



2017

THIRD QUARTER

the **HUMAN**
connection

RAYMOND JAMES

Dear Fellow Shareholders,

Modest economic expansion and strong corporate earnings contributed to continued stock market appreciation during the June quarter. These market gains, along with higher short-term interest rates and consistent growth of our core business drivers, helped us generate record financial results for the fiscal third quarter ending June 30, 2017. Record quarterly net revenues of \$1.62 billion increased 20% over the prior year's fiscal third quarter and 4% over the preceding quarter. Record quarterly net income of \$183.4 million, or \$1.24 per diluted share, increased 46% over the prior year's fiscal third quarter and 63% over the preceding quarter, which was negatively impacted by \$100 million of legal expense associated with the previously announced legal settlement, as described in detail in our last quarterly letter to shareholders. We ended the fiscal third quarter with records for client assets under administration of \$664.4 billion, Private Client Group financial advisors of 7,285, financial assets under administration of \$91.0 billion, and net loans at Raymond James Bank of \$16.6 billion.

For the first nine months of fiscal 2017, net revenues of \$4.68 billion increased 19% compared to the first nine months of fiscal 2016. The attractive revenue growth during the first three quarters of fiscal 2017 was largely attributable to the net addition of Private Client Group financial advisors, equity market appreciation, strong investment banking results, and the significant benefit from higher short-term interest rates on both net interest income and account and service fees. During the same period, net income of \$442.7 million increased a substantial 24% despite being negatively impacted by \$130 million of legal expenses associated with the aforementioned settlement.

The annualized return on equity for the third quarter of fiscal 2017 was 13.8%, which we consider to be a satisfactory result, particularly when compared to the lower returns generated by many other firms in our industry with much higher levels of leverage and significantly lower capital ratios. On June 30, our shareholders' equity was \$5.4 billion, or \$37.46 of book value per share, reflecting 15% growth over shareholders' equity in June of last year.

The record quarterly results were lifted by revenue growth in all of the core operating segments. The Private Client Group segment, Asset Management segment, and Raymond James Bank generated record quarterly net revenues in the quarter.

Moreover, the Private Client Group and Asset Management segments also generated record quarterly pre-tax income.

Quarterly net revenues in the Private Client Group segment of \$1.13 billion improved 25% over the prior year's fiscal third quarter and 4% over the preceding quarter. Quarterly pre-tax income in the Private Client Group segment of \$128 million increased a noteworthy 56% over the prior year's fiscal third quarter. Record quarterly results in the segment were primarily attributable to larger balances in fee-based accounts, which ended the quarter at 44% of the segment's total client assets, and higher short-term interest rates. The growth of client assets was driven by net recruiting of financial advisors, the successful acquisitions of Alex. Brown and 3Macs and market appreciation.

The Capital Markets segment generated quarterly net revenues of \$258.9 million, which were up 3% over the prior year's fiscal third quarter and 1% over the preceding quarter. Quarterly pre-tax income in the segment of \$34.6 million was up 6% over the prior year's fiscal third quarter, but down 16% compared to the preceding quarter. Investment banking revenues during the quarter were lifted by M&A and advisory fees, but were partially offset by weakness in tax credit funds syndication fees due to uncertainty surrounding corporate tax reform. Relatively low levels of market volatility during the quarter hurt both institutional equity and fixed income commissions, with the latter also being negatively impacted by a flattening yield curve.

The Asset Management segment produced record quarterly net revenues of \$125.7 million, up 24% over the prior year's fiscal third quarter and 8% over the preceding quarter. The segment's record quarterly pre-tax income of \$43.3 million improved 33% compared to the prior year's fiscal third quarter and 14% compared to the preceding quarter. Quarterly results in the segment were bolstered by record financial assets under management and increased utilization of fee-based accounts in the Private Client Group, which has accelerated in response to the Department of Labor fiduciary rule.

Raymond James Bank generated record quarterly net revenues of \$150.5 million, increasing 19% over the prior year's fiscal third quarter and 6% over the preceding quarter. Quarterly pre-tax income of \$100 million rose 12% over the prior year's fiscal third quarter and 9% over the preceding quarter. Growth in the bank's quarterly net revenues and pre-tax income was largely attributable to higher balances of both loans and

agency-backed securities and an improvement in the bank's net interest margin due to higher short-term interest rates. The credit quality of the loan portfolio remained satisfactory, as total nonperforming assets declined to 23 basis points of the bank's total assets, comparing favorably to 52 basis points in the prior year's fiscal third quarter and 27 basis points in the preceding quarter.

We also earned several notable awards, recognitions and accolades during the third quarter:

- In May, S&P Global Ratings upgraded our credit rating to BBB+. Moody's Investors Service also recently upgraded our rating to Baa1. These upgrades, which resulted in Raymond James having the same credit ratings as many of the largest firms in our industry, reflect our conservative, client-focused values.
- Raymond James was recognized by the Bank Insurance and Securities Association with the Technology Innovation Award for the fifth consecutive year. In April 2017, three Raymond James-affiliated advisors were named to the *Barron's* 2017 list of the Top 100 Financial Advisors. In May 2017, nine Raymond James-affiliated program managers were named to *Bank Investment Consultant's* list of the Top 25 Program Managers. In June 2017, five Raymond James advisors were named to the *Barron's* list of the Top 100 Women Financial Advisors, six Raymond James branch managers were named to *On Wall Street's* list of the Top 100 Branch Managers, and two Raymond James professionals were named to *Investment News's* annual 40 Under 40 list.
- In the Capital Markets segment, the investment banking team earned two deal-of-the-year awards at the annual M&A Advisor Turnaround Awards, and our equity research analysts received 16 awards in the 2017 Thomson Reuters Analyst Awards.
- During the quarter, we also strengthened our liquidity position by extending the five-year, \$300 million revolving credit facility and closing on a registered underwritten public offering of \$500 million in aggregate principal amount of the reopened 4.95% Senior Notes due 2046.

Looking forward, we are entering the fourth quarter with several tailwinds. The Private Client Group is starting the fourth quarter with assets in fee-based accounts 6% higher than the preceding quarter. The increase in short-term interest rates in June is

expected to generate a benefit to the firm's pre-tax income of approximately \$15 million per quarter, the majority of which will be reflected in the Private Client Group segment. In the Capital Markets segment, we are encouraged by the backlog for investment banking, although our outlook for Fixed Income remains cautious given the flattening yield curve. In Asset Management, we are still on track to close on the acquisition of Scout Investments and Reams Asset Management by the end of the calendar year. Raymond James Bank should continue to benefit from the growth of its loan balances and securities portfolio.

In summary, all of our businesses are positioned very well, with almost all of our key operating metrics starting the fiscal fourth quarter at record levels. Thank you for your continued confidence in Raymond James Financial.

Sincerely,



Paul C. Reilly
Chairman, CEO

August 14, 2017

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)

	JUNE 30, 2017	SEPT. 30, 2016 ⁽¹⁾
Assets:		
Cash and cash equivalents	\$2,615,479	\$1,650,452
Assets segregated pursuant to regulations and other segregated assets	3,393,008	4,884,487
Securities purchased under agreements to resell and other collateralized financings	483,820	470,222
Financial instruments	3,378,210	2,539,877
Receivables	4,538,972	4,499,688
Bank loans, net	16,630,191	15,210,735
Property & equipment, net	421,174	321,457
Other assets	1,972,572	1,910,058
Total assets	\$33,433,426	\$31,486,976
Liabilities and equity:		
Trading instruments sold but not yet purchased	\$326,059	\$328,938
Securities sold under agreements to repurchase	226,972	193,229
Payables	7,219,996	8,011,891
Bank deposits	16,310,881	14,262,547
Other debt	805,198	608,658
Senior notes payable	1,848,021	1,680,587
Other liabilities	1,195,549	1,338,150
Total liabilities	\$27,932,676	\$26,424,000
Total equity attributable to Raymond James Financial, Inc.	5,389,272	4,916,545
Noncontrolling interests	111,478	146,431
Total equity	\$5,500,750	\$5,062,976
Total liabilities and equity	\$33,433,426	\$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 June 30, 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		Nine Months Ended	
	June 30, 2017	June 30, 2016 ⁽¹⁾	June 30, 2017	June 30, 2016 ⁽¹⁾
Revenues:				
Securities commissions and fees	\$ 1,017,908	\$ 871,764	\$ 2,994,405	\$ 2,574,756
Investment banking	104,191	72,714	267,993	198,971
Investment advisory and related administrative fees	117,378	96,343	335,901	288,816
Interest	204,224	163,810	579,550	467,920
Account and service fees	174,084	129,334	485,856	373,685
Net trading profit	23,404	29,795	59,770	66,379
Other	21,918	23,237	68,714	58,437
Total revenues	1,663,107	1,386,997	4,792,189	4,028,964
Interest expense	(38,560)	(28,033)	(111,203)	(83,841)
Net revenues	1,624,547	1,358,964	4,680,986	3,945,123
Non-interest expenses:				
Compensation, commissions and benefits	1,082,382	908,884	3,124,563	2,663,219
Communications and information processing	77,819	71,717	226,047	212,337
Occupancy and equipment costs	46,507	40,825	140,057	123,505
Clearance and floor brokerage	12,296	10,214	36,053	30,727
Business development	39,305	36,488	116,186	112,529
Investment sub-advisory fees	20,133	15,030	57,206	43,866
Bank loan loss provision	6,209	3,452	13,097	26,991
Acquisition-related expenses	3,366	13,445	17,118	21,332
Other	59,589	54,055	304,900	141,582
Total non-interest expenses	1,347,606	1,154,110	4,035,227	3,376,088
Income including noncontrolling interests and before provision for income taxes	276,941	204,854	645,759	569,035
Provision for income taxes	91,590	72,261	204,160	206,541
Net income including noncontrolling interests	185,351	132,593	441,599	362,494
Net income/(loss) attributable to noncontrolling interests	1,927	7,089	(1,147)	4,814
Net income attributable to Raymond James Financial, Inc.	\$ 183,424	\$ 125,504	\$ 442,746	\$ 357,680
Earnings per common share – diluted	\$ 1.24	\$ 0.87	\$ 3.02	\$ 2.47
Weighted-average common and common equivalent shares outstanding – diluted	147,103	143,952	146,347	144,618

CONSOLIDATED RESULTS BY SEGMENT (unaudited – in 000s)

Net revenues:				
Private Client Group	\$ 1,127,285	\$ 900,527	\$ 3,252,551	\$ 2,653,130
Capital Markets	258,909	252,054 ⁽¹⁾	748,096	715,881 ⁽¹⁾
Asset Management	125,664	100,940	356,226	297,978
RJ Bank	150,487	126,584	429,873	360,240
Other ⁽²⁾	(7,251)	28	(24,912)	(24,379)
Intersegment eliminations	(30,547)	(21,169)	(80,848)	(57,727)
Total net revenues	\$ 1,624,547	\$ 1,358,964	\$ 4,680,986	\$ 3,945,123
Pre-tax income/(loss): ⁽³⁾				
Private Client Group	\$ 127,951	\$ 81,911	\$ 230,681	\$ 234,283
Capital Markets	34,607	32,769	97,302	86,024
Asset Management	43,270	32,507	122,976	96,996
RJ Bank	99,990	88,930	296,022	239,929
Other ⁽²⁾	(30,804)	(38,352)	(100,075)	(93,011)
Pre-tax income	\$ 275,014	\$ 197,765	\$ 646,906	\$ 564,221

(1) As a result of our October 1, 2016, adoption of the new consolidation guidance, we deconsolidated a number of tax credit fund VIEs that had been previously consolidated. Certain prior period amounts have been revised from those reported in the prior periods to conform to the current presentation. There was no net impact on our Condensed Consolidated Statements of Income and Comprehensive Income for the prior period as the net change in revenues, interest and other expenses were offset by the impact of the deconsolidation on the net income/(loss) attributable to noncontrolling interests. See our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 (available at www.sec.gov), for more information.

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

(3) Excludes noncontrolling interests.

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 7,300 financial advisors in 3,000 locations throughout the United States, Canada and overseas. Total client assets are \$664 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.

RAYMOND JAMES®

Stock Traded: NEW YORK STOCK EXCHANGE
Stock Symbol: RJF

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