

**CLIENT FIRST.
INTEGRITY.
INDEPENDENCE.
CONSERVATISM.**

2018 SECOND QUARTER

RAYMOND JAMES

Dear Fellow Shareholders,

Despite improving economic conditions and enthusiasm over corporate tax reform, the S&P 500 index posted its first quarterly decline in over two years, as equity market volatility spiked during the quarter largely due to concerns over inflation and trade relations with China. Even with this challenging market environment, Raymond James generated record quarterly net revenues of \$1.81 billion and record net income of \$242.8 million, or \$1.63 per diluted share, for the fiscal second quarter ended March 31, 2018. These record results were largely driven by strong financial advisor recruiting and retention results, continued growth of client assets in the Private Client Group (PCG) and Asset Management segments, higher net loans at Raymond James Bank, solid M&A results, the favorable effects of higher short-term interest rates, and a lower corporate tax rate. For the quarter, we generated an excellent annualized return on equity (ROE) of 16.7% and, unlike many other firms in our industry, we do not inflate ROE by making adjustments, such as excluding intangible equity. For the first half of fiscal 2018, record net revenues of \$3.54 billion increased 16%. Record net income of \$361.7 million, which was negatively affected by a \$117 million discrete tax charge in the first quarter, increased 39% over the first half of fiscal 2017, which had been negatively affected by a large legal settlement.

Other than the Capital Markets segment, which experienced a challenging market environment, our other core segments produced strong quarterly results. The PCG, Asset Management and Raymond James Bank segments generated record quarterly net revenues, and PCG and Raymond James Bank also generated record quarterly net income during the fiscal second quarter.

PCG's record quarterly net revenues of \$1.27 billion improved 17% over the prior year's fiscal second quarter and 3% over the preceding quarter. Quarterly pre-tax income of \$157.6 million increased substantially over the prior year's fiscal second quarter, which included a large legal charge, and 2% over the preceding quarter. PCG's record results were largely attributable to growth of assets in fee-based accounts and the benefit derived from higher short-term interest rates. Financial advisor retention and recruiting results also continue to be strong across all of our affiliation options, including in the traditional employee, independent contractor, independent RIA and financial institutions divisions. Additionally, after successfully completing the integration and retaining more

than 92% of the acquired annual production, recruiting activity in the Alex. Brown division has started to accelerate, particularly in target markets in the Northeast.

The Asset Management segment produced record quarterly net revenues of \$163.2 million, up 40% over the prior year's fiscal second quarter and 8% over the preceding quarter. Quarterly pre-tax income of \$55.9 million improved 48% compared to the prior year's fiscal second quarter but declined 3% from the record achieved in the preceding quarter. On a sequential basis, pre-tax income in the segment was negatively impacted by the effect of fewer billable days and a reset in FICA payroll taxes during the quarter. Financial assets under management ended March at a quarter-end record of \$132.3 billion, which was up 55% over last year's March and 2% over the preceding quarter. This result was despite the sequential decline in the S&P 500 index, and aided by the increased utilization of managed accounts in PCG as well as by the acquisition of Scout Investments and Reams Asset Management in November 2017, which added \$27 billion in assets.

Raymond James Bank generated record quarterly net revenues of \$178.7 million and record pre-tax income of \$118.1 million. The bank's record results were driven by loan growth and expansion of its net interest margin (NIM) resulting from increases in short-term interest rates. The bank's NIM increased 13 basis points to 3.21% for the quarter. Net loans at Raymond James Bank ended the quarter at a record \$18.2 billion, which was up 13% over last year's March and 3% over the preceding quarter, reflecting broad-based growth across all of the major loan categories. The bank's credit metrics continue to improve with nonperforming assets as a percent of total assets declining to 0.17%, down from 0.27% in the prior year's fiscal second quarter and 0.19% in the preceding quarter.

The Capital Markets segment generated quarterly net revenues of \$230.6 million, which declined 10% compared to the prior year's fiscal second quarter but increased 6% compared to the preceding quarter, helped by a strong March for the M&A business. The segment's pre-tax income of \$16.2 million declined 61% compared to the prior year's fiscal second quarter but increased 237% over the weak results in the preceding quarter. The year-over-year declines in the segment's revenues and pre-tax income were primarily a result of lower institutional equity and fixed income commissions, which continue to experience an extremely challenging market environment. Looking forward, we expect institutional commissions to remain

subdued over the near term, but are optimistic about our activity levels for the M&A business, and the pipelines for the public finance and tax credit funds businesses have started to recover following the passage of tax reform in December.

The firm made an important announcement in March as we welcomed retail and consumer products veteran Anne Gates to the Board of Directors and named her to the Audit and Risk Committee. I am confident that Anne shares our firm's client-focused values and will serve as a valuable member of our board given her extensive leadership experience in consumer-facing industries with reputable organizations, including The Walt Disney Company as CFO of Disney Consumer Products.

We also earned several notable awards, recognitions and accolades during the fiscal second quarter. In January, the firm was named to Fortune's list of the World's Most Admired Companies. We also received the 2019 Bank Insurance & Securities Association (BISA) Diversity Award, which annually recognizes successful diversity efforts of organizations from the financial services industry.

In PCG, six Raymond James advisors were named to On Wall Street's list of Top Regional Advisors under 40. In February, 124 Raymond James-affiliated advisors were named to the Forbes inaugural list of Best-in-State Wealth Advisors, and in March, 55 Raymond James-affiliated advisors were named to the Barron's list of 2018 Top Advisors and 30 Raymond James-affiliated advisors were named to the Financial Times "FT 400," a list of the top 400 financial advisors. For the sixth consecutive year, Raymond James received the BISA Technology Award, earning recognition for our Product Catalog.

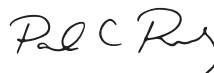
Raymond James Investment Banking received top honors at the 12th annual M&A Advisor Turnaround Awards. The Recapitalization & Restructuring team was recognized with Professional Services (B2B) Deal of the Year and Restructuring Community Impact Deal of the Year.

In summary, we are extremely pleased with our record results during the first half of the fiscal year, and are entering the second half of the fiscal year with several tailwinds, including quarter-end records for the number of PCG financial advisors of 7,604, client assets under management of \$729.5 billion, financial assets under management of \$132.3 billion and net loans at Raymond James Bank of \$18.2 billion. The increase in short-term interest rates in March is also expected to provide an incremental

benefit to our results, and the lower corporate tax rate should help our comparative results over fiscal 2017. As we mentioned last quarter, given the timing of our fiscal year ending in September, our effective tax rate is expected to decline by another three to four percentage points starting in fiscal 2019.

Notwithstanding these positive factors, the higher equity market volatility since February reminds us that we will inevitably encounter a market correction. Fortunately, we always strive to be prepared for both bull and bear market environments, as evidenced by our strong capital ratios and liquidity position. We are confident that our focus on making the best long-term decisions – instead of focusing on maximizing short-term results – will produce superior returns for our clients, advisors, associates and shareholders. Thank you for your continued confidence in Raymond James Financial.

Sincerely,



Paul C. Reilly
Chairman, CEO
May 4, 2018

Certain statements made in this letter 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 and regulatory developments or general economic conditions. In addition, words such as "expects," and future or conditional verbs such as "will" and "should," 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 our filings with the Securities and Exchange Commission (the "SEC") from time to time, including our most recent Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q, which are available at www.raymondjames.com and the SEC's website at www.sec.gov. We expressly disclaim any obligation to update any forward-looking statement in the event it later turns out to be inaccurate, whether as a result of new information, future events, or otherwise.

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

| | March 30, 2018 | September 30, 2017 |
|---|---------------------|-----------------------|
| Assets: | | |
| Cash and cash equivalents | \$3,139,938 | \$3,669,672 |
| Assets segregated pursuant to regulations and other segregated assets | 3,079,483 | 3,476,085 |
| Securities purchased under agreements to resell | 448,474 | 404,462 |
| Financial Instruments owned, at fair value | 4,086,250 | 3,491,079 |
| Receivables | 4,835,839 | 4,699,152 |
| Bank loans, net | 18,150,913 | 17,006,795 |
| Property & equipment, net | 468,347 | 437,374 |
| Other assets | 1,821,627 | 1,698,837 |
| Total assets | \$36,030,871 | \$34,883,456 |
| Liabilities and equity: | | |
| Bank deposits | 18,711,903 | 17,732,362 |
| Securities sold under agreements to repurchase | 142,791 | 220,942 |
| Financial instruments sold but not yet purchased, at fair value | 627,170 | 578,413 |
| Other payables | 8,056,069 | 7,595,537 |
| Other borrowings | 901,588 | 1,514,012 |
| Senior notes payable | 1,549,128 | 1,548,839 |
| Total liabilities | \$29,988,649 | \$29,190,105 |
| Total equity attributable to Raymond James Financial, Inc. | 5,940,987 | 5,581,713 |
| Noncontrolling interests | 101,235 | 111,638 |
| Total equity | \$6,042,222 | \$5,693,351 |
| Total liabilities and equity | \$36,030,871 | \$34,883,456 |

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited – in 000s, except per share amounts)

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|-------------------|-------------------|-------------------|
| | March 31, 2018 | March 31, 2017 | March 31, 2018 | March 31, 2017 |
| Revenues: | | | | |
| Securities commissions and fees | \$ 1,117,280 | \$ 992,112 | \$ 2,220,846 | \$ 1,976,497 |
| Investment banking | 105,815 | 102,377 | 170,717 | 163,802 |
| Investment advisory and related administrative fees | 151,433 | 110,280 | 293,456 | 218,523 |
| Interest income | 248,846 | 192,544 | 480,575 | 375,326 |
| Account and service fees | 191,491 | 162,981 | 375,792 | 311,772 |
| Net trading profit | 14,037 | 15,811 | 33,907 | 36,366 |
| Other | 28,332 | 24,209 | 47,533 | 46,796 |
| Total revenues | 1,857,234 | 1,600,314 | 3,622,826 | 3,129,082 |
| Interest expense | (44,602) | (36,677) | (84,033) | (72,643) |
| Net revenues | 1,812,632 | 1,563,637 | 3,538,793 | 3,056,439 |
| Non-interest expenses: | | | | |
| Compensation, commissions and benefits | 1,196,648 | 1,035,714 | 2,349,415 | 2,042,181 |
| Communications and information processing | 96,685 | 76,067 | 180,416 | 148,228 |
| Occupancy and equipment costs | 49,701 | 47,498 | 99,515 | 93,550 |
| Business development | 42,806 | 41,519 | 76,599 | 76,881 |
| Investment sub-advisory fees | 23,121 | 17,778 | 45,442 | 37,073 |
| Bank loan loss provision | 7,549 | 7,928 | 8,565 | 6,888 |
| Acquisition-related expenses | – | 1,086 | 3,927 | 13,752 |
| Losses on extinguishment of debt | – | 8,282 | – | 8,282 |
| Other | 65,033 | 166,462 | 132,141 | 260,786 |
| Total non-interest expenses | 1,481,543 | 1,402,334 | 2,896,020 | 2,687,621 |
| Income including noncontrolling interests and before provision for income taxes | 331,089 | 161,303 | 642,773 | 368,818 |
| Provision for income taxes | 88,524 | 52,758 | 280,925 | 112,570 |
| Net income including noncontrolling interests | 242,565 | 108,545 | 361,848 | 256,248 |
| Net income/(loss) attributable to noncontrolling interests | (282) | (4,210) | 159 | (3,074) |
| Net income attributable to Raymond James Financial, Inc. | \$ 242,847 | \$ 112,755 | \$ 361,689 | \$ 259,322 |
| Earnings per common share – diluted | \$ 1.63 | \$ 0.77 | \$ 2.43 | \$ 1.77 |
| Weighted-average common and common equivalent shares outstanding – diluted | 149,037 | 146,779 | 148,530 | 146,119 |

CONSOLIDATED RESULTS BY SEGMENT (unaudited – in 000s)

| | | | | |
|--|---------------------|---------------------|---------------------|---------------------|
| Net revenues: | | | | |
| Private Client Group | \$ 1,271,815 | \$ 1,085,177 | \$ 2,504,866 | \$ 2,125,266 |
| Capital Markets | 230,616 | 256,171 | 447,281 | 489,187 |
| Asset Management | 163,185 | 116,480 | 313,785 | 230,562 |
| RJ Bank | 178,738 | 141,371 | 343,923 | 279,386 |
| Other ⁽¹⁾ | 1,832 | (8,018) | (1,088) | (17,661) |
| Intersegment eliminations | (33,554) | (27,544) | (69,974) | (50,301) |
| Total net revenues | \$ 1,812,632 | \$ 1,563,637 | \$ 3,538,793 | \$ 3,056,439 |
| Pre-tax income/(loss) (excluding noncontrolling interests): | | | | |
| Private Client Group | \$ 157,586 | \$ 29,372 | \$ 312,649 | \$ 102,730 |
| Capital Markets | 16,203 | 41,251 | 21,010 | 62,695 |
| Asset Management | 55,866 | 37,797 | 113,265 | 79,706 |
| RJ Bank | 118,086 | 91,911 | 232,241 | 196,032 |
| Other ⁽¹⁾ | (16,370) | (34,818) | (36,551) | (69,271) |
| Pre-tax income (excluding noncontrolling interests) | \$ 331,371 | \$ 165,513 | \$ 642,614 | \$ 371,892 |

(1) The Other segment includes the results of our private equity activities, as well as certain corporate overhead costs of Raymond James Financial, Inc., including the interest costs on our public debt, losses on extinguishment of 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 group, capital markets, asset management, banking and other services to individuals, corporations and municipalities. The company has approximately 7,600 financial advisors in 3,000 locations throughout the United States, Canada and overseas. Total client assets are \$730 billion. Public since 1983, the firm is listed on the New York Stock Exchange under the symbol RJF. Additional information is available at www.raymondjames.com.

Stock Traded: NEW YORK STOCK EXCHANGE

Stock Symbol: RJF

RAYMOND JAMES®

International Headquarters:

The Raymond James Financial Center
880 Carillon Parkway // St. Petersburg, FL 33716
800.248.8863 // raymondjames.com

© 2018 Raymond James Financial
Raymond James® is a registered trademark
of Raymond James Financial, Inc.
18-Fin-Rep-0074 KM 6/18