed. Additionally, RJ Bank is subject to the rules and regulations of the OCC, the Fed, and the FDIC. Collectively, these rules and regulations cover all aspects of the banking business including lending practices, safeguarding deposits, capital structure, transactions with affiliates and conduct and qualifications of personnel.

RJF as a financial holding company, and RJ Bank, are subject to various regulatory capital requirements established by bank regulators. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on our and RJ Bank's financial results. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, RJF and RJ Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. RJF's and RJ Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components of capital, risk weightings of assets, off-balance sheet transactions, and other factors. Quantitative measures established by regulation to ensure capital adequacy require RJF, as a financial holding company, and RJ Bank, to maintain minimum amounts and ratios of Total and Tier I capital to risk-weighted assets and Tier I capital to adjusted assets (as defined in the regulations). See Note 25 of the Notes to Consolidated Financial Statements in this Form 10-K for further information.

In July 2013, the OCC, the Federal Reserve Board ("FRB") and the FDIC released final United States Basel III regulatory capital rules implementing the global regulatory capital reforms of Basel III and certain changes required by the Dodd-Frank Act. The rule increases the quantity and quality of regulatory capital, establishes a capital conservation buffer, and makes selected changes to the calculation of risk-weighted assets. The rule becomes effective for us on January 1, 2015, subject to a transition period for several aspects of the rule, including the new minimum capital ratio requirements, the capital conservation buffer, and the regulatory capital adjustments and deductions. We are currently evaluating the impact of these rules on both RJF and RJ Bank; however, based on our current analyses, we believe that RJF and RJ Bank would meet all capital adequacy requirements under the final rules. However, the increased capital requirements could restrict our ability to grow during favorable market conditions or require us to raise additional capital. As a result, our business, results of operations, financial condition or prospects could be adversely affected. See Item 1A, "Risk Factors," within this Form 10-K for more information.

Since RJ Bank provides products covered by FDIC insurance, generally up to $250,000 per account ownership type, RJ Bank is subject to the Federal Deposit Insurance Act. In February 2011, under the provisions of the Dodd-Frank Act, the FDIC issued a final rule changing its assessment base in addition to other minor adjustments. For banks with more than $10 billion in assets, the FDIC's new rule changed the assessment rate calculation, which relies on a scorecard designed to measure financial performance and ability to withstand stress in addition to measuring the FDIC's exposure should the bank fail. This new rule will become effective for RJ Bank beginning with the December 2013 assessment period. RJ Bank is still evaluating the impact of this change on future FDIC insurance premiums.

In July 2011, pursuant to the Dodd-Frank Act, the Consumer Financial Protection Bureau ("CFPB") began operations and was given rulemaking authority for a wide range of consumer protection laws that would apply to all banks and provide broad powers to supervise and enforce consumer protection laws. RJ Bank recently exceeded $10 billion in total assets for four consecutive quarters and as a result the CFPB has now assumed regulatory authority over RJ Bank for its compliance with various consumer regulations. The CFPB has proposed and finalized many rules since its establishment, with the majority of those effective in early fiscal year 2014. RJ Bank is still evaluating the impact of this additional regulator.

In October 2012, under the provisions of the Dodd-Frank Act, regulators issued final rules requiring banking organizations with total assets of more than $10 billion but less than $50 billion to conduct annual company-prepared stress tests, report the results to their primary regulator and the Fed and publish a summary of the results. Under the rules, stress tests must be conducted using certain scenarios (baseline, adverse, and severely adverse), which the Fed will provide each year. These new rules require RJF to conduct its first stress test by March 31, 2014. In addition, RJF will be required to begin publicly disclosing a summary of certain stress test results in our fiscal year 2015.

RJT, our federally chartered trust company, is subject to regulation by the OCC. This regulation focuses on, among other things, ensuring the safety and soundness of RJT's fiduciary services.

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As a public company whose common stock is listed on the NYSE, we are subject to corporate governance requirements established by the SEC and NYSE, as well as federal and state law. Under the Sarbanes-Oxley Act, we are required to meet certain requirements regarding business dealings with members of our Board of Directors, the structure of our Audit Committee now named Audit and Risk Committee, and ethical standards for our senior financial officers. Under SEC and NYSE rules, we are required to comply with other standards of corporate governance, including having a majority of independent directors serve on our Board of Directors, and the establishment of independent audit, compensation and corporate governance committees. The Dodd-Frank Act included a number of provisions imposing governance standards, including those regarding “Say-on-Pay” votes for shareholders, incentive compensation clawbacks, compensation committee independence and disclosure concerning executive compensation, employee and director hedging and chairman and CEO positions.

Under Section 404 of the Sarbanes-Oxley Act, we are required to assess the effectiveness of our internal controls over financial reporting and to obtain an opinion from our independent auditors regarding the effectiveness of our internal controls over financial reporting.

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EXECUTIVE OFFICERS OF THE REGISTRANT

Executive officers of the registrant (which includes officers of certain significant subsidiaries) who are not Directors of the registrant are as follows:

Jennifer C. Ackart	49	Senior Vice President, Controller
Bella Loykhter Allaire	60	Executive Vice President - Technology and Operations - Raymond James & Associates, Inc. since June, 2011; Managing Director and Chief Information Officer, UBS Wealth Management Americas, November, 2006 - January, 2011
Paul D. Allison	57	Chairman, President and CEO - Raymond James Ltd. since January, 2009; Co-President and Co-CEO - Raymond James Ltd., August, 2008 - January, 2009; Executive Vice President and Vice Chairman, Merrill Lynch Canada, December, 2007 - August, 2008; Executive Vice President and Managing Director, Co-Head of Canada Investment Banking, Merrill Lynch Canada, March, 2001 - December, 2007
John C. Carson, Jr.	57	President - Raymond James Financial, Inc. since April, 2012; President - Morgan Keegan & Company, LLC, formerly known as Morgan Keegan & Company, Inc., since July, 2013; Chief Executive Officer and Executive Managing Director - Morgan Keegan & Company, Inc., March, 2008 - July, 2013; President - Fixed Income Capital Markets - Morgan Keegan & Company, Inc., 1994 - February, 2008
George Catanese	54	Senior Vice President and Chief Risk Officer since October, 2005; Director, Internal Audit, November, 2001 - October, 2005
Jeffrey A. Dowdle	49	President - Asset Management Services - Raymond James & Associates, Inc. since January, 2005; Senior Vice President - Raymond James & Associates, Inc. since January, 2005
Jeffrey P. Julien	57	Executive Vice President - Finance, Chief Financial Officer and Treasurer
Paul L. Matecki	57	Senior Vice President - General Counsel, Secretary
Steven M. Raney	48	President and CEO - Raymond James Bank, N.A. since January, 2006; Partner and Director of Business Development, LCM Group, February, 2005 - December, 2005; various executive positions in the Tampa Bay area, Bank of America, June, 1988 - January, 2005
Jeffrey E. Trocin	54	Executive Vice President - Equity Capital Markets - Raymond James & Associates, Inc.; President - Global Equities and Investment Banking - Raymond James & Associates, Inc. since July, 2013
Dennis W. Zank	59	Chief Operating Officer since January, 2012; Chief Executive Officer - Raymond James & Associates, Inc. since January, 2012; President - Raymond

James & Associates, Inc., December, 2002 - December, 2011

Except where otherwise indicated, the executive officer has held his or her current position for more than five years.

EMPLOYEES AND INDEPENDENT CONTRACTORS

Our employees and independent contractors are vital to our success in the financial services industry. As of September 30, 2013, we had approximately 10,150 employees. As of September 30, 2013, we had more than 3,500 independent contractors with whom we are affiliated.

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OTHER INFORMATION

Our internet address is www.raymondjames.com; investors can find financial information on our website under "Our Company - Investor Relations - Financial Reports - SEC Filings." We make available, free of charge, through links to the SEC website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. These reports, which include certain XBRL instance files, are available through our website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. We also make available on our website our Annual Report to Shareholders and our proxy statements in PDF format under "Our Company - Investors Relations - Shareholders' Meeting." A copy of any document we file with the SEC is available at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for information on the Public Reference Room. The SEC maintains an internet site that contains annual, quarterly and current reports, proxy and information statements and other information that we file electronically with the SEC. The SEC's internet site is www.sec.gov.

Additionally, we make available on our website under "Our Company - Investor Relations - Corporate Governance," a number of our corporate governance documents. These include: the Corporate Governance Principles, the charters of the Audit and Risk Committee and the Corporate Governance, Nominating and Compensation Committee of the Board of Directors, our Compensation Recoupment Policy, the Senior Financial Officers' Code of Ethics, and the Codes of Ethics for employees and the Board of Directors. Printed copies of these documents will be furnished to any shareholder upon request. The information on our website is not incorporated by reference into this report.

Factors affecting "forward-looking statements"

From time to time, we may publish "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended, or make oral statements that constitute forward-looking statements. These forward-looking statements may relate to such matters as anticipated financial performance, future revenues or earnings, business prospects, allowance for loan loss levels at RJ Bank, projected ventures, new products, anticipated market performance, recruiting efforts, regulatory approvals, future acquisition expenses, and other matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, we caution readers that a variety of factors could cause our actual results to differ materially from the anticipated results or other expectations expressed in our forward-looking statements. These risks and uncertainties, many of which are beyond our control, are discussed in Item 1A, "Risk Factors," in this Form 10-K. We do not undertake any obligation to publicly update or revise any forward-looking statements.

Item 1A. RISK FACTORS

Our operations and financial results are subject to various risks and uncertainties, including those described below, that could adversely affect our business, financial condition, results of operations, liquidity and the trading price of our common stock or our senior notes which are listed on the NYSE.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

Damage to our reputation could damage our businesses.

Maintaining our reputation is critical to our attracting and maintaining customers, investors and employees. If we fail to deal with, or appear to fail to deal with, various issues that may give rise to reputational risk, we could significantly harm our business prospects. These issues include, but are not limited to, any of the risks discussed in this Item 1A, appropriately dealing with potential conflicts of interest, legal and regulatory requirements, ethical issues, money-laundering, privacy, record keeping, sales and trading practices, failure to sell securities we have underwritten at the anticipated price levels, and the proper identification of the legal, reputational, credit, liquidity, and market risks inherent in our products. A failure to deliver appropriate standards of service and quality, or a failure or perceived failure to treat customers and clients fairly, can result in customer dissatisfaction, litigation and heightened regulatory scrutiny, all of which can lead to lost revenue, higher operating costs and harm to our reputation. Further, negative publicity regarding us, whether or not true, may also result in harm to our prospects.

We are affected by domestic and international macroeconomic conditions that impact the global financial markets.

We are engaged in various financial services businesses. As such, we are generally affected by domestic and international macroeconomic and political conditions, including levels of economic output, interest and inflation rates, employment levels, consumer confidence levels, and fiscal and monetary policy. These conditions may directly and indirectly impact a number of factors in the global financial markets that may be detrimental to our operating results, including the levels of trading, investing, and origination activity in the securities markets, security valuations, the absolute and relative level and volatility of interest and currency rates, real estate values, the actual and perceived quality of issuers and borrowers, and the supply of and demand for loans and deposits.

At times over the last several years we have experienced operating cycles during weak and uncertain U.S. and global economic conditions, including low levels of economic output, artificially maintained levels of historically low interest rates, relatively high rates of unemployment, and significant uncertainty with regards to fiscal and monetary policy both domestically and abroad. These conditions led to several factors in the global financial markets that from time to time negatively impacted our net revenue and profitability. While select factors indicate signs of improvement, uncertainty remains. A period of sustained downturns and/or volatility in the securities markets, prolonged continuation of the artificially low level of short term interest rates, a return to increased dislocations in the credit markets, reductions in the value of real estate, and other negative market factors could significantly impair our revenues and profitability. We could experience a decline in commission revenue from a lower volume of trades we execute for our clients, a decline in fees from reduced portfolio values of securities managed on behalf of our clients, a reduction in revenue from the number and size of transactions in which we provide underwriting, financial advisory and other services, increased credit provisions and charge-offs, losses sustained from our customers' and market participants' failure to fulfill their settlement obligations, reduced net interest earnings, and other losses. These periods of reduced revenue and other losses could be accompanied by periods of reduced profitability because certain of our expenses including but not limited to our interest expense on debt, rent, facilities and salary expenses are fixed and, our ability to reduce them over short periods of time is limited.

Future downgrades of the U.S. sovereign credit rating by one or more of the major credit rating agencies could have material adverse impacts on financial markets and economic conditions in the United States and throughout the world and, in turn, could have a material adverse effect on our business, financial condition and liquidity.

Concerns about the European Union's ("EU") sovereign debt in recent years has caused uncertainty and disruption for financial markets globally. Continued uncertainties loom over the outcome the EU's financial support programs and the possibility exists that other EU member states may experience similar financial troubles in the future. Any negative impact on economic conditions and global markets from further EU sovereign debt matters could adversely affect our business, financial condition and liquidity.

Our businesses and earnings are affected by the fiscal and other policies adopted by various regulatory authorities of the United States, non-U.S. governments, and international agencies. The Fed regulates the supply of money and credit in the United States. Fed policies determine in large part the cost of funds for lending and investing and the return earned on those loans and investments. The market impact from such policies can also materially decrease the value of certain of our financial assets, most notably debt securities. Changes in Fed policies are beyond our control and, consequently, the impact of these changes on our activities and results of our operations are difficult to predict.

U.S. state and local governments also continue to struggle with budget pressures caused by the ongoing less than optimal economic environment, and ongoing concerns regarding municipal issuer credit quality. If these trends continue or worsen, investor concerns could potentially reduce the number and size of transactions in which we participate and in turn reduce investment banking revenues. In addition such factors could adversely affect the value of the municipal securities we hold in our trading securities portfolio.

RJ Bank is particularly affected by economic conditions in North America. United States and/or Canadian factors which are indicative of market conditions include: interest rates, the rate of unemployment, real estate prices, the level of consumer confidence, changes in consumer spending and the number of personal bankruptcies, among others. The deterioration of these factors can diminish loan demand, lead to an increase in mortgage and other loan delinquencies, affect loan repayment performance and result in higher reserves and net charge-offs, which can adversely affect our earnings.

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Lack of liquidity or access to capital could impair our business and financial condition.

Maintaining an appropriate level of liquidity, or the amount of capital that is readily available for investment, spending, or to meet our contractual obligations is essential to our business. Our inability to maintain adequate levels of capital in the form of cash and readily available access to the credit and capital markets could have a significant negative effect on our financial condition. If liquidity from our brokerage or banking operations are inadequate or unavailable, we may be required to scale back or curtail our operations, including limiting our efforts to recruit additional financial advisors, selling assets at prices that may be less favorable to us, and cutting or eliminating the dividends we pay to our shareholders. Some potential conditions that could negatively affect our liquidity include the inability of our subsidiaries to generate cash in the form of dividends from earnings, changes imposed by regulators to our liquidity or capital requirements in our subsidiaries that may prevent the upstream of dividends in the form of cash to the parent company, limited or no accessibility to credit markets for secured and unsecured borrowings by our subsidiaries, diminished access to the capital markets at the parent company, and other commitments or restrictions on capital as a result of adverse legal settlements, judgments, or regulatory sanctions.

The availability of outside financing, including access to the credit and capital markets, depends on a variety of factors, such as conditions in the debt and equity markets, the general availability of credit, the volume of securities trading activity, the overall availability of credit to the financial services sector, and our credit ratings. Our cost and availability of funding may be adversely affected by illiquid credit markets and wider credit spreads. Additionally, lenders may from time to time curtail, or even cease, to provide funding to borrowers as a result of any future concerns about the stability of the markets generally, and the strength of counterparties specifically.

If RJF’s credit ratings were downgraded, or if rating agencies indicate that a downgrade may occur, our business, financial position, and results of operations could be adversely affected, perceptions of our financial strength could be damaged, and as a result, adversely affect our relationships with clients. Such a reduction in our credit ratings could also adversely affect our liquidity and competitive position, increase our incremental borrowing costs, limit our access to the capital markets, trigger obligations under certain financial agreements, or decrease the number of investors, clients and counterparties willing or permitted to do business with or lend to us, thereby curtailing our business operations and reducing profitability. As such, we may not be able to successfully obtain additional outside financing to fund our operations on favorable terms, or at all. The impact of a credit rating downgrade to a level below investment grade would result in our breaching provisions in one of our credit agreements and certain of our derivative instruments, and may result in a request for immediate payment and/or ongoing overnight collateralization on our derivative instruments in liability positions (see Note 18 of the Notes to Consolidated Financial Statements in this Form 10-K for such information as of September 30, 2013).

Furthermore, as a bank holding company, we may become subject to a prohibition or to limitations on our ability to pay dividends or repurchase our stock. The OCC, the Fed, the FDIC, and the SEC (via FINRA) have the authority, and under certain circumstances the duty, to prohibit or to limit the payment of dividends by the subsidiaries to their parent, for the subsidiaries they supervise.

See Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources,” in this Form 10-K for additional information on liquidity and how we manage our liquidity risk.

We are exposed to market risk.

We are, directly and indirectly, affected by changes in market conditions. Market risk generally represents the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions. For example, changes in interest rates could adversely affect our net interest spread, the difference between the yield we earn on our assets and the interest rate we pay for deposits and other sources of funding, which in turn impacts our net interest income and earnings. Changes in interest rates could affect the interest earned on assets differently than interest paid on liabilities. In our brokerage operations, a rising interest rate environment generally results in our earning a larger net interest spread. Conversely in those operations, a falling interest rate environment generally results in our earning a smaller net interest spread. If we are unable to effectively manage our interest rate risk, changes in interest rates could have a material adverse effect on our profitability.

Market risk is inherent in the financial instruments associated with our operations and activities including loans, deposits, securities, short-term borrowings, long-term debt, trading account assets and liabilities, derivatives, and venture capital and merchant banking investments. Market conditions that change from time to time, thereby exposing us to market risk, include fluctuations in interest rates, equity prices, relative exchange rates, and price deterioration or changes in value due to changes in market perception or actual credit quality of an issuer.

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In addition, disruptions in the liquidity or transparency of the financial markets may result in our inability to sell, syndicate or realize the value of security positions, thereby leading to increased concentrations. The inability to reduce our positions in specific securities may not only increase the market and credit risks associated with such positions, but also increase the level of risk-weighted assets on our balance sheet, thereby increasing capital requirements which could adversely affect our profitability.

Our venture capital and merchant banking investments are carried at fair value with unrealized gains and losses reflected in earnings. The value of our private equity portfolios can fluctuate and earnings from our venture capital investments can be volatile and difficult to predict. When, and if, we recognize gains can depend on a number of factors, including general economic conditions, the prospects of the companies in which we invest, when these companies go public, the size of our position relative to the public float and whether we are subject to any resale restrictions. Further, our investments could incur significant mark-to-market losses, especially if they have been written up in prior periods because of higher market prices.

See Item 7A, “Quantitative and Qualitative Disclosures about Market Risk,” in this Form 10-K for additional information regarding our exposure to and approaches to managing market risk.

We are exposed to credit risk.

We are generally exposed to the risk that third parties that owe us money, securities or other assets do not meet their performance obligations due to bankruptcy, lack of liquidity, operational failure or other reasons.

We actively buy and sell securities from and to clients and counterparties in the normal course of our broker-dealer businesses exposing us to credit risk. Although generally collateralized by the underlying security to the transaction, we still face the risk associated with changes in the market value of collateral through settlement date. We also hold certain securities and derivatives in our trading accounts. Deterioration in the actual or perceived credit quality of the underlying issuers of securities, or the non-performance of issuers and counterparties to certain derivative contracts could result in trading losses.

We borrow securities from, and lend securities to, other broker-dealers, and may also enter into agreements to repurchase and agreements to resell securities as part of investing and financing activities. A sharp change in the security market values utilized in these transactions may result in losses if counterparties to these transactions fail to honor their commitments.

We manage the risk associated with these transactions by establishing and monitoring credit limits and by monitoring collateral and transaction levels daily. A significant deterioration in the credit quality of one of our counterparties could lead to concerns in the market about the credit quality of other counterparties in the same industry, thereby exacerbating our credit risk exposure. We may require counterparties to deposit additional collateral or substitute collateral pledged. In the case of aged securities failed to receive, we may, under industry regulations, purchase the underlying securities in the market and seek reimbursement for any losses from the counterparty.

Also, we permit our clients to purchase securities on margin. During periods of steep declines in securities prices, the value of the collateral securing client margin loans may fall below the amount of the purchaser’s indebtedness. If the clients are unable to provide additional collateral for these margin loans, we may incur losses on those margin transactions. This may cause us to incur additional expenses defending or pursuing claims or litigation related to counterparty or client defaults.

We deposit our cash in depository institutions as a means of maintaining the liquidity necessary to meet our operating needs, and we also facilitate the deposit of cash awaiting investment in depository institutions on behalf of our clients.

A failure of a depository institution to return these deposits could severely impact our operating liquidity, could result in significant reputational damage, and adversely impact our financial performance.

We also incur credit risk by lending to businesses and individuals including, but not limited to, C&I loans, commercial and residential mortgage loans, home equity lines of credit, and margin and non-purpose loans collateralized by securities. We incur credit risk through our investments which include MBS, collateralized mortgage obligations, auction rate securities, and other municipal securities.

Our credit risk and credit losses can increase if our loans or investments are concentrated among borrowers or issuers engaged in the same or similar activities, industries, geographies, or to borrowers or issuers who as a group may be uniquely or disproportionately affected by economic or market conditions. The deterioration of an individually large exposure, for example due to a natural disaster, act of terrorism, severe weather event, or economic event, could lead to additional loan loss provisions and/or charges-offs, or credit impairment of our investments, and subsequently have a material impact on our net income and regulatory capital.

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Declines in the real estate market or sustained economic downturns may cause us to write down the value of some of the loans in RJ Bank’s portfolio, foreclose on certain real estate properties or write down the value of some of our available for sale securities portfolio. Credit quality generally may also be affected by adverse changes in the financial performance or condition of our debtors or deterioration in the strength of the U.S. economy. Our policies also can adversely affect borrowers, potentially increasing the risk that they may fail to repay their loans or satisfy their obligations to us.

See Item 7A, “Quantitative and Qualitative Disclosures about Market Risk,” in this Form 10-K for additional information regarding our exposure to and approaches to managing credit risk.

Our business depends on fees generated from the distribution of financial products and on fees earned from the management of client accounts by our asset management subsidiaries.

A large portion of our revenues are derived from fees generated from the distribution of financial products, such as mutual funds and variable annuities. Changes in the structure or amount of the fees paid by the sponsors of these products could directly affect our revenues, business and financial condition. In addition, if these products experience losses or increased investor redemptions, we may receive lower fee revenue from the investment management and distribution services we provide on behalf of the mutual funds and annuities. The investment management fees we are paid may also decline over time due to factors such as increased competition, renegotiation of contracts and the introduction of new, lower-priced investment products and services. Changes in market values or in the fee structure of asset management accounts would affect our revenues, business and financial condition. Asset management fees often are primarily comprised of base management and incentive fees. Management fees are primarily based on assets under management. Assets under management balances are impacted by net inflow/outflow of client assets and market values. Below-market investment performance by our funds and portfolio managers could result in a loss of managed accounts and could result in reputational damage that might make it more difficult to attract new investors and thus further impacting our business and financial condition. If we were to experience the loss of managed accounts, our fee revenue would decline. In addition, in periods of declining market values, our asset values under management may resultantly decline, which would negatively impact our fee revenues.

Our underwriting, market making, trading, and other business activities place our capital at risk.

We may incur losses and be subject to reputational harm to the extent that, for any reason, we are unable to sell securities which we have underwritten at the anticipated price levels. As an underwriter, we also are subject to heightened standards regarding liability for material misstatements or omissions in prospectuses and other offering documents relating to offerings we underwrite. As a market maker, we may own positions in specific securities, and these undiversified holdings concentrate the risk of market fluctuations and may result in greater losses than would be the case if our holdings were more diversified. In addition, we may incur losses as a result of proprietary positions we hold.

From time to time and as part of our underwriting processes, we may carry significant positions in securities of a single issuer or issuers engaged in a specific industry. Sudden changes in the value of these positions could impact our financial results.

We have made and may continue to make principal investments in private equity funds and other illiquid investments, which are typically private limited partnership interests and securities that are not publicly traded. There is risk that we may be unable to realize our investment objectives by sale or other disposition at attractive prices or that we may otherwise be unable to complete a desirable exit strategy. In particular, these risks could arise from changes in the financial condition or prospects of the portfolio companies in which investments are made, changes in economic conditions or changes in laws, regulations, fiscal policies or political conditions. It could take a substantial period of time to identify attractive investment opportunities and then to realize the cash value of such investments through resale. Even if a private equity investment proves to be profitable, it may be several years or longer before any profits can be realized in cash.

The soundness of other financial institutions and intermediaries affects us.

We face the risk of operational failure, termination or capacity constraints of any of the clearing agents, exchanges, clearing houses or other financial intermediaries that we use to facilitate our securities transactions. As a result of the consolidation over the years among clearing agents, exchanges and clearing houses, our exposure to certain financial intermediaries has increased and could affect our ability to find adequate and cost-effective alternatives should the need arise. Any failure, termination or constraint of these intermediaries could adversely affect our ability to execute transactions, service our clients and manage our exposure to risk.

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Our ability to engage in routine trading and funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, funding, counterparty or other relationships. We have exposure to many different industries and counterparties, and we routinely execute transactions with counterparties in the financial industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds and other institutional clients. Furthermore, although we do not hold any EU sovereign debt, we may do business with and be exposed to financial institutions that have been affected by the EU sovereign debt circumstances. As a result, defaults by, or even rumors or questions about the financial condition of, one or more financial services institutions, or the financial services industry generally, have historically led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. Many of these transactions expose us to credit risk in the event of default of our counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by us cannot be realized or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due us. Although we have not suffered any material or significant losses as a result of the failure of any financial counterparty, any such losses in the future may have a material adverse affect on our results of operations.

We have experienced increased pricing pressures in areas of our business which may impair our future revenue and profitability.

Our business continues to experience increased pricing pressures on trading margins and commissions in fixed income and equity trading. In the fixed income market, regulatory requirements have resulted in greater price transparency, leading to increased price competition and decreased trading margins. In the equity market, we have experienced increased pricing pressure from institutional clients to reduce commissions, and this pressure has been augmented by the increased use of electronic and direct market access trading, which has created additional competitive downward pressure on trading margins. We believe that price competition and pricing pressures in these and other areas will continue as institutional investors continue to reduce the amounts they are willing to pay, including by reducing the number of brokerage firms they use, and some of our competitors seek to obtain market share by reducing fees, commissions or margins.

We may not realize cost savings or other benefits that we anticipated in connection with our acquisition of Morgan Keegan.

On April 2, 2012 we completed our purchase of all of the issued and outstanding shares of Morgan Keegan (refer to the discussion of this acquisition in Note 3 of the Notes to the Consolidated Financial Statements in this Form 10-K).

Acquisitions of this magnitude pose numerous risks, including the failure to achieve anticipated synergies or to realize the projected benefits of the transaction; potential loss of clients or key employees, and the inability to sustain revenue and earnings growth. Even though during the year ended September 30, 2013 we successfully completed the integration of its businesses into those of RJ&A, there is no assurance that the net results of this acquisition over time will yield all of the positive benefits anticipated. If we are not successful in any or all of these areas, there is a risk that our results of operations, financial condition and cash flows may be materially and adversely affected.

Regions may fail to honor its indemnification obligations associated with Morgan Keegan matters.

Under the definitive stock purchase agreement dated January 11, 2012 entered into by RJF and Regions governing our acquisition of Morgan Keegan (the “SPA”), Regions has ongoing obligations to continue to indemnify RJF with respect to certain litigation as well as other matters. RJF is relying on Regions to continue fulfilling its indemnification obligations under the SPA with respect to such matters. Our inability to enforce these indemnification provisions, or our failure to recover losses for which we are entitled to be indemnified, could result in our incurring significant costs for defense, settlement and any adverse judgments and resultantly have an adverse effect on our results of operations, financial condition, and our regulatory capital levels.

See Note 3 of the Notes to the Consolidated Financial Statements in this Form 10-K for further information regarding these indemnification agreements.

Growth of our business could increase costs and regulatory risks.

Integrating acquired businesses, providing a platform for new businesses and partnering with other firms involve a number of risks and present financial, managerial and operational challenges. We may incur significant expenses in connection with further expansion of our existing businesses, or recruitment of financial advisors, or in connection with strategic acquisitions or investments, if and to the extent they arise from time to time. Our overall profitability would be negatively affected if investments and expenses associated with such growth are not matched or exceeded by the revenues that are derived from such investment or growth.

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Expansion may also create a need for additional compliance, documentation, risk management and internal control procedures, and often involves the hiring of additional personnel to monitor such procedures. To the extent such procedures are not adequate to appropriately monitor any new or expanded business, we could be exposed to a material loss or regulatory sanction.

Moreover, to the extent we pursue strategic acquisitions, we may be unable to complete such acquisitions on acceptable terms, or be unable to successfully integrate the operations of any acquired business into our existing business. Such acquisitions could be of significant size and/or complexity. This effort, together with difficulties we may encounter in integrating an acquired business, could have an adverse affect on our business, financial condition, and results of operations. In addition, we may need to raise equity capital or borrow to finance such acquisitions, which could dilute our shareholders or increase our leverage. Any such borrowings might not be available on terms as favorable to us as our current borrowings, or perhaps at all.

We face intense competition.
We are engaged in intensely competitive businesses. We compete on the basis of a number of factors, including the quality of our financial advisors and associates, our products and services, pricing (such as execution pricing and fee levels), location and reputation in relevant markets. Over time there has been substantial consolidation and convergence among companies in the financial services industry which has significantly increased the capital base and geographic reach of our competitors. See the section entitled “Competition” of Item 1 of this Form 10-K for additional information about our competitors.

We compete directly with national full service broker-dealers, investment banking firms, and commercial banks, and to a lesser extent, with discount brokers and dealers and investment advisors. In addition, we face competition from more recent entrants into the market and increased use of alternative sales channels by other firms. We also compete indirectly for investment assets with insurance companies, real estate firms, hedge funds, and others. This competition could cause our business to suffer.

To remain competitive, our future success also depends in part on our ability to develop and enhance our products and services. In addition, the continued development of internet, networking or telecommunication technologies or other technological changes could require us to incur substantial expenditures to enhance or adapt our services or infrastructure. An inability to develop new products and services, or enhance existing offerings, could have a material adverse effect on our profitability.

Our ability to attract and retain qualified financial advisors and other associates is critical to the continued success of our business.
Our ability to develop and retain our client base depends on the reputation, judgment, business generation capabilities and skills of our employees and financial advisors. As such, to compete effectively we must attract, retain and motivate qualified associates, including successful financial advisors, investment bankers, trading professionals, portfolio managers and other revenue producing or specialized personnel. Competitive pressures we experience could have an adverse affect on our business, results of operations, financial condition and liquidity.

The cost of retaining skilled professionals in the financial services industry has escalated considerably. Employers in the industry are increasingly offering guaranteed contracts, upfront payments, and increased compensation. These can be important factors in a current employee’s decision to leave us as well as a prospective employee’s decision to join us. As competition for skilled professionals in the industry remains intense, we may have to devote significant resources to attracting and retaining qualified personnel. To the extent we have compensation targets, we may not be able to retain our employees which could result in increased recruiting expense or result in our recruiting additional employees at compensation levels that are within our target range. In particular, our financial results may be adversely affected by the costs we incur in connection with any upfront loans or other incentives we may offer to newly recruited financial advisors and other key personnel.

Moreover, companies in our industry whose employees accept positions with competitors frequently claim that those competitors have engaged in unfair hiring practices. We have been subject to several such claims in the past and may be subject to additional claims in the future as we seek to hire qualified personnel, some of whom may currently be working for our competitors. Some of these claims may result in material litigation. We could incur substantial costs in defending ourselves against these claims, regardless of their merits. Such claims could also discourage potential employees who currently work for our competitors from joining us.

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We are exposed to operational risk.

Our diverse operations expose us to risk of loss resulting from inadequate or failed internal processes, people and systems, external events, including technological or connectivity failures either at the exchanges in which we do business or between our data center, operations processing sites or our branches. Our businesses depend on our ability to process and monitor, on a daily basis, a large number of complex transactions across numerous and diverse markets. The inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand our businesses. Our financial, accounting, data processing or other operating systems and facilities may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control, adversely affecting our ability to process these transactions or provide these services. Operational risk exists in every activity, function or unit of our business, and can take the form of internal or external fraud, employment and hiring practices, an error in meeting a professional obligation, or failure to meet corporate fiduciary standards. It is not always possible to deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in all cases. If our employees engage in misconduct, our businesses would be adversely affected. Operational risk also exists in the event of business disruption, system failures or failed transaction processing. Third parties with which we do business could also be a source of operational risk, including with respect to breakdowns or failures of the systems or misconduct by the employees of such parties. In addition as we change processes or introduce new products and services, we may not fully appreciate or identify new operational risks that may arise from such changes. Increasing use of automated technology has the potential to amplify risks from manual or system processing errors, including outsourced operations.

Our business contingency plan in place is intended to ensure we have the ability to recover our critical business functions and supporting assets, including staff and technology, in the event of a business interruption. Despite the diligence we have applied to the development and testing of our plans, due to unforeseen factors, our ability to conduct business may in any case be adversely affected by a disruption involving physical site access, catastrophic events including weather related events, events involving electrical, environmental or communications malfunctions, as well as events impacting services provided by others that we rely upon which could impact our employees or third parties with whom we conduct business.

See Item 7A, “Quantitative and Qualitative Disclosures about Market Risk,” in this Form 10-K for additional information regarding our exposure to and approaches to managing operational risk.

Our businesses depend on technology.

Our businesses rely extensively on electronic data processing and communications systems. In addition to better serving clients, the effective use of technology increases efficiency and enables us to reduce costs. Adapting or developing our technology systems to meet new regulatory requirements, client needs, and competitive demands is critical for our business. Introduction of new technology presents challenges on a regular basis. There are significant technical and financial costs and risks in the development of new or enhanced applications, including the risk that we might be unable to effectively use new technologies or adapt our applications to emerging industry standards.

Our continued success depends, in part, upon our ability to successfully maintain and upgrade the capability of our systems, our ability to address the needs of our clients by using technology to provide products and services that satisfy their demands, and our ability to retain skilled information technology employees. Failure of our systems, which could result from events beyond our control, or an inability to effectively upgrade those systems or implement new technology-driven products or services, could result in financial losses, liability to clients, violations of applicable privacy and other laws, and regulatory sanctions.

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Customer, public, and regulatory expectations regarding operational and information security have increased. Thus, our operational systems and infrastructure must continue to be safeguarded and monitored for potential failures, disruptions and breakdowns. Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Although cyber security incidents among financial services firms are on the rise, to-date we have not experienced any material losses relating to cyber attacks or other information security breaches, however, there can be no assurance that we will not suffer such losses in the future. Notwithstanding that we take protective measures and endeavor to modify them as circumstances warrant, our computer systems, software and networks may be vulnerable to human error, natural disasters, power loss, spam attacks, unauthorized access, distributed denial of service attacks, computer viruses and other malicious code and other events that could have a security impact. If one or more of these events occur, this could jeopardize our, or our clients' or counterparties', confidential and other information processed, stored in, and transmitted through our computer systems and networks, or otherwise cause interruptions or malfunctions in our, our clients', our counterparties' or third parties' operations. We may be required to expend significant additional resources to modify our protective measures, to investigate and remediate vulnerabilities or other exposures or to make required notifications, and we may be subject to litigation and financial losses that are either not insured or are not fully covered through any insurance we maintain. A technological breakdown could also interfere with our ability to comply with financial reporting and other regulatory requirements, exposing us to potential disciplinary action by regulators.

Extraordinary trading volumes beyond reasonably foreseeable spikes in volumes could cause our computer systems to operate at an unacceptably slow speed or even fail. While we have made investments to maintain the reliability and scalability of our systems and maintain hardware to address extraordinary volumes, there can be no assurance that our systems will be sufficient to handle truly extraordinary and unforeseen circumstances. Systems failures and delays could occur and could cause, among other things, unanticipated disruptions in service to our clients or slower system response time resulting in transactions not being processed as quickly as our clients desire, resulting in client dissatisfaction.

See Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," in this Form 10-K for additional information regarding our exposure to and approaches to managing these types of operational risk.

Our operations could be adversely affected by serious weather conditions.

Certain of our principal operations are located in St. Petersburg, Florida. While we have a business continuity plan that permits significant operations to be conducted from our Southfield, Michigan and Memphis, Tennessee locations and we are in process of transitioning our information systems processing to our new information technology data center in the Denver, Colorado area (see Item 2, "Properties" in this Form 10-K for further discussion), our operations could be adversely affected by hurricanes or other serious weather conditions that could affect the processing of transactions, communications, and the ability of our associates to get to our offices, or work from home. Refer to the "we are exposed to credit risk" risk factor in this Item 1A for a discussion of how events, including weather events, could adversely impact RJ Bank's loan portfolio and the "we are exposed to operational risk" risk factor in this Item 1A, for a discussion of how weather related events could impact our ability to conduct business.

We are exposed to litigation risks.

Many aspects of our business involve substantial risks of liability, arising in the normal course of business. We have been named as a defendant or co-defendant in lawsuits and arbitrations involving primarily claims for damages. The risks associated with potential litigation often may be difficult to assess or quantify and the existence and magnitude of potential claims often remain unknown for substantial periods of time. Unauthorized or illegal acts of our employees could result in substantial liability for us. Advisors may not understand investor needs or risk tolerances. Such failures may result in the recommendation or purchase of a portfolio of assets that may not be suitable for the investor. To the extent we fail to know our customers or improperly advise them, we could be found liable for losses suffered by such customers, which could harm our business. Our Private Client Group business segment has historically had more risk of litigation than our institutional businesses.

In highly volatile markets, the volume of claims and amount of damages sought in litigation and regulatory proceedings against financial institutions has historically increased. These risks include potential liability under securities or other laws for alleged materially false or misleading statements made in connection with securities offerings and other transactions, issues related to the suitability of our investment advice based on our clients' investment objectives, the inability to sell or redeem securities in a timely manner during adverse market conditions, contractual issues, employment claims and potential liability for other advice we provide to participants in strategic transactions. Substantial legal liability could have a material adverse financial effect or cause us significant reputational harm, which in turn could seriously harm our business and our prospects.

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In addition to the foregoing financial costs and risks associated with potential liability, the costs of defending individual litigation and claims continue to increase over time. The amount of outside attorneys' fees incurred in connection with the defense of litigation and claims could be substantial and might materially and adversely affect our results of operations.

As it pertains to Morgan Keegan, a number of the types of claims and matters described above arising prior to our acquisition are subject to indemnification from Regions. Refer to the separate risk factor in this section entitled, "Regions may fail to honor its indemnification obligations associated with Morgan Keegan matters" for a discussion of the risks associated with these indemnifications.

See Item 3, "Legal Proceedings" in this Form 10-K for a discussion of our legal matters and Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," in this Form 10-K for discussion regarding our approach to managing legal risk.

The preparation of the consolidated financial statements requires the use of estimates that may vary from actual results and new accounting standards could adversely affect future reported results.

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions may require management to make difficult, subjective and complex judgments about matters that are inherently uncertain. One of our most critical estimates is RJ Bank's allowance for loan losses. At any given point in time, conditions in the real estate and credit markets may influence the complexity and increase the uncertainty involved in estimating the losses inherent in RJ Bank's loan portfolio. If management's underlying assumptions and judgments prove to be inaccurate, one outcome could be that the allowance for loan losses could be insufficient to cover actual losses. Our financial condition, including our liquidity and capital, and results of operations could be materially and adversely impacted. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Estimates," in this Form 10-K for additional information on the nature of these estimates.

Our financial instruments, including certain trading assets and liabilities, available for sale securities including Auction Rate Securities ("ARS") , certain loans, intangible assets and private equity investments, among other items, require management to make a determination of their fair value in order to prepare our consolidated financial statements. Where quoted market prices are not available, we may make fair value determinations based on internally developed models or other means which ultimately rely to some degree on our judgment. Some of these instruments and other assets and liabilities may have no direct observable inputs, making their valuation particularly subjective, being based on significant estimation and judgment. In addition, sudden illiquidity in markets or declines in prices of certain securities may make it more difficult to value certain items, which may lead to the possibility that such valuations will be subject to further change or adjustment and could lead to declines in our earnings in subsequent periods.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. From time to time the Financial Accounting Standards Board ("FASB") and the SEC change the financial accounting and reporting standards that govern the preparation of our financial statements. In addition, accounting standard setters and those who interpret the accounting standards may change or even reverse their previous interpretations or positions on how these standards should be applied. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in our restating prior period financial statements. For a further discussion of some of our significant accounting policies and standards, see the "Critical

Accounting Estimates” discussion within Item 7, and Note 2 of the Notes to Consolidated Financial Statements, in this Form 10-K.

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Our risk management and conflicts of interests policies and procedures may leave us exposed to unidentified or unanticipated risk.

We seek to manage, monitor and control our operational, legal and regulatory risk through operational and compliance reporting systems, internal controls, management review processes and other mechanisms; however, there can be no assurance that our procedures will be fully effective. Further, our risk management methods may not effectively predict future risk exposures, which could be significantly greater than the historical measures indicate. In addition, some of our risk management methods are based on an evaluation of information regarding markets, clients and other matters that are based on assumptions that may no longer be accurate. A failure to adequately manage our growth, or to effectively manage our risk, could materially and adversely affect our business and financial condition. Our risk management processes include addressing potential conflicts of interest that arise in our business. We have procedures and controls in place to address conflicts of interest. Management of potential conflicts of interest has become increasingly complex as we expand our business activities through more numerous transactions, obligations and interests with and among our clients. The failure to adequately address or the perceived failure to adequately address, conflicts of interest could affect our reputation, the willingness of clients to transact business with us or give rise to litigation or regulatory actions. Therefore, there can be no assurance that conflicts of interest will not arise in the future that could cause material harm to us.

For more information on how we monitor and manage market and certain other risks, see Item 7A, “Quantitative and Qualitative Disclosures about Market Risk,” in this Form 10-K.

We are exposed to risk from international markets.

We do business in other parts of the world, including a few developing regions of the world commonly known as emerging markets and, as a result, are exposed to a number of risks, including economic, market, litigation and regulatory risks, in non-U.S. markets. Our businesses and revenues derived from non-U.S. operations are subject to risk of loss from currency fluctuations, social or political instability, changes in governmental policies or policies of central banks, downgrades in the credit ratings of sovereign countries, expropriation, nationalization, confiscation of assets and unfavorable legislative and political developments. Action or inaction in any of these operations, including failure to follow proper practices with respect to regulatory compliance and/or corporate governance, could harm our operations and/or our reputation. We also invest or trade in the securities of corporations located in non-U.S. jurisdictions. Revenues from the trading of non-U.S. securities also may be subject to negative fluctuations as a result of the above factors. The impact of these fluctuations could be magnified because generally non-U.S. trading markets, particularly in emerging market countries, are smaller, less liquid and more volatile than U.S. trading markets. Additionally, a political, economic or financial disruption in a country or region could adversely impact our business and increase volatility in financial markets generally.

We have risks related to our insurance programs.

Our operations and financial results are subject to risks and uncertainties related to our use of a combination of insurance, self-insured retention and self-insurance for a number of risks, including most significantly: property and casualty, workers’ compensation, errors and omissions liability, general liability and the portion of employee-related health care benefits plans we fund, among others.

While we endeavor to purchase insurance coverage that is appropriate to our assessment of risk, we are unable to predict with certainty the frequency, nature or magnitude of claims for direct or consequential damages. Our business may be negatively affected if in the future our insurance proves to be inadequate or unavailable. In addition, insurance claims may divert management resources away from operating our business.

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RISKS RELATED TO OUR REGULATORY ENVIRONMENT

Changes in regulations resulting from either the Dodd-Frank Act or any new regulations may affect our businesses.

The market and economic conditions over the past several years have led to legislation and numerous and continuing proposals for changes in the regulation of the financial services industry, including significant additional legislation and regulation in the U.S. and abroad. The Dodd-Frank Act enacted sweeping changes in the supervision and regulation of the financial industry designed to provide for greater oversight of financial industry participants, reduce risk in banking practices and in securities and derivatives trading, enhance public company corporate governance practices and executive compensation disclosures, and provide for greater protections to individual consumers and investors. Certain elements of the Dodd-Frank Act became effective immediately, while the details of some provisions remain subject to implementing regulations that are yet to be adopted by various applicable regulatory agencies. The ultimate impact that the Dodd-Frank Act will have on us, the financial industry and the economy cannot be known until all such implementing regulations called for under the Dodd-Frank Act have been finalized and implemented.

The Dodd-Frank Act may impact the manner in which we market our products and services, manage our business and operations and interact with regulators, all of which while not currently anticipated to, could materially impact our results of operations, financial condition and liquidity. Certain provisions of the Dodd-Frank Act that have or may impact our business include, but are not limited to: the establishment of a fiduciary standard for broker-dealers, regulatory oversight of incentive compensation, the imposition of capital requirements on financial holding companies and to a lesser extent, greater oversight over derivatives trading and restrictions on proprietary trading. There is also increased regulatory scrutiny (and related compliance costs) as we continue to grow and surpass certain thresholds outlined in the Dodd-Frank Act. These include but are not limited to RJ Bank’s oversight by the CFPB.

Additionally, we are closely monitoring regulatory developments related to the “Volcker Rule.” Until the final regulations under the Volcker Rule are adopted, the precise definition of prohibited “proprietary trading”, the scope of any exceptions, including those related to market making and hedging activities, and the scope of permitted hedge fund and private equity fund investments remain uncertain. It is unclear under the proposed rules whether some portion of our market making and related risk mitigation activities, as currently conducted, will be required to be curtailed or will be otherwise adversely affected. In addition, the rules, if enacted as proposed, could prohibit our participation and investment in certain securitization structures and could bar us from sponsoring or investing in certain non-U.S. funds. Also, should regulators not exercise their authority to permit us to hold certain investments, including those in illiquid private equity funds, beyond the minimum statutory divestment period, we could incur substantial losses when we dispose of such investments. We may be forced to sell such investments at a substantial discount in the secondary market as a result of both the constrained timing of such sales and the possibility that other financial institutions are likewise liquidating their investments at the same time. When the regulations are final, we will be in a position to complete a review of our relevant activities and make plans to implement compliance with the Volcker Rule, which will likely not require full conformance until July 2014, subject to extensions.

To the extent the Dodd-Frank Act impacts the operations, financial condition, liquidity and capital requirements of unaffiliated financial institutions with whom we transact business, those institutions may seek to pass on increased costs, reduce their capacity to transact, or otherwise present inefficiencies in their interactions with us.

The SEC recently adopted amendments, most of which were effective October, 2013, to its financial responsibility rules, including changes to the net capital rule, the customer protection rule, the record-keeping rules, and the notification rules applicable to our broker-dealer subsidiaries. We are currently evaluating the impact of these amendments on our broker-dealer subsidiaries; however, based on our current analyses, we do not believe they will have a material adverse effect on any of our broker-dealer subsidiaries.

The Basel III capital standards will impose additional capital and other requirements on us that could decrease our competitiveness and profitability.

In July 2013, the OCC, the FRB and the FDIC released final U.S. Basel III regulatory capital rules implementing the global regulatory capital reforms of Basel III and certain changes required by the Dodd-Frank Act. The rule increases the quantity and quality of regulatory capital, establishes a capital conservation buffer, and makes selected changes to the calculation of risk-weighted assets. The rule becomes effective for us January 1, 2015, subject to a transition period for several aspects of the rule, including the new minimum capital ratio requirements, the capital conservation buffer, and the regulatory capital adjustments and deductions. We are currently evaluating the impact of these rules on both RJ Bank and RJF. The increased capital requirements could restrict our ability to grow during favorable market conditions or require us to raise additional capital. As a result, our business, results of operations, financial condition or prospects could be adversely affected.

Failure to comply with regulatory capital requirements primarily applicable to RJF, RJ Bank or our broker-dealer subsidiaries would significantly harm our business.

RJF and RJ Bank are subject to various regulatory and capital requirements administered by the federal banking regulators. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, RJF and RJ Bank must meet specific capital guidelines that involve quantitative measures of RJF and RJ Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. RJF's and RJ Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components of our capital, risk weightings of assets, off-balance sheet transactions, and other factors. Quantitative measures established by regulation to ensure capital adequacy require RJF and RJ Bank to maintain minimum amounts and ratios of Total and Tier I Capital to risk-weighted assets and Tier I Capital to adjusted assets (as defined in the regulations). Failure to meet minimum capital requirements can trigger certain mandatory and possibly additional discretionary, actions by regulators that, if undertaken, could harm either RJF or RJ Bank's operations and our financial condition.

Additionally, as RJF is a holding company, it depends on dividends, distributions and other payments from its subsidiaries to fund payments of its obligations including, among others, debt service. We are subject to the SEC's uniform net capital rule (Rule 15c3-1) and the net capital rule of FINRA, which may limit our ability to make withdrawals of capital from our broker-dealer subsidiaries. The uniform net capital rule sets the minimum level of net capital a broker-dealer must maintain and also requires that a portion of its assets be relatively liquid. FINRA may prohibit a member firm from expanding its business or paying cash dividends if resulting net capital falls below its requirements. In addition, our Canada based broker-dealer subsidiary is subject to similar limitations under applicable regulation in that jurisdiction. Regulatory capital requirements applicable to some of our significant subsidiaries may impede access to funds the holding company needs to make payments on any such obligations.

See Note 25 of the Notes to Consolidated Financial Statements in this Form 10-K for further information on regulations and capital requirements.

We operate in a highly regulated industry in which future developments could adversely affect our business and financial condition.

The securities industry is subject to extensive regulation, and broker-dealers and investment advisors are subject to regulations covering all aspects of the securities business including, but not limited to, sales and trading methods, trade practices among broker-dealers, use and safekeeping of customers' funds and securities, capital structure of securities firms, anti-money laundering efforts, record keeping and the conduct of directors, officers and employees. If laws or regulations are violated, we could be subject to one or more of the following: civil liability, criminal liability, sanctions which could include the revocation of our subsidiaries' registrations as investment advisors or broker-dealers, the revocation of the licenses of our financial advisors, censures, fines or a temporary suspension or permanent bar from conducting business. Any of those events could have a material adverse effect on our business, financial condition and prospects.

The majority of our affiliated financial advisors are independent contractors. Legislative or regulatory action that redefines the criteria for determining whether a person is an employee or an independent contractor could materially impact our relationships with our advisors and our business, resulting in an adverse effect on our results of operations.

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We currently invest in selected private equity and merchant banking investments (see the description of this activity in the “Other” section of Part 1, Item 1 Business, within this Form 10-K). As a financial holding company, the magnitude of such investments is subject to certain limitations. At our current investment levels, we do not anticipate having to make any otherwise unplanned divestitures of these investments in order to comply with regulatory limits; however, the amount of future investments may be limited in order to maintain compliance within regulatory specified levels.

We are subject to financial holding company regulatory reporting requirements including the maintenance of certain risk-based regulatory capital levels that could impact various capital allocation decisions of one or more of our businesses. However, due to our strong current capital position, we do not anticipate that these capital level requirements will have any negative impact on our future business activities. See the section entitled “Business - Regulation” of Item 1 of this Form 10-K for additional information.

As a financial holding company, we are regulated by the Fed. RJ Bank is regulated by the OCC, the Fed, the CFPB, and the FDIC. This oversight includes, but is not limited to, scrutiny with respect to affiliate transactions and compliance with consumer regulations. The economic and political environment over the past several years has caused increased focus on the regulation of the financial services industry, including many proposals for new rules. Any new rules issued by our regulators could affect us in substantial and unpredictable ways and could have an adverse effect on our business, financial condition, and results of operations. We also may be adversely affected as a result of changes in federal, state, or foreign tax laws, or by changes in the interpretation or enforcement of existing laws and regulations.

The SEC has proposed certain measures that would establish a new framework to replace the requirements of Rule 12b-1 under the Investment Company Act of 1940, with respect to how mutual funds collect and pay fees to cover the costs of selling and marketing their shares. Any adoption of such measures would be phased in over a number of years. As these measures are neither final nor undergoing implementation throughout the financial services industry, the impact of changes such as those currently proposed cannot be predicted at this time. As this regulatory trend continues, it could adversely affect our operations and, in turn, our financial results.

See the section entitled “Business - Regulation” within Item 1 of this Form 10-K for additional information regarding our regulatory environment and Item 7A, “Quantitative and Qualitative Disclosures about Market Risk,” in this Form 10-K regarding our approaches to managing regulatory risk. Regulatory actions brought against us may result in judgments, settlements, fines, penalties or other results adverse to us, which could have a material adverse affect on our business, financial condition or results of operations.

RISKS RELATED TO OUR COMMON STOCK

The market price of our common stock may continue to be volatile.

The market price of our common stock has been, and is likely to continue to be, volatile and subject to fluctuations. Stocks of financial institutions have, from time to time, experienced significant downward pressure in connection with economic conditions or events and may again experience such pressures in the future. Changes in the stock market generally or as it concerns our industry, as well as geopolitical, economic and business factors unrelated to us, may also affect our stock price. Significant declines in the market price of our common stock or failure of the market price to increase could harm our ability to recruit and retain key employees, reduce our access to debt or equity capital and otherwise harm our business or financial condition.

Our current shareholders may experience dilution in their holdings if we issue additional shares of common stock as a result of future offerings or acquisitions where we use our common stock.

As part of our business strategy, we may seek opportunities for growth through strategic acquisitions in which we may consider issuing equity securities as part of the consideration. Additionally, we may obtain additional capital through the public sale of debt or equity securities. If we sell equity securities, the value of our common stock could experience dilution. Furthermore, these securities could have rights, preferences and privileges more favorable than those of the common stock. Moreover, if we issue additional shares of common stock in connection with equity compensation, future acquisitions, or as a result of financing, an investor's ownership interest in our company will be diluted.

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The issuance of any additional shares of common stock, or securities convertible into or exchangeable for common stock or that represent the right to receive common stock, or the exercise of such securities, could be substantially dilutive to holders of our common stock. Holders of our shares of common stock have no preemptive rights that entitle holders to purchase their pro rata share of any offering of shares of any class or series and, therefore, such sales or offerings could result in increased dilution to our shareholders. The market price of our common stock could decline as a result of sales or issuance of shares of our common stock or securities convertible into or exchangeable for common stock.

Item 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

Item 2. PROPERTIES

The RJF headquarters is located on approximately 55 acres within the Carillon office park in St. Petersburg, Florida. The RJF headquarters complex currently includes four main buildings which encompass a total of approximately 878,000 square feet of office space, the RJ Bank building which is a 42,000 square foot two-story building, and two five-story parking garages. At this St. Petersburg location, we have the ability to add approximately 490,000 square feet of new office space. We also have 30,000 square feet of leased warehouse space near the headquarters complex in St. Petersburg. During fiscal year 2011, we entered into an agreement to purchase approximately 65 acres located in Pasco County, Florida, subject to the outcome of our due diligence. Our due diligence review of this property is ongoing and we continue to consider the location for potential future expansion of our offices in the Tampa Bay area. We also conduct operations in Michigan from our 85,000 square-foot building located on 13 acres we own in Southfield, Michigan. During fiscal year 2012, we acquired a three acre parcel of land in the Denver, Colorado area on which we constructed a 40,000 square foot information technology data center that became operational as of July, 2013. We also conduct operations from the former Morgan Keegan headquarters which is located in approximately 237,000 square feet of leased office space in a 21-story office building in downtown Memphis, Tennessee.

We lease offices in various locations throughout the U.S. and in certain foreign countries. With the exception of a company-owned RJ&A branch office building in Crystal River, Florida, and certain interests in real estate holdings held under Morgan Properties, LLC which are insignificant in the aggregate, RJ&A branches are leased from third parties under leases that contain various expiration dates through 2024. RJ Ltd. leases premises for its main offices in Vancouver, Calgary and Toronto and for branch offices throughout Canada. These leases have various expiration dates through 2026. RJ Ltd. does not own any land or buildings. See Note 20 of the Notes to Consolidated Financial Statements in this Form 10-K for further information on our lease commitments.

Leases for branch offices of RJFS, the independent contractors of RJ Ltd., and RJIS, are the responsibility of the respective independent contractor financial advisors.

Item 3. LEGAL PROCEEDINGS

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

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

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

In March 2009, MK & Co. received a Wells Notice from the SEC’s Atlanta Regional Office related to ARS indicating that the SEC staff intended to recommend that the SEC take civil action against the firm. On July 21, 2009, the SEC filed a complaint in the United States District Court for the Northern District of Georgia (the “Court”) against MK & Co. alleging violations of the federal securities laws in connection with ARS that MK & Co. underwrote, marketed and sold. On June 28, 2011, the Court granted MK & Co.’s Motion for Summary Judgment, dismissing the case brought by the SEC. On May 2, 2012, the United States Court of Appeals for the Eleventh Circuit reversed the Court’s decision and remanded the case. A bench trial was held the week of November 26, 2012, and on February 15, 2013, the Court ruled that MK & Co. had been negligent in a few discreet instances and ordered it to repurchase ARS from 17 clients. The court imposed a fine of $100,500 and dismissed all other claims. Beginning in February 2009, MK & Co. commenced a voluntary program to repurchase ARS that it underwrote and sold to MK & Co. customers, and extended that repurchase program on October 1, 2009, to include certain ARS that were sold by MK & Co. to its customers but were underwritten by other firms. On July 21, 2009, the Alabama Securities Commission issued a “Show Cause” order to MK & Co. arising out of the ARS matter that is the subject of the SEC complaint described above. The order requires MK & Co. to show cause why its registration as a broker-dealer should not be suspended or revoked in the State of Alabama and also why it should not be subject to disgorgement, repurchasing all ARS sold to Alabama residents and payment of costs and penalties.

The SEC and states of Missouri and Texas are investigating alleged securities law violations by MK & Co. in the underwriting and sale of certain municipal bonds. An enforcement action was brought by the Missouri Secretary of State in April 2013, seeking monetary penalties and other relief. In November 2013, the state dismissed this enforcement action and refiled the same claims as a civil action in the Circuit Court for Boone County, Missouri. A civil action was brought by institutional investors of the bonds on March 19, 2012, seeking a return of their investment and unspecified compensatory and punitive damages. A class action was brought on behalf of retail purchasers of the bonds on September 4, 2012, seeking unspecified compensatory and punitive damages. These actions are in the early stages.

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

Indemnification from Regions

As more fully described in Note 3 of the Notes to the Consolidated Financial Statements in this Form 10-K, the SPA provides that Regions will indemnify RJF for losses incurred in connection with any legal proceedings pending as of the closing date or commenced after the closing date related to pre-closing matters. All of the pre-Closing Date Morgan Keegan matters described above are subject to such indemnification provisions. See Note 20 of the Notes to the Consolidated Financial Statements in this Form 10-K for additional information regarding Morgan Keegan’s pre-Closing Date legal matter contingencies.

Other matters unrelated to Morgan Keegan

We are a defendant or co-defendant in various lawsuits and arbitrations incidental to our securities business, matters which are unrelated to the pre-Closing Date activities of Morgan Keegan. We are contesting the allegations in these cases and believe that there are meritorious defenses in each of these lawsuits and arbitrations. In view of the number and diversity of claims against us, the number of jurisdictions in which litigation is pending and the inherent difficulty of predicting the outcome of litigation and other claims, we cannot state with certainty what the eventual outcome of pending litigation or other claims will be. In the opinion of management, based on current available information, review with outside legal counsel, and consideration of amounts provided for in the accompanying consolidated financial statements with respect to these matters, ultimate resolution of these matters will not have a material adverse impact on our financial position or cumulative results of operations. However, resolution of one or more of these matters may have a material effect on the results of operations in any future period, depending upon the ultimate resolution of those matters and upon the level of income for such period.

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See Note 20 of the Notes to the Consolidated Financial Statements in this Form 10-K for additional information regarding legal matter contingencies.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the NYSE under the symbol "RJF." At November 18, 2013 there were approximately 20,000 holders of our common stock. Our transfer agent is Computershare Shareowner Services LLC whose address is P.O. Box 43006, Providence, RI 02940-3006. The following table sets forth for the periods indicated the high and low trades for our common stock:

	Fiscal year			
	2013		2012	
	High	Low	High	Low
First quarter	$39.99	$36.26	$32.37	$23.16
Second quarter	$48.22	$39.23	$38.18	$31.59
Third quarter	$46.73	$39.31	$37.67	$31.96
Fourth quarter	$45.55	$41.11	$38.95	$30.99

Cash dividends per share of common stock paid during the quarter are reflected below. The dividends were declared during the quarter preceding their payment.

	Fiscal year	
	2013	2012
First quarter	$0.13	$0.13
Second quarter	$0.14	$0.13
Third quarter	$0.14	$0.13
Fourth quarter	$0.14	$0.13

On August 22, 2013, our Board of Directors declared a quarterly dividend of $0.14 in cash per share of common stock which was paid on October 15, 2013. Additionally, on November 21, 2013, our Board of Directors declared a quarterly dividend of $0.16 in cash per share of common stock, to be paid January 16, 2014 to shareholders of record on January 2, 2014.

See Note 25 of the Notes to Consolidated Financial Statements in this Form 10-K for information regarding our intentions for paying cash dividends and the related capital restrictions.

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The following table presents information on our purchases of our own stock, on a monthly basis, for the twelve month period ended September 30, 2013:

	Number of shares purchased [1]	Average price per share
October 1, 2012 – October 31, 2012	48	$36.73
November 1, 2012 – November 30, 2012	37,482	36.78
December 1, 2012 – December 31, 2012	183,115	37.63
First quarter	220,645	$37.48
January 1, 2013 – January 31, 2013	24,328	$39.01
February 1, 2013 – February 28, 2013	2,050	41.23
March 1, 2013 – March 31, 2013	3,208	35.90
Second quarter	29,586	$38.83
April 1, 2013 – April 30, 2013	5,928	$44.40
May 1, 2013 – May 31, 2013	23,532	41.52
June 1, 2013 – June 30, 2013	552	41.93
Third quarter	30,012	$42.10
July 1, 2013 – July 31, 2013	9,637	$43.31
August 1, 2013 – August 31, 2013	17,489	42.97
September 1, 2013 – September 30, 2013	282	39.77
Fourth quarter	27,408	$43.06
Fiscal year total	307,651	$38.56

(1) We purchase our own stock in conjunction with a number of activities, each of which are described below. We do not have a formal stock repurchase plan. As of September 30, 2013, there is $49.4 million remaining on the current authorization of our Board of Directors for open market share repurchases.

From time to time, our Board of Directors has authorized specific dollar amounts for repurchases at the discretion of our Board’s Securities Repurchase Committee. The decision to repurchase securities is subject to cash availability and other factors. Historically we have considered such purchases when the price of our stock approaches 1.5 times book value. We did not purchase any of our shares in open market transactions during the year ended September 30, 2013.

Share purchases for the trust fund that was established and funded to acquire our common stock in the open market and used to settle restricted stock units granted as a retention vehicle for certain employees of our wholly owned Canadian subsidiaries (see Note 2 and Note 11 of the Notes to Consolidated Financial Statements in this Form 10-K for more information on this trust fund) amounted to 125,700 shares for a total of $4.7 million, for the fiscal year ended September 30, 2013.

We also repurchase shares when employees surrender shares as payment for option exercises or withholding taxes. During the fiscal year ended September 30, 2013, there were 181,951 shares surrendered to us by employees for a total of $7.1 million as payment for option exercises or withholding taxes.

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Item 6. SELECTED FINANCIAL DATA

	Year ended September 30,					
	2013	2012	2011	2010	2009	
	(in thousands, except per share data)					
Operating results:						
Total revenues	$4,595,798	$3,897,900	$3,399,886	$2,979,516	$2,602,519	
Net revenues	$4,485,427	$3,806,531	$3,334,056	$2,916,665	$2,545,566	
Net income attributable to RJF	$367,154	$295,869	$278,353	$228,283	$152,750	
Net income per share - basic	$2.64	$2.22	$2.20	$1.83	$1.25	(1)
Net income per share - diluted	$2.58	$2.20	$2.19	$1.83	$1.25	(1)
Weighted-average common shares outstanding - basic	137,732	130,806	122,448	119,335	117,188	(1)
Weighted-average common and common equivalent shares outstanding - diluted	140,541	131,791	122,836	119,592	117,288	(1)
Cash dividends per common share - declared	$0.56	$0.52	$0.52	$0.44	$0.44	
Financial condition:						
Total assets	$23,186,122	$21,160,265	$18,006,995	$17,883,081 (2)	$18,226,728	(3)
Long-term debt (4)	$1,239,855	$1,385,514	$662,006	$416,369	$477,423	
Shareholders' equity	$3,662,924	$3,268,940	$2,587,619	$2,302,816	$2,032,463	
Shares outstanding (5)	138,750	136,076	123,273	121,041	118,799	
Book value per share at end of year	$26.40	$24.02	$20.99	$19.03	$17.11	
Tangible book value per share at end of year (a non-GAAP measure) (6)	$23.86	$21.42	$20.45	$18.49	$16.56	

(1) Effective for fiscal year 2010, we implemented new accounting guidance that changed the manner in which earnings per share were computed. The new guidance requires unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) to be considered participating securities and, therefore, included in the earnings allocation in computing earnings per share under the two-class method. Our unvested restricted shares and certain restricted stock units granted as part of our share-based compensation are considered participating securities. To enhance comparability, the earnings per share amounts and the weighted-average share amounts outstanding has been revised from the amounts initially reported, to reflect the amounts which would have been presented had this accounting guidance been effective in that year.

(2) Total assets include $3.1 billion in qualifying assets, offset by $2.4 billion in overnight borrowings and $700 million in additional RJBDP deposits to meet point-in-time regulatory balance sheet composition requirements related to RJ Bank's qualifying as a thrift institution at such time.

(3) Total assets include $1.2 billion in U.S. Treasury securities and $2 billion in reverse repurchase agreements, offset by $2.3 billion in additional RJBDP deposits and $900 million in overnight borrowings to meet point-in-time regulatory balance sheet composition requirements related to RJ Bank's qualifying as a thrift institution at such time.

(4) Includes the portion of the following debt instruments which repayment is due later than twelve months from September 30 of the respective year: our senior notes, loans payable of consolidated variable interest entities ("VIE") (which are non-recourse to us), Federal Home Loan Bank ("FHLB") advances, our mortgage loan, the minimum required outstanding balance on the New Regions Credit Agreement (as hereinafter defined in Item 7 - Borrowings

and Financing Arrangements in this Form 10-K), and the term debt of any joint venture we consolidate.

(5) Excludes non-vested shares.

(6) This non-GAAP measure is computed by dividing shareholders' equity, less goodwill and other identifiable intangible assets, net of their related deferred tax balances (which are $9 million, $8 million and $6 million as of September 30, 2013, 2012 and 2011 respectively), by the number of shares outstanding. Management believes tangible book value per share is a measure that is useful to assess capital strength and that the GAAP and non-GAAP measures should be considered together.

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Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Executive overview

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

Year ended September 30, 2013 compared with the year ended September 30, 2012

We achieved record net revenues of $4.5 billion, a $679 million, or 18%, increase compared to the prior year. All four operating segments achieved record net revenues and pre-tax earnings this fiscal year. Revenues were higher in fiscal year 2013 in part because the results include twelve months of Morgan Keegan operations as compared to six months in fiscal year 2012. In addition, fiscal year 2013 net revenues include a $65 million gain on a proprietary capital investment (a $22.7 million impact to RJF net revenues after noncontrolling interests), which further elevated our revenues.

Our pre-tax income increased $93 million, or 20%, compared to the prior year, to $564 million. Excluding the acquisition related expenses primarily resulting from the Morgan Keegan acquisition, we generated adjusted pre-tax income of $644 million (a non-GAAP measure)[(1)], a 21% increase over the prior year. Earnings per share increased 17% over the prior year, to $2.58 per share. Excluding the acquisition related expenses mentioned above, adjusted earnings per share (a non-GAAP measure)[(1)] increased 18%, to $2.95 per share.

All of our operating segments performed well during the year, as each achieved record levels of pre-tax income. Total client assets under administration were a record $425.4 billion at September 30, 2013, a 10% increase over the prior year level. Non-interest expenses increased $553 million, or 17%, primarily as a result of the inclusion of a full year of expenses from legacy Morgan Keegan businesses. Increases in compensation related expenses, information technology expenses, and acquisition related expenses were partially offset by a decrease in the bank loan loss provision.

Significant milestones achieved in fiscal year 2013 include the mid-February 2013 transfer of all of the Morgan Keegan financial advisors and client accounts from the Morgan Keegan platform to the RJ&A platform. Following that conversion and allowing time for the former Morgan Keegan financial advisors to become proficient in the use of the RJ&A platform, in the June 2013 quarter we implemented staff reductions. These reductions occurred mainly within our information technology groups where there was significant overlap in historic Morgan Keegan and RJ&A

support staffing that we had elected to maintain through the platform conversion date in order to ensure the continued high levels of service to financial advisors and clients while we operated on two different platforms. Retention levels remain very high for the legacy Morgan Keegan financial advisors. The Morgan Keegan Capital Markets businesses were also integrated (primarily fixed income and public finance investment banking) during the year, and further staff reductions were made. Given these accomplishments, as of September 30, 2013 our various Morgan Keegan integration initiatives have been substantially and successfully completed.

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

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A summary of the most significant items impacting our financial results as compared to the prior year, in addition to the impact of twelve months of Morgan Keegan operations in the current year compared to six months in the prior year, are as follows:

- Our Private Client Group segment generated net revenues of $2.9 billion, an 18% increase, while pre-tax income increased 7% to $230 million. The increase in revenues is primarily attributable to increased securities commissions and fee revenues, predominately arising from fee-based accounts. Pre-tax income was negatively impacted by an increase in commission expenses (driven primarily by the increase in corresponding commission revenues) as well as an increase in communication and information processing expense. Client assets under administration of the Private Client Group increased 9% over the prior year, to $402.6 billion at September 30, 2013.

- The Capital Markets segment generated net revenues of $927 million, a 15% increase, while pre-tax income increased 35% to $102 million. We experienced significant increases in institutional fixed income commission revenues, merger and acquisition fees, and fixed income investment banking revenues. Equity capital markets commission levels increased as a result of improved equity market conditions. Results from our equity capital markets investment banking business have been uneven throughout the year, characterized by intermittent periods of significant activity, and ending the year with strong results. Our fixed income operations improved overall, but were negatively impacted during times of adverse fixed income market conditions. These adverse conditions resulted from medium and longer term interest rate volatility, which negatively impacted our trading results.

- Our Asset Management segment generated revenues of $293 million, a 23% increase, while pre-tax income increased 43% to $96 million. Assets under management in managed programs increased 31% to a record $56 billion as of September 30, 2013. Strong net inflows of client assets in managed programs, including from legacy MK & Co. branches, market appreciation, and our acquisition of an interest in ClariVest, contributed to the increase.

- RJ Bank generated $268 million in pre-tax income, an 11%, increase. The increase resulted primarily from the significant decrease in the loan loss provision expense and an increase in net interest income. The decrease in the loan loss provision expense resulted from an improved credit environment, the favorable resolution of certain problem loans, and a significant reduction in residential mortgage delinquent loans. The increase in net interest income was primarily the result of an increase in average loans outstanding.

- In our non-operating Other segment, our results reflect a $6 million increase in our pre-tax loss. This segment includes certain corporate expenses, our principal capital and our private equity activities. Our results were favorably impacted by the sale of our indirect investment in Albion Medical Holdings, Inc. (“Albion”) in April, 2013. The Albion investment generated an increase of $18 million in pre-tax income (net of noncontrolling interests). We also experienced other less significant increases on other investments in our private equity portfolio. Those increases were more than offset by additional acquisition and integration related costs incurred from the Morgan Keegan acquisition, and a full year’s interest expense associated with debt financings executed in March 2012 to finance a portion of the acquisition.

- Our earnings benefited from a favorable effective tax rate in fiscal year 2013. Our effective tax rate in fiscal year 2013 decreased to 34.9% from 37.3% in fiscal year 2012. The tax rate decrease primarily resulted from a nonrecurring tax benefit resulting from a change in management’s repatriation strategy of certain foreign earnings as well as a significant increase in nontaxable income associated with the change in market value of company-owned life insurance.

With regard to regulatory changes that could impact our businesses in the future, our view of the potential impact to us of future regulations is substantially unchanged by the regulatory activities that occurred during the year. Based on our review of the Dodd-Frank Act, and because of the nature of our businesses and our business practices, we presently do not expect the legislation to have a significant direct impact on our operations as a whole. However, because some of the implementing regulations have yet to be adopted by various regulatory agencies, the specific impact on some of our businesses remains uncertain.

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Year ended September 30, 2012 compared with the year ended September 30, 2011

On April 2, 2012, we completed our acquisition of Morgan Keegan from Regions. This acquisition expands both our private client and our capital markets businesses. Morgan Keegan brings to us a strong private client business, one of the industry's top fixed income and public finance groups, and a significant equity capital markets division. Headquartered in Memphis with 57 full-service offices in 20 states, Morgan Keegan had approximately 3,100 employees and over 900 financial advisors as of the date of our purchase, 892 of whom have been retained as of September 30, 2012. While an addition of this size is a departure from our focus on organic growth supplemented by individual hires and small acquisitions, it is not a departure from our overall strategy. We have used strategic mergers to grow throughout our history when the timing and pricing were right and, most importantly, when there was a strong cultural fit and clear path for integration. With the addition of Morgan Keegan, we are one of the country's largest wealth management and investment banking firms, affording us even greater ability to support our financial advisors and retail and institutional clients.

Our fiscal year 2012 results include six months of Morgan Keegan results, and therefore comparisons to prior years are not necessarily meaningful for many of our key financial and operating metrics. Furthermore, integration of both equity and fixed income capital markets began immediately following the Closing Date which precludes the determination of legacy Morgan Keegan results in those areas. Regarding our integration plans, our plan is to migrate all the private client financial advisors and client accounts off of the Morgan Keegan platforms and fully integrate those operations onto our RJ&A platform during the second quarter of fiscal year 2013.

Despite the somewhat challenging market conditions during the fiscal year, most of our businesses performed relatively well as we accomplished record annual net revenue and net income levels. Our net revenues of $3.8 billion represent a 14% increase compared to the prior year. Excluding net revenues estimated to be attributable to the addition of Morgan Keegan, net revenues increased 2% compared to the prior year. All of our segments realized increased revenues over the prior year. Total client assets under administration increased to $386 billion, a 51% increase as compared to the prior year. Approximately $85 billion of the client assets under administration total are associated with legacy Morgan Keegan branches. Our Private Client Group and Capital Markets segments benefited significantly from the acquisition of Morgan Keegan. Non-interest expenses increased $455 million, or 16%, from the prior year primarily due to the addition of Morgan Keegan. The fiscal year 2012 non-interest expenses include $59 million of acquisition and integration related costs we incurred specifically associated with the Morgan Keegan acquisition, while the prior year includes $41 million pertaining to a nonrecurring loss on auction rate securities repurchased. The bank loan loss provision decreased $8 million from the prior year reflecting the overall improvement in the credit markets over that period.

Inclusive of the impact of the acquisition of Morgan Keegan, our pre-tax income increased $10 million, or 2%, while our net income increased $18 million, or 6%, as compared to the prior year. After consideration of the acquisition related expenses we incurred and the $2 million of incremental interest expense we incurred as part of the pre-Closing Date execution of our Morgan Keegan purchase financing strategies, we generated adjusted pre-tax income of $533 million (a non-GAAP measure) [(1)] in fiscal year 2012. After adjusting fiscal year 2011 for the effect of the nonrecurring loss on auction rate securities repurchased, we generated adjusted pre-tax income of $503 million (a non-GAAP measure) [(1)], reflecting an increase in adjusted pre-tax income (a non-GAAP measure) [(1)] of $30 million, or 6%, in fiscal year 2012 as compared to the prior year.

Our financial results during fiscal year 2012 were most significantly impacted by:

- Our Private Client Group segment generated net revenues of $2.5 billion in fiscal year 2012, a 13% increase over the prior year. Pre-tax income of $215 million represents a 2% decrease compared to the prior year. The increase in revenues is in large part due to our acquisition of Morgan Keegan and the high levels of retention of the Morgan

Keegan financial advisors since the acquisition Closing Date. Client assets under administration of the Private Client Group increased 44% at September 30, 2012 as compared to the prior year, to $368 billion, which is a result of both the assets brought on by Morgan Keegan branches and 19% growth in legacy RJF private client assets. Fiscal year 2012's pre-tax income was negatively impacted by a significant increase in our technology costs resulting from system enhancements to existing platforms and projects which address numerous regulatory requirements.

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

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- The Capital Markets segment realized a $7 million, or 8%, decrease in pre-tax income. After adjusting for the adverse impact of the emerging markets businesses, the segment generated an increase in pre-tax income of $5 million, or 6%, as compared to the prior year, this despite very challenging equity capital markets conditions throughout the year. As a result of our Morgan Keegan acquisition, we realized substantially increased fixed income institutional sales commissions as well an increase in trading profits compared to the prior year. Our acquisition of Morgan Keegan provides us with significantly increased scale in the capital markets industry, primarily as it pertains to fixed income operations and public finance. Weakness in the equity capital markets throughout the year significantly impacted both our institutional equity sales commission levels as well as our equity underwriting fee revenues. A decrease in fiscal year 2012 equity capital markets activity in Canada, which had a particularly strong prior year, also had a significant negative impact on our fiscal year 2012 segment results.

- Our Asset Management segment generated $67 million of pre-tax income in fiscal year 2012, a 2% increase compared to the prior year. Assets under management increased to record levels as of September 30, 2012. Net inflows of client assets, including assets of Morgan Keegan clients, and appreciation in the market values of assets drove the increase.

- RJ Bank generated a $67 million, or 39%, increase in pre-tax income over the prior year to a record $240 million. The increase primarily resulted from an increase in net interest revenues resulting from higher average loan balances while maintaining the net interest spread at a level consistent with the prior year, and a lower loan loss provision resulting primarily from improved credit characteristics both in our loan portfolio and in the markets as a whole.

- In our non-operating Other segment, our results reflect a $127 million pre-tax loss. This segment includes our principal capital and private equity activities which produced pre-tax income of $15 million (after consideration of the attribution to noncontrolling interests) generated by income received and positive valuation adjustments arising from certain of our investments in that portfolio. The segment also includes $59 million of acquisition and integration related costs we incurred in fiscal year 2012 that were associated with the Morgan Keegan acquisition, as well as $62 million of interest expense. The interest expense includes additional interest expense resulting from March 2012 financings to fund a portion of the Morgan Keegan acquisition.

- Our effective tax rate in fiscal year 2012 decreased to 37.3% from the prior year rate of 39.7%, primarily resulting from gains realized in fiscal year 2012 (as compared to losses in the prior year) on our company-owned life insurance investments, which are not subject to tax.

During January 2012, RJF's application to become a bank holding company and a financial holding company was approved by the Fed and RJ Bank's conversion to a national bank was approved by the OCC. These changes became effective February 1, 2012. This status better represents the way RJ Bank has been conducting its business.

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Segments

Effective September 30, 2013, we implemented changes in our reportable segments. The changes are a result of management's assessment of the usefulness and materiality of certain of our historic reportable segments. The effect of the change is that we now report the following five business segments: Private Client Group; Capital Markets; Asset Management; RJ Bank; and the Other segment. Prior period amounts related to the change in reportable segments have been reclassified to conform to the current presentation.

The following table presents our consolidated and segment gross revenues and pre-tax income, excluding noncontrolling interests, for the years indicated:

	Year ended September 30,		
	2013	2012	2011
	(in thousands)		
Total company			
Revenues	$4,595,798	$3,897,900	$3,399,886
Pre-tax income excluding noncontrolling interests	564,187	471,525	461,247
Private Client Group			
Revenues	2,930,603	2,484,670	2,192,422
Pre-tax income	230,315	215,091	220,299
Capital Markets			
Revenues	945,477	820,852	707,460
Pre-tax income	102,171	75,755	82,521
Asset Management			
Revenues	292,817	237,224	226,511
Pre-tax income	96,300	67,241	66,176
RJ Bank			
Revenues	356,130	345,693	281,992
Pre-tax income	267,714	240,158	172,993
Other			
Revenues	126,401	58,412	27,329
Pre-tax loss	(132,313)	(126,720)	(80,742)
Intersegment eliminations			
Revenues	(55,630)	(48,951)	(35,828)

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Reconciliation of the GAAP results to the non-GAAP measures

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

The non-GAAP adjustments for the periods indicated are comprised of the one-time acquisition and integration costs incurred (primarily associated with the Morgan Keegan acquisition) and other non-recurring expenses, net of applicable taxes. Refer to the footnotes to the table below for further explanation of each non-recurring item.

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

	Year ended September 30,		
	2013	2012	2011
	($ in thousands, except per share amounts)		
Net income attributable to RJF, Inc. - GAAP basis	$367,154	$295,869	$278,353
Non-GAAP adjustments :			
Acquisition related expenses [1]	73,454	59,284	—
RJF's share of RJES goodwill impairment expense [2]	4,564	—	—
RJES restructuring expense [3]	1,902	—	—
Interest expense [4]	—	1,738	—
Loss on auction rate securities repurchased [5]	—	—	41,391
Pre-tax non-GAAP adjustments	79,920	61,022	41,391
Tax effect of non-GAAP adjustments [6]	(27,908)	(22,731)	(16,412)
Net income attributable to RJF, Inc. - Non-GAAP basis	$419,166	$334,160	$303,332
Non-GAAP adjustments to common shares outstanding:			
Effect of the February 2012 share issuance on weighted average common shares outstanding [7]	—	(1,396)	—
Non-GAAP earnings per common share:			
Non-GAAP basic	$3.01	$2.53	$2.40
Non-GAAP diluted	$2.95	$2.51	$2.39
Average equity - GAAP basis [8]	$3,465,323	$3,037,789	$2,472,726
Average equity - non-GAAP basis [9]	$3,483,531	$3,027,259	$2,477,722
Return on equity	10.6 %	9.7 %	11.3 %
Return on equity - non-GAAP basis [10]	12.0 %	11.0 %	12.2 %

(1) The non-GAAP adjustment adds back to pre-tax income one-time acquisition and integration expenses associated with acquisitions that were incurred during each respective period.

(2) The non-GAAP adjustment adds back to pre-tax income RJF's share of the total goodwill impairment expense associated with our RJES reporting unit. See further discussion of this impairment expense in the Goodwill section of this Item 7 and in Note 13 of the Notes to Consolidated Financial Statements in this Form 10-K.

(3) The non-GAAP adjustment adds back to pre-tax income restructuring expenses associated with our RJES operations.

(4) The non-GAAP adjustment adds back to pre-tax income the incremental interest expense incurred during the March 31, 2012 quarter on debt financings that occurred in March 2012, prior to and in anticipation of, the closing of the Morgan Keegan acquisition.

(5) The non-GAAP adjustment adds back to pre-tax income the loss associated with the resolution of the ARS matter.

(6) The non-GAAP adjustment reduces net income for the income tax effect of all the pre-tax non-GAAP adjustments, utilizing the effective tax rate applicable to the respective year.

(7)

The non-GAAP adjustment to the weighted average common shares outstanding in the basic and diluted non-GAAP earnings per share computation reduces the actual shares outstanding for the effect of the 11,075,000 common shares issued by RJF in February 2012 as a component of our financing of the Morgan Keegan acquisition.

(8) Computed by adding the total equity attributable to RJF, Inc. as of each quarter-end date during the indicated year to date period, plus the beginning of the year total, divided by five.

(9) The calculation of non-GAAP average equity includes the impact on equity of the non-GAAP adjustments described in the table above, as applicable for each respective period.

(10) Computed by utilizing the net income attributable to RJF, Inc.-non-GAAP basis and the average equity-non-GAAP basis, for each respective period. See footnote (9) above for the calculation of average equity-non-GAAP basis.

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Net interest analysis

We have certain assets and liabilities, not only held in our RJ Bank segment but also held in our PCG and Capital Markets segments, which are subject to changes in interest rates; these changes in interest rates have an impact on our overall financial performance. Given the relationship of our interest sensitive assets to liabilities held in each of these segments, an increase in short-term interest rates would result in an overall increase in our net earnings (we currently have more assets than liabilities with a yield that would be affected by a change in short-term interest rates). A gradual increase in short-term interest rates would have the most significant favorable impact on our PCG and RJ Bank segments (refer to the table in Item 7a - Interest Rate Risk in this Form 10-K, which presents an analysis of RJ Bank's estimated net interest income over a 12 month period based on instantaneous shifts in interest rates using RJ Bank's own internal asset/liability model).

Based upon our analysis, we estimate that a 100 basis point instantaneous rise in short-term interest rates could result in an increase in our pre-tax income in the range of approximately $140 million to $170 million over a twelve month period. Approximately half of such an increase would be attributable to account and service fee revenues (resulting from an increase in the fees generated in lieu of interest income from our multi-bank sweep program with unaffiliated banks and the discontinuance of money market fee waivers) which are reported in the PCG segment, and the remaining portion of the increase attributable to net interest income reported in both our PCG and RJ Bank segments. This estimate is based on static balances as of September 30, 2013 and conservative assumptions related to interest rates earned by clients on their cash balances in various interest rate environments. The actual amount of any increase we would realize in the future will ultimately be based on a number of factors including but not limited to, the actual change in balances, the rapidity and magnitude of the increase in interest rates, the competitive landscape at such time, and the returns on comparable investments which will factor into the interest rates we pay on client cash balances. The vast majority of any incremental benefit to pre-tax income from a rise in short-term interest rates would be expected to arise from the first 100 basis point increase, as we presume that a significant portion of any further incremental increase in short-term interest rates would be passed along to clients, and thus such additional interest revenues and interest sensitive fees would be offset by increases of similar amounts in our interest expense.

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

	Year ended September 30,								
	2013			2012			2011		
	Average balance[1]	Interest inc./exp.	Average yield/cost	Average balance[1]	Interest inc./exp.	Average yield/cost	Average balance[1]	Interest inc./exp.	Average yield/cost
	($ in thousands)								
Interest-earning assets:									
Margin balances	$1,775,251	$60,931	3.43 %	$1,695,197	$60,104	3.55 %	$1,495,931	$52,361	3.50 %
Assets segregated pursuant to regulations and other segregated assets	3,554,917	17,251	0.49 %	3,236,290	16,050	0.50 %	2,480,244	16,343	0.66 %
Bank loans, net of unearned income [2]	8,605,013	335,964	3.90 %	7,501,832	319,211	4.26 %	6,291,748	270,057	4.29 %
Available for sale securities	739,976	8,005	1.08 %	659,053	9,076	1.38 %	402,229	10,815	2.69 %
Trading instruments[3]	742,991	20,089	2.70 %	764,365	20,977	2.74 %	598,155	20,549	3.44 %
Stock loan	349,285	8,271	2.37 %	577,879	9,110	1.58 %	649,529	6,035	0.93 %
Loans to financial advisors [3]	421,645	6,510	1.54 %	342,858	4,797	1.40 %	225,461	4,688	2.08 %
Corporate cash and all other [3]	3,076,912	16,578	0.54 %	2,415,466	13,933	0.58 %	2,129,560	11,470	0.54 %
Total	$19,265,990	$473,599	2.46 %	$17,192,940	$453,258	2.64 %	$14,272,857	$392,318	2.75 %
Interest-bearing liabilities:									
Brokerage client liabilities	$4,866,091	2,049	0.04 %	$4,258,197	$2,213	0.05 %	$3,456,009	$3,422	0.10 %
Bank deposits [2]	9,133,260	9,032	0.10 %	8,032,768	9,484	0.12 %	6,967,727	12,543	0.18 %
Trading instruments sold but not yet purchased [3]	241,334	3,595	1.49 %	173,458	2,437	1.40 %	162,616	3,621	2.23 %
Stock borrow	125,507	2,158	1.72 %	163,262	1,976	1.21 %	224,306	1,807	0.81 %
Borrowed funds	361,317	4,724	1.31 %	314,975	5,915	1.88 %	133,216	3,969	2.98 %
Senior notes	1,148,759	76,113	6.63 %	877,066	58,523	6.67 %	473,112	31,320	6.62 %
Loans payable of consolidated variable interest entities [3]	70,325	3,959	5.63 %	88,762	5,032	5.67 %	105,509	6,049	5.73 %
Other [3]	336,226	8,741	2.60 %	282,359	5,789	2.05 %	61,717	3,099	5.02 %
Total	$16,282,819	$110,371	0.68 %	$14,190,847	$91,369	0.64 %	$11,584,212	$65,830	0.57 %

Net interest income	$363,228	$361,889	$326,488

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

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

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

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Year ended September 30, 2013 compared with the year ended September 30, 2012 – Net Interest Analysis

Net interest income was relatively unchanged as compared to the prior year level. Net interest income is earned primarily by our PCG and RJ Bank segments, which are discussed separately below.

Net interest income in the PCG segment was also relatively unchanged as compared to the prior year. In the historically low rate interest environment that existed during fiscal year 2013, we earned a historically low interest spread on client cash balances, thus we experienced only a nominal favorable impact on our net interest revenues despite increases in client balances outstanding.

RJ Bank's net interest income increased $17 million, or 5%, primarily as a result of an increase in average loans outstanding, partially offset by a decrease in net interest margin. Refer to the discussion of the specific components of RJ Bank's net interest income in the RJ Bank section of this MD&A.

Interest income earned on our available for sale securities portfolio decreased from the prior year due to significantly lower yields on the portfolio which more than offset the increase resulting from higher investment balances. The average balance of the portfolio increased primarily as a result of the ARS we acquired halfway through the prior year as a part of the Morgan Keegan acquisition. Given the significantly lower yields from these securities, the weighted-average yield on the total available for sale securities portfolio declined.

Interest expense on our senior notes increased approximately $18 million over the prior year. The increase primarily results from our March 2012 issuances of $350 million 6.9% senior notes and $250 million 5.625% senior notes. Both of the March 2012 debt offerings were part of our acquisition financing activities and other transactions associated with the Morgan Keegan acquisition.

Year ended September 30, 2012 compared with the year ended September 30, 2011 – Net Interest Analysis

Net interest income in fiscal year 2012 increased $35 million, or 11%, as compared to the prior year.

Net interest income in the PCG segment increased $13 million, or 18%, despite the impact of more client assets entering our multi-bank sweep program, which pays a fee in lieu of interest. The increase was primarily the result of an increase in client margin balances, a portion of which resulted from the addition of the balances associated with Morgan Keegan clients.

RJ Bank's net interest income in fiscal year 2012 increased $51 million, or 19%, primarily as a result of an increase in average loans outstanding. Refer to the discussion of the specific components of RJ Bank's net interest income in the RJ Bank section of this MD&A.

Interest income earned on our available for sale securities portfolio decreased in fiscal year 2012 due to significantly lower yields on the portfolio as compared to the prior year. The average balance of the portfolio increased primarily as a result of the ARS we repurchased during the quarter ended September 30, 2011 as well as the ARS we acquired in the Morgan Keegan transaction. The yield on ARS is significantly lower than the yield on historical available for sale securities. In addition, the yield on the portion of the portfolio that is not invested in ARS decreased substantially. The result is a substantially lower weighted-average yield on available for sale securities as compared to the prior year.

Interest expense on our senior notes increased approximately $27 million in fiscal year 2012 over the prior year. The increase is primarily comprised of $21 million of interest expense resulting from our March 2012 issuance of $350 million 6.9% senior notes and $250 million 5.625% senior notes; and $6 million of additional interest expense in fiscal year 2012 associated with our April 2011 issuance of $250 million 4.25% senior notes. Both of the March 2012 debt offerings were part of our financing activities associated with funding the Morgan Keegan acquisition which closed on April 2, 2012.

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Results of Operations – Private Client Group

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

	Year ended September 30,				
	2013	% change	2012	% change	2011
	($ in thousands)				
Revenues:					
Securities commissions and fees:					
Equities	$289,395	10 %	$263,578	(5)%	$276,562
Fixed income products	98,994	18 %	83,698	39 %	60,193
Mutual funds	621,459	21 %	514,146	12 %	458,555
Fee-based accounts	1,016,340	26 %	808,361	18 %	685,672
Insurance and annuity products	338,666	12 %	303,628	16 %	261,045
New issue sales credits	90,747	10 %	82,811	10 %	75,590
Sub-total securities commissions and fees	2,455,601	19 %	2,056,222	13 %	1,817,617
Interest	96,926	1 %	95,866	17 %	82,272
Account and service fees:					
Client account and service fees	162,283	9 %	148,873	20 %	123,674
Mutual fund and annuity service fees	168,055	23 %	136,514	24 %	110,281
Client transaction fees	16,932	(21)%	21,547	(37)%	34,162
Correspondent clearing fees	3,059	9 %	2,812	(19)%	3,454
Account and service fees – all other	282	29 %	219	2 %	215
Sub-total account and service fees	350,611	13 %	309,965	14 %	271,786
Other	27,465	21 %	22,617	9 %	20,747
Total revenues	2,930,603	18 %	2,484,670	13 %	2,192,422
Interest expense	11,625	5 %	11,039	5 %	10,548
Net revenues	2,918,978	18 %	2,473,631	13 %	2,181,874
Non-interest expenses:					
Sales commissions	1,765,933	18 %	1,491,286	12 %	1,332,207
Admin & incentive compensation and benefit costs	481,253	14 %	420,553	22 %	344,063
Communications and information processing	163,125	43 %	113,931	62 %	70,472
Occupancy and equipment	113,573	19 %	95,551	24 %	77,186
Business development	65,679	—	65,505	18 %	55,542
Clearance and other	99,100	38 %	71,714	(13)%	82,445
Total non-interest expenses	2,688,663	19 %	2,258,540	15 %	1,961,915
Income before taxes and including noncontrolling interests	230,315	7 %	215,091	(2)%	219,959
Noncontrolling interests	—		—		(340)
Pre-tax income excluding noncontrolling interests	$230,315	7 %	$215,091	(2)%	$220,299
Margin on net revenues	7.9 %		8.7 %		10.1 %

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

	Employees	Independent contractors	September 30, 2013 total	September 30, 2012 total(1)
RJ&A	2,443	—	2,443	1,594
MK & Co. (2)	—	—	—	892
RJFS	—	3,275	3,275	3,220
RJ Ltd.	176	230	406	438
RJIS	—	73	73	66
Total financial advisors	2,619	3,578	6,197	6,210

(1) As of September 30, 2013 we refined the criteria to determine our financial advisor population. The prior year counts have been revised to provide consistency in the application of our current criteria.

(2) We acquired Morgan Keegan on April 2, 2012. We successfully integrated the PCG operations of MK & Co. onto the RJ&A platform in February 2013. At that time, 863 financial advisors of MK & Co. became RJ&A financial advisors.

The following table presents a summary of PCG branch locations as of the periods indicated:

	Traditional branches	Satellite offices	Independent contractor branches	September 30, 2013 total	September 30, 2012 total(1)
RJ&A	242	107	—	349	228
MK & Co. (2)	—	—	—	—	139
RJFS	—	572	1,433	2,005	1,996
RJ Ltd.	12	24	86	122	122
RJIS	—	—	42	42	39
Total branch locations	254	703	1,561	2,518	2,524

(1) As of September 30, 2013 we no longer include investment advisor representative branches as part of our branch count. The prior year counts have been revised to provide consistency in the application of our current criteria.

(2) We acquired Morgan Keegan on April 2, 2012. We successfully integrated the PCG operations of MK & Co. onto the RJ&A platform in February 2013.

Year ended September 30, 2013 compared with the year ended September 30, 2012 – Private Client Group

Net revenues increased $445 million, or 18%, while pre-tax income increased $15 million, or 7%. PCG's pre-tax margin on net revenues decreased to 7.9% as compared to 8.7% in fiscal year 2012.

A full year of MK & Co. private client group operations are included in the current year results as compared to six months in fiscal year 2012. Therefore, comparisons of our legacy private client group operations to our current operations are not meaningful. As of mid-February 2013, all of the MK & Co. financial advisors and client accounts from the MK & Co. platform were transferred to, and integrated with, the RJ&A platform.

Securities commissions and fees increased $399 million, or 19%. A significant portion of this increase resulted from our acquisition of Morgan Keegan on April 2, 2012, which brought over 900 financial advisors into PCG, 863 of whom were retained through the February 2013 integration of the Morgan Keegan operations into those of RJ&A. Securities commissions and fee revenues generated by our Canadian operations increased 6% over the prior year. Despite a small decrease in the total number of PCG financial advisors at September 30, 2013 compared to

September 30, 2012, the average productivity per financial advisor for the same comparable period has increased 9%. Client assets under administration of $402.6 billion in the PCG segment increased $34.9 billion, or 9%, as compared to September 30, 2012, primarily resulting from equity market appreciation in the U.S.

Client account and service fee revenues increased $13 million, or 9%, over the prior year. The increase primarily results from an increase in the fees we receive, in lieu of interest earnings, from our multi-bank sweep program. Balances in this program increased primarily as a result of the transfer of MK & Co. client accounts to the Raymond James program. Additional MK & Co. client accounts also resulted in an increase in service fee income, which increased as a result of the additional client account volume. In addition, we realized an increase in fees resulting from assets invested in alternative investment funds.

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Mutual fund and annuity service fees increased $32 million, or 23%, primarily as a result of an increase in mutual fund omnibus fees, education and marketing support (“EMS”) fees, and no-transaction-fee (“NTF”) program revenues, all of which are paid to us by the mutual fund companies whose products we distribute. In addition to an increase in the mutual fund assets on which these fees are generally paid, during the past year we implemented changes in the data sharing arrangements with many mutual fund companies, converting from a networking to an omnibus arrangement. The fees earned from omnibus arrangements are greater than those under networking arrangements in order to compensate us for the additional reporting requirements performed by the broker-dealer under omnibus arrangements. The offsetting increased costs we have incurred to third parties to provide the additional information is included in communications and information processing expenses discussed below. Effective with our mid-February 2013 platform integration, the former Morgan Keegan client mutual fund investments became eligible for our omnibus and EMS programs, further increasing this revenue.

Partially offsetting the increases in revenues described in the preceding two paragraphs, client transaction fees decreased $5 million, or 21%, primarily as a result of certain mutual fund relationships converting over the past year to a NTF program and an April 2012 reduction in transaction fees associated with certain non-managed fee-based accounts. Under the mutual fund NTF program, we receive increased fees from mutual fund companies which are included within mutual fund and annuity service fee revenue described above, but our clients no longer pay us transaction fees on mutual fund trades within certain of our managed programs.

Other revenues increased by $5 million, or 21%, primarily as a result of spreads earned on cross-currency transactions within our Canadian operations.

Total segment revenues increased 18%. The portion of total segment revenues that we consider to be recurring is approximately 68% at September 30, 2013, as contrasted to the September 30, 2012 level of 64%. Recurring commission and fee revenues include asset based fees, trailing commissions from mutual funds and variable annuities/insurance products, mutual fund service fees, fees earned on funds in our multi-bank sweep program, and interest. Assets in fee-based accounts as of September 30, 2013 were $140 billion (a majority of which is included in our asset management programs) an increase of 21% as compared to the $116 billion of assets in fee-based accounts at September 30, 2012.

The amount of net interest in the PCG segment was nearly unchanged from the prior year level. Increases in client margin balances and client cash balances outstanding over the year were nearly completely offset by further decreases in interest rates. As a result of the extremely low rate interest environment that existed during fiscal year 2013, there was only a nominal impact on our net interest revenues resulting from the client cash balance increase as the interest spread earned on client balances were at historically low levels. Refer to the discussion of how the pre-tax income of this segment could be favorably impacted by a 100 basis point instantaneous rise in short-term interest rates, in the net interest section of this MD&A.

Non-interest expenses increased $430 million, or 19%, over the prior year. Sales commission expense increased $275 million, or 18%, consistent with the 19% increase in commission and fee revenues. Administrative and incentive compensation expenses increased $61 million, or 14%. This increase resulted primarily from the impact of a full year of salaries and benefits expense associated with the increased support staff and information technology and operations headcount arising from the addition of the Morgan Keegan associates.

Communications and information processing expense increased $49 million, or 43%. Computer software development costs and other information technology related costs, which include consulting expenses, increased over $42 million as compared to the prior year as a result of various information technology enhancements to existing platforms, costs associated with operating two platforms for a portion of the year, additional reporting requirements including regulatory requirements, and expenses associated with omnibus arrangements (refer to the increase in mutual fund and annuity service fee revenue arising from these arrangements discussed above).

Occupancy and equipment expense increased $18 million, or 19%, primarily due to a full year's rent and other facility related expenses associated with the increase of approximately 140 branch office locations resulting from the Morgan Keegan acquisition.

Clearance and other expenses increased $27 million, or 38%. These expense increases can generally be attributed to clearing and floor brokerage expenses resulting from the additional volume of client accounts and transactions arising from the Morgan Keegan acquisition, growth in our legacy operations, and the application of differing clearing charge allocation methodologies between segments than within the historic MK & Co. operations, which impacts prior year comparisons.

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Year ended September 30, 2012 compared with the year ended September 30, 2011 – Private Client Group

Net revenues in fiscal year 2012 increased $292 million, or 13%, over the prior year. PCG pre-tax income decreased $5 million, or 2%, as compared to the prior year. PCG's pre-tax margin on net revenues decreased to 8.7% as compared to 10.1% in fiscal year 2011.

The PCG business of the Morgan Keegan broker-dealer operated on its historic Morgan Keegan platform throughout fiscal year 2012. Our plan is to migrate all the financial advisors and client accounts off of the Morgan Keegan platform and fully integrate those operations onto the RJ&A platform during the second quarter of fiscal year 2013.

Securities commissions and fees increased $239 million in fiscal year 2012, or 13%, over the prior year amount. A significant portion of this increase resulted from our acquisition of Morgan Keegan on April 2, 2012, which brought over 900 financial advisors into PCG, over 95% of whom have been retained as of September 30, 2012. Overall, we have realized an 18.3% increase in the number of PCG financial advisors as of September 30, 2012 as compared to September 30, 2011. Client assets under administration increased $112 billion, or 44%, compared to the September 30, 2011 level, to $368 billion, in large part ($66 billion) as a result of the Morgan Keegan acquisition. Equity market conditions in the U.S., while volatile during the fiscal year, were improved as compared to September 30, 2011 levels. We realized a significant increase in commissions and asset-based fees over the prior year levels. Securities commissions and fees arising from our Canadian operations decreased 10% as compared to the prior year.

Client account and service fee revenues increased $25 million in fiscal year 2012, or 20%, over the prior year. The portion of these revenues generated from Morgan Keegan clients is $10 million. Of the remaining increase, the primary component is the result of an increase in the fees we receive, in lieu of interest earnings, from our multi-bank sweep program; the fees increased as a result of higher balances in the program.

Mutual fund and annuity service fees increased $26 million in fiscal year 2012, or 24%, over the prior year primarily as a result of an increase in mutual fund networking and omnibus fees, EMS fees, and NTF program revenues, all of which are paid to us by the mutual fund companies whose products we distribute. During the past year, we have been implementing a change in the data sharing arrangements with many mutual fund companies converting from networking to an omnibus arrangement. The fees earned from omnibus arrangements are greater than those under networking arrangements in order to compensate us for the additional reporting requirements performed by the broker-dealer under omnibus arrangements. The largest portion of this conversion occurred midway through fiscal year 2011. Excluding the impact of the revenues generated from Morgan Keegan clients, these revenues increased $23 million, or 21%, as compared to the prior year. The Morgan Keegan client mutual fund positions will be eligible for our omnibus program following conversion to the RJ&A platform.

Partially offsetting the increases in revenues described above, client transaction fees decreased $13 million in fiscal year 2012, or 37%, compared to the prior year primarily as a result of certain mutual fund relationships converting over the past year to a NTF program and an April 2012 reduction in transaction fees associated with certain non-managed fee-based accounts. Under the mutual fund NTF program, we receive increased fees from mutual fund companies which are included within mutual fund and annuity service fee revenue described above, but our clients no longer pay us transaction fees on mutual fund trades within certain of our managed programs.

While total segment revenues increased 13%, the portion that we consider to be recurring continues to increase and is approximately 64% of total segment revenues for the year ended September 30, 2012 as compared to 61% for the year ended September 30, 2011. Recurring commission and fee revenues include asset based fees, trailing commissions from mutual funds, variable annuities and insurance products, mutual fund service fees, fees earned on funds in our multi-bank sweep program, and interest. Assets in fee-based accounts at September 30, 2012 are $115.7 billion, an increase of 35% as compared to the $85.5 billion of assets in fee-based accounts at September 30, 2011. A portion (approximately $10 billion) of the increase in assets in fee-based accounts over the preceding year balances resulted from the addition of the assets in the fee-based accounts of Morgan Keegan.

PCG net interest revenues increased $13 million in fiscal year 2012, or 18%, over the prior year primarily resulting from an increase in client margin balances. There was a decrease in net interest earned on client cash balances as more of these funds are being swept into our multi-bank sweep program, where a fee is earned by PCG instead of interest. A portion of the increase in client margin balances resulted from the addition of the balances associated with Morgan Keegan clients.

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Non-interest expenses increased $297 million in fiscal year 2012, or 15%, over the prior year. Sales commission expense increased $159 million, or 12%, generally consistent with the increase in commission and fee revenues. Administrative and incentive compensation expenses increased $76 million, or 22%. The increase primarily results from increases in salaries and benefits due to increased support staff and information technology and operations headcount arising from the addition of Morgan Keegan associates.

Communications and information processing expense increased $43 million in fiscal year 2012, or 62%, over the prior year primarily due to increases in information systems costs. Computer software development costs and other information technology related costs, which include consulting expenses, increased over $29 million as compared to the prior year as a result of various information technology enhancements to existing platforms and additional reporting requirements, including regulatory requirements and those under omnibus arrangements (refer to the increase in mutual fund and annuity service fee revenue arising from these arrangements discussed above). Expenses primarily associated with the increase in our number of offices and personnel arising from the Morgan Keegan acquisition resulted in an increase in office related expenses of $8 million.

Occupancy and equipment expense increased $18 million in fiscal year 2012, or 24%, over the prior year primarily due to the increase of approximately 140 branch office locations resulting from the Morgan Keegan acquisition.

Business development expense increased $10 million in fiscal year 2012, or 18%, over the prior year primarily due to increases in travel and related costs, and account transfer fees paid when a new client transfers their accounts from a competitor to us.

Partially offsetting the increases described above, clearance and other expense decreased $11 million in fiscal year 2012, or 13%, compared to the prior year resulting primarily from favorable impacts on this segment resulting from Morgan Keegan's allocation practices which allocate certain clearance costs to the capital markets operations.

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Results of Operations – Capital Markets

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

	Year ended September 30,				
	2013	% change	2012	% change	2011
	($ in thousands)				
Revenues:					
Institutional sales commissions:					
Equity	$246,588	7 %	$230,080	(12)%	$261,321
Fixed income	326,792	22 %	266,884	109 %	127,436
Sub-total institutional sales commissions	573,380	15 %	496,964	28 %	388,757
Equity underwriting fees	84,099	14 %	73,976	(35)%	113,751
Fixed income investment banking revenues	48,133	30 %	36,987	130 %	16,070
Mergers & acquisitions fees	115,366	64 %	70,226	(16)%	83,131
Tax credit funds syndication fees	25,272	(20)%	31,693	(12)%	36,062
Private placement fees	14,249	29 %	11,005	467 %	1,940
Trading profit	28,117	(44)%	50,426	108 %	24,230
Interest	22,145	(3)%	22,930	—	22,962
Other	34,716	30 %	26,645	30 %	20,557
Total revenues	945,477	15 %	820,852	16 %	707,460
Interest expense	18,069	11 %	16,289	(3)%	16,796
Net revenues	927,408	15 %	804,563	16 %	690,664
Non-interest expenses:					
Sales commissions	222,424	22 %	181,809	34 %	135,187
Admin & incentive compensation and benefit costs	428,215	10 %	388,755	15 %	339,181
Communications and information processing	65,728	13 %	58,305	27 %	46,050
Occupancy and equipment	36,435	14 %	31,865	29 %	24,701
Business development	39,308	3 %	38,019	5 %	36,279
Losses of real estate partnerships held by consolidated variable interest entities	26,180	27 %	20,579	20 %	17,166
Impairment of goodwill associated with RJES	6,933	NM	—	—	—
Clearance and other	34,199	(18)%	41,852	36 %	30,694
Total non-interest expenses	859,422	13 %	761,184	21 %	629,258
Income before taxes and including noncontrolling interests	67,986	57 %	43,379	(29)%	61,406
Noncontrolling interests	(34,185)		(32,376)		(21,115)
Pre-tax income excluding noncontrolling interests	$102,171	35 %	$75,755	(8)%	$82,521

Year ended September 30, 2013 compared with the year ended September 30, 2012 – Capital Markets

Pre-tax income in the Capital Markets segment increased $26 million, or 35%, over the prior year.

Certain of the Capital Markets businesses of Morgan Keegan were immediately integrated into RJ&A's operations on the date of acquisition. Other Morgan Keegan Capital Markets businesses were integrated into RJ&A over time and were completed by mid-February 2013. A full year of Morgan Keegan equity capital markets and fixed income operations are included in the current year results, as compared to only six months in fiscal year 2012, impacting comparisons of our legacy capital markets results, especially fixed income operations, to our current results.

Our fixed income revenues were significantly higher for the current year as compared to the prior year primarily due to the inclusion of a full year's Morgan Keegan results. The combination of our former fixed income operations with Morgan Keegan's fixed income operations results in a combined department that is approximately three times the size of our legacy fixed income business.

Net revenues increased by $123 million, or 15%. Total institutional sales commissions increased 15% over the prior year. Equity institutional sales commissions increased $17 million, or 7%, primarily due to improved equity market conditions. The $60 million, or 22%, increase in fixed income institutional sales commissions over the prior year is primarily due to the increased size of our fixed income operations after the Morgan Keegan acquisition and the inclusion of twelve months of the combined entities operations in the current year as compared to only six months in the prior year. Our significantly larger public finance fixed income operations as a result of the Morgan Keegan acquisition favorably impacted both our investment banking revenues and our securities commissions and fees.

The number of lead and co-managed equity underwritings, as well as merger & acquisition transactions, during the current year increased significantly in our U.S. operations as compared to the prior year. In the latter part of the first quarter of our fiscal 2013, concerns related to the then pending fiscal cliff crisis had, at least in part, a favorable impact on our equity capital markets business as underwriting and merger and acquisition activity improved significantly as issuers sought to complete certain equity transactions in advance of any anticipated tax law changes. The activity levels experienced in the first quarter of fiscal year 2013 slowed considerably thereafter until a very active fourth quarter. For the year, the sectors in which we generated the most significant amounts of merger and acquisition fees were technology services, energy, technology, financial services, healthcare, and general industrials. Capital markets activities in our Canadian operations have remained sluggish throughout the year, continuing to reflect the adverse market conditions which existed throughout the prior fiscal year, particularly in the businesses in which we focus such as natural resources.

The primary contributor to our fixed income investment banking revenues is our public finance investment banking operations. The volume of our lead and co-managed public finance underwritings increased significantly over the prior year. This favorable comparison is in part due to the positive impact of the inclusion of the public finance operations we acquired from Morgan Keegan in our results for an entire year.

The decrease in tax credit syndication fee revenues results from an increase in the amount of fee revenues that have been deferred, to be recognized at later dates upon completion of certain revenue recognition criteria. The volume of tax credit fund partnership interests sold during the current year is slightly higher than in the prior year.

Despite our increase in fixed income trading capacity resulting from the Morgan Keegan acquisition, our trading profit results for the year, while positive overall, have been unfavorably impacted by adverse conditions in the municipal fixed income market. This market has been impacted during the current year by a number of factors. Municipal fixed income markets were negatively impacted during first quarter by discussions and rumors regarding potential changes in the tax laws pertaining to limits, or caps, on the tax-exempt advantages of municipal fixed income instruments (the "fiscal cliff"). In response to these uncertainties, interest rates on municipal securities increased during December 2012, which negatively impacted our trading results. During the third quarter, the 10-year benchmark interest rate increased over 60 basis points in a very short period of time (May through June 30, 2013), resulting in very little demand for municipal fixed income securities in the market and valuation losses on municipal securities held in inventory, which negatively impacted our third quarter trading results. During the fourth quarter interest rates retreated somewhat back to their early May 2013 levels, and our trading results were strong, especially in municipal products, during that period. All of these factors, considered in conjunction with what were strong municipal fixed income trading results in the prior year, resulted in unfavorable trading profits in year-over-year comparisons.

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Non-interest expenses increased $98 million, or 13%, over the prior year primarily driven by the inclusion of twelve months of the Morgan Keegan fixed income operations. Sales commission expense increased $41 million, or 22%, which is correlated with the increase in overall institutional sales commission revenues of 15%, and includes the impact of the shift to a higher proportion of commissions being fixed income sales which are paid higher commissions including certain retention-related expenses implemented as part of the Morgan Keegan acquisition. Administrative and incentive compensation and benefit expense increased $39 million, or 10%, primarily driven by the significant increase in personnel from the Morgan Keegan acquisition. Communications and information processing expense increased $7 million, or 13%, as a result of new technology initiatives and a full year of Morgan Keegan expenses. Goodwill impairment expense associated with RJES of $7 million (see discussion below) and a $6 million increase in losses of real estate partnerships held by consolidated variable interest entities (discussed below) contributed to the increase in other expense. These increases are partially offset by a decrease in clearance and other expense of $8 million, or 18%. The decrease results primarily from the application of differing clearing charge allocation methodologies between the Capital Markets and the PCG segments within RJ&A as compared to the historic MK & Co. operations which favorably impact prior year comparisons (refer to the PCG results of operations herein for a discussion of an offsetting unfavorable prior year comparison within that segment).

During the second quarter, we incurred impairment expense associated with the RJES operations of $6.9 million. However, since we did not own 100% of RJES as of March 31, 2013, $2.3 million of this expense is attributable to others and is included in the offsetting noncontrolling interests amount attributable to others. Therefore the net impact of this goodwill impairment on the pre-tax results after consideration of amounts attributable to noncontrolling interests is $4.6 million. Refer to the goodwill section of this Item 7 and Note 13 of the Notes to Consolidated Financial Statements in this Form 10-K for further information on this goodwill impairment expense.

Losses of real estate partnerships held by consolidated VIEs result directly from the consolidation of certain low-income housing tax credit funds. Since we only hold an insignificant interest in these consolidated funds, nearly all of these losses are attributable to others and are therefore included in the offsetting noncontrolling interests. Refer to Note 11 of the Notes to Consolidated Financial Statements in this Form 10-K for further information on the consolidation of VIEs.

Noncontrolling interests include the consolidation of RJES (for periods prior to April 2013, the period in which we acquired the interests previously held by others) as well as the impact of consolidating certain low-income housing tax credit funds, which impacts other revenue, interest expense, and losses of real estate partnerships held by consolidated VIEs (as described in the previous paragraph) by including the portion of these consolidated entities which we do not own. Total segment expenses attributable to noncontrolling interests increased by $2 million as compared to the prior year in part as a result of the portions of the RJES goodwill impairment expense attributable to others as well as the increase in losses of real estate partnerships held by VIEs.

Year ended September 30, 2012 compared with the year ended September 30, 2011 – Capital Markets

Pre-tax income in fiscal year 2012 in the Capital Markets segment decreased $7 million, or 8%, as compared to the prior year. This segment includes the activities of our emerging markets businesses, whose operations generated a $7 million pre-tax loss in fiscal year 2012, which is $12 million worse than the pre-tax income generated by those operations in fiscal year 2011.

Certain of the Capital Markets businesses of the Morgan Keegan broker-dealer we acquired on April 2, 2012 were immediately integrated into RJ&A's operations on the date of acquisition. Other Morgan Keegan Capital Markets businesses are being integrated into RJ&A over time. Morgan Keegan equity capital markets and fixed income operations are included in the fiscal year 2012 results, therefore, comparisons of our legacy capital markets operations, especially fixed income operations, to our current operations, are not meaningful. Our plan is to fully integrate all of the historic Morgan Keegan Capital Markets businesses into RJ&A by the end of the second quarter of our fiscal year 2013.

The weakness in the equity capital markets negatively impacted our results. Our fixed income results reflect significant improvement during the third and fourth quarter primarily driven by the acquisition of Morgan Keegan. The combination of our former fixed income operations with Morgan Keegan’s fixed income operations results in a combined department that is approximately three times the size of our legacy fixed income business.

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Net revenues in fiscal year 2012 increased by $114 million, or 16%, primarily resulting from a $139 million, or 109%, increase in institutional fixed income sales commissions, a $26 million, or 108%, increase in trading profits, a $21 million, or 130%, increase in fixed income investment banking revenues and a $9 million increase in private placement fees. These revenue increases were partially offset by a $40 million, or 35%, decrease in equity underwriting fees, a $31 million, or 12%, decrease in institutional equity sales commissions, a $13 million, or 16%, decrease in merger and acquisitions fees, and a $4 million, or 12%, decrease in tax credit fund syndication fees. Lingering concerns over the EU debt crisis and the U.S. economy had a negative impact on the capital markets for most of fiscal year 2012. Fixed income sales commissions increased over the prior year primarily due to the increased size of our fixed income operations. The increase in fixed income investment banking revenues was primarily the result of the increase in underwriting fees of $23 million which arose from the Morgan Keegan fixed income public finance operations we acquired. Although equity market levels at the end of fiscal year 2012 finished at higher levels than the prior year, the market for public offerings during fiscal year 2012 has been erratic. The number of lead and co-managed underwritings during the year increased in our U.S. operations and decreased significantly in our Canadian operations. Fiscal year 2011 was a particularly strong year for our Canadian equity capital markets operations but market conditions in the industries in which they are concentrated (energy and mining) have slowed significantly since the prior year. Equity underwriting fees arising from our operations in emerging markets decreased $15 million in fiscal year 2012 as compared to the prior year. Fiscal year 2011 revenues include fees arising from our Argentine joint venture which acted as an advisor to institutional clients in several significant transactions during that prior year, resulting in the unfavorable comparison to fiscal year 2012. Our tax credit fund syndication subsidiary sold approximately $596 million in tax credit fund partnership interests to investors during fiscal year 2012, a decrease compared to the record volume of $616 million sold in fiscal year 2011.

Trading profits for fiscal year 2012 increased $26 million, or 108%, as compared to the prior year. The year-over-year increase results in part from the acquisition of Morgan Keegan, as trading profits arise primarily from fixed income products. After our acquisition of Morgan Keegan, we have more fixed income trading professionals then we had prior to the acquisition, providing us a greater platform from which to generate trading profits. To support the increased number of trading professionals, our inventories of fixed income products has also increased.

Non-interest expenses in fiscal year 2012 increased $132 million, or 21%, over the prior year primarily driven by the addition of the Morgan Keegan fixed income operations. Sales commission expense increased $47 million, or 34%, which is directly correlated to the increase in overall institutional sales commission revenues of 28%, and includes the shift to a higher percentage of fixed income sales. Administrative and incentive compensation and benefit expense increased $50 million, or 15%, primarily driven by the significant increase in personnel resulting from the Morgan Keegan acquisition, a full year of consolidation of RJES which became effective when we acquired a controlling interest in that subsidiary in April, 2011, and to a lesser extent, the annual increase in salary and benefits costs. The increase in clearance and other expense primarily resulted from an increase of approximately $15 million in clearance expenses arising from the larger combined fixed income operations, Morgan Keegan's allocation methodology, and $2 million of expense in fiscal year 2012 arising from the amortization of various intangible assets which arose as a result of the Morgan Keegan acquisition.

Noncontrolling interests represent the impact of consolidating certain low-income housing tax credit funds, which also impacts other revenue, interest expense, and other expenses within this segment (see Note 11 of the Notes to Consolidated Financial Statements in this Form 10-K for further details) as well as the impact of our consolidation of RJES, and reflects the portion of these consolidated entities which we do not own. Total segment expenses attributable to noncontrolling interest increased by approximately $11 million as compared to the prior year.

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Results of Operations – Asset Management

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

	Year ended September 30,				
	2013	% change	2012	% change	2011
	($ in thousands)				
Revenues:					
Investment advisory fees	$247,162	25%	$198,369	5%	$188,817
Other	45,655	18%	38,855	3%	37,694
Total revenues	292,817	23%	237,224	5%	226,511
Expenses:					
Admin & incentive compensation and benefit costs	91,994	13%	81,418	6%	76,594
Communications and information processing	19,056	16%	16,378	7%	15,307
Occupancy and equipment	4,364	23%	3,536	(4)%	3,670
Business development	8,288	5%	7,885	7%	7,365
Investment sub-advisory fees	33,183	25%	26,563	(4)%	27,606
Other	37,342	12%	33,353	17%	28,392
Total expenses	194,227	15%	169,133	6%	158,934
Income before taxes and including noncontrolling interests	98,590	45%	68,091	1%	67,577
Noncontrolling interests	2,290		850		1,401
Pre-tax income excluding noncontrolling interests	$96,300	43%	$67,241	2%	$66,176

Managed Programs

As of September 30, 2013, approximately 82% of investment advisory fees recorded in this segment are earned from assets held in managed programs. Of these revenues, approximately 55% of our investment advisory fees recorded each quarter are determined based on balances at the beginning of a quarter, approximately 30% are based on balances at the end of the quarter and the remaining 15% are computed based on average assets throughout the quarter.

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

	September 30, 2013	September 30, 2012	September 30, 2011
	(in millions)		
Assets under management:			
Eagle Asset Management, Inc.	$24,500	$19,986	$16,092
Raymond James Consulting Services	11,385	9,443	8,356
Unified Managed Accounts ("UMA")	4,962	2,855	1,677
Freedom Accounts & other managed programs	16,555	11,884	9,523
ClariVest [1]	3,386	—	—
Sub-total assets under management	60,788	44,168	35,648
Less: Assets managed for affiliated entities	(4,799)	(4,185)	(3,579)
Sub-total net assets under management	55,989	39,983	32,069
MK & Co. managed fee-based assets [2]	—	2,801	—
Total assets under management	$55,989	$42,784	$32,069

(1) Eagle acquired a 45% interest in ClariVest on December 24, 2012.

(2) Revenues generated from the Closing Date of the Morgan Keegan acquisition through mid-February 2013 (the platform conversion date to RJ&A) arising from assets in what were during such time MK & Co. managed fee-based programs, were included in the PCG segment. These assets were managed by unaffiliated portfolio managers.

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On December 24, 2012, Eagle acquired a 45% interest in ClariVest, an acquisition that bolsters our platform in the large-cap investment objective. See Note 3 of the Notes to the Consolidated Financial Statements in this Form 10-K for additional information regarding the ClariVest acquisition.

The following table summarizes the activity impacting the total financial assets under management in managed programs (excluding activity in assets managed for affiliated entities and MK & Co. managed fee-based assets for the periods prior to the conversion of Morgan Keegan accounts to the RJ&A platform) for the periods indicated:

	Year ended September 30,		
	2013	2012	2011
	(in millions)		
Assets under management at beginning of period	$44,168	$35,648	$33,551
Net inflows of client assets	4,873	2,999	3,261
Net market appreciation (depreciation) in asset values	6,233	5,521	(1,164)
Inflow resulting from the ClariVest acquisition [1]	3,113	—	—
Inflows resulting from the conversion of MK & Co. accounts to the RJ&A platform [2]	2,401	—	—
Assets under management at end of period	$60,788	$44,168	$35,648

(1) Eagle acquired a 45% interest in ClariVest on December 24, 2012.

(2) In mid-February 2013, the client accounts of MK & Co. were converted onto the RJ&A platform.

Non-Managed Programs

As of September 30, 2013, approximately 18% of investment advisory fees revenue recorded in this segment are earned for administrative services on assets held in non-managed programs and all such investment advisory fees are determined based on balances at the beginning of the quarter.

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

	September 30, 2013	September 30, 2012	September 30, 2011
	(in millions)		
Passport	$32,121	$28,405 [1]	$22,674 [1]
Ambassador	30,043	16,772 [1]	12,713 [1]
Other non-managed fee-based assets	2,517	3,191 [1]	2,214 [1]
Sub-total assets under management	64,681	48,368	37,601
Less: Assets managed for affiliated entities	(173)	(88)	(78)
Sub-total net assets under management	64,508	48,280	37,523
MK & Co. non-managed fee-based assets [2]	—	6,772	—
Total assets under management	$64,508	$55,052	$37,523

(1) Certain assets in non-managed accounts, predominately comprised of cash balances, are excluded from the calculation of the account value for fee billing purposes. The assets under management balances presented have been revised from the amounts initially reported to reflect only billable assets and to present such balances on a consistent basis with those reported as of September 30, 2013.

(2) Revenues generated from the Closing Date of the Morgan Keegan acquisition through mid-February 2013 (the platform conversion date to RJ&A) arising from assets in what were during such time MK & Co. non-managed fee-based programs, were included in the PCG segment.

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The following table summarizes the activity impacting the fee-billable financial assets under management in non-managed programs (excluding activity in MK & Co. non-managed fee-based assets for the periods prior to the conversion of MK & Co. accounts to the RJ&A platform) for the periods indicated:

	Year ended September 30,		
	2013	2012	2011
	(in millions)		
Assets under management at beginning of period	$48,368	$37,601 [1]	$33,309 [1]
Net inflows of client assets	6,421	6,264	6,743
Net market appreciation (depreciation) in asset values	3,265	4,503	(2,451)
Inflows resulting from the conversion of MK & Co. accounts to the RJ&A platform [2]	6,627	—	—
Assets under management at end of period	$64,681	$48,368	$37,601

(1) Certain assets in non-managed accounts, predominately comprised of cash balances, are excluded from the calculation of the account value for fee billing purposes. The amounts presented have been revised from the amounts initially reported to reflect only billable assets and to present such balances on a consistent basis with those reported as of September 30, 2013.

(2) In mid-February 2013, the client accounts of MK & Co. were converted onto the RJ&A platform.

Year ended September 30, 2013 compared with the year ended September 30, 2012 – Asset Management

Pre-tax income in the Asset Management segment increased $29 million, or 43%, over the prior year. Investment advisory fee revenue increased by $49 million, or 25%, generated by an increase in assets under management.

Assets under management in managed programs have increased $13.2 billion, or 31%, over the prior year. The increase results from a combination of net inflows, inflows resulting from our acquisition of an interest in ClariVest, inflows resulting from the conversion of MK & Co. accounts to the RJ&A platform, and market appreciation in asset values.

Assets under management in non-managed programs have increased $9.4 billion, or 17%, over the prior year. The increase results from a combination of net inflows, inflows resulting from the conversion of MK & Co. accounts to the RJ&A platform, and market appreciation in asset values.

Other revenue increased by $7 million, or 18%, primarily resulting from an increase in fee income generated by our RJT subsidiary reflecting a 19% increase in RJT client assets as compared to the prior year, to $2.92 billion as of September 30, 2013.

Expenses increased by approximately $25 million, or 15%, resulting from a $11 million, or 13%, increase in administrative and incentive compensation and benefits costs, a $7 million, or 25%, increase in investment sub-advisory fees, a $4 million, or 12%, increase in other expenses and a $3 million, or 16%, increase in communications and information processing expense. The increase in administrative and incentive compensation expense is a result of the combination of increases in salary expenses resulting from the addition of ClariVest, annual increases and additions to staff associated with our legacy operations, as well as an increase in performance compensation which is directly related to the increase in investment advisory fee revenues. The increase in investment sub-advisory fee expense is directly related to the increase in advisory fees paid to the external managers associated with certain assets included within the UMA and Raymond James Consulting Services programs. The increase in other expense is primarily due to increases in the costs incurred so that certain funds sponsored by Eagle are available as investment choices on the platforms of other broker-dealers and increases in the expenses of RJT result from the increase in client assets. The increase in communication and information processing expense is primarily a result of the addition of ClariVest operations and costs associated with the implementation of a new back-office system supporting this segment.

Year ended September 30, 2012 compared to the year ended September 30, 2011 – Asset Management

Pre-tax income in the Asset Management segment in fiscal year 2012 increased $1 million, or 2%, as compared to the prior year.

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Investment advisory fee revenue in fiscal year 2012 increased by $10 million, or 5%, generated by an increase in assets under management. Total legacy Raymond James assets under management in managed programs were $8.5 billion more at September 30, 2012 than they were as of September 30, 2011, an increase of 24% (fee revenue excludes fees arising from fee-based assets in programs managed by Morgan Keegan as the revenues associated with these activities are reflected in our PCG segment until the PCG integration occurs in fiscal year 2013). Since the prior year, net inflows of client assets into managed programs approximated $3 billion while asset values have increased by $5.5 billion. Despite the decrease in assets under management in non-managed programs experienced during the fourth quarter of fiscal year 2011, resulting in lower revenue during our first quarter of fiscal year 2012, assets in non-managed programs steadily increased during fiscal year 2012. As a result of the manner in which our fee revenues are computed, the increase in assets under management experienced during the September 2012 quarter will have a positive impact on our billings for the first quarter of fiscal year 2013.

Expenses increased by approximately $10 million, or 6%, in fiscal year 2012 resulting from a $5 million, or 6%, increase in administrative and performance based incentive compensation, and a $5 million, or 17%, increase in other expenses. The increase in other expense is primarily due to increases in various corporate overhead allocations to this segment, increases in the costs incurred so that certain funds sponsored by Eagle are available as investment choices on the platforms of other broker-dealers, and an increase in the third party expenses RJT incurred in the performance of certain of its obligations to clients.

Results of Operations – RJ Bank

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

	Year ended September 30,				
	2013	% change	2012	% change	2011
	($ in thousands)				
Revenues:					
Interest income	$348,068	5 %	$331,683	17 %	$284,640
Interest expense	(9,224)	(5)%	(9,659)	(28)%	(13,334)
Net interest income	338,844	5 %	322,024	19 %	271,306
Other income (loss)	8,062	(42)%	14,010	629 %	(2,648)
Net revenues	346,906	3 %	336,034	25 %	268,658
Non-interest expenses:					
Employee compensation and benefits	21,835	18 %	18,432	23 %	14,968
Communications and information processing	3,043	7 %	2,835	18 %	2,402
Occupancy and equipment	1,168	28 %	912	8 %	842
Provision for loan losses	2,565	(90)%	25,894	(23)%	33,655
FDIC insurance premiums	5,716	5 %	5,435	(39)%	8,855
Affiliate deposit account servicing fees	29,650	10 %	26,852	30 %	20,733
Other	15,215	(2)%	15,516	9 %	14,210
Total non-interest expenses	79,192	(17)%	95,876	—	95,665
Pre-tax income	$267,714	11 %	$240,158	39 %	$172,993

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The tables below present certain credit quality trends for corporate loans and residential/consumer loans:

	Year ended September 30,		
	2013	2012	2011
	(in thousands)		
Net loan charge-offs:			
C&I loans	$(696)	$(10,486)	$(458)
Commercial real estate ("CRE") loans	(7,919)	(926)	(13,534)
Residential/mortgage loans	(4,472)	(12,727)	(20,757)
Consumer loans	(222)	(75)	(246)
Total	$(13,309)	$(24,214)	$(34,995)

	As of September 30,		
	2013	2012	2011
	(in thousands)		
Allowance for loan losses:			
Loans held for sale	$—	$—	$5
Loans held for investment:			
C&I loans	95,994	92,409	81,267
CRE construction loans	1,000	739	490
CRE loans	19,266	27,546	30,752
Residential/mortgage loans	19,126	26,138	33,210
Consumer loans	1,115	709	20
Total	$136,501	$147,541	$145,744
Nonperforming assets:			
Nonperforming loans:			
C&I loans	$89	$19,517	$25,685
CRE loans	25,512	8,404	15,842
Residential mortgage loans:			
Residential mortgage loans	75,889	78,372	91,682
Home equity loans/lines	468	367	114
Total nonperforming loans	101,958	106,660	133,323
Other real estate owned:			
CRE	—	4,902	7,707
Residential:			
First mortgage	2,434	3,316	6,852
Home equity	—	—	13
Total other real estate owned	2,434	8,218	14,572
Total nonperforming assets	$104,392	$114,878	$147,895
Total loans:			
Loans held for sale, net[1]	$110,292	$160,515	$102,236
Loans held for investment:			
C&I loans	5,246,005	5,018,831	4,100,939
CRE construction loans	60,840	49,474	29,087
CRE loans	1,283,046	936,450	742,889
Residential mortgage loans	1,745,650	1,691,986	1,756,486
Consumer loans	555,805	352,495	7,438
Net unearned income and deferred expenses	(43,936)	(70,698)	(45,417)

Total loans held for investment	8,847,410	7,978,538	6,591,422
Total loans	$8,957,702	$8,139,053	$6,693,658

(1) Net of unearned income and deferred expenses.

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The following table presents RJ Bank's allowance for loan losses by loan category:

	As of September 30, 2013		2012		2011	
	Allowance	Loan category as a % of total loans receivable	Allowance	Loan category as a % of total loans receivable	Allowance	Loan category as a % of total loans receivable
	($ in thousands)					
Loans held for sale	$—	1 %	$—	2 %	$5	2 %
C&I loans	81,733	50 %	85,916	56 %	79,687	59 %
CRE construction loans	674	—	458	—	490	—
CRE loans	16,566	12 %	26,381	10 %	30,752	11 %
Residential mortgage loans	19,117	20 %	26,126	21 %	33,194	26 %
Consumer loans	1,112	6 %	705	4 %	20	—
Foreign loans	17,299	11 %	7,955	7 %	1,596	2 %
Total	$136,501	100 %	$147,541	100 %	$145,744	100 %

	As of September 30, 2010		2009	
	Allowance	Loan category as a % of total loans receivable	Allowance	Loan category as a % of total loans receivable
	($ in thousands)			
Loans held for sale	$23	—	$7	1 %
C&I loans	59,744	51 %	84,280	45 %
CRE construction loans	4,473	1 %	3,237	2 %
CRE loans	47,771	15 %	34,018	16 %
Residential mortgage loans	34,283	32 %	28,074	35 %
Consumer loans	56	—	88	—
Foreign loans	734	1 %	568	1 %
Total	$147,084	100 %	$150,272	100 %

Information on foreign assets held by RJ Bank:

Changes in the allowance for loan losses with respect to loans RJ Bank has made to borrowers who are not domiciled in the U.S. are as follows:

	Year ended September 30, 2013	2012	2011	2010	2009
	(in thousands)				
Allowance for loan losses attributable to foreign loans, beginning of year:	$7,955	$1,596	$734	$568	$573
Provision for loan losses - foreign loans	9,696	6,242	862	166	(5)
Foreign loan charge-offs:					
C&I loans	(56)	—	—	—	—
Total charge-offs	(56)	—	—	—	—
Recoveries on foreign loans	—	—	—	—	—
Net charge-offs - foreign loans	(56)	—	—	—	—

Foreign exchange translation adjustment	(296)	117	—	—	—
Allowance for loan losses attributable to foreign loans, end of year	$17,299	$7,955	$1,596	$734	$568

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Cross-border outstandings represent loans (including accrued interest), interest-bearing deposits with other banks, and any other monetary assets which are denominated in a currency other than the U.S. dollar. The following table sets forth the country where RJ Bank's total cross-border outstandings exceeded 1% of total RJF assets as of each respective period:

	Banks	C&I loans	CRE construction loans	CRE loans	Residential mortgage loans	Consumer loans	Total cross-border outstandings [1]
	(in thousands)						
September 30, 2013:							
Canada	$44,196	$352,221	$8,093	$63,456	$1,013	$48	$469,027
September 30, 2012:							
Canada	$20,706	$155,503	$—	$25,099	$1,032	$179	$202,519
September 30, 2011:							
Canada	$1,014	$65,543	$—	$—	$1,069	$—	$67,626

(1) Excludes any hedged, non-U.S. currency amounts.

Year ended September 30, 2013 compared with the year ended September 30, 2012 – RJ Bank

Pre-tax income generated by the RJ Bank segment increased $28 million, or 11%. The improvement in pre-tax income was primarily attributable to an increase of $11 million, or 3%, in net revenues and a $23 million, or 90%, decrease in the provision for loan losses, offset by a $7 million, or 9%, increase in non-interest expenses (excluding the provision for loan losses). The $11 million increase in net revenues was attributable to a $17 million increase in net interest income, partially offset by a $6 million decrease in other income.

Net interest income increased $17 million, or 5%, primarily as a result of a $1.3 billion increase in average interest-earning banking assets. This increase in average interest-earning banking assets was driven by a $1.1 billion increase in average loans as well as increases in both average investments and cash. The significant increase in average loans resulted from a strong corporate lending market, including our Canadian lending operation (which began in late February 2012), and growth in the recently introduced securities based lending product. The yield on interest-earning banking assets decreased to 3.34% from 3.61% due to declines in both the loan and investment yields. The loan portfolio yield decreased to 3.86% from 4.20% due to a reduction in the corporate loan portfolio yield resulting from tightened credit spreads and the repricing of existing loans at lower rates. In addition, the yield of the residential mortgage loan portfolio declined as a result of adjustable rate loans resetting at lower rates as well as lower rates on new production. Primarily as a result of the decrease in the yield of the average interest-earning assets, the net interest margin decreased to 3.25% from 3.50%.

Corresponding to the increase in interest-earning banking assets, average interest-bearing banking liabilities increased $1.2 billion to $9.3 billion.

The decrease in other income was primarily due to a $7 million decrease in foreign currency gains/losses from prior year levels, a $2 million loss in the valuation of RJ Bank's bank-owned life insurance, and a prior year gain of $2 million resulting from a settlement with a residential mortgage loan servicer. These were partially offset by a $3 million reduction in other-than-temporary impairment ("OTTI") losses on our available for sale securities portfolio and a $2 million increase in income from the sale of held for sale loans.

The significant reduction in the provision for loan losses resulted from improved credit quality in the loan portfolio including a decrease in corporate criticized loans, the favorable resolution of corporate problem loans, lower loan-to-value ("LTV") ratios in the residential mortgage loan portfolio, and a significant reduction in residential mortgage delinquent loans. These credit characteristics reflected the positive impact from improved economic conditions. Net loan charge-offs decreased $11 million, or 45%, to $13 million.

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The $7 million increase in non-interest expenses (excluding the provision for loan losses) was primarily attributable to a $3 million, or 18%, increase in compensation and benefits expenses related to staff additions to support increased loan activity, a $3 million increase in affiliate deposit account servicing fee expenses resulting from increased deposit balances, and a $1 million increase in affiliate fee expenses related to our securities based lending business.

Year ended September 30, 2012 compared to the year ended September 30, 2011 – RJ Bank

Pre-tax income generated by the RJ Bank segment increased $67 million, or 39%, as compared to the prior year. The improvement in pre-tax income was primarily attributable to an increase of $67 million, or 25%, in net revenues and an $8 million, or 23%, decrease in the provision for loan losses, offset by an $8 million, or 13%, increase in other non-interest expenses.

Net revenue was positively impacted by a $51 million increase in net interest income, $6 million less in OTTI losses on our available for sale securities portfolio, and an improvement of $8 million in foreign currency transaction gains on Canadian dollar denominated loans in the corporate loan portfolio.

Net interest income increased $57 million over the prior year (excluding the impact of a $6 million correction recorded in the prior year), primarily as a result of a $1.2 billion increase in average interest-earning banking assets. This increase in average interest-earning banking assets was driven by a $1.2 billion increase in average corporate loans. While there were increases in the Small Business Administration ("SBA") and consumer loan portfolios as well as cash and investments, these were largely offset by a decrease in residential mortgage loans. The yield on interest-earning banking assets of 3.61% was consistent with 3.60% in the prior year. The average loan portfolio yield was 4.20% as compared to 4.25% in the prior year. The loan portfolio yield decreased due to a decline in the yield on the residential mortgage loan portfolio resulting from adjustable rate loans resetting at lower rates, which offset an increase in the corporate loan portfolio yield. Average corporate loans outstanding include the impact of the purchase of $400 million of Canadian loans on February 29, 2012. The net interest margin increased 0.07% from the prior year to 3.50% due to a small increase in the yield on earning assets and a small decrease in the average cost of funds. Corresponding to the increase in interest-earning banking assets, average interest-bearing banking liabilities increased $1.1 billion to $8.1 billion.

The provision for loan losses during the year was positively impacted by a reduction in both C&I and CRE nonperforming loans, improved credit characteristics of certain problem loans, and the reduction of the balance of residential mortgage nonperforming loans. In addition, somewhat improved economic conditions relative to the prior year has limited the number of new problem loans. Net loan charge-offs decreased $11 million, or 31%, to $24 million for fiscal year 2012. Nonperforming loans decreased $27 million, or 20%, compared to September 30, 2011. Corporate nonperforming loans decreased $14 million, or 33%, and residential nonperforming loans decreased $13 million, or 14%.

The $8 million increase in non-interest expenses (excluding the provision for loan losses) as compared to the prior year was primarily attributable to a $3 million, or 23% increase in compensation and benefits expenses related to staff additions and a $6 million increase in affiliate deposit account servicing fee expenses resulting from increased deposit balances.

The unrealized loss on our available for sale securities portfolio at September 30, 2012 was $17 million compared to $46 million as of September 30, 2011. This significant improvement was the result of higher market prices, despite the continued uncertainty in the residential non-agency collateralized mortgage obligation ("CMOs") market.

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The following table presents average balance, interest income and expense, the related interest yields and rates, and interest spreads for RJ Bank for the years indicated:

	Year ended September 30,								
	2013			2012			2011		
	Average balance	Interest inc./exp.	Average yield/ cost	Average balance	Interest inc./exp.	Average yield/ cost	Average balance	Interest inc./exp.	Average yield/ cost
	($ in thousands)								
Interest-earning banking assets:									
Loans, net of unearned income[1]									
Loans held for investment:									
Domestic:									
Loans held for sale	$155,901	$3,519	2.26%	$127,594	$2,878	2.25 %	$33,354	$881	2.64%
C&I loans	4,520,070	190,910	4.19%	4,342,000	192,277	4.36 %	3,507,554	155,519	4.40%
CRE construction loans	41,928	2,140	5.03%	16,314	708	4.27 %	63,650	1,740	2.70%
CRE loans	935,058	30,515	3.22%	776,908	25,832	3.27 %	795,841	30,369	3.76%
Residential mortgage loans	1,711,968	52,285	3.01%	1,732,498	57,220	3.25 %	1,849,931	79,915	4.25%
Consumer loans	443,042	13,143	2.93%	87,906	2,668	2.98 %	6,938	126	1.82%
Foreign:									
C&I loans	623,554	31,799	5.01%	324,320	23,571	7.15 %	32,895	1,415	4.23%
CRE construction loans	21,240	1,488	6.91%	21,488	4,392	20.10% [2]	—	—	—
CRE loans	148,768	10,036	6.65%	70,866	9,590	13.31%	—	—	—
Residential mortgage loans	1,869	66	3.49%	1,534	59	3.79 %	1,585	92	5.70%
Consumer loans	1,615	63	3.88%	404	16	3.90 %	—	—	—
Total loans, net	8,605,013	335,964	3.86%	7,501,832	319,211	4.20 %	6,291,748	270,057	4.25%
Agency MBS	346,665	2,902	0.84%	266,768	2,211	0.83 %	182,303	1,286	0.71%
Non-agency CMOs	154,933	4,155	2.68%	180,246	5,527	3.07 %	219,927	9,521	4.33%
Money market funds, cash and cash equivalents	1,109,857	2,812	0.25%	997,877	2,453	0.24 %	993,167	2,619	0.26%
FHLB stock, FRB of Atlanta stock, and other	85,811	2,235	2.60%	125,587	2,281	1.81 %	146,597	1,157	0.79%
Total interest-earning banking assets	10,302,279	$348,068	3.34%	9,072,310	$331,683	3.61 %	7,833,742	$284,640	3.60%
Non-interest-earning banking assets:									
Allowance for loan losses	(146,474)			(146,263)			(144,436)		
	(11,723)			(38,863)			(42,280)		

Unrealized loss on available for sale securities			
Other assets	268,471	247,805	252,211
Total non-interest-earning banking assets	110,274	62,679	65,495
Total banking assets	$10,412,553	$9,134,989	$7,899,237

(continued on next page)

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	Year ended September 30, 2013			2012			2011		
	Average balance	Interest inc./exp.	Average yield/ cost	Average balance	Interest inc./exp.	Average yield/ cost	Average balance	Interest inc./ exp.	Average yield/ cost
	($ in thousands) (continued from previous page)								
Interest-bearing banking liabilities:									
Deposits:									
Certificates of deposit	$305,293	$6,239	2.04 %	$296,674	$6,501	2.19 %	$227,635	$6,228	2.74 %
Money market, savings, and NOW accounts (3)	8,827,966	2,793	0.03 %	7,736,094	3,060	0.04 %	6,740,092	6,377	0.09 %
FHLB advances and other	129,144	192	0.15 %	51,834	98	0.19 %	31,335	729	2.30 %
Total interest-bearing banking liabilities	9,262,403	$9,224	0.10 %	8,084,602	$9,659	0.12 %	6,999,062	$13,334	0.19 %
Non-interest-bearing banking liabilities	57,604			76,000			55,649		
Total banking liabilities	9,320,007			8,160,602			7,054,711		
Total banking shareholder's equity	1,092,546			974,387			844,526		
Total banking liabilities and shareholders' equity	$10,412,553			$9,134,989			$7,899,237		
Excess of interest-earning banking assets over interest-bearing banking liabilities/net interest income	$1,039,876	$338,844		$987,708	$322,024		$834,680	$271,306	
Bank net interest:									
Spread			3.24 %			3.49 %			3.41 %
Margin (net yield on interest-earning banking assets)			3.25 %			3.50 %			3.43 %
Ratio of interest-earning banking assets to interest-bearing banking liabilities			111.23 %			112.22 %			111.93 %
Return on average:									

Total banking assets	1.63 %	1.69 %	1.39 %
Total banking shareholder’s equity	15.49 %	15.84 %	13.00 %
Average equity to average total banking assets	10.49 %	10.67 %	10.69 %

(1) Nonaccrual loans are included in the average loan balances. Payment or income received on impaired nonaccrual loans are applied to principal. Income on other nonaccrual loans is recognized on a cash basis. Fee income on loans included in interest income for the years ended September 30, 2013, 2012 and 2011 was $48 million, $51 million, and $38 million, respectively.

(2) The CRE Construction yield was positively impacted by a loan payoff with a significant unearned discount.

(3) Negotiable Order of Withdrawal (“NOW”) account.

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Increases and decreases in interest income and interest expense result from changes in average balances (volume) of interest-earning banking assets and liabilities, as well as changes in average interest rates. The following table shows the effect that these factors had on the interest earned on RJ Bank's interest-earning assets and the interest incurred on its interest-bearing liabilities. The effect of changes in volume is determined by multiplying the change in volume by the previous period's average yield/cost. Similarly, the effect of rate changes is calculated by multiplying the change in average yield/cost by the previous year's volume. Changes applicable to both volume and rate have been allocated proportionately.

	Year ended September 30, 2013 compared to 2012 Increase (decrease) due to			2012 compared to 2011 Increase (decrease) due to		
	Volume	Rate	Total	Volume	Rate	Total
	(in thousands)					
Interest revenue:						
Interest-earning banking assets:						
Loans, net of unearned income:						
Loans held for investment:						
Domestic:						
Loans held for sale	$638	$3	$641	$2,489	$(492)	$1,997
C&I loans	7,886	(9,253)	(1,367)	36,998	(240)	36,758
CRE construction loans	1,112	320	1,432	(1,294)	262	(1,032)
CRE loans	5,258	(575)	4,683	(722)	(3,815)	(4,537)
Residential mortgage loans	(678)	(4,257)	(4,935)	(4,668)	(11,650)	(16,318)[(1)]
Consumer loans	10,778	(303)	10,475	1,470	1,072	2,542
Foreign:						
C&I loans	21,748	(13,520)	8,228	12,536	9,620	22,156
CRE construction loans	(51)	(2,853)	(2,904)	4,392	—	4,392
CRE loans	10,542	(10,096)	446	9,590	—	9,590
Residential mortgage loans	13	(6)	7	(4)	(29)	(33)
Consumer loans	47	—	47	16	—	16
Agency MBS	662	29	691	596	329	925
Non-agency CMOs	(776)	(596)	(1,372)	(1,717)	(2,277)	(3,994)
Money market funds, cash and cash equivalents	275	84	359	12	(178)	(166)
FHLB stock, FRB of Atlanta stock, and other	(722)	676	(46)	(166)	1,290	1,124
Total interest-earning banking assets	56,732	(40,347)	16,385	59,528	(6,108)	53,420
Interest expense:						
Interest-bearing banking liabilities:						
Deposits:						
Certificates of deposit	189	(451)	(262)	1,889	(1,616)	273
Money market, savings and NOW accounts	432	(699)	(267)	942	(4,259)	(3,317)
FHLB advances and other	146	(52)	94	477	(1,108)	(631)
Total interest-bearing banking liabilities	767	(1,202)	(435)	3,308	(6,983)	(3,675)
Change in net interest income	$55,965	$(39,145)	$16,820	$56,220	$875	$57,095

(1) Excludes a $6 million correction made in fiscal year 2011 of an accumulated interest income understatement arising in years prior to fiscal year 2011.

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Results of Operations – Other

The following table presents consolidated financial information for the Other segment for the years indicated:

	Year ended September 30,				
	2013	% change	2012	% change	2011
	($ in thousands)				
Revenues:					
Interest income	$15,404	43 %	$10,763	26 %	$8,559
Investment banking	3,000	555 %	458	NM	—
Investment advisory fees	1,262	1 %	1,248	31 %	950
Other	106,735	132 %	45,943	158 %	17,820
Total revenues	126,401	116 %	58,412	114 %	27,329
Interest expense	80,478	29 %	62,349	99 %	31,374
Net revenues	45,923	NM	(3,937)	3 %	(4,045)
Non-interest expenses:					
Compensation and other expenses	43,164	21 %	35,577	38 %	25,754
Acquisition related expenses	73,454	24 %	59,284	NM	—
Loss on auction rate securities repurchased	—	—	—	NM	41,391
Total non-interest expenses	116,618	23			