

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

FORM 10-K

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

For the fiscal year ended September 30, 2020

Or

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

For the transition period from _____ to _____

Commission file number 1-9109

RAYMOND JAMES FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Florida

(State or other jurisdiction of
incorporation or organization)

59-1517485

(I.R.S. Employer
Identification No.)

880 Carillon Parkway

(Address of principal executive offices)

St. Petersburg

Florida

33716

(Zip Code)

(727) 567-1000

Registrant's telephone number, including area code

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

| <u>Title of each class</u> | <u>Trading Symbol(s)</u> | <u>Name of each exchange on which registered</u> |
|--------------------------------------|--------------------------|--|
| Common Stock, \$.01 par value | RJF | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Exchange 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 No

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 No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

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

| | | | |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |
| | | Emerging growth company | <input type="checkbox"/> |

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

As of March 31, 2020, 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 \$7,731,304,538.

The number of shares outstanding of the registrant's common stock as of November 19, 2020 was 136,932,217.

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 18, 2021 are incorporated by reference into Part III.

RAYMOND JAMES FINANCIAL, INC.
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PART I

ITEM 1. BUSINESS

Raymond James Financial, Inc. (“RJF,” the “firm” or the “Company”) is a leading diversified financial services company providing private client group, capital markets, asset management, banking and other services to individuals, corporations and municipalities. The firm, together with its subsidiaries, is engaged in various financial services activities, including providing investment management services to retail and institutional clients, the underwriting, distribution, trading and brokerage of equity and debt securities, and the sale of mutual funds and other investment products. The firm also provides corporate and retail banking services, and trust services. We operate predominately in the United States (“U.S.”) and, to a lesser extent, in Canada, the United Kingdom (“U.K.”), and other parts of Europe.

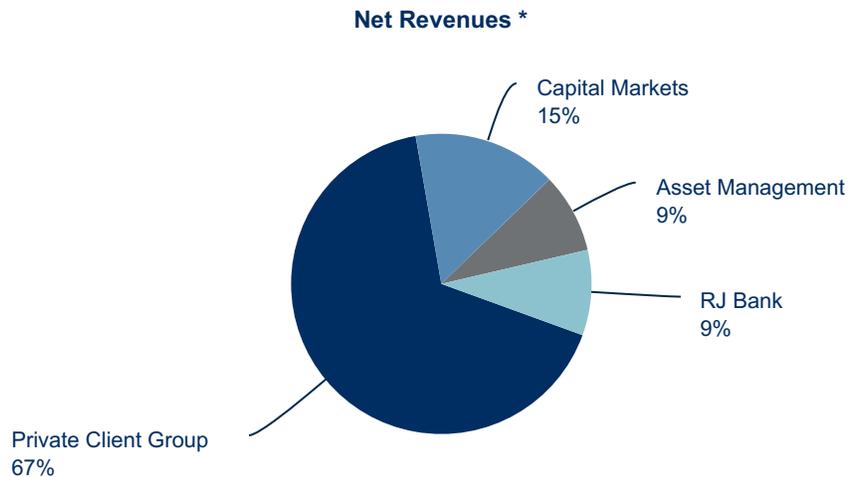
Established in 1962 and public since 1983, RJF is listed on the New York Stock Exchange (the “NYSE”) under the symbol “RJF.” As a bank holding company and financial holding company, RJF is subject to supervision, examination and regulation by the Board of Governors of the Federal Reserve System (the “Fed”).

Among the keys to our historical and continued success, our emphasis on putting the client first is at the core of our corporate values. We also believe in maintaining a conservative, long-term focus in our decision making. We believe that this disciplined decision-making approach translates to a strong, stable financial services firm for clients, associates, and shareholders.

REPORTABLE SEGMENTS

We currently operate through five segments. Our business segments are Private Client Group (“PCG”), Capital Markets, Asset Management and Raymond James Bank (“RJ Bank”). Our Other segment includes our private equity investments, interest income on certain corporate cash balances, and certain corporate overhead costs of RJF that are not allocated to our business segments, including the interest costs on our public debt.

The following graph depicts the relative net revenue contribution of each of our business segments for the fiscal year ended September 30, 2020.



* The preceding chart does not include intersegment eliminations or the Other segment.

Private Client Group

We provide financial planning, investment advisory and securities transaction services through a branch office network. Financial advisors have multiple affiliation options, which we refer to as AdvisorChoice. Our two primary affiliation options for financial advisors are the employee option and the independent contractor option.

We recruit experienced financial advisors from a wide variety of competitors. As a part of their agreement to join us, we may make loans to financial advisors and certain key revenue producers primarily for recruiting, transitional cost assistance, and retention purposes.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Total client assets under administration (“AUA”) in our PCG segment as of September 30, 2020 were \$883.3 billion, of which \$475.3 billion related to fee-based accounts (“fee-based AUA”). We had 8,239 financial advisors affiliated with us as of September 30, 2020.

Employee financial advisors

Employee financial advisors work in a traditional branch setting supported by local management and administrative staff. They provide services predominately to retail clients. Compensation for these financial advisors primarily includes commission payments and participation in the firm’s benefit plans.

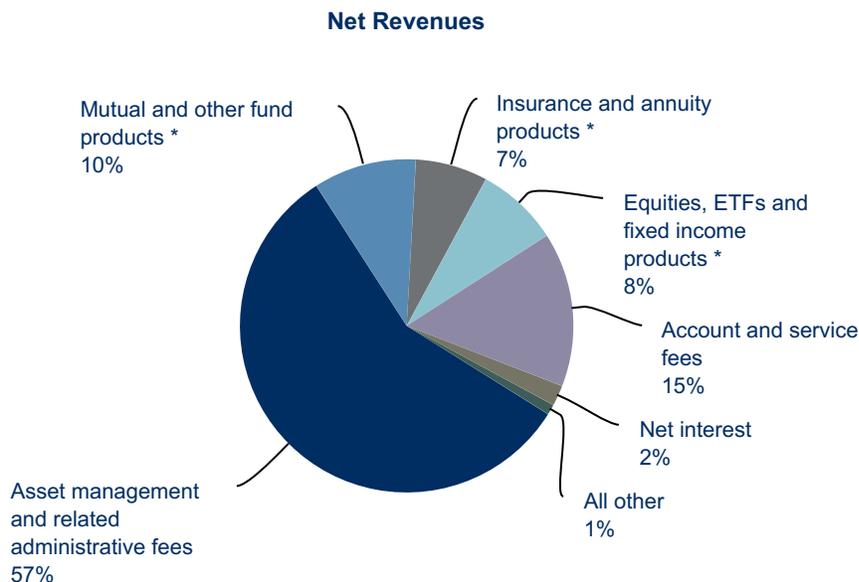
Independent contractor financial advisors

Our financial advisors who are independent contractors are responsible for all of their direct costs and, accordingly, receive a higher payout percentage on the revenues they generate than employee financial advisors. Our independent contractor financial advisor option is designed to help our advisors build their businesses with as much or as little of our support as they determine they need. With specific approval, and on a limited basis, they are permitted to conduct certain other approved business activities, such as offering insurance products, independent registered investment advisory services, and accounting and tax services.

Products and services

Irrespective of the affiliation choice, our financial advisors offer a broad range of investment products and services, including both third-party and proprietary products, and a variety of financial planning services. Revenues from this segment are typically driven by AUA and are generally either asset-based or transactional in nature. The proportion of our brokerage revenues originating from the employee versus independent contractor affiliation models is relatively balanced.

PCG segment net revenues for the fiscal year ended September 30, 2020 are presented in the following graph.



* Included in “Brokerage revenues” on our Consolidated Statements of Income and Comprehensive Income.

We provide the following products and services through this segment:

- Investment services for which we charge sales commissions or asset-based fees based on established schedules.
- Portfolio management services for which we charge either a fee computed as a percentage of the assets in the client’s account or a flat periodic fee.
- Insurance and annuity products.
- Professionally managed mutual funds.

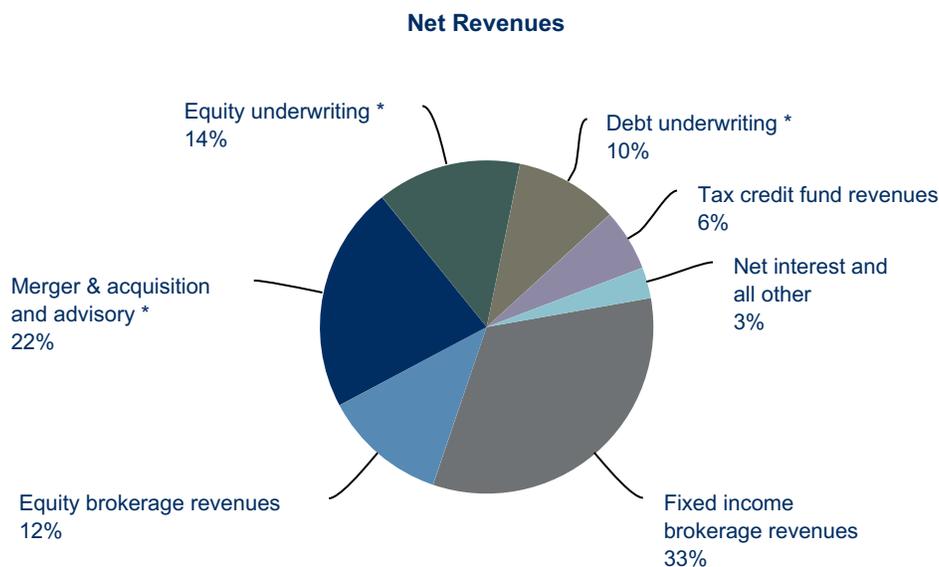
RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

- Support to third-party product partners, including sales and marketing support, product availability and distribution, and accounting and administrative services.
- Administrative services to banks to which we sweep a portion of our clients' cash deposits as part of the Raymond James Bank Deposit Program ("RJBDP"), our multi-bank sweep program. Fees received from third-party banks for these services are variable in nature and fluctuate based on client cash balances in the program, as well as the level of short-term interest rates relative to interest paid to clients by the third-party banks on balances in the RJBDP. PCG also earns servicing fees from RJ Bank, which are based on the number of accounts that are swept to RJ Bank. These fees are eliminated in consolidation.
- 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 based on current interest rates.
- Custodial services, trading, research and other support and services (including access to clients' account information and the services of the Asset Management segment) to the independent registered investment advisors who are affiliated with us.
- Securities borrowing and lending activities with other broker-dealers, financial institutions and other counterparties. The net revenues of this business generally consist of the interest spreads generated on these activities.
- Diversification strategies and alternative investment products to qualified clients of our affiliated financial advisors.

Capital Markets

Our Capital Markets segment conducts institutional sales, securities trading, equity research, investment banking and the syndication and management of investments that qualify for tax credits (referred to as our "tax credit funds" business).

Capital Markets segment net revenues for the fiscal year ended September 30, 2020 are presented in the following graph.



* Included in "Investment banking" on our Consolidated Statements of Income and Comprehensive Income.

We provide the following products and services through this segment.

Equity products and services

- We earn brokerage revenues on the sale of equity products to institutional clients. Client activity is influenced by a combination of general market activity and our Capital Markets group's ability to identify attractive investment opportunities for our institutional clients. Revenues on equity transactions are generally based on trade size and the amount of business conducted annually with each institution.

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- We provide various investment banking services including public and private equity financing for corporate clients and merger & acquisition and advisory services. Our investment banking activities include a comprehensive range of strategic and financial advisory services tailored to our clients' business life cycles and backed by our strategic industry focus.
- Our global research department supports our institutional and retail sales efforts and publishes research on a wide variety of 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 communications, and transportation. Research reports are made available to both institutional and retail clients.

Fixed income products and services

- We earn revenues from institutional clients who purchase and sell both taxable and tax-exempt fixed income products, primarily municipal, corporate, government agency and mortgage-backed bonds, and whole loans. We carry inventories of taxable and tax-exempt securities to facilitate client transactions.
- Our investment banking services include public finance and debt underwriting activities where we serve as a financial advisor, placement agent or underwriter to various issuers, including private and public corporate entities, state and local government agencies (and their political subdivisions), housing agencies, and non-profit entities including healthcare and higher education institutions.
- We enter into interest rate derivatives to facilitate client transactions or to actively manage risk exposures that arise from our client activity, including a portion of our trading inventory. In addition, we conduct a "matched book" derivatives business where we may enter into interest rate derivative transactions with clients. In this matched book business, for every derivative transaction we enter into with a client, we enter into an offsetting derivative transaction with a credit support provider that is a third-party financial institution.

Tax credit funds

- We act as the general partner or managing member in partnerships and limited liability companies that invest in real estate project entities which qualify for tax credits under Section 42 of the Internal Revenue Code and/or provide a mechanism for banks and other institutions to meet their Community Reinvestment Act ("CRA") obligations throughout the U.S. We earn fees for the origination and sale of these investment products as well as for the oversight and management of the investments over the statutory tax credit compliance period.

Asset Management

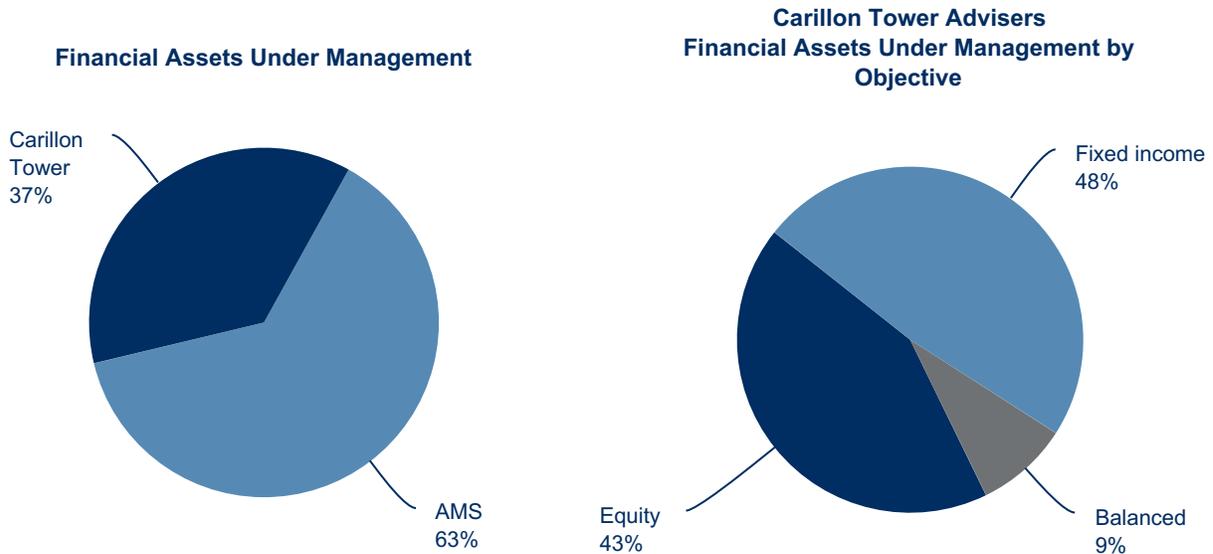
Our Asset Management segment earns asset management and related administrative fees for providing asset management, portfolio management and related administrative services to retail and institutional clients. This segment oversees a portion of our fee-based AUA for our PCG clients through our Asset Management Services division ("AMS") and through Raymond James Trust, N.A. ("RJ Trust"). This segment also provides asset management services through Carillon Tower Advisers and affiliates (collectively, "Carillon Tower Advisers") for certain retail accounts managed on behalf of third-party institutions, institutional accounts and proprietary mutual funds that we manage.

Management fees in this segment are generally calculated as a percentage of the value of our fee-billable financial assets under management ("AUM") in both AMS (including the portion of fee-based AUA in PCG that is overseen by AMS) and Carillon Tower Advisers, where investment decisions are made by in-house or third-party portfolio managers or investment committees. The fee rates applied are dependent upon various factors, including the distinctive services provided and the level of assets within each client relationship. The fee rates applied in Carillon Tower Advisers may also vary based on the account objective (i.e., equity, fixed income, or balanced). Our AUM are impacted by market fluctuations and net inflows or outflows of assets, including transfers between fee-based accounts and traditional transaction-based accounts within our PCG segment. Fees are generally collected quarterly and are based on balances as of the beginning of the quarter (particularly in AMS) or the end of the quarter, or based on average daily balances throughout the quarter.

Our Asset Management segment also earns administrative fees on certain fee-based assets within PCG that are not overseen by our Asset Management segment, but for which the segment provides administrative support (e.g., record-keeping).

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Our AUM and our Carillon Tower Advisers AUM by objective as of September 30, 2020 are presented in the following graphs.

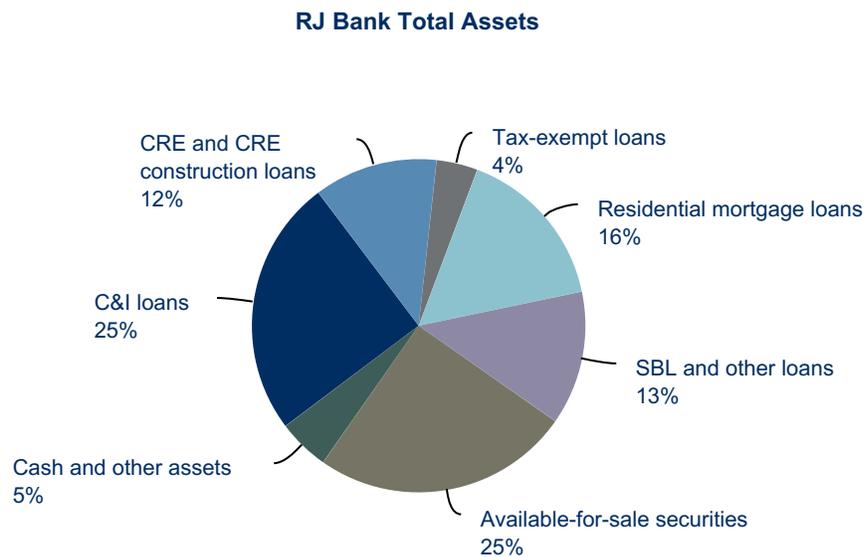


RJ Bank

RJ Bank is a national bank that provides various types of loans, including corporate loans (commercial and industrial (“C&I”), commercial real estate (“CRE”) and CRE construction), tax-exempt loans, residential loans, securities-based loans (“SBL”) and other loans. RJ Bank is active in corporate loan syndications and participations. RJ Bank also provides Federal Deposit Insurance Corporation (“FDIC”)-insured deposit accounts, including to clients of our broker-dealer subsidiaries. RJ Bank generates net interest income principally through the interest income earned on loans and an investment portfolio of securities, which is offset by the interest expense it pays on client deposits and on its borrowings.

As of September 30, 2020, corporate and tax-exempt loans represented approximately 57% of RJ Bank’s loan portfolio, of which 87% were U.S. and Canadian syndicated loans. Residential mortgage loans are originated or purchased and held for investment or sold in the secondary market. RJ Bank’s investment portfolio is primarily comprised of agency mortgage-backed securities (“MBS”) and agency collateralized mortgage obligations (“CMOs”) and is classified as available-for-sale. RJ Bank’s liabilities primarily consist of deposits that are cash balances swept from the investment accounts of PCG clients.

The following graph details the composition of RJ Bank’s total assets as of September 30, 2020.



Other

Our Other segment includes our private equity investments, interest income on certain corporate cash balances, and certain corporate overhead costs of RJF, including the interest costs on our public debt. The Other segment also includes reduction in workforce expenses associated with certain position eliminations that occurred in our fiscal fourth quarter of 2020 in response to the economic environment.

Our private equity portfolio includes various direct investments, as well as investments in third-party private equity funds and various legacy private equity funds which we sponsor.

HUMAN CAPITAL

Our “associates” (which include our employee financial advisors and all of our other employees, and independent contractor financial advisors) are vital to our success in the financial services industry. As a human-capital intensive business, the long-term success of our firm depends on our people. Our goal is to ensure that we have the right talent, in the right place, at the right time. We do that through our commitment to attracting, developing and retaining our associates.

We strive to attract individuals who are people-focused and share our values. We have competitive programs dedicated to selecting new talent and enhancing the skills of our associates. In our recruiting efforts, we strive to have a diverse group of candidates to consider for our roles. To that end, we have strong relationships with a variety of industry associations that represent diverse professionals and with diversity groups at the colleges and universities where we recruit. Among other opportunities, we offer selected students and recent graduates summer internships and pipeline programs across many areas of the firm, which may lead to permanent roles. Individuals who want to become financial advisors in our PCG segment can gain relevant branch experience through our Wealth Management Associate Program or move to our Advisor Mastery Program and begin building their client base.

We have designed a compensation structure, including an array of benefit plans and programs, that we believe is attractive to our current and prospective associates. We also offer our associates the opportunity to participate in a variety of professional and leadership development programs. Our extensive program catalog includes a variety of industry, product, technical, professional, business development, leadership and regulatory topics. These programs are available online and in-person. In addition, we have a variety of mentoring programs in place to support the development of our associates and expand their networks within the firm. We have a department dedicated to providing practice education and management resources to our PCG financial advisors. We also offer these advisors the opportunity to participate in conferences and workshops, and we offer resources and coaching at all levels to help them grow their businesses. These include separate national conferences for our employee and independent contractor financial advisor channels, each of which is attended by thousands of our advisors and their families each year.

We seek to retain our associates by using their feedback to create and continually enhance programs that support their needs. We use firmwide pulse surveys to solicit feedback from our associates. We have a formal annual goal setting and performance review processes for our employees. We have a values-based culture, an important factor in retaining our associates, which is memorialized in a culture “blueprint” that is communicated to all associates. Our training to share and communicate our culture to all associates plays an important part in this process. We are committed to having a diverse workforce, and an inclusive work environment is a natural extension of our culture. We have recently renewed our commitment to ensuring that all our associates feel welcomed, valued, respected and heard so that they can fully contribute their unique talents for the benefit of clients, their careers, our firm and our communities. We also invest substantial resources in the community-supporting organizations that are dedicated to improving the lives of diverse individuals. Our firmwide diversity and inclusion advisory council stewards the firm’s efforts and provides guidance on priorities. This council is composed of associate representatives from all areas of our business and locations where we operate. We also have firmwide and business unit-specific diversity and inclusion networks, which host various events and conferences to educate and support our diversity and inclusion efforts.

We monitor and evaluate various turnover and attrition metrics throughout our management teams. Our annualized voluntary turnover is relatively low, as is the case for turnover of our top performers, a record which we attribute to our strong values-based culture, commitment to career development, and attractive compensation and benefit programs. Importantly, our financial advisor attrition rate is even lower.

As of September 30, 2020, we had approximately 14,800 employees (including 3,404 employee financial advisors) and 4,835 affiliated independent contractor financial advisors.

OPERATIONS AND INFORMATION PROCESSING

We have operations personnel at various locations who are responsible for processing securities transactions, custody of client securities, support of client accounts, the receipt, identification and delivery of funds and securities, and compliance with regulatory and legal requirements for most of our securities brokerage operations.

The information technology department develops and supports the integrated solutions that provide a customized platform for our businesses. These include a platform for financial advisors designed to allow them to spend more time with their clients and enhance and grow their businesses; systems that support institutional and retail sales and trading activity from initiation to settlement and custody; and thorough security protocols to protect firm and client information.

In the area of information security, we have developed and implemented a framework of principles, policies and technology to protect our own information and that of our clients. We apply numerous safeguards to maintain the confidentiality, integrity and availability of both client and firm information.

Our business continuity program has been developed to provide reasonable assurance that we will continue to operate in the event of disruptions at our critical facilities or other business disruptions. We have developed operational plans for such disruptions, and we have devoted significant resources to maintaining those plans. Our business continuity plan continues to be enhanced and tested to allow for continuous operations in the event of weather-related or other interruptions at our corporate headquarters in Florida, one of our operations processing or data center sites (located in Florida, Colorado, Tennessee or Michigan), and our branch and office locations throughout the U.S., Canada and Europe.

In response to the coronavirus (“COVID-19”) pandemic, we activated certain aspects of our business continuity program during 2020 endeavoring to protect our associates and our clients. As a result, nearly all of our associates transitioned to working remotely, while still maintaining our high standards of client service. The firm continues to monitor the pandemic and has developed a phased approach to reopening our offices based on regional indicators of infection positivity rates, and has and will continue to operate in compliance with all applicable laws and regulations.

COMPETITION

The financial services industry is intensely competitive. We compete with many other financial services firms, including a number of larger securities firms, most of which are affiliated with major financial services companies, insurance companies, banking institutions and other organizations. We also compete with companies that offer web-based financial services and discount brokerage services to individual clients, usually with lower levels of service, and, more recently, financial technology (“fintech”) firms. We compete principally on the basis of the quality of our associates, services, product selection, performance records, location and reputation in local markets.

Our ability to compete effectively is substantially dependent on our continuing ability to develop or attract, retain and motivate qualified financial advisors, investment bankers, trading professionals, portfolio managers and other revenue-producing or specialized personnel.

REGULATION

The following discussion summarizes the principal elements of the regulatory and supervisory framework applicable to us as a participant in the financial services industry and, in particular, the banking and securities sectors. The framework includes extensive regulation under U.S. federal and state laws, as well as the applicable laws of the jurisdictions outside the U.S. in which we do business. This framework is intended to protect our clients, the integrity of the financial markets, our depositors and the Federal Deposit Insurance Fund and is not intended to protect our creditors or shareholders. These rules and regulations limit our ability to engage in certain activities, as well as our ability to fund RJF from our regulated subsidiaries, which include RJ Bank, RJ Trust and 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 that are referenced. A change in applicable statutes or regulations or in regulatory or supervisory policy may have a material effect on our business.

We continue to experience a period of notable changes in financial regulation and supervision. We continue to monitor the likelihood of changes in taxation and regulations due to changes in the political environment. Based upon the outcome of the most recent U.S. federal elections, the likelihood of changes in both corporate and individual taxation, as well as regulations, has likely increased. These changes could have a significant impact on our business, financial condition, results of operations

and cash flows in the future; however, we cannot predict the exact changes or quantify their potential impacts. (see “Item 1A - Risk Factors” of this Form 10-K for further discussion of the potential future impact on our operations).

Banking supervision and regulation

RJF is a bank holding company (“BHC”) under the Bank Holding Company Act of 1956, as amended (the “BHC Act”), that has made an election to be a financial holding company (“FHC”) and is subject to regulation, oversight and consolidated supervision, including periodic examination, by the Fed. Under the system of “functional regulation” established under the BHC Act, the primary regulators of our U.S. non-bank subsidiaries directly regulate the activities of those subsidiaries, with the Fed exercising a supervisory role. Such “functionally regulated” subsidiaries include our broker-dealers registered with the Securities and Exchange Commission (“SEC”), such as Raymond James & Associates, Inc. (“RJ&A”) and Raymond James Financial Services, Inc. (“RJFS”), investment advisors registered with the SEC with respect to their investment advisory activities, and our depository institution and trust company chartered and regulated by the Office of the Comptroller of the Currency (“OCC”).

RJ Bank is a national bank and insured depository institution regulated, supervised and examined by the OCC and the Consumer Financial Protection Bureau (“CFPB”). Our trust company non-depository subsidiary, RJ Trust, is also regulated, supervised and examined by the OCC. The Fed and the FDIC also regulate and may examine RJ Bank and, with respect to the Fed, RJ Trust.

Collectively, the rules and regulations of the Fed, the OCC, the FDIC and the CFPB cover all aspects of the banking business, including, for example, lending practices, the receipt of deposits, capital structure, transactions with affiliates, conduct and qualifications of personnel and, as discussed further in the following sections, capital requirements. This regulatory, supervisory and oversight framework is subject to significant changes that can affect the operating costs and permissible businesses of RJF, RJ Bank, RJ Trust and all of our other subsidiaries. As a part of their supervisory functions, the Fed, the OCC, the FDIC, and the CFPB also have the power to bring enforcement actions for violations of law and, in the case of the Fed, the OCC and the FDIC, for unsafe or unsound practices.

Basel III and U.S. capital rules

Both RJF and RJ Bank are subject to minimum capital requirements and overall capital adequacy standards. The OCC, the Fed and the FDIC published final U.S. rules implementing the Basel III capital framework developed by the Basel Committee on Banking Supervision and certain Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) and other capital provisions, and updated the prompt corrective action framework to reflect the new regulatory capital minimums (the “U.S. Basel III Rules”). The U.S. Basel III Rules: (i) increased the quantity and quality of regulatory capital; (ii) established a capital conservation buffer; and (iii) made changes to the calculation of risk-weighted assets. The capital requirements could restrict our ability to grow, including during favorable market conditions, and to return capital to shareholders, or require us to raise additional capital. As a result, our business, results of operations, financial condition and future prospects could be adversely affected. See “Item 1A - Risk Factors” of this Form 10-K for more information.

Failure to meet minimum capital requirements can trigger discretionary, and in certain cases, mandatory actions by regulators that could have a direct material effect on the financial results of RJF and RJ Bank. Under capital adequacy guidelines, 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. The capital amounts and classification for RJF and RJ Bank are also subject to the qualitative judgments of U.S. regulators based on components of capital, risk-weightings of assets, off-balance sheet transactions and other factors. Quantitative measures established by federal banking regulations to ensure capital adequacy require that RJF and RJ Bank maintain minimum amounts and ratios of: (i) Common Equity Tier 1 (or “CET1”), Tier 1 and Total capital to risk-weighted assets; (ii) Tier 1 capital to average total consolidated assets; and (iii) capital conservation buffers.

In July 2019, the Fed issued a final rule to simplify and clarify a number of existing regulatory capital rules for certain banking organizations. The rule was effective on October 1, 2019, for revisions to the pre-approval requirements for the repurchase of common stock and became effective on April 1, 2020, for the amendments to simplify capital rules. The rule simplifies the capital treatment for mortgage servicing assets, certain deferred tax assets, investments in the capital instruments of unconsolidated financial institutions, and minority interest. This rule also allows BHCs like RJF to repurchase common stock without prior approval from the Fed to the extent that the BHC is not subject to a separate legal or regulatory requirement to obtain prior approval. RJF would continue to need to obtain prior approval from the Fed if it were not “well-capitalized” or “well-managed” or if it were subject to any unresolved supervisory issues. Guidance from the Fed also indicates that RJF would need to inform the Fed in advance of repurchasing common stock in certain prescribed situations, such as if it were

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experiencing, or at risk of experiencing, financial weaknesses or considering expansion, either through acquisitions or other new activities. Further, Fed guidance indicates that, pursuant to the Fed's general supervisory and enforcement authority, Fed supervisory staff should prevent a BHC from repurchasing its common stock if such action would be inconsistent with the BHC's prospective capital needs and safe and sound operation.

See Note 22 of the Notes to the Consolidated Financial Statements of this Form 10-K for further information.

Source of strength

The Fed requires that BHCs, such as RJF, serve as a source of financial strength for any of its subsidiary depository institutions. The term "source of financial strength" is defined as the ability of a company to provide financial assistance to its insured depository institution subsidiaries in the event of financial distress at such subsidiaries. Under this requirement, RJF could be required to provide financial assistance to RJ Bank in the future should it experience financial distress.

Transactions between affiliates

Transactions between (i) RJ Bank, RJ Trust or their subsidiaries on the one hand and (ii) RJF or its other subsidiaries or affiliates on the other hand are subject to compliance with Sections 23A and 23B of the Federal Reserve Act and Regulation W issued by the Fed. These laws and regulations generally limit the types and amounts of transactions (including credit extensions from (i) RJ Bank, RJ Trust or their subsidiaries to (ii) RJF or its other subsidiaries or affiliates) that may take place and generally require those transactions to be on market terms. These laws and regulations generally do not apply to transactions between RJ Bank or RJ Trust and their subsidiaries.

The Volcker Rule, a provision of the Dodd-Frank Act, generally prohibits certain transactions and imposes a market terms requirement on certain other transactions between (i) RJF or its other subsidiaries or affiliates on the one hand and (ii) covered funds for which RJF or its subsidiaries or affiliates serve as the investment manager, investment advisor, commodity trading advisor or sponsor, or other covered funds organized and offered by RJF or its other subsidiaries or affiliates on the other hand. See "The Volcker Rule" in the following section.

Deposit insurance

Since RJ Bank provides deposits covered by FDIC insurance, generally up to \$250,000 per account ownership type, RJ Bank is subject to the Federal Deposit Insurance Act. For banks with greater than \$10 billion in assets, which includes RJ Bank, the FDIC's current assessment rate calculation 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.

Prompt corrective action

The U.S. Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") requires the U.S. federal bank regulatory agencies to take "prompt corrective action" with respect to depository institutions that do not meet specified capital requirements. FDICIA establishes five capital categories for FDIC-insured banks, such as RJ Bank: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized.

An institution may be downgraded to, or deemed to be in, a capital category that is lower than the category indicated by its capital ratios if the institution is determined to be in an unsafe or unsound condition or if it receives an unsatisfactory examination rating with respect to certain matters. FDICIA imposes progressively more restrictive constraints on operations, management and capital distributions, as the capital category of an institution declines. Failure to meet the capital requirements could also require a depository institution to raise capital. Ultimately, critically undercapitalized institutions are subject to the appointment of a receiver or conservator.

The prompt corrective action regulations do not apply to BHCs, such as RJF. However, the Fed is authorized to take appropriate action at the BHC level, based upon the undercapitalized status of the BHC's depository institution subsidiaries. In certain instances related to an undercapitalized depository institution subsidiary, the BHC would be required to guarantee the performance of the undercapitalized subsidiary's capital restoration plan and might be liable for civil money damages for failure to fulfill its commitments on that guarantee. Furthermore, in the event of the bankruptcy of the BHC, this guarantee would take priority over the BHC's general unsecured creditors. As of September 30, 2020, RJ Bank was categorized as well-capitalized.

The Volcker Rule

RJF is subject to the Volcker Rule, which generally prohibits BHCs and their subsidiaries and affiliates from engaging in proprietary trading or acquiring or retaining an ownership interest, sponsoring, or having certain relationships with hedge funds and private equity funds, subject to certain exceptions.

We have proprietary private equity investments that meet the definition of covered funds under the Volcker Rule. The conformance period for compliance with the rule with respect to investments in covered funds was July 2017; however, banking entities were able to apply for an extension to provide up to an additional five years to conform investments in certain illiquid funds. The majority of our covered fund investments meet the criteria to be considered an illiquid fund under the Volcker Rule and we received approval from the Fed to continue to hold such investments until July 2022. The extension of the conformance deadline provides us with additional time to attempt to realize the value of these investments in due course and to execute appropriate strategies to comply with the Volcker Rule at such time. However, our current focus is on the divestiture of our existing covered fund portfolio.

The Fed, OCC, FDIC, SEC, and Commodity Futures Trading Commission (“CFTC”) finalized amendments to the Volcker Rule in 2019, which relate primarily to the Volcker Rule’s proprietary trading and compliance program requirements. The amendments do not change the Volcker Rule’s general prohibitions, but they offer certain clarifications and a simplified approach to compliance.

In June 2020, the Fed, OCC, FDIC, SEC and CFTC finalized further amendments to the Volcker Rule. The final rule includes new exclusions from the Volcker Rule’s general prohibition on banking entities investing in and sponsoring private equity funds, hedge funds, and certain other investment vehicles (collectively, “covered funds”) for credit funds, venture capital funds, family wealth management vehicles, and customer facilitation vehicles. The final rule also revises existing exclusions for foreign public funds, loan securitizations, and public welfare and small business funds. In addition, the final rules modify the “Super 23” provisions of the Volcker Rule, which prohibit banking entities from extending credit to and entering into certain transactions with advised or sponsored covered funds, by exempting certain short-term extensions of credit, among several other previously prohibited transactions.

Many of the amendments contained in the final rule address aspects of the existing regulations that have, since their adoption in 2013, proven in practice to be complex and burdensome or to have unintended consequences. The final rule is intended to clarify and simplify compliance with the implementing regulations and permit additional fund activities that do not present the risks that the Volcker Rule was intended to address. The final rule became effective on October 1, 2020 for all banking entities subject to the Volcker Rule, including RJF and its subsidiaries.

Compensation practices

Our compensation practices are subject to oversight by the Fed. Compensation regulation in the financial industry continues to develop, and we expect these regulations to change over a number of years. The U.S. federal bank regulatory agencies have provided guidance designed to ensure incentive compensation policies do not encourage imprudent risk-taking and are consistent with safety and soundness. The Dodd-Frank Act requires the U.S. financial regulators to adopt rules on incentive-based payment arrangements. The U.S. financial regulators proposed revised rules in 2016, which have not yet been finalized.

Community Reinvestment Act regulations

RJ Bank is subject to the CRA, which is intended to encourage banks to help meet the credit needs of their communities, including low and moderate income neighborhoods, consistent with safe and sound bank operations. Under the CRA, the Fed, the FDIC and the OCC are required to periodically examine and assign to each bank a public CRA rating. If any insured depository institution subsidiary of a FHC fails to maintain at least a “satisfactory” rating under the CRA, the FHC would be subject to restrictions on certain new activities and acquisitions.

The OCC issued a final rule comprehensively amending the CRA regulations applicable to RJ Bank and other OCC-regulated banks in May 2020. At the core of the OCC’s final rule is a set of new general performance standards that establish more quantitative measures of CRA performance than the tests set forth in existing CRA regulations.

While RJ Bank will be required to comply with the final rule by January 2023, the OCC has deferred the decision of how key thresholds and benchmarks used in the rule will be applied to determine the level of performance necessary to achieve a particular performance rating to a future rulemaking process. As a result, the final rule creates some uncertainty for RJ Bank and other OCC-regulated banks in planning their CRA activities until that decision is made.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Neither the FDIC nor the Fed joined the OCC in issuing the final rule, and the Fed issued an advanced notice of proposed rulemaking for the CRA regulations applicable to state-chartered banks it supervises in September 2020. State-chartered banks will therefore continue to operate under the FDIC's and Fed's CRA regulations rather than the OCC's CRA regulations. In June 2020, certain organizations filed suit against the OCC asking a court to issue an order setting the rule aside. In the same month, the U.S. House of Representatives passed a Congressional Review Act resolution of disapproval in an attempt to nullify the rule. This measure failed to pass a required U.S. Senate vote in October 2020. These developments create further uncertainty for RJ Bank and others in planning their CRA activities.

Other restrictions

FHCs, such as RJF, generally can engage in a broader range of financial and related activities than are otherwise permissible for BHCs as long as they continue to meet the eligibility requirements for FHCs. The broader range of permissible activities for FHCs includes underwriting, dealing and making markets in securities and making investments in non-FHCs or merchant banking activities.

The Fed, however, has the authority to limit an FHC's ability to conduct activities that would otherwise be permissible, and will likely do so if the FHC does not satisfactorily meet certain requirements of the Fed. For example, if an FHC or any of its U.S. depository institution subsidiaries ceases to maintain its status as "well-capitalized" or "well-managed," the Fed may impose corrective capital and/or managerial requirements, as well as additional limitations or conditions. If the deficiencies persist, the FHC may be required to divest its U.S. depository institution subsidiaries or to cease engaging in activities other than the business of banking and certain closely related activities.

In addition, we are required to obtain prior Fed approval before engaging in certain banking and other financial activities both within and outside the U.S.

Broker-dealer and securities regulation

The SEC is the federal agency charged with administration of the federal securities laws in the U.S. Our U.S. broker-dealer subsidiaries are subject to SEC regulations relating to their business operations, including sales and trading practices, public offerings, publication of research reports, use and safekeeping of client funds and securities, capital structure, record-keeping, privacy requirements, and the conduct of directors, officers and employees. Financial services firms are also subject to regulation by state securities commissions in those states in which they conduct business. Our primary U.S. broker-dealers, RJ&A and RJFS, are currently registered as broker-dealers in all 50 states.

Financial services firms are also subject to regulation by various foreign governments, securities exchanges, central banks and regulatory bodies, particularly in those countries where they have established offices. Outside of the U.S., we have additional offices primarily in Canada and Europe and are subject to regulations in those areas. Much of the regulation of broker-dealers in the U.S. and Canada, however, has been delegated to self-regulatory organizations ("SROs") (e.g., the Financial Industry Regulatory Authority ("FINRA"), the Investment Industry Regulatory Organization of Canada ("IIROC") and securities exchanges). These SROs adopt and amend rules for regulating the industry, subject to the approval of government agencies. These SROs also conduct periodic examinations of member broker-dealers.

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

Our U.S. broker-dealer subsidiaries are subject to the Securities Investor Protection Act ("SIPA") and are required by federal law to be members of the Securities Investors Protection Corporation ("SIPC"). The SIPC was established under SIPA, and oversees the liquidation of broker-dealers during liquidation or financial distress. The SIPC fund provides protection for cash and securities held in client accounts up to \$500,000 per client, with a limitation of \$250,000 on claims for cash balances.

U.S. broker-dealer capital

Broker-dealers are required to maintain the minimum net capital deemed necessary to meet their continuing commitments to customers and others, and are required to keep their assets in relatively liquid form. These rules also limit the ability of broker-dealers to transfer capital to parent companies and other affiliates. Our broker-dealer subsidiaries are subject to certain of the SEC's financial stability rules, including the: (i) net capital rule; (ii) customer protection rule; (iii) record-keeping rules; and (iv) notification rules.

Standard of care

Pursuant to the Dodd-Frank Act, the SEC was charged with considering whether broker-dealers should be subject to a standard of care similar to the fiduciary standard applicable to registered investment advisors. In June 2019, the SEC adopted a package of rule-makings and interpretations related to the provision of advice by broker-dealers and investment advisers, including Regulation Best Interest and Form CRS. Among other things, Regulation Best Interest requires a broker-dealer to act in the best interest of a retail customer when making a recommendation to that customer of any securities transaction or investment strategy involving securities. Form CRS requires that broker-dealers and investment advisers provide retail investors with a brief summary document containing simple, easy-to-understand information about the nature of the relationship between the parties. Since June 30, 2020, we have been required to comply with Regulation Best Interest and Form CRS. Implementation of the regulations required us to review and modify our policies and procedures, as well as associated supervisory and compliance controls, satisfy additional disclosure obligations, and provide related education and training to financial advisors.

Additionally, various states have proposed, or adopted, laws and regulations seeking to impose new standards of conduct on broker-dealers that may differ from the SEC's new regulations, which will lead to additional implementation costs. The Department of Labor ("DOL") has also reinstated the historical "five-part test" for determining who is an investment advice "fiduciary" when dealing with certain retirement plans and accounts and proposed a new exemption to allow investment advice fiduciaries to receive transaction-based compensation and engage in certain principal trades. We are studying and evaluating the proposal. The total impact of the DOL change on our business will not be fully known until the proposal is finalized and could lead to additional costs.

Investment management regulation

Our investment advisory operations, including the mutual funds that we sponsor, are also subject to extensive regulation in the U.S. The majority of our asset managers are registered as investment advisers with the SEC under the Investment Advisers Act of 1940 as amended (the "Investment Advisers Act"), and are also required to make notice filings in certain states. Virtually all aspects of our asset management business are subject to various federal and state laws and regulations. These laws and regulations are primarily intended for the benefit of our clients.

Anti-money laundering, economic sanctions, and anti-bribery and corruption regulation

The U.S. Bank Secrecy Act ("BSA"), as amended by the USA PATRIOT Act of 2001 ("PATRIOT Act") and the Customer Due Diligence Rule, contains anti-money laundering and financial transparency laws and mandates the implementation of various regulations applicable to all financial institutions, including standards for verifying client identification at account opening, and obligations to monitor client transactions and report suspicious activities. Through these and other provisions, the BSA and the PATRIOT Act seek to promote the identification of parties that may be involved in terrorism, money laundering or other suspicious activities. Anti-money laundering laws outside the U.S. contain some similar provisions.

The U.S. Treasury's Office of Foreign Assets Control administers economic and trade sanctions programs and enforces sanctions regulations with which all U.S. persons must comply. The European Union ("E.U.") as well as various countries have also adopted economic sanctions programs targeted at countries, entities and individuals that are involved in terrorism, hostilities, embezzlement or human rights violations.

In addition, various countries have adopted laws and regulations, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, related to corrupt and illegal payments to, and hiring practices with regard to, government officials and others. The scope of the types of payments or other benefits covered by these laws is very broad and is subject to significant uncertainties that may be clarified only in the context of further regulatory guidance or enforcement proceedings.

RJF and its affiliates have been required to implement and maintain internal policies, procedures, and controls to meet the compliance obligations imposed by such U.S. and non-U.S. laws and regulations concerning anti-money laundering, economic sanctions, and anti-bribery and corruption. Failure to meet the requirements of these regulations can result in supervisory action, including fines.

Privacy and data protection

U.S. federal law establishes minimum federal standards for financial privacy by, among other provisions, requiring financial institutions to adopt and disclose privacy policies with respect to consumer information and setting forth certain limitations on disclosure to third parties of consumer information. U.S. state laws and regulations adopted under U.S. federal law impose obligations on RJF and its subsidiaries for protecting the confidentiality, integrity and availability of client information, and

require notice of data breaches to certain U.S. regulators and to clients. The SEC's Regulation S-ID mandates the development and implementation of a written Identity Theft Prevention Program that is designed to detect, prevent, and mitigate identity theft. The California Consumer Privacy Act, which became effective on January 1, 2020, imposes privacy compliance obligations with regard to the personal information of California residents, including requiring companies to provide new disclosures to California consumers, and provides for a number of new rights for California residents. Similarly, the General Data Protection Regulation ("GDPR") imposes additional requirements for companies that collect or store personal data of E.U. residents. GDPR expands the scope of the E.U. data protection law to all foreign companies processing personal data of E.U. residents, imposes a strict data protection compliance regime, and includes new rights for E.U. residents. We have adopted privacy policies and communicated required information relating to financial privacy and data security, in accordance with applicable laws. We continue to monitor regulations related to data privacy and protection on both a domestic and international level to assess requirements and impacts on our global business operations.

Legislative and regulatory changes in connection with COVID-19

The COVID-19 pandemic has resulted in governments around the world implementing numerous measures to help control the spread of the virus, including, among others, quarantines, travel restrictions and business curtailments. In addition, governments globally intervened with fiscal policy to mitigate the impact of the pandemic, including the Coronavirus Aid, Relief, and Economic Security ("CARES") Act in the U.S., which aimed to provide economic relief to businesses and individuals.

The CARES Act includes a broad range of provisions intended to support the U.S. economy. Among its provisions, the act allocates funds for a new Paycheck Protection Program that expands an existing Small Business Administration ("SBA") loan guarantee program for small businesses to keep their employees on payroll and make other eligible payments. Currently, the firm does not act as a lender under these programs and facilities, and has no immediate plans to do so.

The CARES Act also provides certain temporary regulatory relief for financial institutions, including RJF and its subsidiaries. The act permits financial institutions to temporarily suspend any determination of a loan modified as a result of the effects of the COVID-19 pandemic as being a troubled debt restructuring ("TDR"), including impairment for accounting purposes. We elected to apply the CARES Act relief to certain loan modifications that relate primarily to short-term payment deferrals and have not classified such modifications as TDRs. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risk management - Credit risk" for further information on the impact of such loan modifications. The act also permits financial institutions to temporarily delay the implementation of the Current Expected Credit Losses ("CECL") model for estimating allowances for credit losses. In addition, the Fed, the FDIC and the OCC issued a joint statement providing banking organizations optional temporary relief by delaying the initial adoption impact of CECL on regulatory capital for two years, followed by a three-year transition period to phase out the aggregate amount of the capital benefit provided during 2020 and 2021 (i.e., a five-year transition period). We did not delay our October 1, 2020 initial adoption of the implementation of CECL and did not take the optional temporary relief by delaying the impact of CECL on our regulatory capital calculations.

The CARES Act grants potential tax relief and liquidity to businesses, including corporate tax provisions that: temporarily allow for the carryback of net operating losses and remove limitations on the use of loss carryforwards, increase interest expense deduction limitations, and allow accelerated depreciation deductions on certain asset improvements. In addition, the CARES Act allows employers to defer the payment, including the deposit, of payroll taxes for the 2020 calendar year from March 27, 2020 until December 31, 2021 for 50 percent of such taxes and December 31, 2022 for the remaining 50 percent.

The CARES Act further provides a number of consumer finance protections. The act provides a range of forbearance rights with respect to any federally backed residential or multi-family mortgage loan and generally limits the ability of a lender or servicer to institute foreclosure or similar proceedings. The act additionally imposes a moratorium on evictions from dwellings of many tenants. On September 1, 2020, the Department of Health and Human Services, through the Centers for Disease Control and Prevention, announced a nationwide order temporarily halting certain residential evictions. These provisions are consistent with supervisory guidance previously issued by federal banking agencies, which also stated that they would not criticize financial institutions for working with customers affected by the outbreak in a safe and sound manner. We have modified our processes to ensure full compliance and are working as appropriate to support affected businesses and individuals during this time. Many state and local authorities have also taken, or are considering taking, legislative, executive, or other action to respond to the economic disruptions caused by the spread of COVID-19, including with respect to foreclosure and repossession moratoriums.

The Company's legislative and regulatory environment is continually changing in response to the COVID-19 pandemic, and new or modified laws, regulations and guidance may be promulgated at very short notice.

Other non-U.S. regulation

Raymond James Ltd. (“RJ Ltd.”) is currently registered as an investment dealer 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 subject to regulation by IIROC, a SRO under the oversight of the securities commissions that make up the Canadian Securities Administrators. IIROC is responsible for the enforcement of, and conformity with, securities legislation for their members and has been granted the powers to prescribe their own rules of conduct and financial requirements of members, including RJ Ltd. IIROC also requires that RJ Ltd. be a member of the Canadian Investors Protection Fund, whose primary role is investor protection. This fund provides protection for securities and cash held in client accounts up to 1 million Canadian dollars (“CAD”) per client, with additional coverage of CAD 1 million for certain types of accounts. See Note 22 of the Notes to Consolidated Financial Statements of this Form 10-K for further information pertaining to broker-dealer regulatory minimum net capital requirements.

Certain of our subsidiaries are registered in, and operate from, the U.K. which has a highly developed and comprehensive regulatory regime. Certain of these subsidiaries operate in the retail sector, providing investment and financial planning services to high-net-worth individuals, while others provide brokerage and investment banking services to institutional clients. These subsidiaries are authorized and regulated by the U.K. conduct regulator, the Financial Conduct Authority (“FCA”), and have permission to carry out business in other E.U. countries as part of treaty arrangements; however, these permissions may be negatively impacted by the terms and conditions of the U.K.’s withdrawal from the E.U. (“Brexit”).

As of September 30, 2020, we have entered into an agreement to sell our interests in certain of our subsidiaries which are incorporated and operate in France and that provide investment and asset management services to high-net-worth individuals and brokerage services to institutional clients. These subsidiaries are both authorized and regulated by the French Regulatory Authority the L’Autorité de contrôle prudentiel et de resolution and Autorité des Marchés Financiers and have permission to carry out business in other E.U. countries as part of treaty arrangements. We expect the sale to be completed in the first half of fiscal 2021.

In Europe, the Markets in Financial Instruments Regulation and a revision of the Markets in Financial Instruments Directive (together, “MiFID II”), generally took effect on January 3, 2018, and introduced comprehensive, new trading and market infrastructure reforms in the E.U., including new trading venues, enhancements to pre- and post-trading transparency, and additional investor protection requirements, among others. These reforms also changed the way investment managers can pay for the receipt of investment research and mandated unbundling between execution and other major services, including research, for broker-dealers.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

Executive officers of the registrant (which includes officers of certain significant subsidiaries) are as follows:

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|------------------------|----|--|
| Paul D. Allison | 64 | Chairman, President and CEO - Raymond James Ltd. since January 2009 |
| James E. Bunn | 47 | President - Global Equities and Investment Banking - Raymond James & Associates, Inc. since December 2018 and Head of Investment Banking - Raymond James & Associates, Inc. since January 2014; Co-President - Global Equities and Investment Banking - Raymond James & Associates, Inc., October 2017 - December 2018 |
| John C. Carson, Jr. | 64 | President since April 2012; President - Morgan Keegan & Company, LLC, formerly known as Morgan Keegan & Company, Inc., since July 2013 |
| George Catanese | 61 | Chief Risk Officer since February 2006 |
| Scott A. Curtis | 58 | President - Private Client Group since June 2018; President - Raymond James Financial Services, Inc. since January 2012 |
| Jeffrey A. Dowdle | 56 | Chief Operating Officer and Head of Asset Management Group since October 2019; Chief Administrative Officer, August 2018 - October 2019; President - Asset Management Group, May 2016 - October 2019; Executive Vice President - Asset Management Group, February 2014 - May 2016 |
| Tashtego S. Elwyn | 49 | Chief Executive Officer and President - Raymond James & Associates, Inc. since June 2018; President - Private Client Group - Raymond James & Associates, Inc., January 2012 - June 2018 |
| Thomas A. James | 78 | Chairman Emeritus since February 2017; Executive Chairman, May 2010 - February 2017 |
| Jeffrey P. Julien | 64 | Executive Vice President - Finance since August 2009; Chief Financial Officer, April 1987 - December 2019; Treasurer, February 2011 - February 2018 |
| Bella Loykhter Allaire | 67 | Executive Vice President - Technology and Operations - Raymond James & Associates, Inc. since June 2011 |
| Jodi L. Perry | 49 | President - Independent Contractor Division - Raymond James Financial Services, Inc. since June 2018; Senior Vice President, National Director - ICD - Raymond James Financial Services, Inc., May 2018 - June 2018; Senior Vice President, ICD Regional Director - Raymond James Financial Services, Inc., June 2012 - May 2018 |
| Steven M. Raney | 55 | President and CEO - Raymond James Bank, N.A. since January 2006 |
| Paul C. Reilly | 66 | Chairman since February 2017 and Chief Executive Officer since May 2010; Director since January 2006 |
| Jonathan N. Santelli | 49 | Executive Vice President, General Counsel and Secretary since May 2016; Senior Vice President and Deputy General Counsel - First Republic Bank, October 2013 to April 2016 |
| Paul M. Shoukry | 37 | Chief Financial Officer since January 2020 and Treasurer since February 2018; Senior Vice President - Finance and Investor Relations, January 2017 - December 2019; Senior Vice President - Treasury, January 2017 - February 2018; Vice President - Finance and Investor Relations, July 2012 - December 2016 |

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

ADDITIONAL INFORMATION

Our Internet address is www.raymondjames.com. We make available on our website, free of charge and in printer-friendly format including “.pdf” file extensions, 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, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Our reports and other information that we electronically file with the SEC are also available free of charge on the SEC’s website at www.sec.gov.

FACTORS AFFECTING “FORWARD-LOOKING STATEMENTS”

Certain statements made in this Annual Report on Form 10-K may constitute “forward-looking statements” under the Private Securities Litigation Reform Act of 1995. Forward-looking statements include information concerning future strategic objectives, business prospects, anticipated savings, financial results (including expenses, earnings, liquidity, cash flow and capital expenditures), industry or market conditions, demand for and pricing of our products, acquisitions and divestitures, anticipated results of litigation, regulatory developments, effects of accounting pronouncements, and general economic conditions. In addition, words such as “believes,” “expects,” “anticipates,” “plans,” “estimates,” 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 based on assumptions that we believe to be reasonable, there can be no assurance that actual results will not differ materially from those expressed in the forward-looking statements. We caution investors not to rely unduly on any forward-looking statements and urge you to carefully consider the risks described in “Item 1A - Risk Factors” of this report. 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.

ITEM 1A. RISK FACTORS

Our operations and financial results are subject to various risks and uncertainties, including those described in the following sections, which could adversely affect our business, financial condition, results of operations, liquidity and the trading price of our common stock. The list of risk factors provided in the following sections is not exhaustive; there may be other factors that adversely impact our results of operations, harm our reputation or inhibit our ability to generate new business prospects. The following sections should be read in conjunction with “Item 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and accompanying notes in “Item 8 - Financial Statements and Supplementary Data” of this Annual Report on Form 10-K. In particular, see “Item 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and capital resources” for additional information on liquidity and how we manage our liquidity risk and “Item 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operations - Risk management” for additional information on our exposure and how we monitor and manage our market, credit, operational, compliance and certain other risks.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

The worldwide COVID-19 pandemic has adversely affected, and will likely continue to adversely affect, our business, financial condition, and results of operations.

The worldwide COVID-19 pandemic and related government-imposed and other measures intended to control the spread of the disease, including restrictions on travel and the conduct of business, such as stay-at-home orders, quarantines, travel bans, border closings, business closures and other similar measures, have had a significant impact on global economic conditions and have negatively impacted certain aspects of our business and results of operations, and may continue to do so in the future. Although certain economic conditions showed signs of improvement toward the end of fiscal 2020, certain of the impacts of the COVID-19 pandemic may continue to affect our results in the future, including: lower net interest income and RJBDP fees from third-party banks due to a significant reduction by the Federal Reserve of its benchmark short-term interest rate in response to the pandemic; volatility in our brokerage revenues and investment banking revenues due to market uncertainty caused by the pandemic; increased credit risk, particularly with regard to industries most vulnerable to the pandemic (e.g., airline, restaurant, gaming, entertainment/leisure and energy), which may continue to result in an elevated bank loan loss provision and charge-offs. In addition, should market conditions deteriorate further, or if there is a decline in equity markets similar to that experienced during our fiscal 2020 second quarter, the value of our clients’ assets and certain of our investments would also be negatively affected.

We may also continue to experience business disruptions as a result of the continued spread of COVID-19, resulting from restrictions on our employees’ ability to travel, as well as temporary partial or full closures of our facilities and the facilities of our customers, suppliers, or other vendors. We often recruit skilled professionals by visiting their offices or having them visit our offices. Although we have transitioned such visits to virtual meetings, continued travel restrictions or other disruptions that prevent us from meeting with professional prospects may adversely impact our ability to recruit such professional prospects. Further, the increased availability of remote working arrangements in response to the pandemic may intensify competition for prospective new associates and impair our ability to retain current associates. It may also become more difficult to maintain our distinctive corporate culture, which is in part dependent on a certain level of in-person interaction, in the face of a prolonged, large-scale industry shift to remote work. While we maintain contingency plans for events such as pandemic outbreaks, the further spread of COVID-19 or a similar contagious disease could also impair the effectiveness of our executive officers or other associates who are necessary to conduct our business. In addition, any continued spread of COVID-19 or new outbreak could harm the operations of third-party service providers who perform critical services for our business.

If COVID-19, or another highly infectious or contagious disease, continues to spread or the response to contain it is unsuccessful, we will likely experience further adverse effects on our business, financial condition, liquidity, and results of operations. A prolonged period of economic deterioration could ultimately result in impairment of our goodwill and identifiable intangible assets. In addition, if conditions in financial markets further deteriorate as a result of the pandemic, our access to capital and other sources of funding may become constrained, which may require us to restructure debt or obtain additional financing on terms that may be onerous or highly dilutive.

The extent of any of the previously-described effects on our business will depend on future developments which are highly uncertain and cannot be predicted, including the duration of the COVID-19 pandemic, the development, distribution, and acceptance of an effective vaccine, the measures taken by various governmental authorities in response to the pandemic and the possible further impacts on the global economy.

Damage to our reputation could damage our businesses.

Maintaining our reputation is critical to attracting and maintaining clients, investors, and associates. If we fail to address, or appear to fail to address, issues that may give rise to reputational risk, we could significantly harm our business prospects. These issues may include, but are not limited to, any of the risks discussed in this Item 1A, including appropriately dealing with potential conflicts of interest, legal and regulatory requirements, ethical issues, money laundering, cybersecurity and privacy, record-keeping, sales and trading practices, and associate misconduct. In addition, the failure to sell securities we have underwritten at anticipated price levels and the proper identification of the risks inherent in the products and services we offer could also give rise to reputational risk. Failure to maintain appropriate service and quality standards or a failure or perceived failure to treat clients fairly can result in client dissatisfaction, litigation and heightened regulatory scrutiny, all of which can lead to lost revenue, higher operating costs and reputational harm. Negative publicity about us, whether or not true, may also harm our reputation. Further, failures at other large financial institutions or other market participants, regardless of whether they relate to our activities, could lead to a general loss of customer confidence in financial institutions that could negatively affect us, including harming the market perception of the financial system in general.

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 affected by domestic and international macroeconomic and political conditions, as well as economic output levels, interest and inflation rates, employment levels, prices of commodities, consumer confidence levels, international trade policy, and fiscal and monetary policy. For example, 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 also can decrease materially the value of certain of our financial assets, most notably debt securities, as well as our cash flows, such as those associated with client cash balances. 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. In addition, our results of operations may be impacted by changes resulting from different political philosophies governing individual and corporate taxation, as well as regulation, which may result from the outcome of the recent federal elections in the U.S. Changes in tax law and regulation, or any market uncertainty caused by a change in the political environment, may negatively affect our business. Macroeconomic conditions may also directly and indirectly impact a number of factors in the global financial markets that may be detrimental to our operating results, including trading levels, investing, and origination activity in the securities markets, financial instrument 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.

In recent years, we experienced an operating environment that was favorable for many of our businesses, characterized by rising equity markets and higher levels of interest rates. However, the recent significant reduction by the Fed of its benchmark short-term interest rate, including to ameliorate the macroeconomic effects of the COVID-19 pandemic, has had a significant negative impact on our results, as we have certain assets and liabilities, primarily held in our PCG, RJ Bank and Other segments, which are sensitive to changes in interest rates. Fees we earn from third-party banks on client cash balances swept to such banks as part of the RJBDF are also sensitive to changes in interest rates. These market interest rate declines will continue to negatively impact our results and cash flows in future quarters.

In addition, if we were to experience a period of sustained downturn in the securities markets, credit market dislocations, reductions in the value of real estate, further increases in mortgage and other loan delinquencies, or other negative market factors, including from the continuing impact of the COVID-19 pandemic, our revenues could be adversely impacted. Market volatility could also cause clients to move their investments to lower margin products, or withdraw them, which could have an adverse impact on our profitability. We could also experience a material reduction in trading volume and lower securities prices in times of market uncertainty, which would result in lower brokerage revenues, including losses on firm inventory. Conversely, periods of severe market volatility may result in a significantly higher level of transactions and other activity which may cause operational challenges that may result in losses. These can include, but are not limited to, trade errors, failed transaction settlements, late collateral calls to borrowers and counterparties, or interruptions to our system processing. The fair values of certain of our investments could also be negatively impacted, resulting in additional unrealized or realized losses on such investments. Periods of reduced revenue and other losses could lead to reduced profitability because certain of our expenses, including our interest expense on debt, rent, facilities and salary expenses, are fixed, and our ability to reduce them over short time periods is limited.

U.S. markets may also be impacted by political and civil unrest occurring in other parts of the world. Our businesses and revenues derived from non-U.S. operations may also be subject to risk of loss from currency fluctuations, social or political instability, less established regulatory regimes, changes in governmental or central bank policies, downgrades in the credit ratings of sovereign countries, expropriation, nationalization, confiscation of assets and unfavorable legislative, economic and

political developments. Concerns about Brexit and the stability of the E.U.'s sovereign debt could cause uncertainty and disruption in financial markets globally. Continued uncertainties loom over the future of the U.K.'s relationship with the E.U., including future trading arrangements between the U.K. and the E.U., following the expiration of the transition period on December 31, 2020. During the transition period of Brexit, we are taking steps to make certain changes to our European operations in an effort to ensure that, where possible, we can continue to provide cross-border services in E.U. member states without the need for separate regulatory authorizations in each member state. There is also continued uncertainty regarding the outcome of the E.U.'s financial support programs. It is possible that other E.U. member states may experience financial troubles in the future, or may choose to follow the U.K.'s lead and leave the E.U. Any negative impact on economic conditions and global markets from these developments could adversely affect our business, financial condition and liquidity.

We may be negatively impacted by budget pressures affecting U.S. state and local governments, as well as negative trends in the housing and labor markets, including those resulting directly or indirectly from the COVID-19 pandemic. Investor concerns regarding these trends could potentially reduce the number and size of transactions in which we participate and, in turn, reduce our debt underwriting revenues. In addition, such factors could potentially have an adverse effect on the value of the municipal securities we hold in our trading inventory.

RJ Bank is affected primarily by economic conditions in North America. Market conditions in the U.S. and Canada can be assessed through the following metrics: the level and volatility of interest rates; unemployment and under-employment rates; real estate prices; consumer confidence levels and changes in consumer spending; and the number of personal bankruptcies, among others. Deterioration of market conditions, such as those we have experienced due to the COVID-19 pandemic, have and could continue to diminish loan demand, which may result in sales of loans at unattractive prices in order to reduce risk in our loan portfolio, lead to an increase in mortgage and other loan delinquencies, affect loan repayment performance, and result in higher loan loss provisions and net charge-offs, which can adversely affect our earnings.

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

Our inability to maintain adequate liquidity or to easily access credit and capital markets could have a significant negative effect on our financial condition. If liquidity from our brokerage or banking operations is inadequate or unavailable, we may be required to scale back or curtail our operations, such as limiting our recruiting of additional financial advisors, limiting lending, selling assets at unfavorable prices, and cutting or eliminating dividend payments. Our liquidity could be negatively affected by: the inability of our subsidiaries to generate cash in the form of dividends from earnings; liquidity or capital requirements applicable to our subsidiaries that may prevent us from distributing 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 for RJF; and other commitments or restrictions on capital as a result of adverse legal settlements, judgments, or regulatory sanctions. Furthermore, as a bank holding company, we may become subject to prohibitions or limitations on our ability to pay dividends and/or repurchase our stock. Certain of our regulators have the authority, and under certain circumstances, the duty, to prohibit or to limit dividend payments by regulated subsidiaries to their parent company.

The availability of financing, including access to the credit and capital markets, depends on various 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 of capital and the 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 future concerns over the strength of specific counterparties, as well as the stability of markets generally.

We are exposed to credit risk.

We are generally exposed to the risk that third parties that owe us money, securities or other assets will fail to meet their obligations to us due to numerous causes, including bankruptcy, lack of liquidity, or operational failure, among others. This risk has been and may further be exacerbated by the effects of the COVID-19 pandemic. We actively buy and sell securities from and to clients and counterparties in the normal course of our broker-dealers' trading and underwriting businesses, which exposes us to credit risk. Although generally collateralized by the underlying security to the transaction, we still face risk associated with changes in the market value of collateral through settlement date. We also hold certain securities, loans and derivatives as part of our trading operations. Deterioration in the actual or perceived credit quality of the underlying issuers of securities or loans or the non-performance of issuers and counterparties to certain derivatives could result in losses.

We borrow securities from, and lend securities to, other broker-dealers and may also enter into agreements to repurchase and/or 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, as well as by evaluating collateral and transaction levels on a recurring basis. Significant deterioration in the credit quality of one of our counterparties could lead to widespread concerns about the credit quality of other counterparties in the same industry, thereby exacerbating our credit risk. In addition, 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 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, result in significant reputational damage, and adversely impact our financial performance.

We also incur credit risk by lending to businesses and individuals, including through offering C&I loans, commercial and residential mortgage loans, tax-exempt loans, home equity lines of credit, SBL and other loans. We also incur credit risk through our investments. 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, or geographies, or to borrowers or issuers who as a group may be uniquely or disproportionately affected by economic or market conditions, such as those most impacted by the COVID-19 pandemic, including the airline, restaurant, gaming, entertainment/leisure and energy sectors. The deterioration of an individually large exposure, for example due to natural disasters, health emergencies or pandemics, acts of terrorism, severe weather events or other adverse economic events, 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.

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, sell loans at unattractive prices, foreclose on certain real estate properties or write down the value of some of our securities. 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.

We are exposed to market risk, including interest rate 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, interest rate changes could adversely affect our net interest spread, the difference between the yield we earn on our interest-earning assets and the interest rate we pay for deposits and other sources of funding, which in turn impacts our net interest income and earnings. Interest rate changes could affect the interest earned on assets differently than interest paid on liabilities. Moreover, while there is no indication currently that the Fed plans to reduce its targeted Fed funds rate to a negative rate, if such a policy were to be adopted the cost to hold both firm and client deposits would have an adverse impact on our profitability.

In our brokerage operations, a rising interest rate environment generally results in our earning a larger net interest spread and an increase in servicing fees received on cash swept to third-party banks as part of the RJB DP, our multi-bank sweep program. Conversely, in those operations, a falling interest rate environment generally results in our earning a smaller net interest spread and lower RJB DP fees from third-party banks. 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 private equity investments. Market conditions that change from time to time, thereby exposing us to market risk, include fluctuations in interest rates, equity prices, foreign exchange rates, and price deterioration or changes in value due to changes in market perception or actual credit quality of an issuer. 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 our capital requirements, which could have an adverse effect on our business results, financial condition and liquidity.

Our private equity 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 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, if these companies go public and the size of our position relative to the public float, and whether we are subject to any resale restrictions.

Significant volatility in our domestic clients' cash balances could negatively impact our net revenues and/or our ability to fund RJ Bank's growth and may impact our regulatory ratios.

The majority of RJ Bank's deposits are primarily driven by the RJB DP, our multi-bank sweep program in which PCG clients' cash deposits in their brokerage accounts are swept into FDIC-insured, interest-bearing deposit accounts at RJ Bank and various third-party banks. The RJB DP is a source of relatively low-cost, stable deposits for RJ Bank and we rely heavily on the RJB DP to fund RJ Bank's asset growth. A significant reduction in PCG clients' cash balances, a change in the allocation of that cash between RJ Bank and third-party banks within the RJB DP, or a transfer of cash away from the firm could significantly impact RJ Bank's ability to continue growing interest-earning assets and/or require RJ Bank to use higher-cost deposit sources to grow interest-earning assets.

The RJB DP also generates service fee income from third-party banks related to the deposits they receive through their participation in the RJB DP. If PCG clients were to materially increase their cash balances at a time when third-party bank demand for RJB DP deposits has been largely met, our ability to generate meaningful revenues from the placement of these incremental deposits would be adversely affected. In addition, our inability to deploy client cash to third-party banks through RJB DP would require us to retain more cash at RJ Bank or in our Client Interest Program, both of which may cause a significant increase in our assets. Such an increase in our assets may negatively impact certain of our regulatory ratios.

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

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 distribution services we provide on behalf of the mutual fund and annuity companies.

The asset management fees we are paid are dependent upon the value of client assets in fee-based accounts in our PCG segment, as well as AUM in our Asset Management segment. The value of our fee-based assets and AUM is impacted by market fluctuations and inflows or outflows of assets. As our PCG clients increasingly show a preference for fee-based accounts over traditional transaction-based accounts, a larger portion of our client assets are more directly impacted by market movements. Therefore, in periods of declining market values, the values of fee-based accounts and AUM may resultantly decline, which would negatively impact our revenues. In addition, below-market investment performance by our funds, portfolio managers or financial advisors could result in reputational damage that might cause outflows or make it more difficult to attract new investors into our asset management products and thus, further impact our business and financial condition.

Our asset management fees may also decline over time due to factors such as increased competition and the renegotiation of contracts. In addition, the market environment in recent years has resulted in a shift to passive investment products, which generate lower fees than actively managed products. A continued trend toward passive investments or changes in market values or in the fee structure of asset management accounts would negatively affect our revenues, business and financial condition.

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 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 in which we are involved. From time to time 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, despite our risk mitigation policies, could impact our financial results.

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. Despite risk mitigation policies, we may incur losses as a result of positions we hold in connection with our trading activities.

We have made and, to the limited extent permitted by applicable regulations, may continue to make principal investments in private equity funds and other illiquid investments. We may be unable to realize our investment objectives if we cannot sell or otherwise dispose of our interests at attractive prices or 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. In addition, 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.

Any cyber-attack or other security breach of our technology systems, or those of our clients or other third-party vendors we rely on, could subject us to significant liability and harm our reputation.

Our operations rely heavily on the secure processing, storage and transmission of sensitive and confidential financial, personal and other information in our computer systems and networks. There have been several highly publicized cases involving financial services companies reporting the unauthorized disclosure of client or other confidential information in recent years, as well as cyber-attacks involving the theft, dissemination and destruction of corporate information or other assets, in some cases as a result of failure to follow procedures by employees or contractors or as a result of actions by third parties. Like other financial services firms, we experience malicious cyber activity directed at our computer systems, software, networks and its users on a daily basis. This malicious activity includes attempts at unauthorized access, implantation of computer viruses or malware, and denial-of-service attacks. We also experience large volumes of phishing and other forms of social engineering attempted for the purpose of perpetrating fraud against the firm, our associates, or our clients. Additionally, like many large enterprises, since mid-March 2020, we have shifted the majority of our associates to remote work arrangements in response to the COVID-19 pandemic. This change in our operating model has enabled us to successfully continue business operations, but also introduces potential new vulnerabilities to cyber threats. We seek to continuously monitor for and nimbly react to any and all such malicious cyber activity, and we develop our systems to protect our technology infrastructure and data from misuse, misappropriation or corruption.

Cyber-attacks can originate from a variety of sources, including third parties affiliated with foreign governments, organized crime or terrorist organizations. Third parties may also attempt to place individuals within our firm or induce employees, clients or other users of our systems to disclose sensitive information or provide access to our data, and these types of risks may be difficult to detect or prevent. Although cybersecurity incidents among financial services firms are on the rise, we have not experienced any material losses relating to cyber-attacks or other information security breaches. However, the techniques used in these attacks are increasingly sophisticated, change frequently and are often not recognized until launched. Although we seek to maintain a robust suite of authentication and layered information security controls, including our cyber threat analytics, data encryption and tokenization technologies, anti-malware defenses and vulnerability management programs, any one or combination of these controls could fail to detect, mitigate or remediate these risks in a timely manner. Despite our implementation of protective measures and endeavoring to modify them as circumstances warrant, our computer systems, software and networks may be vulnerable to human error, equipment failure, natural disasters, power loss, spam attacks, unauthorized access, distributed denial of service attacks, computer viruses and other malicious code, and other events that could result in significant liability and damage to our reputation, and have an ongoing impact on the security and stability of our operations.

We also rely on numerous third-party service providers to conduct other aspects of our business operations, and we face similar risks relating to them. While we regularly conduct security assessments on these third-party vendors, we cannot be certain that their information security protocols are sufficient to withstand a cyber-attack or other security breach. In addition, in order to access our products and services, our customers may use computers and other devices that are beyond our security control systems.

Notwithstanding the precautions we take, if a cyber-attack or other information security breach were to occur, this could jeopardize the information we confidentially maintain, or otherwise cause interruptions in our operations or those of our clients and counterparties, exposing us to liability. As attempted attacks continue to evolve in scope and sophistication, we may be required to expend substantial additional resources to modify or enhance our protective measures, to investigate and remediate vulnerabilities or other exposures or to communicate about cyber-attacks to our customers. Though we have insurance against some cyber-risks and attacks, we may be subject to litigation and financial losses that exceed our policy limits or are not covered under any of our current insurance policies. 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. Further, successful cyber-attacks at other large financial institutions or other market participants, whether or not we are affected, could lead to a general loss of customer confidence in financial institutions that could negatively affect us, including harming the market perception of the effectiveness of our security measures or the financial system in general, which could result in reduced use of our financial products and services.

Further, in light of the high volume of transactions we process, the large number of our clients, partners and counterparties, the increasing sophistication of malicious actors, and our remote work environment in response to the COVID-19 pandemic, a cyber-attack could occur and persist for an extended period of time without detection. We expect that any investigation of a cyber-attack would take substantial amounts of time, and that there may be extensive delays before we obtain full and reliable

information. During such time we would not necessarily know the extent of the harm or how best to remediate it, and certain errors or actions could be repeated or compounded before they are discovered and remediated, all of which would further increase the costs and consequences of such an attack.

We may also be subject to liability under various data protection laws. In providing services to clients, we manage, utilize and store sensitive or confidential client or employee data, including personal data. As a result, we are subject to numerous laws and regulations designed to protect this information, such as U.S. federal, state and international laws governing the protection of personally identifiable information. These laws and regulations are increasing in complexity and number. If any person, including any of our associates, negligently disregards or intentionally breaches our established controls with respect to client or employee data, or otherwise mismanages or misappropriates such data, we could be subject to significant monetary damages, regulatory enforcement actions, fines and/or criminal prosecution. In addition, unauthorized disclosure of sensitive or confidential client or employee data, whether through system failure, employee negligence, fraud or misappropriation, could damage our reputation and cause us to lose clients and related revenue. Potential liability in the event of a security breach of client data could be significant. Depending on the circumstances giving rise to the breach, this liability may not be subject to a contractual limit or an exclusion of consequential or indirect damages.

A continued interruption to our telecommunications or data processing systems, or the failure to effectively update the technology we utilize, could be materially adverse to our business.

Our businesses rely extensively on 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: (i) successfully maintain and upgrade the capability of our technology systems on a regular basis; (ii) maintain the quality of the information contained in our data processing and communications systems; (iii) address the needs of our clients by using technology to provide products and services that satisfy their demands; and (iv) retain skilled information technology employees. Failure of our technology systems, which could result from events beyond our control, including a systems malfunction or cyber-attack, failure by a third-party service provider, 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 applicable laws and regulatory sanctions.

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 and derivative transactions. As a result of regulatory changes and 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.

Our ability to engage in routine trading and funding transactions could be affected adversely by the actions and commercial soundness of other financial institutions. Financial services institutions are interdependent 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. 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. Losses arising in connection with counterparty defaults may have a material adverse effect on our results of operations.

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

We seek to manage, monitor and control our market, credit, operational, liquidity and legal and regulatory compliance 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 effective. While we use limits and other risk mitigation techniques, those techniques and the judgments that accompany their application cannot always anticipate unforeseen economic and financial outcomes or the specifics and timing of such outcomes. Our risk management methods may not predict future risk exposures effectively. 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 or may have limited predictive value. A failure to manage our growth adequately, including growth in the products or services we offer, or to manage our risk effectively, could materially and adversely affect our business and financial condition.

Financial services firms are subject to numerous actual or perceived conflicts of interest, which are routinely examined by U.S. federal and state regulators and SROs such as FINRA and are often used as the basis for claims for legal liability by plaintiffs in actions against us. Our risk management processes include addressing potential conflicts of interest that arise in our business. Management of potential conflicts of interest has become increasingly complex as we expand our business activities. A perceived or actual failure to address conflicts of interest adequately 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 result in material harm to our business and financial condition.

We continue to experience pricing pressures in areas of our business which may impair our future revenue and profitability.

We continue to experience 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 price competition and decreased trading margins. In the equity market, we experience pricing pressure from institutional clients to reduce commissions, partially due to the industry trend toward the separate payment for research and execution services. Our trading margins have been further compressed by the shift from high- to low-touch execution services, which has created additional competitive pressure. 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 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 associates, our products and services, pricing (such as execution pricing and fee levels), and 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 “Item 1 - Business - Competition” of this Form 10-K for additional information about our competitors.

We compete directly with other national full service broker-dealers, investment banking firms, commercial banks, and investment advisors, and to a lesser extent, with discount brokers and dealers. In addition, we face competition from more recent entrants into the market, including financial technology companies, and increased use of alternative sales channels by other firms. For example, recently several commercial firms and other non-traditional competitors have applied for banking licenses or have entered into partnerships with banks to provide banking services. We also compete indirectly for investment assets with insurance companies, real estate firms and hedge funds, among 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. The inability to develop new products and services, or enhance existing offerings, could have a material adverse effect on our profitability. In addition, we may incur substantial expenditures to keep pace with the constant changes and enhancements being made in technology.

Our ability to attract and retain senior professionals, qualified financial advisors and other associates is critical to the continued success of our business.

Our ability to recruit, serve and retain our clients depends on the reputation, judgment, leadership, business generation capabilities and client service skills of our client-serving professionals, members of our executive committees, as well as

employees who support revenue-generating professionals and their clients. To compete effectively we must attract, develop, and retain qualified professionals, 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 effect on our business, results of operations, financial condition and liquidity.

Turnover in the financial services industry is high. The cost of recruiting and retaining skilled professionals in the financial services industry is considerable. Financial industry employers are increasingly offering guaranteed contracts, upfront payments, and increased compensation. These can be important factors in a current associate's decision to leave us as well as in a prospective associate's decision to join us. As competition for skilled professionals in the industry remains intense, we may have to devote significant resources to attract and retain qualified personnel. To the extent we have compensation targets, we may not be able to retain our associates, which could result in increased recruiting expense or result in our recruiting additional associates at compensation levels that are not within our target range. In particular, our financial results may be adversely affected by the costs we incur in connection with any loans or other incentives we may offer to newly recruited financial advisors and other key personnel. If we were to lose the services of any of our investment bankers, senior equity research, sales and trading professionals, asset managers, or executive officers to a competitor or otherwise, we may not be able to retain valuable relationships and some of our clients could choose to use the services of a competitor instead of our services. If we are unable to retain our senior professionals or recruit additional professionals, our reputation, business, results of operations and financial condition will be adversely affected. Further, new business initiatives and efforts to expand existing businesses generally require that we incur compensation and benefits expense before generating additional revenues.

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 and may be subject to additional claims in the future as we seek to hire qualified personnel, some of whom may work for our competitors. Some of these claims may result in material litigation. We could incur substantial costs in defending against these claims, regardless of their merits. Such claims could also discourage potential associates who work for our competitors from joining us. We participate in the Protocol for Broker Recruiting ("Protocol"), a voluntary agreement among many firms in the industry that governs, among other things, the client information that financial advisors may take with them when they affiliate with a new firm. The ability to bring such customer data to a new broker-dealer generally means that the clients of the financial advisor are more likely to choose to open accounts at the advisor's new firm. Participation is voluntary and it is possible that certain of our competitors will withdraw from the Protocol. If the broker-dealers from whom we recruit new financial advisors prevent, or significantly limit, the transfer of client data, our recruiting efforts may be adversely affected and we could continue to experience claims against us relating to our recruiting efforts.

A downgrade in our credit ratings could have a material adverse effect on our operations, earnings and financial condition.

If our 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 client relationships. Such a change in our credit ratings could also adversely affect our liquidity and competitive position, increase our 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.

We may not be able to 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 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. A credit rating downgrade would also result in the firm incurring a higher facility fee on its \$500 million unsecured revolving credit facility agreement (the "Credit Facility"), in addition to triggering a higher interest rate applicable to any borrowings outstanding on the line as of and subsequent to such downgrade (see Note 14 of the Notes to Consolidated Financial Statements of this Form 10-K for information on the Credit Facility).

Business growth could increase costs and regulatory and integration risks.

We continue to grow, including through acquisitions and through our recruiting efforts. Integrating acquired businesses, providing a platform for new businesses and partnering with other firms involve risks and present financial, managerial and operational challenges. We may incur significant expense in connection with expanding our existing businesses, recruiting financial advisors or making strategic acquisitions or investments. Our overall profitability would be negatively affected if investments and expenses associated with such growth are not matched or exceeded by the revenues derived from such investments or growth.

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

Moreover, to the extent we pursue acquisitions, we may be unable to complete such acquisitions on acceptable terms. We may be unable to integrate any acquired business into our existing business successfully. Difficulties we may encounter in integrating an acquired business could have an adverse effect on our business, financial condition, and results of operations. In addition, we may need to raise capital or borrow funds in order to finance an acquisition, which could result in dilution or increased leverage. We may not be able to obtain financing on favorable terms or perhaps at all.

Associate misconduct, which is difficult to detect and deter, could harm us by impairing our ability to attract and retain clients and subject us to significant legal liability and reputational harm.

There is a risk that our associates could engage in misconduct that adversely affects our business. For example, our investment banking business often requires that we deal with confidential matters of great significance to our clients. Our associates interact with clients, customers and counterparties on an ongoing basis. All associates are expected to exhibit the behaviors and ethics that are reflected in our framework of principles, policies and technology to protect both our own information as well as that of our clients. Associate conduct on non-business matters, such as social issues, could be inconsistent with the Company's policies and ethics and result in reputational harm to our business as a result of their employment or affiliation. If our associates improperly use or disclose confidential information provided by our clients, we could be subject to future regulatory sanctions and suffer serious harm to our reputation, financial position, current client relationships and ability to attract future clients. We are also subject to a number of obligations and standards arising from our asset management business and our authority over our assets under management. In addition, our financial advisors may act in a fiduciary capacity, providing financial planning, investment advice and discretionary asset management. The violation of these obligations and standards by any of our associates would adversely affect our clients and us. It is not always possible to deter or prevent every instance of associate misconduct, and the precautions we take to detect and prevent this activity may not be effective in all cases. If our associates engage in misconduct, our business would be adversely affected.

We are exposed to litigation risks, which could materially and adversely impact our business operations and prospects.

Many aspects of our business involve substantial risk of liability. We have been named as a defendant or co-defendant in lawsuits and arbitrations primarily involving 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 associates could also result in substantial liability.

In challenging market conditions, the volume of claims and amount of damages sought in litigation and regulatory proceedings against financial institutions have historically increased. Litigation risks include potential liability under securities laws or other laws for: alleged materially false or misleading statements made in connection with securities offerings and other transactions; issues related to our investment recommendations, including the suitability of such recommendations or potential concentration of investments; 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 impact or cause us significant reputational harm, which in turn could seriously harm our business and future business prospects. 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 third-party 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. See "Item 3 - Legal Proceedings" of this Form 10-K for further information about legal matters.

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 for 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 real estate and credit markets may increase the complexity and uncertainty involved in estimating the losses inherent in RJ Bank's loan portfolio. If management's underlying

assumptions and judgments prove to be inaccurate, 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.

Our financial instruments, including certain trading assets and liabilities, derivatives, available-for-sale securities, certain loans and 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 subjective judgment. Some of these instruments and other assets and liabilities may have no directly observable inputs, making their valuation particularly subjective and, consequently, based on 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, as well as 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. The Financial Accounting Standards Board (the “FASB”) and the SEC have at times revised 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 further discussion of our significant accounting estimates, policies and standards, see “Item 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operations - Critical accounting estimates” and “Item 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operations - Recent accounting developments” of this Form 10-K and Note 2 of the Notes to Consolidated Financial Statements of this Form 10-K.

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 also permits significant operations to be conducted out of remote locations as well as our Southfield, Michigan and Memphis, Tennessee corporate offices and our information systems processing to be conducted out of our information technology data center in the Denver, Colorado area, 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. In addition, since activating certain aspects of our business continuity plan in response to the COVID-19 pandemic to allow nearly all of our associates to work remotely, our associates’ ability to relocate to a secondary location in the event of a power outage or other disruption is limited due to the pandemic. As previously mentioned, weather events could also adversely impact certain loans within RJ Bank’s portfolio.

The phase-out of LIBOR could negatively impact our net interest income and require significant operational work.

The FCA, which regulates the London Interbank Offered Rate (“LIBOR”), has announced that it will not compel panel banks to contribute to LIBOR after 2021. It is likely that banks will not continue to provide submissions for the calculation of LIBOR after 2021 and possibly prior to then. The discontinuance of LIBOR has resulted in significant uncertainty regarding the transition to suitable alternative reference rates and could adversely impact our business, operations, and financial results. Although the full impact of transition remains unclear, this change may have an adverse impact on the value of, return on and trading markets for a broad array of financial products, including any LIBOR-based securities, loans and derivatives that are included in our financial assets and liabilities. If LIBOR is discontinued after 2021 as expected, there will be uncertainty or differences in the calculation of the applicable interest rate or payment amount depending on the terms of the governing instruments, which may also impact our net interest income and account and service fees. In addition, LIBOR may perform differently during the phase-out period than in the past which could result in lower interest earned on certain assets and a reduction in the value of certain assets.

To facilitate an orderly transition away from LIBOR, we have established an enterprise-wide initiative to assess and implement necessary changes to our contracts, systems, processes, documentation, and models. These changes may also impact our existing transaction data, products, internal infrastructure, and valuation processes.

We are exposed to 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. We have elected to self-insure our errors and omissions liability and

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our employee-related health care benefit plans. We have self-insured retention risk related to our property and casualty, workers compensation and general liability benefit plans.

While we endeavor to purchase insurance coverage appropriate to our risk assessment, 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 our insurance proves to be inadequate or unavailable. In addition, claims associated with risks we have retained either through our self-insurance retention or by self-insuring may exceed our recorded reserves which could negatively impact future earnings. Insurance claims may divert management resources away from operating our business.

RISKS RELATED TO OUR REGULATORY ENVIRONMENT

Financial services firms are highly regulated and such regulation may increase the risk of financial liability and reputational harm resulting from adverse regulatory actions.

Financial services firms operate in an evolving regulatory environment. The industry has experienced an extended period of significant change in laws and regulations governing the financial services industry, as well as a high degree of scrutiny from various regulators, including the SEC, the Fed, the OCC and the CFPB, in addition to stock exchanges, FINRA and state attorneys general. For example, the Dodd-Frank Act resulted in sweeping changes to the regulatory regime, including a significant increase in the supervision and regulation of the financial services industry. Penalties and fines imposed by regulatory authorities have been substantial in recent years. We may be adversely affected by changes in the interpretation or enforcement of existing laws, rules and regulations. Existing and new laws and regulations could affect our revenue, limit our ability to pursue business opportunities, impact the value of our assets, require us to alter at least some of our business practices, impose additional compliance costs, and otherwise adversely affect our businesses.

There is also increased regulatory scrutiny (and related compliance costs) as we continue to grow and surpass certain consolidated asset thresholds established under the Dodd-Frank Act, which have the effect of imposing enhanced standards and requirements on larger institutions. These include, but are not limited to, RJ Bank's oversight by the CFPB. Any action taken by the CFPB could result in requirements to alter or cease offering affected products and services, make such products and services less attractive, impose additional compliance measures, or result in fines, penalties or required remediation.

We are also required to comply with the Volcker Rule's provisions. Although we have not historically engaged in significant levels of proprietary trading, due to our underwriting and trading activities and our investments in covered funds, we have experienced and expect to continue to experience increased operational and compliance costs and changes to our private equity investments. Any changes to regulations or changes to the supervisory approach may also result in increased compliance costs to the extent we are required to modify our existing compliance policies, procedures and practices.

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 clients' funds and securities; capital structure of securities firms; anti-money laundering efforts; recordkeeping; and the conduct of directors, officers and employees. Any violation of these laws or regulations could subject us to the following events, any of which could have a material adverse effect on our business, financial condition and prospects: civil and 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.

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.

In addition, we have certain international business operations that are subject to laws, regulations, and standards in the countries in which we operate. Any violations of these laws, regulations or standards could subject us to a range of potential regulatory events or outcomes that could have a material adverse effect on our business, financial condition and prospects including potential adverse impacts on continued operations in the relevant international jurisdiction.

Regulatory actions brought against us may result in judgments, settlements, fines, penalties or other results, any of which could have a material adverse effect on our business, financial condition or results of operations. There is no assurance that regulators will be satisfied with the policies and procedures implemented by RJF and its subsidiaries. In addition, from time to time, RJF and its subsidiaries may become subject to additional findings with respect to supervisory, compliance or other regulatory deficiencies, which could subject us to additional liability, including penalties and restrictions on our business activities. Among other things, these restrictions could limit our ability to make investments, complete acquisitions, expand into new

business lines, pay dividends on our common stock and/or engage in share repurchases. See “Item 1 - Business - Regulation” of this Form 10-K for additional information regarding our regulatory environment.

Changes in requirements relating to the standard of conduct for broker-dealers applicable under federal and state law have increased our costs.

In June 2019, the SEC adopted a package of rulemakings and interpretations related to the provision of advice by broker-dealers and investment advisers, including Regulation Best Interest. Since June 30, 2020, Regulation Best Interest requires, among other things, a broker-dealer to act in the best interest of a retail customer when making a recommendation to that customer of any securities transaction or investment strategy involving securities. The regulation imposes heightened standards on broker-dealers, and we have incurred substantial costs in order to review and modify our policies and procedures, including associated supervisory and compliance controls. We anticipate that we will continue to incur costs in the future to comply with the standard.

In addition to the SEC, various states have adopted, or are considering adopting, laws and regulations seeking to impose new standards of conduct on broker-dealers that, as written, differ from the SEC’s new regulations and may lead to additional implementation costs. Implementation of the new SEC regulations, as well as any new state rules that are adopted addressing similar matters, has resulted in (and may continue to result in) increased costs related to compliance, legal, operations and information technology.

Numerous regulatory changes and enhanced regulatory and enforcement activity relating to our investment management activities may increase our compliance and legal costs and otherwise adversely affect our business.

As some of our wholly-owned subsidiaries are registered as investment advisors with the SEC, increased regulatory scrutiny and rulemaking initiatives may result in additional operational and compliance costs or the assessment of significant fines or penalties against our asset management business, and may otherwise limit our ability to engage in certain activities. While it is not possible to determine the extent of the long-term impact of any new laws or regulations that have been promulgated, or initiatives that have been or may be proposed, even the short-term impact of preparing for or implementing changes to our infrastructure and processes could negatively impact the ways we conduct business and increase our compliance and legal costs. Conformance with any new law or regulations could also make compliance more difficult and expensive and affect our product and service offerings.

Investment management businesses have been affected by the SEC’s Regulation Best Interest which, in addition to creating a standard of care a financial advisor owes its clients, also impacts investment advice provided by investment advisers. The result has been increased scrutiny within the industry regarding how advisory products are offered and sold. Such changes could impact our revenues and profitability. In addition, the SEC and other regulators continue to scrutinize broker-dealer platforms. With respect to mutual funds, for example, the SEC’s well-publicized Share Class Selection Disclosure Initiative has required Raymond James’ affiliated broker-dealers and others to make changes to the availability of mutual funds and mutual fund share classes on their distribution platforms. Such changes could impact mutual fund sales, including those sponsored by our subsidiaries, and affect our profitability.

In addition, U.S. and foreign governments have taken regulatory actions impacting the investment management industry, and may continue to do so including expanding current (or enacting new) standards, requirements and rules that may be applicable to us and our subsidiaries. For example, MiFID II in the E.U. requires the use of “hard dollars” for research, as opposed to the use of “soft dollars,” where a portion of commissions paid to broker-dealers in connection with the execution of trades also pays for research and other services provided to advisors. The research relied on in our investment management activities in the investment decision-making process is typically generated internally by our investment analysts or external research, including external research paid for with soft dollars. This external research is generally used for information gathering or verification purposes, and includes broker-provided research, as well as third-party provided databases and research services. If the use of soft dollars were to become limited in the U.S., we may have to bear some of these additional costs.

New regulations regarding the management of hedge funds and the use of certain investment products, including additional recordkeeping and disclosure requirements, may also impact our asset management business and result in increased costs.

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

As discussed in “Item 1 - Business - Regulation” of this Form 10-K, RJF and RJ Bank are subject to capital requirements administered by various federal regulators in the U.S. and, accordingly, must meet specific capital guidelines that involve

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quantitative measures of RJF and RJ Bank's assets, liabilities and certain off-balance sheet items, as calculated under regulatory guidelines. Failure to meet minimum capital requirements can trigger certain mandatory (and potentially discretionary) actions by regulators that, if undertaken, could harm either RJF or RJ Bank's operations and financial condition. Further, we are subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1) and FINRA's net capital rule, which may limit our ability to make withdrawals of capital from our broker-dealer subsidiaries. RJ Ltd. is subject to similar limitations under applicable regulations in Canada by IIROC. Additionally, our U.S. entities operating as nonbank custodians of Individual Retirement Accounts ("IRAs") must also satisfy certain Internal Revenue Service ("IRS") regulations in order to accept new IRA and qualified plans and retain the accounts for which it serves as nonbank custodian. Regulatory capital requirements applicable to some of our significant subsidiaries may impede access to funds that RJF may need to make payments on any of its obligations. See Note 22 of the Notes to Consolidated Financial Statements of this Form 10-K for further information on regulations and capital requirements.

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

The Fed, the OCC and the FDIC have implemented the global regulatory capital reforms of Basel III and certain changes required by the Dodd-Frank Act. The U.S. Basel III Rules increase the quantity and quality of regulatory capital, establish a capital conservation buffer and make selected changes to the calculation of risk-weighted assets. We became subject to the requirements under the final U.S. Basel III Rules as of January 1, 2015, subject to a phase-in period for several of its provisions, including the new minimum capital ratio requirements, the capital conservation buffer and the regulatory capital adjustments and deductions. The capital requirements stipulated under the U.S. Basel III Rules 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 and prospects could be adversely affected.

As a financial holding company, RJF's liquidity depends on payments from its subsidiaries, which may be subject to regulatory restrictions.

RJF as a financial holding company depends on dividends, distributions and other payments from its subsidiaries in order to meet its obligations, including its debt service obligations. RJF's subsidiaries are subject to laws and regulations that restrict dividend payments or authorize regulatory bodies to prevent or reduce the flow of funds from those subsidiaries to RJF. RJF's broker-dealers and bank subsidiary are limited in their ability to lend or transact with affiliates and are subject to minimum regulatory capital and other requirements, as well as limitations on their ability to use funds deposited with them in brokerage or bank accounts to fund their businesses. These requirements may hinder RJF's ability to access funds from its subsidiaries. RJF may also become subject to a prohibition or limitations on its ability to pay dividends or repurchase its common stock. The federal banking regulators, including the OCC, the Fed and the FDIC, as well as the SEC (through FINRA) have the authority and under certain circumstances, the obligation, to limit or prohibit dividend payments and stock repurchases by the banking organizations they supervise, including RJF and its bank subsidiaries.

RJ Bank is subject to the Community Reinvestment Act and fair lending laws, and failure to comply with these laws could lead to penalties.

The CRA, the Equal Credit Opportunity Act, the Fair Housing Act and other U.S. federal fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. The U.S. Department of Justice and other federal agencies, including the CFPB, are responsible for enforcing these laws and regulations. An unfavorable CRA rating or a successful challenge to an institution's performance under the fair lending laws and regulations could result in a wide variety of sanctions, including the required payment of damages and civil monetary penalties, injunctive relief, and the imposition of restrictions on mergers, acquisitions and expansion activity. Private parties may also have the ability to challenge a financial institution's performance under fair lending laws by bringing private class action litigation.

As discussed in "Item 1 - Business - Regulation" of this Form 10-K, certain amendments to the CRA have not yet been finalized. These developments create further uncertainty for RJ Bank and others in planning their CRA activities. Any revisions to the final regulations that implement the CRA may negatively impact our business, including through increased costs related to compliance.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

We operate our business from our principal location in St. Petersburg, Florida in 1.25 million square feet of office space that we own in the Carillon Office Park. We conduct certain operations from our owned facility in Southfield, Michigan, comprising approximately 90,000 square feet, and operate a 40,000 square foot information technology data center on land we own in the Denver, Colorado area. Generally, our owned locations and principal leases, identified below, support all of our business segments.

We lease the premises we occupy in other U.S. and foreign locations, including employee-based branch office operations. Leases for branch offices for independent contractors are the responsibility of the respective independent contractor financial advisors and are not included in the amounts listed below. Our leases contain various expiration dates through fiscal year 2032. Our principal leases are in the following locations:

- We occupy leased space of approximately 190,000 square feet in Memphis, Tennessee, along with approximately 130,000 square feet in New York City, 70,000 square feet in Chicago and 30,000 square feet in Denver, with other office and branch locations throughout the U.S.;
- We occupy leased space of approximately 80,000 and 85,000 square feet in Vancouver and Toronto, respectively, along with other office and branch locations throughout Canada;
- We occupy leased space of approximately 30,000 square feet in London, along with other office locations in Europe, primarily in Germany.

Additionally, we own approximately 65 acres of land located in Pasco County, Florida for potential development, as needed. We regularly monitor the facilities owned or occupied by our company to ensure that they suit our needs. To the extent that they do not meet our needs, we expand, contract or relocate, as necessary.

See Note 2 and Note 12 of the Notes to Consolidated Financial Statements of this Form 10-K for information regarding our lease obligations.

ITEM 3. LEGAL PROCEEDINGS

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

RJF and certain of its subsidiaries are subject to regular reviews and inspections by regulatory authorities and self-regulatory organizations. Reviews can result in the imposition of sanctions for regulatory violations, ranging from non-monetary censures to fines and, in serious cases, temporary or permanent suspension from conducting business, or limitations on certain business activities. In addition, regulatory agencies and self-regulatory organizations institute investigations from time to time, among other things, into industry practices, which can also result in the imposition of such sanctions.

We may contest liability and/or the amount of damages, as appropriate, in each pending matter. Over the last several years, the level of litigation and investigatory activity (both formal and informal) by government and self-regulatory agencies in the financial services industry continues to be significant. There can be no assurance that material losses will not be incurred from claims that have not yet been asserted or are not yet determined to be material.

For many legal and regulatory matters, we are unable to estimate a range of reasonably possible loss as we cannot predict if, how or when such proceedings or investigations will be resolved or what the eventual settlement, fine, penalty or other relief, if any, may be. A large number of factors may contribute to this inherent unpredictability: the proceeding is in its early stages; the damages sought are unspecified, unsupported or uncertain; it is unclear whether a case brought as a class action will be allowed to proceed on that basis; the other party is seeking relief other than or in addition to compensatory damages (including, in the case of regulatory and governmental proceedings, potential fines and penalties); the matters present significant legal uncertainties; we have not engaged in settlement discussions; discovery is not complete; there are significant facts in dispute; and numerous parties are named as defendants (including where it is uncertain how liability might be shared among defendants). Subject to the foregoing, after consultation with counsel, we believe that the outcome of such litigation and regulatory proceedings will not have a material adverse effect on our consolidated financial condition. However, the outcome of such litigation and regulatory proceedings could be material to our operating results and cash flows for a particular future period, depending on, among other things, our revenues or income for such period.

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

See Note 17 of the Notes to Consolidated Financial Statements of this Form 10-K for additional information regarding legal and regulatory matter contingencies, and refer to "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical accounting estimates" in the section "Loss provisions for legal and regulatory matters" and Note 2 of the Notes to Consolidated Financial Statements of this Form 10-K for information on our criteria for establishing accruals.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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." As of November 19, 2020, we had 323 holders of record of our common stock. Shares of our common stock are held by a substantially greater number of beneficial owners, whose shares are held of record by banks, brokers, and other financial institutions.

See Note 22 of the Notes to Consolidated Financial Statements of this Form 10-K for information regarding our intentions for paying cash dividends and the related capital restrictions.

Information related to our compensation plans under which equity securities are authorized for issuance is presented in Note 21 of the Notes to Consolidated Financial Statements and Part III, Item 12 of this Form 10-K.

We did not have any sales of unregistered securities for the fiscal years ended September 30, 2020, 2019 or 2018.

We purchase our own stock from time to time in conjunction with a number of activities, each of which is described in the following paragraphs. The following table presents information on our purchases of our own stock, on a monthly basis, for the twelve months ended September 30, 2020.

| | Total number of shares purchased | Average price per share | Number of shares purchased as part of publicly announced plans or programs | Approximate dollar value (in millions) at each month-end, of securities that may yet be purchased under the plans or programs |
|--|----------------------------------|-------------------------|--|---|
| October 1, 2019 – October 31, 2019 | 5,582 | \$ 84.80 | — | \$750 |
| November 1, 2019 – November 30, 2019 | 86,720 | \$ 89.35 | — | \$750 |
| December 1, 2019 – December 31, 2019 | 132,723 | \$ 89.33 | 125,567 | \$739 |
| First quarter | 225,025 | \$ 89.23 | 125,567 | |
| January 1, 2020 – January 31, 2020 | 40,106 | \$ 89.74 | 32,988 | \$736 |
| February 1, 2020 – February 29, 2020 | 721,432 | \$ 89.47 | 719,250 | \$672 |
| March 1, 2020 – March 31, 2020 | 1,800,682 | \$ 74.94 | 1,795,764 | \$537 |
| Second quarter | 2,562,220 | \$ 79.26 | 2,548,002 | |
| April 1, 2020 – April 30, 2020 | — | \$ — | — | \$537 |
| May 1, 2020 – May 31, 2020 | — | \$ — | — | \$537 |
| June 1, 2020 – June 30, 2020 | — | \$ — | — | \$537 |
| Third quarter | — | \$ — | — | |
| July 1, 2020 – July 31, 2020 | — | \$ — | — | \$537 |
| August 1, 2020 – August 31, 2020 | 115,594 | \$ 71.16 | 113,002 | \$529 |
| September 1, 2020 – September 30, 2020 | 565,719 | \$ 74.27 | 565,085 | \$487 |
| Fourth quarter | 681,313 | \$ 73.74 | 678,087 | |
| Fiscal year total | 3,468,558 | \$ 78.82 | 3,351,656 | |

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In the preceding table, the total number of shares purchased includes shares purchased pursuant to the Restricted Stock Trust Fund, which was established to acquire our common stock in the open market and used to settle restricted stock units (“RSUs”) granted as a retention vehicle for certain employees of our wholly-owned Canadian subsidiaries. For more information on this trust fund, see Note 2 and Note 8 of the Notes to Consolidated Financial Statements of this Form 10-K. These activities do not utilize the repurchase authorization presented in the preceding table.

The total number of shares purchased also includes shares repurchased as a result of employees surrendering shares as payment for option exercises or withholding taxes. These activities do not utilize the repurchase authorization presented in the preceding table.

ITEM 6. SELECTED FINANCIAL DATA

| <i>in millions, except per share amounts</i> | Year ended September 30, | | | | |
|--|--------------------------|-----------|-----------|-----------|-----------|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| Operating results: | | | | | |
| Net revenues | \$ 7,990 | \$ 7,740 | \$ 7,274 | \$ 6,371 | \$ 5,405 |
| Net income | \$ 818 | \$ 1,034 | \$ 857 | \$ 636 | \$ 529 |
| Earnings per common share - basic | \$ 5.94 | \$ 7.32 | \$ 5.89 | \$ 4.43 | \$ 3.72 |
| Earnings per common share - diluted | \$ 5.83 | \$ 7.17 | \$ 5.75 | \$ 4.33 | \$ 3.65 |
| Weighted-average common shares outstanding - basic | 137.6 | 141.0 | 145.3 | 143.3 | 141.8 |
| Weighted-average common and common equivalent shares outstanding - diluted | 140.2 | 144.0 | 148.8 | 146.6 | 144.5 |
| Dividends per common share - declared | \$ 1.48 | \$ 1.36 | \$ 1.10 | \$ 0.88 | \$ 0.80 |
| Financial condition: | | | | | |
| Total assets | \$ 47,482 | \$ 38,830 | \$ 37,413 | \$ 34,883 | \$ 31,487 |
| Long-term borrowings: | | | | | |
| Non-current portion of other borrowings | \$ 858 | \$ 889 | \$ 894 | \$ 899 | \$ 604 |
| Non-current portion of senior notes payable | \$ 2,050 | \$ 1,550 | \$ 1,550 | \$ 1,550 | \$ 1,700 |
| Total long-term borrowings | \$ 2,908 | \$ 2,439 | \$ 2,444 | \$ 2,449 | \$ 2,304 |
| Total equity attributable to Raymond James Financial, Inc. | \$ 7,114 | \$ 6,581 | \$ 6,368 | \$ 5,582 | \$ 4,917 |
| Shares outstanding | 136.6 | 137.8 | 145.6 | 144.1 | 141.5 |
| Book value per share | \$ 52.08 | \$ 47.76 | \$ 43.73 | \$ 38.74 | \$ 34.73 |

Amounts related to senior notes payable exclude the impact of debt issuance costs and unaccreted discounts or premiums.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Management's Discussion and Analysis

INTRODUCTION

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand the results of our operations and financial condition. This MD&A is provided as a supplement to, and should be read in conjunction with, our 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 to be not meaningful.

We operate as a financial holding company and bank holding company. Results in the businesses in which we operate are highly correlated to general economic conditions and, more specifically, to the direction of the U.S. equity and fixed income markets, changes in interest rates, market volatility, corporate and mortgage lending markets and commercial and residential credit trends. Overall market conditions, 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, including investors, borrowers, and competitors, impacting their level of participation in the financial markets. These factors also impact the level of investment banking activity and asset valuations, which ultimately affect our business results.

EXECUTIVE OVERVIEW

Year ended September 30, 2020 compared with the year ended September 30, 2019

Net revenues of \$7.99 billion for our fiscal year ended September 30, 2020 increased \$250 million, or 3%. Pre-tax income of \$1.05 billion decreased \$323 million, or 23%, and our net income of \$818 million decreased \$216 million, or 21%. Our earnings per diluted share were \$5.83, reflecting a 19% decrease. Our return on equity ("ROE") was 11.9%, compared with 16.2% for the prior year, and return on tangible common equity ("ROTCE") was 13.0%⁽¹⁾, compared with 17.8%⁽¹⁾ for the prior year. Our financial results were significantly impacted by the direct and indirect impacts of the COVID-19 pandemic.

The COVID-19 pandemic and related government-imposed and other measures intended to control the spread of the disease, including restrictions on travel and the conduct of business, such as stay-at-home orders, quarantines, travel bans, border closings, business closures and other similar measures, had a significant impact on global economic conditions and the environment in which we operated during our 2020 fiscal year. In response to the pandemic, in March 2020 we activated certain aspects of our business continuity plans endeavoring to protect our associates and our clients. As a result, nearly all of our associates transitioned to working remotely, while still maintaining our high standards of client service. Although economies began to reopen during the latter portion of our fiscal third quarter and continued to progress during our fourth quarter, a substantial portion of our associates continued to work remotely through the end of our fiscal year.

The COVID-19 pandemic had varied impacts across our businesses. While certain of our businesses benefited from increased volatility and higher levels of client activity caused by the pandemic, our results were significantly and negatively affected by the significant reduction in interest rates implemented by The Federal Reserve in March 2020. The economic impact and uncertainty attributable to the pandemic also resulted in factors that contributed to an elevated bank loan loss provision. Uncertainty carries over into our 2021 fiscal year with regard to the extent and duration of the disruptions related to the pandemic, as well as its continuing impacts on the global economy. The extent of such effects will depend on future developments, which are highly uncertain.

As a result of the economic environment, in September 2020 we announced a reduction in workforce and as a result recognized \$46 million of related expenses in our fiscal fourth quarter of 2020. Excluding these expenses and a \$7 million loss related to the pending disposition of our interests in certain entities in our Capital Markets segment that operate predominately in France, adjusted net income was \$858 million⁽¹⁾, a decrease of 20% compared with adjusted net income of \$1.07 billion⁽¹⁾ for the prior year. The prior year included a \$19 million goodwill impairment charge associated with our Canadian Capital Markets business and a \$15 million loss on the sale of our operations related to research, sales and trading of European equities, which did not recur in fiscal year 2020. Adjusted earnings per diluted share were \$6.11⁽¹⁾, a 17% decrease compared with adjusted earnings per diluted share of \$7.40⁽¹⁾ for the prior year. Our adjusted ROE was 12.5%⁽¹⁾, compared with 16.7%⁽¹⁾ for the prior year, and adjusted ROTCE was 13.6%⁽¹⁾, compared with 18.4%⁽¹⁾ for the prior year.

(1) "ROTCE," "Adjusted net income," "adjusted earnings per diluted share," "adjusted ROE" and "adjusted ROTCE" are each non-GAAP financial measures. Please see the "Reconciliation of non-GAAP financial measures to GAAP financial measures" in this MD&A for a reconciliation of our non-GAAP measures to the most directly comparable GAAP measures and for other important disclosures.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Management's Discussion and Analysis

A \$250 million increase in net revenues compared with the prior year was driven by higher asset management and related administrative fees, primarily attributable to higher PCG assets in fee-based accounts, as well as strong fixed income brokerage revenues and investment banking revenues. Offsetting these increases were the negative impacts of lower short-term interest rates on our net interest income and RJBDP fees from third-party banks, and valuation losses on private equity investments, a portion of which was attributable to noncontrolling interests (reflected as an offset in other expenses).

Compensation, commissions and benefits expense increased \$378 million, or 7%, mostly due to an increase in revenues, which primarily include asset management and related administrative fees, brokerage revenues and investment banking revenues. Certain of our revenue streams, such as net interest income, do not have a direct associated payout; therefore, changes in these revenue streams do not directly impact our compensation-related expenses but do affect our ratio of compensation, commissions and benefits expense to net revenues ("compensation ratio"). Our compensation ratio increased to 68.4%, compared with 65.7% for the prior year, primarily due to the negative impact of lower interest rates on revenue streams that are not directly compensable, such as net interest income and RJBDP fees from third-party banks.

Non-compensation expenses increased \$195 million, or 15%, due to a \$211 million increase in the bank loan loss provision, which was \$233 million in the current year compared with \$22 million in the prior year, and the aforementioned \$46 million of reduction in workforce expenses. These increases were partially offset by a significant decline in business development expenses, due to lower travel and conference-related expenses during the second half of the fiscal year as a result of the COVID-19 pandemic.

Our effective income tax rate was 22.2% for fiscal 2020, a decrease compared with the 24.8% effective tax rate for fiscal year 2019, primarily due to non-taxable gains on our corporate-owned life insurance portfolio.

We ended fiscal 2020 with capital ratios well in excess of regulatory requirements and substantial liquidity, with over \$2 billion⁽¹⁾ of cash at the parent company, which included the proceeds of a \$500 million 10-year senior notes issuance at the end of our fiscal second quarter of 2020. Pursuant to our Board of Directors' share repurchase authorization, we repurchased approximately 3.4 million shares of common stock during fiscal year 2020 for \$263 million at an average price of approximately \$78.50 per share. Due to heightened market uncertainty as a result of the COVID-19 pandemic, share repurchases were suspended from mid-March through our fiscal third quarter but were resumed in our fiscal fourth quarter to offset dilution related to our share-based compensation. We expect to continue share repurchases in fiscal 2021 to offset dilution and may make additional share repurchases, as appropriate. As of September 30, 2020, we had \$487 million of availability remaining under the previously-announced authorization.

Certain of the impacts of the COVID-19 pandemic are likely to continue to affect our results in fiscal 2021. Our net interest income and RJBDP fees from third-party banks will likely reflect the full-year impact of the 150 basis point reduction by the Federal Reserve of its benchmark short-term interest rate in March 2020, as we do not anticipate short-term interest rates to recover to the beginning of the fiscal year 2020 level during fiscal 2021. In Capital Markets, market uncertainty during the pandemic may result in volatility of both brokerage revenues and investment banking revenues. While our results during fiscal 2020 were negatively impacted by elevated bank loan loss provisions, including losses on certain corporate loans that were sold during the year, further market deterioration could result in additional provisions in fiscal 2021. The timing and amount of the business development expenses we will incur in fiscal 2021 will be heavily influenced by the progression of the COVID-19 pandemic. We continue to pursue opportunities to reduce costs and invest in and implement efficiencies in our processes to remain well-positioned for future growth and success.

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

- PCG segment net revenues of \$5.55 billion increased 4%, while pre-tax income of \$539 million decreased 7%. The \$193 million increase in net revenues was primarily attributable to an increase in asset management and related administrative fees due to higher average assets in fee-based accounts, partially offset by decreases in RJBDP fees from third-party banks and net interest income due to lower short-term interest rates. Non-interest expenses increased \$233 million, or 5%, primarily resulting from an increase in compensation expenses largely due to the growth in compensable net revenues, primarily asset management and related administrative fees.

(1) For additional information, please see the "Liquidity and capital resources - Sources of liquidity" section in this MD&A.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Management's Discussion and Analysis

- Capital Markets net revenues of \$1.29 billion increased 19% and pre-tax income of \$225 million increased 105%. The \$208 million increase in net revenues was primarily due to an increase in fixed income brokerage revenues, due to higher client activity, as well as increases in equity and debt underwriting revenues. These increases were partially offset by a decline in merger & acquisition revenues. Non-interest expenses increased \$93 million, or 10%, due to higher compensation expenses, primarily attributable to the increase in revenues.
- Asset Management segment net revenues of \$715 million increased 3% and pre-tax income of \$284 million increased 12%. The increase in net revenues was driven by higher assets in fee-based programs offered to PCG clients and market appreciation, which offset net outflows at Carillon Town Advisers.
- RJ Bank net revenues of \$765 million decreased 10% and pre-tax income of \$196 million decreased 62%. The \$81 million decrease in net revenues reflected the negative impact of lower short-term interest rates, which more than offset the growth in interest-earning assets. Non-interest expenses increased \$238 million, or 72%, primarily due to a \$211 million increase in the loan loss provision.
- Our Other segment reflected a pre-tax loss that was \$110 million larger compared to the prior year, primarily due to the aforementioned \$46 million in reduction in workforce expenses, private equity valuation losses, as compared to gains in the prior year, lower interest income on corporate cash balances due to lower short-term interest rates, and increased interest expense, due to the issuance of \$500 million of senior notes at the end of the fiscal second quarter.

Year ended September 30, 2019 compared with the year ended September 30, 2018

Refer to “Item 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our 2019 Form 10-K for a discussion of our fiscal 2019 results compared to fiscal 2018.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Management's Discussion and Analysis

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO GAAP FINANCIAL MEASURES

We utilize certain non-GAAP financial measures as additional measures to aid in, and enhance, the understanding of our financial results and related measures. These non-GAAP financial measures include adjusted net income, adjusted earnings per diluted share, adjusted return on equity, ROTCE, and adjusted ROTCE. We believe certain of these non-GAAP financial measures provides useful information to management and investors by excluding certain material items that may not be indicative of our core operating results. We utilize these non-GAAP financial measures in assessing the financial performance of the business, as they facilitate a meaningful comparison of current- and prior-period results. We believe that ROTCE is meaningful to investors as this measure facilitates comparison of our results to the results of other companies. In the following tables, the tax effect of non-GAAP adjustments reflects the statutory rate associated with each non-GAAP item. These non-GAAP financial measures should be considered in addition to, and not as a substitute for, measures of financial performance prepared in accordance with GAAP. In addition, our non-GAAP financial measures may not be comparable to similarly titled non-GAAP financial measures of other companies. The following tables provide a reconciliation of non-GAAP financial measures to the most directly comparable GAAP measures for those periods which include non-GAAP adjustments.

| <i>\$ in millions, except per share amounts</i> | Year ended September 30, | |
|---|---------------------------------|-----------------|
| | 2020 | 2019 |
| Net income | \$ 818 | \$ 1,034 |
| Non-GAAP adjustments: | | |
| Acquisition and disposition-related expenses | 7 | 15 |
| Reduction in workforce expenses | 46 | — |
| Goodwill impairment | — | 19 |
| Pre-tax impact of non-GAAP adjustments | 53 | 34 |
| Tax effect of non-GAAP adjustments | (13) | — |
| Total non-GAAP adjustments, net of tax | 40 | 34 |
| Adjusted net income | \$ 858 | \$ 1,068 |
| Earnings per diluted share | \$ 5.83 | \$ 7.17 |
| Non-GAAP adjustments: | | |
| Acquisition and disposition-related expenses | 0.05 | 0.10 |
| Reduction in workforce expenses | 0.32 | — |
| Goodwill impairment | — | 0.13 |
| Pre-tax impact of non-GAAP adjustments | 0.37 | 0.23 |
| Tax effect of non-GAAP adjustments | (0.09) | — |
| Total non-GAAP adjustments, net of tax | 0.28 | 0.23 |
| Adjusted earnings per diluted share | \$ 6.11 | \$ 7.40 |

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

| <i>\$ in millions</i> | Year ended September 30, | |
|--|---------------------------------|-----------------|
| | 2020 | 2019 |
| Return on equity | | |
| Average equity | \$ 6,860 | \$ 6,392 |
| <u>Impact on average equity of non-GAAP adjustments:</u> | | |
| Acquisition and disposition-related expenses | 1 | 12 |
| Reduction in workforce expenses | 9 | — |
| Goodwill impairment | — | 4 |
| Pre-tax impact of non-GAAP adjustments | 10 | 16 |
| Tax effect of non-GAAP adjustments | (2) | — |
| Total non-GAAP adjustments, net of tax | 8 | 16 |
| Adjusted average equity | \$ 6,868 | \$ 6,408 |
| Average equity | \$ 6,860 | \$ 6,392 |
| <u>Less:</u> | | |
| Average goodwill and identifiable intangible assets, net | 605 | 630 |
| Average deferred tax liabilities, net | (31) | (31) |
| Average tangible common equity | \$ 6,286 | \$ 5,793 |
| <u>Impact on average tangible common equity of non-GAAP adjustments:</u> | | |
| Acquisition and disposition-related expenses | 1 | 12 |
| Reduction in workforce expenses | 9 | — |
| Goodwill impairment | — | 4 |
| Pre-tax impact of non-GAAP adjustments | 10 | 16 |
| Tax effect of non-GAAP adjustments | (2) | — |
| Total non-GAAP adjustments, net of tax | 8 | 16 |
| Adjusted average tangible common equity | \$ 6,294 | \$ 5,809 |
| Return on equity | 11.9 % | 16.2 % |
| Adjusted return on equity | 12.5 % | 16.7 % |
| Return on tangible common equity | 13.0 % | 17.8 % |
| Adjusted return on tangible common equity | 13.6 % | 18.4 % |

Average equity is computed by adding the total equity attributable to RJF as of each quarter-end date during the indicated fiscal year to the beginning of the year total and dividing by five, or in the case of average tangible common equity, computed by adding tangible common equity as of each quarter-end date during the indicated fiscal year to the beginning of year total, and dividing by five. Adjusted average equity is computed by adjusting for the impact on average equity of the non-GAAP adjustments, as applicable for each respective period. Adjusted average tangible common equity is computed by adjusting for the impact on average tangible common equity of the non-GAAP adjustments, as applicable for each respective period.

ROE is computed by dividing net income by average equity for each respective period or, in the case of ROTCE, computed by dividing net income by average tangible common equity for each respective period. Adjusted ROE is computed by dividing adjusted net income by adjusted average equity for each respective period, or in the case of adjusted ROTCE, computed by dividing adjusted net income by adjusted average tangible common equity for each respective period.

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

The following table presents our consolidated and segment net revenues and pre-tax income/(loss) for the years indicated.

| <i>\$ in millions</i> | Year ended September 30, | | | % change | |
|----------------------------------|--------------------------|----------|----------|---------------|---------------|
| | 2020 | 2019 | 2018 | 2020 vs. 2019 | 2019 vs. 2018 |
| Total company | | | | | |
| Net revenues | \$ 7,990 | \$ 7,740 | \$ 7,274 | 3 % | 6 % |
| Pre-tax income | \$ 1,052 | \$ 1,375 | \$ 1,311 | (23)% | 5 % |
| Private Client Group | | | | | |
| Net revenues | \$ 5,552 | \$ 5,359 | \$ 5,093 | 4 % | 5 % |
| Pre-tax income | \$ 539 | \$ 579 | \$ 576 | (7)% | 1 % |
| Capital Markets | | | | | |
| Net revenues | \$ 1,291 | \$ 1,083 | \$ 964 | 19 % | 12 % |
| Pre-tax income | \$ 225 | \$ 110 | \$ 91 | 105 % | 21 % |
| Asset Management | | | | | |
| Net revenues | \$ 715 | \$ 691 | \$ 654 | 3 % | 6 % |
| Pre-tax income | \$ 284 | \$ 253 | \$ 235 | 12 % | 8 % |
| RJ Bank | | | | | |
| Net revenues | \$ 765 | \$ 846 | \$ 727 | (10)% | 16 % |
| Pre-tax income | \$ 196 | \$ 515 | \$ 492 | (62)% | 5 % |
| Other | | | | | |
| Net revenues | \$ (82) | \$ 5 | \$ (15) | NM | NM |
| Pre-tax loss | \$ (192) | \$ (82) | \$ (83) | (134)% | 1 % |
| Intersegment eliminations | | | | | |
| Net revenues | \$ (251) | \$ (244) | \$ (149) | NM | NM |

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Management's Discussion and Analysis

NET INTEREST ANALYSIS

The following table presents the high, low and end of period target federal funds rates for our fiscal years ended September 30, 2020, 2019 and 2018, respectively.

| Twelve months ended: | Target federal funds rate | | |
|-----------------------------|----------------------------------|---------------|----------------------|
| | Low | High | End of period |
| September 30, 2020 | 0.00 % | 1.75 % | 0% - 0.25% |
| September 30, 2019 | 1.75 % | 2.50 % | 1.75% - 2.00% |
| September 30, 2018 | 1.00 % | 2.25 % | 2.00% - 2.25% |

In response to macroeconomic concerns resulting from the COVID-19 pandemic, the Federal Reserve decreased its benchmark short-term interest rate in March 2020 to a range of 0-0.25%, a decrease of 150 basis points. This decrease, as well as the interest rate cuts implemented in calendar 2019 (225 basis points in total) have had a negative impact on our fiscal year 2020 results, as we have certain assets and liabilities, primarily held in our PCG, RJ Bank and Other segments, which are sensitive to changes in interest rates. Fees we earn from third-party banks on client cash balances swept to such banks as part of the RJBDP are also sensitive to changes in interest rates. The negative impact of the decline in short-term interest rates outweighed the growth in interest-earning assets and RJBDP balances swept to third-party banks compared with the prior year. Although our results for fiscal 2020 were impacted by the March rate cuts for a portion of the year, if interest rates remain at the September 2020 levels throughout fiscal 2021, we expect our financial results in fiscal 2021 will include a full twelve-month impact of the interest rate cuts.

Given the relationship between our interest-sensitive assets and liabilities held in each of these segments and the nature of fees we earn from third-party banks on the RJBDP, decreases in short-term interest rates generally result in an overall decrease in our net earnings, although the magnitude of the impact to our net interest margin depends on the yields on interest-earning assets relative to the cost of interest-bearing liabilities, including deposit rates paid to clients on their cash balances. Conversely, any increases in short-term interest rates and/or decreases in the deposit rates paid to clients generally have a positive impact on our earnings.

Refer to the discussion of the specific components of our net interest income within the "Management's Discussion and Analysis - Results of Operations" of our PCG, RJ Bank, and Other segments. Also refer to "Management's Discussion and Analysis - Results of Operations - Private Client Group - Clients' domestic cash sweep balances" for further information on the RJBDP.

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

The following table presents our consolidated average interest-earning asset and interest-bearing liability balances, interest income and expense and the related yields and rates. Average balances are calculated on a daily basis, with the exception of Loans to financial advisors, net and Corporate cash and all other, which are calculated based on the average of the end-of-month balances for each month within the period.

| <i>\$ in millions</i> | Year ended September 30, | | | | | | | | |
|---|--------------------------|--------------------|--------------------|------------------|--------------------|--------------------|------------------|--------------------|--------------------|
| | 2020 | | | 2019 | | | 2018 | | |
| | Average balance | Interest inc./exp. | Average yield/cost | Average balance | Interest inc./exp. | Average yield/cost | Average balance | Interest inc./exp. | Average yield/cost |
| Interest-earning assets: | | | | | | | | | |
| Assets segregated pursuant to regulations | \$ 3,040 | \$ 28 | 0.91 % | \$ 2,399 | \$ 59 | 2.47 % | \$ 3,011 | \$ 53 | 1.76 % |
| Trading instruments | 545 | 20 | 3.65 % | 733 | 26 | 3.56 % | 693 | 23 | 3.32 % |
| Available-for-sale securities | 4,250 | 83 | 1.94 % | 2,872 | 69 | 2.39 % | 2,531 | 52 | 2.07 % |
| Margin loans | 2,206 | 84 | 3.82 % | 2,584 | 122 | 4.73 % | 2,590 | 107 | 4.14 % |
| Bank loans, net of unearned income and deferred expenses: | | | | | | | | | |
| Loans held for investment: | | | | | | | | | |
| C&I loans | 7,885 | 275 | 3.43 % | 8,070 | 378 | 4.62 % | 7,619 | 326 | 4.22 % |
| CRE construction loans | 209 | 9 | 4.10 % | 221 | 12 | 5.51 % | 166 | 8 | 5.08 % |
| CRE loans | 3,688 | 120 | 3.21 % | 3,451 | 159 | 4.53 % | 3,231 | 133 | 4.06 % |
| Tax-exempt loans | 1,246 | 33 | 3.35 % | 1,284 | 35 | 3.36 % | 1,146 | 30 | 3.42 % |
| Residential mortgage loans | 4,874 | 148 | 3.04 % | 4,091 | 135 | 3.30 % | 3,448 | 109 | 3.16 % |
| SBL and other | 3,559 | 112 | 3.10 % | 3,139 | 145 | 4.57 % | 2,690 | 111 | 4.09 % |
| Loans held for sale | 130 | 5 | 3.70 % | 151 | 7 | 4.73 % | 126 | 5 | 4.01 % |
| Total bank loans, net | 21,591 | 702 | 3.25 % | 20,407 | 871 | 4.26 % | 18,426 | 722 | 3.93 % |
| Loans to financial advisors, net | 978 | 20 | 2.01 % | 916 | 18 | 2.01 % | 882 | 15 | 1.71 % |
| Corporate cash and all other | 6,077 | 63 | 1.05 % | 4,658 | 116 | 2.48 % | 4,007 | 72 | 1.79 % |
| Total interest-earning assets | \$ 38,687 | \$ 1,000 | 3.45 % | \$ 34,569 | \$ 1,281 | 3.71 % | \$ 32,140 | \$ 1,044 | 3.25 % |
| Interest-bearing liabilities: | | | | | | | | | |
| Bank deposits: | | | | | | | | | |
| Savings, money market and Negotiable Order of Withdrawal ("NOW") accounts | \$ 23,629 | \$ 21 | 0.09 % | \$ 20,889 | \$ 120 | 0.58 % | \$ 18,473 | \$ 60 | 0.32 % |
| Certificates of deposit | 1,006 | 20 | 2.03 % | 536 | 12 | 2.24 % | 372 | 6 | 1.67 % |
| Trading instrument liabilities | 192 | 3 | 1.58 % | 292 | 7 | 2.50 % | 278 | 7 | 2.64 % |
| Brokerage client payables | 3,922 | 11 | 0.29 % | 3,326 | 21 | 0.62 % | 4,147 | 15 | 0.37 % |
| Other borrowings | 891 | 20 | 2.25 % | 926 | 21 | 2.30 % | 914 | 22 | 2.41 % |
| Senior notes payable | 1,798 | 85 | 4.73 % | 1,550 | 73 | 4.70 % | 1,549 | 73 | 4.69 % |
| Other | 406 | 18 | 3.04 % | 738 | 29 | 3.91 % | 599 | 19 | 3.10 % |
| Total interest-bearing liabilities | \$ 31,844 | \$ 178 | 0.54 % | \$ 28,257 | \$ 283 | 1.00 % | \$ 26,332 | \$ 202 | 0.77 % |
| Net interest income | | \$ 822 | | | \$ 998 | | | \$ 842 | |

Nonaccrual loans are included in the average loan balances in the preceding table. Any payments received for corporate nonaccrual loans are applied entirely to principal. Income on residential mortgage nonaccrual loans is recognized on a cash basis.

Fee income on bank loans included in interest income for the years ended September 30, 2020, 2019 and 2018 was \$11 million, \$18 million and \$24 million, respectively.

The yield on tax-exempt loans in the preceding table is presented on a tax-equivalent basis utilizing the applicable federal statutory rates for each of the years presented.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Management's Discussion and Analysis

RESULTS OF OPERATIONS – PRIVATE CLIENT GROUP

Through our PCG segment, we provide financial planning, investment advisory and securities transaction services for which we charge either asset-based fees (presented in “Asset management and related administrative fees”) or sales commissions (presented in “Brokerage revenues”). We also earn revenues for distribution and related support services performed related primarily to mutual funds, fixed and variable annuities and insurance products. Revenues of this segment are typically correlated with the level of PCG client AUA, including fee-based accounts, as well as the overall U.S. equity markets. In periods where equity markets improve, AUA and client activity generally increase, thereby having a favorable impact on net revenues.

We also earn certain servicing fees, such as omnibus and education and marketing support fees, from mutual fund and annuity companies whose products we distribute. Servicing fees earned from mutual fund and annuity companies are based on the level of assets, a flat fee or number of positions in such programs. We also earn fees from banks to which we sweep clients' cash in the RJBDP, including both third-party banks and RJ Bank. Such fees are included in “Account and service fees.” See “Clients' domestic cash sweep balances” in the “Selected key metrics” section for further information about fees earned from the RJBDP.

Net interest income in the PCG segment is primarily generated by interest earnings on margin loans provided to clients and on assets segregated pursuant to regulations, less interest paid on client cash balances in the Client Interest Program (“CIP”). Higher client cash balances generally lead to increased interest income, depending on spreads realized in the CIP. For more information on client cash balances, see “Clients' domestic cash sweep balances” in the “Selected key metrics” section.

For an overview of our PCG segment operations, refer to the information presented in “Item 1 - Business” of this Form 10-K.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Management's Discussion and Analysis

Operating results

| <i>\$ in millions</i> | Year ended September 30, | | | % change | |
|--|--------------------------|---------------|---------------|---------------|---------------|
| | 2020 | 2019 | 2018 | 2020 vs. 2019 | 2019 vs. 2018 |
| Revenues: | | | | | |
| Asset management and related administrative fees | \$ 3,162 | \$ 2,820 | \$ 2,517 | 12 % | 12 % |
| Brokerage revenues: | | | | | |
| Mutual and other fund products | 567 | 599 | 703 | (5)% | (15)% |
| Insurance and annuity products | 397 | 412 | 414 | (4)% | — |
| Equities, ETFs and fixed income products | 419 | 378 | 432 | 11 % | (13)% |
| Total brokerage revenues | 1,383 | 1,389 | 1,549 | — | (10)% |
| Account and service fees: | | | | | |
| Mutual fund and annuity service fees | 348 | 334 | 332 | 4 % | 1 % |
| RJBDP fees: | | | | | |
| Third-party banks | 150 | 280 | 262 | (46)% | 7 % |
| RJ Bank | 180 | 173 | 92 | 4 % | 88 % |
| Client account and other fees | 129 | 122 | 111 | 6 % | 10 % |
| Total account and service fees | 807 | 909 | 797 | (11)% | 14 % |
| Investment banking | 41 | 32 | 35 | 28 % | (9)% |
| Interest income | 155 | 225 | 193 | (31)% | 17 % |
| All other | 27 | 26 | 30 | 4 % | (13)% |
| Total revenues | 5,575 | 5,401 | 5,121 | 3 % | 5 % |
| Interest expense | (23) | (42) | (28) | (45)% | 50 % |
| Net revenues | 5,552 | 5,359 | 5,093 | 4 % | 5 % |
| Non-interest expenses: | | | | | |
| Financial advisor compensation and benefits | 3,428 | 3,190 | 3,051 | 7 % | 5 % |
| Administrative compensation and benefits | 971 | 933 | 835 | 4 % | 12 % |
| Total compensation, commissions and benefits | 4,399 | 4,123 | 3,886 | 7 % | 6 % |
| Non-compensation expenses: | | | | | |
| Communications and information processing | 251 | 235 | 220 | 7 % | 7 % |
| Occupancy and equipment | 175 | 168 | 154 | 4 % | 9 % |
| Business development | 79 | 124 | 115 | (36)% | 8 % |
| Professional fees | 33 | 33 | 46 | — | (28)% |
| All other | 76 | 97 | 96 | (22)% | 1 % |
| Total non-compensation expenses | 614 | 657 | 631 | (7)% | 4 % |
| Total non-interest expenses | 5,013 | 4,780 | 4,517 | 5 % | 6 % |
| Pre-tax income | \$ 539 | \$ 579 | \$ 576 | (7)% | 1 % |

Selected key metrics

PCG client asset balances

| <i>\$ in billions</i> | As of September 30, | | |
|---|---------------------|----------|----------|
| | 2020 | 2019 | 2018 |
| AUA | \$ 883.3 | \$ 798.4 | \$ 755.7 |
| Assets in fee-based accounts ⁽¹⁾ | \$ 475.3 | \$ 409.1 | \$ 366.3 |
| Percent of AUA in fee-based accounts | 53.8 % | 51.2 % | 48.5 % |

(1) A portion of our "Assets in fee-based accounts" is invested in "managed programs" overseen by our Asset Management segment, specifically AMS. These assets are included in our Financial assets under management as disclosed in the "Selected key metrics" section of our "Management's Discussion and Analysis - Results of Operations - Asset Management."

Fee-based accounts within our PCG segment are comprised of a wide array of products and programs that we offer our clients. The majority of assets in fee-based accounts within our PCG segment are invested in programs for which our financial advisors provide investment advisory services, either on a discretionary or non-discretionary basis. Administrative services for such accounts (e.g., record-keeping) are generally performed by our Asset Management segment and, as a result, a portion of the related revenues is shared with the Asset Management segment.

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We also offer our clients fee-based accounts that are invested in “managed programs” overseen by AMS, which is part of our Asset Management segment. Fee-billable assets invested in managed programs are included in both “Assets in fee-based accounts” in the preceding table and “Financial assets under management” in the Asset Management segment. Revenues related to managed programs are shared by our PCG and Asset Management segments. The Asset Management segment receives a higher portion of the revenues related to accounts invested in managed programs, as compared to the portion received for non-managed programs, as it is performing portfolio management services in addition to administrative services.

The vast majority of the revenues we earn from fee-based accounts are recorded in “Asset management and related administrative fees” on our Consolidated Statements of Income and Comprehensive Income. Fees received from such accounts are based on the value of client assets in fee-based accounts and vary based on the specific account types in which the client participates and the level of assets in the client relationship. As fees for substantially all of such accounts are billed based on balances as of the beginning of the quarter, revenues from fee-based accounts may not be immediately affected by changes in asset values, but rather the impacts are seen in the following quarter.

PCG assets under administration increased compared to the prior year due to equity market appreciation and the net addition of financial advisors. In addition, PCG assets in fee-based accounts continued to increase as a percentage of overall PCG assets under administration due to clients’ increased preference for fee-based alternatives versus transaction-based accounts. As a result of the shift to fee-based accounts over the past several years, a larger portion of our PCG revenues are more directly impacted by market movements.

Financial advisors

| | September 30, | | |
|-------------------------|---------------|--------------|--------------|
| | 2020 | 2019 | 2018 |
| Employees | 3,404 | 3,301 | 3,167 |
| Independent contractors | 4,835 | 4,710 | 4,646 |
| Total advisors | 8,239 | 8,011 | 7,813 |

The number of financial advisors increased from prior years due to successful financial advisor recruiting (despite disruptions and delays in recruiting and transitions of financial advisors during the onset of the COVID-19 pandemic) and high levels of retention. While the financial advisor recruiting pipeline was strong as of the end of our fiscal year, the impact of the COVID-19 pandemic on future recruiting and the timing of transitions remains uncertain.

Clients’ domestic cash sweep balances

| \$ in millions | As of September 30, | | |
|--|---------------------|------------------|------------------|
| | 2020 | 2019 | 2018 |
| RJBDP | | | |
| RJ Bank | \$ 25,599 | \$ 21,649 | \$ 19,446 |
| Third-party banks | 25,998 | 14,043 | 15,564 |
| Subtotal RJBDP | 51,597 | 35,692 | 35,010 |
| Money market funds ⁽¹⁾ | — | — | 3,240 |
| CIP | 3,999 | 2,022 | 2,807 |
| Total clients’ domestic cash sweep balances | \$ 55,596 | \$ 37,714 | \$ 41,057 |

(1) Money market funds were discontinued as a sweep option in June 2019. Balances in those funds were converted to the RJBDP or reinvested by the client.

| | Year ended September 30, | | |
|--|--------------------------|--------|--------|
| | 2020 | 2019 | 2018 |
| Average yield on RJBDP - third-party banks | 0.77 % | 1.88 % | 1.41 % |

A significant portion of our clients’ cash is included in the RJBDP, a multi-bank sweep program in which clients’ cash deposits in their accounts are swept into interest-bearing deposit accounts at RJ Bank and various third-party banks. We earn servicing fees for the administrative services we provide related to our clients’ deposits that are swept to such banks as part of the RJBDP. The amounts from third-party banks are variable in nature and fluctuate based on client cash balances in the program, as well as the level of short-term interest rates and the interest paid to clients by the third-party banks on balances in the RJBDP. The “Average yield on RJBDP - third party banks” in the preceding table is computed by dividing RJBDP fees from third-party banks, which are net of the interest expense paid to clients by the third-party banks, by the average daily RJBDP

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balance at third-party banks. The PCG segment also earns RJBDP servicing fees from RJ Bank, which are based on the number of accounts that are swept to RJ Bank. The fees from RJ Bank are eliminated in consolidation.

RJBDP fees from third-party banks and the average yield on RJBDP (third-party banks) were negatively impacted by the significant decrease in short-term interest rates. The Federal Reserve decreased its benchmark short-term interest rate twice toward the end of our fiscal second quarter, to a current range of 0-0.25%, a decrease of 150 basis points. These decreases were in addition to the three rate cuts implemented during calendar 2019 (225 basis points in total). We expect the average yield on RJBDP (third-party banks) to be approximately 0.30% in fiscal 2021, consistent with average yields for our fiscal third and fourth quarters of 2020. However, any additional decreases in short-term interest rates, lower spreads earned from third-party banks, increases in deposit rates paid to clients, and/or a significant decline in our clients' cash balances will have a negative impact on our earnings. Further, PCG segment results are impacted by changes in the allocation of client cash balances in the RJBDP between RJ Bank and third-party banks.

Client cash balances were elevated as of September 30, 2020 as a result of the market uncertainty caused primarily by the COVID-19 pandemic.

Year ended September 30, 2020 compared with the year ended September 30, 2019

Net revenues of \$5.55 billion increased \$193 million, or 4%, while pre-tax income of \$539 million decreased \$40 million, or 7%, largely due to the impact of lower short-term interest rates.

Asset management and related administrative fees increased \$342 million, or 12%, primarily due to higher assets in fee-based accounts at the beginning of each of the current-year quarterly billing periods compared with the prior-year quarterly billing periods. As assets in these accounts are billed primarily on balances as of the beginning of a quarter, the increase in fee-based accounts as of September 30, 2020 will positively impact asset management fees in our fiscal first quarter of 2021.

Brokerage revenues were essentially flat as the impact of increased trading activity, resulting from higher levels of market volatility during the current year, was offset by a decrease in mutual fund trails and lower revenues from annuity products.

Account and service fees decreased \$102 million, or 11%, due to a decline in RJBDP fees from third-party banks, as a result of lower short-term interest rates, which more than offset the impact of the increase in cash balances swept to such banks. Partially offsetting this decrease was an increase in mutual fund service fees.

Net interest income decreased \$51 million, or 28%, primarily driven by a decline in short-term interest rates, reducing the interest income earned on assets segregated pursuant to regulations and client margin loans. Partially offsetting the decrease in interest income, interest expense also decreased, primarily due to the impact of lower deposit rates paid on client cash balances in CIP.

Compensation-related expenses increased \$276 million, or 7%, primarily due to higher compensable net revenues.

Non-compensation expenses decreased \$43 million, or 7%, primarily due to decreases in conference and travel-related expenses, as a result of the COVID-19 pandemic, and lower legal reserves. Partially offsetting these decreases were increases in technology and occupancy costs to support our growth.

Year ended September 30, 2019 compared with the year ended September 30, 2018

Refer to "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2019 Form 10-K for a discussion of our fiscal 2019 results compared to fiscal 2018.

RESULTS OF OPERATIONS – CAPITAL MARKETS

Our Capital Markets segment conducts institutional sales, securities trading, equity research, investment banking and the syndication and management of investments that qualify for tax credits.

We earn brokerage revenues for the sale of both equity and fixed income products to institutional clients. Client activity is influenced by a combination of general market activity and our Capital Markets group's ability to find attractive investment opportunities for clients. In certain cases, we transact on a principal basis, which involves the purchase of securities from, and the sale of securities to, our clients as well as other dealers who may be purchasing or selling securities for their own account or acting on behalf of their clients. Profits and losses related to this activity are primarily derived from the spreads between bid

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and ask prices, as well as market trends for the individual securities during the period we hold them. To facilitate such transactions, we carry inventories of financial instruments. In our fixed income businesses, we also enter into interest rate swaps and futures contracts to facilitate client transactions or to actively manage risk exposures.

We provide various investment banking services, including public and private equity and debt financing for corporate clients, public financing activities, merger & acquisition advisory, and other advisory services. Revenues from investment banking activities are driven principally by our role in the transaction and the number and sizes of the transactions with which we are involved.

For an overview of our Capital Markets segment operations, refer to the information presented in "Item 1 - Business" of this Form 10-K.

Operating results

| <i>\$ in millions</i> | Year ended September 30, | | | % change | |
|--|--------------------------|---------------|--------------|---------------|---------------|
| | 2020 | 2019 | 2018 | 2020 vs. 2019 | 2019 vs. 2018 |
| Revenues: | | | | | |
| Brokerage revenues: | | | | | |
| Fixed income | \$ 421 | \$ 283 | \$ 245 | 49 % | 16 % |
| Equity | 150 | 131 | 156 | 15 % | (16)% |
| Total brokerage revenues | 571 | 414 | 401 | 38 % | 3 % |
| Investment banking: | | | | | |
| Merger & acquisition and advisory | 290 | 379 | 312 | (23)% | 21 % |
| Equity underwriting | 185 | 100 | 93 | 85 % | 8 % |
| Debt underwriting | 133 | 85 | 61 | 56 % | 39 % |
| Total investment banking | 608 | 564 | 466 | 8 % | 21 % |
| Interest income | 25 | 38 | 32 | (34)% | 19 % |
| Tax credit fund revenues | 83 | 86 | 79 | (3)% | 9 % |
| All other | 20 | 15 | 14 | 33 % | 7 % |
| Total revenues | 1,307 | 1,117 | 992 | 17 % | 13 % |
| Interest expense | (16) | (34) | (28) | (53)% | 21 % |
| Net revenues | 1,291 | 1,083 | 964 | 19 % | 12 % |
| Non-interest expenses: | | | | | |
| Compensation, commissions and benefits | 774 | 665 | 635 | 16 % | 5 % |
| Non-compensation expenses: | | | | | |
| Communications and information processing | 77 | 75 | 73 | 3 % | 3 % |
| Occupancy and equipment | 36 | 35 | 34 | 3 % | 3 % |
| Business development | 47 | 48 | 45 | (2)% | 7 % |
| Professional fees | 48 | 45 | 14 | 7 % | 221 % |
| Acquisition and disposition-related expenses | 7 | 15 | — | (53)% | NM |
| Goodwill impairment | — | 19 | — | (100)% | NM |
| All other | 77 | 71 | 72 | 8 % | (1)% |
| Total non-compensation expenses | 292 | 308 | 238 | (5)% | 29 % |
| Total non-interest expenses | 1,066 | 973 | 873 | 10 % | 11 % |
| Pre-tax income | \$ 225 | \$ 110 | \$ 91 | 105 % | 21 % |

Year ended September 30, 2020 compared with the year ended September 30, 2019

Net revenues of \$1.29 billion increased \$208 million, or 19%, and pre-tax income of \$225 million increased \$115 million, or 105%.

Brokerage revenues increased \$157 million, or 38%, primarily due to a significant increase in fixed income brokerage revenues, as well as an increase in equity brokerage revenues. The increase in fixed income brokerage revenues was primarily due to a higher level of client activity during the current year, particularly with depository clients. The increase in equity brokerage revenues was primarily due to strong client activity during our fiscal second and third quarters, driven by market volatility resulting from the COVID-19 pandemic.

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Investment banking revenues increased \$44 million, or 8%, due to a significant increase in both equity and debt underwriting revenues, resulting from an increase in the number of transactions, as well as larger individual transactions compared to the prior year. Merger & acquisition revenues decreased compared with a strong prior year, as activity during the current year was negatively impacted by uncertainty caused by the COVID-19 pandemic, although activity improved during our fiscal fourth quarter. While our investment banking pipelines are solid, closings may be negatively affected if economic conditions deteriorate.

Compensation-related expenses increased \$109 million, or 16%, primarily due to the increase in revenues.

Non-compensation expenses decreased \$16 million, or 5%, compared with the prior year, as the prior year included a \$19 million goodwill impairment charge associated with our Canadian Capital Market business that did not recur in the current year. The current year included a \$7 million loss related to the pending disposition of our interests in certain entities that operate predominately in France, whereas the prior year included a \$15 million loss associated with the sale of our operations related to research, sales and trading of European equities.

Year ended September 30, 2019 compared with the year ended September 30, 2018

Refer to “Item 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our 2019 Form 10-K for a discussion of our fiscal 2019 results compared to fiscal 2018.

RESULTS OF OPERATIONS – ASSET MANAGEMENT

Our Asset Management segment earns asset management and related administrative fees for providing asset management, portfolio management and related administrative services to retail and institutional clients. This segment oversees the portion of our fee-based AUA invested in “managed programs” for our PCG clients through AMS and through RJ Trust. This segment also provides asset management services through Carillon Tower Advisers for retail accounts managed on behalf of third-party institutions, institutional accounts or proprietary mutual funds that we manage, generally utilizing active portfolio management strategies. Asset management fees are based on fee-billable AUM, which are impacted by market fluctuations and net inflows or outflows of assets. Rising equity markets have historically had a positive impact on revenues as existing accounts increase in value.

Our Asset Management segment also earns administrative fees on certain fee-based assets within PCG that are not overseen by our Asset Management segment, but for which the segment provides administrative support (e.g., record-keeping). These administrative fees are based on asset balances, which are impacted by market fluctuations and net inflows or outflows of assets. For an overview of our Asset Management segment operations, refer to the information presented in “Item 1 - Business” of this Form 10-K.

Operating results

| <i>\$ in millions</i> | Year ended September 30, | | | % change | |
|--|--------------------------|---------------|---------------|---------------|---------------|
| | 2020 | 2019 | 2018 | 2020 vs. 2019 | 2019 vs. 2018 |
| Revenues: | | | | | |
| Asset management and related administrative fees: | | | | | |
| Managed programs | \$ 481 | \$ 467 | \$ 454 | 3 % | 3 % |
| Administration and other | 207 | 178 | 156 | 16 % | 14 % |
| Total asset management and related administrative fees | 688 | 645 | 610 | 7 % | 6 % |
| Account and service fees | 16 | 31 | 28 | (48)% | 11 % |
| All other | 11 | 15 | 16 | (27)% | (6)% |
| Net revenues | 715 | 691 | 654 | 3 % | 6 % |
| Non-interest expenses: | | | | | |
| Compensation, commissions and benefits | 177 | 179 | 170 | (1)% | 5 % |
| Non-compensation expenses: | | | | | |
| Communications and information processing | 45 | 44 | 38 | 2 % | 16 % |
| Investment sub-advisory fees | 99 | 93 | 90 | 6 % | 3 % |
| All other | 110 | 122 | 121 | (10)% | 1 % |
| Total non-compensation expenses | 254 | 259 | 249 | (2)% | 4 % |
| Total non-interest expenses | 431 | 438 | 419 | (2)% | 5 % |
| Pre-tax income | \$ 284 | \$ 253 | \$ 235 | 12 % | 8 % |

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Selected key metrics

Managed programs

Management fees recorded in our Asset Management segment are generally calculated as a percentage of the value of our fee-billable AUM. These AUM include the portion of fee-based AUA in our PCG segment that is invested in programs overseen by our Asset Management segment (included in the "AMS" line of the following table), as well as retail accounts managed on behalf of third-party institutions, institutional accounts and proprietary mutual funds that we manage (collectively included in the "Carillon Tower Advisers" line of the following table).

Revenues related to fee-based AUA in our PCG segment are shared by the PCG and Asset Management segments, the amount of which depends on whether clients are invested in assets that are in managed programs overseen by our Asset Management segment and the administrative services provided (see our "Management's Discussion and Analysis - Results of Operations - Private Client Group" for more information). Our AUM in AMS are impacted by market fluctuations and net inflows or outflows of assets, including transfers between fee-based accounts and transaction-based accounts within our PCG segment.

Revenues earned by Carillon Tower Advisers for retail accounts managed on behalf of third-party institutions, institutional accounts and our proprietary mutual funds are recorded entirely in the Asset Management segment. Our AUM in Carillon Tower Advisers are impacted by market and investment performance and net inflows or outflows of assets.

Fees for our managed programs are generally collected quarterly. Approximately 65% of these fees are based on balances as of the beginning of the quarter, approximately 10% are based on balances as of the end of the quarter, and approximately 25% are based on average daily balances throughout the quarter.

Financial assets under management

| \$ in billions | September 30, | | |
|---|-----------------|-----------------|-----------------|
| | 2020 | 2019 | 2018 |
| AMS ⁽¹⁾ | \$ 102.2 | \$ 91.8 | \$ 83.3 |
| Carillon Tower Advisers | 59.5 | 58.5 | 63.3 |
| Subtotal financial assets under management | 161.7 | 150.3 | 146.6 |
| Less: Assets managed for affiliated entities | (8.6) | (7.2) | (5.7) |
| Total financial assets under management | \$ 153.1 | \$ 143.1 | \$ 140.9 |

- (1) Represents the portion of our PCG segment fee-based AUA (as disclosed in "Assets in fee-based accounts" in the "Selected key metrics - PCG client asset balances" section of our "Management's Discussion and Analysis - Results of Operations - Private Client Group") that is invested in managed programs overseen by the Asset Management segment.

Activity (including activity in assets managed for affiliated entities)

| \$ in billions | Year ended September 30, | | |
|---|--------------------------|-----------------|-----------------|
| | 2020 | 2019 | 2018 |
| Financial assets under management at beginning of year | \$ 150.3 | \$ 146.6 | \$ 101.8 |
| Carillon Tower Advisers: | | | |
| Scout Group acquisition | — | — | 27.1 |
| Other - net outflows | (5.4) | (5.8) | (0.1) |
| AMS - net inflows | 6.1 | 6.0 | 9.3 |
| Net market appreciation in asset values | 10.7 | 3.5 | 8.5 |
| Financial assets under management at end of year | \$ 161.7 | \$ 150.3 | \$ 146.6 |

AMS division of RJ&A

See "Management's Discussion and Analysis - Results of Operations - Private Client Group" for further information about our retail client assets, including those fee-based assets invested in programs managed by AMS.

Carillon Tower Advisers

Assets managed by Carillon Tower Advisers include assets managed by its subsidiaries and affiliates: Eagle Asset Management, the Scout Group, ClariVest Asset Management and Cougar Global Investments. The following table presents

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Carillon Tower Advisers' AUM by objective, excluding assets for which it does not exercise discretion, as well as the approximate average client fee rate earned on such assets for the fiscal year ended September 30, 2020.

| <i>\$ in billions</i> | September 30, 2020 | Average fee rate |
|--|--------------------|------------------|
| Equity | \$ 25.5 | 0.54% |
| Fixed income | 28.8 | 0.18% |
| Balanced | 5.2 | 0.37% |
| Total financial assets under management | \$ 59.5 | 0.35% |

Non-discretionary asset-based programs

The following table includes assets held in certain non-discretionary asset-based programs for which the Asset Management segment does not exercise discretion but provides administrative support (including for affiliated entities). The vast majority of these assets are also included in our PCG segment fee-based AUA (as disclosed in "Assets in fee-based accounts" in the "Selected key metrics - PCG client asset balances" section of our "Management's Discussion and Analysis - Results of Operations - Private Client Group").

| <i>\$ in billions</i> | Year ended September 30, | | |
|-----------------------|--------------------------|----------|----------|
| | 2020 | 2019 | 2018 |
| Total assets | \$ 280.6 | \$ 229.7 | \$ 200.1 |

The increase in assets over the prior-year level was primarily due to clients moving to fee-based accounts from transaction-based accounts, equity market appreciation, and successful financial advisor recruiting and retention. Administrative fees associated with these programs are predominantly based on balances at the beginning of the quarter.

RJ Trust

The following table includes assets held in asset-based programs in RJ Trust (including those managed for affiliated entities).

| <i>\$ in billions</i> | Year ended September 30, | | |
|-----------------------|--------------------------|--------|--------|
| | 2020 | 2019 | 2018 |
| Total assets | \$ 7.1 | \$ 6.6 | \$ 6.1 |

Year ended September 30, 2020 compared with the year ended September 30, 2019

Net revenues of \$715 million increased \$24 million, or 3%, and pre-tax income of \$284 million increased \$31 million, or 12%.

Asset management and related administrative fees increased \$43 million, or 7%, driven by higher assets in non-discretionary asset-based programs compared with the prior year, as well as higher average financial assets under management during the current year. The increase in average financial assets under management reflected equity market appreciation and net inflows at AMS, partially offset by net outflows at Carillon Tower Advisers. The net outflows at Carillon Tower Advisers were negatively impacted by the industry shift from actively managed investment strategies to passive investment strategies. If this trend continues, our AUM and asset management fees would continue to be negatively affected.

Account and service fees declined \$15 million, or 48%, primarily due to a decline in servicing fees related to the money market sweep program, which was discontinued in June 2019. A significant portion of these fees were paid to PCG, resulting in a corresponding decline in other expenses compared with the prior year. Non-compensation expenses decreased \$5 million, or 2%, primarily due to the aforementioned decline in other expenses, partially offset by an increase in investment sub-advisory fees resulting from an increase in assets under management in sub-advised programs.

Year ended September 30, 2019 compared to the year ended September 30, 2018

Refer to "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2019 Form 10-K for a discussion of our fiscal 2019 results compared to fiscal 2018.

RESULTS OF OPERATIONS – RJ BANK

RJ Bank provides various types of loans, including corporate loans, tax-exempt loans, residential loans, SBL and other loans. RJ Bank is active in corporate loan syndications and participations and also provides FDIC-insured deposit accounts, including

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to clients of our broker-dealer subsidiaries. RJ Bank generates net interest income principally through the interest income earned on loans and an investment portfolio of securities, which is offset by the interest expense it pays on client deposits and on its borrowings. RJ Bank's net interest income is affected by the levels of interest rates, interest-earning assets and interest-bearing liabilities. Higher interest-earning asset balances and higher interest rates generally lead to increased net interest income, depending upon spreads realized on interest-bearing liabilities. For more information on average interest-earning asset and interest-bearing liability balances and the related interest income and expense, see the following discussion in this MD&A. For an overview of our RJ Bank segment operations, refer to the information presented in "Item 1- Business" of this Form 10-K.

Operating results

| <i>\$ in millions</i> | Year ended September 30, | | | % change | |
|------------------------------------|--------------------------|---------------|---------------|---------------|---------------|
| | 2020 | 2019 | 2018 | 2020 vs. 2019 | 2019 vs. 2018 |
| Revenues: | | | | | |
| Interest income | \$ 800 | \$ 975 | \$ 793 | (18)% | 23 % |
| Interest expense | (62) | (155) | (89) | (60)% | 74 % |
| Net interest income | 738 | 820 | 704 | (10)% | 16 % |
| All other | 27 | 26 | 23 | 4 % | 13 % |
| Net revenues | 765 | 846 | 727 | (10)% | 16 % |
| Non-interest expenses: | | | | | |
| Compensation and benefits | 51 | 49 | 41 | 4 % | 20 % |
| Non-compensation expenses: | | | | | |
| Loan loss provision | 233 | 22 | 20 | 959 % | 10 % |
| RJBDP fees to PCG | 180 | 173 | 92 | 4 % | 88 % |
| All other | 105 | 87 | 82 | 21 % | 6 % |
| Total non-compensation expenses | 518 | 282 | 194 | 84 % | 45 % |
| Total non-interest expenses | 569 | 331 | 235 | 72 % | 41 % |
| Pre-tax income | \$ 196 | \$ 515 | \$ 492 | (62)% | 5 % |

Year ended September 30, 2020 compared with the year ended September 30, 2019

Net revenues of \$765 million decreased \$81 million, or 10%, and pre-tax income of \$196 million decreased \$319 million, or 62%.

Net interest income decreased \$82 million, or 10%, as the negative impact from lower short-term interest rates more than offset the \$3.36 billion increase in average interest-earning assets. The increase in average interest-earning assets was primarily driven by growth in average available-for-sale securities of \$1.38 billion, average loans of \$1.18 billion, and average cash balances of \$742 million. The net interest margin for the current year decreased to 2.63% from 3.32% for the prior year, primarily due to the significant decline in short-term interest rates and the corresponding decline in LIBOR, as well as a higher concentration of agency-backed available-for-sale securities, which have a lower yield than loans, on average. Based on current rates, we expect our net interest margin to be approximately 2% in fiscal 2021.

The loan loss provision was \$233 million, compared to \$22 million in the prior year. The increase in the provision in the current year was primarily attributable to the economic impacts of the COVID-19 pandemic during the current year and included charge-offs on certain corporate loans sold during the year.

Compensation and benefits expenses increased \$2 million. Non-compensation expenses (excluding the provision for loan losses) increased \$25 million, including a \$7 million, or 4%, increase in fees for the RJBDP paid to PCG, primarily driven by an increase in the number of accounts, as well as an increase in reserves for unfunded lending commitments and higher FDIC insurance premiums. The RJBDP fees paid to PCG are eliminated in the consolidation.

Year ended September 30, 2019 compared to the year ended September 30, 2018

Refer to "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2019 Form 10-K for a discussion of our fiscal 2019 results compared to fiscal 2018.

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The following table presents average balances, interest income and expense, the related yields and rates, and interest spreads and margins for RJ Bank.

| <i>\$ in millions</i> | Year ended September 30, | | | | | | | | |
|---|--------------------------|--------------------|--------------------|------------------|--------------------|--------------------|------------------|--------------------|--------------------|
| | 2020 | | | 2019 | | | 2018 | | |
| | Average balance | Interest inc./exp. | Average yield/cost | Average balance | Interest inc./exp. | Average yield/cost | Average balance | Interest inc./exp. | Average yield/cost |
| Interest-earning assets: | | | | | | | | | |
| Cash | \$ 1,981 | \$ 11 | 0.55 % | \$ 1,239 | \$ 28 | 2.29 % | \$ 957 | \$ 15 | 1.57 % |
| Available-for-sale securities | 4,250 | 83 | 1.94 % | 2,872 | 69 | 2.39 % | 2,430 | 50 | 2.04 % |
| Bank, net of unearned income and deferred expenses: | | | | | | | | | |
| Loans held for investment: | | | | | | | | | |
| C&I loans | 7,885 | 275 | 3.43 % | 8,070 | 378 | 4.62 % | 7,619 | 326 | 4.22 % |
| CRE construction loans | 209 | 9 | 4.10 % | 221 | 12 | 5.51 % | 166 | 8 | 5.08 % |
| CRE loans | 3,688 | 120 | 3.21 % | 3,451 | 159 | 4.53 % | 3,231 | 133 | 4.06 % |
| Tax-exempt loans | 1,246 | 33 | 3.35 % | 1,284 | 35 | 3.36 % | 1,146 | 30 | 3.42 % |
| Residential mortgage loans | 4,874 | 148 | 3.04 % | 4,091 | 135 | 3.30 % | 3,448 | 109 | 3.16 % |
| SBL and other | 3,559 | 112 | 3.10 % | 3,139 | 145 | 4.57 % | 2,690 | 111 | 4.09 % |
| Loans held for sale | 130 | 5 | 3.70 % | 151 | 7 | 4.73 % | 126 | 5 | 4.01 % |
| Total loans, net | 21,591 | 702 | 3.25 % | 20,407 | 871 | 4.26 % | 18,426 | 722 | 3.93 % |
| FHLB stock, Federal Reserve Bank ("FRB") stock and other | 223 | 4 | 2.04 % | 172 | 7 | 4.01 % | 138 | 6 | 4.33 % |
| Total interest-earning assets | 28,045 | \$ 800 | 2.85 % | 24,690 | \$ 975 | 3.95 % | 21,951 | \$ 793 | 3.62 % |
| Non-interest-earning assets: | | | | | | | | | |
| Unrealized gain/(loss) on available-for-sale securities | 80 | | | (22) | | | (44) | | |
| Allowance for loan losses | (271) | | | (214) | | | (193) | | |
| Other assets | 392 | | | 394 | | | 379 | | |
| Total non-interest-earning assets | 201 | | | 158 | | | 142 | | |
| Total assets | \$ 28,246 | | | \$ 24,848 | | | \$ 22,093 | | |
| Interest-bearing liabilities: | | | | | | | | | |
| Bank deposits: | | | | | | | | | |
| Savings, money market and NOW accounts | \$ 23,806 | \$ 22 | 0.09 % | \$ 21,058 | \$ 124 | 0.59 % | \$ 18,694 | \$ 63 | 0.34 % |
| Certificates of deposit | 1,006 | 20 | 2.03 % | 536 | 12 | 2.24 % | 372 | 6 | 1.67 % |
| FHLB advances and other | 889 | 20 | 2.21 % | 911 | 19 | 2.08 % | 917 | 20 | 2.13 % |
| Total interest-bearing liabilities | 25,701 | \$ 62 | 0.24 % | 22,505 | \$ 155 | 0.69 % | 19,983 | \$ 89 | 0.44 % |
| Non-interest-bearing liabilities | 246 | | | 200 | | | 195 | | |
| Total liabilities | 25,947 | | | 22,705 | | | 20,178 | | |
| Total shareholder's equity | 2,299 | | | 2,143 | | | 1,915 | | |
| Total liabilities and shareholder's equity | \$ 28,246 | | | \$ 24,848 | | | \$ 22,093 | | |
| Excess of interest-earning assets over interest-bearing liabilities/net interest income | \$ 2,344 | \$ 738 | | \$ 2,185 | \$ 820 | | \$ 1,968 | \$ 704 | |
| Bank net interest: | | | | | | | | | |
| Spread | | | 2.61 % | | | 3.26 % | | | 3.18 % |
| Margin (net yield on interest-earning assets) | | | 2.63 % | | | 3.32 % | | | 3.22 % |
| Ratio of interest-earning assets to interest-bearing liabilities | | | 109.12 % | | | 109.71 % | | | 109.85 % |

Nonaccrual loans are included in the average loan balances in the preceding table. Any payments received for corporate nonaccrual loans are applied to principal. Interest income on residential mortgage nonaccrual loans is recognized on a cash basis.

Fee income on bank loans included in interest income for the years ended September 30, 2020, 2019 and 2018 was \$11 million, \$18 million, and \$24 million, respectively.

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The yield on tax-exempt loans in the preceding table is presented on a tax-equivalent basis utilizing the applicable federal statutory rates for each of the years presented.

Increases and decreases in interest income and interest expense result from changes in average balances (volume) of interest-earning assets and interest-bearing liabilities, as well as changes in average interest rates. The following table shows the effect that these factors had on the interest earned on our interest-earning assets and the interest incurred on our interest-bearing liabilities. The effect of changes in volume is determined by multiplying the change in volume by the previous year'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 attributable to both volume and rate have been allocated proportionately.

| <i>\$ in millions</i> | Year ended September 30, | | | | | |
|---|-----------------------------------|-----------------|-----------------|-----------------------------------|--------------|---------------|
| | 2020 compared to 2019 | | | 2019 compared to 2018 | | |
| | Increase/(decrease) due to | | | Increase/(decrease) due to | | |
| | Volume | Rate | Total | Volume | Rate | Total |
| Interest income: | | | | | | |
| Interest-earning assets: | | | | | | |
| Cash | \$ 17 | \$ (34) | \$ (17) | \$ 4 | \$ 9 | \$ 13 |
| Available-for-sale securities | 33 | (19) | 14 | 9 | 10 | 19 |
| Bank loans, net of unearned income and deferred expenses: | | | | | | |
| Loans held for investment: | | | | | | |
| C&I loans | (9) | (94) | (103) | 19 | 33 | 52 |
| CRE construction loans | (1) | (2) | (3) | 3 | 1 | 4 |
| CRE loans | 11 | (50) | (39) | 9 | 17 | 26 |
| Tax-exempt loans | (2) | — | (2) | 4 | 1 | 5 |
| Residential mortgage loans | 26 | (13) | 13 | 20 | 6 | 26 |
| SBL and other | 19 | (52) | (33) | 19 | 15 | 34 |
| Loans held for sale | (1) | (1) | (2) | 1 | 1 | 2 |
| Total bank loans, net | 43 | (212) | (169) | 75 | 74 | 149 |
| FHLB stock, FRB stock and other | 3 | (6) | (3) | 2 | (1) | 1 |
| Total interest-earning assets | \$ 96 | \$ (271) | \$ (175) | \$ 90 | \$ 92 | \$ 182 |
| Interest expense: | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| Bank deposits: | | | | | | |
| Savings, money market and NOW accounts | \$ 16 | \$ (118) | \$ (102) | \$ 8 | \$ 53 | \$ 61 |
| Certificates of deposit | 10 | (2) | 8 | 3 | 3 | 6 |
| FHLB advances and other | (1) | 2 | 1 | — | (1) | (1) |
| Total interest-bearing liabilities | 25 | (118) | (93) | 11 | 55 | 66 |
| Change in net interest income | \$ 71 | \$ (153) | \$ (82) | \$ 79 | \$ 37 | \$ 116 |

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

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RESULTS OF OPERATIONS – OTHER

This segment includes our private equity investments, interest income on certain corporate cash balances, and certain corporate overhead costs of RJF that are not allocated to other segments, including the interest costs on our public debt. The Other segment also includes reduction in workforce expenses associated with certain position eliminations that occurred in our fiscal fourth quarter of 2020 in response to the economic environment. For an overview of our Other segment operations, refer to the information presented in “Item 1 - Business” of this Form 10-K.

Operating results

| <i>\$ in millions</i> | Year ended September 30, | | | % change | |
|--|--------------------------|----------------|----------------|------------------|------------------|
| | 2020 | 2019 | 2018 | 2020 vs. 2019 | 2019 vs. 2018 |
| Revenues: | | | | | |
| Interest income | \$ 30 | \$ 63 | \$ 42 | (52)% | 50 % |
| Gains/(losses) on private equity investments | (28) | 14 | 9 | NM | 56 % |
| All other | 4 | 3 | 9 | 33 % | (67)% |
| Total revenues | 6 | 80 | 60 | (93)% | 33 % |
| Interest expense | (88) | (75) | (75) | 17 % | — |
| Net revenues | (82) | 5 | (15) | NM | NM |
| Non-interest expenses: | | | | | |
| Compensation and all other | 64 | 87 | 64 | (26)% | 36 % |
| Reduction in workforce expenses | 46 | — | — | NM | — |
| Acquisition-related expenses | — | — | 4 | — | (100)% |
| Total non-interest expenses | 110 | 87 | 68 | 26 % | 28 % |
| Pre-tax loss | \$ (192) | \$ (82) | \$ (83) | (134)% | 1 % |

Year ended September 30, 2020 compared to the year ended September 30, 2019

The pre-tax loss of \$192 million was \$110 million larger than the loss generated in the prior year.

Net revenues decreased \$87 million as income of \$5 million in the prior year declined to a loss of \$82 million. Interest income earned on corporate cash balances decreased due to lower short-term interest rates, partially offset by the impact of higher average balances, and interest expense increased as a result of the issuance of \$500 million of senior notes. In addition, the current year included \$28 million of private equity valuation losses, compared with gains of \$14 million in the prior year. In the current year, \$20 million of the losses on private equity investments were attributable to noncontrolling interests, which are reflected as an offset within other expenses. These valuation losses were primarily the result of the negative impact of the COVID-19 pandemic on certain of our investments.

Non-interest expenses increased \$23 million, or 26%, primarily due to \$46 million of reduction in workforce expenses in the current year, partially offset by the aforementioned \$20 million offset of private equity valuation losses attributable to noncontrolling interests.

Year ended September 30, 2019 compared to the year ended September 30, 2018

Refer to “Item 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our 2019 Form 10-K for a discussion of our fiscal 2019 results compared to fiscal 2018.

CERTAIN STATISTICAL DISCLOSURES BY BANK HOLDING COMPANIES

We are required to provide certain statistical disclosures as a bank holding company under the SEC’s Industry Guide 3. The following table provides certain of those disclosures.

| | Year ended September 30, | | |
|----------------------------------|--------------------------|-------|-------|
| | 2020 | 2019 | 2018 |
| Return on assets | 1.9% | 2.7% | 2.4% |
| Return on equity | 11.9% | 16.2% | 14.4% |
| Average equity to average assets | 15.5% | 16.7% | 16.5% |
| Dividend payout ratio | 25.4% | 19.0% | 19.1% |

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

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Return on assets is computed by dividing net income for the year indicated by average assets for each respective fiscal year. Average assets is computed by adding total assets as of each quarter-end date during the indicated fiscal year to the beginning of the year total and dividing by five.

Return on equity is computed by dividing net income for the year indicated by average equity for each respective fiscal year. Average equity is computed by adding the total equity attributable to RJF as of each quarter-end date during the indicated fiscal year to the beginning of the year total and dividing by five.

Average equity to average assets is computed by dividing average equity by average assets as calculated in accordance with the previous explanations.

Dividend payout ratio is computed by dividing dividends declared per common share for the year indicated by earnings per diluted common share for the year indicated.

Refer to the "Results of Operations - RJ Bank" and "Risk management - Credit risk" sections of this MD&A and to the Notes to Consolidated Financial Statements of this Form 10-K for the other required disclosures.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity is essential to our business. The primary goal of our liquidity management activities is to ensure adequate funding to conduct our business over a range of economic and market environments.

Senior management establishes our liquidity and capital management framework. This framework includes senior management's review of short- and long-term cash flow forecasts, review of monthly capital expenditures, monitoring of the availability of alternative sources of financing, and daily monitoring of liquidity in our significant subsidiaries. Our decisions on the allocation of capital to our business units consider, among other factors, projected profitability, cash flow, risk, and future liquidity needs. Our treasury department assists in evaluating, monitoring and controlling the impact that our business activities have on our financial condition, liquidity and capital structure, and maintains our relationships with various lenders. The objective of this framework is to support the successful execution of our business strategies while ensuring ongoing and sufficient liquidity.

Liquidity is provided primarily through our business operations and financing activities. Financing activities could include bank borrowings, collateralized financing arrangements or additional capital raising activities under our "universal" shelf registration statement.

Cash and cash equivalents increased \$1.43 billion to \$5.39 billion during the year ended September 30, 2020, primarily due to \$4.59 billion of cash provided by financing activities and \$4.05 billion of cash provided by operating activities, offset by cash used in investing activities of \$4.99 billion and an increase in the amount of cash required to be segregated pursuant to regulations of \$2.23 billion. Cash provided by financing activities primarily related to an increase in bank deposits, as client cash balances increased due to the market uncertainty resulting from the COVID-19 pandemic, and proceeds from our senior notes issuance in March 2020, partially offset by our open-market share repurchases and dividends on our common stock. Cash used in investing activities primarily related to a net increase in our available-for-sale securities portfolio due to our growth strategy for this portfolio, and a net increase in bank loans.

We believe our existing assets, most of which are liquid in nature, together with funds generated from operations and available from committed and uncommitted financing facilities, provide adequate funds for continuing operations at current levels of activity.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Management's Discussion and Analysis

Sources of liquidity

Over \$2 billion of our total September 30, 2020 cash and cash equivalents included cash on hand at the parent, as well as parent cash loaned to RJ&A. The following table presents our holdings of cash and cash equivalents.

| <i>\$ in millions</i> | September 30, 2020 |
|--|---------------------------|
| RJF | \$ 478 |
| RJ&A | 2,748 |
| RJ Bank | 1,072 |
| RJ Ltd. | 705 |
| RJFS | 120 |
| Carillon Tower Advisers | 78 |
| Other subsidiaries | 189 |
| Total cash and cash equivalents | \$ 5,390 |

RJF maintained depository accounts at RJ Bank with a balance of \$185 million as of September 30, 2020. The portion of this total that was available on demand without restrictions, which amounted to \$108 million as of September 30, 2020, is reflected in the RJF total (and is excluded from the RJ Bank cash balance in the preceding table).

RJF had loaned \$1.70 billion to RJ&A as of September 30, 2020 (such amount is included in the RJ&A cash balance in the preceding table), which RJ&A has invested on behalf of RJF in cash and cash equivalents or otherwise deployed in its normal business activities.

In addition to the cash balances described, we have various other potential sources of cash available to the parent from subsidiaries, as described in the following section.

Liquidity available from subsidiaries

Liquidity is principally available to RJF, the parent company, from RJ&A and RJ Bank.

Certain of our broker-dealer subsidiaries are subject to the requirements of the Uniform Net Capital Rule (Rule 15c3-1) under the Securities and Exchange Act of 1934. As a member firm of FINRA, RJ&A is subject to FINRA's capital requirements, which are substantially the same as Rule 15c3-1. Rule 15c3-1 provides for an "alternative net capital requirement," which RJ&A has elected. Regulations require that minimum net capital, as defined, be equal to the greater of \$1.5 million or 2% of aggregate debit items arising from client transactions. In addition, covenants in RJ&A's committed financing facilities require its net capital to be a minimum of 10% of aggregate debit items. At September 30, 2020, RJ&A significantly exceeded the minimum regulatory requirements, the covenants in its financing arrangements pertaining to net capital, as well as its internally-targeted net capital tolerances. FINRA may impose certain restrictions, such as restricting withdrawals of equity capital, if a member firm were to fall below a certain threshold or fail to meet minimum net capital requirements.

RJ&A, as a nonbank custodian of IRAs, must also satisfy certain IRS regulations in order to accept new IRA and qualified plans and retain the accounts for which it serves as nonbank custodian. With growth in the value of client assets in such accounts, the capital of RJ&A may need to grow to continue to satisfy this requirement. As a result, RJ&A may limit dividends it would otherwise remit to RJF. We evaluate regulatory requirements, loan covenants and certain internal tolerances when determining the amount of liquidity available to RJF from RJ&A.

RJ Bank may pay dividends to RJF without prior approval of its regulator as long as the dividend does not exceed the sum of RJ Bank's current calendar year and the previous two calendar years' retained net income, and RJ Bank maintains its targeted regulatory capital ratios. Dividends from RJ Bank may be limited to the extent that capital is needed to support its balance sheet growth.

Although we have liquidity available to us from our other subsidiaries, the available amounts are not as significant as those previously described and, in certain instances, may be subject to regulatory requirements.

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Borrowings and financing arrangements

Committed financing arrangements

Our ability to borrow is dependent upon compliance with the conditions in our various loan agreements and, in the case of secured borrowings, collateral eligibility requirements. Our committed financing arrangements consist of a tri-party repurchase agreement (i.e., securities sold under agreements to repurchase) and, in the case of the Credit Facility, an unsecured line of credit. The required market value of the collateral associated with the tri-party repurchase agreement ranges from 105% to 125% of the amount financed.

The following table presents our committed financing arrangements with third-party lenders, which we generally utilize to finance a portion of our fixed income trading instruments, and the outstanding balances related thereto.

| <i>\$ in millions</i> | September 30, 2020 | | | Total number of arrangements |
|---|--------------------|---------------|---------------|------------------------------|
| | RJ&A | RJF | Total | |
| Financing arrangement: | | | | |
| Committed secured | \$ 100 | \$ — | \$ 100 | 1 |
| Committed unsecured ⁽¹⁾ | 200 | 300 | 500 | 1 |
| Total committed financing arrangements | \$ 300 | \$ 300 | \$ 600 | 2 |
| Outstanding borrowing amount: | | | | |
| Committed secured | \$ — | \$ — | \$ — | |
| Committed unsecured | — | — | — | |
| Total outstanding borrowing amount | \$ — | \$ — | \$ — | |

- (1) The Credit Facility provides for maximum borrowings of up to \$500 million, with a sublimit of \$300 million for RJF. RJ&A may borrow up to \$500 million under the Credit Facility, depending on the amount of outstanding borrowings by RJF. For additional details on our committed unsecured financing arrangement, see our discussion of the Credit Facility in Note 14 of the Notes to Consolidated Financial Statements of this Form 10-K.

Uncommitted financing arrangements

Our uncommitted financing arrangements are in the form of secured lines of credit, secured bilateral or tri-party repurchase agreements, or unsecured lines of credit. Our arrangements with third-party lenders are generally utilized to finance a portion of our fixed income securities or for cash management purposes. Our uncommitted secured financing arrangements generally require us to post collateral in excess of the amount borrowed and are generally collateralized by non-customer, RJ&A-owned securities or by securities that we have received as collateral under reverse repurchase agreements (i.e., securities purchased under agreements to resell). As of September 30, 2020, we had outstanding borrowings under one uncommitted secured borrowing arrangement out of a total of 11 uncommitted financing arrangements (seven uncommitted secured and four uncommitted unsecured). However, lenders are under no contractual obligation to lend to us under uncommitted credit facilities.

The following table presents our borrowings on uncommitted financing arrangements, all of which were in the form of repurchase agreements in RJ&A and were included in "Collateralized financings" on our Consolidated Statements of Financial Condition.

| <i>\$ in millions</i> | September 30, 2020 |
|---|--------------------|
| Outstanding borrowing amount: | |
| Uncommitted secured | \$ 165 |
| Uncommitted unsecured | — |
| Total outstanding borrowing amount | \$ 165 |

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The average daily balance outstanding during the five most recent quarters, the maximum month-end balance outstanding during the quarter and the period-end balances for repurchase agreements and reverse repurchase agreements are detailed in the following table.

| For the quarter ended: (\$ in millions) | Repurchase transactions | | | Reverse repurchase transactions | | |
|--|-----------------------------------|--|-----------------------------------|-----------------------------------|--|-----------------------------------|
| | Average daily balance outstanding | Maximum month-end balance outstanding during the quarter | End of period balance outstanding | Average daily balance outstanding | Maximum month-end balance outstanding during the quarter | End of period balance outstanding |
| September 30, 2020 | \$ 140 | \$ 165 | \$ 165 | \$ 199 | \$ 260 | \$ 207 |
| June 30, 2020 | \$ 222 | \$ 278 | \$ 228 | \$ 168 | \$ 193 | \$ 193 |
| March 31, 2020 | \$ 218 | \$ 238 | \$ 215 | \$ 283 | \$ 388 | \$ 130 |
| December 31, 2019 | \$ 184 | \$ 200 | \$ 200 | \$ 355 | \$ 351 | \$ 326 |
| September 30, 2019 | \$ 170 | \$ 158 | \$ 150 | \$ 334 | \$ 343 | \$ 343 |

Other borrowings and collateralized financings

RJ Bank had \$875 million in FHLB borrowings outstanding at September 30, 2020, comprised of floating-rate advances totaling \$850 million and a \$25 million fixed-rate advance, all of which were secured by a blanket lien on RJ Bank's residential mortgage loan portfolio (see Note 14 of the Notes to Consolidated Financial Statements of this Form 10-K for additional information regarding these borrowings). RJ Bank had an additional \$3.04 billion in immediate credit available from the FHLB as of September 30, 2020 and, with the pledge of additional eligible collateral to the FHLB, total available credit of 30% of total assets.

RJ Bank is eligible to participate in the FRB's discount window program; however, we do not view borrowings from the FRB as a primary source of funding. The credit available in this program is subject to periodic review, may be terminated or reduced at the discretion of the FRB, and is secured by pledged C&I loans.

We act as an intermediary between broker-dealers and other financial institutions whereby we borrow securities from one broker-dealer and then lend them to another. Where permitted, we have also loaned, to broker-dealers and other financial institutions, securities owned by clients or the firm. We account for each of these types of transactions as collateralized agreements and financings, with the outstanding balance of \$85 million as of September 30, 2020 related to the securities loaned included in "Collateralized financings" on our Consolidated Statements of Financial Condition of this Form 10-K. See Notes 2 and 6 of the Notes to Consolidated Financial Statements of this Form 10-K for more information on our collateralized agreements and financings.

At September 30, 2020, in addition to the financing arrangements previously described, we had \$13 million outstanding on a mortgage loan for our St. Petersburg, Florida home-office complex that is included in "Other borrowings" on our Consolidated Statements of Financial Condition of this Form 10-K.

Senior notes payable

At September 30, 2020, we had aggregate outstanding senior notes payable of \$2.05 billion. Our senior notes payable, exclusive of any unaccreted premiums or discounts and debt issuance costs, was comprised of \$250 million par 5.625% senior notes due 2024, \$500 million par 3.625% senior notes due 2026, \$500 million par 4.65% senior notes due 2030, which were issued during our fiscal second quarter of 2020, and \$800 million par 4.95% senior notes due 2046. See Note 15 of the Notes to Consolidated Financial Statements of this Form 10-K for additional information.

Credit ratings

Our issuer and senior long-term debt ratings as of the most current report are detailed in the following table.

| Rating Agency | Rating | Outlook |
|------------------------------------|--------|---------|
| Standard & Poor's Ratings Services | BBB+ | Stable |
| Moody's Investors Services | Baa1 | Stable |

Our current long-term debt ratings depend upon a number of factors, including industry dynamics, operating and economic environment, operating results, operating margins, earnings trends and volatility, balance sheet composition, liquidity and

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liquidity management, capital structure, overall risk management, business diversification and market share, and competitive position in the markets in which we operate. Deteriorations in any of these factors could impact our credit ratings. Any rating downgrades could increase our costs in the event we were to obtain additional financing.

Should our credit rating be downgraded prior to a public debt offering, it is probable that we would have to offer a higher rate of interest to bond holders. A downgrade to below investment grade may make a public debt offering difficult to execute on terms we would consider to be favorable. A downgrade below investment grade could result in the termination of certain derivative contracts and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing overnight collateralization on our derivative instruments in liability positions (see Note 5 of the Notes to Consolidated Financial Statements of this Form 10-K for additional information). A credit downgrade could damage our reputation and result in certain counterparties limiting their business with us, result in negative comments by analysts, potentially negatively impact investors' and/or clients' perception of us, and cause a decline in our stock price. None of our borrowing arrangements contains a condition or event of default related to our credit ratings. However, a credit downgrade would result in the firm incurring a higher facility fee on the \$500 million Credit Facility, in addition to triggering a higher interest rate applicable to any borrowings outstanding on that line as of and subsequent to such downgrade. Conversely, an improvement in RJF's current credit rating could have a favorable impact on the facility fee, as well as the interest rate applicable to any borrowings on such line.

Other sources and uses of liquidity

We have company-owned life insurance policies which are utilized to fund certain non-qualified deferred compensation plans and other employee benefit plans. Certain of our non-qualified deferred compensation plans and other employee benefit plans are employee-directed while others are company-directed. Certain policies which we could readily borrow against had a cash surrender value of \$657 million as of September 30, 2020, comprised of \$399 million related to employee-directed plans and \$258 million related to company-directed plans, and we were able to borrow up to 90%, or \$591 million, of the September 30, 2020 total without restriction. To effect any such borrowing, the underlying investments would be converted to money market investments, therefore requiring us to take market risk related to the employee-directed plans. There were no borrowings outstanding against any of these policies as of September 30, 2020.

On May 18, 2018, we filed a "universal" shelf registration statement with the SEC pursuant to which we can issue debt, equity and other capital instruments if and when necessary or perceived by us to be opportune. Subject to certain conditions, this registration statement will be effective through May 18, 2021.

See the Contractual obligations section of this MD&A for information regarding our contractual obligations.

STATEMENT OF FINANCIAL CONDITION ANALYSIS

The assets on our Consolidated Statements of Financial Condition consisted primarily of cash and cash equivalents (a large portion of which is segregated for the benefit of clients), receivables including bank loans, financial instruments held either for trading purposes or as investments, and other assets. A significant portion of our assets were liquid in nature, providing us with flexibility in financing our business.

Total assets of \$47.48 billion as of September 30, 2020 were \$8.65 billion, or 22%, greater than our total assets as of September 30, 2019. The increase in assets was primarily due to a \$4.56 billion increase in available-for-sale securities, in line with our growth strategy for this portfolio, and a \$3.66 billion increase in cash and cash equivalents (including amounts segregated pursuant to regulations). The increase in cash was primarily due to a significant increase in client cash balances as clients reacted to the market uncertainty resulting from the COVID-19 pandemic, as well as proceeds from our \$500 million senior notes issuance in March 2020. In addition, other assets increased \$505 million, primarily due to right-of-use assets ("ROU assets") recorded as a result of the adoption of new guidance related to the accounting for leases.

As of September 30, 2020, our total liabilities of \$40.31 billion were \$8.12 billion, or 25%, greater than our total liabilities as of September 30, 2019. The increase in total liabilities was primarily related to the significant increase in client cash balances and was comprised of a \$4.52 billion increase in bank deposits, reflecting higher RJBDP balances held at RJ Bank and certificate of deposit issuances during the year, and a \$2.43 billion increase in brokerage client payables, primarily due to an increase in client cash held in our CIP as of September 30, 2020. In addition, other payables increased \$766 million, primarily due to lease liabilities recorded as a result of the adoption of new guidance related to the accounting for leases and an increase in payables arising from our brokerage operations. In addition, senior notes payable increased due to the issuance of \$500 million of 4.65% senior notes due April 2030.

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See Notes 2 and 12 of the Notes to Consolidated Financial Statements of this Form 10-K for further information on our adoption of the new leasing guidance.

CONTRACTUAL OBLIGATIONS

The following table sets forth our contractual obligations and payments due thereunder by fiscal year.

| <i>\$ in millions</i> | Total | Year ended September 30, | | | | | |
|--|-----------------|--------------------------|---------------|-----------------|---------------|---------------|-----------------|
| | | 2021 | 2022 | 2023 | 2024 | 2025 | Thereafter |
| Long-term debt obligations: | | | | | | | |
| Senior notes payable - principal | \$ 2,050 | \$ — | \$ — | \$ — | \$ 250 | \$ — | \$ 1,800 |
| Other borrowings | 863 | 5 | 6 | 852 | — | — | — |
| Total long-term debt obligations | 2,913 | 5 | 6 | 852 | 250 | — | 1,800 |
| Contractual interest payments | 1,452 | 114 | 100 | 96 | 95 | 81 | 966 |
| Certificates of deposit (including interest) | 1,060 | 241 | 262 | 246 | 206 | 105 | — |
| Lease obligations | 583 | 101 | 98 | 85 | 68 | 54 | 177 |
| Purchase obligations and other | 428 | 200 | 101 | 57 | 37 | 15 | 18 |
| Total contractual obligations | \$ 6,436 | \$ 661 | \$ 567 | \$ 1,336 | \$ 656 | \$ 255 | \$ 2,961 |

Contractual interest payments represent estimated future interest payments related to our senior notes, mortgage notes payable, FHLB advances, and unsecured borrowings with original maturities greater than one year based on applicable interest rates at September 30, 2020. Estimated future interest payments for FHLB advances include the effect of the related interest rate hedges, which swap variable interest rate payments to fixed interest payments. Lease obligations are comprised of minimum payments under lease obligations, as well as legally binding minimum lease payments for leases executed but not yet commenced. See Notes 12, 14 and 15 of the Notes to Consolidated Financial Statements of this Form 10-K for information regarding our leases, other borrowings and senior notes payable, respectively.

In the normal course of our business, we enter into contractual arrangements whereby we commit to future purchases of products or services from unaffiliated parties. Purchase obligations for purposes of this table include amounts associated with agreements to purchase goods or services that are enforceable and legally binding and that specify all significant terms including: minimum quantities to be purchased, fixed, minimum or variable price provisions, and the approximate timing of the transaction. Our most significant purchase obligations are vendor contracts for data services, communication services, processing services, computer software contracts and our stadium naming rights contract which has a term through 2027. Most of our contracts have provisions for early termination. For purposes of this table, we have assumed we would not pursue early termination of such contracts.

We have entered into investment commitments, lending commitments and other commitments to extend credit for which we are unable to reasonably predict the timing of future payments. See Note 17 of the Notes to Consolidated Financial Statements of this Form 10-K for further information.

REGULATORY

Refer to the discussion of the regulatory environment in which we operate and the impact on our operations of certain rules and regulations in "Item 1 - Business - Regulation" of this Form 10-K.

RJF and many of its subsidiaries are each subject to various regulatory capital requirements. As of September 30, 2020, all of our active regulated domestic and international subsidiaries had net capital in excess of minimum requirements. In addition, RJF and RJ Bank were categorized as "well-capitalized" as of September 30, 2020. The maintenance of certain risk-based and other regulatory capital levels could influence various capital allocation decisions impacting one or more of our businesses. However, due to the current capital position of RJF and its regulated subsidiaries, we do not anticipate these capital requirements will have a negative impact on our future business activities.

See Note 22 of the Notes to Consolidated Financial Statements of this Form 10-K for further information on regulatory capital requirements.

CRITICAL ACCOUNTING ESTIMATES

The consolidated financial statements are prepared in accordance with GAAP, which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during

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any reporting period in our consolidated financial statements. Management has established detailed policies and control procedures intended to ensure the appropriateness of such estimates and assumptions and their consistent application from period to period. For a description of our significant accounting policies, see Note 2 of the Notes to Consolidated Financial Statements of this Form 10-K.

Due to their nature, estimates involve judgment based upon available information. Actual results or amounts could differ from estimates and the difference could have a material impact on the consolidated financial statements. Therefore, understanding these critical accounting estimates is important in understanding our reported results of operations and financial position. We believe that of our accounting estimates and assumptions, those described in the following sections involve a high degree of judgment and complexity. Recent market disruptions as a result of the COVID-19 pandemic have made it more challenging for us to determine the amount of our allowance for loan losses and the fair value of certain of our assets, particularly our private equity investments. The current circumstances have required a greater reliance on judgment than in recent periods in determining these amounts as of September 30, 2020.

Valuation of financial instruments

The use of fair value to measure financial instruments, with related gains or losses recognized on our Consolidated Statements of Income and Comprehensive Income, is fundamental to our financial statements and our risk management processes. "Financial instruments owned" and "Financial instrument liabilities" are reflected on the Consolidated Statements of Financial Condition at fair value. Unrealized gains and losses related to these financial instruments are reflected in our net income or our other comprehensive income/(loss) ("OCI"), depending on the underlying purpose of the instrument.

We measure the fair value of our financial instruments in accordance with GAAP, which defines fair value, establishes a framework that we use to measure fair value, and provides for certain disclosures in our financial statements. Fair value is defined by GAAP as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability.

In determining the fair value of our financial instruments, we use various valuation approaches, including market and/or income approaches. Fair value is a market-based measurement considered from the perspective of a market participant. As such, our fair value measurements reflect assumptions that we believe market participants would use in pricing the asset or liability at the measurement date. A hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the relevant observable inputs be used when available. The hierarchy is broken down into three levels: Level 1 represents unadjusted quoted prices in active markets for identical instruments; Level 2 represents valuations based on inputs other than unadjusted quoted prices in active markets, but for which all significant inputs are observable; and Level 3 consists of valuation techniques that incorporate significant unobservable inputs and, therefore, requires the greatest use of judgment. The availability of observable inputs can vary from instrument to instrument and, in certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement of an instrument requires judgment and consideration of factors specific to the instrument.

The fair values for certain of our financial instruments are derived using pricing models and other valuation techniques that involve management judgment. The price transparency of financial instruments is a key determinant of the degree of judgment involved in determining the fair value of our financial instruments. Financial instruments which are actively traded will generally have a higher degree of price transparency than financial instruments that are less frequently traded. As a result, the valuation of certain financial instruments included management judgment in determining the relevance and reliability of market information available. These instruments are classified in Level 3 of the fair value hierarchy.

See Notes 2 and 3 of the Notes to Consolidated Financial Statements of this Form 10-K for further information about the level within the fair value hierarchy, specific valuation techniques and inputs, and other significant accounting policies pertaining to financial instruments at fair value.

Loss provisions

Loss provisions for legal and regulatory matters

The recorded amount of liabilities related to legal and regulatory matters is subject to significant management judgment. For a description of the significant estimates and judgments associated with establishing such accruals, see the "Contingent

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liabilities” section of Note 2 of the Notes to Consolidated Financial Statements of this Form 10-K. In addition, refer to Note 17 of the Notes to the Consolidated Financial Statements of this Form 10-K for information regarding legal and regulatory matter contingencies as of September 30, 2020.

Loan loss provisions arising from operations of RJ Bank

We provide an allowance for loan losses which reflects our ongoing evaluation of the probable losses inherent in RJ Bank’s loan portfolio. See the discussion regarding our methodology in estimating the allowance for loan losses in Note 2 of the Notes to Consolidated Financial Statements of this Form 10-K. See Note 7 of the Notes to Consolidated Financial Statements of this Form 10-K for additional information on our bank loans.

At September 30, 2020, the amortized cost of all RJ Bank loans was \$21.55 billion and the allowance for loan losses was \$354 million, which was 1.65% of the held for investment loan portfolio.

Our process of evaluating probable loan losses includes a complex analysis of several quantitative and qualitative factors, requiring management judgment. As a result, the allowance for loan losses could be insufficient to cover actual losses. In such an event, any losses in excess of our allowance would result in a decrease in our net income, as well as a decrease in the level of regulatory capital.

RECENT ACCOUNTING DEVELOPMENTS

The FASB has issued certain accounting updates that apply to us. Accounting updates not listed in the following section were assessed and either determined to be not applicable or are not expected to have a significant impact on our financial statements.

Accounting guidance not yet adopted as of September 30, 2020

Credit losses - In June 2016, the FASB issued new guidance related to the measurement of credit losses on financial instruments (ASU 2016-13), which replaces the existing incurred credit loss and other models with the Current Expected Credit Losses (“CECL”) model. The guidance involves several aspects of the accounting for credit losses related to certain financial instruments, including assets measured at amortized cost, available-for-sale debt securities and certain off-balance sheet commitments. The new guidance, and subsequent updates, broadens the information that an entity must consider in developing its estimated credit losses expected to occur over the remaining life of financial assets. The measurement of expected credit losses includes historical experience, current conditions and reasonable and supportable forecasts. The new guidance also expands the disclosure requirements regarding an entity’s assumptions, models, and methods for estimating credit losses and requires new disclosures of the amortized cost balances for each class of financial asset by credit quality indicator, disaggregated by the year of origination.

This new guidance was effective for our fiscal year beginning on October 1, 2020 and was adopted under a modified retrospective approach. We have determined that certain portfolios qualify under the practical expedient outlined in the accounting guidance based on collateral maintenance provisions (e.g., margin loans, securities-based loans and collateralized agreements) and therefore, our expected credit losses are not expected to be significant. In addition, we have a zero loss expectation for certain financial assets based on the credit quality of the borrower or issuer, such as government and agency loans and debt securities. The impact of adoption of this new standard resulted in an increase in our allowances for credit losses, including reserves for unfunded lending commitments, of approximately \$40 to \$50 million and a corresponding reduction in retained earnings of approximately \$30 to \$40 million, net of tax. The increases in our allowances for credit losses were primarily attributable to loans to financial advisors and, to a lesser extent, bank loans. Prior-period amounts will not be restated.

Internal use software (cloud computing) - In August 2018, the FASB issued guidance on the accounting for implementation costs incurred by customers in cloud computing arrangements (ASU 2018-15). This guidance requires implementation costs incurred by customers in cloud computing arrangements that are service contracts to be deferred and recognized over the non-cancelable term of the service contract plus any optional renewal periods (1) that are reasonably certain to be exercised by the customer or (2) for which exercise of the renewal option is controlled by the cloud service provider. We adopted this new guidance on October 1, 2020 using a prospective approach as of the adoption date. The impact of this amended guidance is dependent on implementation costs incurred subsequent to adoption. The adoption did not have an impact on our financial position, results of operations, or cash flows.

Consolidation (decision making fees) - In October 2018, the FASB issued guidance on how all entities evaluate decision-making fees under the VIE guidance (ASU 2018-17). Under the new guidance, to determine whether decision-making fees

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represent a variable interest, an entity considers indirect interests held through related parties under common control on a proportionate basis, rather than in their entirety. We adopted this new guidance on October 1, 2020. The adoption of this new guidance did not have a material impact on our financial position, results of operations, or cash flows.

OFF-BALANCE SHEET ARRANGEMENTS

For information regarding our off-balance sheet arrangements, see Notes 2 and 17 of the Notes to Consolidated Financial Statements of this Form 10-K.

EFFECTS OF INFLATION

Our assets are primarily liquid in nature and are not significantly affected by inflation. However, the rate of inflation affects our expenses, including employee compensation, communications and information processing, and occupancy costs, which may not be readily recoverable through charges for services we provide to our clients.

RISK MANAGEMENT

Risks are an inherent part of our business and activities. Management of risk is critical to our fiscal soundness and profitability. Our risk management processes are multi-faceted and require communication, judgment and knowledge of financial products and markets. We have a formal Enterprise Risk Management (“ERM”) program to assess and review aggregate risks across the firm. Our management takes an active role in the ERM process, which requires specific administrative and business functions to participate in the identification, assessment, monitoring and control of various risks.

The principal risks related to our business activities are market, credit, liquidity, operational, model, and compliance.

Governance

Our Board of Directors oversees the firm’s management and mitigation of risk, reinforcing a culture that encourages ethical conduct and risk management throughout the firm. Senior management communicates and reinforces this culture through three lines of risk management and a number of senior-level management committees. Our first line of risk management, which includes all of our businesses, owns its risks and is responsible for helping to identify, escalate, and mitigate risks arising from its day-to-day activities. The second line of risk management, which includes the Compliance, Legal, and Risk Management departments, supports and provides guidance and oversight to client-facing businesses and other first-line risk management functions in identifying and mitigating risk. The second line of risk management also tests and monitors the effectiveness of controls, escalates risks when appropriate, and reports on these risks. The third line of risk management, Internal Audit, independently reviews activities conducted by the previous lines of risk management to assess their management and mitigation of risk, providing additional assurance to the Board of Directors and senior management, with a view toward enhancing our oversight, management, and mitigation of risk.

Market risk

Market risk is our risk of loss resulting from the impact of changes in market prices on our trading inventory, derivatives and investment positions. We have exposure to market risk primarily through our broker-dealer trading operations and, to a lesser extent, through our banking operations. Our broker-dealer subsidiaries, primarily RJ&A, act as market makers in equity and debt securities and maintain inventories in order to ensure availability of securities and to facilitate client transactions. We also hold investments in agency MBS and agency CMOs within RJ Bank’s available-for-sale securities portfolio, and from time-to-time may hold SBA loan securitizations not yet transferred.

See Notes 2, 3, 4 and 5 of the Notes to Consolidated Financial Statements of this Form 10-K for fair value and other information regarding our trading inventories, available-for-sale securities and derivative instruments.

Changes in value of our trading inventory may result from fluctuations in interest rates, credit spreads, equity prices, macroeconomic factors and asset liquidity, as well as relationships among these factors. We manage our trading inventory by product type and have established trading desks with responsibility for particular product types. Our primary method of controlling risk in our trading inventory is through the establishment and monitoring of risk-based limits and limits on the dollar amount of positions held overnight in inventory. A hierarchy of limits exists at multiple levels including firm, division, trading desk (e.g., for over-the-counter (“OTC”) equities, corporate bonds, municipal bonds), product sub-type (e.g., below-investment-grade positions) and individual trader. Position limits in trading inventory accounts are monitored on a daily basis. Consolidated position and exposure reports are prepared and distributed daily to senior management. Trading positions are

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carefully monitored for potential limit violations. Management likewise monitors inventory levels and trading results, as well as inventory aging, pricing, concentration and securities ratings. For our derivatives positions, which are composed primarily of interest rate swaps, but also include futures contracts and forward foreign exchange contracts, we monitor daily exposure against established limits with respect to a number of factors, including interest rates, foreign exchange spot and forward rates, spread, ratio, basis and volatility risk, both for the total portfolio and by maturity period.

In the normal course of business, we enter into underwriting commitments. RJ&A and RJ Ltd., as a lead or co-lead manager or syndicate member in underwritings, may be subject to market risk on any unsold shares issued in offerings to which we are committed. Risk exposure is controlled by limiting participation, the deal size or through the syndication process.

Interest rate risk

Trading activities

We are exposed to interest rate risk as a result of our trading inventory (primarily comprised of fixed income instruments) in our Capital Markets segment. We actively manage the interest rate risk arising from our fixed income trading securities through the use of hedging strategies that involve U.S. Treasury securities, futures contracts, liquid spread products and derivatives. In response to the significant market uncertainty caused by the COVID-19 pandemic, we took steps to proactively manage our market risk exposures, including enhanced review and monitoring of exposures and risk mitigation initiatives.

We monitor the Value-at-Risk ("VaR") for all of our trading portfolios on a daily basis. VaR is an appropriate statistical technique for estimating potential losses in trading portfolios due to typical adverse market movements over a specified time horizon with a suitable confidence level. We apply the Fed's Market Risk Rule ("MRR") for the purpose of calculating our capital ratios. The MRR, also known as the "Risk-Based Capital Guidelines: Market Risk" rule released by the Fed, the OCC and FDIC, requires us to calculate VaR for all of our trading portfolios (including derivatives), including fixed income, equity, and foreign exchange instruments.

To calculate VaR, we use historical simulation. This approach assumes that historical changes in market conditions, such as in interest rates and equity prices, are representative of future changes. Simulation is based on daily market data for the previous twelve months. VaR is reported at a 99% confidence level for a one-day time horizon. Assuming that future market conditions change as they have in the past twelve months, we would expect to incur losses greater than those predicted by our one-day VaR estimates about once every 100 trading days, or about three times per year on average. For regulatory capital calculation purposes, we also report VaR numbers for a ten-day time horizon.

The Fed's MRR requires us to perform daily back-testing procedures of our VaR model, whereby we compare each day's projected VaR to its regulatory-defined daily trading losses, which exclude fees, commissions, reserves, net interest income and intraday trading. Regulatory-defined daily trading losses are used to evaluate the performance of our VaR model and are not comparable to our actual daily net revenues. Based on these daily "ex ante" versus "ex post" comparisons, we determine whether the number of times that regulatory-defined daily trading losses exceed VaR is consistent with our expectations at a 99% confidence level. During the year ended September 30, 2020, our regulatory-defined daily loss in our trading portfolios exceeded our predicted VaR on 11 occasions due to significantly higher levels of market volatility during our fiscal second quarter as a result of the COVID-19 pandemic.

The following table sets forth the high, low, period-end and average daily one-day VaR for all of our trading portfolios, including fixed income, equity, and foreign exchange instruments, for the period and dates indicated.

| \$ in millions | Year ended September 30, 2020 | | Period-end VaR | | \$ in millions | For the year ended September 30, | |
|----------------|-------------------------------|------|--------------------|--------------------|-------------------|----------------------------------|------|
| | High | Low | September 30, 2020 | September 30, 2019 | | 2020 | 2019 |
| Daily VaR | \$ 9 | \$ 1 | \$ 8 | \$ 1 | Average daily VaR | \$ 3 | \$ 1 |

Our period-end VaR increased to \$9 million as of September 2020 from \$1 million as of September 2019, primarily due to the impact of increased volatility from the COVID-19 pandemic on our VaR model.

The modeling of the risk characteristics of trading positions involves a number of assumptions and approximations. While management believes that these assumptions and approximations are reasonable, there is no uniform industry methodology for estimating VaR, and different assumptions or approximations could produce materially different VaR estimates. As a result, VaR statistics are more reliable when used as indicators of risk levels and trends within a firm than as a basis for inferring differences in risk-taking across firms.

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Separately, RJF provides additional market risk disclosures to comply with the MRR which are available on our website under <https://www.raymondjames.com/investor-relations/financial-information/filings-and-reports> within "Other Reports and Information."

Should markets suddenly become more volatile, as they did in our fiscal second quarter of 2020, actual trading losses may exceed VaR results presented on a single day and might accumulate over a longer time horizon, such as a number of consecutive trading days. Accordingly, management applies additional controls including position limits, a daily review of trading results, review of the status of aged inventory, independent controls on pricing, monitoring of concentration risk, review of issuer ratings and stress testing. We utilize stress testing to complement our VaR analysis so as to measure risk under historical and hypothetical adverse scenarios. During volatile markets, we may choose to pare our trading inventories to reduce risk, as we did during our fiscal second quarter of 2020.

Banking operations

RJ Bank maintains an interest-earning asset portfolio that is comprised of cash, C&I loans, tax-exempt loans, commercial and residential real estate loans, SBL and other loans, as well as agency MBS and agency CMOs (held in the available-for-sale securities portfolio), SBA loan securitizations and a trading portfolio of corporate loans. These interest-earning assets are primarily funded by client deposits. Based on its current asset portfolio, RJ Bank is subject to interest rate risk. RJ Bank analyzes interest rate risk based on forecasted net interest income, which is the net amount of interest received and interest paid, and the net portfolio valuation, both across a range of interest rate scenarios.

One of the objectives of RJ Bank's Asset Liability Management Committee is to manage the sensitivity of net interest income to changes in market interest rates. This committee uses several measures to monitor and limit RJ Bank's interest rate risk, including scenario analysis and economic value of equity.

RJ Bank uses simulation models and estimation techniques to assess the sensitivity of net interest income to movements in interest rates. To ensure that RJ Bank remains within its tolerances established for net interest income, a sensitivity analysis of net interest income to interest rate conditions is estimated under a variety of scenarios. The model estimates the sensitivity by calculating interest income and interest expense in a dynamic balance sheet environment using current repricing, prepayment, and reinvestment of cash flow assumptions over a twelve month time horizon. Various interest rate scenarios are modeled in order to determine the effect those scenarios may have on net interest income. Scenarios presented include instantaneous interest rate shocks of up 100 and 200 basis points and down 100 basis points. While not presented, additional rate scenarios are performed, including interest rate ramps and yield curve shifts that may more realistically mimic the speed of potential interest rate movements. RJ Bank also performs simulations on time horizons of up to five years to assess longer term impacts to various interest rate scenarios. On a quarterly basis, RJ Bank tests expected model results to actual performance. Additionally, any changes made to key assumptions in the model are documented and approved by RJ Bank's Asset Liability Management Committee.

We utilize a hedging strategy using interest rate swaps as a result of RJ Bank's asset and liability management process previously described. For further information regarding this hedging strategy, see Note 2 of the Notes to Consolidated Financial Statements of this Form 10-K.

The following table is an analysis of RJ Bank's estimated net interest income over a 12-month period based on instantaneous shifts in interest rates (expressed in basis points) using RJ Bank's own asset/liability model, which assumes that interest rates do not decline below zero.

| Instantaneous changes in rate | Net interest income (<i>\$ in millions</i>) | Projected change in net interest income |
|--------------------------------------|--|--|
| +200 | \$851 | 33.4% |
| +100 | \$804 | 26.0% |
| 0 | \$638 | — |
| -100 | \$607 | (4.9)% |

Refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations - Net interest analysis" of this Form 10-K for a discussion of the impact changes in short-term interest rates could have on the firm's operations.

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The following table shows the contractual maturities of RJ Bank's loan portfolio at September 30, 2020, including contractual principal repayments. This table does not include any estimates of prepayments, which could shorten the average loan lives and cause the actual timing of the loan repayments to differ significantly from those shown in the table. Loan amounts in the table exclude unearned income and deferred expenses.

| <i>\$ in millions</i> | Due in | | | Total |
|--|------------------|-------------------------|-----------------|------------------|
| | One year or less | > One year – five years | > 5 years | |
| Loans held for investment: | | | | |
| C&I loans | \$ 117 | \$ 4,369 | \$ 2,964 | \$ 7,450 |
| CRE construction loans | 26 | 149 | 2 | 177 |
| CRE loans | 638 | 2,264 | 632 | 3,534 |
| Tax-exempt loans | 1 | 73 | 1,185 | 1,259 |
| Residential mortgage loans | — | 5 | 4,942 | 4,947 |
| SBL and other | 4,050 | 35 | — | 4,085 |
| Total loans held for investment | 4,832 | 6,895 | 9,725 | 21,452 |
| Loans held for sale | — | 1 | 101 | 102 |
| Total loans | \$ 4,832 | \$ 6,896 | \$ 9,826 | \$ 21,554 |

The following table shows the distribution of the recorded investment of those RJ Bank loans that mature in more than one year between fixed and adjustable interest rate loans at September 30, 2020. Loan amounts in the table exclude unearned income and deferred expenses.

| <i>\$ in millions</i> | Interest rate type | | |
|--|--------------------|------------------|------------------|
| | Fixed | Adjustable | Total |
| Loans held for investment: | | | |
| C&I loans | \$ 226 | \$ 7,107 | \$ 7,333 |
| CRE construction loans | 2 | 149 | 151 |
| CRE loans | 104 | 2,792 | 2,896 |
| Tax-exempt loans | 1,258 | — | 1,258 |
| Residential mortgage loans | 197 | 4,750 | 4,947 |
| SBL and other | — | 35 | 35 |
| Total loans held for investment | 1,787 | 14,833 | 16,620 |
| Loans held for sale | 4 | 98 | 102 |
| Total loans | \$ 1,791 | \$ 14,931 | \$ 16,722 |

Contractual loan terms for C&I, CRE, CRE construction and residential mortgage loans may include an interest rate floor, cap and/or fixed interest rates for a certain period of time, which would impact the timing of the interest rate reset for the respective loan. See the discussion within the “Management's Discussion and Analysis of Financial Condition and Results of Operations - Risk management - Credit risk - Risk monitoring process” section of this Form 10-K for additional information regarding RJ Bank's interest-only residential mortgage loan portfolio.

In our RJ Bank available-for-sale securities portfolio, we hold primarily fixed-rate agency MBS and agency CMOs which are carried at fair value on our Consolidated Statements of Financial Condition, with changes in the fair value of the portfolio recorded through OCI in our Consolidated Statements of Income and Comprehensive Income. At September 30, 2020, our RJ Bank available-for-sale securities portfolio had a fair value of \$7.65 billion with a weighted-average yield of 1.51% and average expected duration of three years. See Note 4 of the Notes to Consolidated Financial Statements of this Form 10-K for additional information.

Equity price risk

We are exposed to equity price risk as a result of our capital markets activities. Our broker-dealer activities are generally client-driven, and we carry equity securities as part of our trading inventory to facilitate such activities, although the amounts are not as significant as our fixed income trading inventory. We attempt to reduce the risk of loss inherent in our inventory of equity securities by monitoring those security positions throughout each day and establishing position limits. Equity securities held in our trading inventory are generally included in VaR.

In addition, we have a private equity portfolio, included in “Other investments” on our Consolidated Statements of Financial Condition, which is comprised of various direct investments, as well as investments in third-party private equity funds and various legacy private equity funds which we sponsor. Of the total private equity investments at September 30, 2020 of \$116

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million, the portion we owned was \$90 million. See Note 3 of the Notes to Consolidated Financial Statements of this Form 10-K for additional information on this portfolio.

Foreign exchange risk

We are subject to foreign exchange risk due to our investments in foreign subsidiaries, as well as transactions and resulting balances denominated in a currency other than the U.S. dollar. For example, a portion of our bank loan portfolio includes loans which are denominated in Canadian dollars, totaling \$1.06 billion and \$1.10 billion at September 30, 2020 and 2019, respectively, when converted to the U.S. dollar. A portion of such loans are held by RJ Bank's Canadian subsidiary, which is discussed in the following sections.

Investments in foreign subsidiaries

RJ Bank has an investment in a Canadian subsidiary, resulting in foreign exchange risk. To mitigate its foreign exchange risk, RJ Bank utilizes short-term, forward foreign exchange contracts. These derivatives are primarily accounted for as net investment hedges in the consolidated financial statements. See Notes 2 and 5 of the Notes to Consolidated Financial Statements of this Form 10-K for further information regarding these derivatives.

We had foreign exchange risk in our investment in RJ Ltd. of CAD 353 million at September 30, 2020, which was not hedged. Foreign exchange gains/losses related to this investment are primarily reflected in OCI on our Consolidated Statements of Income and Comprehensive Income. See Note 18 of the Notes to Consolidated Financial Statements of this Form 10-K for further information regarding our components of OCI.

We also have foreign exchange risk associated with our investments in subsidiaries located in Europe. These investments are not hedged and we do not believe we have material foreign exchange risk either individually, or in the aggregate, pertaining to these subsidiaries.

Transactions and resulting balances denominated in a currency other than the U.S. dollar

We are subject to foreign exchange risk due to our holdings of cash and certain other assets and liabilities resulting from transactions denominated in a currency other than the U.S. dollar. Any currency-related gains/losses arising from these foreign currency denominated balances are reflected in "Other" revenues in our Consolidated Statements of Income and Comprehensive Income. The foreign exchange risk associated with a portion of such transactions and balances denominated in foreign currency are mitigated utilizing short-term, forward foreign exchange contracts. Such derivatives are not designated hedges and therefore, the related gains/losses associated with these contracts are included in "Other" revenues in our Consolidated Statements of Income and Comprehensive Income. See Note 5 of the Notes to Consolidated Financial Statements of this Form 10-K for information regarding our derivatives.

Credit risk

Credit risk is the risk of loss due to adverse changes in a borrower's, issuer's or counterparty's ability to meet its financial obligations under contractual or agreed-upon terms. The nature and amount of credit risk depends on the type of transaction, the structure and duration of that transaction, and the parties involved. Credit risk is an integral component of the profit assessment of lending and other financing activities. We are exposed to credit risk through our brokerage activities, as well as our lending activities, primarily in RJ Bank.

The decline in economic activity as a result of COVID-19 has caused increased credit risk in general and particularly with regard to companies in sectors that have been most significantly impacted by the economic disruption, including energy, airlines, entertainment and leisure, restaurants and gaming. Given the stresses on certain of our clients' liquidity, we have enhanced our credit monitoring activities, with an increased focus on monitoring our credit exposures and counterparty credit risk. Since the onset of the pandemic, RJ Bank has enacted risk mitigation strategies including, but not limited to, the sale of loans in those sectors with a high likelihood of adverse impact arising from the pandemic. We have also required collateral to be posted across our credit risk exposures in accordance with agreements with our borrowers and counterparties.

We are subject to concentration risk if we hold large positions, extend large loans to, or have large commitments with a single counterparty, borrower, or group of similar counterparties or borrowers (e.g., in the same industry). Repurchase agreements consist primarily of securities issued by the U.S. government or its agencies. Receivables from and payables to clients and securities borrowing and lending activities are conducted with a large number of clients and counterparties and potential concentration is carefully monitored. Inventory and investment positions taken and commitments made, including

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underwritings, may involve exposure to individual issuers and businesses. We seek to mitigate this risk through careful review of the underlying business and the use of limits established by senior management, taking into consideration factors including the financial strength of the counterparty, the size of the position or commitment, the expected duration of the position or commitment and other positions or commitments outstanding.

Brokerage activities

We are engaged in various trading and brokerage activities in which our counterparties primarily include broker-dealers, banks and other financial institutions. We are exposed to risk that these counterparties may not fulfill their obligations. The risk of default depends on the creditworthiness of the counterparty and/or the issuer of the instrument. We manage this risk by imposing and monitoring individual and aggregate position limits within each business segment for each counterparty, conducting regular credit reviews of financial counterparties, reviewing security and loan concentrations, holding and calculating the fair value of collateral on certain transactions and conducting business through clearing organizations, which may guarantee performance.

Our client activities involve the execution, settlement, and financing of various transactions on behalf of our clients. Client activities are transacted on either a cash or margin basis. Credit exposure results from client margin loans, which are monitored daily and are collateralized by the securities in the clients' accounts. We monitor exposure to industry sectors and individual securities and perform analysis on a daily basis in connection with our margin lending activities. We adjust our margin requirements if we believe our risk exposure is not appropriate based on market conditions. In addition, when clients execute a purchase, we are at some risk that the client will default on their financial obligation associated with the trade. If this occurs, we may have to liquidate the position at a loss.

We offer loans to financial advisors and certain other key revenue producers primarily for recruiting, transitional cost assistance and retention purposes. We have credit risk and may incur a loss primarily in the event that such borrower is no longer affiliated with us.

Banking activities

RJ Bank has a substantial loan portfolio. While RJ Bank's loan portfolio is diversified, a significant downturn in the overall economy, such as that experienced in fiscal 2020 as a result of the COVID-19 pandemic, deterioration in real estate values or a significant issue within any sector or sectors where RJ Bank has a concentration will generally result in large provisions for loan losses and/or charge-offs. RJ Bank determines the allowance that is required for specific loan grades based on relative risk characteristics of the loan portfolio. On an ongoing basis, RJ Bank evaluates its methods for determining the allowance for each class of loans and makes enhancements it considers appropriate.

RJ Bank's strategy for credit risk management includes well-defined credit policies, uniform underwriting criteria, and ongoing risk monitoring and review processes for all corporate, tax-exempt, residential, SBL and other credit exposures. The strategy also includes diversification on a geographic, industry and customer level, regular credit examinations and management reviews of all corporate and tax-exempt loans as well as individual delinquent residential loans. The credit risk management process also includes an annual independent review of the credit risk monitoring process that performs assessments of compliance with credit policies, risk ratings, and other critical credit information. RJ Bank seeks to identify potential problem loans early, record any necessary risk rating changes and charge-offs promptly, and maintain appropriate reserve levels for probable inherent losses. RJ Bank utilizes a comprehensive credit risk rating system to measure the credit quality of individual corporate and tax-exempt loans and related unfunded lending commitments, including the probability of default and/or loss given default of each corporate and tax-exempt loan and commitment outstanding. For its SBL and residential mortgage loans, RJ Bank utilizes the credit risk rating system used by bank regulators in measuring the credit quality of each homogeneous class of loans.

RJ Bank's allowance for loan losses methodology is described in Note 2 of the Notes to Consolidated Financial Statements of this Form 10-K. As RJ Bank's loan portfolio is segregated into six portfolio segments, likewise, the allowance for loan losses is segregated by these same segments. The risk characteristics relevant to each portfolio segment are as follows.

C&I: Loans in this segment are made to businesses and are generally secured by all assets of the business. Repayment is expected from the cash flows of the respective business. Unfavorable economic and political conditions, including the resultant decrease in consumer or business spending, may have an adverse effect on the credit quality of loans in this segment.

CRE: Loans in this segment are primarily secured by income-producing properties. For owner-occupied properties, the cash flows are derived from the operations of the business, and the underlying cash flows may be adversely affected by the

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deterioration in the financial condition of the operating business. The underlying cash flows generated by non-owner-occupied properties may be adversely affected by increased vacancy and rental rates, which are monitored on a quarterly basis. Adverse developments in either of these areas may have a negative effect on the credit quality of loans in this segment.

CRE construction: Loans in this segment have similar risk characteristics of loans in the CRE segment as previously described. In addition, project budget overruns and performance variables related to the contractor and subcontractors may affect the credit quality of loans in this segment. With respect to commercial construction of residential developments, there is also the risk that the builder has a geographical concentration of developments. Adverse developments in all of these areas may significantly affect the credit quality of the loans in this segment.

Tax-exempt: Loans in this segment are made to governmental and nonprofit entities and are generally secured by a pledge of revenue and, in some cases, by a security interest in or a mortgage on the asset being financed. For loans to governmental entities, repayment is expected from a pledge of certain revenues or taxes. For nonprofit entities, repayment is expected from revenues which may include fundraising proceeds. These loans are subject to demographic risk, therefore much of the credit assessment of tax-exempt loans is driven by the entity's revenue base and general economic environment. Adverse developments in either of these areas may have a negative effect on the credit quality of loans in this segment.

Residential mortgage (includes home equity loans/lines): All of RJ Bank's residential mortgage loans adhere to stringent underwriting parameters pertaining to credit score and credit history, debt-to-income ratio of borrower, loan-to-value ("LTV"), and combined LTV (including second mortgage/home equity loans). RJ Bank does not originate or purchase option adjustable rate mortgage ("ARM") loans with negative amortization, reverse mortgages, or loans to subprime borrowers. Loans with deeply discounted teaser rates are not originated or purchased. All loans in this segment are collateralized by residential real estate and repayment is primarily dependent on the credit quality of the individual borrower. A decline in the strength of the economy, particularly unemployment rates and housing prices, among other factors, could have a significant effect on the credit quality of loans in this segment.

SBL and other: Loans in this segment are collateralized generally by the borrower's marketable securities at advance rates consistent with industry standards. These loans are monitored daily for adherence to LTV guidelines and when a loan exceeds the required LTV, a collateral call is issued. Past due loans are minimal as any past due amounts result in a notice to the client for payment or the potential sale of the collateral which will bring the loan to a current status.

In evaluating credit risk, RJ Bank considers trends in loan performance, the level of allowance coverage relative to similar banking institutions, industry or customer concentrations, the loan portfolio composition and macroeconomic factors. These factors have a potentially negative impact on loan performance and net charge-offs. However, during fiscal year 2020, corporate borrowers have continued to access the markets for new equity and debt.

Several factors were taken into consideration in evaluating the allowance for loan losses at September 30, 2020, including the risk profile of the portfolios, net charge-offs during the period, the level of nonperforming loans, delinquency ratios and the impact of the COVID-19 pandemic. RJ Bank also considered the uncertainty related to certain industry sectors and the extent of credit exposure to specific borrowers within the portfolio. Finally, RJ Bank considered current economic conditions that might impact the portfolio. In response to the COVID-19 pandemic, we performed a portfolio-wide assessment of our loan portfolio. As a result, we downgraded loans in certain impacted industries, which gave rise to elevated loan loss provisions during fiscal 2020. In addition, we sold approximately \$695 million (before charge-offs and discounts or premiums) of corporate loans during the fiscal year in industries that we believe to be most vulnerable to the COVID-19 pandemic. We will continue to assess the impact of COVID-19 and, as more information becomes available regarding the financial repercussions to our borrowers, the risk ratings for individual loans will be updated and the allowance will be adjusted accordingly.

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The following table presents RJ Bank's changes in the allowance for loan losses.

| <i>\$ in millions</i> | Year ended September 30, | | | | |
|--|---------------------------------|---------------|---------------|---------------|---------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| Allowance for loan losses beginning of year | \$ 218 | \$ 203 | \$ 190 | \$ 197 | \$ 172 |
| Provision for loan losses | 233 | 22 | 20 | 13 | 28 |
| Charge-offs: | | | | | |
| C&I loans | (96) | (2) | (10) | (26) | (3) |
| CRE loans | (4) | (5) | — | — | — |
| Residential mortgage loans | — | (1) | — | (1) | (1) |
| Total charge-offs | (100) | (8) | (10) | (27) | (4) |
| Recoveries: | | | | | |
| CRE loans | — | — | — | 5 | — |
| Residential mortgage loans | 2 | 2 | 2 | 1 | 1 |
| Total recoveries | 2 | 2 | 2 | 6 | 1 |
| Net charge-offs | (98) | (6) | (8) | (21) | (3) |
| Foreign exchange translation adjustment | 1 | (1) | 1 | 1 | — |
| Allowance for loan losses end of year | <u>\$ 354</u> | <u>\$ 218</u> | <u>\$ 203</u> | <u>\$ 190</u> | <u>\$ 197</u> |
| Allowance for loan losses to loans held for investment | <u>1.65 %</u> | <u>1.04 %</u> | <u>1.04 %</u> | <u>1.11 %</u> | <u>1.30 %</u> |

See further explanation of the loan loss provision in “Item 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations - RJ Bank” of this Form 10-K.

The level of charge-off activity is a factor that is considered in evaluating the potential severity of future credit losses. The following tables present net loan (charge-offs)/recoveries and the percentage of net loan (charge-offs)/recoveries to the average outstanding loan balances by loan portfolio segment. Of the \$98 million of charge-offs in fiscal 2020, the majority was associated with loans we sold as part of our risk mitigation strategies.

| <i>\$ in millions</i> | Year ended September 30, | | | | | |
|----------------------------|--|-----------------------------------|--|-----------------------------------|--|-----------------------------------|
| | 2020 | | 2019 | | 2018 | |
| | Net loan (charge-off)/ recovery amount ⁽¹⁾ | % of avg. outstanding loans | Net loan (charge-off)/ recovery amount ⁽¹⁾ | % of avg. outstanding loans | Net loan (charge-off)/ recovery amount ⁽¹⁾ | % of avg. outstanding loans |
| C&I loans | \$ (96) | 1.22 % | \$ (2) | 0.02 % | \$ (10) | 0.13 % |
| CRE loans | (4) | 0.11 % | (5) | 0.14 % | — | — |
| Residential mortgage loans | 2 | 0.04 % | 1 | 0.02 % | 2 | 0.06 % |
| Total | <u>\$ (98)</u> | <u>0.45 %</u> | <u>\$ (6)</u> | <u>0.04 %</u> | <u>\$ (8)</u> | <u>0.04 %</u> |

| <i>\$ in millions</i> | Year ended September 30, | | | |
|-----------------------|--|-----------------------------------|--|-----------------------------------|
| | 2017 | | 2016 | |
| | Net loan (charge-off)/ recovery amount ⁽¹⁾ | % of avg. outstanding loans | Net loan (charge-off)/ recovery amount ⁽¹⁾ | % of avg. outstanding loans |
| C&I loans | \$ (26) | 0.35 % | \$ (3) | 0.04 % |
| CRE loans | 5 | 0.18 % | — | — |
| Total | <u>\$ (21)</u> | <u>0.13 %</u> | <u>\$ (3)</u> | <u>0.02 %</u> |

(1) Charge-offs related to loan sales amounted to \$87 million, \$2 million, \$9 million, \$26 million and \$3 million for the years ended September 30, 2020, 2019, 2018, 2017, and 2016, respectively.

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The level of nonperforming loans is another indicator of potential future credit losses. The following tables present the nonperforming loans balance and total allowance for loan losses balance for the periods presented.

| <i>\$ in millions</i> | September 30, | | | | | |
|---|----------------------------|-----------------------------------|----------------------------|-----------------------------------|----------------------------|-----------------------------------|
| | 2020 | | 2019 | | 2018 | |
| | Nonperforming loan balance | Allowance for loan losses balance | Nonperforming loan balance | Allowance for loan losses balance | Nonperforming loan balance | Allowance for loan losses balance |
| Loans held for investment: | | | | | | |
| C&I loans | \$ 2 | \$ 200 | \$ 19 | \$ 139 | \$ 2 | \$ 123 |
| CRE construction loans | — | 3 | — | 3 | — | 3 |
| CRE loans | 14 | 114 | 8 | 46 | — | 47 |
| Tax-exempt loans | — | 14 | — | 9 | — | 9 |
| Residential mortgage loans | 14 | 18 | 16 | 16 | 23 | 17 |
| SBL and other | — | 5 | — | 5 | — | 4 |
| Total | \$ 30 | \$ 354 | \$ 43 | \$ 218 | \$ 25 | \$ 203 |
| Total nonperforming loans as a % of RJ Bank total loans | 0.14 % | | 0.21 % | | 0.12 % | |

| <i>\$ in millions</i> | September 30, | | | |
|---|----------------------------|-----------------------------------|----------------------------|-----------------------------------|
| | 2017 | | 2016 | |
| | Nonperforming loan balance | Allowance for loan losses balance | Nonperforming loan balance | Allowance for loan losses balance |
| Loans held for investment: | | | | |
| C&I loans | \$ 5 | \$ 120 | \$ 35 | \$ 138 |
| CRE construction loans | — | 1 | — | 1 |
| CRE loans | — | 42 | 4 | 36 |
| Tax-exempt loans | — | 6 | — | 4 |
| Residential mortgage loans | 34 | 17 | 42 | 13 |
| SBL and other | — | 4 | — | 5 |
| Total | \$ 39 | \$ 190 | \$ 81 | \$ 197 |
| Total nonperforming loans as a % of RJ Bank total loans | 0.23 % | | 0.53 % | |

Included in nonperforming residential mortgage loans as of September 30, 2020, were \$7 million in loans for which \$3 million in charge-offs were previously recorded, resulting in less exposure within the remaining balance. See Note 7 in the Notes to the Consolidated Financial Statements of this Form 10-K for loan categories as a percentage of total loans receivable.

The nonperforming loan balances in the preceding table exclude \$10 million, \$12 million, \$12 million, \$14 million and \$14 million as of September 30, 2020, 2019, 2018, 2017, and 2016, respectively, of residential TDRs which were returned to accrual status in accordance with our policy. Total nonperforming assets, including the nonperforming loans in the preceding table and other real estate acquired in the settlement of residential mortgages, amounted to \$32 million, \$46 million, \$28 million, \$44 million and \$86 million as of September 30, 2020, 2019, 2018, 2017, and 2016, respectively. Total nonperforming assets as a percentage of RJ Bank total assets were 0.10%, 0.18%, 0.12%, 0.21% and 0.50% as of September 30, 2020, 2019, 2018, 2017, and 2016 respectively. Although our nonperforming assets as a percentage of RJ Bank assets remained low as of September 30, 2020, prolonged or further market deterioration could result in an increase in our nonperforming assets, an increase in our allowance for loan losses and/or an increase in net charge-offs in future periods, although the extent will depend on future developments that are highly uncertain.

We have received requests from certain borrowers for forbearance, or deferral of their loan payments to us, driven or exacerbated by the economic impacts of the COVID-19 pandemic. Certain borrowers have also requested modifications of covenant terms. In accordance with the CARES Act, we have elected to not apply TDR classification to any COVID-19 related loan modifications that were performed after March 1, 2020 to borrowers who were current as of December 31, 2019. Based on the outstanding principal balance as of the end of September 30, 2020, we have active short-term payment deferrals on approximately \$189 million and \$77 million of our corporate and residential loans, respectively. Such deferrals could delay the recognition of net charge-offs, delinquencies, and nonaccrual status for those borrowers who would have otherwise moved into past due or nonaccrual status.

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Management's Discussion and Analysis

Loan underwriting policies

A component of RJ Bank's credit risk management strategy is conservative, well-defined policies and procedures. RJ Bank's underwriting policies for the major types of loans are described in the following sections.

Residential mortgage and SBL and other loan portfolios

RJ Bank's residential mortgage loan portfolio consists of first mortgage loans originated by RJ Bank via referrals from our PCG financial advisors and the general public, as well as first mortgage loans purchased by RJ Bank. All of RJ Bank's residential mortgage loans adhere to strict underwriting parameters pertaining to credit score and credit history, debt-to-income ratio of the borrower, LTV and combined LTV (including second mortgage/home equity loans). As of September 30, 2020, approximately 65% of the residential loans were fully documented loans to industry standards and 96% of the residential mortgage loan portfolio consisted of owner-occupant borrowers (77% for their primary residences and 19% for second home residences). Approximately 35% of the first lien residential mortgage loans were ARM loans, which receive interest-only payments based on a fixed rate for an initial period of the loan and then become fully amortizing, subject to annual and lifetime interest rate caps. A significant portion of our originated 15 or 30-year fixed-rate mortgage loans are sold in the secondary market.

RJ Bank's SBL and other portfolio is comprised primarily of loans fully collateralized by client's marketable securities and represented 19% of RJ Bank's total loan portfolio as of September 30, 2020. The underwriting policy for the SBL and other portfolio primarily includes a review of collateral, including LTV, with a limited review of repayment history.

While RJ Bank has chosen not to participate in any government-sponsored loan modification programs, its loan modification policy does take into consideration some of the programs' parameters and supports every effort to assist borrowers within the guidelines of safety and soundness. In general, RJ Bank considers the qualification terms outlined in the government-sponsored programs as well as the affordability test and other factors. RJ Bank retains flexibility to determine the appropriate modification structure and required documentation to support the borrower's current financial situation before approving a modification. Short sales are also used by RJ Bank to mitigate credit losses.

Corporate and tax-exempt loan portfolios

RJ Bank's corporate and tax-exempt loan portfolios were comprised of approximately 500 borrowers, the majority of which are underwritten, managed and reviewed at our corporate headquarters location, which facilitates close monitoring of the portfolio by credit risk personnel, relationship officers and senior RJ Bank executives. RJ Bank's corporate loan portfolio is diversified among a number of industries in both the U.S. and Canada and is comprised of project finance real estate loans, commercial lines of credit and term loans, the majority of which are participations in Shared National Credit ("SNC") or other large syndicated loans, and tax-exempt loans. RJ Bank is sometimes involved in the syndication of the loan at inception and some of these loans have been purchased in the secondary trading markets. The remainder of the corporate loan portfolio is comprised of smaller participations and direct loans. There are no subordinated loans or mezzanine financings in the corporate loan portfolio. RJ Bank's tax-exempt loans are long-term loans to governmental and nonprofit entities. These loans generally have lower overall credit risk, but are subject to other risks that are not usually present with corporate clients, including the risk associated with the constituency served by a local government and the risk in ensuring an obligation has appropriate tax treatment.

Regardless of the source, all corporate and tax-exempt loans are independently underwritten to RJ Bank credit policies and are subject to approval by a loan committee, and credit quality is monitored on an on-going basis by RJ Bank's lending staff. RJ Bank credit policies include criteria related to LTV limits based upon property type, single borrower loan limits, loan term and structure parameters (including guidance on leverage, debt service coverage ratios and debt repayment ability), industry concentration limits, secondary sources of repayment, municipality demographics, and other criteria. A large portion of RJ Bank's corporate loans are to borrowers in industries in which we have expertise, through coverage provided by our Capital Markets research analysts. More than half of RJ Bank's corporate borrowers are public companies. RJ Bank's corporate loans are generally secured by all assets of the borrower, in some instances are secured by mortgages on specific real estate, and with respect to tax-exempt loans, are generally secured by a pledge of revenue. In a limited number of transactions, loans in the portfolio are extended on an unsecured basis. In addition, all corporate and tax-exempt loans are subject to RJ Bank's regulatory review.

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Risk monitoring process

Another component of the credit risk strategy at RJ Bank is the ongoing risk monitoring and review processes for all residential, SBL, corporate and tax-exempt credit exposures, as well as our rigorous processes to manage and limit credit losses arising from loan delinquencies. There are various other factors included in these processes, depending on the loan portfolio.

Residential mortgage and SBL and other loan portfolios

The collateral securing RJ Bank's SBL and other portfolio is monitored on a recurring basis, with marketable collateral monitored on a daily basis. Collateral adjustments are made by the borrower as necessary to ensure RJ Bank's loans are adequately secured, resulting in minimizing its credit risk. Collateral calls have been minimal relative to our SBL and other portfolio with no losses incurred to date.

We track and review many factors to monitor credit risk in RJ Bank's residential mortgage loan portfolio. The factors include, but are not limited to: loan performance trends, loan product parameters and qualification requirements, borrower credit scores, level of documentation, loan purpose, geographic concentrations, average loan size and LTV ratios. These measures, while considered and reviewed in establishing the allowance for loan losses, have not resulted in any material adjustments to RJ Bank's historical loss rates.

The following table presents a summary of delinquent residential mortgage loans, the vast majority of which are first mortgage loans, which are comprised of loans which are two or more payments past due as well as loans in the process of foreclosure. Amounts in the following table do not include residential loans to borrowers who have been granted forbearance as a result of the COVID-19 pandemic and whose loans were not considered delinquent prior to the forbearance. Such loans may be considered delinquent after the forbearance period, depending on their payment status. As a result, the amount of residential loans considered delinquent may increase significantly in fiscal 2021 as the forbearance periods expire.

| <i>\$ in millions</i> | Amount of delinquent residential loans | | | Delinquent residential loans as a percentage of outstanding loan balances | | |
|-----------------------|--|-----------------|-------|---|-----------------|--------|
| | 30-89 days | 90 days or more | Total | 30-89 days | 90 days or more | Total |
| September 30, 2020 | \$ 3 | \$ 7 | \$ 10 | 0.06 % | 0.14 % | 0.20 % |
| September 30, 2019 | \$ 2 | \$ 10 | \$ 12 | 0.04 % | 0.22 % | 0.26 % |

Our September 30, 2020 percentage continues to compare favorably to the national average for over 30 day delinquencies of 2.68%, as most recently reported by the Fed.

To manage and limit credit losses, we maintain a rigorous process to manage our loan delinquencies. With all residential first mortgages serviced by a third party, the primary collection effort resides with the servicer. RJ Bank personnel direct and actively monitor the servicers' efforts through extensive communications regarding individual loan status changes and requirements of timely and appropriate collection or property management actions and reporting, including management of third parties used in the collection process (appraisers, attorneys, etc.). Additionally, every residential mortgage loan over 60 days past due is reviewed by RJ Bank personnel monthly and documented in a written report detailing delinquency information, balances, collection status, appraised value, and other data points. RJ Bank senior management meets quarterly to discuss the status, collection strategy and charge-off recommendations on every residential mortgage loan over 60 days past due. Updated collateral valuations are obtained for loans over 90 days past due and charge-offs are taken on individual loans based on these valuations.

Credit risk is also managed by diversifying the residential mortgage portfolio. Most of the loans in our residential loan portfolio are to Private Client Group clients across the country. The following table details the geographic concentrations (top five states) of RJ Bank's one-to-four family residential mortgage loans.

| | September 30, 2020 | |
|----|--|---|
| | Loans outstanding as a % of RJ Bank total residential mortgage loans | Loans outstanding as a % of RJ Bank total loans |
| CA | 25.1% | 5.8% |
| FL | 16.5% | 3.8% |
| TX | 8.8% | 2.0% |
| NY | 6.9% | 1.6% |
| CO | 4.2% | 1.0% |

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Loans where borrowers may be subject to payment increases include ARM loans with terms that initially require payment of interest only. Payments may increase significantly when the interest-only period ends and the loan principal begins to amortize. At September 30, 2020 and 2019, these loans totaled \$1.67 billion and \$1.29 billion, respectively, or approximately 34% and 30% of the residential mortgage portfolio, respectively. The weighted-average number of years before the remainder of the loans, which were still in their interest-only period at September 30, 2020, begins amortizing is 6 years.

A component of credit risk management for the residential portfolio is the LTV ratio and borrower credit score at origination or purchase. The weighted-average LTV ratios and FICO scores at origination of RJ Bank's residential first mortgage loan portfolio were 65% and 762, respectively.

Corporate and tax-exempt loans

Credit risk in RJ Bank's corporate and tax-exempt loan portfolios is monitored on an individual loan basis for trends in borrower operating performance, payment history, credit ratings, collateral performance, loan covenant compliance, semi-annual SNC exam results, municipality demographics and other factors including industry performance and concentrations. As part of the credit review process, the loan grade is reviewed at least quarterly to confirm the appropriate risk rating for each credit. The individual loan ratings resulting from the SNC exams are incorporated in RJ Bank's internal loan ratings when the ratings are received and if the SNC rating is lower on an individual loan than RJ Bank's internal rating, the loan is downgraded. While RJ Bank considers historical SNC exam results in its loan ratings methodology, differences between the SNC exam and internal ratings on individual loans typically arise due to subjectivity of the loan classification process. These differences may result in additional provision for loan losses in periods when SNC exam results are received. The majority of RJ Bank's tax-exempt loan portfolio is comprised of loans to investment-grade borrowers. See Note 2 of the Notes to Consolidated Financial Statements of this Form 10-K, specifically the "Bank loans, net" section, for additional information on RJ Bank's allowance for loan loss policies.

Credit risk is managed by diversifying the corporate loan portfolio. RJ Bank's corporate loan portfolio does not contain a significant concentration in any single industry. The following table details the industry concentrations (top five categories) of RJ Bank's corporate loans.

| | September 30, 2020 | |
|-------------------------------|---|---|
| | Loans outstanding as a % of RJ Bank total corporate loans | Loans outstanding as a % of RJ Bank total loans |
| Office real estate | 7.5% | 3.9% |
| Automotive/transportation | 6.7% | 3.5% |
| Hospitality | 6.5% | 3.4% |
| Business systems and services | 6.3% | 3.2% |
| Multi-family | 5.6% | 2.9% |

The COVID-19 pandemic has negatively impacted our corporate loan portfolio and could continue to do so in the future. Although we have reduced our exposure to sectors that we believe to be most vulnerable to the COVID-19 pandemic, such as the energy, airlines, entertainment and leisure, restaurant and gaming sectors, we may experience further losses on our remaining loans to borrowers in these sectors, particularly if economic conditions deteriorate. In addition, we continue to monitor our exposure to office real estate, where trends are changing rapidly and possibly permanently as a result of the COVID-19 pandemic, and may experience additional losses on loans in this sector in the future. We may also experience further losses on corporate loans in other industries as a direct or indirect result of the pandemic, including on our CRE loans secured by retail and hospitality properties.

Although we saw deterioration in oil prices during the current fiscal year, our energy portfolio primarily consists of loans to midstream distribution companies and convenience stores, with no loans to exploration and production enterprises. As a result, the portfolio has minimal direct commodity price exposure. However, if we continue to see a significant deterioration in oil prices, our borrowers, and as a result our loans to such clients, could be negatively impacted in the future.

Liquidity risk

See the section "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and capital resources" of this Form 10-K for information regarding our liquidity and how we manage liquidity risk.

Operational risk

Operational risk generally refers to the risk of loss resulting from our operations, including, but not limited to, business disruptions, improper or unauthorized execution and processing of transactions, deficiencies in our technology or financial operating systems and inadequacies or breaches in our control processes including cybersecurity incidents. See “Item 1A - Risk Factors” of this Form 10-K for a discussion of certain cybersecurity risks. We operate different businesses in diverse markets and are reliant on the ability of our employees and systems to process a large number of transactions. These risks are less direct than credit and market risk, but managing them is critical, particularly in a rapidly changing environment with increasing transaction volumes and complexity. In the event of a breakdown or improper operation of systems or improper action by employees, we could suffer financial loss, regulatory sanctions and damage to our reputation. In order to mitigate and control operational risk, we have developed and continue to enhance specific policies and procedures that are designed to identify and manage operational risk at appropriate levels throughout the organization and within such departments as Finance, Operations, Information Technology, Legal, Compliance, Risk Management and Internal Audit. These control mechanisms attempt to ensure that operational policies and procedures are being followed and that our various businesses are operating within established corporate policies and limits. Business continuity plans exist for critical systems, and redundancies are built into the systems as deemed appropriate.

We have an Operational Risk Management Committee comprised of members of senior management, which reviews and addresses operational risks across our businesses. The committee establishes, and from time-to-time will reassess, risk appetite levels for major operational risks, monitors operating unit performance for adherence to defined risk tolerances, and establishes policies for risk management at the enterprise level.

In response to the COVID-19 pandemic, we activated and successfully executed on our business continuity protocols and continue to monitor the COVID-19 pandemic under such protocols. We have endeavored to protect our associates and our clients and to ensure continuity of business operations for our clients. As a result, a substantial portion of our associates are working remotely. Periods of severe market volatility, such as those that arose in response to the COVID-19 pandemic, can result in a significantly higher level of transactions on specific days and other activity which may cause operational challenges from time to time that may result in losses. These losses can result from, but are not limited to, trade errors, failed transaction settlements, late collateral calls to borrowers and counterparties, or interruptions to our system processing. We did not incur any significant losses related to our operations during the year ended September 30, 2020. The firm continues to monitor conditions and has developed a phased approach to reopening our offices based on regional indicators of infection positivity rates, and has and will continue to operate in compliance with all applicable laws and regulations. As of September 30, 2020, we have reopened certain of our offices in a limited capacity and are operating under strict public health and safety protocols in such locations.

As more fully described in the discussion of our business technology risks included in various risk factors presented in “Item 1A - Risk Factors” of this Form 10-K, despite our implementation of protective measures and endeavoring to modify them as circumstances warrant, our computer systems, software and networks may be vulnerable to human error, natural disasters, power loss, cyber-attacks and other information security breaches, and other events that could have an impact on the security and stability of our operations.

Model risk

Model risk refers to the possibility of unintended business outcomes arising from the design, implementation or use of models. Models are used throughout the firm for a variety of purposes such as the valuation of financial instruments, assessing risk, stress testing, and to assist in the making of business decisions. Model risk includes the potential risk that management makes incorrect decisions based upon either incorrect model results or incorrect understanding and use of model results. Model risk may also occur when model outputs differ from the expected result. Model risk can result in significant financial loss, inaccurate financial or regulatory reporting, misaligned business strategies or damage to our reputation.

Model Risk Management (“MRM”) is a separate department within our Risk Management department and is independent of model owners, users, and developers. Our model risk management framework consists primarily of model governance, maintaining the firmwide model inventory, validating and approving models used across the firm, and ongoing monitoring. Results of validations and issues identified are reported to the Enterprise Risk Management Committee and the Audit and Risk Committee of the Board of Directors. MRM assumes responsibility for the independent and effective challenge of model completeness, integrity and design based on intended use.

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Compliance risk

Compliance risk is the risk of legal or regulatory sanctions, financial loss, or reputational damage that the firm may suffer from a failure to comply with applicable laws, external standards, or internal requirements.

We have established a framework to oversee, manage, and mitigate compliance risk throughout the firm, both within and across businesses, functions, legal entities, and jurisdictions. The framework includes roles and responsibilities for the Board of Directors, senior management, and all three lines of risk management. This framework also includes programs and processes through which the firm identifies, assesses, controls, measures, monitors, and reports on compliance risk and provides compliance-related training throughout the firm. The Compliance department plays a key leadership role in the oversight, management, and mitigation of compliance risk throughout the firm. It does this by conducting an annual compliance risk assessment, carrying out compliance monitoring and testing activities, implementing compliance policies, training associates on compliance-related topics, and reporting compliance risk-related issues and metrics to the Board of Directors and senior management, among other activities.

We continue to devote resources to support the firm's compliance risk management framework, including the enhancement of processes and controls to help the firm meet its obligations to oversee, manage, and mitigate compliance risk. We also continue to invest in technology to improve our associates' ability to monitor and detect compliance risk.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations - Risk management" of this Form 10-K for our quantitative and qualitative disclosures about market risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Raymond James Financial, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial condition of Raymond James Financial, Inc. and subsidiaries (the Company) as of September 30, 2020 and 2019, the related consolidated statements of income and comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended September 30, 2020, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended September 30, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of September 30, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated November 24, 2020 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Assessment of the allowance for loan losses related to both the commercial and industrial (C&I) and the commercial real estate (CRE) loan portfolios that are collectively evaluated for impairment

As discussed in Notes 2 and 7 to the consolidated financial statements, the Company's allowance for loan losses related to loans collectively evaluated for impairment (ALL) was based on quantitative historical loss rates adjusted by an estimate of the loss emergence period. The Company also adjusted the quantitative historical loss rates by considering qualitative factors that cause the estimated losses to differ from quantitatively calculated amounts. The Company recorded a total allowance for loan losses of \$354 million as of September 30, 2020. Of that amount, the ALL for C&I loans was \$200 million or 56% of the total allowance, and the ALL for CRE loans was \$117 million or 33% of the total allowance.

We identified the assessment of the ALL related to the C&I and CRE loan portfolios as a critical audit matter because it required a significant degree of subjective auditor judgment and specialized industry skills and knowledge. There was subjectivity in performing procedures over key factors and assumptions used by the Company, including selection of proxy data used to develop loss rates and the evaluation of loss emergence periods. There were also subjective judgments and specialized skills and knowledge needed to assess loan characteristics, such as loan risk ratings, and to evaluate the development and application of the ALL methodology and the use of qualitative factors.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the measurement of the ALL for the C&I and CRE loan portfolios. This included controls related to the (1) development and approval of the ALL methodology, (2) determination and calculation of key factors and assumptions as well as qualitative factors, and (3) analysis of the ALL results, trends, and ratios. We evaluated the relevance of the historical proxy data used to develop loss rates by comparing the Company's C&I loan portfolio characteristics to the historical proxy data characteristics. In addition, we tested the CRE loss estimates by comparing them to loss data from independently determined industry peer groups. We evaluated the loss emergence period by testing the loss triggering and confirmation dates for a selection of loans. We assessed how the underlying assumptions used by the Company incorporated accurate metrics and other information and were applied in accordance with the qualitative framework. In addition, we involved credit risk professionals with specialized industry skills and knowledge, who assisted in testing the Company's process, including:

- evaluating the Company's ALL methodology to determine if it is sufficiently structured, transparent, and repeatable to produce an estimate that is compliant with U.S. generally accepted accounting principles,
- performing credit file reviews on a selection of loans to assess loan characteristics, such as loan risk ratings, and
- evaluating the conceptual soundness of the qualitative framework to determine if it identified the relevant incremental risks not captured by the quantitative estimate.

/s/ KPMG LLP

We have served as the Company's auditor since 2001.

Tampa, Florida
November 24, 2020

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

September 30,

\$ in millions, except per share amounts

| | September 30, | |
|---|------------------|------------------|
| | 2020 | 2019 |
| Assets: | | |
| Cash and cash equivalents | \$ 5,390 | \$ 3,957 |
| Cash and cash equivalents segregated pursuant to regulations | 4,244 | 2,014 |
| Collateralized agreements | 422 | 591 |
| Financial instruments, at fair value: | | |
| Trading instruments (\$265 and \$535 pledged as collateral) | 513 | 708 |
| Available-for-sale securities (\$23 and \$24 pledged as collateral) | 7,650 | 3,093 |
| Derivative assets | 438 | 338 |
| Other investments (\$37 and \$32 pledged as collateral) | 334 | 365 |
| Brokerage client receivables, net | 2,435 | 2,671 |
| Other receivables, net | 927 | 830 |
| Bank loans, net | 21,195 | 20,891 |
| Loans to financial advisors, net | 1,012 | 983 |
| Property and equipment, net | 535 | 527 |
| Deferred income taxes, net | 262 | 231 |
| Goodwill and identifiable intangible assets, net | 600 | 611 |
| Other assets | 1,525 | 1,020 |
| Total assets | \$ 47,482 | \$ 38,830 |
| Liabilities and shareholders' equity: | | |
| Bank deposits | \$ 26,801 | \$ 22,281 |
| Collateralized financings | 250 | 473 |
| Financial instrument liabilities, at fair value: | | |
| Trading instruments | 240 | 296 |
| Derivative liabilities | 393 | 313 |
| Brokerage client payables | 6,792 | 4,361 |
| Accrued compensation, commissions and benefits | 1,384 | 1,272 |
| Other payables | 1,513 | 747 |
| Other borrowings | 888 | 894 |
| Senior notes payable | 2,045 | 1,550 |
| Total liabilities | 40,306 | 32,187 |
| Commitments and contingencies (see Note 17) | | |
| Shareholders' equity | | |
| Preferred stock; \$.10 par value; 10,000,000 shares authorized; -0- shares issued and outstanding | — | — |
| Common stock; \$.01 par value; 350,000,000 shares authorized; 159,007,158 and 158,435,030 shares issued as of September 30, 2020 and 2019, respectively, and 136,556,559 and 137,841,952 shares outstanding as of September 30, 2020 and 2019, respectively | 2 | 2 |
| Additional paid-in capital | 2,007 | 1,938 |
| Retained earnings | 6,484 | 5,874 |
| Treasury stock, at cost; 22,450,599 and 20,593,078 common shares as of September 30, 2020 and 2019, respectively | (1,390) | (1,210) |
| Accumulated other comprehensive income/(loss) | 11 | (23) |
| Total equity attributable to Raymond James Financial, Inc. | 7,114 | 6,581 |
| Noncontrolling interests | 62 | 62 |
| Total shareholders' equity | 7,176 | 6,643 |
| Total liabilities and shareholders' equity | \$ 47,482 | \$ 38,830 |

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

| <i>in millions, except per share amounts</i> | Year ended September 30, | | |
|--|--------------------------|-----------------|----------------|
| | 2020 | 2019 | 2018 |
| Revenues: | | | |
| Asset management and related administrative fees | \$ 3,834 | \$ 3,451 | \$ 3,119 |
| Brokerage revenues: | | | |
| Securities commissions | 1,468 | 1,450 | 1,626 |
| Principal transactions | 488 | 357 | 329 |
| Total brokerage revenues | 1,956 | 1,807 | 1,955 |
| Account and service fees | 624 | 738 | 713 |
| Investment banking | 650 | 596 | 501 |
| Interest income | 1,000 | 1,281 | 1,044 |
| Other | 104 | 150 | 144 |
| Total revenues | 8,168 | 8,023 | 7,476 |
| Interest expense | (178) | (283) | (202) |
| Net revenues | 7,990 | 7,740 | 7,274 |
| Non-interest expenses: | | | |
| Compensation, commissions and benefits | 5,465 | 5,087 | 4,795 |
| Non-compensation expenses: | | | |
| Communications and information processing | 393 | 373 | 352 |
| Occupancy and equipment | 225 | 218 | 202 |
| Business development | 134 | 194 | 181 |
| Investment sub-advisory fees | 101 | 94 | 92 |
| Professional fees | 91 | 85 | 74 |
| Bank loan loss provision | 233 | 22 | 20 |
| Acquisition and disposition-related expenses | 7 | 15 | 4 |
| Reduction in workforce expenses | 46 | — | — |
| Other | 243 | 277 | 243 |
| Total non-compensation expenses | 1,473 | 1,278 | 1,168 |
| Total non-interest expenses | 6,938 | 6,365 | 5,963 |
| Pre-tax income | 1,052 | 1,375 | 1,311 |
| Provision for income taxes | 234 | 341 | 454 |
| Net income | \$ 818 | \$ 1,034 | \$ 857 |
| Earnings per common share – basic | \$ 5.94 | \$ 7.32 | \$ 5.89 |
| Earnings per common share – diluted | \$ 5.83 | \$ 7.17 | \$ 5.75 |
| Weighted-average common shares outstanding – basic | 137.6 | 141.0 | 145.3 |
| Weighted-average common and common equivalent shares outstanding – diluted | 140.2 | 144.0 | 148.8 |
| Net income | \$ 818 | \$ 1,034 | \$ 857 |
| Other comprehensive income/(loss), net of tax: | | | |
| Available-for-sale securities | 68 | 71 | (42) |
| Currency translations, net of the impact of net investment hedges | — | (2) | (3) |
| Cash flow hedges | (34) | (61) | 33 |
| Total other comprehensive income/(loss), net of tax | \$ 34 | \$ 8 | \$ (12) |
| Total comprehensive income | \$ 852 | \$ 1,042 | \$ 845 |

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

| <i>\$ in millions, except per share amounts</i> | Year ended September 30, | | |
|---|--------------------------|-----------------|-----------------|
| | 2020 | 2019 | 2018 |
| Common stock, par value \$.01 per share: | | | |
| Balance beginning of year | \$ 2 | \$ 2 | \$ 2 |
| Share issuances | — | — | — |
| Balance end of year | 2 | 2 | 2 |
| Additional paid-in capital: | | | |
| Balance beginning of year | 1,938 | 1,808 | 1,645 |
| Employee stock purchases | 36 | 34 | 31 |
| Exercise of stock options and vesting of restricted stock units, net of forfeitures | (80) | 21 | 32 |
| Restricted stock, stock option and restricted stock unit expense | 113 | 107 | 98 |
| Acquisition of noncontrolling interest and other | — | (32) | 2 |
| Balance end of year | 2,007 | 1,938 | 1,808 |
| Retained earnings: | | | |
| Balance beginning of year | 5,874 | 5,032 | 4,340 |
| Net income attributable to Raymond James Financial, Inc. | 818 | 1,034 | 857 |
| Cash dividends declared (see Note 23) | (208) | (196) | (164) |
| Other | — | 4 | (1) |
| Balance end of year | 6,484 | 5,874 | 5,032 |
| Treasury stock: | | | |
| Balance beginning of year | (1,210) | (447) | (390) |
| Purchases/surrenders | (273) | (759) | (45) |
| Exercise of stock options and vesting of restricted stock units, net of forfeitures | 93 | (4) | (12) |
| Balance end of year | (1,390) | (1,210) | (447) |
| Accumulated other comprehensive income/(loss): | | | |
| Balance beginning of year | (23) | (27) | (15) |
| Other comprehensive income/(loss), net of tax | 34 | 8 | (12) |
| Other | — | (4) | — |
| Balance end of year | 11 | (23) | (27) |
| Total equity attributable to Raymond James Financial, Inc. | \$ 7,114 | \$ 6,581 | \$ 6,368 |
| Noncontrolling interests: | | | |
| Balance beginning of year | \$ 62 | \$ 84 | \$ 112 |
| Net loss attributable to noncontrolling interests | (26) | (14) | (6) |
| Capital contributions | 3 | 2 | — |
| Distributions and other | 23 | (10) | (22) |
| Balance end of year | 62 | 62 | 84 |
| Total shareholders' equity | \$ 7,176 | \$ 6,643 | \$ 6,452 |

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

| <i>\$ in millions</i> | Year ended September 30, | | |
|--|--------------------------|----------------|----------------|
| | 2020 | 2019 | 2018 |
| Cash flows from operating activities: | | | |
| Net income | \$ 818 | \$ 1,034 | \$ 857 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 119 | 112 | 99 |
| Deferred income taxes | (39) | (23) | 117 |
| Premium and discount amortization on available-for-sale securities and loss on other investments | 57 | 14 | 21 |
| Provisions for loan losses, legal and regulatory proceedings and bad debts | 257 | 59 | 55 |
| Share-based compensation expense | 120 | 112 | 99 |
| Unrealized gain on company-owned life insurance policies, net of expenses | (46) | (10) | (32) |
| Goodwill impairment | — | 19 | — |
| Other | 92 | 51 | 17 |
| Net change in: | | | |
| Collateralized agreements, net of collateralized financings | (55) | (101) | (83) |
| Loans provided to financial advisors, net of repayments | (49) | (79) | (87) |
| Brokerage client receivables and other accounts receivable, net | 127 | 682 | (491) |
| Trading instruments, net | 150 | 41 | (143) |
| Derivative instruments, net | (51) | (144) | 73 |
| Other assets | (13) | (71) | — |
| Brokerage client payables and other accounts payable | 2,486 | (1,231) | 346 |
| Accrued compensation, commissions and benefits | 70 | 80 | 132 |
| Purchases and originations of loans held for sale, net of proceeds from sales of securitizations and loans held for sale | 11 | 32 | (96) |
| Net cash provided by operating activities | 4,054 | 577 | 884 |
| Cash flows from investing activities: | | | |
| Additions to property and equipment | (124) | (138) | (134) |
| Increase in bank loans, net | (1,136) | (1,605) | (2,818) |
| Proceeds from sales of loans held for investment | 634 | 235 | 193 |
| Purchases of available-for-sale securities | (5,710) | (1,027) | (1,124) |
| Available-for-sale securities maturations, repayments and redemptions | 1,188 | 644 | 495 |
| Proceeds from sales of available-for-sale securities | 222 | — | 45 |
| Business acquisitions, net of cash acquired | (5) | (5) | (159) |
| Other investing activities, net | (54) | (1) | 26 |
| Net cash used in investing activities | (4,985) | (1,897) | (3,476) |

See accompanying Notes to Consolidated Financial Statements.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(continued from previous page)

| <i>\$ in millions</i> | Year ended September 30, | | |
|--|--------------------------|-----------------|-----------------|
| | 2020 | 2019 | 2018 |
| Cash flows from financing activities: | | | |
| Proceeds from borrowings on the RJF Credit Facility | — | 300 | 300 |
| Repayment of borrowings on the RJF Credit Facility | — | (300) | (300) |
| Repayments of short-term borrowings, net | — | — | (610) |
| Proceeds from Federal Home Loan Bank advances | 850 | 850 | 850 |
| Repayments of Federal Home Loan Bank advances and other borrowed funds | (855) | (855) | (855) |
| Proceeds from senior notes issuances, net of debt issuance costs paid | 494 | — | — |
| Acquisition-related contingent consideration paid, net | — | — | (7) |
| Exercise of stock options and employee stock purchases | 62 | 65 | 63 |
| Increase in bank deposits | 4,520 | 2,339 | 2,210 |
| Purchases of treasury stock | (272) | (778) | (62) |
| Dividends on common stock | (205) | (191) | (151) |
| Acquisitions of and distributions to noncontrolling interests, net | (1) | (57) | (18) |
| Net cash provided by financing activities | 4,593 | 1,373 | 1,420 |
| Currency adjustment: | | | |
| Effect of exchange rate changes on cash | 1 | (23) | (33) |
| Net increase/(decrease) in cash and cash equivalents and cash and cash equivalents segregated pursuant to regulations | 3,663 | 30 | (1,205) |
| Cash and cash equivalents and cash and cash equivalents segregated pursuant to regulations at beginning of year | 5,971 | 5,941 | 7,146 |
| Cash and cash equivalents and cash and cash equivalents segregated pursuant to regulations at end of year | \$ 9,634 | \$ 5,971 | \$ 5,941 |
| Cash and cash equivalents | \$ 5,390 | \$ 3,957 | \$ 3,500 |
| Cash and cash equivalents segregated pursuant to regulations | 4,244 | 2,014 | 2,441 |
| Total cash and cash equivalents and cash and cash equivalents segregated pursuant to regulations at end of year | \$ 9,634 | \$ 5,971 | \$ 5,941 |
| Supplemental disclosures of cash flow information: | | | |
| Cash paid for interest | \$ 164 | \$ 283 | \$ 201 |
| Cash paid for income taxes, net | \$ 246 | \$ 390 | \$ 231 |

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2020

NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION

Organization

Raymond James Financial, Inc. (“RJF,” the “firm” or the “Company”) is a financial holding company which, together with its subsidiaries, is engaged in various financial services activities, including providing investment management services to retail and institutional clients, the underwriting, distribution, trading and brokerage of equity and debt securities, and the sale of mutual funds and other investment products. The firm also provides corporate and retail banking services, and trust services. For further information about our business segments, see Note 24 of this Form 10-K. As used herein, the terms “our,” “we,” or “us” refer to RJF and/or one or more of its subsidiaries.

Basis of presentation

The accompanying consolidated financial statements include the accounts of RJF and its consolidated subsidiaries that are generally controlled through a majority voting interest. We consolidate all of our 100% owned subsidiaries. In addition, we consolidate any variable interest entity (“VIE”) in which we are the primary beneficiary. Additional information on these VIEs is provided in Note 2 and in Note 8 of this Form 10-K. When we do not have a controlling interest in an entity, but we exert significant influence over the entity, we apply the equity method of accounting. All material intercompany balances and transactions have been eliminated in consolidation.

Effective April 2019, we increased our ownership of ClariVest Asset Management LLC (“ClariVest”) from 45% to 100% making ClariVest a wholly-owned subsidiary of Eagle Asset Management. ClariVest has been included in our consolidated financial statements since our initial investment of the 45% interest as we concluded we were required to consolidate as defined by the accounting guidance. The increase in ownership was accounted for as a shareholders’ equity transaction.

Accounting estimates and assumptions

The preparation of consolidated financial statements in conformity with United States (“U.S.”) generally accepted accounting principles (“GAAP”) requires us to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates and could have a material impact on the consolidated financial statements.

Reclassifications

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

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recognition of non-interest revenues

Revenue from contracts with customers is recognized when promised goods or services are delivered to our customers in an amount we expect to receive in exchange for those goods or services (i.e., the transaction price). Contracts with customers can include multiple services, which are accounted for as separate “performance obligations” if they are determined to be distinct. Our performance obligations to our customers are generally satisfied when we transfer the promised good or service to our customer, either at a point in time or over time. Revenue from a performance obligation transferred at a point in time is recognized at the time that the customer obtains control over the promised good or service. Revenue from our performance obligations satisfied over time is recognized in a manner that depicts our performance in transferring control of the good or service, which is generally measured based on time elapsed, as our customers receive the benefit of our services as they are provided.

Payment for the majority of our services is considered to be variable consideration, as the amount of revenue we expect to receive is subject to factors outside of our control, including market conditions. Variable consideration is only included in revenue when amounts are not subject to significant reversal, which is generally when uncertainty around the amount of revenue to be received is resolved. We record deferred revenue from contracts with customers when payment is received prior to the performance of our obligation to the customer.

We involve third parties in providing services to the customer for certain of our contracts with customers. We are generally deemed to control the promised services before they are transferred to the customer. Accordingly, we present the related revenues gross of the related costs.

Asset management and related administrative fees

We earn asset management and related administrative fees for performing asset management, portfolio management and related administrative services to retail and institutional clients. Such fees are generally calculated as a percentage of the value of client assets in fee-based accounts in our Private Client Group (“PCG”) segment or on the net asset value of assets managed by Carillon Tower Advisers and its affiliates (collectively “Carillon Tower Advisers”) in our Asset Management segment. The value of these assets is impacted by market fluctuations and net inflows or outflows of assets. Fees are generally collected quarterly and are based on balances either at the beginning of the quarter or the end of the quarter, or average balances throughout the quarter. Asset management and related administrative fees are recognized on a monthly basis (i.e., over time) as the services are performed.

Revenues related to fee-based accounts under administration in PCG are shared by the PCG and Asset Management segments, the amount of which depends on whether clients are invested in “managed programs” that are overseen by our Asset Management segment (i.e., included in financial assets under management (“AUM”) in the Asset Management segment) and the administrative services provided. Asset management revenues earned by Carillon Tower Advisers for retail accounts managed on behalf of third-party institutions, institutional accounts or proprietary mutual funds that we manage are recorded entirely in the Asset Management segment.

Brokerage revenues

Securities commissions

Mutual and other fund products and insurance and annuity products

We earn revenues for distribution and related support services performed related to mutual and other funds, fixed and variable annuities and insurance products. Depending on the product sold, we may receive an upfront fee for our services, a trailing commission, or some combination thereof. Upfront commissions received are generally based on a fixed rate applied, as a percentage, to amounts invested or the value of the contract at the time of sale and are generally recognized at the time of sale. Trailing commissions are generally based on a fixed rate applied, as a percentage, to the net asset value of the fund, or the value of the insurance policy or annuity contract. Trailing commissions are generally received monthly or quarterly while our client holds the investment or holds the contract. As these trailing commissions are based on factors outside of our control, including market movements and client behavior (i.e., how long clients hold their investment, insurance policy or annuity contract), such revenue is recognized when it is probable that a significant reversal will not occur.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Equities, ETFs and fixed income products

We earn commissions for executing and clearing transactions for customers, primarily in listed and over-the-counter (“OTC”) equity securities, including exchange-traded funds (“ETFs”), and options. Such revenues primarily arise from transactions for retail clients in our PCG segment, as well as services related to sales and trading activities transacted on an agency basis in our Capital Markets segment. Commissions are recognized on trade date, generally received from the customer on settlement date, and we record a receivable between the trade date and the date collected from the customer.

Principal transactions

Principal transactions include revenues from customers’ purchases and sales of financial instruments, including fixed income and equity securities and derivatives, in which we transact on a principal basis. To facilitate such transactions, we carry inventories of financial instruments. The gains and losses on such inventories, both realized and unrealized, are reported as principal transactions revenues.

Account and service fees

Mutual fund and annuity service fees

We earn servicing fees for providing sales and marketing support to product partners and for supporting the availability and distribution of their products on our platforms. We also earn servicing fees from such partners for accounting and administrative services provided to such partners. These fees, which are received monthly or quarterly, are generally based on the market value of assets or number of positions in such programs or, in certain cases, are a fixed annual fee, and are recognized over time as the services are performed.

RJBDP fees

We earn servicing fees from various banks for administrative services we provide related to our clients’ deposits that are swept to such banks as part of the Raymond James Bank Deposit Program (“RJBDP”), our multi-bank sweep program. The amounts received from third-party banks are variable in nature and fluctuate based on client cash balances in the program, as well as the level of short-term interest rates and the interest paid to clients by the third-party banks on balances in the RJBDP. The fees are earned over time as the related administrative services are performed and are received monthly. Our PCG segment also earns servicing fees from RJ Bank, which are based on the number of accounts that are swept to RJ Bank. These fees are eliminated in consolidation.

Investment banking

We earn revenue from investment banking transactions, including public and private equity and debt financing, merger & acquisition advisory services, and other advisory services. Underwriting revenues, which are typically deducted from the proceeds remitted to the issuer, are recognized on trade date if there is no uncertainty or contingency related to the amount to be paid. Fees from merger & acquisition and advisory assignments are generally recognized at the time the services related to the transaction are completed under the terms of the engagement. Fees for merger & acquisition and advisory services are typically received upfront, as non-refundable retainer fees, or as a success fee upon completion of a transaction. Expenses related to investment banking transactions are generally deferred until the related revenue is recognized or the assignment is otherwise concluded. Such expenses are included in “Professional fees” on our Consolidated Statements of Income and Comprehensive Income.

We have elected the practical expedient allowed by the accounting guidance to not disclose information about remaining performance obligations pertaining to contracts that have an original expected duration of one year or less. See Note 19 in the accompanying Notes to the Consolidated Financial Statements for additional information on our revenue streams.

Cash and cash equivalents

Our cash equivalents include money market funds or highly liquid investments with original maturities of 3 months or less, other than those used for trading purposes.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Cash and cash equivalents segregated pursuant to regulations

In accordance with Rule 15c3-3 of the Securities Exchange Act of 1934, Raymond James & Associates, Inc. (“RJ&A”), as a broker-dealer carrying client accounts, is subject to requirements to maintain cash or qualified securities in a segregated reserve account for the exclusive benefit of its clients. The amounts included in “Cash and cash equivalents segregated pursuant to regulations” on our Consolidated Statements of Financial Condition represent the amounts of cash and cash equivalents, which includes highly liquid investments with original maturities of 3 months or less, on deposit in our segregated reserve accounts for regulatory purposes as of each respective period-end. From time to time, we may also segregate highly liquid securities, such as U.S. Treasuries, which have original maturities of greater than 3 months. Such securities are carried at fair value on our Consolidated Statements of Financial Condition. In addition, Raymond James Ltd. (“RJ Ltd.”) is required to hold client Registered Retirement Savings Plan funds in trust.

Collateralized agreements and financings

Securities purchased under agreements to resell and securities sold under agreements to repurchase

We purchase securities under short-term agreements to resell (“reverse repurchase agreements”). Additionally, we sell securities under agreements to repurchase (“repurchase agreements”). Both reverse repurchase agreements and repurchase agreements are accounted for as collateralized financings and are carried at contractual amounts plus accrued interest. We receive collateral with a fair value that is typically equal to or in excess of the principal amount loaned under reverse repurchase agreements to mitigate credit exposure. To ensure that the market value of the underlying collateral remains sufficient, collateral values are evaluated on a daily basis, and collateral is obtained from or returned to the counterparty when contractually required. Under repurchase agreements, we are required to post collateral in an amount that typically exceeds the carrying value of these agreements. In the event that the market value of the securities we pledge as collateral declines, we may have to post additional collateral or reduce borrowing amounts. Reverse repurchase agreements and repurchase agreements are included in “Collateralized agreements” and “Collateralized financings,” respectively, on our Consolidated Statements of Financial Condition. See Note 6 for additional information regarding collateralized agreements and financings.

Securities borrowed and securities loaned

We act as an intermediary between broker-dealers and other financial institutions whereby we borrow securities from one broker-dealer and then either lend them to another broker-dealer or use them to cover short positions. Where permitted, we have also loaned, to broker-dealers and other financial institutions, securities owned by the firm, our clients, or others we have received as collateral. Both securities borrowed and securities loaned transactions are accounted for as collateralized financings and are recorded at the amount of cash advanced or received. In securities borrowed transactions, we are required to deposit cash with the lender in an amount which is generally in excess of the market value of securities borrowed. With respect to securities loaned, we generally receive cash in an amount in excess of the market value of securities loaned. We evaluate the market value of securities borrowed and loaned on a daily basis, with additional collateral obtained or refunded as necessary. Securities borrowed and securities loaned are included in “Collateralized agreements” and “Collateralized financings,” respectively, on our Consolidated Statements of Financial Condition. See Note 6 for additional information regarding collateralized agreements and financings.

Financial instruments, financial instrument liabilities, at fair value

“Financial instruments” and “Financial instrument liabilities” are recorded at fair value. Fair value is defined by GAAP as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability.

In determining the fair value of our financial instruments in accordance with GAAP, we use various valuation approaches, including market and/or income approaches. Fair value is a market-based measurement considered from the perspective of a market participant. As such, our fair value measurements reflect assumptions that we believe market participants would use in pricing the asset or liability at the measurement date. GAAP provides for the following three levels to be used to classify our fair value measurements.

Level 1 - Financial instruments included in Level 1 are highly liquid instruments valued using unadjusted quoted prices in active markets for identical assets or liabilities.

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Level 2 - Financial instruments reported in Level 2 include those that have pricing inputs that are other than unadjusted quoted prices in active markets, but which are either directly or indirectly observable as of the reporting date (i.e., prices for similar instruments).

Level 3 - Financial instruments reported in Level 3 have little, if any, market activity and are measured using one or more inputs that are significant to the fair value measurement and unobservable. These valuations require judgment or estimation. These instruments are generally valued using discounted cash flow techniques, market multiples, or investment-specific events.

GAAP requires that we maximize the use of observable inputs and minimize the use of unobservable inputs when performing our fair value measurements. The availability of observable inputs can vary from instrument to instrument and, in certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement of an instrument requires judgment and consideration of factors specific to the instrument.

Valuation techniques and inputs

The fair values for certain of our financial instruments are derived using pricing models and other valuation techniques that involve management judgment. The price transparency of financial instruments is a key determinant of the degree of judgment involved in determining the fair value of our financial instruments. Financial instruments which are actively traded will generally have a higher degree of price transparency than financial instruments that are less frequently traded. In accordance with GAAP, the criteria used to determine whether the market for a financial instrument is active or inactive is based on the particular asset or liability. For equity securities, our definition of actively traded is based on average daily trading volume. We have determined the market for certain other types of financial instruments, including private equity investments, to be uncertain or inactive as of both September 30, 2020 and 2019. As a result, the valuation of these financial instruments included management judgment in determining the relevance and reliability of market information available.

The level within the fair value hierarchy, specific valuation techniques, and other significant accounting policies pertaining to financial instruments at fair value on our Consolidated Statements of Financial Condition are described as follows.

Trading instruments and trading instruments sold but not yet purchased

Trading instruments and trading instruments sold but not yet purchased are comprised primarily of the financial instruments held by our broker-dealer subsidiaries and include debt securities, equity securities, brokered certificates of deposit, and other securities. These instruments are recorded at fair value with realized and unrealized gains and losses reflected in current period net income.

When available, we use quoted prices in active markets to determine the fair value of our trading instruments. Such instruments are classified within Level 1 of the fair value hierarchy.

When trading instruments are traded in secondary markets and quoted market prices for identical instruments do not exist, we utilize valuation techniques, including matrix pricing, to estimate fair value. Matrix pricing generally utilizes spread-based models periodically re-calibrated to observable inputs such as market trades or to dealer price bids in similar securities in order to derive the fair value of the instruments. Valuation techniques may also rely on other observable inputs such as yield curves, interest rates and expected principal repayments and default probabilities. We utilize prices from third-party pricing services to corroborate our estimates of fair value. Depending upon the type of security, the pricing service may provide a listed price, a matrix price or use other methods including broker-dealer price quotations. Securities valued using these techniques are classified within Level 2 of the fair value hierarchy.

We offset our long and short positions for identical securities recorded at fair value as part of our trading instruments (long positions) and trading instruments sold but not yet purchased (short positions).

Available-for-sale securities

Available-for-sale securities are generally held by RJ Bank and classified at the date of purchase. They are comprised primarily of agency mortgage-backed securities ("MBS") and agency collateralized mortgage obligations ("CMOs"), which are guaranteed by the U.S. government or its agencies. Available-for-sale securities owned by RJ Bank are used as part of its

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interest rate risk and liquidity management strategies and may be sold in response to changes in interest rates, changes in prepayment risks, or other factors.

Interest on available-for-sale securities is recognized in interest income on an accrual basis. Discounts are accreted and premiums are amortized as an adjustment to yield over the estimated average life of the security. Realized gains and losses on sales of available-for-sale securities are recognized using the specific identification method and reflected in “Other” revenue in the period sold. Unrealized gains or losses on available-for-sale securities, except for those that are deemed to be other-than-temporarily-impaired, are recorded through other comprehensive income/(loss) (“OCI”) and are thereafter presented in equity as a component of accumulated other comprehensive income (“AOCI”) on our Consolidated Statements of Financial Condition.

For any available-for-sale securities in an unrealized loss position at a reporting period end, we make an assessment whether such securities are impaired on an other-than-temporary basis. The following factors are considered in order to determine whether an impairment is other-than-temporary: our intention to sell the security, our assessment of whether it is more likely than not that we will be required to sell the security before the recovery of its amortized cost basis, and whether the evidence indicating that we will recover the amortized cost basis of a security in full outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to period-end, recent events specific to the issuer or industry and forecasted performance of the security. Due to the guarantee of the full payment of principal and interest by the U.S. government or its agencies, as well as our ability and intent to hold these securities, we do not consider our agency available-for-sale securities to be other-than-temporarily-impaired.

The fair value of our available-for-sale securities is determined by obtaining prices primarily based on valuation models from third-party pricing services. The third-party pricing services provide comparable price evaluations utilizing observable market data for similar securities, which includes observable data comprised of benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data including market research publications, and loan performance experience. We utilize other third-party pricing services to corroborate the pricing information obtained from the primary pricing service. Securities valued using valuation techniques that rely on observable market data are classified within Level 2 of the fair value hierarchy.

Derivative assets and derivative liabilities

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

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

Fixed income business operations

We enter into interest rate derivatives in our fixed income business to facilitate client transactions or to actively manage risk exposures that arise from our client activity, including a portion of our trading inventory. The majority of these derivatives are traded in the over-the-counter market and are executed directly with another counterparty or are cleared and settled through a clearing organization. Realized and unrealized gains or losses on our fixed income derivatives are recorded in “Principal transactions” on our Consolidated Statements of Income and Comprehensive Income. The fair values of these interest rate derivatives are obtained from internal pricing models that consider current market trading levels and the contractual prices for the underlying financial instruments, as well as time value, yield curve and other volatility factors underlying the positions. Since our model inputs can be observed in liquid markets and the models do not require significant judgment, such derivatives

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are classified within Level 2 of the fair value hierarchy. We corroborate the output of our internal pricing models by preparing an independent calculation using a third-party model. Our fixed income business also holds to-be-announced (“TBA”) security contracts that are accounted for as derivatives, which are classified within Level 1 of the fair value hierarchy.

Matched book

We also facilitate matched book derivative transactions in which we enter into interest rate derivatives with clients. For every derivative we enter into with a client, we also enter into an offsetting derivative on terms that mirror the client transaction with a credit support provider, which is a third-party financial institution. Any collateral required to be exchanged under these derivatives is administered directly between the client and the third-party financial institution. Due to this pass-through transaction structure, we have completely mitigated the market and credit risk on these derivatives. As a result, derivatives for which the fair value is in an asset position have an equal and offsetting derivative liability. Fair value is determined using an internal pricing model which includes inputs from independent pricing sources to project future cash flows under each underlying derivative. Since any changes in fair value are completely offset by a change in fair value of the offsetting derivative, there is no net impact on our Consolidated Statements of Income and Comprehensive Income from changes in the fair value of these derivatives. We recognize revenue on these derivatives on the transaction date, computed as the present value of the expected cash flows we expect to receive from the third-party financial institution over the life of the derivative. The difference between the present value of these cash flows at the date of inception and the gross amount potentially received is accreted to revenue over the term of the contract. The revenue from these transactions is included within “Other” revenues on our Consolidated Statements of Income and Comprehensive Income.

RJ Bank derivatives

Foreign-exchange derivatives

We enter into three-month forward foreign exchange contracts primarily to hedge the risks related to RJ Bank’s investment in its Canadian subsidiary, as well as its risk resulting from transactions denominated in currencies other than the U.S. dollar. The majority of these derivatives are designated as net investment hedges. The gain or loss related to RJ Bank’s designated net investment hedges is recorded, net of tax, in shareholders’ equity as part of the cumulative translation adjustment component of AOCI with such balance impacting “Other” revenues in the event the net investment is sold or substantially liquidated. Gains and losses on the undesignated derivative instruments are recorded in earnings on our Consolidated Statements of Income and Comprehensive Income. Hedge effectiveness is assessed at each reporting period using a method that is based on changes in forward rates and measured using the hypothetical derivatives method. As the terms of the hedging instrument and hypothetical derivative generally match at inception, the hedge is expected to be highly effective.

The fair value of our forward foreign exchange contracts is determined by obtaining valuations from a third-party pricing service or model. These valuations are based on observable inputs such as spot rates, foreign exchange rates and both U.S. and foreign interest rate curves. We validate the observable inputs utilized in the third-party valuation model by preparing an independent calculation using a secondary third-party valuation model. These forward foreign exchange contracts are classified within Level 2 of the fair value hierarchy.

Interest rate derivatives

The cash flows associated with certain assets held by RJ Bank provide interest income at fixed interest rates. Therefore, the value of these assets, absent any risk mitigation, is subject to fluctuation based upon changes in market rates of interest over time. RJ Bank enters into floating-rate advances from the Federal Home Loan Bank (“FHLB”) to, in part, fund these assets and then enters into interest rate contracts which swap variable interest payments on this debt for fixed interest payments. These interest rate swaps are designated as cash flow hedges and effectively fix RJ Bank’s cost of funds associated with these assets to mitigate a portion of the market risk. The gain or loss on RJ Bank’s cash flow hedges is recorded, net of tax, in shareholders’ equity as part of the cash flow hedge component of AOCI and subsequently reclassified to earnings when the hedged transaction affects earnings, specifically upon the incurrence of interest expense on the hedged borrowings. Hedge effectiveness is assessed at inception and at each reporting period utilizing regression analysis. As the key terms of the hedging instrument and hedged transaction match at inception, management expects the hedges to be effective while they are outstanding. The fair value of these interest rate swaps is determined by obtaining valuations from a third-party pricing service. These third-party valuations are based on observable inputs such as time value and yield curves. We validate these observable inputs by preparing an independent calculation using a secondary third-party model. Cash flows from hedging activities are included in the same category as the items being hedged. Cash flows from derivative instruments used to manage interest rates are classified as operating activities. We classify these derivatives within Level 2 of the fair value hierarchy.

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Other investments

Other investments consist primarily of private equity investments, securities pledged as collateral with clearing organizations, and term deposits with Canadian financial institutions. Our securities pledged as collateral with clearing organizations, which primarily include U.S. Treasury securities, and term deposits are categorized within Level 1 of the fair value hierarchy.

Private equity investments

Private equity investments consist of direct investments, investments in third-party private equity funds and various legacy private equity funds which we sponsor. The private equity funds in which we invest are primarily closed-end funds in which our investments are generally not eligible for redemption. We receive distributions from these funds as the underlying assets are liquidated or distributed. These investments are measured at fair value with any gains or losses recognized in “Other” revenues on our Consolidated Statements of Income and Comprehensive Income. The fair value of private equity investments are determined utilizing either the net asset value (“NAV”) of the fund as a practical expedient or Level 3 valuation techniques.

We utilize NAV or its equivalent as a practical expedient to determine the fair value of our private equity investments when: (1) the fund does not have a readily determinable fair value; (2) the NAV of the fund is calculated in a manner consistent with the measurement principles of investment-company accounting, including measurement of the underlying investments at fair value; and (3) it is not probable that we will sell the investment at an amount other than NAV. The NAV is calculated based on our proportionate share of the net assets of the fund as provided by the fund manager.

The portion of our private equity investment portfolio that is not valued at NAV is valued initially at the transaction price until significant transactions or developments indicate that a change in the carrying values of these investments is appropriate. The carrying values of these investments are adjusted based on financial performance, investment-specific events, financing and sales transactions with third parties and/or discounted cash flow models incorporating changes in market outlook. Investments valued using these valuation techniques are classified within Level 3 of the fair value hierarchy. The valuation of such investments requires judgment due to the absence of quoted market prices, inherent lack of liquidity and long-term nature of these assets. As a result, these values cannot be determined with precision and the calculated fair value estimates may not be realizable in a current sale.

Brokerage client receivables, net

Brokerage client receivables include receivables from the clients of our broker-dealer and asset management subsidiaries. The receivables from broker-dealer clients are principally for amounts due on cash and margin transactions and are generally collateralized by securities owned by the clients. The receivables from asset management clients are primarily for accrued asset management fees. Brokerage client receivables are reported at their outstanding principal balance, net of any allowance for doubtful accounts. An allowance is established when collectability is not reasonably assured. When the receivable from a brokerage client is considered to be impaired, the amount of the impairment is generally measured based on the fair value of the securities acting as collateral, which is based on current prices from independent sources such as listed market prices or broker-dealer price quotations. Our allowance for doubtful accounts was insignificant at both September 30, 2020 and 2019.

Securities beneficially owned by customers, including those that collateralize margin or other similar transactions, are not reflected on our Consolidated Statements of Financial Condition (see Note 6 for additional information regarding this collateral).

Other receivables, net

Other receivables primarily include receivables from brokers, dealers and clearing organizations, accrued interest receivables and accrued fees from product sponsors. Receivables from brokers, dealers and clearing organizations primarily consist of cash deposits placed with clearing organizations, including initial margin, receivables related to sales of securities which have traded, but not yet settled, and amounts receivable for securities failed to deliver.

We present “Other receivables” on our Consolidated Statements of Financial Condition, net of any allowance.

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Bank loans, net

Loans held for investment

Bank loans are comprised of loans originated or purchased by RJ Bank and include commercial and industrial (“C&I”) loans, tax-exempt loans, commercial and residential real estate loans, securities-based loans (“SBL”) and other loans. The loans which we have the intent and the ability to hold until maturity or payoff are recorded at their unpaid principal balance plus any premium paid in connection with the purchase of the loan, less the allowance for loan losses and any discounts received in connection with the purchase of the loan and net of deferred fees and costs on originated loans. Loan origination fees and direct costs, as well as premiums and discounts on loans that are not revolving, are capitalized and recognized in interest income using the interest method. For revolving loans, the straight-line method is used based on the contractual term. Syndicated loans purchased in the secondary market are recognized as of the trade date. Interest income is recognized on an accrual basis.

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

Loans held for sale

Certain residential mortgage loans originated and intended for sale in the secondary market due to their fixed interest rate terms, as well as Small Business Administration (“SBA”) loans purchased and intended for sale in the secondary market but not yet aggregated for securitization into pools, are each carried at the lower of cost or estimated fair value. The fair values of the residential mortgage loans held for sale are estimated using observable prices obtained from counterparties for similar loans. These nonrecurring fair value measurements are classified within Level 2 of the fair value hierarchy.

We purchase the guaranteed portions of SBA loans and account for these loans in accordance with the policy for loans held for sale. We then aggregate SBA loans with similar characteristics into pools for securitization and sell these pools in the secondary market. Individual loans may be sold prior to securitization.

The determination of the fair value of the SBA loans depends upon their intended disposition. The fair value of the SBA loans to be individually sold are determined based upon their committed sales price. The fair value of the loans to be aggregated into pools for securitization, which are committed to be sold, are determined based upon third-party price quotes. The fair value of all other SBA loans are determined using a third-party pricing service. The prices for the SBA loans, other than those committed to be individually sold, are validated by comparing the third-party price quote or the third-party pricing service prices, as applicable, for a sample of loans to observable market trades obtained from external sources.

Once the SBA loans are securitized into a pool, the respective securities are classified as trading instruments and are carried at fair value based on our intention to sell the securitizations within the near term. Any changes in the fair value of the securitized pools as well as any realized gains or losses earned thereon are reflected in “Principal transactions” on our Consolidated Statements of Income and Comprehensive Income. Sales of the securitizations are accounted for as of settlement date, which is the date we have surrendered control over the transferred assets. We do not retain any interest in the securitizations once they are sold. The fair value for SBA loan securitizations is determined by utilizing observable prices obtained from a third-party pricing service, which provides comparable price evaluations utilizing observable market data for similar securities. We substantiate the prices obtained from the third-party pricing service by comparing such prices for a sample of securities to observable market trades obtained from external sources. The instruments valued using these observable inputs are typically classified within Level 2 of the fair value hierarchy.

Corporate loans, which include C&I, CRE, CRE construction, and tax-exempt loans are designated as held for investment upon inception and recognized in loans receivable. If we subsequently designate a corporate or tax-exempt loan as held for sale, which generally occurs as part of our credit management activities, we then write down the carrying value of the loan with a partial charge-off, if necessary, to carry it at the lower of cost or estimated fair value.

Gains and losses on sales of residential mortgage loans held for sale, SBA loans that are not part of a securitized pool, and corporate loans transferred from the held for investment portfolio, are included as a component of “Other” revenues on our Consolidated Statements of Income and Comprehensive Income, while interest collected on these assets is included in “Interest income.” Net unrealized losses are recognized through a valuation allowance by charges to income as a component of “Other” revenues on our Consolidated Statements of Income and Comprehensive Income.

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Off-balance sheet loan commitments

We have outstanding at any time a significant number of commitments to extend credit and other credit-related off-balance sheet financial instruments such as revolving lines of credit, standby letters of credit and loan purchases. Our policy is generally to require customers to provide collateral at the time of closing. The amount of collateral obtained, if it is deemed necessary upon extension of credit, is based on our credit evaluation of the borrower. Collateral held varies but may include assets such as marketable securities, accounts receivable, inventory, real estate, and income-producing commercial properties.

In the normal course of business, RJ Bank issues or participates in the issuance of standby letters of credit whereby it provides an irrevocable guarantee of payment in the event the letter of credit is drawn down by the beneficiary. These standby letters of credit generally expire in one year or less. In the event that a letter of credit is drawn down, RJ Bank would pursue repayment from the party under the existing borrowing relationship or would liquidate collateral, or both. The proceeds from repayment or liquidation of collateral are expected to satisfy the amounts drawn down under the existing letters of credit.

The potential credit loss associated with these off-balance sheet loan commitments is accrued and reflected in “Other payables” on our Consolidated Statements of Financial Condition. Refer to the allowance for loan losses and reserve for unfunded lending commitments section that follows for a discussion of the reserve calculation methodology and Note 17 for further information about these commitments.

We recognize the revenue associated with corporate syndicated standby letters of credit, which is generally received quarterly, on a cash basis, the effect of which does not differ significantly from recognizing the revenue in the period the fee is earned. Unused corporate line fees are accounted for on an accrual basis.

Nonperforming assets

Nonperforming assets are comprised of both nonperforming loans and other real estate owned (“OREO”). Nonperforming loans include those loans which have been placed on nonaccrual status and any accruing loans which are 90 days or more past due and in the process of collection. Loans which have been restructured in a manner that grant a concession to a borrower experiencing financial difficulties we would not otherwise consider are deemed to be a troubled debt restructuring (“TDR”). Loans structured as TDRs which are currently placed on nonaccrual status are considered nonperforming loans.

Loans of all classes are placed on nonaccrual status when we determine that full payment of all contractual principal and interest is in doubt or the loan is past due 90 days or more as to contractual interest or principal unless the loan, in our opinion, is well-secured and in the process of collection. When a loan is placed on nonaccrual status, the accrued and unpaid interest receivable is written-off against interest income and accretion of the net deferred loan origination fees cease. Interest is recognized using the cash method for residential (first mortgage and home equity) loans and SBL and other loans, and the cost recovery method for corporate and tax-exempt loans thereafter until the loan qualifies for return to accrual status. Loans (including first mortgage and home equity residential mortgage TDRs) are returned to an accrual status when the loans have been brought contractually current with the original or amended terms and have been maintained on a current basis for a reasonable period, generally six months. Corporate loan TDRs have generally been partially charged off and therefore, remain on nonaccrual status until the loan is fully resolved.

Other real estate acquired in the settlement of loans, including through, or in lieu of, loan foreclosure, is initially recorded at the lower of cost or fair value less estimated selling costs through a charge to the allowance for loan losses, thus establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed and the assets are carried at the lower of the carrying amount or fair value, as determined by a current appraisal or valuation less estimated costs to sell, and are classified as “Other assets” on our Consolidated Statements of Financial Condition. These nonrecurring fair value measurements are classified within Level 2 of the fair value hierarchy.

Impaired loans

Loans in all classes are considered to be impaired when, based on current information and events, it is probable that we will be unable to collect the scheduled payments of principal and interest on a loan when due according to the contractual terms of the loan agreement. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. We determine the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration reasons for the delay, the borrower’s prior payment record and the amount of the shortfall in relation to the principal and interest owed. For individual loans identified as impaired, impairment is measured based on the present value of expected future cash flows discounted at the loan’s effective interest rate and taking into consideration the factors described in the following section in relation to the evaluation of the allowance for loan losses, except that as a practical expedient, we

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measure impairment based on the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. Impaired loans include all corporate nonaccrual loans, all residential mortgage nonaccrual loans for which a charge-off had previously been recorded, and all loans which have been modified in TDRs. Interest income on impaired loans is recognized consistently with the recognition policy of nonaccrual loans.

Allowance for loan losses and reserve for unfunded lending commitments

We maintain an allowance for loan losses to provide for probable losses inherent in our loan portfolio based on ongoing evaluations of the portfolio, the related risk characteristics, and the overall economic and environmental conditions affecting the loan portfolio. Loan losses are charged against the allowance when we believe the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

We have developed policies and procedures for assessing the adequacy of the allowance for loan losses that reflect the assessment of risk considering all available information. In developing this assessment, we rely on estimates and exercise judgment in evaluating credit risk. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. Depending on changes in circumstances, future assessments of credit risk may yield materially different results from the prior estimates, which may require an increase or a decrease in the allowance for loan losses. Estimates that are particularly susceptible to change that may have an impact on the amount of the allowance include:

- the selection of proxy data used to calculate loss factors;
- the evaluation of loss emergence and historical loss experience periods;
- our evaluation of the risk profile of loan portfolio segments, including internal risk ratings;
- the value of underlying collateral, which impacts loss severity and certain cash flow assumptions; and
- our selection and evaluation of qualitative factors, which reflect the imprecision that is inherent in the estimation of probable loan losses.

The allowance for loan losses is comprised of two components: allowances calculated based on formulas for homogeneous classes of loans collectively evaluated for impairment, which are re-evaluated quarterly and adjusted based on our analysis of certain qualitative factors, and specific allowances assigned to certain classified loans individually evaluated for impairment. These homogeneous classes are a result of management's disaggregation of the loan portfolio and are comprised of the previously mentioned classes: C&I, CRE, CRE construction, tax-exempt, residential first mortgage, residential home equity, and SBL and other.

An annual analysis of the loss emergence period estimate, which is the average length of time between the event that triggers a loss and the confirmation and/or charge-off of that loss, is performed for all loan classes. The analysis is utilized in establishing the allowance for each of the classes of loans through the application of an adjustment to the calculated allowance percentage for the respective loan grade.

The loans within the corporate and tax-exempt loan classes are assigned to an internal loan grade based upon the respective loan's credit characteristics. The loans within the residential first mortgage, residential home equity, and SBL and other classes are assigned loan grades equivalent to the loan classifications utilized by bank regulators, dependent on their respective likelihood of loss. For all loan classes except for CRE loans, we assign each loan grade an allowance percentage based on the estimated incurred loss associated with that grade. The allowance for loan losses for all non-impaired loans within those loan classes is then calculated based on the allowance percentage assigned to the respective loan's class and grade factoring in the respective loss emergence period. For the CRE loan class, the allowance for loan losses is calculated based on the allowance percentage assigned to each loan. The allowance for loan losses for all impaired loans and those nonaccrual residential first mortgage loans that have been evaluated for a charge-off are based on an individual evaluation of impairment as previously described in the impaired loans section.

The quantitative factors taken into consideration when assigning loan grades and allowance percentages to loans within the corporate and tax-exempt loan classes include: estimates of borrower default probabilities and collateral type, past loss history, Shared National Credit ("SNC") reviews and examination results from bank regulators. Loan grades for individual C&I and tax-exempt loans are derived from analyzing two aspects of the risk profile in a particular loan: the obligor rating and the facility (collateral) rating. The obligor rating relates to a borrower's probability of default and the facility rating is utilized to estimate the anticipated loss given default. These two ratings, which are based on historical long-term industry loss rates (proxy data) as we have limited loss history, are considered in combination with certain adjustments for the loss emergence period to derive the final C&I and tax-exempt loan grades and allowance percentages. The allowance for loans within the CRE

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and CRE construction loan portfolios is based on loan-level probability of default and loss given default estimates in combination with certain adjustments for a loss emergence period.

The quantitative loss rates for corporate and tax-exempt loans are supplemented by considering qualitative factors that may cause estimated losses to differ from quantitatively calculated amounts. These qualitative factors are intended to address developing trends, and include, but are not limited to: trends in delinquencies; loan growth; loan terms; changes in geographic distribution; changes in the value of the underlying collateral for collateral-dependent loans; lending policies; loan review process; local, regional, national and international economic conditions; competition; legal and regulatory requirements; and concentrations of credit risk.

Historical loan loss rates, which are based on our historical loss data over a period of time, are utilized when assigning the allowance percentages for residential first mortgage loans and residential home equity loans. We currently utilize a look back period for residential first mortgage and home equity loans reflecting the current housing cycle that includes the last downturn. The SBL portfolio is not yet seasoned enough to exhibit a loss trend. As a result, the allowance is determined judgmentally by management, primarily utilizing peer benchmarking data and qualitative factors.

For residential first mortgage loan, residential home equity loan and SBL classes, the qualitative factors considered to supplement the quantitative analysis include, but are not limited to: loan performance trends, loan product parameters and qualification requirements, borrower credit scores at origination, occupancy (i.e., owner occupied, second home or investment property), documentation level, loan purpose, geographic concentrations, average loan size, loan policy exceptions, loan-to-value (“LTV”) ratios, as well as the factors previously noted that are utilized for corporate loans.

We reserve for losses inherent in our unfunded lending commitments using a methodology similar to that used for loans in the respective portfolio segment, based upon loan grade and expected funding probabilities for fully binding commitments. This will result in some reserve variability over different periods depending upon the mix of the loan portfolio at the time and funding expectations. All unfunded lending commitments associated with a class of impaired loans are analyzed in conjunction with the impaired allowance process previously described.

Loan charge-off policies

Corporate and tax-exempt loans are monitored on an individual basis, and loan grades are reviewed at least quarterly to ensure they reflect the loan’s current credit risk. When we determine that it is likely that a corporate or tax-exempt loan will not be collected in full, the loan is evaluated for potential impairment. After consideration of the borrower’s ability to restructure the loan, alternative sources of repayment, and other factors affecting the borrower’s ability to repay the debt, the portion of the loan deemed to be a confirmed loss, if any, is charged-off. For collateral-dependent loans secured by real estate, the amount of the loan considered a confirmed loss and charged-off is generally equal to the difference between the recorded investment in the loan and the collateral’s appraised value less estimated costs to sell. For C&I and tax-exempt loans, we evaluate all sources of repayment to arrive at the amount considered to be a loss and charged-off. Corporate banking and credit risk managers also meet regularly to review criticized loans (loans that are rated special mention or worse as defined by bank regulators, see Note 7 for further discussion). Additional charge-offs are taken when the value of the collateral changes or there is an adverse change in the expected cash flows.

The majority of our corporate loan portfolio is comprised of participations in either SNCs or other large syndicated loans in the U.S. and Canada. The SNCs are U.S. loan syndications totaling over \$100 million that are shared between three or more regulated institutions. The agent bank’s regulator reviews a portion of SNC loans on a semi-annual basis and provides a synopsis of each loan’s regulatory classification, including loans that are designated for nonaccrual status and directed charge-offs. We must be at least as critical with nonaccrual designations, directed charge-offs, and classifications, potentially impacting our allowance for loan losses and charge-offs. Corporate loans are subject to our internal review procedures and regulatory review by the Office of the Comptroller of the Currency (“OCC”) and the Board of Governors of the Federal Reserve System (“the Fed”) as part of the Bank’s regulatory examinations.

Every residential mortgage loan over 60 days past due is reviewed to determine loan status, collection strategy and charge-off recommendations. Charge-offs are typically considered on residential mortgage loans once the loans are delinquent 90 days or more and then generally taken before the loan is 120 days past due. A charge-off is taken against the allowance for loan losses for the difference between the loan amount and the amount that we estimate will ultimately be collected, based on the value of the underlying collateral less estimated costs to sell. We predominantly use broker price opinions (“BPO”) for these valuations. If a loan remains in pre-foreclosure status for more than nine months, an updated valuation is obtained to determine if further charge-offs are necessary.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Loans to financial advisors, net

We offer loans to financial advisors and certain other key revenue producers, primarily for recruiting, transitional cost assistance, and retention purposes. These loans are generally repaid over a five to nine year period with interest recognized as earned and are contingent upon affiliation with us. These loans are not assignable by the financial advisor and may only be assigned by us to a successor in interest. There is no fee income associated with these loans. In the event that the financial advisor is no longer affiliated with us, any unpaid balance of such loan becomes immediately due and payable to us. In determining the allowance for doubtful accounts related to former employees or independent contractors, management primarily considers our historical collection experience as well as other factors including amounts due at termination, the reasons for the terminated relationship, and the former financial advisor's overall financial position. When the review of these factors indicates that further collection activity is highly unlikely, the outstanding balance of such loan is written-off and the corresponding allowance is reduced. Further, the aging of this receivable balance is not a determinative factor in computing our allowance for doubtful accounts, as concerns regarding the recoverability of these loans primarily arise in the event that the financial advisor is no longer affiliated with us. We present the outstanding balance of loans to financial advisors on our Consolidated Statements of Financial Condition, net of the allowance for doubtful accounts. Our allowance for doubtful accounts was approximately \$4 million and \$9 million at September 30, 2020 and 2019, respectively.

Property and equipment, net

Property and equipment on our Consolidated Statements of Financial Condition are stated at cost less accumulated depreciation and amortization. Property and equipment primarily consists of software, buildings and leasehold improvements, and furniture. Software includes both purchased software and internally developed software including development in progress. Buildings primarily consists of owned facilities. Leasehold improvements are generally costs associated with interior office space. Equipment primarily consists of communications and technology hardware. Depreciation of assets (other than land) is primarily calculated using the straight-line method over the estimated useful lives of the assets outlined in the following table.

| Asset type | Estimated useful life |
|--|-------------------------------------|
| Buildings, building components and land improvements | 10 to 40 years |
| Furniture, fixtures and equipment | 3 to 5 years |
| Software | 2 to 10 years |
| Leasehold improvements | Lesser of useful life or lease term |

Costs for significant internally developed software projects are capitalized when the costs relate to development of new applications or modification of existing internal-use software that results in additional functionality. Internally developed software project costs related to preliminary-project and post-project activities are expensed as incurred.

Additions, improvements and expenditures that extend the useful life of an asset are capitalized. Expenditures for repairs and maintenance, as well as all maintenance costs associated with software applications, are charged to operations in the period incurred. Depreciation expense associated with property and equipment is included in "Occupancy and equipment" expense on our Consolidated Statements of Income and Comprehensive Income. Amortization expense associated with computer software is included in "Communications and information processing" expense on our Consolidated Statements of Income and Comprehensive Income. Gains and losses on disposals of property and equipment are reflected in "Other" revenues on our Consolidated Statements of Income and Comprehensive Income in the period incurred.

Intangible assets, net

Certain identifiable intangible assets we acquire such as customer relationships, trade names and non-compete agreements, are amortized over their estimated useful lives on a straight-line basis and are evaluated for potential impairment whenever events or changes in circumstances suggest that the carrying value of an asset or asset group may not be fully recoverable. Amortization expense associated with such intangible assets is included in "Other" expenses on our Consolidated Statements of Income and Comprehensive Income.

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

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

evaluating balances as of December 31. See Note 10 for additional information regarding the outcome of our impairment assessment.

Goodwill

Goodwill represents the cost of acquired businesses in excess of the fair value of the related net assets acquired. Indefinite-life intangible assets such as goodwill are not amortized, but rather evaluated for impairment at least annually, or between annual dates whenever events or circumstances indicate potential impairment exists. Impairment exists when the carrying value of a reporting unit, which is generally at the level of or one level below our business segments, exceeds its respective fair value.

In the course of our evaluation of the potential impairment to goodwill, we may elect either a qualitative or a quantitative assessment. Our qualitative assessments consider macroeconomic indicators including, but not limited to, trends in equity and fixed income markets and other revenue-generating activities, gross domestic product, unemployment rates, and interest rates. We also consider regulatory changes, market capitalization, reporting unit specific results, and changes in key personnel and strategy. We assess these, and other, qualitative factors to determine whether the existence of events or circumstances indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If we determine it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, then performing a quantitative impairment analysis is not required. However, if we conclude otherwise, then we perform a quantitative impairment analysis.

If we either elect not to perform a qualitative assessment, or we elect to perform a qualitative assessment but are unable to qualitatively conclude that no impairment has occurred, then we perform a quantitative evaluation. In our quantitative assessment, we estimate the fair value of the reporting unit with which the goodwill is associated and compare it to the carrying value. We estimate the fair value of our reporting units using an income approach based on a discounted cash flow model that includes significant assumptions about future operating results and cash flows, and, if appropriate, a market approach. If the carrying value of a reporting unit is greater than the estimated fair value, an impairment charge is recognized for the excess.

We have elected January 1 as our annual goodwill impairment evaluation date, evaluating balances as of December 31. See Note 10 for additional information regarding the outcome of our goodwill impairment assessments.

Other assets

Other assets is primarily comprised of investments in company-owned life insurance, right-of-use assets (“ROU assets”) associated with leases, prepaid expenses, FHLB stock, FRB stock, and investments in real estate partnerships held by consolidated VIEs. See Note 11 for further information.

We maintain investments in company-owned life insurance policies utilized to fund certain non-qualified deferred compensation plans and other employee benefit plans (see Note 21 for information on the non-qualified deferred compensation plans). The life insurance policies are recorded at cash surrender value as determined by the insurer.

Ownership of FHLB and FRB stock is a requirement for all banks seeking membership into and access to the services provided by these banking systems. These shares are accounted for at amortized cost.

Raymond James Tax Credit Funds, Inc. (“RJTCF”), a wholly-owned subsidiary of RJF, or one of its affiliates, is the managing member or general partner in Low-Income Housing Tax Credit (“LIHTC”) funds, some of which require consolidation. These funds invest in housing project limited partnerships or limited liability companies (“LLCs”) which purchase and develop affordable housing properties qualifying for federal and state low-income housing tax credits. The investments in project partnerships of all of the LIHTC fund VIEs which require consolidation are included in “Other assets” on our Consolidated Statements of Financial Condition.

Leases

On October 1, 2019, we adopted new accounting guidance related to the accounting for leases. Under the new guidance, we recognize assets and liabilities on the balance sheet related to the rights and obligations created by lease agreements with terms greater than 12 months, regardless of whether they are classified as finance or operating leases. Accordingly, on the date of adoption, we recognized ROU assets and lease liabilities in “Other assets” and “Other payables,” respectively, on our Consolidated Statement of Financial Condition.

We have operating leases for the premises we occupy in many of our U.S. and foreign locations, including our employee-based branch office operations. At inception, we determine if an arrangement to utilize a building or piece of equipment is a lease

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Notes to Consolidated Financial Statements

and, if so, the appropriate lease classification. Substantially all of our leases are operating leases. If the arrangement is determined to be a lease, we recognize an ROU asset and a corresponding lease liability on our Consolidated Statements of Financial Condition. ROU assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments arising from the lease. We elected the practical expedient, where leases with an initial term of 12 months or less are not recorded as an ROU asset or lease liability. Our lease terms include any noncancelable periods and may reflect periods covered by options to extend or terminate when it is reasonably certain that we will exercise those options.

We record our lease ROU assets at the amount of the lease liability plus any prepaid rent and initial direct costs, less any lease incentives and accrued rent. We record lease liabilities at commencement date based on the present value of lease payments over the lease term, which is discounted using our commencement date incremental borrowing rate, or at the imputed rate within the lease, as appropriate. Our incremental borrowing rate considers the weighted-average yields on our senior notes payable, adjusted for collateralization and tenor. Payments that vary because of changes in facts or circumstances occurring after the commencement date, such as operating expense payments under a real estate lease, are considered variable and are expensed in the period incurred. For our real estate leases, we elected the practical expedient to account for the lease and non-lease components as a single lease. Lease expense for our lease payments is recognized on a straight-line basis over the lease term if the ROU asset has not been impaired or abandoned. See Note 12 for additional information on our leases.

Contingent liabilities

We recognize liabilities for contingencies when there is an exposure that, when fully analyzed, indicates it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. Whether a loss is probable, and if so, the estimated range of possible loss, is based upon currently available information and is subject to significant judgment, a variety of assumptions, and uncertainties. When a loss is probable and a range of possible loss can be estimated, we accrue the most likely amount within that range; if the most likely amount of possible loss within that range is not determinable, the minimum amount in the range of loss is accrued. No liability is recognized for those matters which, in management's judgment, the determination of a reasonable estimate of loss is not possible, or for which a loss is not determined to be probable.

We record liabilities related to legal and regulatory proceedings in "Other payables" on our Consolidated Statements of Financial Condition. The determination of these liability amounts requires significant judgment on the part of management. Management considers many factors including, but not limited to: the amount of the claim; the amount of the loss in the client's account; the basis and validity of the claim; the possibility of wrongdoing on the part of one of our employees or financial advisors; previous results in similar cases; and legal precedents and case law. Each legal proceeding or significant regulatory matter is reviewed in each accounting period and the liability balance is adjusted as deemed appropriate by management. Any change in the liability amount is recorded in our consolidated financial statements and is recognized in net income in that period. The actual costs of resolving legal matters or regulatory proceedings may be substantially higher or lower than the recorded liability amounts for such matters. We expense our cost of defense related to such matters in the period they are incurred. See Note 17 for additional information.

Share-based compensation

We account for share-based awards through the measurement and recognition of compensation expense for all share-based payment awards made to employees, directors, and independent contractors based on estimated fair values. The compensation cost of our share-based awards, net of estimated forfeitures, is recognized over the requisite service period of the awards and is calculated as the market value of the awards on the date of the grant. See Note 21 for additional information on our share-based compensation plan.

Deferred compensation plans

We maintain various deferred compensation plans for the benefit of certain employees and independent contractors that provide a return to the participant based upon the performance of various referenced investments. For the Voluntary Deferred Compensation Plan (the "VDCP"), Long Term Incentive Plan ("LTIP"), and certain other plans, we purchase and hold company-owned life insurance policies on the lives of certain current and former participants to earn a competitive rate of return for participants and to provide a source of funds available to satisfy our obligations under the plan. See Note 11 for information regarding the carrying value of such policies. Compensation expense is recognized for all awards made under such plans with future service requirements over the requisite service period using the straight-line method. Changes in the value of the company-owned life insurance policies and other investments, as well as the expenses associated with the related deferred compensation plans, are recorded in "Compensation, commissions and benefits" expense on our Consolidated Statements of Income and Comprehensive Income. See Note 21 for additional information.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Foreign currency translation

The statements of financial condition of the foreign subsidiaries we consolidate are translated at exchange rates as of the period-end. The statements of income are translated either at an average exchange rate for the period or, in certain cases, at the exchange rate in effect on the date which transactions occur. The gains or losses resulting from translating foreign currency financial statements into U.S. dollars are included in OCI and are thereafter presented in equity as a component of AOCI.

Income taxes

The objective of accounting for income taxes is to recognize the amount of taxes payable or refundable for the current year. We utilize the asset and liability method to provide for income taxes on all transactions recorded in our consolidated financial statements. This method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets or liabilities for book and tax purposes. Accordingly, a deferred tax asset or liability for each temporary difference is determined based on the tax rates that we expect to be in effect when the underlying items of income and expense are realized. Judgment is required in assessing the future tax consequences of events that have been recognized in our financial statements or tax returns, including the repatriation of undistributed earnings of foreign subsidiaries. Variations in the actual outcome of these future tax consequences could materially impact our financial position, results of operations, or liquidity. See Note 16 for further information on our income taxes.

Earnings per share (“EPS”)

Basic EPS is calculated by dividing earnings attributable to common shareholders by the weighted-average common shares outstanding. Earnings attributable to common shareholders represents net income reduced by the allocation of earnings and dividends to participating securities. Diluted EPS is similar to basic EPS, but adjusts for the dilutive effect of outstanding stock options and certain restricted stock units (“RSUs”) by application of the treasury stock method.

Evaluation of VIEs to determine whether consolidation is required

A VIE requires consolidation by the entity’s primary beneficiary. Examples of entities that may be VIEs include certain legal entities structured as corporations, partnerships or limited liability companies.

We evaluate all of the entities in which we are involved to determine if the entity is a VIE and if so, whether we hold a variable interest and are the primary beneficiary. We hold variable interests primarily in the following VIEs: certain private equity investments, a trust fund established for employee retention purposes (“Restricted Stock Trust Fund”) and certain LIHTC funds. See Note 8 for further information on our VIEs.

Determination of the primary beneficiary of a VIE

We consolidate VIEs that are subject to assessment when we are deemed to be the primary beneficiary of the VIE. The process for determining whether we are the primary beneficiary of the VIE is to conclude whether we are a party to the VIE holding a variable interest that meets both of the following criteria: (1) has the power to make decisions that most significantly affect the economic performance of the VIE, and (2) has the obligation to absorb losses or the right to receive benefits that in either case could potentially be significant to the VIE.

Private Equity Interests

As part of our private equity investments, we hold interests in a number of limited partnerships (our “Private Equity Interests”). We have concluded that the Private Equity Interests are VIEs, primarily as a result of the treatment of limited partner kick-out and participation rights as a simple majority of the limited partners cannot initiate an action to kick-out the general partner without cause and the limited partners with equity at-risk lack substantive participating rights.

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

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Restricted Stock Trust Fund

We utilize a trust in connection with certain of our RSU awards. This trust fund was established and funded for the purpose of acquiring our common stock in the open market to be used to settle RSUs granted as a retention vehicle for certain employees of our Canadian subsidiaries. We are deemed to be the primary beneficiary and, accordingly, consolidate this trust fund.

LIHTC funds

RJTCF is the managing member or general partner in a number of LIHTC funds having one or more investor members or limited partners. These LIHTC funds are organized as LLCs or limited partnerships for the purpose of investing in a number of project partnerships, which are limited partnerships or LLCs that purchase and develop low-income housing properties qualifying for tax credits and/or provide a mechanism for banks and other institutions to meet their Community Reinvestment Act obligations throughout the U.S.

Our determination of the primary beneficiary of each tax credit fund in which RJTCF has a variable interest requires judgment and is based on an analysis of all relevant facts and circumstances, including: (1) an assessment of the characteristics of RJTCF's variable interest and other involvement it has with the tax credit fund, including involvement of related parties and any de facto agents, as well as the involvement of other variable interest holders, namely, limited partners or investor members, and (2) the tax credit funds' purpose and design, including the risks that the tax credit fund was designed to create and pass through to its variable interest holders. In the design of tax credit fund VIEs, the overriding premise is that the investor members invest solely for tax attributes associated with the portfolio of low-income housing properties held by the fund, while RJTCF, as the managing member or general partner of the fund, is responsible for overseeing the fund's operations.

RJTCF sponsors two general types of tax credit funds that generally do not meet VIE consolidation criteria. The types of funds include single investor funds and multi-investor funds. RJTCF does not typically provide guarantees related to the delivery or funding of tax credits or other tax attributes to the investor members or limited partners of tax credit funds. The investor member(s) or limited partner(s) of the VIEs bear the risk of loss on their investment. Additionally, under the tax credit funds' designed structure, the investor member(s) or limited partner(s) receive nearly all of the tax credits and tax-deductible loss benefits designed to be delivered by the fund entity, as well as a majority of any proceeds upon a sale of a project partnership held by a tax credit fund (fund level residuals). RJTCF earns fees from the fund for its services in organizing the fund, identifying and acquiring the project partnership investments and ongoing asset management, and receives a share of any residuals arising from sale of project partnerships upon the termination of the fund.

In single investor funds, RJTCF has concluded that the one single investor member or limited partner in such funds, in nearly all instances, has significant participating rights over the activities that most significantly impact the economics of the fund. Therefore RJTCF, as managing member or general partner of such funds, is not the one party with power over such activities and resultantly is not deemed to be the primary beneficiary of such single investor funds and, in nearly all cases, these funds are not consolidated.

In multi-investor funds, RJTCF has concluded that since the participating rights over the activities that most significantly impact the economics of the fund are not held by one single investor member or limited partner, RJTCF is deemed to have the power over such activities. RJTCF then assesses whether its projected benefits to be received from the multi-investor funds, primarily its share of any residuals upon the termination of the fund, are potentially significant to the fund. As such residuals received upon termination are not expected to be significant to the funds, in nearly all cases, these funds are not consolidated.

Direct investments in LIHTC project partnerships

RJ Bank is the investor member of a LIHTC fund which we have determined to be a VIE, and in which a subsidiary of RJTCF is the managing member. We have determined that RJ Bank is the primary beneficiary of this VIE and therefore, we consolidate the fund. All LIHTC funds which we consolidate are investor members in certain LIHTC project partnerships. Since unrelated third parties are the managing members of the investee project partnerships, we have determined that consolidation of these project partnerships is not required and the funds account for their project partnership investments under the equity method. The carrying value of the funds' project partnership investments are included in "Other assets" on our Consolidated Statements of Financial Condition. The federal tax credits that result from these investments reduce our tax expense in the year they are received.

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Notes to Consolidated Financial Statements

Recent accounting developments

Accounting guidance recently adopted

Lease accounting - In February 2016, the Financial Accounting Standards Board (“FASB”) issued new guidance related to the accounting for leases (ASU 2016-02). We adopted this guidance as of October 1, 2019 using the alternative modified retrospective approach, with no adjustments to prior periods presented. In addition, we elected the practical expedients permitted under the transition guidance which, among other things, allowed us to carry forward historical lease classification determinations. On the adoption date, we recognized ROU assets and lease liabilities of \$333 million and \$357 million, respectively. The adoption had no effect on our results of operations or cash flows. The impact of the adoption on our regulatory capital measures was insignificant. Refer to the lease section of this footnote and to Note 12 for further information.

Reference rate reform - In March 2020, the FASB issued guidance to ease the financial reporting burdens of the expected market transition from LIBOR and other interbank offered rates to alternative reference rates, such as SOFR (ASU 2020-04). The guidance simplifies the accounting for modifying contracts (including those in hedging relationships) that refer to LIBOR and other interbank offered rates. In addition, the guidance allows for changes to the critical terms of a hedging relationship affected by reference rate reform without having to redesignate the relationship. The guidance was effective upon issuance and generally can be applied through December 31, 2022. We have elected certain expedients for cash flow hedges to assert that the hedged forecasted transaction remains probable, regardless of any expected modification in terms related to reference rate reform. The expedients elected did not impact our financial position or results of operations.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
NOTE 3 – FAIR VALUE

Our “Financial instruments owned” and “Financial instrument liabilities” on our Consolidated Statements of Financial Condition are recorded at fair value under GAAP. For further information about such instruments and our significant accounting policies related to fair value, see Note 2. The following tables present assets and liabilities measured at fair value on a recurring basis. Netting adjustments represent the impact of counterparty and collateral netting on our derivative balances included on our Consolidated Statements of Financial Condition. See Note 5 for additional information.

| <i>\$ in millions</i> | Level 1 | Level 2 | Level 3 | Netting adjustments | Balance as of September 30, 2020 |
|---|---------------|-----------------|--------------|---------------------|----------------------------------|
| Assets at fair value on a recurring basis: | | | | | |
| Trading instruments | | | | | |
| Municipal and provincial obligations | \$ 5 | \$ 120 | \$ — | \$ — | \$ 125 |
| Corporate obligations | 11 | 45 | — | — | 56 |
| Government and agency obligations | 13 | 131 | — | — | 144 |
| Agency MBS and agency CMOs | — | 130 | — | — | 130 |
| Non-agency CMOs and asset-backed securities (“ABS”) | — | 13 | — | — | 13 |
| Total debt securities | 29 | 439 | — | — | 468 |
| Equity securities | 11 | 5 | — | — | 16 |
| Brokered certificates of deposit | — | 17 | — | — | 17 |
| Other | — | — | 12 | — | 12 |
| Total trading instruments | 40 | 461 | 12 | — | 513 |
| Available-for-sale securities ⁽¹⁾ | 16 | 7,634 | — | — | 7,650 |
| Derivative assets | | | | | |
| Interest rate - matched book | — | 333 | — | — | 333 |
| Interest rate - other | 16 | 224 | — | (135) | 105 |
| Total derivative assets | 16 | 557 | — | (135) | 438 |
| Other investments - private equity - not measured at NAV | — | — | 37 | — | 37 |
| All other investments | 195 | 1 | 22 | — | 218 |
| Subtotal | 267 | 8,653 | 71 | (135) | 8,856 |
| Other investments - private equity - measured at NAV | | | | | 79 |
| Total assets at fair value on a recurring basis | \$ 267 | \$ 8,653 | \$ 71 | \$ (135) | \$ 8,935 |
| Liabilities at fair value on a recurring basis: | | | | | |
| Trading instruments sold but not yet purchased | | | | | |
| Municipal and provincial obligations | \$ 1 | \$ — | \$ — | \$ — | \$ 1 |
| Corporate obligations | — | 5 | — | — | 5 |
| Government and agency obligations | 136 | — | — | — | 136 |
| Non-agency CMOs and ABS | — | 2 | — | — | 2 |
| Total debt securities | 137 | 7 | — | — | 144 |
| Equity securities | 96 | — | — | — | 96 |
| Total trading instruments sold but not yet purchased | 233 | 7 | — | — | 240 |
| Derivative liabilities | | | | | |
| Interest rate - matched book | — | 333 | — | — | 333 |
| Interest rate - other | 16 | 145 | — | (112) | 49 |
| Foreign exchange | — | 5 | — | — | 5 |
| Other | — | 1 | 5 | — | 6 |
| Total derivative liabilities | 16 | 484 | 5 | (112) | 393 |
| Total liabilities at fair value on a recurring basis | \$ 249 | \$ 491 | \$ 5 | \$ (112) | \$ 633 |

(1) Substantially all of our available-for-sale securities consist of agency MBS and agency CMOs. See Note 4 for further information.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

| <i>\$ in millions</i> | Level 1 | Level 2 | Level 3 | Netting adjustments | Balance as of September 30, 2019 |
|---|---------------|-----------------|--------------|------------------------|--|
| Assets at fair value on a recurring basis: | | | | | |
| Trading instruments | | | | | |
| Municipal and provincial obligations | \$ — | \$ 267 | \$ — | \$ — | \$ 267 |
| Corporate obligations | 8 | 95 | — | — | 103 |
| Government and agency obligations | 12 | 67 | — | — | 79 |
| Agency MBS and agency CMOs | — | 147 | — | — | 147 |
| Non-agency CMOs and ABS | — | 51 | — | — | 51 |
| Total debt securities | 20 | 627 | — | — | 647 |
| Equity securities | 12 | 1 | — | — | 13 |
| Brokered certificates of deposit | — | 45 | — | — | 45 |
| Other | — | — | 3 | — | 3 |
| Total trading instruments | 32 | 673 | 3 | — | 708 |
| Available-for-sale securities ⁽¹⁾ | 10 | 3,083 | — | — | 3,093 |
| Derivative assets | | | | | |
| Interest rate - matched book | — | 280 | — | — | 280 |
| Interest rate - other | 3 | 182 | — | (127) | 58 |
| Total derivative assets | 3 | 462 | — | (127) | 338 |
| Other investments - private equity - not measured at NAV | — | — | 63 | — | 63 |
| All other investments | 194 | 1 | 24 | — | 219 |
| Subtotal | 239 | 4,219 | 90 | (127) | 4,421 |
| Other investments - private equity - measured at NAV | | | | | 83 |
| Total assets at fair value on a recurring basis | \$ 239 | \$ 4,219 | \$ 90 | \$ (127) | \$ 4,504 |
| Liabilities at fair value on a recurring basis: | | | | | |
| Trading instruments sold but not yet purchased | | | | | |
| Corporate obligations | \$ 2 | \$ 20 | \$ — | \$ — | \$ 22 |
| Government and agency obligations | 269 | — | — | — | 269 |
| Total debt securities | 271 | 20 | — | — | 291 |
| Equity securities | 4 | — | — | — | 4 |
| Other | — | — | 1 | — | 1 |
| Total trading instruments sold but not yet purchased | 275 | 20 | 1 | — | 296 |
| Derivative liabilities | | | | | |
| Interest rate - matched book | — | 280 | — | — | 280 |
| Interest rate - other | 4 | 142 | — | (121) | 25 |
| Foreign exchange | — | 2 | — | — | 2 |
| Other | — | 6 | — | — | 6 |
| Total derivative liabilities | 4 | 430 | — | (121) | 313 |
| Total liabilities at fair value on a recurring basis | \$ 279 | \$ 450 | \$ 1 | \$ (121) | \$ 609 |

(1) Substantially all of our available-for-sale securities consist of agency MBS and agency CMOs. See Note 4 for further information.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Level 3 recurring fair value measurements

The following tables present the changes in fair value for Level 3 assets and liabilities measured at fair value on a recurring basis. The realized and unrealized gains and losses in the tables may include changes in fair value that were attributable to both observable and unobservable inputs. In the following tables, gains/(losses) on trading instruments are reported in “Principal transactions” and gains/(losses) on other investments are reported in “Other” revenues.

Year ended September 30, 2020
Level 3 instruments at fair value

| <i>\$ in millions</i> | Financial assets | | | Financial liabilities | |
|---|---------------------|----------------------------|--------------|-----------------------|------------------------|
| | Trading instruments | Other investments | | Trading instruments | Derivative liabilities |
| | Other | Private equity investments | All other | Other | Other |
| Fair value beginning of year | \$ 3 | \$ 63 | \$ 24 | \$ (1) | \$ — |
| Total gains/(losses) included in earnings | (4) | (29) | (2) | — | (5) |
| Purchases and contributions | 70 | 4 | — | 2 | — |
| Sales and distributions | (57) | (1) | — | (1) | — |
| Transfers: | | | | | |
| Into Level 3 | — | — | — | — | — |
| Out of Level 3 | — | — | — | — | — |
| Fair value end of year | <u>\$ 12</u> | <u>\$ 37</u> | <u>\$ 22</u> | <u>\$ —</u> | <u>\$ (5)</u> |
| Unrealized gains/(losses) for the year included in earnings for instruments held at the end of the year | \$ (1) | \$ (29) | \$ (2) | \$ — | \$ (5) |

Year ended September 30, 2019
Level 3 instruments at fair value

| <i>\$ in millions</i> | Financial assets | | | Financial liabilities |
|---|---------------------|----------------------------|--------------|-----------------------|
| | Trading instruments | Other investments | | Trading instruments |
| | Other | Private equity investments | All other | Other |
| Fair value beginning of year | \$ 1 | \$ 56 | \$ 67 | \$ (7) |
| Total gains/(losses) included in earnings | (3) | 4 | (3) | 2 |
| Purchases and contributions | 109 | 3 | — | 19 |
| Sales and distributions | (104) | — | (40) | (15) |
| Transfers: | | | | |
| Into Level 3 | — | — | — | — |
| Out of Level 3 | — | — | — | — |
| Fair value end of year | <u>\$ 3</u> | <u>\$ 63</u> | <u>\$ 24</u> | <u>\$ (1)</u> |
| Unrealized gains/(losses) for the year included in earnings for instruments held at the end of the year | \$ — | \$ 4 | \$ (1) | \$ — |

The net unrealized losses on our Level 3 private equity investments for the year ended September 30, 2020 were primarily driven by the negative impact of the coronavirus (“COVID-19”) pandemic on the valuation of certain of our investments. Of these losses, approximately \$20 million were attributable to noncontrolling interests, which are reflected as an offset in “Other” expenses on our Consolidated Statements of Income and Comprehensive Income.

As of September 30, 2020, 19% of our assets and 2% of our liabilities were measured at fair value on a recurring basis. In comparison, as of September 30, 2019, 12% of our assets and 2% of our liabilities were measured at fair value on a recurring basis. The increase in assets measured at fair value on a recurring basis as a percentage of total assets was due to a significant increase in our available-for-sale securities during fiscal 2020. As of September 30, 2020 and 2019, Level 3 assets represented 1% and 2%, respectively, of our assets measured at fair value on a recurring basis.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Quantitative information about level 3 fair value measurements

The following tables present the valuation techniques and significant unobservable inputs used in the valuation of certain of our private equity investments classified as level 3. These inputs represent those that a market participant would take into account when pricing these instruments. Weighted averages are calculated by weighting each input by the relative fair value of the related financial instrument. Certain investments are valued initially at transaction price and updated as other investment-specific events take place which indicate that a change in the carrying values of these investments is appropriate. Other investment-specific events include such events as our periodic review, significant transactions occur or new developments become known.

| Recurring measurements <i>\$ in millions</i> | Fair value at September 30, 2020 | Valuation technique(s) | Unobservable input | Range (weighted-average) |
|--|---|---|---|-----------------------------|
| Other investments - private equity investments (not measured at NAV) | \$ 37 | Discounted cash flow, transaction price or other investment-specific events | Discount rate | 25% |
| | | | Terminal earnings before interest, tax, depreciation and amortization ("EBITDA") multiple | 9.0x |
| | | | Terminal year | 2021 - 2042 (2023) |
| | Fair value at September 30, 2019 | | | |
| Other investments - private equity investments (not measured at NAV) | \$ 63 | Discounted cash flow, transaction price or other investment-specific events | Discount rate | 25% |
| | | | Terminal EBITDA multiple | 12.5x |
| | | | Terminal year | 2021 - 2042 (2022) |

Qualitative disclosure about unobservable inputs

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

Private equity investments

The significant unobservable inputs used in the fair value measurement of private equity investments generally relate to the financial performance of the investment entity and the market's required return on investments from entities in industries in which we hold investments. Increases in the discount rate would have resulted in a lower fair value measurement. Increases in the terminal EBITDA multiple would have resulted in a higher fair value measurement. Increases in the terminal year are dependent upon each investment's strategy, but generally result in a lower fair value measurement.

Investments in private equity measured at net asset value per share

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

Our private equity portfolio as of September 30, 2020 includes various direct investments, as well as investments in third-party private equity funds and various legacy private equity funds which we sponsor. The portfolio is primarily invested in a broad range of strategies including leveraged buyouts, growth capital, distressed capital, venture capital and mezzanine capital. Due to the closed-end nature of certain of our fund investments, such investments cannot be redeemed directly with the funds. Our investment is monetized by distributions received through the liquidation of the underlying assets of those funds, the timing of which is uncertain.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

| <i>\$ in millions</i> | Recorded value | Unfunded commitment |
|--|----------------|---------------------|
| September 30, 2020 | | |
| Private equity investments measured at NAV | \$ 79 | \$ 9 |
| Private equity investments not measured at NAV | 37 | |
| Total private equity investments | \$ 116 | |
| September 30, 2019 | | |
| Private equity investments measured at NAV | \$ 83 | \$ 15 |
| Private equity investments not measured at NAV | 63 | |
| Total private equity investments | \$ 146 | |

Of the total private equity investments, the portions we owned were \$90 million and \$99 million as of September 30, 2020 and 2019, respectively. The portions of the private equity investments we did not own were \$26 million and \$47 million as of September 30, 2020 and 2019, respectively, and were included as a component of noncontrolling interests on our Consolidated Statements of Financial Condition.

Many of our proprietary private equity fund investments meet the definition of prohibited covered funds as defined by the Volcker Rule enacted pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”). We have received approval from the Fed to continue to hold the majority of our covered fund investments until July 2022.

Financial instruments measured at fair value on a nonrecurring basis

The following table presents assets measured at fair value on a nonrecurring basis along with the valuation techniques and significant unobservable inputs used in the valuation of the assets classified as level 3. These inputs represent those that a market participant would take into account when pricing these instruments. Weighted averages are calculated by weighting each input by the relative fair value of the related financial instrument.

| <i>\$ in millions</i> | Level 2 | Level 3 | Total fair value | Valuation technique(s) | Unobservable input | Range (weighted-average) |
|---------------------------------------|---------|---------|------------------|---|-------------------------------|-------------------------------|
| September 30, 2020 | | | | | | |
| Bank loans, net: | | | | | | |
| Impaired loans: residential | \$ 4 | \$ 13 | \$ 17 | Discounted cash flow | Prepayment rate | 7 yrs. - 12 yrs. (10.6 yrs.) |
| Impaired loans: corporate | \$ — | \$ 15 | \$ 15 | Collateral or discounted cash flow ⁽¹⁾ | Not meaningful ⁽¹⁾ | Not meaningful ⁽¹⁾ |
| Loans held for sale | \$ 38 | \$ — | \$ 38 | N/A | N/A | N/A |
| Other assets: other real estate owned | \$ 1 | \$ — | \$ 1 | N/A | N/A | N/A |
| September 30, 2019 | | | | | | |
| Bank loans, net: | | | | | | |
| Impaired loans: residential | \$ 7 | \$ 14 | \$ 21 | Discounted cash flow | Prepayment rate | 7 yrs. - 12 yrs. (10.4 yrs.) |
| Impaired loans: corporate | \$ — | \$ 21 | \$ 21 | Collateral or discounted cash flow ⁽¹⁾ | Not meaningful ⁽¹⁾ | Not meaningful ⁽¹⁾ |
| Loans held for sale | \$ 66 | \$ — | \$ 66 | N/A | N/A | N/A |
| Other assets: other real estate owned | \$ 1 | \$ — | \$ 1 | N/A | N/A | N/A |

(1) The valuation techniques used for the corporate loans are based on collateral value less selling costs for the collateral dependent loans and discounted cash flows for impaired loans that are not collateral dependent.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Financial instruments not recorded at fair value

Many, but not all, of the financial instruments we hold were recorded at fair value on the Consolidated Statements of Financial Condition. The following table presents the estimated fair value and fair value hierarchy of financial assets and liabilities that are not recorded at fair value in accordance with GAAP on the Consolidated Statements of Financial Condition at September 30, 2020 and 2019. This table excludes financial instruments that are carried at amounts which approximate fair value.

| <i>\$ in millions</i> | Level 2 | Level 3 | Total estimated fair value | Carrying amount |
|---|----------|-----------|----------------------------|-----------------|
| September 30, 2020 | | | | |
| Financial assets: | | | | |
| Bank loans, net | \$ 72 | \$ 21,119 | \$ 21,191 | \$ 21,125 |
| Financial liabilities: | | | | |
| Bank deposits - certificates of deposit | \$ — | \$ 1,056 | \$ 1,056 | \$ 1,017 |
| Senior notes payable | \$ 2,504 | \$ — | \$ 2,504 | \$ 2,045 |
| | | | | |
| September 30, 2019 | | | | |
| Financial assets: | | | | |
| Bank loans, net | \$ 75 | \$ 20,710 | \$ 20,785 | \$ 20,783 |
| Financial liabilities: | | | | |
| Bank deposits - certificates of deposit | \$ — | \$ 617 | \$ 617 | \$ 605 |
| Senior notes payable | \$ 1,760 | \$ — | \$ 1,760 | \$ 1,550 |

Short-term financial instruments: The carrying value of short-term financial instruments, including cash and cash equivalents, cash and cash equivalents segregated pursuant to regulations, and the majority of collateralized agreements and collateralized financings, are recorded at amounts that approximate the fair value of these instruments. These financial instruments generally expose us to limited credit risk and have no stated maturities or have short-term maturities and carry interest rates that approximate market rates. Under the fair value hierarchy, cash and cash equivalents and cash and cash equivalents segregated pursuant to regulations are classified as Level 1 and collateralized agreements and financings are classified as Level 2.

Bank loans, net: These financial instruments are primarily comprised of loans originated or purchased by RJ Bank and include C&I loans, commercial and residential real estate loans, tax-exempt loans, SBL and other loans intended to be held until maturity or payoff. These financial instruments are primarily recorded at amounts that result from the application of the methodologies for loans held for investment summarized in Note 2. Certain bank loans are held for sale, which are carried at the lower of cost or market value. A portion of these loans held for sale, as well as any impaired loans held for investment, are recorded at fair value as nonrecurring fair value measurements and therefore are excluded from the preceding table.

The fair values for both variable and fixed-rate loans held for investment are estimated using a discounted cash flow analysis based on interest rates currently being offered for loans with similar terms to borrowers of similar credit quality, which includes our estimate of future credit losses expected to be incurred. The majority of these loans are classified as Level 3 under the fair value hierarchy. Refer to Note 2 for information regarding the fair value policies specific to loans held for sale.

Receivables and other assets: Brokerage client receivables, other receivables, and certain other assets are recorded at amounts that approximate fair value and are classified as Level 2 and 3 under the fair value hierarchy. As specified under GAAP, the FHLB and FRB stock are recorded at cost, which we have determined to approximate their estimated fair value, and are classified as Level 2 under the fair value hierarchy.

Loans to financial advisors, net: These financial instruments are primarily comprised of loans provided to financial advisors and certain key revenue producers, primarily for recruiting, transitional cost assistance, and retention purposes. Loans to financial advisors, net are recorded at amounts that approximate fair value and are classified as Level 2 under the fair value hierarchy. Refer to Note 2 for information regarding loans to financial advisors, net.

Bank deposits: The carrying amounts of variable-rate money market and savings accounts approximate their fair values as these are short-term in nature. Due to their short-term nature, variable-rate money market and savings accounts are classified as Level 2 under the fair value hierarchy. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of expected monthly maturities on time deposits. These fixed-rate certificates of deposit are classified as Level 3 under the fair value hierarchy.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Payables: Brokerage client payables and other payables are recorded at amounts that approximate fair value and are classified as Level 2 under the fair value hierarchy.

Other borrowings: Other borrowings is primarily comprised of RJ Bank's borrowings from the FHLB. Substantially all of such borrowings reflect terms that approximate current market rates for similar loans and therefore, their carrying value approximates fair value. Our other borrowings are classified as Level 2 under the fair value hierarchy.

Senior notes payable: The fair value of our senior notes payable is calculated based upon recent trades of those debt securities in the market. Our senior notes payable are classified as Level 2 under the fair value hierarchy.

NOTE 4 – AVAILABLE-FOR-SALE SECURITIES

Available-for-sale securities are primarily comprised of agency MBS and agency CMOs owned by RJ Bank. Refer to Note 2 for a discussion of our available-for-sale securities accounting policies, including the fair value determination process.

The following table details the amortized costs and fair values of our available-for-sale securities.

| <i>\$ in millions</i> | Cost basis | Gross unrealized gains | Gross unrealized losses | Fair value |
|--|-------------------|-----------------------------------|------------------------------------|-------------------|
| September 30, 2020 | | | | |
| Agency residential MBS | \$ 4,064 | \$ 74 | \$ (3) | \$ 4,135 |
| Agency commercial MBS | 948 | 22 | (1) | 969 |
| Agency CMOs | 2,504 | 27 | (1) | 2,530 |
| Other securities | 15 | 1 | — | 16 |
| Total available-for-sale securities | \$ 7,531 | \$ 124 | \$ (5) | \$ 7,650 |
| September 30, 2019 | | | | |
| Agency residential MBS | \$ 1,555 | \$ 20 | \$ (1) | \$ 1,574 |
| Agency commercial MBS | 305 | 5 | — | 310 |
| Agency CMOs | 1,195 | 7 | (3) | 1,199 |
| Other securities | 10 | — | — | 10 |
| Total available-for-sale securities | \$ 3,065 | \$ 32 | \$ (4) | \$ 3,093 |

See Note 3 for additional information regarding the fair value of available-for-sale securities.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following table details the contractual maturities, amortized costs, carrying values and current yields for our available-for-sale securities. Since our MBS and CMO available-for-sale securities are backed by mortgages, actual maturities may differ from contractual maturities because borrowers may have the right to prepay obligations without prepayment penalties. As of September 30, 2020, the duration of our available-for-sale securities portfolio was approximately three years.

| <i>\$ in millions</i> | September 30, 2020 | | | | | Total |
|--|--------------------|---------------------------------|---------------------------------|-----------------|----------|-------|
| | Within one year | After one but within five years | After five but within ten years | After ten years | | |
| Agency residential MBS | | | | | | |
| Amortized cost | \$ — | \$ 34 | \$ 1,403 | \$ 2,627 | \$ 4,064 | |
| Carrying value | \$ — | \$ 36 | \$ 1,434 | \$ 2,665 | \$ 4,135 | |
| Agency commercial MBS | | | | | | |
| Amortized cost | \$ 32 | \$ 153 | \$ 583 | \$ 180 | \$ 948 | |
| Carrying value | \$ 33 | \$ 157 | \$ 598 | \$ 181 | \$ 969 | |
| Agency CMOs | | | | | | |
| Amortized cost | \$ — | \$ 11 | \$ 74 | \$ 2,419 | \$ 2,504 | |
| Carrying value | \$ — | \$ 11 | \$ 75 | \$ 2,444 | \$ 2,530 | |
| Other securities | | | | | | |
| Amortized cost | \$ — | \$ 6 | \$ 9 | \$ — | \$ 15 | |
| Carrying value | \$ — | \$ 6 | \$ 10 | \$ — | \$ 16 | |
| Total available-for-sale securities | | | | | | |
| Amortized cost | \$ 32 | \$ 204 | \$ 2,069 | \$ 5,226 | \$ 7,531 | |
| Carrying value | \$ 33 | \$ 210 | \$ 2,117 | \$ 5,290 | \$ 7,650 | |
| Weighted-average yield | 2.72 % | 2.06 % | 1.67 % | 1.41 % | 1.51 % | |

The following table details the gross unrealized losses and fair values of securities that were in a loss position at the reporting period end, aggregated by investment category and length of time the individual securities have been in a continuous unrealized loss position.

| <i>\$ in millions</i> | Less than 12 months | | 12 months or more | | Total | |
|---------------------------|----------------------|-------------------|----------------------|-------------------|----------------------|-------------------|
| | Estimated fair value | Unrealized losses | Estimated fair value | Unrealized losses | Estimated fair value | Unrealized losses |
| September 30, 2020 | | | | | | |
| Agency residential MBS | \$ 966 | \$ (3) | \$ — | \$ — | \$ 966 | \$ (3) |
| Agency commercial MBS | 177 | (1) | — | — | 177 | (1) |
| Agency CMOs | 410 | (1) | — | — | 410 | (1) |
| Total | \$ 1,553 | \$ (5) | \$ — | \$ — | \$ 1,553 | \$ (5) |
| September 30, 2019 | | | | | | |
| Agency residential MBS | \$ 166 | \$ — | \$ 114 | \$ (1) | \$ 280 | \$ (1) |
| Agency commercial MBS | — | — | 44 | — | 44 | — |
| Agency CMOs | 145 | (1) | 351 | (2) | 496 | (3) |
| Other securities | 2 | — | — | — | 2 | — |
| Total | \$ 313 | \$ (1) | \$ 509 | \$ (3) | \$ 822 | \$ (4) |

The contractual cash flows of our available-for-sale securities are guaranteed by the U.S. government or its agencies. At September 30, 2020, of the 83 available-for-sale securities in an unrealized loss position, all were in a continuous unrealized loss position for less than 12 months. At September 30, 2020, debt securities we held in excess of ten percent of our equity included Federal National Home Mortgage Association (“FNMA”) and Federal Home Loan Mortgage Corporation (“FHLMC”) which had an amortized cost of \$4.84 billion and \$2.40 billion, respectively, and a fair value of \$4.92 billion and \$2.43 billion, respectively.

For the year ended September 30, 2020, we received proceeds of \$222 million, resulting in an insignificant gain, from the sales of agency MBS and agency CMO available-for-sale securities. The gain that resulted from the sales was included in “Other” revenues on our Consolidated Statements of Income and Comprehensive Income. There were no sales of agency MBS or CMO available-for-sale securities for the years ended September 30, 2019 and 2018.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
NOTE 5 – DERIVATIVE ASSETS AND DERIVATIVE LIABILITIES

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

Derivative balances included on our financial statements

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

| <i>\$ in millions</i> | September 30, 2020 | | | September 30, 2019 | | |
|---|--------------------|------------------------|------------------|--------------------|------------------------|------------------|
| | Derivative assets | Derivative liabilities | Notional amount | Derivative assets | Derivative liabilities | Notional amount |
| Derivatives not designated as hedging instruments | | | | | | |
| Interest rate - matched book | \$ 333 | \$ 333 | \$ 2,174 | \$ 280 | \$ 280 | \$ 2,296 |
| Interest rate - other ⁽¹⁾ | 240 | 161 | 19,206 | 184 | 146 | 10,690 |
| Foreign exchange | — | 2 | 605 | — | 1 | 573 |
| Other | — | 6 | 608 | — | 6 | 272 |
| Subtotal | 573 | 502 | 22,593 | 464 | 433 | 13,831 |
| Derivatives designated as hedging instruments | | | | | | |
| Interest rate | — | — | 850 | 1 | — | 850 |
| Foreign exchange | — | 3 | 866 | — | 1 | 856 |
| Subtotal | — | 3 | 1,716 | 1 | 1 | 1,706 |
| Total gross fair value/notional amount | 573 | 505 | \$ 24,309 | 465 | 434 | \$ 15,537 |
| Offset on the Consolidated Statements of Financial Condition | | | | | | |
| Counterparty netting | (40) | (40) | | (24) | (24) | |
| Cash collateral netting | (95) | (72) | | (103) | (97) | |
| Total amounts offset | (135) | (112) | | (127) | (121) | |
| Net amounts presented on the Consolidated Statements of Financial Condition | 438 | 393 | | 338 | 313 | |
| Gross amounts not offset on the Consolidated Statements of Financial Condition | | | | | | |
| Financial instruments ⁽²⁾ | (349) | (333) | | (297) | (280) | |
| Total | \$ 89 | \$ 60 | | \$ 41 | \$ 33 | |

(1) Substantially all relates to interest rate derivatives entered into as part of our fixed income business operations, including TBA security contracts that are accounted for as derivatives.

(2) Although the matched book derivative arrangements do not meet the definition of a master netting arrangement as specified by GAAP, the agreement with the third-party intermediary includes terms that are similar to a master netting agreement. As a result, we present the matched book amounts net in the preceding table.

The following table details the gains/(losses) included in AOCI, net of income taxes, on derivatives designated as hedging instruments. These gains/(losses) included any amounts reclassified from AOCI to net income during the year. See Note 18 for additional information.

| <i>\$ in millions</i> | Year ended September 30, | | |
|---|--------------------------|----------------|--------------|
| | 2020 | 2019 | 2018 |
| Interest rate (cash flow hedges) | \$ (34) | \$ (61) | \$ 33 |
| Foreign exchange (net investment hedges) | 5 | 22 | 28 |
| Total gains/(losses) in AOCI, net of taxes | \$ (29) | \$ (39) | \$ 61 |

There were no components of derivative gains or losses excluded from the assessment of hedge effectiveness for any of the years ended September 30, 2020, 2019 or 2018. We expect to reclassify \$15 million of interest expense out of AOCI and into earnings within the next 12 months. The maximum length of time over which forecasted transactions are or will be hedged is seven years.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES*Notes to Consolidated Financial Statements*

The following table details the gains/(losses) on derivatives not designated as hedging instruments recognized on the Consolidated Statements of Income and Comprehensive Income.

| <i>\$ in millions</i> | Location of gain/(loss) | Year ended September 30, | | |
|-----------------------|--|--------------------------|-------|-------|
| | | 2020 | 2019 | 2018 |
| Interest rate | Principal transactions/other revenues | \$ 7 | \$ 7 | \$ 6 |
| Foreign exchange | Other revenues | \$ — | \$ 25 | \$ 18 |
| Other | Principal transactions | \$ (5) | \$ — | \$ — |
| Other | Compensation, commissions and benefits expense | \$ (1) | \$ 5 | \$ 8 |

Risks associated with our derivatives and related risk mitigation***Credit risk***

We are exposed to credit losses in the event of nonperformance by our counterparties to derivatives that are not cleared through a clearing organization. Where we are subject to credit exposure, we perform a credit evaluation of counterparties prior to entering into derivative transactions and we monitor their credit standings. We may require initial margin or collateral from counterparties in the form of cash deposits or other marketable securities to support certain of these obligations as established by the credit threshold specified by the agreement and/or as a result of monitoring the credit standing of the counterparties.

Our only exposure to credit risk in the matched book derivatives operations is related to our uncollected derivative transaction fee revenues, which were insignificant as of both September 30, 2020 and 2019. We are not exposed to market risk on these derivatives due to the pass-through transaction structure previously described in Note 2.

Interest rate and foreign exchange risk

We are exposed to interest rate risk related to certain of our interest rate derivatives. We are also exposed to foreign exchange risk related to our forward foreign exchange derivatives. On a daily basis, we monitor our risk exposure on our derivatives based on established limits with respect to a number of factors, including interest rate, foreign exchange spot and forward rates, spread, ratio, basis and volatility risks, both for the total portfolio and by maturity period.

Derivatives with credit-risk-related contingent features

Certain of our derivative contracts contain provisions that require our debt to maintain an investment-grade rating from one or more of the major credit rating agencies. If our debt were to fall below investment-grade, the counterparties to the derivative instruments could terminate and request immediate payment or demand immediate and ongoing overnight collateralization on our derivative instruments in liability positions. The aggregate fair value of all derivative instruments with such credit-risk-related contingent features that were in a liability position was insignificant as of both September 30, 2020 and 2019.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

NOTE 6 – COLLATERALIZED AGREEMENTS AND FINANCINGS

Collateralized agreements are comprised of reverse repurchase agreements and securities borrowed. Collateralized financings are comprised of repurchase agreements and securities loaned. We enter into these transactions in order to facilitate client activities, acquire securities to cover short positions and finance certain firm activities. The significant accounting policies governing our collateralized agreements and financings are described in Note 2.

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

| <i>\$ in millions</i> | Collateralized agreements | | | Collateralized financings | | |
|--|-------------------------------|---------------------|-------------|---------------------------|-------------------|--------------|
| | Reverse repurchase agreements | Securities borrowed | Total | Repurchase agreements | Securities loaned | Total |
| September 30, 2020 | | | | | | |
| Gross amounts of recognized assets/liabilities | \$ 207 | \$ 215 | \$ 422 | \$ 165 | \$ 85 | \$ 250 |
| Gross amounts offset on the Consolidated Statements of Financial Condition | — | — | — | — | — | — |
| Net amounts presented on the Consolidated Statements of Financial Condition | 207 | 215 | 422 | 165 | 85 | 250 |
| Gross amounts not offset on the Consolidated Statements of Financial Condition | (207) | (209) | (416) | (165) | (79) | (244) |
| Net amount | \$ — | \$ 6 | \$ 6 | \$ — | \$ 6 | \$ 6 |
| September 30, 2019 | | | | | | |
| Gross amounts of recognized assets/liabilities | \$ 343 | \$ 248 | \$ 591 | \$ 150 | \$ 323 | \$ 473 |
| Gross amounts offset on the Consolidated Statements of Financial Condition | — | — | — | — | — | — |
| Net amounts presented on the Consolidated Statements of Financial Condition | 343 | 248 | 591 | 150 | 323 | 473 |
| Gross amounts not offset on the Consolidated Statements of Financial Condition | (343) | (243) | (586) | (150) | (311) | (461) |
| Net amount | \$ — | \$ 5 | \$ 5 | \$ — | \$ 12 | \$ 12 |

The total amount of collateral received under reverse repurchase agreements and the total amount of collateral posted under repurchase agreements exceeds the carrying value of these agreements on our Consolidated Statements of Financial Condition.

Collateral received and pledged

We receive cash and securities as collateral, primarily in connection with reverse repurchase agreements, securities borrowed, derivative transactions and client margin loans. The collateral we receive reduces our credit exposure to individual counterparties.

In many cases, we are permitted to deliver or repledge financial instruments we have received as collateral to satisfy our collateral requirements under our repurchase agreements, securities lending agreements or other secured borrowings, to satisfy deposit requirements with clearing organizations, or to otherwise meet either our or our clients' settlement requirements.

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

| <i>\$ in millions</i> | September 30, | |
|--|---------------|----------|
| | 2020 | 2019 |
| Collateral we received that was available to be delivered or repledged | \$ 2,869 | \$ 2,931 |
| Collateral that we delivered or repledged | \$ 788 | \$ 897 |

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Encumbered assets

We pledge certain of our assets to collateralize either repurchase agreements or other secured borrowings, maintain lines of credit, or to satisfy our collateral or settlement requirements with counterparties or clearing organizations who may or may not have the right to deliver or repledge such instruments. The following table presents information about our assets that have been pledged for one of the purposes previously described.

| <i>\$ in millions</i> | September 30, | |
|---|---------------|----------|
| | 2020 | 2019 |
| Had the right to deliver or repledge | \$ 325 | \$ 591 |
| Did not have the right to deliver or repledge | \$ 65 | \$ 65 |
| Bank loans, net pledged at FHLB and the FRB | \$ 5,367 | \$ 4,653 |

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

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

| <i>\$ in millions</i> | Overnight and continuous | Up to 30 days | 30-90 days | Greater than 90 days | Total |
|--|-----------------------------|---------------|-------------|-------------------------|---------------|
| September 30, 2020 | | | | | |
| Repurchase agreements: | | | | | |
| Government and agency obligations | \$ 87 | \$ — | \$ — | \$ — | \$ 87 |
| Agency MBS and agency CMOs | 78 | — | — | — | 78 |
| Total repurchase agreements | 165 | — | — | — | 165 |
| Securities loaned: | | | | | |
| Equity securities | 85 | — | — | — | 85 |
| Total collateralized financings | \$ 250 | \$ — | \$ — | \$ — | \$ 250 |
| September 30, 2019 | | | | | |
| Repurchase agreements: | | | | | |
| Government and agency obligations | \$ 70 | \$ — | \$ — | \$ — | \$ 70 |
| Agency MBS and agency CMOs | 80 | — | — | — | 80 |
| Total repurchase agreements | 150 | — | — | — | 150 |
| Securities loaned: | | | | | |
| Equity securities | 323 | — | — | — | 323 |
| Total collateralized financings | \$ 473 | \$ — | \$ — | \$ — | \$ 473 |

As of both September 30, 2020 and 2019, we did not have any “repurchase-to-maturity” agreements, which are repurchase agreements where a security is transferred under an agreement to repurchase and the maturity date of the repurchase agreement matches the maturity date of the underlying security.

NOTE 7 – BANK LOANS, NET

Bank client receivables are comprised of loans originated or purchased by RJ Bank and include C&I loans, tax-exempt loans, commercial and residential real estate loans, SBL and other loans. These receivables are collateralized by first and, to a lesser extent, second mortgages on residential or other real property, other assets of the borrower, a pledge of revenue or are unsecured. See Note 2 for a discussion of accounting policies related to bank loans and allowances for losses.

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

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
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The following tables present the balances for both the held for sale and held for investment loan portfolios, as well as the associated percentage of each portfolio segment in RJ Bank's total loan portfolio. "Loans held for sale, net" and "Total loans held for investment, net" in the following tables are presented net of unearned income and deferred expenses, which include purchase premiums, purchase discounts and net deferred origination fees and costs.

| <i>\$ in millions</i> | September 30, | | | | | |
|---|----------------------|--------------|------------------|--------------|------------------|--------------|
| | 2020 | | 2019 | | 2018 | |
| | Balance | % | Balance | % | Balance | % |
| Loans held for investment: | | | | | | |
| C&I loans | \$ 7,450 | 34 % | \$ 8,098 | 38 % | \$ 7,786 | 40 % |
| CRE construction loans | 177 | 1 % | 185 | 1 % | 151 | 1 % |
| CRE loans | 3,534 | 16 % | 3,652 | 17 % | 3,624 | 18 % |
| Tax-exempt loans | 1,259 | 6 % | 1,241 | 6 % | 1,227 | 6 % |
| Residential mortgage loans | 4,947 | 23 % | 4,454 | 21 % | 3,757 | 19 % |
| SBL and other | 4,085 | 19 % | 3,349 | 16 % | 3,033 | 15 % |
| Total loans held for investment | 21,452 | | 20,979 | | 19,578 | |
| Net unearned income and deferred expenses | (13) | | (12) | | (21) | |
| Total loans held for investment, net | 21,439 | | 20,967 | | 19,557 | |
| Loans held for sale, net | 110 | 1 % | 142 | 1 % | 164 | 1 % |
| Total loans held for sale and investment | 21,549 | 100 % | 21,109 | 100 % | 19,721 | 100 % |
| Allowance for loan losses | (354) | | (218) | | (203) | |
| Bank loans, net | \$ 21,195 | | \$ 20,891 | | \$ 19,518 | |

| <i>\$ in millions</i> | September 30, | | | |
|---|----------------------|--------------|------------------|--------------|
| | 2017 | | 2016 | |
| | Balance | % | Balance | % |
| Loans held for investment: | | | | |
| C&I loans | \$ 7,386 | 43 % | \$ 7,470 | 48 % |
| CRE construction loans | 113 | 1 % | 123 | 1 % |
| CRE loans | 3,106 | 18 % | 2,554 | 17 % |
| Tax-exempt loans | 1,018 | 6 % | 741 | 5 % |
| Residential mortgage loans | 3,149 | 18 % | 2,442 | 16 % |
| SBL and other | 2,386 | 14 % | 1,905 | 12 % |
| Total loans held for investment | 17,158 | | 15,235 | |
| Net unearned income and deferred expenses | (31) | | (41) | |
| Total loans held for investment, net | 17,127 | | 15,194 | |
| Loans held for sale, net | 70 | — | 214 | 1 % |
| Total loans held for sale and investment | 17,197 | 100 % | 15,408 | 100 % |
| Allowance for loan losses | (190) | | (197) | |
| Bank loans, net | \$ 17,007 | | \$ 15,211 | |

At September 30, 2020, the FHLB had a blanket lien on RJ Bank's residential mortgage loan portfolio as security for the repayment of certain borrowings. See Note 14 for more information regarding borrowings from the FHLB.

Loans held for sale

RJ Bank originated or purchased \$1.79 billion, \$2.33 billion and \$1.69 billion of loans held for sale during the years ended September 30, 2020, 2019 and 2018, respectively. Proceeds from the sale of these held for sale loans amounted to \$776 million, \$800 million and \$606 million for the years ended September 30, 2020, 2019 and 2018, respectively. Net gains resulting from such sales were insignificant in each of the years ended September 30, 2020, 2019 and 2018.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Purchases and sales of loans held for investment

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

| <i>\$ in millions</i> | C&I loans | | CRE loans | | Residential mortgage loans | | Total | |
|--------------------------------------|-----------|-------|-----------|-----|----------------------------|-----|-------|-------|
| Year ended September 30, 2020 | | | | | | | | |
| Purchases | \$ | 589 | \$ | 5 | \$ | 402 | \$ | 996 |
| Sales | \$ | 598 | \$ | 27 | \$ | 2 | \$ | 627 |
| Year ended September 30, 2019 | | | | | | | | |
| Purchases | \$ | 1,046 | \$ | 42 | \$ | 400 | \$ | 1,488 |
| Sales | \$ | 126 | \$ | — | \$ | — | \$ | 126 |
| Year ended September 30, 2018 | | | | | | | | |
| Purchases | \$ | 467 | \$ | 145 | \$ | 303 | \$ | 915 |
| Sales | \$ | 213 | \$ | — | \$ | — | \$ | 213 |

Sales in the preceding table represent the recorded investment (i.e., net of charge-offs and discounts or premiums) of loans held for investment that were transferred to loans held for sale and subsequently sold to a third party during the respective period. As more fully described in Note 2, corporate loan sales generally occur as part of our credit management activities.

Aging analysis of loans held for investment

The following table presents an analysis of the payment status of loans held for investment. Amounts in the table exclude any net unearned income and deferred expenses.

| <i>\$ in millions</i> | 30-89 days and accruing | | 90 days or more and accruing | | Total past due and accruing | | Nonaccrual | | Current and accruing | | Total loans held for investment | |
|--|-------------------------|----------|------------------------------|----------|-----------------------------|----------|------------|-----------|----------------------|---------------|---------------------------------|---------------|
| September 30, 2020 | | | | | | | | | | | | |
| C&I loans | \$ | — | \$ | — | \$ | — | \$ | 2 | \$ | 7,448 | \$ | 7,450 |
| CRE construction loans | | — | | — | | — | | — | | 177 | | 177 |
| CRE loans | | — | | — | | — | | 14 | | 3,520 | | 3,534 |
| Tax-exempt loans | | — | | — | | — | | — | | 1,259 | | 1,259 |
| Residential mortgage loans: | | | | | | | | | | | | |
| First mortgage loans | | — | | — | | — | | 14 | | 4,911 | | 4,925 |
| Home equity loans/lines | | — | | — | | — | | — | | 22 | | 22 |
| SBL and other | | — | | — | | — | | — | | 4,085 | | 4,085 |
| Total loans held for investment | \$ | — | \$ | — | \$ | — | \$ | 30 | \$ | 21,422 | \$ | 21,452 |
| September 30, 2019 | | | | | | | | | | | | |
| C&I loans | \$ | — | \$ | — | \$ | — | \$ | 19 | \$ | 8,079 | \$ | 8,098 |
| CRE construction loans | | — | | — | | — | | — | | 185 | | 185 |
| CRE loans | | — | | — | | — | | 8 | | 3,644 | | 3,652 |
| Tax-exempt loans | | — | | — | | — | | — | | 1,241 | | 1,241 |
| Residential mortgage loans: | | | | | | | | | | | | |
| First mortgage loans | | 2 | | — | | 2 | | 16 | | 4,409 | | 4,427 |
| Home equity loans/lines | | — | | — | | — | | — | | 27 | | 27 |
| SBL and other | | — | | — | | — | | — | | 3,349 | | 3,349 |
| Total loans held for investment | \$ | 2 | \$ | — | \$ | 2 | \$ | 43 | \$ | 20,934 | \$ | 20,979 |

The preceding table includes \$15 million and \$32 million at September 30, 2020 and 2019, respectively, of nonaccrual loans which were current pursuant to their contractual terms.

Other real estate owned, included in “Other assets” on our Consolidated Statements of Financial Condition, was \$2 million and \$3 million at September 30, 2020 and 2019. The recorded investment in mortgage loans secured by one-to-four family residential properties for which formal foreclosure proceedings were in process was \$6 million and \$7 million at September 30, 2020 and 2019, respectively.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Impaired loans and troubled debt restructurings

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

| <i>\$ in millions</i> | September 30, | | | | | |
|--|---------------------------|--------------------------|----------------------|---------------------------|--------------------------|----------------------|
| | 2020 | | | 2019 | | |
| | Gross recorded investment | Unpaid principal balance | Allowance for losses | Gross recorded investment | Unpaid principal balance | Allowance for losses |
| Impaired loans with allowance for loan losses: | | | | | | |
| C&I loans | \$ 2 | \$ 2 | \$ — | \$ 19 | \$ 20 | \$ 6 |
| Residential - first mortgage loans | 8 | 10 | 1 | 11 | 13 | 1 |
| Total | 10 | 12 | 1 | 30 | 33 | 7 |
| Impaired loans without allowance for loan losses: | | | | | | |
| CRE loans | 13 | 21 | — | 8 | 13 | — |
| Residential - first mortgage loans | 10 | 14 | — | 11 | 17 | — |
| Total | 23 | 35 | — | 19 | 30 | — |
| Total impaired loans | \$ 33 | \$ 47 | \$ 1 | \$ 49 | \$ 63 | \$ 7 |

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

The preceding table includes TDRs of \$6 million and \$15 million related to CRE and residential first mortgage loans, respectively, at September 30, 2020 and \$19 million, \$8 million and \$18 million related to C&I, CRE and residential first mortgage loans, respectively, at September 30, 2019.

The average balance of the total impaired loans was as follows.

| <i>\$ in millions</i> | Year ended September 30, | | |
|--|--------------------------|--------------|--------------|
| | 2020 | 2019 | 2018 |
| C&I loans | \$ 8 | \$ 19 | \$ 4 |
| CRE loans | 7 | 5 | — |
| Residential - first mortgage loans | 20 | 25 | 33 |
| Total average impaired loan balance | \$ 35 | \$ 49 | \$ 37 |

Credit quality indicators

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

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

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

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

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

Loss – Loans which are considered by management to be uncollectible and of such little value that their continuance on our books as an asset, without establishment of a specific valuation allowance or charge-off, is not warranted. We do not have any

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

bank loan balances within this classification because, in accordance with our accounting policy, loans, or a portion thereof considered to be uncollectible, are charged-off prior to the assignment of this classification.

The following table presents the credit quality of RJ Bank's held for investment loan portfolio.

| <i>\$ in millions</i> | Pass | Special mention | Substandard | Doubtful | Total |
|--|------------------|-----------------|---------------|-------------|------------------|
| September 30, 2020 | | | | | |
| C&I loans | \$ 6,966 | \$ 236 | \$ 248 | \$ — | \$ 7,450 |
| CRE construction loans | 177 | — | — | — | 177 |
| CRE loans | 3,113 | 256 | 165 | — | 3,534 |
| Tax-exempt loans | 1,259 | — | — | — | 1,259 |
| Residential mortgage loans: | | | | | |
| First mortgage loans | 4,897 | 6 | 22 | — | 4,925 |
| Home equity loans/lines | 22 | — | — | — | 22 |
| SBL and other | 4,085 | — | — | — | 4,085 |
| Total loans held for investment | \$ 20,519 | \$ 498 | \$ 435 | \$ — | \$ 21,452 |

September 30, 2019

| | | | | | |
|--|------------------|---------------|---------------|-------------|------------------|
| C&I loans | \$ 7,870 | \$ 152 | \$ 76 | \$ — | \$ 8,098 |
| CRE construction loans | 185 | — | — | — | 185 |
| CRE loans | 3,630 | — | 22 | — | 3,652 |
| Tax-exempt loans | 1,241 | — | — | — | 1,241 |
| Residential mortgage loans: | | | | | |
| First mortgage loans | 4,392 | 10 | 25 | — | 4,427 |
| Home equity loans/lines | 27 | — | — | — | 27 |
| SBL and other | 3,349 | — | — | — | 3,349 |
| Total loans held for investment | \$ 20,694 | \$ 162 | \$ 123 | \$ — | \$ 20,979 |

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

Allowance for loan losses and reserve for unfunded lending commitments

The following table presents changes in the allowance for loan losses of RJ Bank by portfolio segment.

| <i>\$ in millions</i> | Loans held for investment | | | | | | |
|---|---------------------------|------------------------|---------------|------------------|----------------------------|---------------|---------------|
| | C&I loans | CRE construction loans | CRE loans | Tax-exempt loans | Residential mortgage loans | SBL and other | Total |
| Year ended September 30, 2020 | | | | | | | |
| Balance at beginning of year | \$ 139 | \$ 3 | \$ 46 | \$ 9 | \$ 16 | \$ 5 | \$ 218 |
| Provision for loan losses | 157 | — | 71 | 5 | — | — | 233 |
| Net (charge-offs)/recoveries: | | | | | | | |
| Charge-offs ⁽¹⁾ | (96) | — | (4) | — | — | — | (100) |
| Recoveries | — | — | — | — | 2 | — | 2 |
| Net (charge-offs)/recoveries | (96) | — | (4) | — | 2 | — | (98) |
| Foreign exchange translation adjustment | — | — | 1 | — | — | — | 1 |
| Balance at end of year | \$ 200 | \$ 3 | \$ 114 | \$ 14 | \$ 18 | \$ 5 | \$ 354 |
| Year ended September 30, 2019 | | | | | | | |
| Balance at beginning of year | \$ 123 | \$ 3 | \$ 47 | \$ 9 | \$ 17 | \$ 4 | \$ 203 |
| Provision/(benefit) for loan losses | 19 | — | 4 | — | (2) | 1 | 22 |
| Net (charge-offs)/recoveries: | | | | | | | |
| Charge-offs ⁽¹⁾ | (2) | — | (5) | — | (1) | — | (8) |
| Recoveries | — | — | — | — | 2 | — | 2 |
| Net (charge-offs)/recoveries | (2) | — | (5) | — | 1 | — | (6) |
| Foreign exchange translation adjustment | (1) | — | — | — | — | — | (1) |
| Balance at end of year | \$ 139 | \$ 3 | \$ 46 | \$ 9 | \$ 16 | \$ 5 | \$ 218 |

(1) Charge-offs related to loan sales amounted to \$87 million and \$2 million for the years ended September 30, 2020 and 2019, respectively.

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

| <i>\$ in millions</i> | Loans held for investment | | | | | |
|----------------------------|---------------------------------------|---------------------------------------|---------------|---------------------------------------|---------------------------------------|------------------|
| | Allowance for loan losses | | | Recorded investment | | |
| | Individually evaluated for impairment | Collectively evaluated for impairment | Total | Individually evaluated for impairment | Collectively evaluated for impairment | Total |
| September 30, 2020 | | | | | | |
| C&I loans | \$ — | \$ 200 | \$ 200 | \$ 2 | \$ 7,448 | \$ 7,450 |
| CRE construction loans | — | 3 | 3 | — | 177 | 177 |
| CRE loans | — | 114 | 114 | 14 | 3,520 | 3,534 |
| Tax-exempt loans | — | 14 | 14 | — | 1,259 | 1,259 |
| Residential mortgage loans | 1 | 17 | 18 | 25 | 4,922 | 4,947 |
| SBL and other | — | 5 | 5 | — | 4,085 | 4,085 |
| Total | \$ 1 | \$ 353 | \$ 354 | \$ 41 | \$ 21,411 | \$ 21,452 |
| September 30, 2019 | | | | | | |
| C&I loans | \$ 6 | \$ 133 | \$ 139 | \$ 19 | \$ 8,079 | \$ 8,098 |
| CRE construction loans | — | 3 | 3 | — | 185 | 185 |
| CRE loans | — | 46 | 46 | 8 | 3,644 | 3,652 |
| Tax-exempt loans | — | 9 | 9 | — | 1,241 | 1,241 |
| Residential mortgage loans | 1 | 15 | 16 | 28 | 4,426 | 4,454 |
| SBL and other | — | 5 | 5 | — | 3,349 | 3,349 |
| Total | \$ 7 | \$ 211 | \$ 218 | \$ 55 | \$ 20,924 | \$ 20,979 |

The reserve for unfunded lending commitments, which is included in "Other payables" on our Consolidated Statements of Financial Condition, was \$12 million and \$9 million at September 30, 2020 and 2019, respectively.

NOTE 8 – VARIABLE INTEREST ENTITIES

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

VIEs where we are the primary beneficiary

Of the VIEs in which we hold an interest, we have determined that certain Private Equity Interests, certain LIHTC funds and the Restricted Stock Trust Fund require consolidation in our financial statements, as we are deemed the primary beneficiary of such VIEs. The aggregate assets and liabilities of the VIEs we consolidate are provided in the following table. Aggregate assets and aggregate liabilities may differ from the consolidated carrying value of assets and liabilities due to the elimination of intercompany assets and liabilities held by the consolidated VIE.

| <i>\$ in millions</i> | Aggregate assets | Aggregate liabilities |
|-----------------------------|------------------|-----------------------|
| September 30, 2020 | | |
| Private Equity Interests | \$ 39 | \$ 4 |
| LIHTC funds | 168 | 76 |
| Restricted Stock Trust Fund | 14 | 14 |
| Total | \$ 221 | \$ 94 |
| September 30, 2019 | | |
| Private Equity Interests | \$ 65 | \$ 4 |
| LIHTC funds | 80 | 5 |
| Restricted Stock Trust Fund | 14 | 14 |
| Total | \$ 159 | \$ 23 |

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The following table presents information about the carrying value of the assets and liabilities of the VIEs which we consolidate and which are included on our Consolidated Statements of Financial Condition. Intercompany balances are eliminated in consolidation and not reflected in the following table.

| <i>\$ in millions</i> | September 30, | |
|--|---------------|---------------|
| | 2020 | 2019 |
| Assets: | | |
| Cash, cash equivalents and cash segregated pursuant to regulations | \$ 9 | \$ 7 |
| Other investments | 37 | 63 |
| Other assets | 164 | 75 |
| Total assets | \$ 210 | \$ 145 |
| Liabilities: | | |
| Other payables | \$ 76 | \$ 4 |
| Total liabilities | \$ 76 | \$ 4 |
| Noncontrolling interests | \$ 62 | \$ 60 |

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

As discussed in Note 2, we have concluded that for certain VIEs we are not the primary beneficiary and therefore do not consolidate these VIEs. Such VIEs include certain Private Equity Interests, certain LIHTC funds, and other limited partnerships. Our risk of loss for these VIEs is limited to our investments in, advances to, and/or receivables due from these VIEs.

Aggregate assets, liabilities and risk of loss

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

| <i>\$ in millions</i> | September 30, | | | | | |
|--------------------------|------------------|-----------------------|------------------|------------------|-----------------------|------------------|
| | 2020 | | | 2019 | | |
| | Aggregate assets | Aggregate liabilities | Our risk of loss | Aggregate assets | Aggregate liabilities | Our risk of loss |
| Private Equity Interests | \$ 7,738 | \$ 96 | \$ 67 | \$ 6,317 | \$ 117 | \$ 63 |
| LIHTC funds | 6,516 | 1,993 | 66 | 6,001 | 2,221 | 64 |
| Other | 227 | 136 | 6 | 205 | 115 | 4 |
| Total | \$ 14,481 | \$ 2,225 | \$ 139 | \$ 12,523 | \$ 2,453 | \$ 131 |

NOTE 9 - PROPERTY AND EQUIPMENT, NET

The following table presents the components of our property and equipment, net as of the dates indicated.

| <i>\$ in millions</i> | September 30, | |
|---|---------------|---------------|
| | 2020 | 2019 |
| Land | \$ 29 | \$ 29 |
| Software, including development in progress | 565 | 490 |
| Buildings, building components, leasehold and land improvements | 406 | 391 |
| Furniture, fixtures and equipment | 294 | 278 |
| Total property and equipment | 1,294 | 1,188 |
| Less: Accumulated depreciation and amortization | (759) | (661) |
| Total property and equipment, net | \$ 535 | \$ 527 |

Depreciation expense associated with property and equipment was \$52 million, \$48 million, and \$41 million for the years ended September 30, 2020, 2019, and 2018, respectively, and is included in "Occupancy and equipment" expense on our Consolidated Statements of Income and Comprehensive Income. Amortization expense associated with computer software was \$54 million, \$49 million, and \$44 million for the years ended September 30, 2020, 2019, and 2018, respectively, and is included in "Communications and information processing" expense on our Consolidated Statements of Income and Comprehensive Income. We also incur software licensing fees, which are also included in "Communications and information processing" expense on our Consolidated Statements of Income and Comprehensive Income.

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NOTE 10 - GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS, NET

Our goodwill and identifiable intangible assets result from various acquisitions. See Note 2 for a discussion of our goodwill and intangible assets accounting policies. The following table presents our goodwill and net identifiable intangible asset balances as of the dates indicated.

| <i>\$ in millions</i> | September 30, | |
|---|---------------|---------------|
| | 2020 | 2019 |
| Goodwill | \$ 466 | \$ 464 |
| Identifiable intangible assets, net | 134 | 147 |
| Total goodwill and identifiable intangible assets, net | \$ 600 | \$ 611 |

Goodwill

The following table summarizes our goodwill by segment and the balances and activity for the years indicated.

| <i>\$ in millions</i> | Private Client Group | Capital Markets | Asset Management | Total |
|--------------------------------------|----------------------|-----------------|------------------|---------------|
| Year ended September 30, 2020 | | | | |
| Goodwill as of beginning of year | \$ 275 | \$ 120 | \$ 69 | \$ 464 |
| Foreign currency translations | 2 | — | — | 2 |
| Goodwill as of end of year | <u>\$ 277</u> | <u>\$ 120</u> | <u>\$ 69</u> | <u>\$ 466</u> |
| Year ended September 30, 2019 | | | | |
| Goodwill as of beginning of year | \$ 276 | \$ 133 | \$ 69 | \$ 478 |
| Additions | — | 7 | — | 7 |
| Foreign currency translations | (1) | (1) | — | (2) |
| Impairment | — | (19) | — | (19) |
| Goodwill as of end of year | <u>\$ 275</u> | <u>\$ 120</u> | <u>\$ 69</u> | <u>\$ 464</u> |

The addition to goodwill during the year ended September 30, 2019 arose from our acquisition of Silver Lane Advisors LLC (“Silver Lane”) and primarily represents synergies from combining this entity with our existing business. The goodwill associated with Silver Lane is deductible for tax purposes over 15 years. The impairment to goodwill during the year ended September 30, 2019 represents a \$19 million impairment charge related to our Canadian Capital Markets business.

Qualitative assessments

As described in Note 2, we perform goodwill impairment testing on an annual basis or when an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. We performed our latest annual goodwill impairment testing as of our January 1, 2020 evaluation date, evaluating balances as of December 31, 2019. In that testing, we performed a qualitative assessment for each of our reporting units that had goodwill. Based upon the outcome of our qualitative assessments, no impairment was identified.

Our qualitative assessments consider macroeconomic indicators, such as trends in equity and fixed income markets, gross domestic product, unemployment rates, and interest rates. We also consider regulatory changes, reporting unit results, and changes in key personnel and strategy. Changes in these indicators, and our ability to respond to such changes, may trigger the need for impairment testing at a point other than our annual assessment date.

Subsequent to our annual goodwill impairment testing, the COVID-19 pandemic broadly impacted the operating environment and caused deterioration in market conditions, particularly toward the end of our fiscal second quarter. However, the operating environment toward the end of our fiscal year continued to recover and market conditions generally improved. We performed an evaluation to determine whether the economic impacts resulting from the pandemic were indicators requiring us to perform an impairment test as of September 30, 2020. Multiple factors, including performance, macroeconomic, and fair value indicators, were assessed with respect to each of our reporting units to determine whether it was more likely than not that the estimated fair value of any of these reporting units was less than its carrying value. As a result of our review, we concluded that it was more likely than not that the estimated fair values of our reporting units exceeded their respective carrying values and that the impact of the COVID-19 pandemic through the end of our fiscal year 2020 was not a triggering event to perform a quantitative assessment as of a date other than our annual evaluation date.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Identifiable intangible assets, net

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

| <i>\$ in millions</i> | Private Client Group | Capital Markets | Asset Management | Total |
|--|-------------------------|--------------------|---------------------|---------------|
| Year ended September 30, 2020 | | | | |
| Net identifiable intangible assets as of beginning of year | \$ 35 | \$ 17 | \$ 95 | \$ 147 |
| Amortization expense | (4) | (4) | (5) | (13) |
| Net identifiable intangible assets as of end of year | <u>\$ 31</u> | <u>\$ 13</u> | <u>\$ 90</u> | <u>\$ 134</u> |
| Year ended September 30, 2019 | | | | |
| Net identifiable intangible assets as of beginning of year | \$ 41 | \$ 20 | \$ 100 | \$ 161 |
| Additions | — | 1 | — | 1 |
| Amortization expense | (6) | (4) | (5) | (15) |
| Net identifiable intangible assets as of end of year | <u>\$ 35</u> | <u>\$ 17</u> | <u>\$ 95</u> | <u>\$ 147</u> |

The addition of intangible assets during the year ended September 30, 2019 was attributable to the acquisition of Silver Lane.

The following table summarizes our identifiable intangible assets by type.

| <i>\$ in millions</i> | September 30, | | | |
|---------------------------------------|-------------------------|-----------------------------|-------------------------|-----------------------------|
| | 2020 | | 2019 | |
| | Gross carrying value | Accumulated amortization | Gross carrying value | Accumulated amortization |
| Customer relationships | \$ 134 | \$ (61) | \$ 134 | \$ (50) |
| Non-amortizing customer relationships | 52 | — | 52 | — |
| Trade name | 10 | (4) | 12 | (5) |
| Seller relationship agreements | 4 | (2) | 5 | (3) |
| Other | 6 | (5) | 6 | (4) |
| Total | <u>\$ 206</u> | <u>\$ (72)</u> | <u>\$ 209</u> | <u>\$ (62)</u> |

The following table sets forth the projected amortization expense by fiscal year associated with our identifiable intangible assets with finite lives.

| Fiscal year ended September 30, | <i>\$ in millions</i> |
|---------------------------------|-----------------------|
| 2021 | \$ 12 |
| 2022 | 11 |
| 2023 | 10 |
| 2024 | 10 |
| 2025 | 8 |
| Thereafter | 31 |
| Total | <u>\$ 82</u> |

Qualitative assessments

As described in Note 2, we perform impairment testing for our non-amortizing customer relationship intangible asset on an annual basis or when an event occurs or circumstances change that would more likely than not reduce the fair value of the asset below its carrying value. We performed our latest annual impairment test as of our January 1, 2020 evaluation date, evaluating balances as of December 31, 2019. In that testing, we performed a qualitative assessment for our non-amortizing customer relationship intangible asset. Based upon the outcome of our qualitative assessment, no impairment was identified.

Subsequent to our annual impairment testing of our non-amortizing customer relationship intangible asset, we performed an evaluation to determine whether the economic impacts resulting from the COVID-19 pandemic were indicators requiring us to perform an impairment test as of September 30, 2020. In performing our assessment, we considered multiple factors, including macroeconomic and market conditions, performance, and relevant entity-specific events, among others, to determine whether it was more likely than not that the estimated fair value of the asset was less than its carrying value. As a result of our review, we concluded that it was more likely than not that the fair value of the non-amortizing customer relationship intangible asset exceeded its carrying value and that the impact of the COVID-19 pandemic through the end of our fiscal year 2020 was not a triggering event to perform a quantitative assessment as of a date other than our annual evaluation date.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES*Notes to Consolidated Financial Statements***NOTE 11 - OTHER ASSETS**

The following table details the components of other assets. See Note 2 for a discussion of the accounting policies related to these components.

| <i>\$ in millions</i> | September 30, | |
|---|----------------------|-----------------|
| | 2020 | 2019 |
| Investments in company-owned life insurance policies | \$ 773 | \$ 675 |
| Lease ROU assets | 321 | — |
| Investments in real estate partnerships held by consolidated variable interest entities | 164 | 75 |
| Prepaid expenses | 123 | 123 |
| Investment in FHLB stock | 52 | 52 |
| Investment in FRB stock | 25 | 25 |
| All other | 67 | 70 |
| Total other assets | \$ 1,525 | \$ 1,020 |

As of September 30, 2020, the cumulative face value of our company-owned life insurance policies was \$1.91 billion.

On October 1, 2019, we adopted new accounting guidance related to leases. See Notes 2 and 12 for further information about this guidance and for a discussion of our accounting policies related to leases.

NOTE 12 - LEASES

On October 1, 2019, we adopted new accounting guidance related to the accounting for leases. See Note 2 for further information about this guidance and for a discussion of our accounting policies related to leases.

As of September 30, 2020, our lease commitments resulted in ROU assets of \$321 million and lease liabilities of \$345 million, which were included in “Other assets” and “Other payables,” respectively, on our Consolidated Statements of Financial Condition. The weighted-average remaining lease term and discount-rate for our leases was five years and 3.86%, respectively, as of September 30, 2020.

Lease expense

Lease expense is recognized on a straight-line basis over the lease term if the ROU asset has not been impaired or abandoned.

The following table details the components of lease expense, which is included in “Occupancy and equipment” expense on our Consolidated Statements of Income and Comprehensive Income.

| <i>\$ in millions</i> | Year ended September 30, 2020 |
|-----------------------|--|
| Lease costs | \$ 98 |
| Variable lease costs | \$ 26 |

Variable lease costs in the preceding table includes payments for common area maintenance charges and other variable costs that are not reflected in the measurement of ROU assets and lease liabilities.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Lease liabilities

The maturities of lease liabilities as of September 30, 2020 are presented in the following table.

| Fiscal year ended September 30, | <i>\$ in millions</i> |
|---|-----------------------|
| 2021 | 97 |
| 2022 | 83 |
| 2023 | 65 |
| 2024 | 48 |
| 2025 | 34 |
| Thereafter | 55 |
| Gross lease payments | 382 |
| Less: interest | (37) |
| Present value of lease liabilities | \$ 345 |

Lease payments in the preceding table exclude \$201 million of legally binding minimum lease payments for leases signed but not yet commenced. These leases are estimated to commence between fiscal year 2021 and 2022 with lease terms ranging from five years to 11 years.

Statement of cash flows supplemental information

| <i>\$ in millions</i> | Year ended September 30, 2020 | |
|--|----------------------------------|-----|
| Cash outflows - lease liabilities | \$ | 101 |
| Non-cash - ROU assets recorded for new and modified leases | \$ | 74 |

Minimum future lease commitments (under previous GAAP)

As of the date of adoption, our undiscounted minimum annual rental commitments were materially unchanged from the disclosure in Note 17 of our 2019 Form 10-K, which is included in the following table.

| Fiscal year ended September 30, | <i>\$ in millions</i> |
|---------------------------------|-----------------------|
| 2020 | \$ 103 |
| 2021 | 95 |
| 2022 | 79 |
| 2023 | 66 |
| 2024 | 49 |
| Thereafter | 127 |
| Total | \$ 519 |

NOTE 13 – BANK DEPOSITS

Bank deposits include savings and money market accounts, certificates of deposit with RJ Bank, Negotiable Order of Withdrawal (“NOW”) accounts and demand deposits. The following table presents a summary of bank deposits, as well as the weighted-average interest rates on such deposits. The calculation of the weighted-average rates were based on the actual deposit balances and rates at each respective period end.

| <i>\$ in millions</i> | September 30, | | | |
|--|------------------|--------------------------|------------------|--------------------------|
| | 2020 | | 2019 | |
| | Balance | Weighted-average rate | Balance | Weighted-average rate |
| Savings and money market accounts | \$ 25,604 | 0.01 % | \$ 21,654 | 0.25 % |
| Certificates of deposit | 1,017 | 1.94 % | 605 | 2.33 % |
| NOW accounts | 156 | 1.92 % | 6 | 0.01 % |
| Demand deposits (non-interest-bearing) | 24 | — | 16 | — |
| Total bank deposits | \$ 26,801 | 0.09 % | \$ 22,281 | 0.31 % |

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Total bank deposits in the preceding table exclude affiliate deposits of \$185 million and \$163 million at September 30, 2020 and 2019, respectively, all of which were held in a deposit account at RJ Bank on behalf of RJF. See Note 25 for additional information.

Savings and money market accounts in the preceding table consist primarily of deposits that are cash balances swept to RJ Bank from the client investment accounts maintained at RJ&A. These balances are held in Federal Deposit Insurance Corporation (“FDIC”)-insured bank accounts through the RJB DP. The aggregate amount of individual time deposit account balances that exceeded the FDIC insurance limit at September 30, 2020 was \$23 million.

The following table sets forth the scheduled maturities of certificates of deposit.

| <i>\$ in millions</i> | September 30, | | | |
|--------------------------------------|--|--------------------------------------|--|--------------------------------------|
| | 2020 | | 2019 | |
| | Denominations greater than or equal to \$100,000 | Denominations less than \$100,000 | Denominations greater than or equal to \$100,000 | Denominations less than \$100,000 |
| Three months or less | \$ 59 | \$ 76 | \$ 24 | \$ 19 |
| Over three through six months | 26 | 18 | 26 | 21 |
| Over six through twelve months | 19 | 26 | 75 | 37 |
| Over one through two years | 43 | 206 | 32 | 36 |
| Over two through three years | 67 | 170 | 40 | 93 |
| Over three through four years | 37 | 165 | 66 | 47 |
| Over four through five years | 7 | 98 | 38 | 51 |
| Total certificates of deposit | \$ 258 | \$ 759 | \$ 301 | \$ 304 |

Interest expense on deposits, excluding interest expense related to affiliate deposits, is summarized in the following table.

| <i>\$ in millions</i> | Year ended September 30, | | |
|---|--------------------------|---------------|--------------|
| | 2020 | 2019 | 2018 |
| Savings, money market, and NOW accounts | \$ 21 | \$ 120 | \$ 60 |
| Certificates of deposit | 20 | 12 | 6 |
| Total interest expense on deposits | \$ 41 | \$ 132 | \$ 66 |

NOTE 14 – OTHER BORROWINGS

The following table details the components of other borrowings.

| <i>\$ in millions</i> | September 30, | |
|-------------------------------|---------------|---------------|
| | 2020 | 2019 |
| FHLB advances | \$ 875 | \$ 875 |
| Mortgage notes payable | 13 | 19 |
| Total other borrowings | \$ 888 | \$ 894 |

FHLB advances

Borrowings from the FHLB as of September 30, 2020 and 2019 were comprised of both floating and fixed-rate advances. As of September 30, 2020 and 2019, the floating-rate advances totaled \$850 million. The interest rates on the floating-rate advances, which mature in December 2022, reset quarterly and are generally based on LIBOR. We use interest rate swaps to manage the risk of increases in interest rates associated with these floating-rate advances by converting the balances subject to variable interest rates to a fixed interest rate. Refer to Note 2 for information regarding these interest rate swaps, which are accounted for as hedging instruments. As of both September 30, 2020 and 2019, the fixed-rate advance totaled \$25 million and incurred interest at a fixed rate of 3.4%. This advance matured and was repaid in October 2020. All of the advances were secured by a blanket lien granted to the FHLB on our residential mortgage loan portfolio. The weighted-average interest rate on these FHLB advances as of September 30, 2020 and 2019 was 0.45% and 2.17%, respectively.

Secured and unsecured financing arrangements

On February 19, 2019, RJF and RJ&A entered into an unsecured revolving credit facility agreement (the “Credit Facility”). The Credit Facility has a maturity date of February 2024 and the lenders include a number of financial institutions. This committed unsecured borrowing facility provides for maximum borrowings of up to \$500 million, with a sublimit of \$300

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

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million for RJF. RJ&A may borrow up to \$500 million under the Credit Facility, depending on the amount of outstanding borrowings of RJF. The interest rates on borrowings under the Credit Facility are variable and based on LIBOR, as adjusted for RJF's credit rating. There were no borrowings outstanding on the Credit Facility as of September 30, 2020. There is a facility fee associated with the Credit Facility, which also varies with RJF's credit rating. Based upon RJF's credit rating as of September 30, 2020, the variable rate facility fee, which is applied to the committed amount, was 0.175% per annum.

In addition to the Credit Facility, we maintain various secured and unsecured lines of credit, which are generally utilized to finance certain fixed income securities or for cash management purposes. Borrowings during the year were generally day-to-day and there were no borrowings outstanding on these arrangements as of September 30, 2020. The interest rates for these arrangements are variable and are based on the Fed Funds rate, LIBOR, a lender's prime rate, or the Canadian prime rate, as applicable.

We also have other collateralized financings included in "Collateralized financings" on our Consolidated Statements of Financial Condition. See Note 6 for information regarding our other collateralized financing arrangements.

Mortgage notes payable

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

Maturities

Our other borrowings as of September 30, 2020, mature as follows based on their contractual terms.

| Fiscal year ended September 30, | <i>\$ in millions</i> |
|--|-----------------------|
| 2021 | \$ 30 |
| 2022 | 6 |
| 2023 | 852 |
| Total | \$ 888 |

NOTE 15 – SENIOR NOTES PAYABLE

The following table summarizes our senior notes payable.

| <i>\$ in millions</i> | September 30, | |
|---------------------------------|----------------------|-----------------|
| | 2020 | 2019 |
| 5.625% senior notes, due 2024 | \$ 250 | \$ 250 |
| 3.625% senior notes, due 2026 | 500 | 500 |
| 4.65% senior notes, due 2030 | 500 | — |
| 4.95% senior notes, due 2046 | 800 | 800 |
| Total principal amount | 2,050 | 1,550 |
| Unaccreted premium/(discount) | 10 | 11 |
| Unamortized debt issuance costs | (15) | (11) |
| Total senior notes payable | \$ 2,045 | \$ 1,550 |

In March 2012, we sold in a registered underwritten public offering \$250 million in aggregate principal amount of 5.625% senior notes due April 2024. Interest on these senior notes is payable semi-annually. We may redeem some or all of these senior notes at any time prior to their maturity, at a redemption price equal to the greater of (i) 100% of the principal amount of the notes redeemed, or (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon, discounted to the redemption date at a discount rate equal to a designated U.S. Treasury rate, plus 50 basis points, plus accrued and unpaid interest thereon to the redemption date.

In July 2016, we sold in a registered underwritten public offering \$500 million in aggregate principal amount of 3.625% senior notes due September 2026. Interest on these senior notes is payable semi-annually. We may redeem some or all of these senior notes at any time prior to their maturity, at a redemption price equal to the greater of (i) 100% of the principal amount of the notes redeemed, or (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon,

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discounted to the redemption date at a discount rate equal to a designated U.S. Treasury rate, plus 35 basis points, plus accrued and unpaid interest thereon to the redemption date.

In March 2020, we sold in a registered underwritten public offering \$500 million in aggregate principal amount of 4.65% senior notes due April 2030. Interest on these senior notes is payable semi-annually. We may redeem some or all of these senior notes at any time prior to January 1, 2030, at a redemption price equal to the greater of (i) 100% of the principal amount of the notes redeemed, or (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon, discounted to the redemption date at a discount rate equal to a designated U.S. Treasury rate, plus 50 basis points; and on or after January 1, 2030, at 100% of the principal amount of the notes redeemed; plus, in each case, accrued and unpaid interest thereon to the redemption date.

In July 2016, we sold in a registered underwritten public offering \$300 million in aggregate principal amount of 4.95% senior notes due July 2046. In May 2017, we reopened the offering and sold, in a registered underwritten public offering, an additional \$500 million in aggregate principal amount of 4.95% senior notes due July 2046. These additional senior notes were consolidated, formed into a single series, and are fully fungible with the \$300 million in aggregate principal amount 4.95% senior notes issued in July 2016. Interest on these senior notes is payable semi-annually. We may redeem some or all of these senior notes at any time prior to their maturity, at a redemption price equal to the greater of (i) 100% of the principal amount of the notes redeemed, or (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon, discounted to the redemption date at a discount rate equal to a designated U.S. Treasury rate, plus 45 basis points, plus accrued and unpaid interest thereon to the redemption date.

NOTE 16 – INCOME TAXES

For a discussion of our income tax accounting policies and other income tax-related information see Note 2.

Income taxes

The following table details the total income tax provision/(benefit) allocation for each respective period.

| <i>\$ in millions</i> | Year ended September 30, | | |
|---|---------------------------------|---------------|---------------|
| | 2020 | 2019 | 2018 |
| Recorded in: | | | |
| Net income ⁽¹⁾ | \$ 234 | \$ 341 | \$ 454 |
| Equity, arising from available-for-sale securities recorded through OCI | 23 | 27 | (19) |
| Equity, arising from currency translations, net of the impact of net investment hedges recorded through OCI | 2 | 7 | 10 |
| Equity, arising from cash flow hedges recorded through OCI | (12) | (23) | 15 |
| Total provision for income taxes | \$ 247 | \$ 352 | \$ 460 |

- (1) Our provision for income taxes for the year ended September 30, 2018 included \$105 million related to the enactment of the Tax Cuts and Jobs Act (“Tax Act”) in December 2017, primarily due to the remeasurement of U.S. deferred tax assets at a lower enacted federal corporate tax rate.

The following table details our provision/(benefit) for income taxes included in net income for each respective period.

| <i>\$ in millions</i> | Year ended September 30, | | |
|---|---------------------------------|---------------|---------------|
| | 2020 | 2019 | 2018 |
| Current: | | | |
| Federal | \$ 215 | \$ 286 | \$ 258 |
| State and local | 49 | 63 | 65 |
| Foreign | 9 | 15 | 14 |
| Total current | 273 | 364 | 337 |
| Deferred: | | | |
| Federal | (36) | (22) | 121 |
| State and local | (3) | (1) | (4) |
| Total deferred | (39) | (23) | 117 |
| Total provision for income taxes | \$ 234 | \$ 341 | \$ 454 |

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A reconciliation of the U.S. federal statutory income tax rate to our effective income tax rate is detailed in the following table.

| | Year ended September 30, | | |
|---|--------------------------|---------------|---------------|
| | 2020 | 2019 | 2018 |
| Provision calculated at statutory rate | 21.0 % | 21.0 % | 24.5 % |
| Impact of Tax Act | — | 0.1 % | 8.1 % |
| State income tax, net of federal benefit | 3.6 % | 3.6 % | 3.9 % |
| Excess tax benefits related to share-based compensation | (0.6)% | (0.4)% | (0.9)% |
| Gains on company-owned life insurance policies which are not subject to tax | (1.0)% | (0.1)% | (0.7)% |
| Federal tax credits | (1.1)% | (0.9)% | (0.7)% |
| Other, net | 0.3 % | 1.5 % | 0.6 % |
| Total provision for income tax | 22.2 % | 24.8 % | 34.8 % |

Our U.S. federal statutory tax rate for the year ended September 30, 2018 of 24.5% reflected a blended federal statutory rate of 35.0% for our first fiscal quarter and 21.0% for the remaining three fiscal quarters as a result of the Tax Act.

The following table presents our U.S. and foreign components of pre-tax income for each respective period.

| <i>\$ in millions</i> | Year ended September 30, | | |
|-----------------------|--------------------------|-----------------|-----------------|
| | 2020 | 2019 | 2018 |
| U.S. | \$ 1,019 | \$ 1,340 | \$ 1,268 |
| Foreign | 33 | 35 | 43 |
| Pre-tax income | \$ 1,052 | \$ 1,375 | \$ 1,311 |

The cumulative effects of temporary differences that give rise to significant portions of the deferred tax asset/(liability) items are detailed in the following table.

| <i>\$ in millions</i> | September 30, | |
|--|---------------|---------------|
| | 2020 | 2019 |
| Deferred tax assets: | | |
| Deferred compensation | \$ 229 | \$ 192 |
| Allowances for loan losses and reserves for unfunded commitments | 89 | 56 |
| Unrealized loss associated with foreign currency translations | 8 | 10 |
| Unrealized loss associated with cash flow hedges | 18 | 6 |
| Accrued expenses | 34 | 35 |
| Partnership investments | 13 | 12 |
| Lease liabilities | 80 | — |
| Other | 16 | 12 |
| Total deferred tax assets | 487 | 323 |
| Deferred tax liabilities: | | |
| Goodwill and identifiable intangible assets | (34) | (28) |
| Property and equipment | (81) | (57) |
| Lease ROU assets | (80) | — |
| Unrealized gain associated with available-for-sale securities | (30) | (7) |
| Total deferred tax liabilities | (225) | (92) |
| Net deferred tax assets | \$ 262 | \$ 231 |

We had a net deferred tax asset at both September 30, 2020 and 2019. We believe that the realization of the net deferred tax asset of \$262 million is more likely than not based on expectations of future taxable income.

As of September 30, 2020, we considered nearly all undistributed earnings of non-U.S. subsidiaries to be permanently reinvested. Therefore, we have not provided for any U.S. deferred income taxes related to such subsidiaries. As of September 30, 2020, we had approximately \$311 million of cumulative undistributed earnings attributable to foreign subsidiaries, most of which were subject to U.S. tax under the transition tax on foreign earnings under the Tax Act. Because the time and manner of repatriation is uncertain, we cannot determine the impact of local taxes, withholding taxes and foreign tax credits associated with the future repatriation of such earnings, and therefore, cannot quantify the tax liability that would be payable in the event all such foreign earnings are repatriated.

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As of September 30, 2020, the current tax receivable, which is included in “Other receivables” on our Consolidated Statements of Financial Condition, was \$17 million, and the current tax payable, which is included in “Other payables,” was \$82 million. As of September 30, 2019, the current tax receivable was \$22 million and the current tax payable was \$49 million.

Uncertain tax positions

We recognize the accrual of interest and penalties related to income tax matters in interest expense and other expense, respectively. As of September 30, 2020 and 2019, accrued interest and penalties were approximately \$8 million and \$6 million, respectively.

The following table presents the aggregate changes in the balances for uncertain tax positions.

| <i>\$ in millions</i> | Year ended September 30, | | |
|---|--------------------------|--------------|--------------|
| | 2020 | 2019 | 2018 |
| Uncertain tax positions beginning of year | \$ 42 | \$ 31 | \$ 20 |
| Increases for tax positions related to the current year | 5 | 11 | 5 |
| Increases for tax positions related to prior years | 3 | 7 | 10 |
| Decreases for tax positions related to prior years | (1) | — | (1) |
| Decreases due to lapsed statute of limitations | (4) | (2) | (3) |
| Decreases related to settlements | — | (5) | — |
| Uncertain tax positions end of year | <u>\$ 45</u> | <u>\$ 42</u> | <u>\$ 31</u> |

The total amount of uncertain tax positions that, if recognized, would impact the effective tax rate (the items included in the preceding table after considering the federal tax benefit associated with any state tax provisions) was \$40 million, \$38 million, and \$27 million at September 30, 2020, 2019 and 2018, respectively. We anticipate that the uncertain tax position liability balance will decrease by approximately \$8 million over the next 12 months due to the expiration of statutes of limitations on federal and state tax returns and settlements of positions with the IRS.

We file U.S. federal income tax returns as well as returns with various state, local and foreign jurisdictions. With few exceptions, we are generally no longer subject to U.S. federal, state and local, or foreign income tax examination by tax authorities for years prior to fiscal year 2017 for federal tax returns, fiscal year 2016 for state and local tax returns and fiscal year 2016 for foreign tax returns. Various foreign and state audits in process are expected to be completed in fiscal year 2021.

NOTE 17 – COMMITMENTS, CONTINGENCIES AND GUARANTEES

Commitments and contingencies

Loan and underwriting commitments

In the normal course of business, we enter into commitments for debt and equity underwritings. As of September 30, 2020, we had six such open underwriting commitments, of which all but one were subsequently settled in open market transactions and none of which resulted in a significant loss.

We offer loans to prospective financial advisors and certain key revenue producers primarily for recruiting, transitional cost assistance, and retention purposes (see Note 2 for a discussion of our accounting policies governing these transactions). These offers are contingent upon certain events occurring, including the individuals joining us and meeting certain conditions outlined in their offer. Our unfunded loan commitments related to such offers were \$15 million as of September 30, 2020.

Commitments to extend credit and other credit-related financial instruments

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

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

| <i>\$ in millions</i> | September 30, | |
|---|---------------|----------|
| | 2020 | 2019 |
| Open-end consumer lines of credit (primarily SBL) | \$ 12,148 | \$ 9,328 |
| Commercial lines of credit | \$ 1,482 | \$ 1,527 |
| Unfunded loan commitments | \$ 532 | \$ 599 |
| Standby letters of credit | \$ 33 | \$ 40 |

Open-end consumer lines of credit primarily represent the unfunded amounts of RJ Bank loans to consumers that are secured by marketable securities at advance rates consistent with industry standards. The proceeds from repayment or, if necessary, the liquidation of collateral, which is monitored daily, are expected to satisfy the amounts drawn against these existing lines of credit. These lines of credit are primarily uncommitted, as we reserve the right to not make any advances or may terminate these lines at any time.

Because many of our lending commitments expire without being funded in whole or in part, the contractual amounts are not estimates of our actual future credit exposure or future liquidity requirements. We maintain a reserve to provide for potential losses related to the unfunded lending commitments. See Note 7 for further discussion of this reserve for unfunded lending commitments.

RJ&A enters into margin lending arrangements which allow customers to borrow against the value of qualifying securities. Margin loans are collateralized by the securities held in the customer's account at RJ&A. Collateral levels and established credit terms are monitored daily and we require customers to deposit additional collateral or reduce balances as necessary.

Investment commitments

We had unfunded commitments to various investments, including private equity investments and certain RJ Bank investments, of \$36 million as of September 30, 2020.

Other commitments

RJTCF sells investments in project partnerships to various LIHTC funds, which have third-party investors, and for which RJTCF serves as the managing member or general partner. RJTCF typically sells investments in project partnerships to LIHTC funds within 90 days of their acquisition. Until such investments are sold to LIHTC funds, RJTCF is responsible for funding investment commitments to such partnerships. As of September 30, 2020, RJTCF had committed approximately \$56 million to project partnerships that had not yet been sold to LIHTC funds. Because we expect to sell these project partnerships to LIHTC funds and the equity funding events arise over future periods, the contractual commitments are not expected to materially impact our future liquidity requirements. RJTCF may also make short-term loans or advances to project partnerships and LIHTC funds.

As a part of our fixed income public finance operations, we enter into forward commitments to purchase agency MBS. See Note 2 for further discussion of these activities. At September 30, 2020, we had \$443 million of principal amount of outstanding forward MBS purchase commitments, which were expected to be purchased within 90 days following commitment. In order to hedge the market interest rate risk to which we would otherwise be exposed between the date of the commitment and the date of sale of the MBS, we enter into TBA security contracts with investors for generic MBS at specific rates and prices to be delivered on settlement dates in the future. We may be subject to loss if the timing of, or the actual amount of, the MBS differs significantly from the term and notional amount of the TBA security contract to which we entered. These TBA securities and related purchase commitments are accounted for at fair value. As of September 30, 2020, the fair value of the TBA securities and the estimated fair value of the purchase commitments were insignificant.

For information regarding our lease commitments, including the maturities of our lease liabilities, see Note 12.

Guarantees

Our U.S. broker-dealer subsidiaries are required by federal law to be members of the Securities Investors Protection Corporation ("SIPC"). The SIPC fund provides protection up to \$500 thousand per client for securities and cash held in client accounts, including a limitation of \$250 thousand on claims for cash balances. We have purchased excess SIPC coverage through various syndicates of Lloyd's of London. For RJ&A, our clearing broker-dealer, the additional protection currently

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

provided has an aggregate firm limit of \$750 million for cash and securities, including a sub-limit of \$1.9 million per client for cash above basic SIPC. Account protection applies when a SIPC member fails financially and is unable to meet its obligations to clients. This coverage does not protect against market fluctuations. RJF has provided an indemnity to Lloyd's of London against any and all losses they may incur associated with the excess SIPC policies.

We guarantee the debt of one of our private equity investments. The amount of such debt, including the undrawn portion of a revolving credit facility, was \$13 million as of September 30, 2020. The debt, which matures in 2022, is secured by substantially all of the assets of the borrower.

Legal and regulatory matter contingencies

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

RJF and certain of its subsidiaries are subject to regular reviews and inspections by regulatory authorities and self-regulatory organizations. Reviews can result in the imposition of sanctions for regulatory violations, ranging from non-monetary censures to fines and, in serious cases, temporary or permanent suspension from conducting business, or limitations on certain business activities. In addition, regulatory agencies and self-regulatory organizations institute investigations from time to time, among other things, into industry practices, which can also result in the imposition of such sanctions.

We may contest liability and/or the amount of damages, as appropriate, in each pending matter. Over the last several years, the level of litigation and investigatory activity (both formal and informal) by government and self-regulatory agencies in the financial services industry continues to be significant. There can be no assurance that material losses will not be incurred from claims that have not yet been asserted or are not yet determined to be material.

For many legal and regulatory matters, we are unable to estimate a range of reasonably possible loss as we cannot predict if, how or when such proceedings or investigations will be resolved or what the eventual settlement, fine, penalty or other relief, if any, may be. A large number of factors may contribute to this inherent unpredictability: the proceeding is in its early stages; the damages sought are unspecified, unsupported or uncertain; it is unclear whether a case brought as a class action will be allowed to proceed on that basis; the other party is seeking relief other than or in addition to compensatory damages (including, in the case of regulatory and governmental proceedings, potential fines and penalties); the matters present significant legal uncertainties; we have not engaged in settlement discussions; discovery is not complete; there are significant facts in dispute; and numerous parties are named as defendants (including where it is uncertain how liability might be shared among defendants). Subject to the foregoing, after consultation with counsel, we believe that the outcome of such litigation and regulatory proceedings will not have a material adverse effect on our consolidated financial condition. However, the outcome of such litigation and regulatory proceedings could be material to our operating results and cash flows for a particular future period, depending on, among other things, our revenues or income for such period.

There are certain matters for which we are unable to estimate the upper end of the range of reasonably possible loss. With respect to legal and regulatory matters for which management has been able to estimate a range of reasonably possible loss as of September 30, 2020, we estimated the upper end of the range of reasonably possible aggregate loss to be approximately \$120 million in excess of the aggregate accruals for such matters. Refer to Note 2 for a discussion of our criteria for recognizing liabilities for contingencies.

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

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
NOTE 18 – ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

All of the components of OCI, net of tax, were attributable to RJF. The following table presents the net change in AOCI as well as the changes, and the related tax effects, of each component of AOCI.

| <i>\$ in millions</i> | Net investment hedges | Currency translations | Subtotal: net investment hedges and currency translations | Available-for- sale securities | Cash flow hedges | Total |
|--|-----------------------------|--------------------------|--|-----------------------------------|---------------------|----------------|
| Year ended September 30, 2020 | | | | | | |
| AOCI as of beginning of year | \$ 110 | \$ (135) | \$ (25) | \$ 21 | \$ (19) | \$ (23) |
| OCI: | | | | | | |
| OCI before reclassifications and taxes | 7 | (5) | 2 | 94 | (51) | 45 |
| Amounts reclassified from AOCI, before tax | — | — | — | (3) | 5 | 2 |
| Pre-tax net OCI | 7 | (5) | 2 | 91 | (46) | 47 |
| Income tax effect | (2) | — | (2) | (23) | 12 | (13) |
| OCI for the year, net of tax | 5 | (5) | — | 68 | (34) | 34 |
| AOCI as of end of year | <u>\$ 115</u> | <u>\$ (140)</u> | <u>\$ (25)</u> | <u>\$ 89</u> | <u>\$ (53)</u> | <u>\$ 11</u> |
| Year ended September 30, 2019 | | | | | | |
| AOCI as of beginning of year | \$ 88 | \$ (111) | \$ (23) | \$ (46) | \$ 42 | \$ (27) |
| Cumulative effect of adoption of ASU 2016-01 | — | — | — | (4) | — | (4) |
| OCI: | | | | | | |
| OCI before reclassifications and taxes | 29 | (24) | 5 | 98 | (79) | 24 |
| Amounts reclassified from AOCI, before tax | — | — | — | — | (5) | (5) |
| Pre-tax net OCI | 29 | (24) | 5 | 98 | (84) | 19 |
| Income tax effect | (7) | — | (7) | (27) | 23 | (11) |
| OCI for the year, net of tax | 22 | (24) | (2) | 71 | (61) | 8 |
| AOCI as of end of year | <u>\$ 110</u> | <u>\$ (135)</u> | <u>\$ (25)</u> | <u>\$ 21</u> | <u>\$ (19)</u> | <u>\$ (23)</u> |

As of October 1, 2018, we adopted accounting guidance (ASU 2016-01) that generally requires changes in the fair value of equity securities to be recorded in net income. Accordingly, as of the date of adoption, we reclassified a cumulative unrealized gain on such securities, net of tax, from AOCI to retained earnings.

Reclassifications from AOCI to net income, excluding taxes, for the year ended September 30, 2020 were recorded in “Other” revenue and “Interest expense” on the Consolidated Statements of Income and Comprehensive Income. Reclassifications from AOCI to net income, excluding taxes, for the year ended September 30, 2019 were recorded in “Interest expense” on the Consolidated Statements of Income and Comprehensive Income.

Our net investment hedges and cash flow hedges relate to our derivatives associated with RJ Bank’s business operations. See Notes 2 and 5 for additional information on these derivatives.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
NOTE 19 - REVENUES

The following tables present our sources of revenues by segment. For further information about our significant accounting policies related to revenue recognition, see Note 2. See Note 24 for additional information on our segment results.

| | Year ended September 30, 2020 | | | | | |
|--|-------------------------------|-----------------|------------------|---------------|-------------------------------------|-----------------|
| <i>\$ in millions</i> | Private Client Group | Capital Markets | Asset Management | RJ Bank | Other and intersegment eliminations | Total |
| Revenues: | | | | | | |
| Asset management and related administrative fees | \$ 3,162 | \$ 7 | \$ 688 | \$ — | \$ (23) | \$ 3,834 |
| Brokerage revenues: | | | | | | |
| Securities commissions: | | | | | | |
| Mutual and other fund products | 567 | 7 | 8 | — | (3) | 579 |
| Insurance and annuity products | 397 | — | — | — | — | 397 |
| Equities, ETFs and fixed income products | 355 | 137 | — | — | — | 492 |
| Subtotal securities commissions | 1,319 | 144 | 8 | — | (3) | 1,468 |
| Principal transactions ⁽¹⁾ | 64 | 427 | — | 1 | (4) | 488 |
| Total brokerage revenues | 1,383 | 571 | 8 | 1 | (7) | 1,956 |
| Account and services fees: | | | | | | |
| Mutual fund and annuity service fees | 348 | — | 1 | — | (1) | 348 |
| RJBDP fees | 330 | 1 | — | — | (181) | 150 |
| Client account and other fees | 129 | 5 | 15 | — | (23) | 126 |
| Total account and service fees | 807 | 6 | 16 | — | (205) | 624 |
| Investment banking: | | | | | | |
| Merger & acquisition and advisory | — | 290 | — | — | — | 290 |
| Equity underwriting | 41 | 185 | — | — | 1 | 227 |
| Debt underwriting | — | 133 | — | — | — | 133 |
| Total investment banking | 41 | 608 | — | — | 1 | 650 |
| Other: | | | | | | |
| Tax credit fund revenues | — | 83 | — | — | — | 83 |
| All other ⁽¹⁾ | 27 | 7 | 2 | 26 | (41) | 21 |
| Total other | 27 | 90 | 2 | 26 | (41) | 104 |
| Total non-interest revenues | 5,420 | 1,282 | 714 | 27 | (275) | 7,168 |
| Interest income ⁽¹⁾ | 155 | 25 | 1 | 800 | 19 | 1,000 |
| Total revenues | 5,575 | 1,307 | 715 | 827 | (256) | 8,168 |
| Interest expense | (23) | (16) | — | (62) | (77) | (178) |
| Net revenues | \$ 5,552 | \$ 1,291 | \$ 715 | \$ 765 | \$ (333) | \$ 7,990 |

(1) These revenues are generally not in scope of the accounting guidance for revenue from contracts with customers.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Year ended September 30, 2019

| <i>\$ in millions</i> | Private Client Group | Capital Markets | Asset Management | RJ Bank | Other and intersegment eliminations | Total |
|--|----------------------|-----------------|------------------|---------------|-------------------------------------|-----------------|
| Revenues: | | | | | | |
| Asset management and related administrative fees | \$ 2,820 | \$ 6 | \$ 645 | \$ — | \$ (20) | \$ 3,451 |
| Brokerage revenues: | | | | | | |
| Securities commissions: | | | | | | |
| Mutual and other fund products | 599 | 6 | 10 | — | (4) | 611 |
| Insurance and annuity products | 412 | — | — | — | — | 412 |
| Equities, ETFs and fixed income products | 304 | 123 | — | — | — | 427 |
| Subtotal securities commissions | 1,315 | 129 | 10 | — | (4) | 1,450 |
| Principal transactions ⁽¹⁾ | 74 | 285 | — | — | (2) | 357 |
| Total brokerage revenues | 1,389 | 414 | 10 | — | (6) | 1,807 |
| Account and services fees: | | | | | | |
| Mutual fund and annuity service fees | 334 | — | 2 | — | (10) | 326 |
| RJBDP fees | 453 | — | 3 | — | (176) | 280 |
| Client account and other fees | 122 | 5 | 26 | — | (21) | 132 |
| Total account and service fees | 909 | 5 | 31 | — | (207) | 738 |
| Investment banking: | | | | | | |
| Merger & acquisition and advisory | — | 379 | — | — | — | 379 |
| Equity underwriting | 32 | 100 | — | — | — | 132 |
| Debt underwriting | — | 85 | — | — | — | 85 |
| Total investment banking | 32 | 564 | — | — | — | 596 |
| Other: | | | | | | |
| Tax credit fund revenues | — | 86 | — | — | — | 86 |
| All other ⁽¹⁾ | 26 | 4 | 2 | 26 | 6 | 64 |
| Total other | 26 | 90 | 2 | 26 | 6 | 150 |
| Total non-interest revenues | 5,176 | 1,079 | 688 | 26 | (227) | 6,742 |
| Interest income ⁽¹⁾ | 225 | 38 | 3 | 975 | 40 | 1,281 |
| Total revenues | 5,401 | 1,117 | 691 | 1,001 | (187) | 8,023 |
| Interest expense | (42) | (34) | — | (155) | (52) | (283) |
| Net revenues | \$ 5,359 | \$ 1,083 | \$ 691 | \$ 846 | \$ (239) | \$ 7,740 |

(1) These revenues are generally not in scope of the accounting guidance for revenue from contracts with customers.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Year ended September 30, 2018

| <i>\$ in millions</i> | Private Client Group | Capital Markets | Asset Management | RJ Bank | Other and intersegment eliminations | Total |
|--|----------------------|-----------------|------------------|---------------|-------------------------------------|-----------------|
| Revenues: | | | | | | |
| Asset management and related administrative fees | \$ 2,517 | \$ 8 | \$ 610 | \$ — | \$ (16) | \$ 3,119 |
| Brokerage revenues: | | | | | | |
| Securities commissions: | | | | | | |
| Mutual and other fund products | 703 | 7 | 12 | — | (5) | 717 |
| Insurance and annuity products | 414 | — | — | — | — | 414 |
| Equities, ETFs and fixed income products | 352 | 145 | — | — | (2) | 495 |
| Subtotal securities commissions | 1,469 | 152 | 12 | — | (7) | 1,626 |
| Principal transactions ⁽¹⁾ | 80 | 249 | — | 1 | (1) | 329 |
| Total brokerage revenues | 1,549 | 401 | 12 | 1 | (8) | 1,955 |
| Account and services fees: | | | | | | |
| Mutual fund and annuity service fees | 332 | — | 2 | — | (9) | 325 |
| RJBDP fees | 354 | — | 3 | — | (92) | 265 |
| Client account and other fees | 111 | 5 | 23 | — | (16) | 123 |
| Total account and service fees | 797 | 5 | 28 | — | (117) | 713 |
| Investment banking: | | | | | | |
| Merger & acquisition and advisory | — | 312 | — | — | — | 312 |
| Equity underwriting | 35 | 93 | — | — | — | 128 |
| Debt underwriting | — | 61 | — | — | — | 61 |
| Total investment banking | 35 | 466 | — | — | — | 501 |
| Other: | | | | | | |
| Tax credit fund revenues | — | 79 | — | — | — | 79 |
| All other ⁽¹⁾ | 30 | 1 | 2 | 22 | 10 | 65 |
| Total other | 30 | 80 | 2 | 22 | 10 | 144 |
| Total non-interest revenues | 4,928 | 960 | 652 | 23 | (131) | 6,432 |
| Interest income ⁽¹⁾ | 193 | 32 | 2 | 793 | 24 | 1,044 |
| Total revenues | 5,121 | 992 | 654 | 816 | (107) | 7,476 |
| Interest expense | (28) | (28) | — | (89) | (57) | (202) |
| Net revenues | \$ 5,093 | \$ 964 | \$ 654 | \$ 727 | \$ (164) | \$ 7,274 |

(1) These revenues are generally not in scope of the accounting guidance for revenue from contracts with customers.

At September 30, 2020 and September 30, 2019, net receivables related to contracts with customers were \$342 million and \$347 million, respectively.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

NOTE 20 – INTEREST INCOME AND INTEREST EXPENSE

The following table details the components of interest income and interest expense.

| <i>\$ in millions</i> | Year ended September 30, | | |
|---|--------------------------|---------------|---------------|
| | 2020 | 2019 | 2018 |
| Interest income: | | | |
| Assets segregated pursuant to regulations | \$ 28 | \$ 59 | \$ 53 |
| Trading instruments | 20 | 26 | 23 |
| Available-for-sale securities | 83 | 69 | 52 |
| Margin loans | 84 | 122 | 107 |
| Bank loans, net of unearned income and deferred expenses | 702 | 871 | 722 |
| Loans to financial advisors | 20 | 18 | 15 |
| Corporate cash and all other | 63 | 116 | 72 |
| Total interest income | 1,000 | 1,281 | 1,044 |
| Interest expense: | | | |
| Bank deposits | 41 | 132 | 66 |
| Trading instruments sold but not yet purchased | 3 | 7 | 7 |
| Brokerage client payables | 11 | 21 | 15 |
| Other borrowings | 20 | 21 | 22 |
| Senior notes payable | 85 | 73 | 73 |
| Other | 18 | 29 | 19 |
| Total interest expense | 178 | 283 | 202 |
| Net interest income | 822 | 998 | 842 |
| Bank loan loss provision | (233) | (22) | (20) |
| Net interest income after bank loan loss provision | \$ 589 | \$ 976 | \$ 822 |

Interest expense related to bank deposits in the preceding table excludes interest expense associated with affiliate deposits, which has been eliminated in consolidation.

NOTE 21 - SHARE-BASED AND OTHER COMPENSATION

Share-based compensation plans

We have one share-based compensation plan for our employees, Board of Directors and independent contractor financial advisors. The Amended and Restated 2012 Stock Incentive Plan (the “2012 Plan”) authorizes us to grant 52.2 million new shares, including the shares available for grant under six predecessor plans. As of September 30, 2020, 15.5 million shares were available under the 2012 Plan. Generally, we reissue our treasury shares under the 2012 Plan; however, we are also permitted to issue new shares. Our share-based compensation accounting policies are described in Note 2.

Stock options granted and outstanding to our employees and independent contractors as of September 30, 2020 and the related expense for the years ended September 30, 2020, 2019 and 2018 were insignificant, as we generally ceased issuing stock options in our fiscal third quarter of 2019 and have instead issued RSUs. Cash received from stock option exercises during the year ended September 30, 2020 was \$28 million.

RSU awards

We may grant awards under the 2012 Plan in connection with initial employment or under various retention programs for individuals who are responsible for contributing to our management, growth, and/or profitability. Through our Canadian subsidiary, we established the Restricted Stock Trust Fund, which we funded to enable the trust fund to acquire our common stock in the open market to be used to settle RSUs granted as a retention vehicle for certain employees of our Canadian subsidiaries. We may also grant awards to officers and certain other employees in lieu of cash for 10% to 50% of annual bonus amounts in excess of \$250,000. Under the plan, the awards are generally restricted for a three- to five-year period, during which time the awards are forfeitable in the event of termination other than for death, disability or retirement.

We grant RSUs annually to non-employee members of our Board of Directors. The RSUs granted to these Directors vest over a 1-year period from their grant date or upon retirement from our Board.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following table presents the RSU award activity, which includes grants to employees and members of our Board of Directors, for the year ended September 30, 2020.

| | Shares/Units (in millions) | Weighted- average grant date fair value (per share) |
|------------------------------------|-------------------------------|---|
| Non-vested as of beginning of year | 5.0 | \$ 74.08 |
| Granted | 1.7 | \$ 87.30 |
| Vested | (1.3) | \$ 66.48 |
| Forfeited | (0.1) | \$ 82.08 |
| Non-vested as of end of year | <u>5.3</u> | <u>\$ 80.15</u> |

The following table presents expense and income tax benefits related to our RSUs granted to our employees and members of our Board of Directors for the periods indicated.

| <i>\$ in millions</i> | Year ended September 30, | | |
|--|--------------------------|--------|-------|
| | 2020 | 2019 | 2018 |
| Total share-based expense | \$ 110 | \$ 101 | \$ 89 |
| Income tax benefits related to share-based expense | \$ 25 | \$ 23 | \$ 23 |

For the year ended September 30, 2020, we realized \$27 million of excess tax benefits related to our RSUs, which favorably impacted income tax expense on our Consolidated Statements of Income and Comprehensive Income. See Note 16 for additional information regarding income taxes.

As of September 30, 2020, there was \$176 million of total pre-tax compensation costs not yet recognized (net of estimated forfeitures) related to RSUs granted to employees and members of our Board of Directors. These costs are expected to be recognized over a weighted-average period of approximately three years. The following RSU activity occurred for the periods indicated.

| <i>\$ in millions, except per unit award amounts</i> | Year ended September 30, | | |
|---|--------------------------|----------|----------|
| | 2020 | 2019 | 2018 |
| Weighted-average grant date fair value per unit award | \$ 87.30 | \$ 76.72 | \$ 87.33 |
| Total fair value of shares and unit awards vested | \$ 83 | \$ 63 | \$ 51 |

Employee stock purchase plan

Under the 2003 Employee Stock Purchase Plan, we are authorized to issue up to 7.4 million shares of common stock to our full-time employees, nearly all of whom are eligible to participate. Under the terms of the plan, share purchases in any calendar year are limited to the lesser of 1,000 shares or shares with a fair value of \$25,000. The purchase price of the stock is 85% of the average high and low market price on the day prior to the purchase date. Under the plan, we sold approximately 466 thousand, 424 thousand and 336 thousand shares to employees during the years ended September 30, 2020, 2019 and 2018, respectively. The compensation cost is calculated as the value of the 15% discount from market value and was \$5 million for each of the years ended September 30, 2020, 2019 and 2018.

Employee other compensation

Our profit sharing plan and employee stock ownership plan (“ESOP”) provide certain death, disability or retirement benefits for all employees who meet certain service requirements. The plans are noncontributory. Our contributions, if any, are determined annually by our Board of Directors on a discretionary basis and are recognized as compensation expense throughout the year. Benefits become fully vested after five years of qualified service, at 65, or if a participant separates from service due to death or disability.

All shares owned by the ESOP are included in earnings per share calculations. Cash dividends paid to the ESOP are reflected as a reduction of retained earnings. The number of shares of our common stock held by the ESOP at September 30, 2020 and 2019 was 4.7 million and 4.6 million, respectively. The market value of our common stock held by the ESOP at September 30, 2020 was \$341 million, of which \$5 million was unearned (not yet vested) by ESOP plan participants.

We also offer a plan pursuant to section 401(k) of the Internal Revenue Code, which is a qualified plan that may provide for a discretionary contribution or a matching contribution each year. Matching contributions are 75% of the first \$1,000 and 25% of the next \$1,000 of eligible compensation deferred by each participant annually.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Our LTIP is a non-qualified deferred compensation plan that provides benefits to employees who meet certain compensation or production requirements. We have purchased and hold life insurance on the lives of certain current and former employee participants to earn a competitive rate of return for participants and to provide the primary source of funds available to satisfy our obligations under this plan. See Note 11 for information regarding the carrying value of these company-owned life insurance policies.

Contributions to the qualified plans and the LTIP are approved annually by the Board of Directors or a committee thereof.

We have the VDCP, a non-qualified and voluntary opportunity for certain highly compensated employees to defer compensation. Eligible participants may elect to defer a percentage or specific dollar amount of their compensation into the VDCP. Company-owned life insurance is the primary source of funding for this plan.

Compensation expense associated with all of the qualified and non-qualified plans previously described totaled \$149 million, \$162 million and \$154 million for the fiscal years ended September 30, 2020, 2019 and 2018, respectively.

Non-employee other compensation

We offer non-qualified deferred compensation plans that provide benefits to our independent contractor financial advisors who meet certain production requirements. Company-owned life insurance is the primary source of funding for this plan. The contributions are made in amounts approved annually by management.

Certain independent contractor financial advisors are also eligible to participate in our VDCP. Eligible participants may elect to defer a percentage or specific dollar amount of their compensation into the VDCP. Company-owned life insurance is the primary source of funding for this plan.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

NOTE 22 – REGULATORY CAPITAL REQUIREMENTS

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

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

RJF and RJ Bank are required to maintain minimum amounts and ratios of Total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), Tier 1 capital to average assets (as defined), and under rules defined under the Basel III capital framework, Common equity Tier 1 capital (“CET1”) to risk-weighted assets. RJF and RJ Bank each calculate these ratios under the Basel III standardized approach in order to assess compliance with both regulatory requirements and their internal capital policies. In order to maintain our ability to take certain capital actions, including dividends and common equity repurchases, and to make bonus payments, we must hold a capital conservation buffer above our minimum risk-based capital requirements. As of September 30, 2020, both RJF’s and RJ Bank’s capital levels exceeded the capital conservation buffer requirement and were each categorized as “well-capitalized.”

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

| <i>\$ in millions</i> | Actual | | Requirement for capital adequacy purposes | | To be well-capitalized under regulatory provisions | |
|--------------------------------------|----------|--------|---|-------|--|--------|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| RJF as of September 30, 2020: | | | | | | |
| CET1 | \$ 6,490 | 24.2 % | \$ 1,208 | 4.5 % | \$ 1,744 | 6.5 % |
| Tier 1 capital | \$ 6,490 | 24.2 % | \$ 1,610 | 6.0 % | \$ 2,147 | 8.0 % |
| Total capital | \$ 6,804 | 25.4 % | \$ 2,147 | 8.0 % | \$ 2,684 | 10.0 % |
| Tier 1 leverage | \$ 6,490 | 14.2 % | \$ 1,824 | 4.0 % | \$ 2,280 | 5.0 % |
| RJF as of September 30, 2019: | | | | | | |
| CET1 | \$ 5,971 | 24.8 % | \$ 1,085 | 4.5 % | \$ 1,567 | 6.5 % |
| Tier 1 capital | \$ 5,971 | 24.8 % | \$ 1,446 | 6.0 % | \$ 1,928 | 8.0 % |
| Total capital | \$ 6,207 | 25.8 % | \$ 1,928 | 8.0 % | \$ 2,410 | 10.0 % |
| Tier 1 leverage | \$ 5,971 | 15.7 % | \$ 1,525 | 4.0 % | \$ 1,906 | 5.0 % |

RJF’s Tier 1 and Total capital ratios at September 30, 2020 decreased compared to September 30, 2019, due to an increase in risk-weighted assets, partially offset by an increase in equity. The increase in risk-weighted assets was primarily due to growth in cash and cash equivalents segregated pursuant to regulations, available-for-sale securities held at RJ Bank and the residential loan portfolio, as well as the impact of higher market volatility on our market risk-weighted assets, partially offset by a decrease in the C&I loan portfolio. The increase in equity reflected positive earnings during the year, net of share repurchases and dividends. RJF’s Tier 1 leverage ratio at September 30, 2020 decreased compared to September 30, 2019, due to growth of average assets, primarily cash, cash and cash equivalents segregated pursuant to regulations and available-for-sale securities held at RJ Bank, partially offset by the aforementioned change in equity.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

| <i>\$ in millions</i> | Actual | | Requirement for capital adequacy purposes | | To be well-capitalized under regulatory provisions | |
|--|----------|--------|---|-------|--|--------|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| RJ Bank as of September 30, 2020: | | | | | | |
| CET1 | \$ 2,279 | 13.0 % | \$ 788 | 4.5 % | \$ 1,138 | 6.5 % |
| Tier 1 capital | \$ 2,279 | 13.0 % | \$ 1,051 | 6.0 % | \$ 1,401 | 8.0 % |
| Total capital | \$ 2,500 | 14.3 % | \$ 1,401 | 8.0 % | \$ 1,751 | 10.0 % |
| Tier 1 leverage | \$ 2,279 | 7.7 % | \$ 1,183 | 4.0 % | \$ 1,479 | 5.0 % |
| RJ Bank as of September 30, 2019: | | | | | | |
| CET1 | \$ 2,246 | 13.2 % | \$ 764 | 4.5 % | \$ 1,103 | 6.5 % |
| Tier 1 capital | \$ 2,246 | 13.2 % | \$ 1,018 | 6.0 % | \$ 1,358 | 8.0 % |
| Total capital | \$ 2,458 | 14.5 % | \$ 1,358 | 8.0 % | \$ 1,697 | 10.0 % |
| Tier 1 leverage | \$ 2,246 | 8.8 % | \$ 1,021 | 4.0 % | \$ 1,276 | 5.0 % |

RJ Bank’s Tier 1 capital and Total capital ratios at September 30, 2020 decreased compared to September 30, 2019, primarily due to the growth in available-for-sale securities and residential loans, net of decreases in C&I loans. RJ Bank’s Tier 1 leverage ratio at September 30, 2020 decreased compared to September 30, 2019, due to the growth in average assets, primarily related to available-for-sale securities.

Our intention is to maintain RJ Bank’s “well-capitalized” status. In the unlikely event that RJ Bank failed to maintain its “well-capitalized” status, the consequences could include a requirement to obtain a waiver from the FDIC prior to acceptance, renewal, or rollover of brokered deposits and higher FDIC premiums but would not significantly impact on our operations.

RJ Bank may pay dividends to RJF without prior approval of its regulator as long as the dividend does not exceed the sum of RJ Bank’s current calendar year and the previous two calendar years’ retained net income, and RJ Bank maintains its targeted regulatory capital ratios. Dividends from RJ Bank may be limited to the extent that capital is needed to support its balance sheet growth.

Certain of our broker-dealer subsidiaries are subject to the requirements of the Uniform Net Capital Rule (Rule 15c3-1) under the Securities Exchange Act of 1934. As a member firm of the Financial Industry Regulatory Authority (“FINRA”), RJ&A is subject to FINRA’s capital requirements, which are substantially the same as Rule 15c3-1. Rule 15c3-1 provides for an “alternative net capital requirement,” which RJ&A has elected. Regulations require that minimum net capital, as defined, be equal to the greater of \$1.5 million or 2% of aggregate debit items arising from client balances. FINRA may impose certain restrictions, such as restricting withdrawals of equity capital, if a member firm were to fall below a certain threshold or fail to meet minimum net capital requirements. The following table presents the net capital position of RJ&A.

| <i>\$ in millions</i> | September 30, | |
|---|-----------------|-----------------|
| | 2020 | 2019 |
| Raymond James & Associates, Inc.: | | |
| (Alternative Method elected) | | |
| Net capital as a percent of aggregate debit items | 48.0 % | 39.7 % |
| Net capital | \$ 1,245 | \$ 1,056 |
| Less: required net capital | (52) | (53) |
| Excess net capital | \$ 1,193 | \$ 1,003 |

As of September 30, 2020, RJ Trust, RJFS, RJ Ltd. and all of our other active regulated domestic and international subsidiaries were in compliance with and exceeded all applicable capital requirements.

RJF expects to continue paying cash dividends. However, the payment and rate of dividends on our common stock are subject to several factors including our operating results, financial and regulatory requirements or restrictions, and the availability of funds from our subsidiaries, including our broker-dealer and bank subsidiaries, which may also be subject to restrictions under regulatory capital rules. The availability of funds from subsidiaries may also be subject to restrictions contained in loan covenants of certain broker-dealer loan agreements and restrictions by bank regulators on dividends to the parent from RJ Bank.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
NOTE 23 – EARNINGS PER SHARE

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

| <i>\$ in millions, except per share amounts</i> | Year ended September 30, | | |
|--|---------------------------------|-----------------|----------------|
| | 2020 | 2019 | 2018 |
| Income for basic earnings per common share: | | | |
| Net income | \$ 818 | \$ 1,034 | \$ 857 |
| Less allocation of earnings and dividends to participating securities | (1) | (2) | (1) |
| Net income attributable to RJF common shareholders | <u>\$ 817</u> | <u>\$ 1,032</u> | <u>\$ 856</u> |
| Income for diluted earnings per common share: | | | |
| Net income | \$ 818 | \$ 1,034 | \$ 857 |
| Less allocation of earnings and dividends to participating securities | (1) | (2) | (1) |
| Net income attributable to RJF common shareholders | <u>\$ 817</u> | <u>\$ 1,032</u> | <u>\$ 856</u> |
| Common shares: | | | |
| Average common shares in basic computation | 137.6 | 141.0 | 145.3 |
| Dilutive effect of outstanding stock options and certain RSUs | 2.6 | 3.0 | 3.5 |
| Average common shares used in diluted computation | <u>140.2</u> | <u>144.0</u> | <u>148.8</u> |
| Earnings per common share: | | | |
| Basic | <u>\$ 5.94</u> | <u>\$ 7.32</u> | <u>\$ 5.89</u> |
| Diluted | <u>\$ 5.83</u> | <u>\$ 7.17</u> | <u>\$ 5.75</u> |
| Stock options and certain RSUs excluded from weighted-average diluted common shares because their effect would be antidilutive | 1.6 | 0.4 | 0.5 |

The allocation of earnings and dividends to participating securities in the preceding table represents dividends paid during the year to participating securities plus an allocation of undistributed earnings to participating securities. Participating securities represent unvested restricted stock and certain RSUs. Participating securities and related dividends paid on these participating securities were insignificant for the years ended September 30, 2020, 2019 and 2018. Undistributed earnings are allocated to participating securities based upon their right to share in earnings if all earnings for the period had been distributed.

Dividends per common share declared and paid are detailed in the following table for each respective period.

| | Year ended September 30, | | |
|---------------------------------------|---------------------------------|----------------|----------------|
| | 2020 | 2019 | 2018 |
| Dividends per common share - declared | \$ 1.48 | \$ 1.36 | \$ 1.10 |
| Dividends per common share - paid | <u>\$ 1.45</u> | <u>\$ 1.32</u> | <u>\$ 1.02</u> |

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

NOTE 24 – SEGMENT INFORMATION

We currently operate through the following five segments: PCG; Capital Markets; Asset Management; RJ Bank; and Other.

The segments are determined based upon factors such as the services provided and the distribution channels served and are consistent with how we assess performance and determine how to allocate our resources. The financial results of our segments are presented using the same policies as those described in Note 2. Segment results include allocations of most corporate overhead and benefits expenses to each segment. Refer to the following discussion of the Other segment for a description of the corporate expenses that are not allocated to segments. Intersegment revenues, expenses, receivables and payables are eliminated upon consolidation.

The PCG segment provides financial planning, investment advisory and securities transaction services through a branch office network throughout the U.S., Canada and the United Kingdom. The PCG segment includes revenues from securities transaction services, including the sale of equities, mutual funds, fixed income products, and insurance and annuity products to retail clients. In addition, this segment includes revenues from investment advisory services for which we charge either a fee computed as a percentage of assets in a client's account or a flat period fee. The segment includes servicing fee revenues from mutual fund and annuity companies whose products we distribute and from banks to which we sweep clients' cash in the RJBDF, our multi-bank sweep program. The segment also includes net interest earnings primarily on client margin loans and cash balances.

Our Capital Markets segment conducts institutional sales, securities trading, equity research, investment banking and the syndication and management of investments that qualify for tax credits. We primarily conduct these activities in the U.S., Canada and Europe.

Our Asset Management segment earns asset management and related administrative fees for providing asset management, portfolio management and related administrative services to retail and institutional clients. This segment oversees a portion of our fee-based assets under administration for our PCG clients through our Asset Management Services division and through RJ Trust. This segment also provides asset management services through Carillon Tower Advisers and affiliates (collectively, "Carillon Tower Advisers") for certain retail accounts managed on behalf of third-party institutions, institutional accounts and proprietary mutual funds that we manage.

RJ Bank provides various types of loans, including corporate loans, tax-exempt loans, residential loans, SBL and other loans. RJ Bank is active in corporate loan syndications and participations and also provides FDIC-insured deposit accounts, including to clients of our broker-dealer subsidiaries. RJ Bank generates net interest income principally through the interest income earned on loans and an investment portfolio of securities, which is offset by the interest expense it pays on client deposits and on its borrowings.

The Other segment includes the results of our private equity investments, interest income on certain corporate cash balances, and certain corporate overhead costs of RJF that are not allocated to operating segments, including the interest costs on our public debt. The Other segment also includes expenses related to our reduction in workforce during the fiscal fourth quarter of 2020.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The following tables present information concerning operations in these segments.

| <i>\$ in millions</i> | Year ended September 30, | | |
|--------------------------------|---------------------------------|-----------------|-----------------|
| | 2020 | 2019 | 2018 |
| Net revenues: | | | |
| Private Client Group | \$ 5,552 | \$ 5,359 | \$ 5,093 |
| Capital Markets | 1,291 | 1,083 | 964 |
| Asset Management | 715 | 691 | 654 |
| RJ Bank | 765 | 846 | 727 |
| Other | (82) | 5 | (15) |
| Intersegment eliminations | (251) | (244) | (149) |
| Total net revenues | \$ 7,990 | \$ 7,740 | \$ 7,274 |
| Pre-tax income/(loss): | | | |
| Private Client Group | \$ 539 | \$ 579 | \$ 576 |
| Capital Markets ⁽¹⁾ | 225 | 110 | 91 |
| Asset Management | 284 | 253 | 235 |
| RJ Bank | 196 | 515 | 492 |
| Other ⁽²⁾ | (192) | (82) | (83) |
| Total pre-tax income | \$ 1,052 | \$ 1,375 | \$ 1,311 |

- (1) The year ended September 30, 2020 includes a \$7 million loss related to the pending disposition of our interests in certain entities that operate predominantly in France. The year ended September 30, 2019 includes a \$15 million loss on the sale of our operations related to research, sales and trading of European equities, as well as a \$19 million goodwill impairment charge related to our Canadian Capital Markets business.
- (2) The year ended September 30, 2020 includes reduction in workforce expenses of \$46 million associated with position eliminations that occurred in our fiscal fourth quarter of 2020 in response to the economic environment. These expenses primarily consist of severance and related payroll expenses, as well as expenses related to company-paid benefits.

No individual client accounted for more than ten percent of revenues in any of the years presented.

The following table presents our net interest income on a segment basis.

| <i>\$ in millions</i> | Year ended September 30, | | |
|---------------------------------------|---------------------------------|---------------|---------------|
| | 2020 | 2019 | 2018 |
| Net interest income/(expense): | | | |
| Private Client Group | \$ 132 | \$ 183 | \$ 165 |
| Capital Markets | 9 | 4 | 4 |
| Asset Management | 1 | 3 | 2 |
| RJ Bank | 738 | 820 | 704 |
| Other and intersegment eliminations | (58) | (12) | (33) |
| Net interest income | \$ 822 | \$ 998 | \$ 842 |

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

| <i>\$ in millions</i> | September 30, | |
|-----------------------|----------------------|------------------|
| | 2020 | 2019 |
| Total assets: | | |
| Private Client Group | \$ 12,574 | \$ 9,042 |
| Capital Markets | 2,336 | 2,287 |
| Asset Management | 380 | 401 |
| RJ Bank | 30,356 | 25,516 |
| Other | 1,836 | 1,584 |
| Total | \$ 47,482 | \$ 38,830 |

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following table presents goodwill, which was included in our total assets, on a segment basis.

| <i>\$ in millions</i> | September 30, | |
|-----------------------|---------------|---------------|
| | 2020 | 2019 |
| Goodwill: | | |
| Private Client Group | \$ 277 | \$ 275 |
| Capital Markets | 120 | 120 |
| Asset Management | 69 | 69 |
| Total | \$ 466 | \$ 464 |

We have operations in the U.S., Canada and Europe. Substantially all long-lived assets are located in the U.S. The following table presents our net revenues and pre-tax income classified by major geographic area in which they were earned.

| <i>\$ in millions</i> | Year ended September 30, | | |
|-------------------------------|--------------------------|-----------------|-----------------|
| | 2020 | 2019 | 2018 |
| Net revenues: | | | |
| U.S. | \$ 7,446 | \$ 7,211 | \$ 6,754 |
| Canada | 386 | 391 | 381 |
| Europe | 158 | 138 | 139 |
| Total | \$ 7,990 | \$ 7,740 | \$ 7,274 |
| Pre-tax income/(loss): | | | |
| U.S. | \$ 1,028 | \$ 1,356 | \$ 1,269 |
| Canada | 29 | 29 | 47 |
| Europe ⁽¹⁾ | (5) | (10) | (5) |
| Total | \$ 1,052 | \$ 1,375 | \$ 1,311 |

- (1) The pre-tax loss in Europe for the year ended September 30, 2020 reflects a \$7 million loss related to the pending disposition of our interests in certain entities that operate predominantly in France. The pre-tax loss in Europe for the year ended September 30, 2019 reflects a \$15 million loss on the sale of our operations related to research, sales and trading of European equities. These losses were recorded in our Capital Markets segment.

The following table presents our total assets by major geographic area in which they were held.

| <i>\$ in millions</i> | September 30, | |
|-----------------------|------------------|------------------|
| | 2020 | 2019 |
| Total assets: | | |
| U.S. | \$ 44,090 | \$ 35,978 |
| Canada | 3,260 | 2,754 |
| Europe | 132 | 98 |
| Total | \$ 47,482 | \$ 38,830 |

The following table presents goodwill, which was included in our total assets, classified by major geographic area in which it was held.

| <i>\$ in millions</i> | September 30, | |
|-----------------------|---------------|---------------|
| | 2020 | 2019 |
| Goodwill: | | |
| U.S. | \$ 433 | \$ 433 |
| Canada | 24 | 23 |
| Europe | 9 | 8 |
| Total | \$ 466 | \$ 464 |

During the year ended September 30, 2019, we recognized an impairment charge of \$19 million related to our Canadian Capital Markets business. See Note 10 for a discussion of our goodwill impairment testing.

NOTE 25 – CONDENSED FINANCIAL INFORMATION (PARENT COMPANY ONLY)

As more fully described in Note 1, RJF (or the “Parent”) is a financial holding company whose subsidiaries are engaged in various financial services activities. The Parent’s primary activities include investments in subsidiaries and corporate investments, including cash management, company-owned life insurance policies and private equity investments. The primary source of operating cash available to the Parent is provided by dividends from its subsidiaries.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

RJ&A, our principal domestic broker-dealer subsidiary of the Parent, is required by regulations to maintain a minimum amount of net capital. Other broker-dealer, non-bank subsidiaries of the Parent are also required by regulations to maintain a minimum amount of net capital, but the net capital requirements of those other subsidiaries are much less significant. RJ&A is further required by certain covenants in its borrowing agreements to maintain minimum net capital equal to 10% of aggregate debit balances. At September 30, 2020, each of these broker-dealer subsidiaries exceeded their minimum net capital requirements (see Note 22 for further information).

Net assets of approximately \$3.30 billion as of September 30, 2020 were restricted under regulatory or other restrictions from being transferred from certain subsidiaries to the Parent without prior approval of the respective entities' regulator.

Cash and cash equivalents of \$2.16 billion and \$1.35 billion as of September 30, 2020 and 2019, respectively, were held directly by RJF in depository accounts at third-party financial institutions, held in depository accounts at RJ Bank, or were otherwise invested by one of our subsidiaries on behalf of RJF. The amount held in depository accounts at RJ Bank was \$185 million as of September 30, 2020, of which \$108 million was available on demand without restriction. As of September 30, 2019, \$163 million was held in depository accounts at RJ Bank, of which \$107 million was available on demand without restriction.

See Notes 14, 15, 17 and 22 for more information regarding borrowings, commitments, contingencies and guarantees, and regulatory capital requirements of the Parent and its subsidiaries.

The following table presents the Parent's statements of financial condition.

| <i>\$ in millions</i> | September 30, | |
|--|----------------------|-----------------|
| | 2020 | 2019 |
| Assets: | | |
| Cash and cash equivalents | \$ 478 | \$ 540 |
| Assets segregated pursuant to regulations | 78 | 57 |
| Intercompany receivables from subsidiaries (primarily non-bank subsidiaries) | 1,903 | 1,143 |
| Investments in consolidated subsidiaries: | | |
| Bank subsidiary | 2,315 | 2,248 |
| Non-bank subsidiaries | 4,306 | 4,093 |
| Property and equipment, net | 14 | 14 |
| Goodwill and identifiable intangible assets, net | 32 | 32 |
| Other assets | 804 | 728 |
| Total assets | \$ 9,930 | \$ 8,855 |
| Liabilities and equity: | | |
| Accrued compensation and benefits | \$ 596 | \$ 514 |
| Intercompany payables to subsidiaries: | | |
| Bank subsidiary | 21 | — |
| Non-bank subsidiaries | 28 | 119 |
| Other payables | 126 | 91 |
| Senior notes payable | 2,045 | 1,550 |
| Total liabilities | 2,816 | 2,274 |
| Equity | 7,114 | 6,581 |
| Total liabilities and equity | \$ 9,930 | \$ 8,855 |

Of the total intercompany receivable from non-bank subsidiaries, \$1.70 billion and \$827 million at September 30, 2020 and 2019, respectively, was invested in cash and cash equivalents by the subsidiary on behalf of the Parent.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The following table presents the Parent's statements of income.

| <i>\$ in millions</i> | Year ended September 30, | | |
|--|---------------------------------|----------|--------|
| | 2020 | 2019 | 2018 |
| Revenues: | | | |
| Dividends from non-bank subsidiaries | \$ 634 | \$ 632 | \$ 225 |
| Dividends from bank subsidiary | 130 | 190 | 130 |
| Interest from subsidiaries | 18 | 31 | 25 |
| Interest income | 3 | 7 | 4 |
| Other | 23 | 20 | 20 |
| Total revenues | 808 | 880 | 404 |
| Interest expense | (87) | (75) | (74) |
| Net revenues | 721 | 805 | 330 |
| Non-interest expenses: | | | |
| Compensation and benefits ⁽¹⁾ | 63 | 73 | 68 |
| Non-compensations expenses: | | | |
| Communications and information processing | 6 | 8 | 9 |
| Occupancy and equipment | 1 | 1 | 1 |
| Business development | 18 | 20 | 20 |
| Other | 23 | 16 | 17 |
| Intercompany allocations and charges | (16) | (24) | (32) |
| Total non-compensation expenses | 32 | 21 | 15 |
| Total non-interest expenses | 95 | 94 | 83 |
| Pre-tax income before equity in undistributed net income of subsidiaries | 626 | 711 | 247 |
| Income tax benefit | (58) | (31) | (12) |
| Income before equity in undistributed net income of subsidiaries | 684 | 742 | 259 |
| Equity in undistributed net income of subsidiaries | 134 | 292 | 598 |
| Net income | \$ 818 | \$ 1,034 | \$ 857 |

- (1) The year ended September 30, 2020 includes the portion of the reduction in workforce expenses incurred during the fiscal fourth quarter of 2020 that relates to the Parent.

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Notes to Consolidated Financial Statements

The following table presents the Parent's statements of cash flows.

| <i>\$ in millions</i> | Year ended September 30, | | |
|---|---------------------------------|---------------|---------------|
| | 2020 | 2019 | 2018 |
| Cash flows from operating activities: | | | |
| Net income | \$ 818 | \$ 1,034 | \$ 857 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Loss on investments | 4 | 4 | 1 |
| Unrealized gain on company-owned life insurance policies, net of expenses | (50) | (5) | (37) |
| Equity in undistributed net income of subsidiaries | (134) | (292) | (598) |
| Other | 102 | 100 | 114 |
| Net change in: | | | |
| Assets segregated pursuant to regulations | — | — | (1) |
| Intercompany receivables | 126 | (51) | 6 |
| Other assets | 24 | (16) | 49 |
| Intercompany payables | (70) | (22) | 88 |
| Other payables | 24 | (1) | 13 |
| Accrued compensation and benefits | 73 | 34 | 66 |
| Net cash provided by operating activities | 917 | 785 | 558 |
| Cash flows from investing activities: | | | |
| Investments in subsidiaries | (106) | (24) | (205) |
| (Advances to)/repayments from subsidiaries, net | (885) | 63 | 4 |
| Proceeds from sales of investments | 9 | 3 | 12 |
| Purchase of investments in company-owned life insurance policies, net | (55) | (44) | (70) |
| Net cash used in investing activities | (1,037) | (2) | (259) |
| Cash flows from financing activities: | | | |
| Proceeds from borrowing on the RJF Credit Facility | — | 300 | 300 |
| Repayment of borrowings on the RJF Credit Facility | — | (300) | (300) |
| Proceeds from senior note issuances, net of debt issuance costs paid | 494 | — | — |
| Exercise of stock options and employee stock purchases | 62 | 65 | 63 |
| Purchase of treasury stock | (272) | (778) | (62) |
| Dividends on common stock | (205) | (191) | (151) |
| Net cash provided by/(used in) financing activities | 79 | (904) | (150) |
| Net increase/(decrease) in cash and cash equivalents | (41) | (121) | 149 |
| Cash, cash equivalents, and cash segregated pursuant to regulations at beginning of year | 596 | 717 | 568 |
| Cash, cash equivalents, and cash segregated pursuant to regulations at end of year | \$ 555 | \$ 596 | \$ 717 |
| Cash and cash equivalents | \$ 478 | \$ 540 | \$ 695 |
| Cash segregated pursuant to regulations | 77 | 56 | 22 |
| Total cash, cash equivalents, and cash segregated pursuant to regulations at end of year | \$ 555 | \$ 596 | \$ 717 |
| Supplemental disclosures of cash flow information: | | | |
| Cash paid for interest | \$ 72 | \$ 78 | \$ 78 |
| Cash paid for income taxes, net | \$ 32 | \$ 42 | \$ 163 |
| Supplemental disclosures of noncash activity: | | | |
| Investments in subsidiaries, net | \$ — | \$ (43) | \$ — |

SUPPLEMENTARY DATA:

SELECTED QUARTERLY FINANCIAL DATA

(unaudited)

| <i>in millions, except per share amounts</i> | Fiscal Year 2020 | | | |
|--|------------------|-------------|-------------|-------------|
| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
| Net revenues | \$ 2,009 | \$ 2,068 | \$ 1,834 | \$ 2,079 |
| Non-interest expenses | \$ 1,650 | \$ 1,829 | \$ 1,636 | \$ 1,823 |
| Pre-tax income | \$ 359 | \$ 239 | \$ 198 | \$ 256 |
| Net income | \$ 268 | \$ 169 | \$ 172 | \$ 209 |
| Earnings per common share - basic | \$ 1.93 | \$ 1.22 | \$ 1.25 | \$ 1.53 |
| Earnings per common share - diluted | \$ 1.89 | \$ 1.20 | \$ 1.23 | \$ 1.50 |
| Dividends per common share - declared | \$ 0.37 | \$ 0.37 | \$ 0.37 | \$ 0.37 |

| <i>in millions, except per share amounts</i> | Fiscal Year 2019 | | | |
|--|------------------|-------------|-------------|-------------|
| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
| Net revenues | \$ 1,931 | \$ 1,859 | \$ 1,927 | \$ 2,023 |
| Non-interest expenses | \$ 1,599 | \$ 1,512 | \$ 1,585 | \$ 1,669 |
| Pre-tax income | \$ 332 | \$ 347 | \$ 342 | \$ 354 |
| Net income | \$ 249 | \$ 261 | \$ 259 | \$ 265 |
| Earnings per common share - basic | \$ 1.73 | \$ 1.85 | \$ 1.84 | \$ 1.90 |
| Earnings per common share - diluted | \$ 1.69 | \$ 1.81 | \$ 1.80 | \$ 1.86 |
| Dividends per common share - declared | \$ 0.34 | \$ 0.34 | \$ 0.34 | \$ 0.34 |

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls are procedures designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, such as this report, are recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls are also designed to ensure that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives, as ours are designed to do, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to Securities Exchange Act of 1934 Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the year ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Management on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with accounting principles generally accepted in the United States. Internal control over financial reporting includes maintaining records that, in reasonable detail, accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements; providing

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

reasonable assurance that receipts and expenditures of our assets are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control - Integrated Framework (2013)* issued by COSO. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of September 30, 2020. KPMG LLP, who audited and reported on our consolidated financial statements included in this report, has issued an attestation report on our internal control over financial reporting as of September 30, 2020 (included as follows).

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Raymond James Financial, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Raymond James Financial, Inc. and subsidiaries' (the Company) internal control over financial reporting as of September 30, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial condition of the Company as of September 30, 2020 and 2019, the related consolidated statements of income and comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended September 30, 2020, and the related notes (collectively, the consolidated financial statements), and our report dated November 24, 2020 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Tampa, Florida
November 24, 2020

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

A list of our executive officers appears in Part I, Item 1 of this report. The balance of the information required by Item 10 is incorporated herein by reference to the registrant’s definitive proxy statement for the 2021 Annual Meeting of Shareholders which will be filed with the SEC no later than 120 days after the close of the fiscal year ended September 30, 2020.

ITEMS 11, 12, 13 and 14.

The information required by Items 11, 12, 13 and 14 is incorporated herein by reference to the registrant’s definitive proxy statement for the 2021 Annual Meeting of Shareholders which will be filed with the SEC no later than 120 days after the close of the fiscal year ended September 30, 2020.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements and Schedules

The financial statements are set forth under Item 8 of this Annual Report on Form 10-K. Financial statement schedules have been omitted since they are either not required, not applicable, or the information is otherwise included.

(b) Exhibit listing

See below and continued on the following pages.

| Exhibit Number | Description |
|-----------------------|---|
| 3.1 | Restated Articles of Incorporation of Raymond James Financial, Inc. as filed with the Secretary of State of Florida on November 25, 2008, incorporated by reference to Exhibit 3(i).1 to the Company’s Annual Report on Form 10-K, filed with the Securities and Exchange Commission on November 28, 2008. |
| 3.2 | Amended and Restated By-Laws of Raymond James Financial, Inc., reflecting amendments adopted by the Board of Directors on November 30, 2017, incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 5, 2017. |
| 4.1 | Description of Capital Stock, incorporated by reference to Exhibit 4.1 to the Company’s Annual Report on Form 10-K, filed with the Securities and Exchange Commission on November 26, 2019. |
| 4.2.1 | Indenture, dated as of August 10, 2009 for Senior Debt Securities, between Raymond James Financial, Inc. and The Bank of New York Mellon Trust Company, N.A., incorporated by reference to Exhibit 4.2 to the Company’s Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on August 10, 2009. |
| 4.2.2 | Fourth Supplemental Indenture, dated as of March 26, 2012, for the 5.625% Senior Notes Due 2024, between Raymond James Financial, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee, incorporated by reference to Exhibit 4.1 to the Company’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 26, 2012. |
| 4.2.3 | Fifth Supplemental Indenture, dated as of July 12, 2016, for the 3.625% Senior Notes Due 2026, between Raymond James Financial, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee, incorporated by reference to Exhibit 4.1 to the Company’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 12, 2016. |
| 4.2.4 | Sixth Supplemental Indenture, dated as of July 12, 2016, for the 4.950% Senior Notes Due 2046, between Raymond James Financial, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee, incorporated by reference to Exhibit 4.2 to the Company’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 12, 2016. |
| 4.2.5 | Sixth (Reopening) Supplemental Indenture, dated as of May 10, 2017, for the 4.950% Senior Notes due 2046, between Raymond James Financial, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee, incorporated by reference to Exhibit 4.1 to the Company’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 10, 2017. |
| 4.2.6 | Seventh Supplemental Indenture, dated as of March 31, 2020, for the 4.650% Senior Notes due 2030, between Raymond James Financial, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee, incorporated by reference to Exhibit 4.2 to the Company’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 31, 2020. |
| 10.1 | * Raymond James Financial, Inc. 2002 Incentive Stock Option Plan, effective February 14, 2002, incorporated by reference to Exhibit 4.1 to the Company’s Registration Statement on Form S-8, No. 333-98537, filed with the Securities and Exchange Commission on August 22, 2002. |
| 10.2 | Mortgage Agreement, dated as of December 13, 2002, incorporated by reference to Exhibit 10.10 to the Company’s Annual Report on Form 10-K, filed with the Securities and Exchange Commission on December 23, 2002. |

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

| Exhibit Number | Description |
|-----------------------|---|
| 10.3 | * <u>Composite Version of 2005 Raymond James Financial, Inc. Restricted Stock Plan (as amended on December 10, 2010), incorporated by reference to Appendix A to the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders held February 24, 2011, filed with the Securities and Exchange Commission on January 18, 2011.</u> |
| 10.4 | <u>Stock Purchase Agreement, dated January 11, 2012, between Raymond James Financial, Inc. and Regions Financial Corporation (excluding certain exhibits and schedules), incorporated by reference to Exhibit 10.19 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on January 12, 2012.</u> |
| 10.5.1 | * <u>Raymond James Financial, Inc. Amended and Restated 2012 Stock Incentive Plan (as amended through February 20, 2020), incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 24, 2020.</u> |
| 10.5.2 | * <u>Form of Restricted Stock Unit Agreement for Non-Employee Director under 2012 Stock Incentive Plan, incorporated by reference to Exhibit 10.25 to the Company's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on May 9, 2012.</u> |
| 10.5.3 | * <u>Form of Stock Option Agreement under 2012 Stock Incentive Plan, as revised and approved on August 21, 2013, incorporated by reference to Exhibit 10.16.3 to the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on November 26, 2013.</u> |
| 10.5.4 | * <u>Form of Restricted Stock Unit Agreement for Non-Bonus Award (Employee/Independent Contractor) under 2012 Stock Incentive Plan, as revised and approved on August 21, 2013, incorporated by reference to Exhibit 10.16.4 to the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on November 26, 2013.</u> |
| 10.5.5 | * <u>Form of Stock Option Agreement under 2012 Stock Incentive Plan, as revised and approved on November 20, 2013, incorporated by reference to Exhibit 10.23 to the Company's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on February 7, 2014.</u> |
| 10.5.6 | * <u>Form of Restricted Stock Unit Agreement for Non-Bonus Award under 2012 Stock Incentive Plan, as revised and approved on November 20, 2013, incorporated by reference to Exhibit 10.24 to the Company's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on February 7, 2014.</u> |
| 10.5.7 | <u>Raymond James Financial, Inc. 2012 Stock Incentive Plan Sub-Plan for French Employees with Form of Restricted Stock Unit Agreement, adopted and approved on February 20, 2014, incorporated by reference to Exhibit 10.16.9 to the Company's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on May 9, 2014.</u> |
| 10.5.8 | * <u>Form of Restricted Stock Unit Award Notice and Agreement for Stock Bonus Award (time-based vesting), as revised and approved on May 17, 2017, under the Amended and Restated 2012 Stock Incentive Plan, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on February 8, 2018.</u> |
| 10.5.9 | * <u>Form of Restricted Stock Unit Award Notice and Agreement for Stock Bonus Award (performance-based vesting), as revised and approved on May 17, 2017, under the Amended and Restated 2012 Stock Incentive Plan, incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on February 8, 2018.</u> |
| 10.5.10 | * <u>Form of Restricted Stock Unit Award Notice and Agreement for Non-Bonus Award, as revised and approved on May 17, 2017, under the Amended and Restated 2012 Stock Incentive Plan, incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on February 8, 2018.</u> |
| 10.5.11 | * <u>Form of Restricted Stock Unit Award Notice and Agreement for Stock Bonus Award (time-based vesting) for Canadian Employees, as revised and approved on May 17, 2017, under the Amended and Restated 2012 Stock Incentive Plan, incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on February 8, 2018.</u> |
| 10.5.12 | * <u>Form of Restricted Stock Unit Award Notice and Agreement for Stock Bonus Award (performance-based vesting) for Canadian Employees, as revised and approved on May 17, 2017, under the Amended and Restated 2012 Stock Incentive Plan, incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on February 8, 2018.</u> |
| 10.5.13 | * <u>Form of Restricted Stock Unit Award Notice and Agreement for Non-Bonus Award for Canadian Employees, as revised and approved on May 17, 2017, under the Amended and Restated 2012 Stock Incentive Plan, incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on February 8, 2018.</u> |
| 10.5.14 | * <u>Form of Award Agreement for Grant of Retention RSUs to Mr. Paul C. Reilly, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 1, 2018.</u> |
| 10.5.15 | * <u>Form of Restricted Stock Unit Award Notice and Agreement for Non-Bonus Award for Mr. Paul C. Reilly, first used for awards granted on November 29, 2018, under the Amended and Restated 2012 Stock Incentive Plan, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 6, 2018.</u> |
| 10.5.16 | * <u>Form of Restricted Stock Unit Award Notice and Agreement for Non-Bonus Award for Canadian Employees, first used for awards granted on November 29, 2018, under the Amended and Restated 2012 Stock Incentive Plan, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 6, 2018.</u> |
| 10.5.17 | * <u>Form of Restricted Stock Unit Award Notice and Agreement for Non-Bonus Award, first used for awards granted on November 29, 2018, under the Amended and Restated 2012 Stock Incentive Plan, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 6, 2018.</u> |
| 10.5.18 | * <u>Form of Restricted Stock Unit Award Notice and Agreement for Stock Bonus Award (time-based vesting) for Mr. Paul C. Reilly, first used for awards granted on December 14, 2018, under the Amended and Restated 2012 Stock Incentive Plan, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 20, 2018.</u> |
| 10.5.19 | * <u>Form of Restricted Stock Unit Award Notice and Agreement for Stock Bonus Award (time-based vesting) for Canadian Employees, first used for awards granted on December 14, 2018, under the Amended and Restated 2012 Stock Incentive Plan, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 20, 2018.</u> |

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

| Exhibit Number | Description |
|----------------|---|
| 10.5.20 | * Form of Restricted Stock Unit Award Notice and Agreement for Stock Bonus Award (time-based vesting), first used for awards granted on December 14, 2018, under the Amended and Restated 2012 Stock Incentive Plan, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 20, 2018. |
| 10.5.21 | * Form of Restricted Stock Unit Award Notice and Agreement for Stock Bonus Award (performance-based vesting) for Mr. Paul C. Reilly, first used for awards granted on December 14, 2018, under the Amended and Restated 2012 Stock Incentive Plan, incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 20, 2018. |
| 10.5.22 | * Form of Restricted Stock Unit Award Notice and Agreement for Stock Bonus Award (performance-based vesting) for Canadian Employees, first used for awards granted on December 14, 2018, under the Amended and Restated 2012 Stock Incentive Plan, incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 20, 2018. |
| 10.5.23 | * Form of Restricted Stock Unit Award Notice and Agreement for Stock Bonus Award (performance-based vesting), first used for awards granted on December 14, 2018, under the Amended and Restated 2012 Stock Incentive Plan, incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 20, 2018. |
| 10.6 | * Amended and Restated Raymond James Financial Long-Term Incentive Plan, effective August 22, 2018, incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K, filed with the Securities Exchange Commission on November 21, 2018. |
| 10.7 | * Raymond James Financial, Inc. Amended and Restated Voluntary Deferred Compensation Plan, effective May 17, 2017, incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K, filed with the Securities Exchange Commission on November 21, 2018. |
| 10.8 | * Amended and Restated Raymond James Financial, Inc. 2003 Employee Stock Purchase Plan, incorporated by reference to Appendix A to the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders held February 28, 2019, filed with the Securities and Exchange Commission on January 17, 2019. |
| 10.9.1 | Credit Agreement, dated as of February 19, 2019, among Raymond James Financial, Inc., Raymond James & Associates, Inc., the Lenders party thereto and Bank of America, N.A., incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 22, 2019. |
| 10.9.2 | First Amendment to Credit Agreement, dated as of May 23, 2019, among Raymond James Financial, Inc., Raymond James & Associates, Inc., the Lenders party thereto and Bank of America, N.A., incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on August 8, 2019. |
| 10.9.3 | Second Amendment to Credit Agreement, dated as of May 27, 2020, among Raymond James Financial, Inc., Raymond James & Associates, Inc., the Lenders party thereto and Bank of America, N.A., incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on August 7, 2020. |
| 10.10 | * Amended and Restated Form of Director and Officer Indemnification Agreement, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 6, 2019. |
| 21 | List of Subsidiaries. |
| 23 | Consent of Independent Registered Public Accounting Firm. |
| 31.1 | Certification of Paul C. Reilly pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Paul M. Shoukry pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32 | Certification of Paul C. Reilly and Paul M. Shoukry pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document. |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document. |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document. |
| 104 | Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |

* Indicates a management contract or compensatory plan or arrangement in which a director or executive officer participates.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of St. Petersburg, State of Florida, on the 24th day of November, 2020.

RAYMOND JAMES FINANCIAL, INC.

By: /s/ PAUL C. REILLY

Paul C. Reilly, Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|-------------------|
| <u>/s/ PAUL C. REILLY</u> Paul C. Reilly | Chairman and Chief Executive Officer (Principal Executive Officer) and Director | November 24, 2020 |
| <u>/s/ PAUL M. SHOUKRY</u> Paul M. Shoukry | Chief Financial Officer and Treasurer (Principal Financial Officer) | November 24, 2020 |
| <u>/s/ JONATHAN W. OORLOG, JR.</u> Jonathan W. Oorlog, Jr. | Senior Vice President and Controller (Principal Accounting Officer) | November 24, 2020 |
| <u>/s/ THOMAS A. JAMES</u> Thomas A. James | Chairman Emeritus and Director | November 24, 2020 |
| <u>/s/ CHARLES G. VON ARENTSCHILDT</u> Charles G. von Arentschildt | Director | November 24, 2020 |
| <u>/s/ ROBERT M. DUTKOWSKY</u> Robert M. Dutkowsky | Director | November 24, 2020 |
| <u>/s/ JEFFREY N. EDWARDS</u> Jeffrey N. Edwards | Director | November 24, 2020 |
| <u>/s/ BENJAMIN C. ESTY</u> Benjamin C. Esty | Director | November 24, 2020 |
| <u>/s/ ANNE GATES</u> Anne Gates | Director | November 24, 2020 |
| <u>/s/ FRANCIS S. GODBOLD</u> Francis S. Godbold | Vice Chairman and Director | November 24, 2020 |
| <u>/s/ GORDON L. JOHNSON</u> Gordon L. Johnson | Director | November 24, 2020 |
| <u>/s/ RODERICK C. MCGEARY</u> Roderick C. McGeary | Director | November 24, 2020 |
| <u>/s/ RAJ SESHADRI</u> Raj Seshadri | Director | November 24, 2020 |
| <u>/s/ SUSAN N. STORY</u> Susan N. Story | Director | November 24, 2020 |

EXHIBIT 21**RAYMOND JAMES FINANCIAL, INC.
LIST OF SUBSIDIARIES**

The following listing includes all of the registrant's subsidiaries as of September 30, 2020, which are included in the consolidated financial statements:

| Entity Name | State/Country of Incorporation | Subsidiary or Joint Venture of |
|---|---------------------------------------|--|
| 740780 Carillon, LLC | Florida | Raymond James Financial, Inc. |
| 800 Carillon, LLC | Florida | Raymond James Financial, Inc. |
| Carillon Fund Distributors, Inc. | Florida | Eagle Asset Management, Inc. |
| Carillon Fund Services, Inc. | Florida | Carillon Tower Advisers, Inc. |
| Carillon Tower Advisers, Inc. | Florida | Raymond James Financial, Inc. |
| ClariVest Asset Management, LLC | Delaware | Eagle Asset Management, Inc. |
| Cougar Global ETF Portfolio Management Inc. | Delaware | Cougar Global Investments Limited |
| Cougar Global Investments Limited | Ontario | Raymond James International Canada, Inc. |
| Eagle Asset Management, Inc. | Florida | Carillon Tower Advisers, Inc. |
| EB Management I, LLC | Florida | Eagle Asset Management, Inc. |
| Gateway Institutional Tax Credit Fund II, Ltd | Florida | Raymond James Tax Credit Funds, Inc. |
| MK Holding, Inc. | Alabama | Raymond James Financial, Inc. |
| MK Investment Management, Inc. | Delaware | MK Holding, Inc. |
| Morgan Keegan & Associates, LLC | Delaware | MK Holding, Inc. |
| Morgan Keegan & Company, LLC | Tennessee | Raymond James Financial, Inc. |
| Morgan Keegan Private Equity Employee Fund of Funds II, LP | Delaware | MK Investment Management, Inc. |
| Morgan Keegan Private Equity Fund of Funds II, LP | Delaware | MK Investment Management, Inc. |
| Morgan Keegan Private Equity Fund of Funds II Blocker, LLC | Delaware | Morgan Keegan Private Equity QP Fund of Funds II, LP; Morgan Keegan Private Equity Fund of Funds II, LP; Morgan Keegan Private Equity Employee Fund of Funds II, LP |
| Morgan Keegan Private Equity Fund of Funds II Holdings, LP | Delaware | Morgan Keegan Private Equity QP Fund of Funds II, LP; Morgan Keegan Private Equity Fund of Funds II, LP; Morgan Keegan Private Equity Employee Fund of Funds II, LP; Morgan Keegan Private Equity Fund of Funds II Blocker, LLC |
| Morgan Keegan Private Equity QP Fund of Funds II, LP | Delaware | MK Investment Management, Inc. |
| Morgan Properties, LLC | Tennessee | Raymond James Investments, LLC |
| Native American Housing Fund III, L.L.C. | Delaware | Raymond James Tax Credit Funds, Inc. |
| Native American Housing Fund IV, L.L.C. | Delaware | Raymond James Tax Credit Funds, Inc. |
| Native American Housing Fund V, L.L.C. | Delaware | Raymond James Tax Credit Funds, Inc. |
| Raymond James & Associates, Inc. | Florida | Raymond James Financial, Inc. |
| Raymond James (USA) Ltd. | Canada | Raymond James Ltd. |
| Raymond James Affordable Housing Fund 1 LP | Delaware | Raymond James Tax Credit Funds, Inc. |
| Raymond James Affordable Housing Fund 2 LP | Delaware | Raymond James Tax Credit Funds, Inc. |
| Raymond James Affordable Housing Fund 3 LP | Delaware | Raymond James Tax Credit Funds, Inc. |
| Raymond James Affordable Housing Fund 4 LLC | Delaware | Raymond James Tax Credit Funds, Inc. |
| Raymond James Affordable Housing Fund 5 LLC | Delaware | Raymond James Tax Credit Funds, Inc. |
| Raymond James Affordable Housing Fund 6 LLC | Delaware | Raymond James Tax Credit Funds, Inc. |
| Raymond James Affordable Housing Fund 7 LLC | Delaware | Raymond James Tax Credit Funds, Inc. |
| Raymond James Affordable Housing Fund 8 LLC | Delaware | Raymond James Tax Credit Funds, Inc. |
| Raymond James Affordable Housing Fund 9 LLC | Delaware | Raymond James Tax Credit Funds, Inc. |
| Raymond James Affordable Housing Fund 10 LLC | Delaware | Raymond James Tax Credit Funds, Inc. |
| Raymond James Asset Management International, S.A. | France | Raymond James International Holdings, Inc. |
| Raymond James Bank, National Association | U.S.A. | Raymond James Financial, Inc. |
| Raymond James California Housing Opportunities Fund IX L.L.C. | Florida | Raymond James Tax Credit Funds, Inc. |
| Raymond James Canada, LLC | Florida | Raymond James Financial, Inc. |
| Raymond James Canadian Acquisition, Inc. | Florida | Raymond James Bank, National Association |
| Raymond James Canadian Holdings, LLC | Florida | Raymond James Canadian Acquisition, Inc. |
| Raymond James Capital Inc. | Delaware | Raymond James Financial, Inc. |

| Entity Name | State/Country of Incorporation | Subsidiary or Joint Venture of |
|--|---------------------------------------|--|
| Raymond James Capital Funding, Inc. | Florida | Raymond James Bank, National Association |
| Raymond James Capital Services, LLC | Delaware | MK Holding, Inc. |
| Raymond James Community Reinvestment Fund 1, LLC | Florida | Raymond James Bank, National Association |
| Raymond James Corporate Finance GmbH | Germany | Raymond James Global Holdings Limited |
| Raymond James Development Tax Credit Fund LLC | Delaware | Raymond James Tax Credit Funds, Inc. |
| Raymond James Euro Equities SAS | France | Raymond James European Securities S.A.S. |
| Raymond James European Holdings, Inc. | Florida | Raymond James International Holdings, Inc. |
| Raymond James European Securities S.A.S. | France | Raymond James International Holdings, Inc. |
| Raymond James Finance Company of Canada, Ltd. | Canada | Raymond James Canadian Holdings, LLC |
| Raymond James Financial International Limited | U.K. | Raymond James International Holdings, Inc. |
| Raymond James Financial Management Ltd. | Canada | Raymond James Ltd. |
| Raymond James Financial Planning Ltd. | British Columbia | Raymond James Ltd. |
| Raymond James Financial Products, Inc. | Tennessee | MK Holding, Inc. |
| Raymond James Financial Services Advisors, Inc. | Florida | Raymond James Financial, Inc. |
| Raymond James Financial Services, Inc. | Florida | Raymond James Financial, Inc. |
| Raymond James Global Holdings Limited | U.K. | Raymond James International Holdings, Inc. |
| Raymond James Insurance Group, Inc. | Florida | Raymond James Financial, Inc. |
| Raymond James International Canada, Inc. | Florida | Raymond James International Holdings, Inc. |
| Raymond James International Holdings, Inc. | Florida | Raymond James Financial, Inc. |
| Raymond James Investment Counsel Ltd. | Canada | Raymond James Ltd. |
| Raymond James Investments, LLC | Florida | Raymond James Financial, Inc. |
| Raymond James Investment Services Limited | U.K. | Raymond James Financial, Inc. |
| Raymond James Ltd. | Canada | Raymond James Canada, LLC |
| Raymond James Management, LLC | Delaware | Raymond James Investments, LLC |
| Raymond James Management-Forensics, LLC | Delaware | Raymond James Investments, LLC |
| Raymond James Mortgage Company, Inc. | Tennessee | MK Holding, Inc. |
| Raymond James Multifamily Finance, Inc. | Florida | Raymond James Tax Credit Funds, Inc. |
| Raymond James Municipal Products, Inc. | Delaware | MK Holding, Inc. |
| Raymond James Preservation Opportunities Fund III L.L.C. | Florida | Raymond James Multifamily Finance, Inc. |
| Raymond James Preservation Opportunities Fund XX L.L.C. | Florida | Raymond James Multifamily Finance, Inc. |
| Raymond James Research Services, LLC | Florida | Raymond James Financial, Inc. |
| Raymond James South American Holdings, Inc. | Florida | Raymond James International Holdings, Inc. |
| Raymond James Structured Products, Inc. | Delaware | MK Holding, Inc. |
| Raymond James Tax Credit Fund 34 L.L.C. | Delaware | Raymond James Tax Credit Funds, Inc. |
| Raymond James Tax Credit Fund XI L.L.C. | Delaware | Raymond James Tax Credit Funds, Inc. |
| Raymond James Tax Credit Fund XX L.L.C. | Florida | Raymond James Tax Credit Funds, Inc. |
| Raymond James Tax Credit Fund XXIII L.L.C. | Delaware | Raymond James Tax Credit Funds, Inc. |
| Raymond James Tax Credit Funds, Inc. | Florida | Raymond James Financial, Inc. |
| Raymond James Trust, National Association | U.S.A. | Raymond James Financial, Inc. |
| Raymond James Trust (Canada) | Ontario | Raymond James Ltd. |
| Raymond James Trust (Quebec) Ltd. | Quebec | Raymond James Ltd. |
| Raymond James Yatirim Menkul Kiymetler A.S. | Turkey | Raymond James European Holdings, Inc. |
| RJ Capital Services, Inc. | Delaware | Raymond James Financial, Inc. |
| RJ Economic Development Fund, Inc. | Florida | Raymond James Financial, Inc. |
| RJ Securities, Inc. | Florida | Raymond James Investments, LLC |
| RJA Structured Finance, Inc. | Delaware | Raymond James Financial, Inc. |
| RJC Forensics, LLC | Delaware | Raymond James Investments, LLC |
| RJOZF 2 L.L.C. | Florida | Raymond James Tax Credit Funds, Inc. |
| RJTFC Disposition Corporation | Florida | RJTFC Disposition Fund, LLC |
| RJTFC Disposition Fund, LLC | Florida | Raymond James Tax Credit Funds, Inc. |
| Scout Investments, Inc. | Missouri | Carillon Tower Advisers, Inc. |
| Silver Lane Advisors LLC | Delaware | SLA Acquisition Co. |
| SLA Acquisition Co. | Florida | Raymond James Financial, Inc. |

| Entity Name | State/Country of Incorporation | Subsidiary or Joint Venture of |
|------------------------------|---------------------------------------|---|
| SLG Partners GP, LLC | Delaware | Raymond James Investments, LLC; Raymond James Management, LLC |
| SLG Partners, LP | Delaware | SLG Partners GP, LLC |
| SLG Partners, LP II | Delaware | SLG Partners GP, LLC |
| The Producers Choice LLC | Michigan | Raymond James Insurance Group, Inc. |
| Value Partners, Inc. | Florida | Raymond James Tax Credit Funds, Inc. |
| Wiregrass Raymond James, LLC | Florida | Raymond James Financial, Inc. |

EXHIBIT 23

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Raymond James Financial, Inc.:

We consent to the incorporation by reference in the registration statements (Nos. 333-103280, 333-98537, 333-125214, 333-141998, 333-157516, 333-157519, 333-179683, 333-209628, 333-230065, 333-236605) on Form S-8 and (Nos. 333-159583, 333-204400, 333-225044) on Form S-3ASR of Raymond James Financial, Inc. and subsidiaries of our reports dated November 24, 2020, with respect to the consolidated statements of financial condition of Raymond James Financial, Inc. and subsidiaries as of September 30, 2020 and 2019, the related consolidated statements of income and comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended September 30, 2020, and the effectiveness of internal control over financial reporting as of September 30, 2020, which reports appear in the September 30, 2020 annual report on Form 10-K of Raymond James Financial, Inc.

/s/ KPMG LLP

Tampa, Florida
November 24, 2020

EXHIBIT 31.1

CERTIFICATIONS

I, Paul C. Reilly, certify that:

1. I have reviewed this annual report on Form 10-K of Raymond James Financial, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 24, 2020

/s/ PAUL C. REILLY

Paul C. Reilly
Chairman and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Paul M. Shoukry, certify that:

1. I have reviewed this annual report on Form 10-K of Raymond James Financial, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 24, 2020

/s/ PAUL M. SHOUKRY

Paul M. Shoukry
Chief Financial Officer and Treasurer

**CERTIFICATION BY CHIEF EXECUTIVE OFFICER AND CHIEF
FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Raymond James Financial, Inc. (the “Company”) on Form 10-K for the year ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to our knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ PAUL C. REILLY

Paul C. Reilly
Chairman and Chief Executive Officer

November 24, 2020

/s/ PAUL M. SHOUKRY

Paul M. Shoukry
Chief Financial Officer and Treasurer

November 24, 2020