

RAYMOND JAMES[®]

**Raymond James Financial, Inc. & Raymond James Bank, N.A.
2016 Annual Dodd-Frank Act Stress Test Disclosure**

October 28, 2016

As a bank holding company (“BHC”) with total consolidated assets of more than \$10 billion, but less than \$50 billion, Raymond James Financial, Inc. (“Raymond James”, “RJF” or the “Company”) and Raymond James Bank, N.A. (“Raymond James Bank” or “RJ Bank”), a wholly owned subsidiary of RJF, are subject to the regulations issued by the Board of Governors of the Federal Reserve System (“Federal Reserve” or “FRB”) and the Office of the Comptroller of Currency (“OCC”) under the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) which requires RJF and RJ Bank to conduct an annual company-run stress test based on financial information as of December 31, 2015 and disclose certain results of the Supervisory Severely Adverse Scenario (“Severely Adverse Scenario”).

The annual Dodd-Frank Act stress test (“DFAST”) is a forward-looking quantitative evaluation of the impact of stressful economic and financial market condition on the capital adequacy of a banking organization under a set of supervisory scenarios provided by the Federal Reserve and OCC over a nine quarter planning horizon, beginning January 1, 2016 and ending March 31, 2018. It is designed to test the strength and resilience of RJF and RJ Bank and whether they have sufficient capital to absorb significant losses in a hypothetical severely stressed economic and market environment.

It is important to note these hypothetical macroeconomic scenarios are not forecasts or opinions of RJF or RJ Bank and results under these hypothetical scenarios may differ, even substantially, from the results RJF or RJ Bank would actually experience in a stress scenario.

About Raymond James Financial, Inc. and Raymond James Bank, N.A.

Raymond James Financial, Inc. is a diversified financial services company providing private client group, capital markets, asset management, banking and other services to individuals, corporations and municipalities. The Company has approximately 7,100 financial advisors serving in excess of 2.9 million client accounts in more than 2,800 locations throughout the United States, Canada and overseas. Total client assets are approximately \$604 billion. Public since 1983, the firm has been listed on the New York Stock Exchange since 1986 under the symbol RJF. Additional information is available at www.raymondjames.com.

Raymond James Bank originates and purchases commercial and industrial (“C&I”) loans, commercial and residential real estate loans, tax-exempt loans, as well as securities based loans (“SBL”), all of which are funded primarily by FDIC-insured cash balances swept from the investment accounts of RJF’s broker-dealer subsidiaries’ clients.

Description of the Hypothetical Supervisory Severely Adverse Scenario

The Severely Adverse Scenario is characterized by a severe global recession, accompanied by a period of heightened corporate financial stress and negative yields for short-term U.S. Treasury securities. In this scenario, the level of U.S. real GDP begins to decline in the first quarter of 2016 and reaches a trough in the first quarter of 2017 that is 6.25 percent below the pre-recession peak. The unemployment rate increases to 10 percent by the middle of 2017 and consumer price inflation rises from about 0.25 percent at an annual rate in the first quarter of 2016 to about 1.25 percent at an annual rate by the end of the recession. As a result of the severe decline in the economy and subdued inflation, short-term Treasury rates decline to negative 0.50 percent by mid-2016 and remain at this level through the end of the scenario. The 10-year Treasury yield falls to approximately 0.25 percent in the first quarter of 2016 and rises gradually through the end of the scenario.

Asset prices are projected to drop sharply in the scenario. Equity prices fall approximately 50 percent through the end of 2016, accompanied by a surge in equity market volatility, which approaches the levels attained in 2008. House prices decline 25 percent through the third quarter of 2018, while commercial real estate prices fall 30 percent through the second quarter of 2018. Corporate financial conditions are stressed severely, reflecting mounting credit losses, heightened investor risk aversion, and strained market liquidity conditions; the spread between yields on investment-grade corporate bonds and yields on long-term Treasury securities increases to 5.75 percent by the end of 2016. Additional information on the Severely Adverse Scenario is available on the Federal Reserve’s website at <http://www.federalreserve.gov/newsevents/press/bcreg/bcreg20160128a2.pdf>.

Primary Risks to Which RJF Is Exposed

- Credit Risk – exposure to borrowers' failure to repay loans due to RJ Bank and RJF, and, to a lesser extent, the failure of securities issuers and counterparties to perform as contractually required.
- Market Risk – exposure to changes in asset and liability values due to changes in equity prices, interest rates, and other relevant market rates or prices. For example, a prolonged bear market would impact RJF's ability to generate commissions and fees in its private client business and investment advisory fees in the Asset Management Segment.
- Regulatory & Reputational Risk – violations of, or nonconformance with, laws, rules, regulations, prescribed practices or ethical standards; litigation and/or legal risks stemming from either real or perceived wrongdoing in a line of business or functional area. The noncompliance with laws, regulations or policies could subject RJF to regulatory sanctions, consequently damaging its reputation.
- Operational Risk – inadequacy or breakdown of internal processes, people and/or systems, or from external events that encumber internal processes, people and/or systems.
- Liquidity Risk – exposure to events that could impinge on RJF's ability to meet financial obligations as they come due under normal or stressed conditions. A prolonged lack of liquidity could also limit RJF's ability to fund and originate new loans, make markets in certain debt and equity securities, and/or actively recruit new financial advisors.
- Interest Rate Risk – exposure of net interest income and market value of equity and debt instruments to adverse movements in interest rates.

Stress Test Methodology

Overseen by the RJF Board of Directors ("Board") and risk and capital management committees at both RJF and RJ Bank, our stress testing framework utilizes both quantitative and qualitative estimation methodologies.

In determining when to use quantitative models, we review our ability to make statistically significant conclusions by attempting to correlate RJF's historical results with the Company's current business units and the scenario outlined by the FRB. Credit losses at RJ Bank can be modeled using a quantitative model because of more relevant statistical correlations to the associated macroeconomic variables and the availability of relevant historical market data. However, we primarily rely on qualitative judgment of management to project the results of our non-bank businesses within RJF. When attempting to derive correlations between our non-bank businesses and the macroeconomic data provided by the Federal Reserve, we found the statistical correlations to macroeconomic variables to generally be weak or non-existent, and thus rely primarily upon conservative management assumptions to provide more useful projections.

Using our December 31, 2015 balance sheet position and income statement as a starting point, we use our quantitative and qualitative estimation methodologies to simulate, among other items, future values for the components of RJF's and RJ Bank's income statements, including pre-provision net revenue (net interest income plus non-interest income less non-interest expense) and credit losses across a nine-quarter forecast horizon. These estimation methodologies come together and dynamically interact with each other in our stress testing modeling.

Results for all projections are carefully reviewed and vetted by the Board and risk and capital management committees at both RJF and RJ Bank. In line with the Company's conservative management philosophy, projections largely represent our "worst case" outlook given the Federal

Reserve's scenarios (i.e., our assumptions or adjustments generally result in more severe outcomes than actually expected in terms of impact to earnings and capital). We believe that taking a more conservative approach in stress case scenarios better aligns with the spirit and intent of stress testing, and further acknowledges that a company's ability to manage its risk positions can be somewhat diminished when the entire industry and marketplace is experiencing turmoil as a result of the economic environment. Although the Board and risk and capital management committees appreciate that there are significant limitations to a company-run stress test, which we will continuously strive to reduce, the Company is confident that its conservatism, both in business and with respect to its stress testing, combined with its strong capital levels, will provide an adequate level of capital flexibility in a stressed environment.

Results of RJF's and RJ Bank's 2016 Stress Test under the Severely Adverse Scenario

As provided in the 2016 Stress Test requirements, RJF and RJ Bank measure their regulatory capital levels and regulatory capital ratios for each quarter of the nine quarter planning period in accordance with the rules that would be in effect during that quarter. Effective January 1, 2015, the Company became subject to Basel III and its various transition provisions and as such, our regulatory capital items appropriately reflect the Basel III capital framework through the planning period. Results below are hypothetical and based on the Severely Adverse Scenario. As a result, these hypothetical results should not be considered as forecasts of revenues, expected losses, pre-tax income, or capital ratios and may differ materially compared to what RJF or RJ Bank may experience in a severely stressed economic or market environment.

Table 1 depicts cumulative results for the Company over the nine quarter planning period under the Severely Adverse Scenario:

Raymond James Financial, Inc. - Severely Adverse Scenario	
Table 1 - Cumulative Revenue, Losses, and Net Income - January 1, 2016 to March 31, 2018	
	<i>\$ millions</i>
Pre-Provision Net Revenue	\$361
Provision for Loan and Lease Losses	(\$568)
Realized Gains (Losses) on AFS Securities	(2)
All other Gains (Losses)	\$90
Taxes	54
Net Income	(\$65)

Pre-Provision Net Revenue includes net interest revenue and non-interest revenue, less non-interest expenses except Provision for Loan and Lease Losses. Therefore, Pre-Provision Net Revenue should not be confused with Net Revenues typically disclosed by RJF, as Net Revenues are not reduced by non-interest expenses. Income taxes are impacted by items including nondeductible losses in the Corporate Owned Life Insurance portfolio over the nine quarter planning period.

Table 2 depicts changes in the Company's capital ratios over the nine quarter planning period under the Severely Adverse Scenario:

Raymond James Financial, Inc. - Severely Adverse Scenario				
Table 2 - Beginning, Ending, and Minimum Projected Capital Ratios - January 1, 2016 to March 31, 2018				
	<u>Actual</u>	<u>Projected</u>		
	December 31, 2015	March 31, 2018	Minimum	Minimum Period
<u>Capital Ratios</u>				
Tier 1 Leverage Ratio	16.16%	9.84%	9.84%	March 31, 2018
Common Equity Tier 1 Risk-based Capital Ratio	22.62%	24.21%	21.69%	March 31, 2016
Tier 1 Risk-based Capital Ratio	22.62%	24.21%	21.69%	March 31, 2016
Total Risk-based Capital Ratio	23.67%	25.23%	22.64%	March 31, 2016
Capital Buffer	N/A	17.23%	14.64%	March 31, 2016

The projected decline in the Company's Tier 1 Leverage Ratio in the Severely Adverse Scenario is primarily driven by a substantial increase in average assets, as an assumed shift of client assets into cash during a turbulent market environment would increase deposits and segregated assets on the Company's balance sheet – assuming off-balance sheet capacity, such as through the Raymond James Bank Deposit Program, becomes more limited in such an environment. While the Company's Tier 1 Capital is only projected to decline by approximately 144 bps in the Severely Adverse Scenario, the substantial increase in average assets, driven by an increase in client cash balances on the balance sheet, causes the Tier 1 Leverage Ratio to decrease by over 630 basis points. Nonetheless, given the very strong starting point, the Tier 1 Leverage Ratio is expected to remain significantly above the minimum regulatory requirements and above RJF's more conservative management thresholds throughout the Severely Adverse Scenario.

Counterintuitively, the risk-based capital ratios in the first half of the projection period actually increase in the Severely Adverse Scenario. Despite capital levels declining modestly – primarily driven by conservative projections of credit-driven losses in RJ Bank (see Table 4) coupled with lower profitability in the non-bank segments – the risk-based capital ratios are projected to increase, as RJ Bank's loan balances, and consequently the firm's risk-weighted assets, are expected to decline. However, in the second half of the projection period when macroeconomic conditions begin to stabilize and ultimately improve, loan growth – coupled with stabilized loan payoffs / pay downs – outpaces the growth in risk-based capital and results in risk-based capital ratios declining. The projected decline in RJ Bank's loan balances during the first half of the projection period, which is consistent with RJ Bank's actual experience in the last financial downturn, is primarily driven by the assumption that loan origination activity decelerates substantially in the Severely Adverse Scenario.

Table 3 depicts changes in RJ Bank's capital ratios over the nine quarter planning period under the Severely Adverse Scenario:

Raymond James Bank, N.A. - Severely Adverse Scenario				
Table 3 - Beginning, Ending, and Minimum Projected Capital Ratios - January 1, 2016 to March 31, 2018				
	<u>Actual</u>	<u>Projected</u>		
	December 31, 2015	March 31, 2018	Minimum	Minimum Period
<u>Capital Ratios</u>				
Tier 1 Leverage Ratio	10.68%	7.60%	7.58%	December 31, 2017
Common Equity Tier 1 Risk-based Capital Ratio	12.91%	13.05%	12.88%	March 31, 2016
Tier 1 Risk-based Capital Ratio	12.91%	13.05%	12.88%	March 31, 2016
Total Risk-based Capital Ratio	14.16%	14.30%	14.13%	March 31, 2016
Capital Buffer	N/A	6.30%	6.13%	March 31, 2016

Table 4 depicts the projection for RJ Bank's cumulative loan losses over the nine quarter planning period of the Severely Adverse Scenario, utilizing conservative assumptions.

Raymond James Bank, N.A. - Severely Adverse Scenario		
Table 4 - Cumulative Loan Losses - January 1, 2016 to March 31, 2018		
<i>\$ millions</i>	Losses (cumulative 9 quarters)	Portfolio Loss Rate
Total Loan Losses	\$581	4.99%

The portfolio loss rate was calculated using the average nine-quarter balance of RJ Bank's loan portfolio. The projected loan losses – both the absolute dollar amount and as a percent of average loan balances – experienced in the Severely Adverse Scenario are meaningfully higher than RJ Bank's actual experience during the last financial crisis. Management also believes that these projected loan losses are higher than RJ Bank would actually experience in a severely adverse market environment, which reinforces the conservative approach utilized for the 2016 Stress Test.

Summary

The results of the 2016 Stress Test indicate that both RJF and RJ Bank have sufficient capital to successfully navigate a severe and prolonged economic downturn while still maintaining ample capital levels that exceed both regulatory requirements and higher management thresholds throughout the course of the Severely Adverse Scenario. RJF and RJ Bank utilized a conservative approach when projecting its results under the scenario. Additionally, RJF and RJ Bank consider the likelihood of the Severely Adverse Scenario actually occurring to be remote, and would expect economic events that do occur over the course of the forecast horizon to be materially more positive.

Forward Looking Statements

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