



2017

SECOND QUARTER

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connection

RAYMOND JAMES

Dear Fellow Shareholders,

As growth of corporate earnings and the prospect of tax reform fueled investor optimism, the global stock markets continued to rally during the quarter ending March 31, 2017. This constructive market environment, along with attractive growth in our core businesses and the benefit of higher short-term interest rates, helped us generate record net revenues of \$1.56 billion in our second fiscal quarter of 2017, representing impressive increases of 19% over the prior year's fiscal second quarter and 5% over the preceding quarter. Net income of \$112.8 million, or \$0.77 per diluted share, declined during the quarter due to \$100 million of legal reserves associated with a previously announced legal settlement, addressed later in this letter. For the first half of the fiscal year, we generated net revenues of \$3.06 billion and net income of \$259.3 million, which reflect a record start for the first six months of a fiscal year despite the aforementioned legal settlement. More importantly, we are positioned well for the second half of the fiscal year, ending March with records for client assets under administration of \$642.7 billion, the number of Private Client Group financial advisors of 7,222, financial assets under management of \$85.6 billion, and net loans at Raymond James Bank of \$16.0 billion.

On March 31, 2017, shareholders' equity was \$5.21 billion, or \$36.28 of book value per share, growing 12% over shareholders' equity in March of last year. We also maintained a prudent total capital ratio of over 22%. During the first half of the fiscal year, we were able to deliver a 10.2% annualized return on equity to our shareholders, slightly higher than the first half of fiscal 2016 despite this year's elevated legal reserves.

Our segments also produced good results. The Private Client Group (PCG), Asset Management segment, and Raymond James Bank all produced record net revenues during the quarter. Furthermore, record quarterly net revenues of \$1.09 billion in PCG jumped 23% over the prior year's fiscal second quarter and 4% over the preceding quarter. Revenue growth in PCG was propelled by increases in client assets, which reached a record \$611.0 billion, and higher short-term interest rates. The segment continues to benefit from best-in-class financial advisor recruiting and retention results, as Raymond James remains a destination of choice for many

high-quality advisors in our industry. Pre-tax income in PCG during the quarter of \$29.4 million was negatively impacted by \$100 million of legal reserve expense and consequently declined \$54 million compared to the prior year's fiscal second quarter. Looking forward, the records achieved for client assets under administration and the increase in short-term interest rates in March should provide tailwinds for PCG's results for the second half of the fiscal year.

The Capital Markets segment generated quarterly net revenues of \$256.2 million, which were up 8% over the prior year's fiscal second quarter and 10% over the preceding quarter. Even more impressively, the segment's pre-tax income of \$41.3 million reflected significant improvements of 47% compared to the prior year's fiscal second quarter and 92% over the preceding quarter. Strong results in the Capital Markets segment were lifted by solid M&A and equity underwriting activity. Partially offsetting the strength in investment banking, commissions in the segment were challenged by lower client trading volumes in the Fixed Income division due to a flattening yield curve.

The Asset Management segment produced record quarterly net revenues of \$116.5 million, representing growth of 20% over the prior year's fiscal second quarter and 2% over the preceding quarter. The segment's pre-tax income of \$37.8 million increased 21% compared to the prior year's fiscal second quarter but was down 10% compared to the preceding quarter. The growth in the segment's revenues during the quarter was attributable to record financial assets under management, which were aided by market appreciation and increased utilization of fee-based accounts in PCG. In April, we announced an agreement to add Scout Investments and Reams Asset Management to the Raymond James family, which will broaden Carillon Tower Advisers' offerings to clients with complementary and high-quality investment solutions upon closing.

Raymond James Bank delivered record quarterly net revenues of \$141.4 million, improving 13% over the prior year's fiscal second quarter and 2% over the preceding quarter. Quarterly pre-tax income of \$91.9 million rose 8% over the prior year's fiscal second quarter but was down 12% compared to the record set in the preceding quarter. Revenue growth for the bank was attributable to an increase in loan balances, despite elevated payoffs in the

commercial and industrial loan portfolio during the quarter, and the expansion of its securities portfolio. The securities portfolio ended the quarter at \$1.6 billion, as the bank continued increasing its portfolio of agency-backed securities. The credit quality of the bank's loan portfolio improved as nonperforming assets decreased 20% and total criticized loans decreased just over 30% compared to last year's March.

Total quarterly revenues in the Other segment were \$16.0 million. The Other segment included \$1.1 million of acquisition-related expenses and \$8.3 million of expenses due to the early extinguishment of \$350 million of senior notes payable during the quarter.

In addition to our strong financial results during the second quarter of fiscal 2017, we are also proud of the awards, recognitions and accolades we earned. Raymond James was selected for inclusion in the S&P 500® index, which is a testament to our firm's long-term success enabled by the uncompromising focus on serving clients that was instilled by Bob and Tom James.

During the quarter, we introduced "Connected Advisor," an advisor-centric digital advice platform designed to foster greater sophistication, automation and collaboration with advisors and their clients. We also launched a new national advertising campaign in March, which highlights our financial advisors' dedication to helping their clients fulfill their long-term financial objectives.

In February, nine Raymond James-affiliated advisors were named to *Forbes'* list of America's Top Women Advisors. In March, 32 Raymond James-affiliated advisors were named to the *Financial Times* "FT 400" list of top financial advisors and 57 affiliated advisors were named to the *Barron's* top advisors ranking.

A disappointment for us was the announcement of a \$150 million settlement associated with the Jay Peak EB-5 matter. The settlement relates to an alleged fraudulent EB-5 investment program created in 2007 by third parties and offered directly to foreign investors seeking permanent residency in the U.S. Raymond James did not act as placement agent or in any other capacity for the program, and none of the investors in the program purchased their investments through Raymond James.

A Raymond James financial advisor for the brokerage accounts of the related investment partnerships is no longer employed by the firm. We worked diligently with the SEC-appointed receiver to structure a settlement that would ensure investors in the program would be fairly compensated. While it is still subject to the review and approval of the court, we believe this \$150 million settlement is fair, and we look forward to having this issue resolved. In the past few years, we have made significant enhancements to our supervision program, including considerable investments in our anti-money laundering (AML) infrastructure. Specifically, we hired a new chief AML officer with extensive experience, expanded the AML team and implemented Mantas – the same monitoring system used by some of the largest banks in the world.

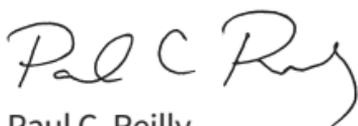
As I write this letter, the equity markets are trading near record levels. Corporate earnings in the first calendar quarter have increased over 10% from the same period last year, reflecting the third consecutive quarter of year-over-year growth. Importantly, this earnings growth was driven by strong revenue growth, as the economic conditions in both the U.S. and abroad continue to improve at a modest pace. The Trump administration's promises to implement significant regulatory and tax reforms have also fueled optimism, although recent distractions have seemed to dampen some of those expectations, at least in the near term. I remain bullish on the long-term prospects of the U.S. economy, but after an eight-year bull market, it would not be implausible to have a short-term pullback in the equity markets, especially if D.C. fails to deliver meaningful tax reform.

In February, I was honored and humbled to be entrusted with the responsibilities of chairman in addition to CEO. Fortunately, I will be able to continue benefiting from Tom James' invaluable guidance and mentorship, as he will retain a seat on the board of directors as chairman emeritus. My primary objective as chairman and CEO of this great company is to uphold the client-first values that have been inculcated by Bob and Tom James since our firm's inception.

We are well-positioned for the second half of the fiscal year, as nearly all of our core business metrics ended the second quarter at record levels, and our results should realize the full

benefit of the increase in short-term interest rates in March. I appreciate your continued confidence and ownership in Raymond James Financial.

Sincerely,



Paul C. Reilly
Chairman, CEO

MAY 12, 2017

**CONDENSED CONSOLIDATED STATEMENTS
OF FINANCIAL CONDITION (Unaudited – in 000s)**

	MARCH 31, 2017	SEPTEMBER 30, ⁽¹⁾ 2016
Assets:		
Cash and cash equivalents	\$2,636,326	\$1,650,452
Assets segregated pursuant to regulations and other segregated assets	3,829,607	4,884,487
Securities purchased under agreements to resell and other collateralized financings	535,224	470,222
Financial instruments	3,161,140	2,539,877
Receivables	4,453,788	4,499,688
Bank loans, net	15,994,689	15,210,735
Property & equipment, net	409,543	321,457
Other assets	1,908,414	1,910,058
Total assets	\$32,928,731	\$31,486,976
Liabilities and equity:		
Trading instruments sold but not yet purchased	\$471,704	\$328,938
Securities sold under agreements to repurchase	222,476	193,229
Payables	7,335,392	8,011,891
Bank deposits	16,377,544	14,262,547
Other debt	756,367	608,658
Senior notes payable	1,339,582	1,680,587
Other liabilities	1,097,449	1,338,150
Total liabilities	\$27,600,514	\$26,424,000
Total equity attributable to Raymond James Financial, Inc.	5,207,748	4,916,545
Noncontrolling interests	120,469	146,431
Total equity	\$5,328,217	\$5,062,976
Total liabilities and equity	\$32,928,731	\$31,486,976

(1) Effective October 1, 2016, we adopted new accounting guidance related to consolidation of legal entities. Refer to the discussion in Note 1 of our March 31, 2017 Form 10-Q (available on www.sec.gov) for additional details.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited – in 000s, Except per Share Amounts)

	Three Months Ended		Six Months Ended	
	March 31, 2017	March 31, 2016 ⁽¹⁾	March 31, 2017	March 31, 2016 ⁽¹⁾
Revenues:				
Securities commissions and fees	\$ 992,112	\$ 853,330	\$ 1,976,497	1,702,992
Investment banking	102,377	68,704	163,802	126,257
Investment advisory and related administrative fees	110,280	93,871	218,523	192,473
Interest	192,544	161,638	375,326	304,110
Account and service fees	162,981	127,528	311,772	244,351
Net trading profit	15,811	14,415	36,366	36,584
Other	24,209	21,624	46,796	35,200
Total revenues	1,600,314	1,341,110	3,129,082	2,641,967
Interest expense	(36,677)	(29,109)	(72,643)	(55,808)
Net revenues	1,563,637	1,312,001	3,056,439	2,586,159
Non-interest expenses:				
Compensation, commissions and benefits	1,035,714	887,937	2,042,181	1,754,335
Communications and information processing	76,067	68,482	148,228	140,620
Occupancy and equipment costs	47,498	40,891	93,550	82,680
Clearance and floor brokerage	11,407	10,517	23,757	20,513
Business development	41,519	35,417	76,881	76,041
Investment sub-advisory fees	17,778	14,282	37,073	28,836
Bank loan loss provision	7,928	9,629	6,888	23,539
Acquisition-related expenses	1,086	6,015	13,752	7,887
Other	163,337	44,723	245,311	87,527
Total non-interest expenses	1,402,334	1,117,893	2,687,621	2,221,978
Income including noncontrolling interests and before provision for income taxes	161,303	194,108	368,818	364,181
Provision for income taxes	52,758	72,271	112,570	134,280
Net income including noncontrolling interests	108,545	121,837	256,248	229,901
Net loss attributable to noncontrolling interests	(4,210)	(4,010)	(3,074)	(2,275)
Net income attributable to Raymond James Financial, Inc.	\$ 112,755	\$ 125,847	\$ 259,322	\$ 232,176
Net income per common share – diluted	\$ 0.77	\$ 0.87	\$ 1.77	\$ 1.60
Weighted-average common and common equivalent shares outstanding – diluted	146,779	144,012	146,119	145,047

CONSOLIDATED RESULTS BY SEGMENT (unaudited – in 000s)

Revenues:				
Private Client Group	\$ 1,088,561	\$ 883,019	\$ 2,131,877	\$ 1,757,464
Capital Markets	260,480	241,319 ⁽¹⁾	497,462	470,297 ⁽¹⁾
Asset Management	116,520	96,842	230,616	197,080
Raymond James Bank	148,697	131,312	293,214	244,038
Other ⁽²⁾	16,009	9,872	31,468	14,272
Intersegment eliminations	(29,953)	(21,254)	(55,555)	(41,184)
Total revenues	\$ 1,600,314	\$ 1,341,110	\$ 3,129,082	\$ 2,641,967
Pre-tax income (loss) (excluding noncontrolling interests):				
Private Client Group	\$ 29,372	\$ 83,232	\$ 102,730	\$ 152,372
Capital Markets	41,251	28,087	62,695	53,255
Asset Management	37,797	31,123	79,706	64,489
Raymond James Bank	91,911	85,134	196,032	150,999
Other ⁽²⁾	(34,818)	(29,458)	(69,271)	(54,659)
Pre-tax income (excluding noncontrolling interests)	\$ 165,513	\$ 198,118	\$ 371,892	\$ 366,456

(1) Effective October 1, 2016, we adopted new accounting guidance related to consolidation of legal entities. Refer to the discussion in Note 1 of our March 31, 2017 Form 10-Q (available on www.sec.gov) for additional details.

(2) The Other segment includes the results of our principal capital and private equity activities as well as certain corporate overhead costs of RJF, including the interest costs on our public debt, and the acquisition and integration costs associated with certain acquisitions.

corporate profile

Raymond James Financial, Inc. (NYSE: RJF) is a leading diversified financial services company providing private client, capital markets, asset management, banking and other services to individuals, corporations and municipalities. The company has 7,200 financial advisors serving approximately 3 million client accounts in more than 2,900 locations throughout the United States, Canada and overseas. Total client assets are \$643 billion. Public since 1983, the firm has been listed on the New York Stock Exchange since 1986 under the symbol RJF. Additional information is available at raymondjames.com.

RAYMOND JAMES®

Stock Traded: NEW YORK STOCK EXCHANGE

Stock Symbol: RJF

International Headquarters:

The Raymond James Financial Center

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