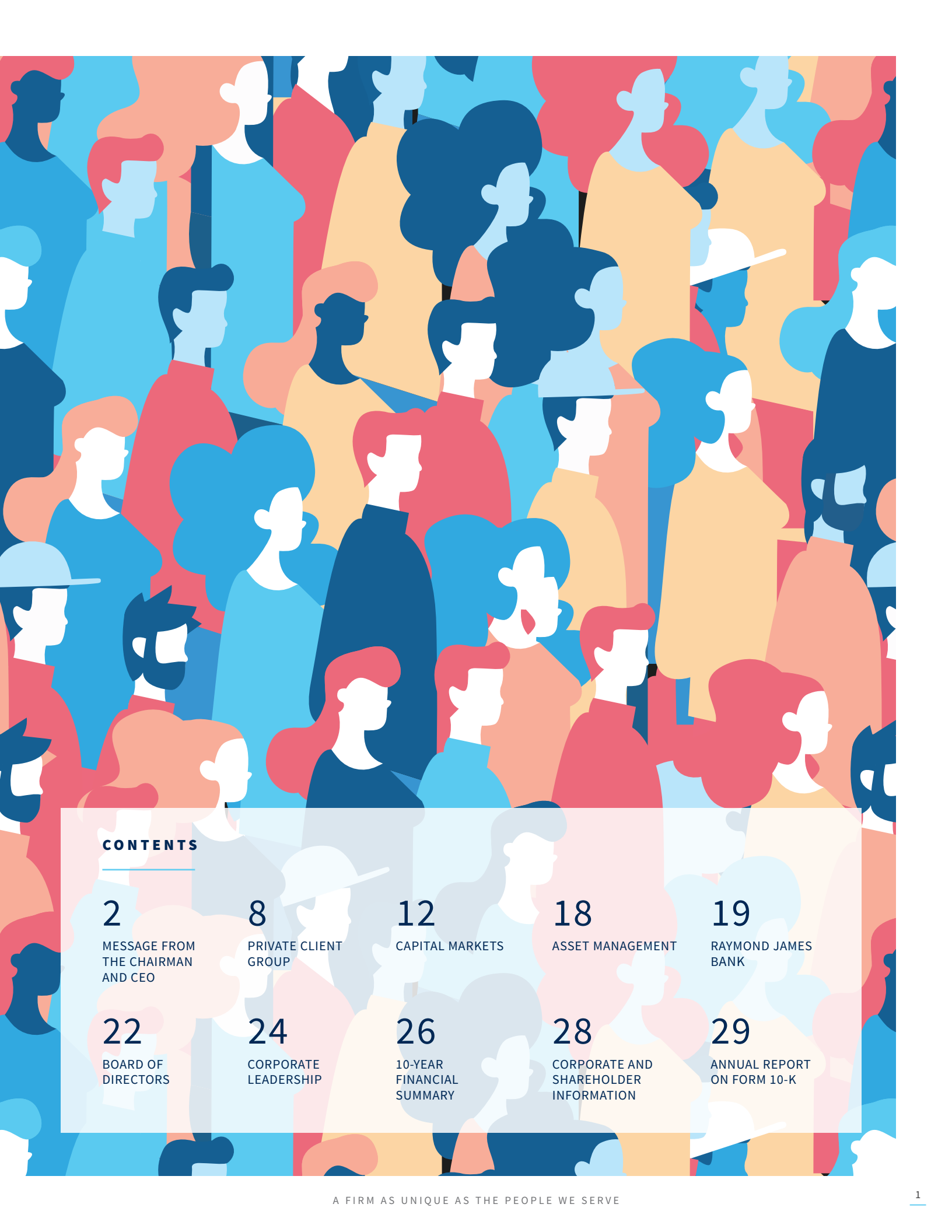


As unique  
as the  
**people**  
we serve

Our vision is to be a financial services firm as unique as the **people** we serve, transforming lives, businesses and communities through the power of personal relationships and professional advice.

Raymond James has always embraced the individual. Seeking to understand how a client sees the world, so we can help them make the most of it. Wanting to know what drives a business, so we know how best to help it succeed. Working to get the pulse of a community, so we can help give it even more heart.

And part of making that vision a reality is recognizing how **unique** every one of us can be.



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ANNUAL REPORT  
ON FORM 10-K

## From our beginning, Raymond James has been a different kind of financial services firm – focused on clients’ unique needs instead of offering only conventional solutions, and remaining focused on the long term, whether in times of uncertainty or prosperity.

That’s why, despite commencing fiscal 2019 with elevated market volatility and a 14% drop in the S&P 500 index in December, we were able to complete the year with record annual revenues and earnings, a testament to our conservative and diversified business model. We also achieved records for several of our key business metrics, including client assets, number of financial advisors and net loans. Nevertheless, we expect headwinds in fiscal 2020 due to the three recent interest rate cuts by the Federal Reserve and ongoing political and economic uncertainties.

Record net revenues of \$7.74 billion increased 6%, record pre-tax income of \$1.38 billion increased 5%, and record net income of \$1.03 billion increased 21% over fiscal 2018. Adjusted net income<sup>(1)</sup> of \$1.07 billion, which excludes a \$15 million loss related to the sale of our European equity research business and the \$19 million goodwill impairment associated with our Canadian Capital Markets business, increased 11% compared to the adjusted net income<sup>(1)</sup> generated in fiscal 2018. Record financial results were driven by growth of client assets, record investment banking revenues and the benefit from higher short-term interest rates. Client assets under administration increased 6% during the year to \$838.3 billion, another record, lifted by equity market appreciation and the net addition of financial advisors in the Private Client Group segment. For the fiscal year, we generated a return on equity of 16.2% and an adjusted return on equity<sup>(1)</sup> of 16.7%, both fantastic results given the challenging start to the year and our superlative capital position. We ended the year with shareholders’ equity of \$6.6 billion and book value per share of \$47.76, which increased 3% and 9%, respectively, over September 2018.

We also increased our quarterly dividend to \$0.34 per quarter from \$0.30 per quarter, an increase of 13%. In addition, in November 2019 the quarterly dividend was further increased to \$0.37 per quarter, a 9% increase over the preceding quarterly dividend. Under the share

repurchase authorization, we were opportunistic in repurchasing our common shares, buying back 9.83 million shares for \$752 million, an average price of approximately \$76.50 per share. In total, the firm repurchased approximately 6.5% of shares outstanding at the beginning of the fiscal year and returned total capital of nearly \$945 million to shareholders through the combination of dividends and share repurchases. On August 15, 2019, the Board of Directors authorized repurchases of up to \$750 million, of which the full amount remained available as of September 30, 2019. Even with these actions, our capital ratios continued to grow, with a total capital ratio of 25.8% and Tier 1 leverage ratio of 15.7% at the end of the year.

Drilling down to our segment results, the Private Client Group (PCG) generated record net revenues of \$5.36 billion, an increase of 5% over fiscal 2018, and record pre-tax income of \$579 million, a 1% increase over 2018. Profitability growth would have been higher but we made investments in technology and risk management infrastructure to strengthen our platform for clients, financial advisors and future growth. Fiscal 2019 concluded with records for PCG assets under administration of \$798.4 billion, up 6%, and PCG assets in fee-based accounts of \$409.1 billion, up 12% over the end of fiscal 2018.

Our focus on serving advisors and their clients with industry-leading tools and resources continues to deliver strong retention and recruitment of advisors across our affiliation options. We ended the year with more than 8,000 advisors affiliated with the firm – a new record and up a net 198 advisors. On a gross recruited basis, our domestic PCG business had its second best year, just behind 2018, with nearly \$300 million of trailing 12-month production and \$43.5 billion of assets under administration at the prior firms of those financial advisors joining Raymond James. This is an excellent result, especially given the slow start to the year and the increasingly competitive environment. In addition to attracting experienced advisors, we continued

(1) “Adjusted net income” and “adjusted return on equity” are each non-GAAP financial measures. Please see the “Reconciliation of GAAP measures to non-GAAP measures” on page 37 of Form 10-K for a reconciliation of our non-GAAP measures to the most directly comparable GAAP measures, and for other important disclosures.



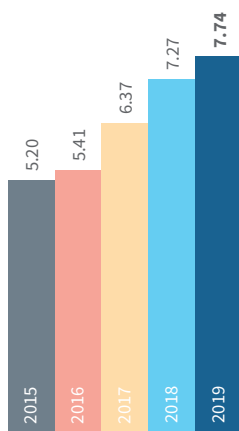


investing in the future by expanding our financial advisor training program, with over 290 trainees starting the program during fiscal 2019, an increase of 12% from the prior year.

In addition, we further strengthened our PCG management team with the hiring of Greg Bruce and promotion of Kim Jenson. Greg joined Raymond James as senior vice president and head of PCG's Investment Advisors Division and has an impressive track record in the RIA business. Under Greg's leadership, we are committed to supporting independent RIA firms and providing them with the best tools and resources available. Kim, who served as chief operating officer (COO) of Raymond James & Associates Private Client Group, was promoted to COO of the domestic Private Client Group division. Consequently, she is responsible for U.S. PCG business development, education, strategy and support functions across all affiliation options.

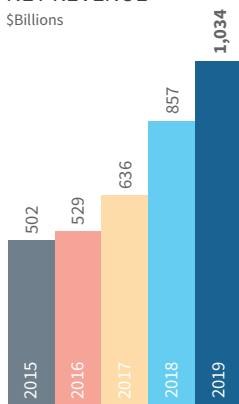
In the Capital Markets segment, record net revenues of \$1.08 billion and pre-tax income of \$110 million increased 12% and 21%, respectively, over fiscal 2018, driven by strong M&A results and improved fixed income brokerage revenues. M&A results reflect the significant investments we have made over the past several years to deepen and expand our platform, including the niche acquisition of Silver Lane Advisors, which has extensive expertise and relationships in the asset and wealth management sectors. Despite the flat yield curve, increased rate volatility during the second half of the year helped boost fixed income results. However, equity brokerage revenues continue to be negatively impacted by both structural and cyclical factors.

The Asset Management segment drove record net revenues of \$691 million, which were up 6%, and record pre-tax income of \$253 million, which increased 8% over fiscal 2018, based upon financial assets under management, which ended the fiscal year up 2% at \$143.1 billion.



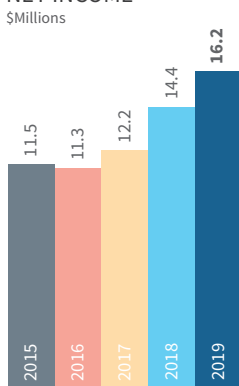
#### NET REVENUE

\$Billions



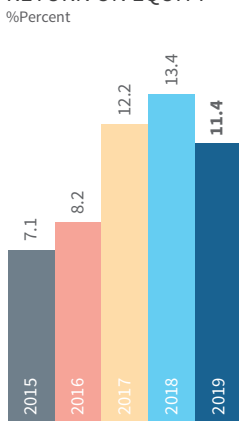
#### NET INCOME

\$Millions



#### RETURN ON EQUITY

%Percent



#### MARKET CAPITALIZATION

\$Billions

The increase in financial assets under management reflected market appreciation and increased utilization of fee-based accounts in PCG, which more than offset net outflows for Carillon Tower Advisers. Additionally, we purchased the remaining 55% of ClariVest Asset Management, which has over \$7 billion of assets under management across a broad range of equities strategies, up from \$3 billion when we first invested in the company in 2012.

Raymond James Bank produced record net revenues of \$846 million and record pre-tax income of \$515 million, increasing 16% and 5% over fiscal 2018, respectively. Record net loans of \$20.9 billion grew 7% from fiscal 2018, driven by the bank's continued focus on providing solutions to clients in our PCG and Capital Markets segments. The bank's credit metrics remained strong throughout the year, with nonperforming assets of 0.18% of total assets and criticized loans of 1.36% of total loans as of September 30. We remain extremely diligent as we add any new loans to our balance sheet, especially given the competitive lending environment. Net interest margin expanded 10 basis points to 3.32% in fiscal 2019, helped by increases in short-term interest rates. However, the two 25 basis point rate cuts late in the fiscal year and the additional rate cut in October are expected to negatively impact this margin in fiscal 2020.

Complementing strong performance within our businesses, we also achieved several other notable accomplishments during the fiscal year:

- Giving back to our communities is an essential aspect of our mission, and we upheld that again in fiscal 2019. Between associate contributions and a company match, Raymond James raised nearly \$6.25 million for communities across the country through its annual United Way campaign. Additionally, our associates raised more than \$350,000 for the American Heart Association through the 2018 Heart Walk, and during the firm's annual Raymond James Cares Month, more than 3,300 advisors and associates volunteered over 10,400 hours to benefit 333 charitable organizations across the United States, Canada and the United Kingdom. Raymond James also donated \$650,000 to the American Red Cross to support relief efforts related to several natural disasters including Hurricane Michael, Hurricane Dorian, tornadoes, flooding, and wildfires in California.
- Consistent with our long-term focus on attaining a more inclusive and diverse workforce, I signed the CEO Action for Diversity and Inclusion pledge in support of advancing diversity and inclusion in the workplace.
- The firm appointed Raj Seshadri, president, U.S. Issuers, at Mastercard, to our Board of Directors and its Audit and Risk Committee. She possesses a rare combination of skills and experience including roles at global brands in marketing, sales, business strategy, asset management, wealth management and business-to-business partnerships. I am confident her talents and proven creativity will result in important contributions to the firm's growth strategy in this rapidly evolving marketplace.
- Chairman Emeritus Tom James was honored as an Industry Champion at the SIFMA Foundation Tribute Dinner, held annually to celebrate SIFMA's success in advancing youth financial literacy and to honor those who help make that work possible.

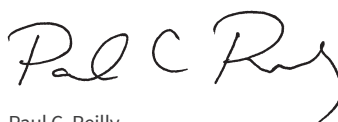
After an impressive tenure, Jeff Julien will retire as chief financial officer (CFO), effective December 31. Paul Shoukry, current treasurer and senior vice president of finance and investor relations, will become CFO. Jeff will continue to serve as executive vice president of finance and as a senior adviser for a period of time to ensure the successful transition of responsibilities. Jeff has had an extraordinary career, serving as Raymond James' CFO for over 32 years – the longest serving CFO of any S&P 500 or Fortune 500 company. His contributions, including his management oversight of Raymond James Bank and Raymond James Trust since inception, are many, and I want to thank him for his unwavering dedication to the firm. Also in the fiscal year, Chris Aisenbrey was promoted to chief human resources officer. In his nearly five years at Raymond James, Chris has made a meaningful impact – most notably in support of the firm's talent development, and diversity and inclusion programs. I'm confident he'll continue to support the strategic direction of the firm in this expanded role. Rooted in our conservative approach and long-term focus, succession planning is critical to ensuring a deep, experienced management team that remains true to our culture and values, and these two examples highlight such focus.

Reflecting back on the year, I'm proud of our many accomplishments. We are beginning fiscal 2020 with records for our key revenue drivers including client assets under

administration, the number of PCG financial advisors and net loans at Raymond James Bank. Additionally, we are particularly well-positioned with robust levels of capital and strong liquidity. Nevertheless, we are keenly aware of the challenges potential market volatility, overall uncertainty and lower interest rates will present in the coming year. Moreover, we are acutely cognizant that economies and markets don't always rise. Hence, we are focused on continuing to manage costs across the business, but we also know it's critical to continue investing for the future in areas such as advisor training and recruiting, risk management, compliance and technology.

Regardless of the market environment, our long-term success reflects our mission of always putting the financial well-being of clients first, which ultimately serves the best interests of our shareholders, associates and communities.

Thank you for your continued trust and confidence in Raymond James.



Paul C. Reilly  
Chairman and Chief Executive Officer  
Raymond James Financial

November 26, 2019

## FISCAL YEAR FINANCIAL HIGHLIGHTS

in millions, except per share amounts

	2019	2018	CHANGE
Net Revenues	\$7,740	\$7,274	6%
Net Income	\$1,034	\$857	21%
Earnings per Share (Diluted)	\$7.17	\$5.75	25%
Shareholders' Equity Attributable to RJF	\$6,581	\$6,368	3%
Shares Outstanding <sup>(1)</sup>	138	146	(5%)
Book Value per Share	\$47.76	\$43.73	9%

ALL DATA AS OF FISCAL YEAR ENDED SEPTEMBER 30, 2019

(1) Excludes non-vested shares



#### PRIVATE CLIENT GROUP

More than 8,000 financial advisors – affiliated as traditional employees, independent contractors, independent registered investment advisors or financial institution-based advisors – provide financial planning, investment advisory and securities transaction services.

#### CAPITAL MARKETS

The Capital Markets segment provides investment banking, sales and trading, and research to corporate, institutional, nonprofit and municipal clients throughout North America and Europe. In addition, Raymond James Tax Credit Funds provides resources to developers of affordable housing and facilitates tax-incentivized investments in communities through fund offerings.

#### ASSET MANAGEMENT

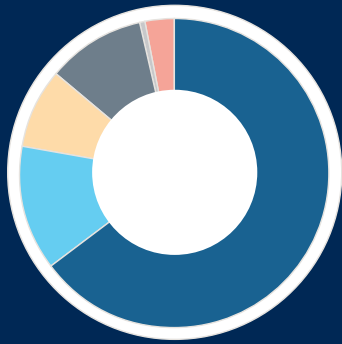
The Asset Management segment provides portfolio management and related administrative services to Private Client Group clients through the Asset Management Services division and through Raymond James Trust, N.A. The segment also provides asset management services through Carillon Tower Advisers and affiliates for certain individual accounts managed on behalf of third-party institutions, institutional accounts or proprietary mutual funds that we manage.

#### RAYMOND JAMES BANK

Raymond James Bank provides a comprehensive array of personal and corporate banking services including residential, securities-based and commercial lending products, as well as FDIC-insured deposit accounts that serve as one of the primary sweep options for client brokerage accounts.

#### OTHER

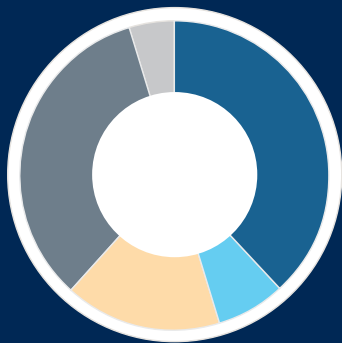
The Other segment includes the firm's private equity investments, interest income on certain corporate cash balances, and certain corporate overhead costs of Raymond James Financial, including the interest cost on our senior notes payable.



### 2019 NET REVENUES **\$7,740**

in millions

PRIVATE CLIENT GROUP	\$5,359	69%
CAPITAL MARKETS	\$1,083	14%
ASSET MANAGEMENT	\$691	9%
RAYMOND JAMES BANK	\$846	11%
OTHER	\$5	0%
INTERSEGMENT	(\$244)	(3%)



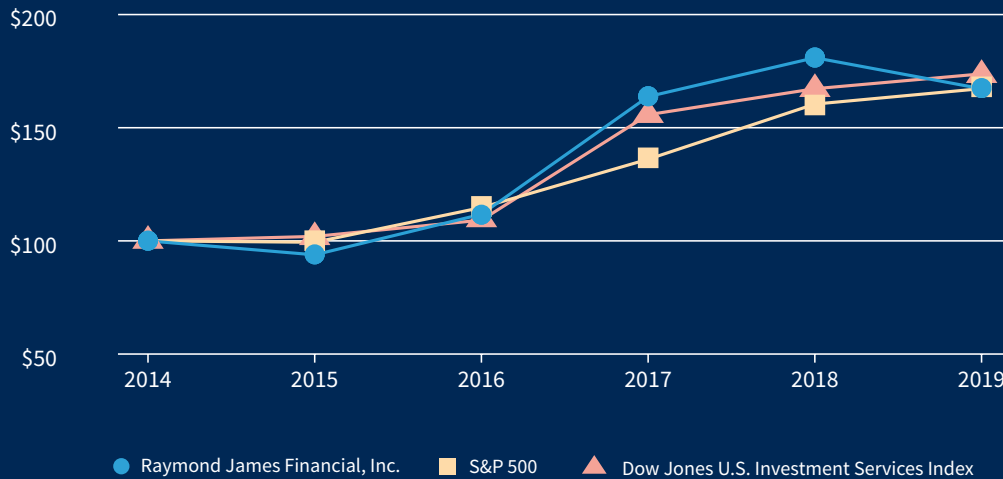
### 2019 TOTAL PRE-TAX INCOME **\$1,375**

in millions

PRIVATE CLIENT GROUP	\$579	42%
CAPITAL MARKETS	\$110	8%
ASSET MANAGEMENT	\$253	18%
RAYMOND JAMES BANK	\$515	37%
OTHER	(\$82)	(5%)

### COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN SEPTEMBER 2019

Assumes initial investment of \$100 and reinvestment of dividends.  
Prepared by Zacks Investment Research.



Industry-leading retention of current advisors, near-record recruiting and higher productivity – bolstered by positive equity market returns – combined to drive Private Client Group client assets under administration up 6% to a record \$798.4 billion as of the end of fiscal year 2019.

**\$5.36 billion**

NET REVENUES

---

**\$579 million**

PRE-TAX INCOME

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#### KEY PERFORMANCE DRIVERS

- Strong retention and recruiting of advisors
- Higher average advisor productivity
- Positive equity market performance

#### HEADWINDS

- Reductions in cash balances
- Regulatory changes and expectations
- Industry trends contributing to fee compression

## 2019 Initiatives

### Facilitating implementation of new standards

After years of regulatory fits and starts, the financial services industry moved closer to a uniform standard of care for all clients with the SEC's promulgation of Regulation Best Interest in June 2019. The rule, scheduled to take effect in June 2020, requires advisors to act in the best interests of their clients, an approach that aligns with the firm's client-first philosophy and, therefore, already guides the way we do business. Great care has been taken to understand the regulation's details and to educate advisors regarding best practices for determining, communicating and documenting investment recommendations in a way that also respects their varying practices and processes.

### Ongoing retention and recruiting success

Our culture and commitment to serving advisors and their clients with industry-leading tools and resources continue to support strong retention and recruitment across our affiliation options, with more than 8,000 advisors now affiliated with Raymond James. Regretted attrition was again below 1%, and advisors representing \$43.5 billion of assets under administration and nearly \$300 million of trailing 12-month production at their previous firms joined our domestic PCG business. Meanwhile, to support future growth as significant numbers of advisors are likely to retire in the next several years, the firm continued to expand the Advisor Mastery Program, with 290 trainees joining the program during fiscal 2019, an increase of 12% from the prior year. Notably, one-third of these trainees are from groups that have traditionally been underrepresented in the financial services profession, reflecting Raymond James' commitment to cultivating advisors that better reflect the population at large.



# \$798.4 billion

TOTAL PCG ASSETS UNDER ADMINISTRATION

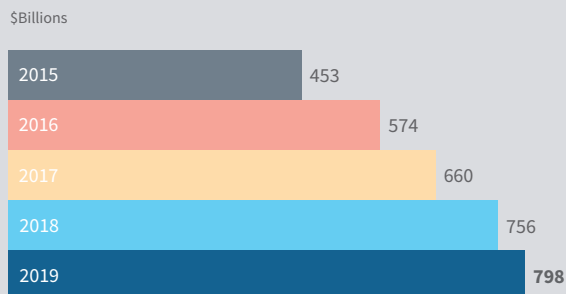
## Continued platform enhancements

In 2019, the firm widened and refined its wealth solutions offerings under the leadership of Haig Ariyan, who also serves as president of the Alex. Brown division. In addition to continued focus on supporting comprehensive planning needs – from expansion of longevity-related resources to increased offering of higher-net-worth alternatives, including several new private equity, offshore and hedge fund offerings – the team elevated the communication of thought leadership on timely themes and emerging trends from Chief Investment Officer Larry Adam’s team. These additional resources reinforce the value of professional, relationship-based financial advice, an important focus as online and discount brokerage firms offer low-cost investment selection and asset allocation for self-directed investors.

## FINANCIAL ADVISORS PRIVATE CLIENT GROUP



## CLIENT ASSETS PRIVATE CLIENT GROUP



**LOOKING AHEAD** – Changing demographics and rapidly evolving technology offer opportunities for the Private Client Group to envision and prepare for financial advisors and clients of the future. Introducing the financial advisory profession to formerly underrepresented populations remains a key area of focus as the industry prepares for significant numbers of retiring advisors. Meanwhile, the firm will continue to enhance its technology platform – for instance, with additional digitization of required paperwork and increased mobile access for advisors and clients – in a way that supports advisor-client relationships and changing communication preferences. Finally, in the United States and around the world, market volatility is expected to continue as the global economic expansion shows signs of slowing. As such, the Private Client Group will continue to emphasize the client-first and long-term approaches that have long been a key to the firm’s success.

*Doina Pinto, Barbara Boccuto and Katherine Reisfeld of Rhinebeck Wealth Advisors are one of many teams across the country who found the right fit at Raymond James.*



## Inclusive expansion

**The growth of the firm continued in 2019 – guided by the belief that what makes us different as people makes us better as professionals.**

“There was a time when we would not have considered working anywhere but at a major wirehouse. But as times changed and the big firms got too big and smaller firms offered more, we began looking for a ‘Goldilocks’ firm.

One of the things we kept hearing about was the culture at Raymond James. It’s a hard thing to articulate, but when we visited the home office we finally got a feel for what it meant.”

That’s what Katherine Reisfeld of Rhinebeck Wealth Advisors said of her team’s decision to affiliate with Raymond James in 2018. It’s a sentiment shared by numerous advisors, whether they’ve spent their careers here or have only paid one visit: culture. It’s been the force driving the growth of Raymond James since our founding in 1962, drawing professionals who are attracted to the firm’s people-focused mission.



That trend continued in 2019 as our Private Client Group continued to retain and attract high-quality financial advisors.

Retention of top advisors remained strong, as always, while recruiting momentum rebounded from a slow start to finish with our second-best year for recruited production. We grew total financial advisor headcount by 2.5% in fiscal 2019 to reach a record number of advisors – with more than half of that growth occurring in the fourth quarter alone.

This continued expansion was also measured in geography and scale as we welcomed new teams and individual advisors across the country – with significant success in the Northeast and West – as well as two groups each managing approximately \$1 billion in assets. We also reinforced our commitment to the Registered Investment Advisor model with the appointment of industry veteran Greg Bruce to lead our Investment Advisors Division.

Growth in 2019 also came in the form of strategic hires across businesses that have been a source of strength and fresh opportunity for the firm.

Raymond James Equity Capital Markets hired several investment bankers, expanding its presence in Europe and New York, as well as in key industries including diversified industrials, specialty finance and healthcare.

Public Finance built on its momentum in the Midwest, Mountain States and West Coast with hires that bolstered its education and local government practices.

The firm also deepened the expertise of its equity research team with the addition of consumer and healthcare policy analysts and an institutional equity strategist.

All of this growth was supported – and inspired – by a reinvigorated effort to build something the financial services industry has notoriously lacked: diversity.

“A basic principle of finance is to diversify to optimize potential. In order to leverage our associates’ unique perspectives, we should be applying a similar principle to our human capital,” said Pedro Suriel, who now leads the firm’s diversity and inclusion efforts alongside Renée Baker, head of Advisor Inclusion Networks.



*Renewed emphasis on diversity and inclusion in 2019 put an even bigger spotlight on annual multicultural events like our Diwali celebration, in which associates share the sounds, sights and tastes of their cultures.*

Added Renée, “Demographics are changing, and clients’ needs are as diverse as they are. When we can understand their cultural norms and needs, it only makes us better.”

The belief is echoed across every level of the firm. In his session at the Private Client Group’s Women’s Symposium, hosted annually by Raymond James for 25 years, CEO Paul Reilly put it in mathematical terms. “We’ve been gaining ground – women and minorities accounted for about one-third of the participants in our Advisor Mastery Program over the past year. But how do we do better? How do we get to 50% to reflect the overall population?”

In total, 2019 was another year in which we approached growth as thoughtfully and responsibly as we always have, with an eye toward building for the future even as we stay grounded in the values that have guided us throughout our history.

“We’re committed to ensuring our businesses and our strategy remain aligned with our cultural imperatives,” said Chris Aisenbrey, chief human resources officer. “In doing so we will ensure we continue to attract the best talent to every area of our firm.”

## CAPITAL MARKETS

Driven by robust mergers and acquisitions (M&A) activity, the combination of strong trading revenues and ongoing expense management in Fixed Income, and solid results for Tax Credit Funds, Capital Markets produced record net revenues of \$1.08 billion in fiscal year 2019, up 12% over fiscal 2018, despite weakness in equity brokerage revenues.

# \$1.08 billion

NET REVENUES

# \$110 million

PRE-TAX INCOME

### KEY PERFORMANCE DRIVERS

- Record firmwide investment banking revenues of \$596 million, driven by significant M&A success, with several marquee transactions and a 24% increase in advisory fees over fiscal 2018
- Right-sizing of Fixed Income business and a more conducive trading environment due to interest rate volatility
- Additional contributions from experienced investment banking and public finance professionals who have been hired over the past several years

### HEADWINDS

- Ongoing economic uncertainty and continued movement toward passive investment strategies and low-touch equity trading led to declines in equity brokerage revenues
- Continued regulatory pressure, including the ongoing effects of changes to European Union policies
- The flattened yield curve and further consolidation in traditional banking – Fixed Income’s most significant customer segment – which affected fixed income brokerage revenues
- A goodwill impairment associated with our Canadian Capital Markets business and losses from the divestiture of operations related to European equities

### TOTAL CAPITAL MARKETS NET REVENUES

\$Millions



### FIXED INCOME AND PUBLIC FINANCE 2019 INITIATIVES

#### Strengthening of the Fixed Income business model

A dedicated focus on managing operating expenses positioned Fixed Income to maximize opportunities that arose from increased market and interest rate volatility. Strong contributions were generated by the Structured Products trading desk and a Debt Capital Markets initiative, which originated \$36.6 billion in taxable debt securities across 56 transactions.

#### Expansion of the Public Finance footprint

Public Finance added several respected bankers in key geographic areas, including the West and Midwest. This strategic approach contributed to the unit’s ability to increase its ranking and market share in three states with significant municipal issuances: California (K-12), Illinois and Florida. Raymond James was the nation’s fourth-ranked K-12 underwriter in fiscal 2019, according to Bloomberg. Public Finance also continued to collaborate with the Private Client Group to generate business from its network of 8,000+ financial advisors, with more than two dozen transactions for the year resulting from the referral program.

**10** RANKING AMONG THE NATION’S  
LARGEST PUBLIC FINANCE  
UNDERWRITERS IN FISCAL 2019\*

\*According to Bloomberg

## EQUITY CAPITAL MARKETS 2019 INITIATIVES

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### Continued positive impact of M&A

Investment Banking built upon its positive momentum for high-quality deal execution. The team advised on approximately 200 transactions and continued its success in leading larger deals, generating a record number of transactions with individual fees in excess of \$1 million, including the division's largest-ever. Investment Banking continued its strong growth trajectory in Europe, completing 30 transactions during the year, up from 20 in fiscal 2018.

**200** APPROXIMATE NUMBER OF M&A TRANSACTIONS IN FISCAL 2019

### Expansion of sales and trading capabilities

The equities team augmented revenue through the enhancement of trading capabilities, including the launch of an enhanced global low-touch trading platform, Raymond James Electronic Trading (RJET), and through broad market share gains with institutional clients.

### Leadership and hiring for future growth

Equity Capital Markets (ECM) positioned itself for future growth with a thoughtful approach to leadership and hiring. During the fiscal 2019 first quarter, Jim Bunn was elevated from co-president to president of Global Equities and Investment Banking, the culmination of a succession plan for long-time leader Jeff Trocin. Nine managing directors and several research analysts joined the U.S. ECM team, which also completed the acquisition of Silver Lane, a boutique investment banking firm focused on asset management and wealth management. The European Investment Banking team welcomed several key additions, and a managing director joined equity research in Canada.

## Industry Accolades and Key Transactions

Recognition from industry publications and media outlets in 2019:

### The M&A Advisor

Raymond James was a finalist for 61 awards in 30 categories, with several transactions receiving recognition:

- Information Technology Deal of the Year (\$100MM+): Investment in DiscoverOrg by The Carlyle Group
- Industrials Deal of the Year (\$100MM+): Restructuring of Action Resources
- Private Equity Deal of the Year (\$250MM-\$500MM): Sale of Sage Payment Solutions to GTCR
- International M&A Deal of the Year (\$500MM-\$1B): Acquisition of majority stake in Amann Girschbach AG by Capvis Equity Partners
- International Information Technology Deal of the Year (\$100MM+): Recapitalization of Getronics, plus its acquisition of Pomeroy
- Cross-Border Deal of the Year (\$500MM-\$1B): Sale of Pomeroy to Getronics
- Turnaround Industrials Deal of the Year (\$100MM+): Restructuring of Action Resources
- Distressed M&A Deal of the Year (\$50MM-\$100MM): Sale of SafeOp Surgical to Alphatec Holdings

### Key M&A transactions

Advised Millennium Trust, a portfolio company of Parthenon Capital and provider of technology enabled retirement solutions and custodian services, on its majority recapitalization with Abry Partners.

Advised Pebblebrook Hotel Trust on its contested acquisition of LaSalle Hotel Properties in a transaction valued at approximately \$5.2 billion. The combined company became the largest owner of independent lifestyle hotels.

Advised CenterState Bank Corporation, a Southeastern regional bank, on its acquisition of National Commerce Corporation in a transaction valued at approximately \$850 million.

Advised Control4 Corporation, a global provider of smart home solutions, on its acquisition by SnapAv, a portfolio company of Hellman & Friedman, in an all-cash transaction valued at approximately \$680 million.

### Starmine Analyst Awards from Refinitiv

- Six awards for Top Earnings Estimators
- Three awards for Top Stock Pickers

**LOOKING AHEAD** – M&A pipelines remain healthy, providing opportunity to build upon the firm's reputation for high-quality advice and client-focused deal execution. Meanwhile, Public Finance will look to capitalize on taxable municipal debt solutions in a lower interest rate environment. While reduced volatility in a lower interest rate environment may present challenges for fixed income markets, adherence to risk management discipline will continue to be a significant advantage. Similarly, a focus on continuing to adapt the firm's trading platform in response to industry trends should provide a solid foundation for future Equity Capital Markets performance. We are confident that remaining committed to strong, long-term relationships in the middle-market space, leveraging Raymond James' extensive financial advisor network for referrals, and opportunistically hiring experienced professionals and acquiring established businesses in key locations and industries will further Raymond James Capital Markets' scope and reputation in 2020 and beyond.

# The road to rebuilding

**With record levels of investor demand, Raymond James helped Connecticut raise the funding it needs to replace key infrastructure.**

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It's a challenge being faced nationwide. Highways are pocked with potholes, leaky and leaden water systems are in need of updates, and countless bridges, dams and railways are overdue for repairs. Our national infrastructure is in desperate need of a refresh. So much so that the American Society of Civil Engineers (ASCE) gave U.S. infrastructure a D+ in its 2017 Infrastructure Report Card, updated every four years. It gave the same grade in 2013.

No question there is a lot of work to be done, and financing these updates is no small task. According to the ASCE, nearly \$4.6 trillion will need to be spent over the next decade to make the necessary improvements.

Fortunately, the Public Finance team at Raymond James has found a way to be a part of the solution. By partnering with states across the country, they've helped to raise funding for critical infrastructure projects that help revitalize communities and create jobs while delivering a return for investors.

"Participating in efforts to upgrade the nation's infrastructure is important work – these are the structures and systems that enable our daily lives," said Gavin Murrey, Raymond James executive vice president and head of Public Finance. "Across the country, we've built strong partnerships with our clients by being diligent and focusing on executing our clients' financings to their high expectations. Our work with Connecticut is an example of that."

As a rotating senior manager on Connecticut's Special Tax Obligation (STO) program, Raymond James most recently served as the bookrunning senior manager for the sale of \$850 million of Transportation Infrastructure Purposes Bonds offered in October of 2018. The bonds financed several key Department of Transportation infrastructure improvement projects, including the

construction, repair and rehabilitation of Connecticut's highways and bridges, mass transportation and transit facilities, waterways, maintenance garages and administrative facilities.

"We pride ourselves on providing innovative ideas and superior execution," said Bob Coven, managing director and lead coverage banker to the state. "For Connecticut to have us lead such an important financing speaks volumes of their trust in our firm, and we wanted to do everything we could to ensure the state paid the lowest interest cost possible."

That included navigating various external influences on market pricing, including rating uncertainty after S&P published advance notice that its criteria change for Priority Lien Tax Revenue Debt – the methodology used for rating the state's STO bonds – could be released at any time between mailing of the preliminary offering document and deal closing. Given that uncertainty could create confusion with investors and negatively impact the pricing of the issue, the Public Finance bankers coordinated with the Raymond James Municipal Credit Research department to proactively engage investors, the state and all stakeholders on all possible outcomes.

The sale was apportioned into a two-day order period, with the first day open solely to individual investors, followed by institutional investors the following day. Retail orders totaled more than \$455 million, representing nearly 83% of the bonds available that day – which at the time set a record for any bond sale in Connecticut's history.

During the institutional order period, total orders approached \$1.2 billion for the remaining \$395 million in bonds offered. Follow up from individual investors resulted in an additional \$23 million in retail orders, bringing total retail orders for the bond sale to \$478 million.





*With much of the country facing an infrastructure crisis in 2019, Raymond James played a pivotal role in helping the state of Connecticut secure funding for large-scale transportation improvements, led by (left to right) Alex Shih and Bob Coven in Public Finance, Don O'Brien in Underwriting and Lindsay Wilhelm in Municipal Credit Research.*

“The sale was a huge success, not just because of the amount we were able to raise, but the variety of investors we were able to attract also helped to stabilize the sale for attractive rates,” said Don O’Brien, managing director and lead underwriter for the financing.

Interest rates were lowered from 1 to 5 basis points across more than half of the maturities, bringing the true interest cost of the 20-year, new money STO bonds to 3.96%.

Ultimately, the Public Finance team credits a “firing on all cylinders” approach for its success in attracting buyers and raising the funding Connecticut needed. There was a truly collaborative effort across sales, distribution and marketing – the latter of which included

a comprehensive media plan that drove close to 3,300 visitors to the state’s bond information website.

Altogether, it is a noteworthy win for Raymond James – one that’s in keeping with the greater reputation the firm has garnered for delivering results for partners, clients and investors. In Connecticut, Raymond James is the number-one ranked underwriter of municipal bonds, having underwritten 113 issues for a total par amount of \$4.36 billion\* since 2014.

Better still, with financings like this one, the firm gives investors an opportunity to reach their financial goals while helping states to make much-needed progress in revitalizing their communities.

\*Source: SDC Platinum, as of October 30, 2019

# In the business of people

**Giving back is one of our firm's favorite traditions.**

Alana Scott understood the value of financial literacy at an early age – a benefit of growing up with a mother who stressed the importance of being debt-free and saving for the future. She also saw compassion in action.

“When I was in elementary school, our neighbors lost their business and were on the brink of losing their home,” remembers Alana. “Instead of simply consoling them, my mom – a special education teacher – took action, working extra hours during summer school to help make their mortgage payments.”

Alana never forgot the look of gratitude on the family's faces. “I knew from that moment on, I wanted to make a lasting impact on others, just like my mom.”

It's not surprising then that Alana found a passion and career in financial advising, which led her to co-found her practice – Lattig Scott Wealth Management Group of Raymond James – in 2017 after nearly 10 years in the business. It's also not surprising that she wanted to do more.

To that end, Alana founded the Women's Education and Leadership League, also known as WELL, to help women develop financial literacy. It's grown into much more, now offering a multifaceted curriculum to help women establish well-being and confidence to flourish in their lives, businesses and communities and, in turn, give back.

As Alana likes to say, “WELL women don't just help themselves. They turn around and help others.”

Alana's story is just one brilliant example of how advisors at Raymond James are “giving back in the communities in which we live and work” – an integral part of the firm's mission since the very beginning.

That comes to life in myriad ways, from our almost 50-year partnership with the United Way, to department-based charity funds – including a snack room run by the St. Petersburg Information Technology group that's been going for over three decades, with profits purchasing more than 2,100 holiday presents for children – to a separate nonprofit called Friends of Raymond James that provides financial assistance to associates and advisors who have experienced some type of catastrophe or tragedy in their lives.

It also is on full display each May, when associates and affiliates are encouraged to team up for community service projects to celebrate and amplify giving. In 2019 alone, more than 3,000 volunteers participated in projects ranging from coastal cleanups and home builds to food drives and student mentorship opportunities.

Raymond James prides itself on being in the business of people, whether that means helping families and individuals plan for their futures or leveraging our strength in numbers as a firm to support the communities around us. Giving back has always been an important part of our story because – put simply – we believe it's the right thing to do.



As part of The Ride to Conquer Cancer, the Toronto team from Raymond James devoted countless hours to training and fundraising, ultimately donating more than CA\$51,000 in support of the Princess Margaret Cancer Centre. Their efforts are just one example of the good work being done by Raymond James Ltd. associates throughout their communities – work the Raymond James Canada Foundation was established to build upon. Since 2012, the foundation has facilitated grants of more than CA\$7.8 million to more than one thousand charities across the country, and has frequently offered disaster relief both at home and abroad.



Inspired by her mother, financial advisor Alana Scott has made giving back a professional and personal practice, championing financial literacy as founder of the Women's Education and Leadership League (WELL).



## Raymond James Cares 2019



United States, Canada and the United Kingdom



**7,429**  
Nonprofit Board Members



**139,631**  
Volunteer Hours



**\$42 million**  
Total Given



**#5 Fundraiser**  
in the Nation for the American Heart Association



**\$6.2 million**  
Raised for the United Way

United States only

## ASSET MANAGEMENT

Asset Management Services (AMS), which provides managed accounts and fee-based platforms for Raymond James financial advisors, and Carillon Tower Advisers, a global asset management firm made up of independent boutiques spanning various investment disciplines and asset classes, together produced record net revenues and pre-tax income in 2019.

# \$691 million

NET REVENUES

# \$253 million

PRE-TAX INCOME

### KEY PERFORMANCE DRIVERS

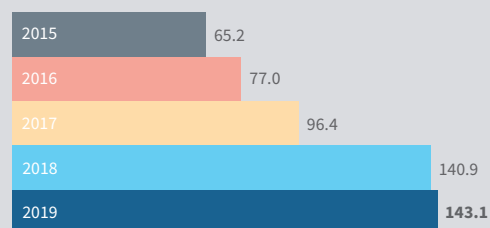
- Continued equity market appreciation
- Ongoing migration to fee-based relationships in an evolving regulatory environment
- Deliberate expansion of Carillon Tower Advisers

### HEADWINDS

- Fee pressures for active management
- Growing popularity of passive investments, such as ETFs

### FINANCIAL ASSETS UNDER MANAGEMENT

\$Billions



## 2019 Initiatives

### Raymond James Research Portfolios program expansion

Launched in 2017 to harness the expertise of Raymond James equity strategists for the benefit of Private Client Group (PCG) financial advisors and their clients, this program expanded significantly from one investment strategy to five in 2019. Two newly launched portfolios joined the original strategy in combining the intellectual capital of the Equity Capital Markets research team and the management experience of the AMS Investment Committee. And two portfolios constructed by the Equity Portfolio & Technical Strategy group joined the program, providing turnkey access to models that previously required advisors to manually administer client accounts.

### Addition of specialized offerings to AMS

The Freedom ESG platform, introduced in 2018, reached \$230 million in total assets and added a Conservative Balanced model, bringing to four the number of portfolios available to PCG clients seeking to align their investment goals with environmental, social and governance values. In addition, a newly launched suite of Freedom portfolios offers PCG clients the opportunity to invest exclusively in U.S. securities.

### Continued growth of Carillon Tower Advisers

Carillon Tower Advisers continued its strategic positioning as a platform for asset management entrepreneurs. The group ended the period with \$58.5 billion in assets under management across five affiliate brands. Carillon completed its acquisition of affiliate ClariVest Asset Management and further bolstered sales resources in the United States and Europe.

**LOOKING AHEAD** – The evolution of industry demographics will continue to put an emphasis on responsiveness and client-focused approaches, such as solutions for income generation at a time when the fixed income market may not meet the needs of investors nearing or in retirement. Fee-based assets under management increased in fiscal year 2019 from 49% to 51% of PCG assets under administration. Continued growth is expected, as changing regulatory requirements should continue to drive conversions to fee-based business, even as active management faces fee pressures throughout the industry. We remain committed to supporting advisors as they transition to fee-based relationships, when appropriate, and to offering a full range of solutions for investors seeking active portfolio management.



A measured approach to the continued growth of its loan portfolio, as well as a favorable interest-rate environment for most of the year, helped Raymond James Bank post record net revenues and pre-tax income in fiscal year 2019 – increases of 16% and 5%, respectively, over the previous year.

**\$846 million**

NET REVENUES

**\$515 million**

PRE-TAX INCOME

## 2019 Initiatives

### Continued growth of loan program

In collaboration with the Private Client Group (PCG), Raymond James Bank launched the Cash & Lending Institute, designed to increase awareness of the comprehensive suite of banking solutions available to PCG financial advisors and their clients. Additionally, mortgage and securities-based loans were made available to clients living in several foreign jurisdictions, with collateral limited to assets residing in the United States. These efforts helped drive growth of 10% in the securities-based and other loans category and 19% in the residential mortgage portfolio in fiscal year 2019.

**\$1 billion**

APPROXIMATE VALUE OF RESIDENTIAL MORTGAGE LOANS CLOSED IN FISCAL 2019

### Additional services for high-net-worth clients

After the initial success of a structured lending program that launched in 2018 to serve the multifaceted borrowing needs of ultra high-net-worth clients, the bank expanded its offerings with loans secured by the cash surrender value of life insurance. This tailored approach helped the bank almost double its structured lending portfolio year-over-year.

### Continued focus on corporate banking

Over the past five years, the bank has focused on expanding and diversifying its corporate banking portfolio. Even as market volatility and the bank's financial discipline to avoid overpriced markets dampened growth in this area, the corporate lending team capitalized on opportunities, adding approximately \$3.5 billion of new corporate loan commitments in fiscal year 2019 while maintaining discipline that resulted in a more favorable mix of risk ratings.

### KEY PERFORMANCE DRIVERS

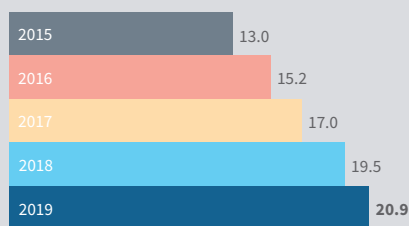
- Continued collaboration with the Private Client Group
- Year-over-year expansion of net interest margin, boosted by rising interest rates through the first three quarters of fiscal 2019
- Diversified loan growth, with a focus on lending solutions for PCG clients

### HEADWINDS

- Cautious corporate borrowing environment amid trade uncertainty
- Declining interest rates in fiscal fourth quarter

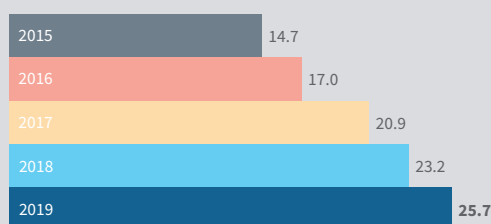
### TOTAL BANK LOANS

\$Billions



### TOTAL BANK ASSETS <sup>(1)</sup>

\$Billions



(1) Includes affiliate deposits

**LOOKING AHEAD** – Against the backdrop of the longest economic expansion in history, Raymond James Bank remains focused on making selective and prudent investment and lending decisions. In an environment that has seen interest rate volatility, the bank continues to concentrate on maintaining neutrality and a conservative risk profile, especially given the potential impact on margins if interest rates remain low or continue to move lower. While there is significant opportunity for growth, the robust risk management and solid financial discipline that have long been at the core of Raymond James' success will continue to guide us. In keeping with the firm's longstanding emphasis on serving the needs of clients, increased collaboration with PCG will remain a focus moving forward.



## Building lasting trust

**Special needs trusts change the lives of their beneficiaries – and make a powerful impact on the people working behind the scenes.**

---

It's a need no one wants to have to meet. But for the advisors who work with Raymond James Trust to help clients establish special needs trusts for their loved ones, it's some of the most important work they'll ever do.

"You talk about getting into this business to help people, but I didn't get into finance originally thinking about

special needs. Maybe an inheritance, the loss of a parent ...," said Max Dean of Bespoke Capital Advisors of Raymond James. "As I've gotten closer to families who need these services, I've seen how constant the burden can be, and the ability to help remove concerns and alleviate heartache is the most rewarding feeling ever."

Federally recognized in 1993, special needs trusts support the financial security and long-term care of beneficiaries who can't – through illness, injury or incapacity – provide for themselves through traditional sources of employment-based income and insurance. They're robust but delicate instruments that balance creating a lifetime's worth of funds with preserving a beneficiary's eligibility for needs-based benefits. And Will Lucius, director of

*Will Lucius, director of special needs trusts at Raymond James Trust, has overseen significant growth in what he believes is a vitally important service.*

special needs trusts at Raymond James Trust, is an expert in their nuances.

“Some firms have moved away from the special needs trust space due to the administrative complexity and profound needs of the beneficiaries. It’s a heavily regulated area of the law, but that’s part of why we believe it’s so important. We’re helping advisors and clients navigate challenging personal circumstances, a maze of state and federal benefits programs, and a difficult instrument in a way that hopes to ensure a much easier future,” explained Will.

For some advisors, a special needs trust relationship begins at the conclusion of a lawsuit. “We’ve worked with a plaintiff law firm in Philadelphia for the past 20 years,” said Andrew Kaplan, a client advisor with Raymond James’ Alex. Brown division, who, along with partner Al Boris, has made special needs trusts a key offering. “These cases that settle for large sums ... there’s a reason. There’s been significant trauma and, oftentimes, it’s the end of a yearslong process. We’re helping clients heal emotionally and move forward with the assurance that we are investing and planning for their unique financial needs.”

Other advisors find themselves supporting the unanticipated needs of clients they already know well. Max Dean and his partner, Cody Hilbun, didn’t seek out special needs trust work, but they now see it as an invaluable part of the holistic service they offer clients.

“We specialize in supporting business owners and, in the course of working with them, we’d learn of children or grandchildren with special needs, or receive introductions to others who had experienced abrupt changes in their health or abilities,” said Max. “That’s how we got started working with Will and his team, and now I feel that we wouldn’t be as comprehensive as our clients deserve if we weren’t offering them this kind of support.”

Then there are advisors like Sean Fitzpatrick who, in supporting one client, found the means to ensure support for countless individuals and families.

“I originally got involved through clients who owned a large structured settlement business. In the process of creating

court-ordered trusts, they were flying around the country to find individual trust companies close to clients. So we came up with the idea to use Raymond James Trust’s national charter.” It was an elegant solution to a complex problem that has become a substantial part of Sean’s business, and has also helped to substantially increase Raymond James Trust’s overall presence in the space. Today, Raymond James Trust manages in excess of \$800 million in special needs trusts – more than 10% of the assets it oversees.

One thing all of these advisors have in common is a belief that doing this kind of work requires a certain level of commitment, that their clients deserve for them “to be in it every day.” And they know they can rely on Raymond James Trust to match their dedication.

“Will and his team do a tremendous job, and in ways people don’t always expect,” said Sean. “For example, Will has worked with me on a trust plan at 9 o’clock on a Sunday night. The most overused word at any firm is ‘culture,’ but that is a definitive example of what it means and what it looks like here.”

#### TO PRESERVE AND PROTECT

### Raymond James Trust by the numbers

- Founded in **1992**
- **\$6.6 billion** in total assets under management – nearly double 2015 total
- **8 offices** and more than **130 associates** throughout the United States
- Can serve as trustee, personal representative, agent to trustee or custodian in all **50 states**



## BOARD OF DIRECTORS FOR RAYMOND JAMES FINANCIAL, INC.

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**Jeffrey N. Edwards**  
*Chief Operating Officer*  
New Vernon Advisers, LP

**Shelley G. Broader**  
*Former Director, President and CEO*  
Chico's FAS, Inc.

**Bob Dutkowsky**  
*Executive Chairman*  
Tech Data Corporation

**Thomas A. James**  
*Chairman Emeritus*  
Raymond James Financial

**Paul C. Reilly**  
*Chairman and Chief Executive Officer*  
Raymond James Financial

**Anne Gates**  
*Retired*  
*Former President*  
MGA Entertainment, Inc.

**Francis S. Godbold**  
*Vice Chairman*  
Raymond James Financial



**Benjamin C. Esty**

*Professor of Business Administration  
Harvard Graduate School of  
Business Administration*

**Charles G. von Arentschildt**

*Retired  
Former Chairman and CEO,  
Global Markets, North America  
Deutsche Bank Securities Inc.*

**Raj Seshadri**

*President, U.S. Issuers  
Mastercard Incorporated*

**Gordon L. Johnson**

*President  
Highway Safety Devices, Inc.*

**Susan N. Story**

*Director, President and CEO  
American Water Works Company, Inc.*

**Roderick C. McGeary**

*Retired accounting executive*

## CORPORATE LEADERSHIP

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### RAYMOND JAMES FINANCIAL, INC. EXECUTIVE COMMITTEE

**Paul D. Allison**

*Chairman and Chief Executive Officer  
Raymond James Ltd.*

**James E. Bunn**

*President  
Global Equities and Investment Banking*

**John C. Carson Jr.**

*President*

**Scott A. Curtis**

*President  
Private Client Group*

**Jeffrey A. Dowdle**

*Chief Operating Officer*

**Tash Elwyn**

*President and Chief Executive Officer  
Raymond James & Associates*

**Jeffrey P. Julien**

*Executive Vice President of Finance  
Chief Financial Officer*

**Bella Loykhter Allaire**

*Executive Vice President  
of Technology and Operations*

**Jodi Perry**

*President  
Independent Contractors Division  
Raymond James Financial Services*

**Steven M. Raney**

*President and Chief Executive Officer  
Raymond James Bank*

**Paul C. Reilly**

*Chairman and Chief Executive Officer*

**Jonathan N. Santelli**

*Executive Vice President  
General Counsel*

**Jeffrey E. Trocin**

*Vice Chairman*

### OTHER EXECUTIVE OFFICERS

**Jennifer Ackart**

*Senior Vice President  
Controller  
Chief Accounting Officer*

**George Catanese**

*Chief Risk Officer*

In 2019, the firm established an Operating Committee comprised of executive leaders representing different business units and diverse perspectives from across the firm. Working with the Executive Committee, Operating Committee members participate in decision-making and strategy-setting at the firm level, while benefiting from broader leadership opportunities.

#### RAYMOND JAMES FINANCIAL, INC. OPERATING COMMITTEE

**Jennifer Ackart**

*Senior Vice President  
Controller  
Chief Accounting Officer*

**Chris Aisenbrey**

*Chief Human Resources Officer*

**Haig Ariyan**

*Head of Global Wealth Solutions  
President of Alex. Brown*

**Emma Bredin**

*Chief Compliance Officer*

**Tracey Bustamante**

*Senior Vice President of  
Corporate Communications*

**Erik Fruland**

*President  
Asset Management Services*

**Tarek Helal**

*Chief Risk Officer  
Private Client Group  
and Asset Management*

**Kim Jenson**

*Senior Vice President  
Chief Operating Officer  
Private Client Group*

**Heather Knable**

*Senior Vice President of Finance  
Operations and Strategy*

**Chris Majeski**

*Senior Vice President  
Head of PCG Supervision*

**Robert Miller**

*Chief Operating Officer  
Senior Managing Director  
U.S. and European Global Equities  
and Investment Banking*

**Greg Rust**

*Senior Vice President of Operations*

**Paul Shoukry**

*Senior Vice President of Finance  
and Investor Relations  
Treasurer*

**Jim Sickling**

*Senior Managing Director  
Chief Operating Officer  
Fixed Income*

**Amanda Stevens**

*Chief Operating Officer  
Raymond James Bank*

**Scott Zebra**

*Senior Vice President of  
Operations & Administration  
Raymond James Financial Services*

**Andy Zolper**

*Senior Vice President  
Chief IT Security Officer*

## 10-YEAR FINANCIAL SUMMARY

### YEAR ENDED SEPTEMBER 30

in millions, except per share amounts

		2010	2011	2012
<b>RESULTS</b>	Net Revenues	\$ 2,917	\$ 3,334	\$ 3,807
	Net Income	228	278	296
	Net Income per Share <sup>(a)</sup>			
	Basic	1.83	2.20	2.22
	Diluted	1.83	2.19	2.20
	Weighted Average Common Shares			
	Outstanding – Basic <sup>(a)</sup>	119.3	122.4	130.8
	Weighted Average Common and Common Equivalent Shares			
	Outstanding – Diluted <sup>(a)</sup>	119.6	122.8	131.8
	Cash Dividends Declared per Common Share	0.44	0.52	0.52
<b>FINANCIAL CONDITION</b>	Total Assets	17,881 <sup>(b,c)</sup>	18,003 <sup>(c)</sup>	21,145 <sup>(c)</sup>
	Equity Attributable to RJF	2,033	2,588	3,269
	Shares Outstanding <sup>(a)</sup>	121.0	123.3	136.1
	Book Value per Share <sup>(a)</sup>	19.03	20.99	24.02

(a) Excludes non-vested shares.

(b) Total assets include cash funded by an equal amount in overnight borrowings to meet point-in-time regulatory balance sheet composition requirements related to Raymond James Bank qualifying as a thrift institution.



2013	2014	2015	2016	2017	2018	2019
\$ 4,488	\$ 4,862	\$ 5,204	\$ 5,405	\$ 6,371	\$ 7,274	\$ 7,740
367	480	502	529	636	857	1,034
2.64	3.41	3.51	3.72	4.43	5.89	7.32
2.58	3.32	3.43	3.65	4.33	5.75	7.17
137.7	139.9	142.5	141.8	143.3	145.3	141.0
140.5	143.6	145.9	144.5	146.6	148.8	144.0
0.56	0.64	0.72	0.80	0.88	1.10	1.36
22,965 (c,d)	23,135 (c,d)	26,326 (c,d)	31,487 (d)	34,883	37,413	38,830
3,665 (d)	4,144 (d)	4,524 (d)	4,917 (d)	5,582	6,368	6,581
138.8	140.8	142.8	141.5	144.1	145.6	137.8
26.42	29.42	31.69	34.73	38.74	43.73	47.76

(c) Effective October 2015, we implemented new accounting guidance related to the presentation of debt issuance costs. The new guidance requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying value of that debt liability, consistent with debt discounts. Footnoted periods presented have been restated to reflect this change.

(d) Effective October 2016, we implemented new consolidation guidance in which we deconsolidated a number of tax credit fund VIEs that had previously been consolidated. Footnoted periods presented have been restated to reflect this change.

## CORPORATE AND SHAREHOLDER INFORMATION

### NUMBER OF SHAREHOLDERS

At November 25, 2019, there were 335 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.

### ANNUAL REPORT ON FORM 10-K; CERTIFICATIONS

A copy of the Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, is included in this document and is also available, without charge, at [sec.gov](http://sec.gov), upon request in writing to Corporate Secretary, Raymond James Financial, Inc., 880 Carillon Parkway, St. Petersburg, Florida 33716, or by emailing [investorrelations@raymondjames.com](mailto:investorrelations@raymondjames.com).

Raymond James has included, as exhibits to its 2019 Annual Report on Form 10-K, certifications of its chief executive officer and chief financial officer as to the quality of the company's public disclosure. Raymond James' chief executive officer has also submitted to the New York Stock Exchange a certification that he is not aware of any violations by the company of the NYSE company listing standards.

### ANNUAL MEETING

The annual meeting of shareholders will be conducted at Raymond James Financial's headquarters in The Raymond James Financial Center, 880 Carillon Parkway, St. Petersburg, Florida, on February 20, 2020, at 4:30 p.m.

The meeting will be broadcast live via streaming audio on [raymondjames.com](http://raymondjames.com) under "Investor Relations – News and Events – Shareholders' Meeting."

Notice of the annual meeting, proxy statement and proxy voting instructions accompany this report to shareholders. Additional information about Raymond James results can be found at [raymondjames.com/investor-relations](http://raymondjames.com/investor-relations).

### ELECTRONIC DELIVERY

If you are interested in electronic delivery of future copies of this report, please see the proxy voting instructions.

### TRANSFER AGENT AND REGISTRAR

Computershare Inc.  
P.O. Box 505000  
Louisville, KY 40233-5000  
800.837.7596  
[computershare.com/investor](http://computershare.com/investor)

### INDEPENDENT AUDITORS

KPMG LLP

### NEW YORK STOCK EXCHANGE SYMBOL

RJF

### COVERING ANALYSTS

Christian Bolu  
Autonomous Research

James Mitchell  
The Buckingham Research Group

William R. Katz  
Citigroup Research

Chris Allen  
Compass Point

Craig Siegenthaler, CFA  
Credit Suisse

Alexander Blostein, CFA  
Goldman Sachs & Co.

Devin Ryan  
JMP Securities

Manan Gosalia  
Morgan Stanley

Christopher Harris  
Wells Fargo Corporate and  
Investment Banking

Steven Chubak  
Wolfe Research

### PRINCIPAL SUBSIDIARIES

Raymond James & Associates, Inc.  
Securities broker/dealer  
Member New York Stock Exchange  
Member Financial Industry Regulatory  
Authority

Raymond James Financial Services, Inc.  
Securities broker/dealer  
Member Financial Industry Regulatory  
Authority

Raymond James Financial Services  
Advisors, Inc.  
Registered Investment Advisor

Raymond James Ltd.  
Canadian securities broker/dealer  
Member Toronto Stock Exchange

Carillon Tower Advisers, Inc.  
Asset and mutual fund management

Raymond James Bank, N.A.  
Member Federal Deposit Insurance  
Corporation

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, 2019

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>
<b>Common Stock, \$.01 par value</b>	<b>RJF</b>	<b>New York Stock Exchange</b>

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of March 29, 2019, 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 \$10,125,195,760.

The number of shares outstanding of the registrant's common stock as of November 25, 2019 was 138,723,230.

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 20, 2020 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 for 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 U.S. and, to a lesser extent, in Canada, the United Kingdom (“U.K.”), and other parts of Europe.

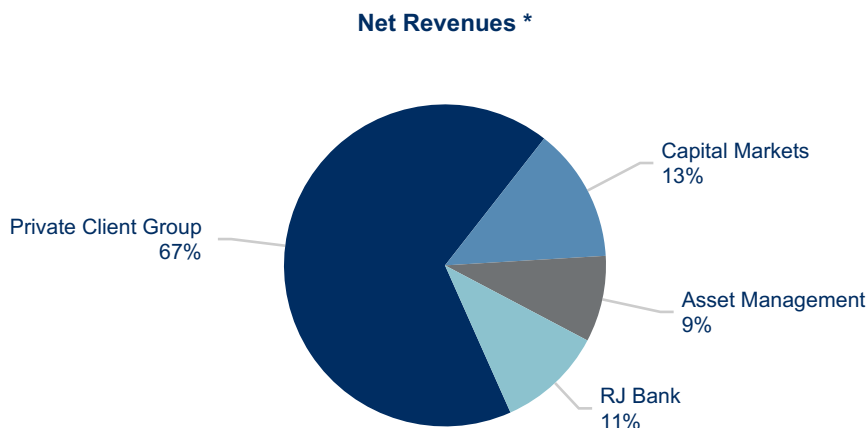
Established in 1962 and public since 1983, RJF is listed on the New York Stock Exchange (the “NYSE”) under the symbol “RJF.” As a bank holding company and financial holding company, RJF is subject to supervision, examination and regulation by the Board of Governors of the Federal Reserve System (the “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, advisors, 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, 2019.



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

**PRIVATE CLIENT GROUP**

We provide financial planning 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 to certain other key revenue producers primarily for recruiting, transitional cost assistance, and retention purposes.

Total client assets under administration (“AUA”) in our PCG segment as of September 30, 2019 were \$798.4 billion, of which \$409.1 billion related to fee-based accounts (“fee-based AUA”). We had 8,011 financial advisors affiliated with us as of September 30, 2019.

*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.

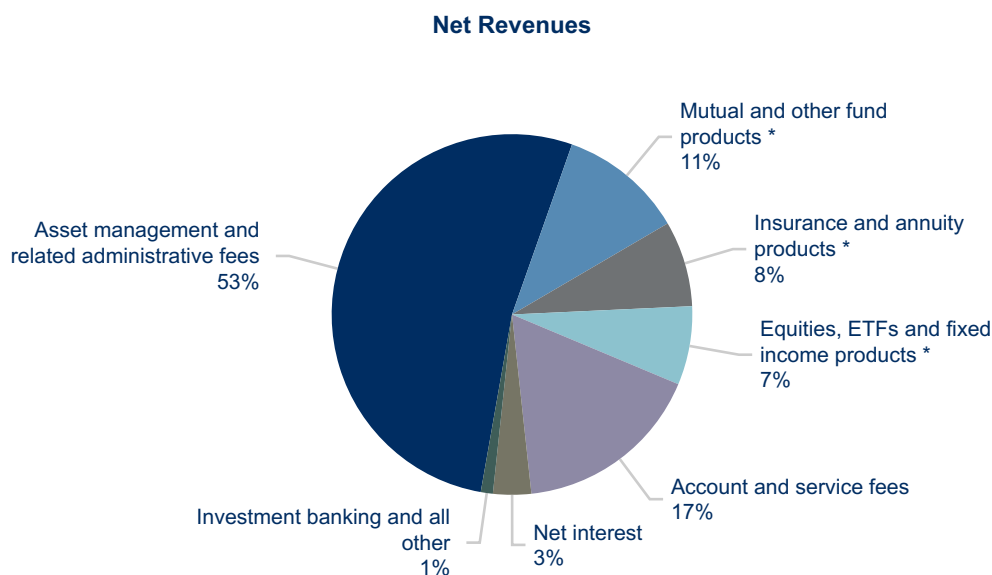
*Independent contractor financial advisors*

Our financial advisors who are independent contractors are responsible for all of their direct costs and, accordingly, receive a higher payout percentage 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 the independent contractor affiliation models is relatively balanced.

PCG segment net revenues the fiscal year ended September 30, 2019 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.
- Support to third-party product partners, including sales and marketing support, product availability and distribution, and accounting and administrative services.

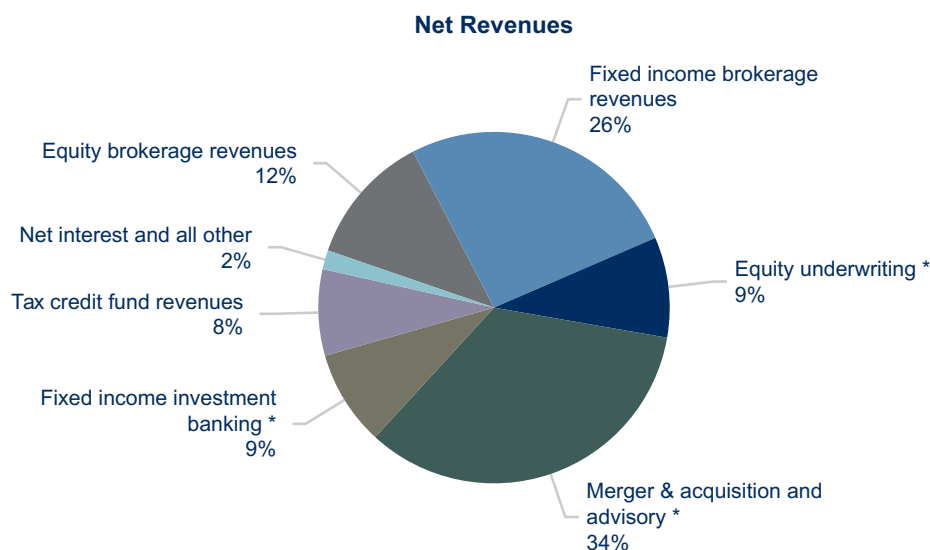
## RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

- 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 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, 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 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"). Within our management structure, we distinguish between activities that support equity and fixed income products and services.

Capital Markets segment net revenues for the fiscal year ended September 30, 2019 are presented in the following graph.



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

We provide the following 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.
- 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, 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 fixed income 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 state and local government agencies (and their political subdivisions), housing agencies, and non-profit entities including healthcare and higher education institutions. When underwriting new issue securities, we may agree to purchase the issue through a negotiated sale or submission of a competitive bid.
- 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 portfolio management and related administrative services for 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.

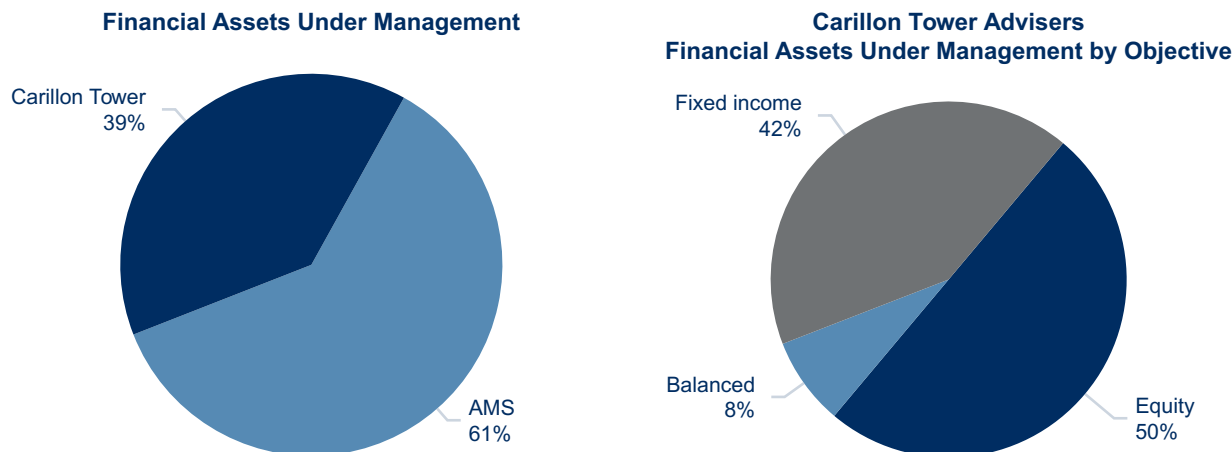
Management fees in this segment are generally calculated as a percentage of the value of our fee-billable financial assets under management (“AUM”) in both AMS (including the portion of fee-based AUA in PCG that is overseen by AMS) and Carillon Tower Advisers, where investment decisions are made by in-house 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.

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).



# RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Our AUM and our Carillon Tower Advisers AUM by objective as of September 30, 2019 are presented in the following graphs.

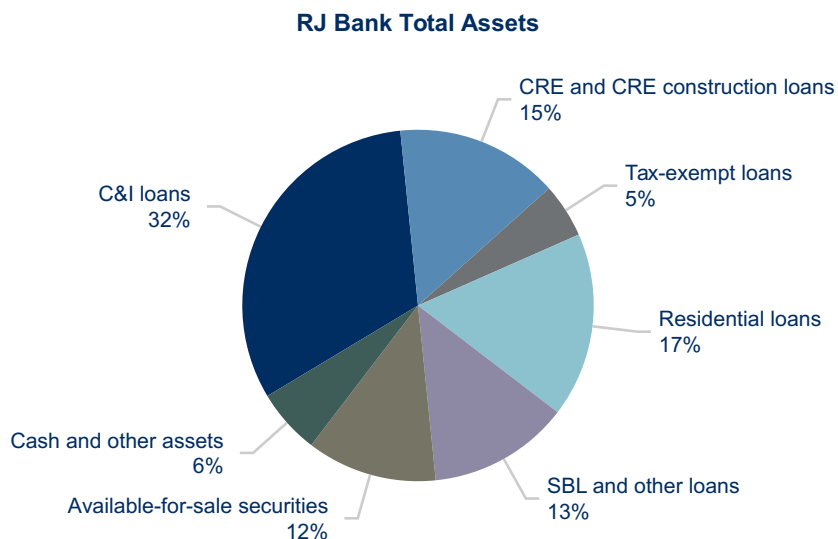


## RJ BANK

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 revenue 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, 2019, corporate and tax-exempt loans represented approximately 62% of RJ Bank’s loan portfolio, of which 88% 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 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.

RJ Bank had total assets of \$25.52 billion at September 30, 2019, which are detailed in the following graph.



**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.

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

**EMPLOYEES AND INDEPENDENT CONTRACTORS**

Our employees, including employee financial advisors, and independent contractors (collectively “associates”) are vital to our success in the financial services industry. As of September 30, 2019, we had approximately 14,200 employees and 4,710 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 through 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 both 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. We have developed operational plans for such disruptions, and we have a full time staff devoted 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.

**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 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 RJF 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 RJF does business, and 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 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 change in financial regulation and supervision. These changes could have a significant impact on how we conduct our business. Many regulatory or supervisory policies remain in a state of flux and may be subject to amendment in the near future. As a result, we cannot specifically quantify the impact that such regulatory or supervisory requirements will have on our business and operations (see Item 1A “Risk Factors” within this report 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 (“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 U.S. Basel III Rules became effective for RJF on January 1, 2015, subject to applicable phase-in periods. The rules governing the capital conservation buffer became effective for both RJF and RJ Bank on January 1, 2016. The capital requirements could restrict our ability to grow 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 prospects could be adversely affected. See Item 1A “Risk Factors” within this report 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. Specifically, 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 would also allow 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 if it was experiencing, or at risk of experiencing, financial weaknesses or considering expansion, either through acquisitions or other new activities. The rule becomes effective on April 1, 2020, for the amendments to simplify capital rules, and was effective on October 1, 2019, for revisions to the pre-approval requirements for the repurchase of common stock. We are evaluating the impact of the rule on our regulatory capital requirements.

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

#### *Stress testing*

On May 24, 2018, the Economic Growth, Regulatory Relief, and Consumer Protection Act was signed into law, making certain limited amendments to the Dodd-Frank Act, as well as certain targeted modifications to other post-financial crisis regulations. Among other things, the law raises the asset thresholds for Dodd-Frank Act company-run stress testing and liquidity coverage requirements for BHCs to \$250 billion, subject to the ability of the Fed to apply such requirements to institutions with assets of \$100 billion or more to address financial stability risks or safety and soundness concerns. The Fed, the OCC and the FDIC have since issued related guidance and regulations. As a result of these changes, and given our current asset size, RJF and RJ Bank are currently no longer subject to Dodd-Frank Act company-run stress testing requirements.

#### *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 is indicated by its capital ratios if it 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.

### *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 private equity investments, some of which 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 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. While the agencies adopted certain limited changes to the Volcker Rule's covered fund-related provisions, the agencies noted that they continue to consider other aspects of the covered fund provisions, and intend to issue a separate proposed rulemaking that specifically addresses those areas.

### *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.

### *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.

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.

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 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. 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. The SEC has adopted amendments to its financial stability rules, many of which are applicable to our broker-dealer subsidiaries, including changes to the: (i) net capital rule; (ii) customer protection rule; (iii) record-keeping rules; and (iv) notification rules.

#### *Fiduciary duty*

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 rulemakings 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. Regulation Best Interest and Form CRS have a compliance date of June 30, 2020, and we anticipate that implementation of the regulations will require us to review and modify our policies and procedures, as well as the associated supervisory and compliance controls, which may lead to additional costs.

In addition to the SEC, various states have proposed 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 if adopted.

### **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 to benefit the asset management 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”), 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, as well as 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 continuously 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 law 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 General Data Protection Regulation (“GDPR”) imposes additional requirements for companies that collect or store personal data of European Union 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. Similarly, the California Consumer Privacy Act, which was enacted in June 2018 and is scheduled to take effect on January 1, 2020, will impose privacy compliance obligations with regard to the personal information of California residents and require companies to provide new disclosures to California consumers and provide for a number of new rights for California residents. We have adopted and disseminated privacy policies, and communicated required information relating to financial privacy and data security, in accordance with applicable law. 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, which could increase operational costs and result in significant financial penalties for failure to comply.

### **Other non-U.S. regulation**

Raymond James Ltd. (“RJ Ltd.”) is currently registered 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 also subject to regulation by SROs, including the Montreal Exchange and IIROC, which are responsible for the enforcement of, and conformity with, securities legislation for their members and have been granted the powers to prescribe their own rules of conduct and financial requirements of members. RJ Ltd. is regulated by each of the securities commissions in the jurisdictions of registration, as well as by the SROs including IIROC. IIROC 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 separate 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 on SEC, FINRA and IIROC regulations pertaining to broker-dealer regulatory minimum net capital requirements.

## RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

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.

Certain of our other subsidiaries are incorporated and operate in France, providing 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.

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. We have made changes to our European operations, including systems and controls, in order to be in compliance with MiFID II.



**EXECUTIVE OFFICERS OF THE REGISTRANT**

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

Jennifer C. Ackart	55	Senior Vice President since August 2009, Controller since February 1995 and Chief Accounting Officer since March 2019; Chief Financial Officer - Raymond James & Associates, Inc. since March 2019
Bella Loykhter Allaire	66	Executive Vice President - Technology and Operations - Raymond James & Associates, Inc. since June 2011
Paul D. Allison	63	Chairman, President and CEO - Raymond James Ltd. since January 2009
James E. Bunn	46	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.	63	President since April 2012; President - Morgan Keegan & Company, LLC, formerly known as Morgan Keegan & Company, Inc., since July 2013
George Catanese	60	Chief Risk Officer since February 2006
Scott A. Curtis	57	President - Private Client Group since June 2018; President - Raymond James Financial Services, Inc. since January 2012
Jeffrey A. Dowdle	55	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	48	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	77	Chairman Emeritus since February 2017; Executive Chairman, May 2010 - February 2017
Jeffrey P. Julien	63	Executive Vice President - Finance since August 2009 and Chief Financial Officer since April 1987; Treasurer, February 2011 - February 2018
Jodi L. Perry	48	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	54	President and CEO - Raymond James Bank, N.A. since January 2006
Paul C. Reilly	65	Chairman since February 2017 and Chief Executive Officer since May 2010; Director since January 2006
Jonathan N. Santelli	48	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
Jeffrey E. Trocin	60	Vice Chairman since December 2018; Co-President - Global Equities and Investment Banking - Raymond James & Associates, Inc., October 2017 - December 2018; President - Global Equities and Investment Banking - Raymond James & Associates, Inc., July 2013 - October 2017

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](http://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, at [www.sec.gov](http://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, our effective tax rate, regulatory developments, effects of accounting pronouncements, and general economic conditions. In addition, words such as “believes,” “expects,” “anticipates,” “intends,” “plans,” “estimates,” “projects,” “forecasts,” 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” in 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 factors not discussed in the following sections or of this Form 10-K that adversely impact our results of operations, harm our reputation or inhibit our ability to generate new business prospects.

### **RISKS RELATED TO OUR BUSINESS AND INDUSTRY**

#### **Damage to our reputation could damage our businesses.**

Maintaining our reputation is critical to attracting and maintaining clients, investors, financial advisors and other 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, and sales and trading practices. In addition, the failure to sell securities we have underwritten at anticipated price levels and the proper identification of the legal, credit, liquidity and market risks inherent in our products 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.

#### **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, including 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. 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. Macroeconomic conditions also may 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, security 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.

While we have experienced an operating environment that has been favorable for many of our businesses in recent years, if we were to experience a period of sustained downturn in the securities markets, a return to very low levels of short-term interest rates, credit market dislocations, reductions in the value of real estate, an increase in mortgage and other loan delinquencies, and other negative market factors, our revenues could be significantly impaired. Periods of reduced revenue and other losses could lead to reduced profitability because certain of our expenses, including, but not limited to, 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. Concerns about the E.U., including the U.K.’s notice to the European Council of its decision to exit the E.U. (“Brexit”) and the stability of the E.U.’s sovereign debt, have caused uncertainty and disruption for financial markets globally. Continued uncertainties loom over the future of the U.K.’s relationship with the E.U., including timing of withdrawal, the nature of any transition, implementation or successor arrangements, and future trading arrangements between the U.K. and the E.U. In order to prepare for Brexit, we are taking steps to make certain changes to our European operations in an effort to ensure that 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 impacted by budget pressures affecting U.S. state and local governments, as well as negative trends in the housing and labor markets. Investor concerns regarding these trends could potentially reduce the number and size of transactions in which we participate and, in turn, reduce our fixed income investment banking revenues. In addition, such factors could potentially have an adverse effect on the value of the municipal securities we hold in our trading securities portfolio.

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 can diminish loan demand, lead to an increase in mortgage and other loan delinquencies, affect loan repayment performance and result in higher reserves 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 upstreaming 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.

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. See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and capital resources" in this report for additional information on liquidity and how we manage our liquidity risk.

**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. We actively buy and sell securities from and to clients and counterparties in the normal course of our broker-dealers' market-making 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 derivative contracts 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 exposure.

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, and other loans generally collateralized by securities. 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. 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, 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.

See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risk management" in this report for additional information regarding our exposure to and approaches to managing credit risk.

**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 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. In our brokerage operations, a rising interest rate environment generally results in our earning a larger net interest spread and an increase in fees received on our multi-bank deposit sweep program. Conversely, in those operations, a falling interest rate environment generally results in our earning a smaller net interest spread. 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.

See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risk management" in this report for additional information regarding our exposure to and approaches to managing market risk.

**A significant decline in our domestic client cash balances could negatively impact our net revenues and/or our ability to fund RJ Bank's growth.**

We rely heavily on bank deposits to fund RJ Bank's asset growth. The majority of RJ Bank's deposits are primarily driven by the RJBDP, a multi-bank sweep program in which PCG clients' cash deposits in their accounts are swept into FDIC-insurance interest-bearing accounts at RJ Bank and various third-party banks. The RJBDP is a source of relatively low-cost, stable deposits. A significant

reduction in our domestic clients' cash balances, a change in the allocation of that cash between RJ Bank and third-party banks, or a transfer of cash away from the firm, could significantly impact the Bank's ability to continue growing earnings assets and/or require the Bank to use higher-cost deposit sources to grow earnings assets.

**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 investment management and 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 a result of a shift by our PCG clients to fee-based accounts from 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 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 any 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 market-making 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; however, our current focus is on the divestiture of our existing portfolio. 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, our advisors or our clients. We seek to continuously monitor for and nimbly react to any and all such 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 program, 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, 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. Additionally, the SEC issued guidance in February 2018 stating that, as a public company, we are expected to have controls and procedures that relate to cybersecurity disclosure, and are required to disclose information relating to certain cyber-attacks or other information security breaches in disclosures required to be made under the federal securities laws. 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, and the increasing sophistication of malicious actors, 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.



See Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Risk management” in this report for additional information regarding our exposure to and approaches for managing operational risks.

**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, 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. See Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Risk Management” of this report for additional information regarding our exposure to and approaches for managing operational risks.

**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 interrelated 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 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 cause result in material harm to our business and financial condition.

For more information on how we monitor and manage market and certain other risks, see Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Risk management” in this report.

**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 use of electronic and direct market access trading, 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.

Recently, certain competitors have reduced or eliminated commissions for self-directed trading, and we expect that others may follow suit. This trend will impact certain transaction-related fees we charge in PCG, but at this time we do not expect the impact to be material.

**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 financial advisors and 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 the section titled “Competition” of Item 1 of this report for additional information about our competitors.

We compete directly with national full service broker-dealers, investment banking firms, and commercial banks, and to a lesser extent, with discount brokers and dealers and investment advisors. In addition, we face competition from more recent entrants into the market 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 develop and retain our clients depends on the reputation, judgment, business generation capabilities and skills of our senior professionals, members of our executive committees, as well as employees and financial advisors. To compete effectively we must attract, retain and motivate 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 has escalated considerably. Financial industry employers are increasingly offering guaranteed contracts, upfront payments, and increased compensation. These can be important factors in a current employee’s decision to leave us as well as in a prospective employee’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 employees, which could result in increased recruiting expense or result in our recruiting additional employees 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 upfront 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 employees who work for our competitors from joining us. Certain of our competitors have withdrawn from the Protocol for Broker Recruiting (“Protocol”), a voluntary agreement among over 1,800 firms 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 financial advisor is better able to move client account balances to his or her new firm. It is possible that other competitors will similarly 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 (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, making strategic acquisitions or investments, or making investments in our control functions such as compliance and supervision. 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 banking business often requires that we deal with confidential matters of great significance to our clients. Our employees interact with clients, customers and counterparties on an ongoing basis. All employees 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. It is not possible to deter or prevent every instance of associate misconduct and the precautions we take to prevent and detect this activity will likely not be effective in all cases. 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 associate misconduct, and the precautions we take to detect and prevent this activity may not be effective. 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 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 has 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 outside 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 report for a discussion of our 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 during 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.

The FASB has issued several new accounting standards in recent years, including on the topics of credit losses and leases, and the federal banking regulators have released implementation guidance and proposed implementation rules for some of these new standards. In particular, the new credit losses standard will replace multiple existing impairment models, including the replacement of the “incurred loss” model for loans with an “expected loss” model. We are evaluating the potential impact that the adoption of these standards and the proposed regulatory implementation rules will have on our financial position, results of operations as well as our regulatory capital.

For further discussion of some 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” of this report 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 permits significant operations to be conducted out of our Southfield, Michigan and Memphis, Tennessee locations 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. As previously discussed, weather events could also adversely impact certain loans within RJ Bank’s portfolio. Refer to Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Risk management” of this Form 10-K for a discussion of our operational risk management.

**We are exposed to risks from international markets.**

We do business in other parts of the world and as a result, are exposed to risks, including market, litigation and regulatory compliance risks. Our businesses and revenues derived from non-U.S. operations are 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. Action or inaction in any of these operations, including failure to follow proper practices with respect to regulatory compliance and/or corporate governance, could harm our operations and our reputation. We also invest or trade in the securities of corporations located in non-U.S. jurisdictions. Revenues from trading non-U.S. securities also may be subject to negative fluctuations as a result of the previously mentioned factors.

**The expected 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. It is expected that a transition away from the widespread use of LIBOR to alternative rates will occur over the course of the next few years. 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. There will be significant work required to transition to using the new benchmark rates and implement necessary changes to our systems, processes and models. This may impact our existing transaction data, products, systems, operations, and valuation processes. The calculation of interest rates under the replacement benchmarks could 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 payments and a reduction in the value of certain assets. We are assessing the impact of the transition; however, we cannot reasonably estimate the impact of the transition at this time.

**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 workers compensation, errors and omissions liability and our employee-related health care benefit plans. We have self-insured retention risk related to our property and casualty, 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 the increased regulatory scrutiny over the last several years may increase the risk of financial liability and reputational harm resulting from adverse regulatory actions.**

Over the last several years, financial services firms have been operating 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 increased 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 increased substantially 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 market-making 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.

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 and/or engage in share repurchases. See Item 1 “Regulation” of this report for additional information regarding our regulatory environment and Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Risk management” of this report regarding our approaches to managing compliance risk.

**Changes in requirements relating to the standard of conduct for broker-dealers applicable under federal and state law may adversely affect our businesses.**

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. 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. The regulation will impose heightened standards on broker-dealers and we anticipate incurring additional costs in order to review and modify our policies and procedures, as well as associated supervisory and compliance controls.

In addition to the SEC, various states have proposed, 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 if adopted.

Implementation of the new SEC regulations, as well as any new state rules that are adopted addressing similar matters, may negatively impact our results including the impact of 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.**

Investment management businesses have been affected by a number of highly publicized regulatory matters, which have resulted in increased scrutiny within the industry and new rules and regulations for mutual funds, investment advisors and broker-dealers. For example, the SEC initiated enforcement actions against a number of broker-dealers, including Raymond James, related to mutual fund share classes offered to their clients and fees paid for the distribution of mutual fund shares. As broker-dealers review and potentially make changes to the availability of mutual funds and mutual fund share classes available on their distribution platforms, such changes could affect our profitability.

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. It is not possible to determine the extent of the impact of any new laws, regulations or initiatives that have been or may be proposed, or whether any of the proposals will become law. Conformance with any new laws or regulations could make compliance more difficult and expensive and affect the manner in which we conduct business, including our product and service offerings.

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, several states and municipalities in the U.S. have adopted “pay-to-play” rules, which could limit our ability to charge advisory fees. Such “pay-to-play” rules could affect the profitability of that portion of our business.

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, is periodically reexamined and may be limited or modified in the future. 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 is limited, 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 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.**

RJF and RJ Bank are subject to various regulatory and capital requirements administered by various federal regulators in the U.S. and, accordingly, must meet specific capital guidelines that involve quantitative measures of RJF and RJ Bank's assets, liabilities and certain off-balance sheet items, as calculated under regulatory guidelines. The capital amounts and classification for both RJF and RJ Bank are also subject to qualitative judgments by U.S. federal regulators based on components of our capital, risk-weightings of assets, off-balance sheet transactions, and other factors. Quantitative measures established by regulation to ensure capital adequacy require RJF and RJ Bank to maintain minimum amounts and ratios of Common Equity Tier 1, Tier 1 and Total capital to risk-weighted assets, Tier 1 capital to average assets and capital conservation buffers (as defined in the regulations). Failure to meet minimum capital requirements can trigger certain mandatory (and potentially additional discretionary) actions by regulators that, if undertaken, could harm either RJF or RJ Bank's operations and financial condition.

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. The uniform net capital rule sets the minimum level of net capital that a broker-dealer must maintain and also requires that a portion of its assets be relatively liquid. FINRA may prohibit a member firm from expanding its business or paying cash dividends if resulting net capital falls below certain thresholds. In addition, our Canada-based broker-dealer subsidiary is subject to similar limitations under applicable regulation in that jurisdiction by IIROC. Regulatory capital requirements applicable to some of our significant subsidiaries may impede access to funds that RJF needs 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 increased 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 is a financial holding company and therefore 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. See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and capital resources" of this report for additional information on liquidity and how we manage our liquidity risk.

**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

## RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

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.

CRA regulations are currently being evaluated by regulators. Any revisions to the 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, the Carillon Office Park, a 1.25 million square foot office park that we own. Additionally, we own approximately 65 acres of land located in Pasco County, Florida for future development and occupancy as needed. 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 2031. Our principal leases are in the following locations:

- We occupy leased space of approximately 190,000 square feet in Memphis, Tennessee, along with approximately 150,000 square feet in New York and 70,000 square feet in Chicago, with other office and branch locations throughout the U.S.;
- We occupy leased space of approximately 80,000 square feet in both Vancouver and Toronto, 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 Germany and France.

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 17 of the Notes to Consolidated Financial Statements of this Form 10-K for information regarding our lease obligations.

### **ITEM 3. LEGAL PROCEEDINGS**

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 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 has increased significantly in the financial services industry. 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 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.

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" of this report and Note 2 of the Notes to Consolidated Financial Statements of this Form 10-K for information on our criteria for establishing accruals.

## **Legal matters**

### Brink Complaint and Wistar Complaint

On February 17, 2015, Jyll Brink ("Brink") filed a putative class action complaint in the U.S. District Court for the Southern District of Florida (the "District Court") under the caption Jyll Brink v. Raymond James & Associates, Inc. (the "Brink Complaint"). The Brink Complaint alleges that Brink, a former customer of RJ&A, was charged a fee in her Passport Investment Account, and that the fee included an unauthorized and undisclosed profit to RJ&A in violation of its customer agreement and applicable industry standards. The Passport Investment Account is a fee-based account in which clients pay asset-based advisory fees and certain processing fees for ongoing investment advice and monitoring of securities holdings. The Brink Complaint seeks, among other relief, damages in the amount of the difference between the actual cost of processing a trade, as alleged by Brink, and the fee charged by RJ&A. On October 19, 2018, the District Court certified a class of former and current customers of RJ&A who executed a Passport Agreement and were charged processing fees during the period between February 17, 2010 and February 17, 2015.

On February 11, 2016, Caleb Wistar ("Wistar") and Ernest Mayeaux ("Mayeaux") filed a putative class action complaint in the District Court under the caption Caleb Wistar and Ernest Mayeaux v. Raymond James Financial Services, Inc. and Raymond James Financial Services Advisors, Inc. (as subsequently amended, the "Wistar Complaint"). Similar to the Brink Complaint, the Wistar Complaint alleges that Wistar and Mayeaux, former customers of Raymond James Financial Services, Inc. ("RJFS") and Raymond James Financial Services Advisors, Inc. ("RJFSA"), were charged a fee in RJFS and RJFSA's Passport Investment Account and that the fee included an unauthorized and undisclosed profit to RJFS and RJFSA in violation of its customer agreement and applicable industry standards. The Wistar Complaint seeks, among other relief, damages in the amount of the difference between the actual cost of processing a trade, as alleged by Wistar and Mayeaux, and the fee charge by RJFS and RJFSA.

On April 5, 2019, the parties to the Brink Complaint and the Wistar Complaint agreed in principle to an aggregate settlement of \$15 million. On October 25, 2019, the District Court entered an order granting final approval of the settlement.

## **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 25, 2019, we had 335 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.

## RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

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 years ended September 30, 2019, 2018 or 2017.

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, 2019.

	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, 2018 – October 31, 2018	469,566	\$ 74.88	423,903	\$182
November 1, 2018 – November 30, 2018	2,420,562	\$ 77.66	2,341,466	\$500
December 1, 2018 – December 31, 2018	3,449,198	\$ 74.55	3,287,237	\$255
<b>First quarter</b>	<b>6,339,326</b>	<b>\$ 75.76</b>	<b>6,052,606</b>	
January 1, 2019 – January 31, 2019	13,408	\$ 75.16	—	\$255
February 1, 2019 – February 28, 2019	4,050	\$ 82.54	—	\$255
March 1, 2019 – March 31, 2019	603,529	\$ 78.23	602,938	\$458
<b>Second quarter</b>	<b>620,987</b>	<b>\$ 78.19</b>	<b>602,938</b>	
April 1, 2019 – April 30, 2019	22,241	\$ 81.07	—	\$458
May 1, 2019 – May 31, 2019	302,699	\$ 83.53	301,756	\$433
June 1, 2019 – June 30, 2019	744,251	\$ 80.95	742,076	\$373
<b>Third quarter</b>	<b>1,069,191</b>	<b>\$ 81.68</b>	<b>1,043,832</b>	
July 1, 2019 – July 31, 2019	267	\$ 83.02	—	\$373
August 1, 2019 – August 31, 2019	2,129,923	\$ 75.75	2,127,461	\$750
September 1, 2019 – September 30, 2019	—	\$ —	—	\$750
<b>Fourth quarter</b>	<b>2,130,190</b>	<b>\$ 75.75</b>	<b>2,127,461</b>	
<b>Fiscal year total</b>	<b>10,159,694</b>	<b>\$ 76.53</b>	<b>9,826,837</b>	

During the year ended September 30, 2019, we utilized the remainder of the previous Board of Directors' ("Board") authorization for repurchases of our common stock and outstanding senior notes. Accordingly, the Board approved two increases to the authorization totaling \$750 million, including \$500 million in November 2018 and \$250 million in March 2019. In August 2019, the Board authorized the repurchase of our common stock in aggregate of up to \$750 million, replacing the previous authorization. As of November 25, 2019, we had \$750 million remaining under this authorization.

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 9 of the Notes to Consolidated Financial Statements of this Form 10-K. These activities do not utilize the previously described repurchase authorization.

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 previously described repurchase authorization.

ITEM 6. SELECTED FINANCIAL DATA

<i>in millions, except per share amounts</i>	Year ended September 30,				
	2019	2018	2017	2016	2015
<b>Operating results:</b>					
Net revenues	\$ 7,740	\$ 7,274	\$ 6,371	\$ 5,405	\$ 5,204
Net income	\$ 1,034	\$ 857	\$ 636	\$ 529	\$ 502
Earnings per common share - basic	\$ 7.32	\$ 5.89	\$ 4.43	\$ 3.72	\$ 3.51
Earnings per common share - diluted	\$ 7.17	\$ 5.75	\$ 4.33	\$ 3.65	\$ 3.43
Weighted-average common shares outstanding - basic	141.0	145.3	143.3	141.8	142.5
Weighted-average common and common equivalent shares outstanding - diluted	144.0	148.8	146.6	144.5	145.9
Dividends per common share - declared	\$ 1.36	\$ 1.10	\$ 0.88	\$ 0.80	\$ 0.72
<b>Financial condition:</b>					
Total assets	\$ 38,830	\$ 37,413	\$ 34,883	\$ 31,487	\$ 26,326
Senior notes payable maturing within twelve months	\$ —	\$ —	\$ —	\$ —	\$ 250
Long-term obligations:					
Non-current portion of other borrowings	\$ 889	\$ 894	\$ 899	\$ 604	\$ 584
Non-current portion of senior notes payable	\$ 1,550	\$ 1,550	\$ 1,550	\$ 1,700	\$ 900
Total long-term debt	\$ 2,439	\$ 2,444	\$ 2,449	\$ 2,304	\$ 1,484
Total equity attributable to Raymond James Financial, Inc.	\$ 6,581	\$ 6,368	\$ 5,582	\$ 4,917	\$ 4,524
Shares outstanding	137.8	145.6	144.1	141.5	142.8
Book value per share	\$ 47.76	\$ 43.73	\$ 38.74	\$ 34.73	\$ 31.69

Senior notes maturing within twelve months and the non-current portion of senior notes payable exclude the impact of debt issuance costs.



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

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**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, market volatility, corporate and mortgage lending markets and commercial and residential credit trends. Overall market conditions, interest rates, 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, 2019 compared with the year ended September 30, 2018**

Net revenues of \$7.74 billion increased \$466 million, or 6%. Pre-tax income of \$1.38 billion increased \$64 million, or 5%. Our net income of \$1.03 billion increased \$177 million, or 21%, compared with the prior year, which included a loss of \$105 million related to the Tax Cuts and Jobs Act ("Tax Act"), and our earnings per diluted share were \$7.17, reflecting a 25% increase. We achieved a return on equity of 16.2% for fiscal 2019, compared with 14.4% for the prior year.

Excluding a \$15 million loss on the sale of our operations related to research, sales and trading of European equities and a \$19 million goodwill impairment associated with our Canadian Capital Markets business, adjusted net income was \$1.07 billion<sup>(1)</sup>, an increase of 11% compared with adjusted net income of \$965 million<sup>(1)</sup> for the prior year. Adjusted earnings per diluted share were \$7.40<sup>(1)</sup>, a 14% increase compared with adjusted earnings per diluted share of \$6.47<sup>(1)</sup> for the prior year. Our adjusted return on equity was 16.7%<sup>(1)</sup> for fiscal 2019, compared with adjusted return on equity of 16.0%<sup>(1)</sup> for the prior year.

The \$466 million increase in net revenues compared with the prior year reflected higher asset management and related administrative fees, net interest income and investment banking revenues. Partially offsetting these increases, brokerage revenues declined compared with the prior year.

Compensation, commissions and benefits expense increased \$292 million, or 6%, due to the increase in compensable net revenues, as well as increased staffing levels required to support our continued growth and regulatory compliance requirements. Non-compensation expenses increased \$110 million, or 9%. The increase in non-compensation expenses consisted of: the aforementioned \$19 million goodwill impairment charge associated with our Canadian Capital Markets business and \$15 million loss on the sale of our operations related to research, sales and trading of European equities; a gross-up of \$31 million due to new accounting guidance that we adopted in fiscal 2019 which changed the presentation of certain costs (primarily related to investment banking transactions) from a net presentation to a gross presentation; and a \$45 million increase in other non-compensation expenses, which included increases in communications and information processing, occupancy and equipment, and business development expenses due to continued investments to support our growth.

Our effective income tax rate was 24.8% for fiscal 2019, reflecting a federal corporate statutory tax rate of 21.0% as a result of the Tax Act enacted in December 2017. Our future effective income tax rate may be impacted positively or negatively by non-taxable items (such as the gains or losses earned on our company-owned life insurance and tax-exempt interest), non-deductible expenses (such as meals and entertainment and certain executive compensation), as well as vesting and exercises of equity compensation.

During fiscal 2019, we repurchased 9.83 million shares of common stock under our Board repurchase authorization for \$752 million, an average price of approximately \$76.50 per share. In total, we repurchased approximately 6.5% of shares outstanding at the beginning of the fiscal year and returned total capital of approximately \$945 million to shareholders through the combination of dividends and share repurchases. As of September 30, 2019, we had \$750 million of availability under the Board's share repurchase authorization announced in August 2019.

1) "Adjusted net income," "adjusted earnings per diluted share," and "adjusted return on equity" are each non-GAAP financial measures. Please see the "Reconciliation of GAAP measures to non-GAAP 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 summary of our financial results by segment compared to the prior year is as follows:

- PCG segment net revenues of \$5.36 billion increased 5% and pre-tax income increased 1% to \$579 million. The increase in net revenues was primarily attributable to an increase in asset management and related administrative fees, primarily due to higher assets in fee-based accounts compared with the prior year. The segment also benefited from an increase in account and service fees related to the RJBDP, the majority of which related to an increase in the per-account servicing fee from RJ Bank. These increases were partially offset by a decline in brokerage revenues. Non-interest expenses increased \$263 million, or 6%, primarily resulting from a \$237 million increase in compensation-related expenses due to higher compensable net revenues and increased staffing levels to support our continued growth and regulatory compliance requirements. Non-compensation expenses increased \$26 million, or 4%, over the prior year.
- Capital Markets net revenues of \$1.08 billion increased 12% and pre-tax income increased 21% to \$110 million. The increase in net revenues was primarily attributable to an increase in investment banking revenues, largely due to merger & acquisition activity. Brokerage revenues also increased, due to an increase in fixed income brokerage revenues, partially offset by a decline in equity brokerage revenues. Non-interest expenses increased \$100 million, or 11%, including the aforementioned \$19 million goodwill impairment associated with our Canadian Capital Markets business, \$15 million loss on the sale of our operations related to research, sales and trading of European equities, \$23 million gross-up of certain investment banking transaction-related expenses which were previously netted against revenues, as well as a \$30 million increase in compensation expense primarily resulting from the increase in compensable net revenues.
- Asset Management segment net revenues of \$691 million increased 6% and pre-tax income increased 8% to \$253 million. The increase in net revenues was driven by growth in fee-based accounts for PCG clients compared with the prior year. Assets in fee-based accounts increased both in programs managed by the Asset Management segment and in other asset-based programs for which the segment provides administrative support. Non-interest expenses increased \$19 million, or 5%, primarily resulting from increased expenses to support the growth of the business and a full year of the Scout Group, which was acquired in November 2017.
- RJ Bank net revenues of \$846 million increased 16% and pre-tax income increased 5% to \$515 million. The increase in net revenues primarily resulted from an increase in net interest income due to growth in average interest-earning assets and an increase in net interest margin, lifted by higher short-term interest rates for most of the year. Non-interest expenses increased \$96 million, or 41%, primarily reflecting an increase in RJBDP servicing fees paid to PCG, largely due to an increase in the per-account fee effective October 1, 2018.
- Our Other segment reflected a pre-tax loss that was flat compared to the prior year, as higher interest income was offset by an increase in non-interest expenses for the segment.

#### Year ended September 30, 2018 compared with the year ended September 30, 2017

Refer to “Item 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our 2018 Form 10-K for a discussion of our fiscal 2018 results compared to fiscal 2017.

**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	
	2019	2018	2017	2019 vs. 2018	2018 vs. 2017
<b>Total company</b>					
Net revenues	\$ 7,740	\$ 7,274	\$ 6,371	6%	14 %
Pre-tax income	\$ 1,375	\$ 1,311	\$ 925	5%	42 %
<b>Private Client Group</b>					
Net revenues	\$ 5,359	\$ 5,093	\$ 4,422	5%	15 %
Pre-tax income	\$ 579	\$ 576	\$ 373	1%	54 %
<b>Capital Markets</b>					
Net revenues	\$ 1,083	\$ 964	\$ 1,014	12%	(5)%
Pre-tax income	\$ 110	\$ 91	\$ 141	21%	(35)%
<b>Asset Management</b>					
Net revenues	\$ 691	\$ 654	\$ 488	6%	34 %
Pre-tax income	\$ 253	\$ 235	\$ 172	8%	37 %
<b>RJ Bank</b>					
Net revenues	\$ 846	\$ 727	\$ 593	16%	23 %
Pre-tax income	\$ 515	\$ 492	\$ 409	5%	20 %
<b>Other</b>					
Net revenues	\$ 5	\$ (15)	\$ (30)	NM	50 %
Pre-tax loss	\$ (82)	\$ (83)	\$ (170)	1%	51 %
<b>Intersegment eliminations</b>					
Net revenues	\$ (244)	\$ (149)	\$ (116)		

# RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

## Management's Discussion and Analysis

### Reconciliation of GAAP measures to non-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, and adjusted return on equity. We believe each 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. In the following table, 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 table provides a reconciliation of GAAP measures to non-GAAP financial measures for those periods which include non-GAAP adjustments.

<i>\$ in millions, except per share amounts</i>	<b>Year ended September 30,</b>		
	<b>2019</b>	2018	2017
<b>Net income</b>	<b>\$ 1,034</b>	\$ 857	\$ 636
<b>Non-GAAP adjustments:</b>			
Acquisition and disposition-related expenses	15	4	18
Goodwill impairment	19	—	—
Losses on extinguishment of debt	—	—	46
Jay Peak matter	—	—	130
Tax effect of non-GAAP adjustments	—	(1)	(62)
Impact of the Tax Act	—	105	—
Total non-GAAP adjustments, net of tax	<u>34</u>	<u>108</u>	<u>132</u>
<b>Adjusted net income</b>	<b>\$ 1,068</b>	\$ 965	\$ 768
<b>Earnings per diluted share</b>	<b>\$ 7.17</b>	\$ 5.75	\$ 4.33
<b>Non-GAAP adjustments:</b>			
Acquisition and disposition-related expenses	0.10	0.03	0.12
Goodwill impairment	0.13	—	—
Losses on extinguishment of debt	—	—	0.31
Jay Peak matter	—	—	0.89
Tax effect of non-GAAP adjustments	—	(0.01)	(0.42)
Impact of the Tax Act	—	0.70	—
Total non-GAAP adjustments, net of tax	<u>0.23</u>	<u>0.72</u>	<u>0.90</u>
<b>Adjusted earnings per diluted share</b>	<b>\$ 7.40</b>	\$ 6.47	\$ 5.23
<b>Return on equity</b>			
Average equity	\$ 6,392	\$ 5,949	\$ 5,235
<b>Non-GAAP adjustments:</b>			
Acquisition and disposition-related expenses	12	3	12
Goodwill impairment	4	—	—
Losses on extinguishment of debt	—	—	12
Jay Peak matter	—	—	84
Tax effect of non-GAAP adjustments	—	(1)	(33)
Impact of the Tax Act	—	92	—
Total non-GAAP adjustments, net of tax	<u>16</u>	<u>91</u>	<u>75</u>
<b>Adjusted average equity</b>	<b>\$ 6,408</b>	\$ 6,043	\$ 5,310
<b>Return on equity</b>	<b>16.2%</b>	14.4%	12.2%
<b>Adjusted return on equity</b>	<b>16.7%</b>	16.0%	14.5%

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. Adjusted average equity is computed by adjusting for the impact on average equity of the non-GAAP adjustments, as applicable for each respective period.

Return on equity is computed by dividing net income by average equity for each respective period or, in the case of adjusted return on equity, computed by dividing adjusted net income by adjusted average equity for each respective period.

## RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

### *Management's Discussion and Analysis*

Further information about these non-GAAP adjustment can be found in the following Notes to Consolidated Financial Statements of this Form 10-K: Notes 3 and 24 for acquisition and disposition-related expenses; Note 11 for the goodwill impairment; Note 16 for more information related to the impact of the Tax Act; and Note 15 for more information related to the losses on extinguishment of debt. For more information regarding the Jay Peak matter, see our 2018 Form 10-K.

#### **Net interest analysis**

Short-term interest rates for the majority of fiscal 2019 were higher than in fiscal 2018, as the Federal Reserve raised its benchmark short-term interest rate by 25 basis points in December 2018, in addition to 25 basis point increases in each quarter of fiscal 2018. These increases in short-term interest rates, along with similar increases in fiscal 2017, have had a significant impact on our overall financial performance, as we have certain assets and liabilities, primarily held in our PCG and RJ Bank segments, which are sensitive to changes in interest rates. However, during our fourth fiscal quarter of 2019, the Federal Reserve announced two decreases in its benchmark short-term interest rate of 25 basis points each, which had a negative impact on our financial performance toward the end of fiscal 2019, and a third decrease of 25 basis points in October 2019. These three rate cuts are expected to have a negative impact on our fiscal 2020 results.

Given the relationship of our interest-sensitive assets to liabilities held in each of these segments, increases in short-term interest rates generally result in an overall increase 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 decreases in short-term interest rates and/or increases in the deposit rates paid to clients generally have a negative impact on our earnings. Effective May 6, 2019, we modified our methodology for crediting interest on client cash balances, changing the basis from total relationship assets at the firm to total relationship cash balances at the firm. Accordingly, although the crediting schedule was revised upward on that date, we experienced a decrease in the average cost to the firm.

Refer to the discussion of the specific components of our net interest income within the "Management's Discussion and Analysis of Financial Condition - Results of Operations" for our PCG, RJ Bank, and Other segments.



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

The following table presents our consolidated average balance, interest income and expense and the related yield 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,								
	2019			2018			2017		
	Average balance	Interest inc./exp.	Average yield/cost	Average balance	Interest inc./exp.	Average yield/cost	Average balance	Interest inc./exp.	Average yield/cost
<b>Interest-earning assets:</b>									
Assets segregated pursuant to regulations	\$ 2,399	\$ 59	2.47%	\$ 3,011	\$ 53	1.76%	\$ 3,822	\$ 38	0.99%
Trading instruments	733	26	3.56%	693	23	3.32%	655	21	3.22%
Available-for-sale securities	2,872	69	2.39%	2,531	52	2.07%	1,588	28	1.76%
Margin loans	2,584	122	4.73%	2,590	107	4.14%	2,403	86	3.57%
Bank loans, net:									
Loans held for investment:									
C&I loans	8,070	378	4.62%	7,619	326	4.22%	7,340	281	3.78%
CRE construction loans	221	12	5.51%	166	8	5.08%	129	6	4.73%
CRE loans	3,451	159	4.53%	3,231	133	4.06%	2,832	101	3.50%
Tax-exempt loans	1,284	35	3.36%	1,146	30	3.42%	892	23	3.98%
Residential mortgage loans	4,091	135	3.30%	3,448	109	3.16%	2,803	84	2.94%
SBL and other	3,139	145	4.57%	2,690	111	4.09%	2,124	72	3.36%
Loans held for sale	151	7	4.73%	126	5	4.01%	159	5	3.34%
Total bank loans, net	20,407	871	4.26%	18,426	722	3.93%	16,279	572	3.55%
Loans to financial advisors, net	916	18	2.01%	882	15	1.71%	836	13	1.60%
Corporate cash and all other	4,658	116	2.48%	4,007	72	1.79%	3,327	44	1.32%
<b>Total interest-earning assets</b>	<b>\$ 34,569</b>	<b>\$ 1,281</b>	<b>3.71%</b>	<b>\$ 32,140</b>	<b>\$ 1,044</b>	<b>3.25%</b>	<b>\$ 28,910</b>	<b>\$ 802</b>	<b>2.77%</b>
<b>Interest-bearing liabilities:</b>									
Bank deposits:									
Certificates of deposit	\$ 536	\$ 12	2.24%	\$ 372	\$ 6	1.67%	294	4	1.47%
Savings, money market and Negotiable Order of Withdrawal ("NOW") accounts	20,889	120	0.58%	18,473	60	0.32%	15,567	13	0.08%
Trading instruments sold but not yet purchased	292	7	2.50%	278	7	2.64%	289	6	2.12%
Brokerage client payables	3,326	21	0.62%	4,147	15	0.37%	4,645	5	0.11%
Other borrowings	926	21	2.30%	914	22	2.41%	856	17	1.94%
Senior notes payable	1,550	73	4.70%	1,549	73	4.69%	1,689	95	5.60%
Other	738	29	3.91%	599	19	3.10%	739	14	1.94%
<b>Total interest-bearing liabilities</b>	<b>\$ 28,257</b>	<b>\$ 283</b>	<b>1.00%</b>	<b>\$ 26,332</b>	<b>\$ 202</b>	<b>0.77%</b>	<b>\$ 24,079</b>	<b>\$ 154</b>	<b>0.64%</b>
<b>Net interest income</b>		<b>\$ 998</b>			<b>\$ 842</b>			<b>\$ 648</b>	

Nonaccrual loans are included in the average loan balances in the preceding table. Payment or income received on corporate nonaccrual loans are applied to principal. Income on residential mortgage nonaccrual loans is recognized on a cash basis.

Fee income on all loans included in interest income for the years ended September 30, 2019, 2018 and 2017 was \$18 million, \$24 million and \$38 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.

**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 correlated with the level of PCG client assets under administration, including fee-based accounts, as well as the overall U.S. equity markets. In periods where equity markets improve, assets under administration 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 (“EMS”) fees from mutual fund and annuity companies whose products we distribute. Servicing fees earned from mutual fund and annuity companies are generally based on the level of assets or number of positions in such programs. We also earn fees from banks to which we sweep client 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 revenue 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	
	2019	2018	2017	2019 vs. 2018	2018 vs. 2017
<b>Revenues:</b>					
Asset management and related administrative fees	\$ 2,820	\$ 2,517	\$ 2,022	12 %	24 %
Brokerage revenues:					
Mutual and other fund products	599	703	698	(15)%	1 %
Insurance and annuity products	412	414	385	—	8 %
Equities, ETFs and fixed income products	378	432	424	(13)%	2 %
Total brokerage revenues	1,389	1,549	1,507	(10)%	3 %
Account and service fees:					
Mutual fund and annuity service fees	334	332	291	1 %	14 %
RJBDP fees:					
Third-party banks	280	262	202	7 %	30 %
RJ Bank	173	92	68	88 %	35 %
Client account and other fees	122	111	116	10 %	(4)%
Total account and service fees	909	797	677	14 %	18 %
Investment banking	32	35	62	(9)%	(44)%
Interest income	225	193	153	17 %	26 %
All other	26	30	17	(13)%	76 %
<b>Total revenues</b>	<b>5,401</b>	<b>5,121</b>	<b>4,438</b>	<b>5 %</b>	<b>15 %</b>
Interest expense	(42)	(28)	(16)	50 %	75 %
<b>Net revenues</b>	<b>5,359</b>	<b>5,093</b>	<b>4,422</b>	<b>5 %</b>	<b>15 %</b>
<b>Non-interest expenses:</b>					
Financial advisor compensation and benefit costs	3,190	3,051	2,653	5 %	15 %
Administrative compensation and benefit costs	933	835	713	12 %	17 %
Total compensation, commissions and benefits	4,123	3,886	3,366	6 %	15 %
Non-compensation expenses:					
Communications and information processing	235	220	180	7 %	22 %
Occupancy and equipment costs	168	154	146	9 %	5 %
Business development	124	115	98	8 %	17 %
Professional fees	33	46	30	(28)%	53 %
Jay Peak matter	—	—	130	—	(100)%
All other	97	96	99	1 %	(3)%
Total non-compensation expenses	657	631	683	4 %	(8)%
<b>Total non-interest expenses</b>	<b>4,780</b>	<b>4,517</b>	<b>4,049</b>	<b>6 %</b>	<b>12 %</b>
<b>Pre-tax income</b>	<b>\$ 579</b>	<b>\$ 576</b>	<b>\$ 373</b>	<b>1 %</b>	<b>54 %</b>
<b>Pre-tax margin on net revenues</b>	<b>10.8%</b>	<b>11.3%</b>	<b>8.4%</b>		

**Selected key metrics**
***PCG client asset balances:***

<i>\$ in billions</i>	As of September 30,		
	2019	2018	2017
AUA	\$ 798.4	\$ 755.7	\$ 659.5
Assets in fee-based accounts <sup>(1)</sup>	\$ 409.1	\$ 366.3	\$ 294.5
Percent of AUA in fee-based accounts	51.2%	48.5%	44.7%

- (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."

## RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

### Management's Discussion and Analysis

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.

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 impacted by changes in asset values, but rather the impacts are seen in the following quarter.

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

#### Financial advisors:

	September 30,		
	2019	2018	2017
Employees	3,301	3,167	3,041
Independent contractors	4,710	4,646	4,305
Total advisors	<u>8,011</u>	<u>7,813</u>	<u>7,346</u>

The number of financial advisors increased primarily due to continued financial advisor recruiting and high levels of retention.

#### Clients’ domestic cash sweep balances:

<i>\$ in millions</i>	As of		
	September 30, 2019	September 30, 2018	September 30, 2017
RJBDP			
RJ Bank	\$ 21,649	\$ 19,446	\$ 17,387
Third-party banks	14,043	15,564	20,704
Subtotal RJBDP	<u>35,692</u>	<u>35,010</u>	<u>38,091</u>
Money market funds	—	3,240	1,818
CIP	2,022	2,807	3,101
<b>Total clients’ domestic cash sweep balances</b>	<u>\$ 37,714</u>	<u>\$ 41,057</u>	<u>\$ 43,010</u>

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 relative to interest paid to clients on balances in the RJBDP. 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. On October 1, 2018, the per-account servicing fee from RJ Bank was increased to reflect the current cost of administration.

While the level of short-term interest rates has generally risen in recent years due to several rate increases by the Federal Reserve, market deposit rates paid on client cash balances did not increase to as great a degree, resulting in an increase in RJBDP fees earned

## RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

### *Management's Discussion and Analysis*

from third-party banks. However, the rate decreases announced by the Fed during the fourth quarter of fiscal 2019 caused a decline in our RJBDP fees from third-party banks toward the end of the year. Any additional decreases in short-term interest rates, such as the one announced by the Federal Reserve in October 2019, increases in deposit rates paid to clients, and/or a significant decline in our clients' cash balances would likely have a negative impact on our earnings. The impact on our earnings of any future fluctuations in short-term interest rates will be largely dependent upon the change in the deposit rate paid on client cash balances. 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. PCG generally earns a higher rate on cash held at third-party banks.

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, 2019 compared with the year ended September 30, 2018

Net revenues of \$5.36 billion increased \$266 million, or 5%, compared with the prior year while pre-tax income of \$579 million increased \$3 million, or 1%.

Asset management and related administrative fees increased \$303 million, or 12%, primarily due to higher assets in fee-based accounts compared with the prior year, reflecting successful financial advisor recruiting and retention, the continued shift to fee-based accounts from traditional transaction-based accounts, and equity market appreciation.

Brokerage revenues declined \$160 million, or 10%, primarily as a result of a decline in mutual fund trails, which were impacted by a conversion of client assets into mutual fund share classes which pay lower rates and the continued shift to fee-based accounts.

Total account and service fees increased \$112 million, or 14%, primarily due to higher RJBDP fees from RJ Bank due to an increase in the per-account servicing fee and, to a lesser extent, an increase in the number of accounts. RJBDP fees from third-party banks also increased, driven by higher short-term interest rates for most of fiscal 2019.

Net interest income increased \$18 million, or 11%, driven by an increase in interest income from client margin loans due to higher average short-term interest rates. Offsetting the increase in interest income, interest expense also increased due to the impact of higher average interest rates paid on client cash balances in the CIP, partially offset by lower client cash balances.

Compensation-related expenses increased \$237 million, or 6%, due to higher compensable net revenues, as well as increased staffing levels to support our continued growth and regulatory compliance requirements.

Non-compensation expenses increased \$26 million, or 4%, primarily due to higher communications and information processing expense as a result of our continued investment in technology infrastructure to support our growth, and higher occupancy and equipment and business development expenses, which were driven by branch expansion in our employee affiliation option as well as financial advisor growth. These increases were offset by a decrease in professional fees, primarily as a result of decreased consulting expenses.

#### Year ended September 30, 2018 compared with the year ended September 30, 2017

Refer to "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2018 Form 10-K for a discussion of our fiscal 2018 results compared to fiscal 2017.

### **Results of Operations – Capital Markets**

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

We earn brokerage revenues for the sale of both equity and fixed income products, which are driven primarily through trade volume, resulting from a combination of participation in public offerings, general market activity, and by the 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 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.

# RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

## Management's Discussion and Analysis

We provide various investment banking services, including public and private equity and debt financing activities, public financing activities, merger and acquisition advisory, and other advisory services. Revenues from investment banking activities are driven principally by our role in the transaction and the number and dollar value 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

\$ in millions	Year ended September 30,			% change	
	2019	2018	2017	2019 vs. 2018	2018 vs. 2017
<b>Revenues:</b>					
Brokerage revenues:					
Equity	\$ 131	\$ 156	\$ 173	(16)%	(10)%
Fixed income	283	245	311	16 %	(21)%
Total brokerage revenues	414	401	484	3 %	(17)%
Investment banking:					
Equity underwriting	100	93	117	8 %	(21)%
Merger & acquisition and advisory	369	297	228	24 %	30 %
Fixed income investment banking	95	76	84	25 %	(10)%
Total investment banking	564	466	429	21 %	9 %
Interest income	38	32	27	19 %	19 %
Tax credit fund revenues	86	79	79	9 %	—
All other	15	14	16	7 %	(13)%
<b>Total revenues</b>	<b>1,117</b>	<b>992</b>	<b>1,035</b>	<b>13 %</b>	<b>(4)%</b>
Interest expense	(34)	(28)	(21)	21 %	33 %
<b>Net revenues</b>	<b>1,083</b>	<b>964</b>	<b>1,014</b>	<b>12 %</b>	<b>(5)%</b>
<b>Non-interest expenses:</b>					
Compensation, commissions and benefits	665	635	646	5 %	(2)%
Non-compensation expenses:					
Communications and information processing	75	73	70	3 %	4 %
Occupancy and equipment costs	35	34	34	3 %	—
Business development	48	45	38	7 %	18 %
Professional fees	45	14	14	221 %	—
Acquisition and disposition-related expenses	15	—	—	NM	—
Goodwill impairment	19	—	—	NM	—
All other	71	72	71	(1)%	1 %
Total non-compensation expenses	308	238	227	29 %	5 %
<b>Total non-interest expenses</b>	<b>973</b>	<b>873</b>	<b>873</b>	<b>11 %</b>	<b>—</b>
<b>Pre-tax income</b>	<b>\$ 110</b>	<b>\$ 91</b>	<b>\$ 141</b>	<b>21 %</b>	<b>(35)%</b>
<b>Pre-tax margin on net revenues</b>	<b>10.2%</b>	<b>9.4%</b>	<b>13.9%</b>		

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

Net revenues of \$1.08 billion increased \$119 million, or 12%, and pre-tax income of \$110 million increased \$19 million, or 21%.

Total brokerage revenues increased \$13 million, or 3%, with an increase in fixed income brokerage revenues more than offsetting a decline in equity brokerage revenues. The increase in fixed income brokerage revenues was primarily due to an increase in client activity during the current year, as a result of increased interest rate volatility and client reinvestment. Equity brokerage revenues continue to be challenged by the industry trend toward the separate payment for research and execution services and the shift from high- to low-touch execution services.

Investment banking revenues increased \$98 million, or 21%, led by increased merger & acquisition and advisory activity and, to a lesser extent, an increase in fixed income investment banking net revenues.

Compensation-related expenses increased \$30 million, or 5%, primarily attributable to the increase in compensable net revenues.

# RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

## Management's Discussion and Analysis

Non-compensation expenses increased \$70 million, or 29%, as the current year was negatively impacted by a \$15 million loss associated with the sale of our operations related to research, sales and trading of European equities and a \$19 million goodwill impairment associated with our Canadian Capital Markets business. In addition, professional fees increased \$31 million, largely due to new accounting guidance that we adopted effective October 1, 2018, which changed the presentation of certain costs related to investment banking transactions from a net presentation to a gross presentation.

### Year ended September 30, 2018 compared with the year ended September 30, 2017

Refer to “Item 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our 2018 Form 10-K for a discussion of our fiscal 2018 results compared to fiscal 2017.

### Results of Operations – Asset Management

Our Asset Management segment earns asset management fees for providing asset management, portfolio management and related administrative services for 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. Asset management fees are based on fee-billable AUM, which is 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>	<u>Year ended September 30,</u>			<u>% change</u>	
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2019 vs. 2018</u>	<u>2018 vs. 2017</u>
<b>Revenues:</b>					
Asset management and related administrative fees:					
Managed programs	\$ 467	\$ 454	\$ 326	3 %	39%
Administration and other	178	156	127	14 %	23%
Total asset management and related administrative fees	645	610	453	6 %	35%
Account and service fees	31	28	20	11 %	40%
All other	15	16	15	(6)%	7%
<b>Net revenues</b>	<b>691</b>	<b>654</b>	<b>488</b>	<b>6 %</b>	<b>34%</b>
<b>Non-interest expenses:</b>					
Compensation, commissions and benefits	179	170	123	5 %	38%
Non-compensation expenses:					
Communications and information processing	44	38	30	16 %	27%
Investment sub-advisory fees	93	90	75	3 %	20%
All other	122	121	88	1 %	38%
Total non-compensation expenses	259	249	193	4 %	29%
<b>Total non-interest expenses</b>	<b>438</b>	<b>419</b>	<b>316</b>	<b>5 %</b>	<b>33%</b>
<b>Pre-tax income</b>	<b>\$ 253</b>	<b>\$ 235</b>	<b>\$ 172</b>	<b>8 %</b>	<b>37%</b>
<b>Pre-tax margin on net revenues</b>	<b>36.6%</b>	<b>35.9%</b>	<b>35.2%</b>		



# RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

## Management's Discussion and Analysis

### 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 are 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 or proprietary mutual funds that we manage (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 financial assets under management in AMS 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.

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

Fees are generally collected quarterly and are based on balances as of the beginning of the quarter or the end of the quarter, or based on average daily balances.

#### ***Financial assets under management:***

<i>\$ in millions</i>	September 30,		
	2019	2018	2017
AMS <sup>(1)</sup>	\$ 91,802	\$ 83,289	\$ 69,962
Carillon Tower Advisers	58,521	63,330	31,831
<b>Subtotal financial assets under management</b>	<b>150,323</b>	<b>146,619</b>	<b>101,793</b>
Less: Assets managed for affiliated entities	(7,221)	(5,702)	(5,397)
<b>Total financial assets under management</b>	<b>\$ 143,102</b>	<b>\$ 140,917</b>	<b>\$ 96,396</b>

- (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):***

<i>\$ in millions</i>	Year ended September 30,		
	2019	2018	2017
<b>Financial assets under management at beginning of year</b>	<b>\$ 146,619</b>	<b>\$ 101,793</b>	<b>\$ 81,729</b>
Carillon Tower Advisers:			
Scout Group acquisition	—	27,087	—
Other - net inflows/(outflows)	(5,784)	(63)	246
AMS - net inflows	5,962	9,279	9,666
Net market appreciation in asset values	3,526	8,523	10,152
<b>Financial assets under management at end of year</b>	<b>\$ 150,323</b>	<b>\$ 146,619</b>	<b>\$ 101,793</b>

#### 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.

# RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

## Management's Discussion and Analysis

### Carillon Tower Advisers

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

<i>\$ in millions</i>	<b>September 30, 2019</b>	<b>Average fee rate</b>
Equity	\$ 28,923	0.51%
Fixed income	24,776	0.18%
Balanced	4,822	0.37%
<b>Total financial assets under management</b>	<b>\$ 58,521</b>	<b>0.36%</b>

### *Non-discretionary asset-based programs*

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) totaled \$229.7 billion, \$200.1 billion, and \$157.0 billion as of September 30, 2019, 2018 and 2017, respectively. The increase in assets over the prior year was primarily due to clients moving to fee-based accounts from traditional transaction-based accounts, successful financial advisor recruiting and market appreciation. Administrative fees associated with these programs are predominantly calculated based on balances at the beginning of the quarter.

### *RJ Trust*

Assets held in asset-based programs in RJ Trust (including those managed for affiliated entities) totaled \$6.6 billion, \$6.1 billion, and \$5.5 billion as of September 30, 2019, 2018 and 2017, respectively.

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

Net revenues of \$691 million increased \$37 million, or 6%, and pre-tax income of \$253 million increased \$18 million, or 8%.

Total asset management and related administrative fee revenues increased \$35 million, or 6%, driven by growth in fee-based accounts for PCG clients compared with the prior year. Assets in fee-based accounts increased both in managed programs overseen by the Asset Management segment and in non-discretionary asset-based programs for which the segment provides administrative support.

Compensation and benefits expense increased \$9 million, or 5%, primarily due to an increase in personnel to support the growth of the business and, to a lesser extent, a full year of expenses related to the Scout Group, which was acquired in November 2017.

Non-compensation expenses increased \$10 million, or 4%, primarily due to an increase in communications and information processing expenses as we invest in technology to support our growth.

### Year ended September 30, 2018 compared to the year ended September 30, 2017

Refer to "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2018 Form 10-K for a discussion of our fiscal 2018 results compared to fiscal 2017.

### **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 to clients of our broker-dealer subsidiaries. RJ Bank generates net interest revenue 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. Higher interest-earning asset balances generally lead to increased net interest earnings, depending upon spreads realized on interest-bearing liabilities. For more information on average interest-earning asset and interest-bearing liability balances, 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.

# RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

## Management's Discussion and Analysis

### Operating results

<i>\$ in millions</i>	<u>Year ended September 30,</u>			<u>% change</u>	
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2019 vs. 2018</u>	<u>2018 vs. 2017</u>
<b>Revenues:</b>					
Interest income	\$ 975	\$ 793	\$ 610	23%	30%
Interest expense	(155)	(89)	(35)	74%	154%
<b>Net interest income</b>	<b>820</b>	<b>704</b>	<b>575</b>	<b>16%</b>	<b>22%</b>
All other	26	23	18	13%	28%
<b>Net revenues</b>	<b>846</b>	<b>727</b>	<b>593</b>	<b>16%</b>	<b>23%</b>
<b>Non-interest expenses:</b>					
Compensation and benefits	49	41	34	20%	21%
Non-compensation expenses:					
Loan loss provision	22	20	13	10%	54%
RJBDP fees to PCG	173	92	68	88%	35%
All other	87	82	69	6%	19%
Total non-compensation expenses	282	194	150	45%	29%
<b>Total non-interest expenses</b>	<b>331</b>	<b>235</b>	<b>184</b>	<b>41%</b>	<b>28%</b>
<b>Pre-tax income</b>	<b>\$ 515</b>	<b>\$ 492</b>	<b>\$ 409</b>	<b>5%</b>	<b>20%</b>
<b>Pre-tax margin on net revenues</b>	<b>60.9%</b>	<b>67.7%</b>	<b>69.0%</b>		

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

Net revenues of \$846 million increased \$119 million, or 16%, and pre-tax income of \$515 million increased \$23 million, or 5%.

Net interest income increased \$116 million, or 16%, due to a \$2.74 billion increase in average interest-earning banking assets, as well as an increase in net interest margin. The increase in average interest-earning banking assets was driven by growth in average loans of \$1.98 billion and a \$442 million increase in our average available-for-sale securities portfolio. The net interest margin increased to 3.32% from 3.22% due to an increase in asset yields, reflecting higher short-term interest rates for much of the year, partially offset by an increase in total cost of funds. The increase in total cost of funds resulted from higher deposit costs due to higher interest rates. Corresponding to the increase in average interest-earning banking assets, average interest-bearing banking liabilities increased \$2.52 billion.

The loan loss provision of \$22 million was \$2 million higher than the prior year and was largely attributable to provisions related to certain credits downgraded during the current year, partially offset by lower reserve rates on pass-rated loans.

Compensation and benefits expense increased \$8 million, or 20%, due to increased staffing levels to support our continued growth.

Non-compensation expenses (excluding the provision for loan losses) increased \$86 million, or 49%, including an \$81 million, or 88%, increase in RJBDP fees paid to PCG, primarily driven by an increase in the per-account servicing fee effective October 1, 2018 in addition to an increase in the number of accounts.

#### Year ended September 30, 2018 compared to the year ended September 30, 2017

Refer to "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2018 Form 10-K for a discussion of our fiscal 2018 results compared to fiscal 2017.

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

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,								
	2019			2018			2017		
	Average balance	Interest inc./exp.	Average yield/cost	Average balance	Interest inc./exp.	Average yield/cost	Average balance	Interest inc./exp.	Average yield/cost
<b>Interest-earning banking assets:</b>									
Cash	\$ 1,239	\$ 28	2.29%	\$ 957	\$ 15	1.57%	\$ 859	\$ 8	0.90%
Available-for-sale securities	2,872	69	2.39%	2,430	50	2.04%	1,463	26	1.78%
Bank loans, net of unearned income:									
Loans held for investment:									
C&I loans	8,070	378	4.62%	7,619	326	4.22%	7,340	281	3.78%
CRE construction loans	221	12	5.51%	166	8	5.08%	129	6	4.73%
CRE loans	3,451	159	4.53%	3,231	133	4.06%	2,832	101	3.50%
Tax-exempt loans	1,284	35	3.36%	1,146	30	3.42%	892	23	3.98%
Residential mortgage loans	4,091	135	3.30%	3,448	109	3.16%	2,803	84	2.94%
SBL and other	3,139	145	4.57%	2,690	111	4.09%	2,124	72	3.36%
Loans held for sale	151	7	4.73%	126	5	4.01%	159	5	3.34%
Total loans, net	20,407	871	4.26%	18,426	722	3.93%	16,279	572	3.55%
FHLB stock, Federal Reserve Bank ("FRB") stock and other	172	7	4.01%	138	6	4.33%	157	4	2.63%
<b>Total interest-earning banking assets</b>	<b>24,690</b>	<b>\$ 975</b>	<b>3.95%</b>	<b>21,951</b>	<b>\$ 793</b>	<b>3.62%</b>	<b>18,758</b>	<b>\$ 610</b>	<b>3.28%</b>
<b>Non-interest-earning banking assets:</b>									
Unrealized loss on available-for-sale securities	(22)			(44)			(7)		
Allowance for loan losses	(214)			(193)			(194)		
Other assets	394			379			375		
<b>Total non-interest-earning banking assets</b>	<b>158</b>			<b>142</b>			<b>174</b>		
<b>Total banking assets</b>	<b>\$ 24,848</b>			<b>\$ 22,093</b>			<b>\$ 18,932</b>		
<b>Interest-bearing banking liabilities:</b>									
Bank deposits:									
Certificates of deposit	\$ 536	\$ 12	2.24%	\$ 372	\$ 6	1.67%	\$ 294	\$ 4	1.47%
Savings, money market and NOW accounts	21,058	124	0.59%	18,694	63	0.34%	15,975	16	0.10%
FHLB advances and other	911	19	2.08%	917	20	2.13%	741	15	1.95%
<b>Total interest-bearing banking liabilities</b>	<b>22,505</b>	<b>\$ 155</b>	<b>0.69%</b>	<b>19,983</b>	<b>\$ 89</b>	<b>0.44%</b>	<b>17,010</b>	<b>\$ 35</b>	<b>0.20%</b>
Non-interest-bearing banking liabilities	200			195			172		
<b>Total banking liabilities</b>	<b>22,705</b>			<b>20,178</b>			<b>17,182</b>		
Total banking shareholder's equity	2,143			1,915			1,750		
<b>Total banking liabilities and shareholders' equity</b>	<b>\$ 24,848</b>			<b>\$ 22,093</b>			<b>\$ 18,932</b>		
Excess of interest-earning banking assets over interest-bearing banking liabilities/net interest income	<b>\$ 2,185</b>	<b>\$ 820</b>		<b>\$ 1,968</b>	<b>\$ 704</b>		<b>\$ 1,748</b>	<b>\$ 575</b>	
<b>Bank net interest:</b>									
Spread			3.26%			3.18%			3.08%
Margin (net yield on interest-earning banking assets)			3.32%			3.22%			3.10%
Ratio of interest-earning banking assets to interest-bearing banking liabilities			109.71%			109.85%			110.28%

Nonaccrual loans are included in the average loan balances in the preceding table. Payment or income received on corporate nonaccrual loans are applied 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, 2019, 2018 and 2017 was \$18 million, \$24 million, and \$38 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*

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,					
	2019 compared to 2018			2018 compared to 2017		
	Increase/(decrease) due to			Increase/(decrease) due to		
	Volume	Rate	Total	Volume	Rate	Total
<b>Interest income:</b>						
<b>Interest-earning banking assets:</b>						
Cash	\$ 4	\$ 9	\$ 13	\$ 1	\$ 6	\$ 7
Available-for-sale securities	9	10	19	17	7	24
Bank loans, net of unearned income:						
Loans held for investment:						
C&I loans	19	33	52	11	34	45
CRE construction loans	3	1	4	2	—	2
CRE loans	9	17	26	14	18	32
Tax-exempt loans	4	1	5	7	—	7
Residential mortgage loans	20	6	26	19	6	25
SBL and other	19	15	34	19	20	39
Loans held for sale	1	1	2	(1)	1	—
Total bank loans, net	75	74	149	71	79	150
FHLB stock, FRB stock and other	2	(1)	1	(1)	3	2
<b>Total interest-earning banking assets</b>	<b>\$ 90</b>	<b>\$ 92</b>	<b>\$ 182</b>	<b>\$ 88</b>	<b>\$ 95</b>	<b>\$ 183</b>
<b>Interest expense:</b>						
<b>Interest-bearing banking liabilities:</b>						
Bank deposits:						
Certificates of deposit	\$ 3	\$ 3	\$ 6	\$ 1	\$ 1	\$ 2
Savings, money market and NOW accounts	8	53	61	3	44	47
FHLB advances and other	—	(1)	(1)	4	1	5
<b>Total interest-bearing banking liabilities</b>	<b>11</b>	<b>55</b>	<b>66</b>	<b>8</b>	<b>46</b>	<b>54</b>
<b>Change in net interest income</b>	<b>\$ 79</b>	<b>\$ 37</b>	<b>\$ 116</b>	<b>\$ 80</b>	<b>\$ 49</b>	<b>\$ 129</b>

# RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

## Management's Discussion and Analysis

### 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, losses on extinguishment of debt, and the acquisition and integration costs associated with certain acquisitions. For an overview of our Other segment operations, refer to the information presented in Item 1 “Business” of this Form 10-K.

### Operating results

\$ in millions	Year ended September 30,			% change	
	2019	2018	2017	2019 vs. 2018	2018 vs. 2017
<b>Revenues:</b>					
Interest income	\$ 63	\$ 42	\$ 25	50 %	68 %
Gains on private equity investments	14	9	31	56 %	(71)%
All other	3	9	9	(67)%	—
<b>Total revenues</b>	<b>80</b>	<b>60</b>	<b>65</b>	<b>33 %</b>	<b>(8)%</b>
Interest expense	(75)	(75)	(95)	—	21 %
<b>Net revenues</b>	<b>5</b>	<b>(15)</b>	<b>(30)</b>	<b>NM</b>	<b>50 %</b>
<b>Non-interest expenses:</b>					
Compensation and all other	87	64	76	36 %	(16)%
Acquisition-related expenses	—	4	18	(100)%	(78)%
Losses on extinguishment of debt	—	—	46	—	(100)%
<b>Total non-interest expenses</b>	<b>87</b>	<b>68</b>	<b>140</b>	<b>28 %</b>	<b>(51)%</b>
<b>Pre-tax loss</b>	<b>\$ (82)</b>	<b>\$ (83)</b>	<b>\$ (170)</b>	<b>1 %</b>	<b>51 %</b>

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

The pre-tax loss of \$82 million was flat compared to the loss generated in the prior year.

Net revenues increased \$20 million, primarily due to an increase in interest income as a result of higher average interest rates earned on higher corporate cash balances and, to a lesser extent, an increase in gains on private equity investments.

Non-interest expenses increased \$19 million, or 28%, including higher compensation-related expenses and a change in the impact of noncontrolling interests compared to the prior year.

#### Year ended September 30, 2018 compared to the year ended September 30, 2017

Refer to “Item 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our 2018 Form 10-K for a discussion of our fiscal 2018 results compared to fiscal 2017.

### 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,		
	2019	2018	2017
Return on assets	2.7%	2.4%	1.9%
Return on equity	16.2%	14.4%	12.2%
Average equity to average assets	16.7%	16.5%	15.9%
Dividend payout ratio	19.0%	19.1%	20.3%

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.

## RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

### Management's Discussion and Analysis

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 during the fiscal year by earnings per diluted common share.

Refer to the "Results of Operations - RJ Bank" and "Risk management - Credit risk" sections of Management's Discussion and Analysis of Financial Condition and Results of Operations 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 and cash flow, risk, and impact on 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, repurchase agreement transactions or additional capital raising activities under our "universal" shelf registration statement.

Cash and cash equivalents increased \$457 million during the year to \$3.96 billion at September 30, 2019 primarily due to \$1.37 billion of cash provided by financing activities, which was primarily driven by an increase in bank deposits, partially offset by our open-market share repurchases and dividends on our common stock. Additionally, a reduction in the amount of cash required to be segregated pursuant to regulations and our operating activities provided \$1.00 billion of cash during the current year. Investing activities used \$1.90 billion, primarily due to an increase in bank loans and the growth of our available-for-sale securities portfolio during the current year.

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.

### Sources of liquidity

Approximately \$1.35 billion of our total September 30, 2019 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>	<b>September 30, 2019</b>
RJF	\$ 540
RJ&A	1,430
RJ Bank	1,113
RJ Ltd.	457
RJFS	134
Carillon Tower Advisers	103
Other subsidiaries	180
<b>Total cash and cash equivalents</b>	<b>\$ 3,957</b>

RJF maintained depository accounts at RJ Bank with a balance of \$163 million as of September 30, 2019. The portion of this total that was available on demand without restrictions, which amounted to \$107 million as of September 30, 2019, is reflected in the RJF total (and is excluded from the RJ Bank cash balance in the preceding table).



## **RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES**

### *Management's Discussion and Analysis*

RJF had loaned \$827 million to RJ&A as of September 30, 2019 (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, 2019, 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 Individual Retirement Accounts ("IRAs"), must also satisfy certain Internal Revenue Service ("IRS") regulations in order to accept new IRA and plan accounts and retain (and not be required to relinquish) the accounts for which it services as nonbank custodian. To maintain adequate net worth under these regulations, RJ&A may have to limit dividends 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 the 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. At September 30, 2019, RJ Bank had \$337 million of capital in excess of the amount it would need at that date to maintain its targeted regulatory capital ratios, and could pay a dividend of such amount without requiring prior approval of its regulator.

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.

#### **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 are in the form of either tri-party repurchase agreements or, in the case of the Credit Facility, an unsecured line of credit. The required market value of the collateral associated with the committed secured facilities ranges from 102% to 125% of the amount financed.

# RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

## Management's Discussion and Analysis

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 held, and the outstanding balances related thereto.

<i>\$ in millions</i>	September 30, 2019			Total number of arrangements
	RJ&A	RJF	Total	
<b>Financing arrangement:</b>				
Committed secured	\$ 200	\$ —	\$ 200	2
Committed unsecured <sup>(1)</sup>	200	300	500	1
<b>Total committed financing arrangements</b>	<b>\$ 400</b>	<b>\$ 300</b>	<b>\$ 700</b>	<b>3</b>
<b>Outstanding borrowing amount:</b>				
Committed secured	\$ —	\$ —	\$ —	
Committed unsecured	—	—	—	
<b>Total outstanding borrowing amount</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	

(1) The Credit Facility provides for maximum borrowings of up to \$500 million, with a sublimit of \$300 million for 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. As of September 30, 2019, we had outstanding borrowings under one uncommitted secured borrowing arrangements with lenders out of a total of 11 uncommitted financing arrangements (six uncommitted secured and five 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 RJ&A.

<i>\$ in millions</i>	September 30, 2019
<b>Outstanding borrowing amount:</b>	
Uncommitted secured	\$ 150
Uncommitted unsecured	—
<b>Total outstanding borrowing amount</b>	<b>\$ 150</b>

### Other financings

RJ Bank had \$875 million in FHLB borrowings outstanding at September 30, 2019, 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 \$2.41 billion in immediate credit available from the FHLB as of September 30, 2019 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 balances related to the securities loaned included in "Securities loaned" on our Consolidated Statements of Financial Condition of this Form 10-K, in the amount of \$323 million as of September 30, 2019. See Note 2 and Note 7 of the Notes to Consolidated Financial Statements of this Form 10-K for more information on our securities borrowed and securities loaned.

From time to time we purchase securities under agreements to resell ("reverse repurchase agreements") and sell securities under agreements to repurchase ("repurchase agreements"). We account for each of these types of transactions as collateralized agreements and financings, with the outstanding balances of the repurchase agreements included in "Securities sold under agreements to repurchase"

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### Management's Discussion and Analysis

on our Consolidated Statements of Financial Condition of this Form 10-K, in the amount \$150 million as of September 30, 2019. These balances are reflected in the preceding table of uncommitted financing arrangements. Such financings are generally collateralized by non-customer, RJ&A-owned securities or by securities that we have received as collateral under reverse repurchase agreements.

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 is 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, 2019	\$ 170	\$ 158	\$ 150	\$ 334	\$ 343	\$ 343
June 30, 2019	\$ 211	\$ 212	\$ 165	\$ 442	\$ 479	\$ 411
March 31, 2019	\$ 172	\$ 210	\$ 210	\$ 358	\$ 447	\$ 447
December 31, 2018	\$ 171	\$ 189	\$ 156	\$ 413	\$ 479	\$ 399
September 30, 2018	\$ 117	\$ 186	\$ 186	\$ 355	\$ 376	\$ 373

At September 30, 2019, in addition to the financing arrangements previously described, we had \$19 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.

At September 30, 2019, we had aggregate outstanding senior notes payable of \$1.55 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, 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.

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 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 6 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 investor 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

# RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

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\$566 million as of September 30, 2019, comprised of \$336 million related to employee-directed plans and \$230 million related to company-directed plans, and we were able to borrow up to 90%, or \$509 million, of the September 30, 2019 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, 2019.

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 for either 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 \$38.83 billion as of September 30, 2019 were \$1.42 billion, or 4%, greater than our total assets as of September 30, 2018. The increase in assets was primarily due to a \$1.37 billion increase in net bank loans and a \$397 million increase in our available-for-sale securities portfolio, in line with our growth plan for such assets. Offsetting these increases, brokerage client receivables decreased \$672 million.

As of September 30, 2019, our total liabilities of \$32.19 billion were \$1.23 billion, or 4%, greater than our total liabilities as of September 30, 2018. The increase in total liabilities included a \$2.34 billion increase in bank deposits, primarily due to higher RJBDP balances held at RJ Bank. Offsetting this increase was a decrease in brokerage client payables of \$1.26 billion, primarily due to a decline in client cash held in our CIP as of September 30, 2019.

### Contractual obligations

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

\$ in millions	Total	Year ended September 30,					
		2020	2021	2022	2023	2024	Thereafter
Long-term debt obligations:							
Senior notes payable - principal	\$ 1,550	\$ —	\$ —	\$ —	\$ —	\$ 250	\$ 1,300
Long-term portion of other borrowings	889	—	881	6	2	—	—
Total long-term debt obligations	2,439	—	881	6	2	250	1,300
Contractual interest payments	1,286	87	73	73	73	72	908
Operating lease obligations	519	103	95	79	66	49	127
Purchase obligations	349	153	70	49	31	24	22
Other long-term liabilities:							
Certificates of deposit (including interest)	639	215	77	140	117	90	—
Other	5	2	2	1	—	—	—
Total other long-term liabilities	644	217	79	141	117	90	—
<b>Total contractual obligations</b>	<b>\$ 5,237</b>	<b>\$ 560</b>	<b>\$ 1,198</b>	<b>\$ 348</b>	<b>\$ 289</b>	<b>\$ 485</b>	<b>\$ 2,357</b>

Contractual interest payments represent estimated future interest payments related to our senior notes, mortgage note payable, FHLB advances, and unsecured borrowings with original maturities greater than one year based on applicable interest rates at September 30, 2019. 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. See Notes 14 and 15 of the Notes to Consolidated Financial Statements of this Form 10-K for information regarding our other borrowings and senior notes payable.

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

## RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

### *Management's Discussion and Analysis*

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 goes 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, 2019, 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, 2019. The maintenance of certain risk-based and other regulatory capital levels could impact 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 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 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.

### **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 instruments sold but not yet purchased" 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 for 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. 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 prices and inputs and minimizes the use of unobservable prices and inputs by requiring that the relevant observable inputs be used when available. The hierarchy is broken down into three levels: Level 1 represents quoted prices in active markets for identical instruments; Level 2 represents valuations based on inputs other than 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

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### *Management's Discussion and Analysis*

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 4 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 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, 2019.

#### *Loan loss provisions arising from operations of RJ Bank*

We provide an allowance for loan losses which reflects our continuing evaluation of the probable losses inherent in RJ Bank's loan portfolio. Refer to Note 2 of the Notes to Consolidated Financial Statements of this Form 10-K for discussion of RJ Bank's policies regarding the allowance for loan losses, and refer to Note 8 of the Notes to Consolidated Financial Statements of this Form 10-K for quantitative information regarding the allowance balance as of September 30, 2019.

At September 30, 2019, the amortized cost of all RJ Bank loans was \$21.11 billion and the allowance for loan losses was \$218 million, which was 1.04% 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**

For information regarding our recent accounting developments, see Note 2 of the Notes to Consolidated Financial Statements of this Form 10-K.

### **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. In addition, to the extent inflation results in rising interest rates and has adverse effects upon the securities markets, it may adversely affect our financial position and results of operations.

**Risk management**

Risks are an inherent part of our business and activities. Management of these risks 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, setting 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, advice, 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 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, 4, 5 and 6 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, asset liquidity and dynamic 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 securities positions held overnight in inventory. A hierarchy of limits exists at multiple levels including firm, division, trading desk (e.g., for 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 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 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.



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### 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.

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, OCC and FDIC, requires us to calculate VaR for all of our trading portfolios, including fixed income, equity, foreign exchange and derivatives.

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. 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, 2019, our regulatory-defined daily loss in our trading portfolios exceeded our predicted VaR once.

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

\$ in millions	Year ended September 30, 2019		Period end VaR		\$ in millions	For the year ended September 30,	
	High	Low	September 30, 2019	September 30, 2018		2019	2018
Daily VaR	\$ 2	\$ 1	\$ 1	\$ 1	Daily average VaR	\$ 1	\$ 1

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.

Separately, RJF provides additional market risk disclosures to comply with the MRR. The results of the application of this market risk capital rule 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, 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.

#### Banking operations

RJ Bank maintains an 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 CMOs (held in the available-for-sale securities portfolio), SBA loan securitizations and a trading portfolio of corporate loans. These earning assets are primarily funded by client deposits. Based on its current earning 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 in a range of interest rate scenarios.

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## Management's Discussion and Analysis

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 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 Notes 2 and 6 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.

Instantaneous changes in rate	Net interest income (\$ in millions)	Projected change in net interest income
+200	\$903	1.69%
+100	\$916	3.15%
0	\$888	—
-100	\$745	(16.10)%

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.

The following table shows the contractual maturities of RJ Bank's loan portfolio at September 30, 2019, 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.

\$ in millions	Due in			Total
	One year or less	> One year – five years	> 5 years	
<b>Loans held for investment:</b>				
C&I loans	\$ 139	\$ 4,222	\$ 3,737	\$ 8,098
CRE construction loans	53	132	—	185
CRE loans	369	2,722	561	3,652
Tax-exempt loans	—	44	1,197	1,241
Residential mortgage loans	—	5	4,449	4,454
SBL and other	3,305	44	—	3,349
<b>Total loans held for investment</b>	<b>3,866</b>	<b>7,169</b>	<b>9,944</b>	<b>20,979</b>
Loans held for sale	—	14	118	132
<b>Total loans</b>	<b>\$ 3,866</b>	<b>\$ 7,183</b>	<b>\$ 10,062</b>	<b>\$ 21,111</b>

# RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

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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, 2019. Loan amounts in the table exclude unearned income and deferred expenses.

<i>\$ in millions</i>	Interest rate type		
	Fixed	Adjustable	Total
<b>Loans held for investment:</b>			
C&I loans	\$ 104	\$ 7,855	\$ 7,959
CRE construction loans	—	132	132
CRE loans	107	3,176	3,283
Tax-exempt loans	1,241	—	1,241
Residential mortgage loans	235	4,219	4,454
SBL and other	2	42	44
<b>Total loans held for investment</b>	<b>1,689</b>	<b>15,424</b>	<b>17,113</b>
Loans held for sale	5	127	132
<b>Total loans</b>	<b>\$ 1,694</b>	<b>\$ 15,551</b>	<b>\$ 17,245</b>

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 CMOs which were carried at fair value on our Consolidated Statements of Financial Condition at September 30, 2019, with changes in the fair value of the portfolio recorded through OCI on our Consolidated Statements of Income and Comprehensive Income. At September 30, 2019, our RJ Bank available-for-sale securities portfolio had a fair value of \$3.09 billion with a weighted-average yield of 2.40% and average expected duration of three years. See Note 5 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 primarily client-driven, with the objective of meeting clients’ needs while earning revenues to compensate for the risk associated with carrying 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.

### 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 \$1.10 billion and \$1.05 billion at September 30, 2019 and 2018, respectively. 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 6 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 358 million at September 30, 2019, 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 6 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 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 accounts, which are monitored daily and are collateralized. We monitor exposure to industry sectors and individual securities and perform analysis on a regular 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 renege on the trade. If this occurs, we may have to liquidate the position at a loss. However, most retail clients have available funds in the account before the trade is executed.

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 in the event that such borrower declares bankruptcy or is no longer affiliated with us. Historically, such losses have not been significant due to our strong advisor retention and successful collection efforts.

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). Securities purchased under agreements to resell 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 underwritings, may involve exposure to individual issuers and businesses. We seek to limit 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.

RJ Bank has a substantial loan portfolio. A significant downturn in the overall economy, deterioration in real estate values or a significant issue within any sector or sectors where RJ Bank has a concentration could result in large provisions for loan losses and/or charge-offs.

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

## RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

### *Management's Discussion and Analysis*

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 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 2019, 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, 2019, including the risk profile of the portfolios, net charge-offs during the period, the level of nonperforming loans and delinquency ratios. 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. RJ Bank determined the allowance that was 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. There was no material change in RJ Bank's methodology for determining the allowance for loan losses during the year ended September 30, 2019.

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

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

<i>\$ in millions</i>	<b>Year ended September 30,</b>				
	<b>2019</b>	2018	2017	2016	2015
Allowance for loan losses beginning of year	\$ 203	\$ 190	\$ 197	\$ 172	\$ 148
Provision for loan losses	22	20	13	28	24
Charge-offs:					
C&I loans	(2)	(10)	(26)	(3)	(1)
CRE loans	(5)	—	—	—	—
Residential mortgage loans	(1)	—	(1)	(1)	(2)
Total charge-offs	(8)	(10)	(27)	(4)	(3)
Recoveries:					
CRE loans	—	—	5	—	4
Residential mortgage loans	2	2	1	1	1
Total recoveries	2	2	6	1	5
Net (charge-offs)/recoveries	(6)	(8)	(21)	(3)	2
Foreign exchange translation adjustment	(1)	1	1	—	(2)
Allowance for loan losses end of year	\$ 218	\$ 203	\$ 190	\$ 197	\$ 172
Allowance for loan losses to total bank loans outstanding	<u>1.04%</u>	<u>1.04%</u>	<u>1.11%</u>	<u>1.30%</u>	<u>1.32%</u>

See 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 for 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.

<i>\$ in millions</i>	<b>Year ended September 30,</b>					
	<b>2019</b>		2018		2017	
	Net loan (charge-off)/ recovery amount	% of avg. outstanding loans	Net loan (charge-off)/ recovery amount	% of avg. outstanding loans	Net loan (charge-off)/ recovery amount	% of avg. outstanding loans
C&I loans	\$ (2)	0.02%	\$ (10)	0.13%	\$ (26)	0.35%
CRE loans	(5)	0.14%	—	—	5	0.18%
Residential mortgage loans	1	0.02%	2	0.06%	—	—
<b>Total</b>	<u>\$ (6)</u>	<u>0.04%</u>	<u>\$ (8)</u>	<u>0.04%</u>	<u>\$ (21)</u>	<u>0.13%</u>

<i>\$ in millions</i>	<b>Year ended September 30,</b>			
	2016		2015	
	Net loan (charge-off)/ recovery amount	% of avg. outstanding loans	Net loan (charge-off)/ recovery amount	% of avg. outstanding loans
C&I loans	\$ (3)	0.04%	\$ (1)	0.01%
CRE loans	—	—	4	0.22%
Residential mortgage loans	—	—	(1)	0.02%
<b>Total</b>	<u>\$ (3)</u>	<u>0.02%</u>	<u>\$ 2</u>	<u>0.02%</u>

# RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

## Management's Discussion and Analysis

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.

\$ in millions	September 30,					
	2019		2018		2017	
	Nonperforming loan balance	Allowance for loan losses balance	Nonperforming loan balance	Allowance for loan losses balance	Nonperforming loan balance	Allowance for loan losses balance
<b>Loans held for investment:</b>						
C&I loans	\$ 19	\$ 139	\$ 2	\$ 123	\$ 5	\$ 120
CRE construction loans	—	3	—	3	—	1
CRE loans	8	46	—	47	—	42
Tax-exempt loans	—	9	—	9	—	6
Residential mortgage loans	16	16	23	17	34	17
SBL and other	—	5	—	4	—	4
<b>Total</b>	<b>\$ 43</b>	<b>\$ 218</b>	<b>\$ 25</b>	<b>\$ 203</b>	<b>\$ 39</b>	<b>\$ 190</b>
Total nonperforming loans as a % of RJ Bank total loans	0.21%		0.12%		0.23%	

\$ in millions	September 30,			
	2016		2015	
	Nonperforming loan balance	Allowance for loan losses balance	Nonperforming loan balance	Allowance for loan losses balance
<b>Loans held for investment:</b>				
C&I loans	\$ 35	\$ 138	\$ —	\$ 118
CRE construction loans	—	1	—	3
CRE loans	4	36	5	30
Tax-exempt loans	—	4	—	6
Residential mortgage loans	42	13	48	12
SBL and other	—	5	—	3
<b>Total</b>	<b>\$ 81</b>	<b>\$ 197</b>	<b>\$ 53</b>	<b>\$ 172</b>
Total nonperforming loans as a % of RJ Bank total loans	0.53%		0.40%	

Included in nonperforming residential mortgage loans were \$9 million in loans for which \$5 million in charge-offs were previously recorded, resulting in less exposure within the remaining balance. See Note 8 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 \$12 million, \$12 million, \$14 million, \$14 million and \$15 million as of September 30, 2019, 2018, 2017, 2016, and 2015, respectively, of residential troubled debt restructurings (“TDRs”) which were returned to accrual status in accordance with our policy. Total nonperforming assets, including other real estate acquired in the settlement of residential mortgages, amounted to \$46 million, \$28 million, \$44 million, \$86 million and \$57 million as of September 30, 2019, 2018, 2017, 2016, and 2015, respectively. Total nonperforming assets as a percentage of RJ Bank total assets was 0.18%, 0.12%, 0.21%, 0.50% and 0.39% as of September 30, 2019, 2018, 2017, 2016, and 2015 respectively.

### 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, 2019, approximately 70% of the residential loans were fully documented loans to industry standards and 96% of the residential mortgage loan portfolio consisted of owner-occupant borrowers (78% for their primary residences and 18% for second home residences). Approximately 30% of the first lien residential mortgage loans were adjustable rate mortgage 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



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### *Management's Discussion and Analysis*

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 16% of RJ Bank's total loan portfolio as of September 30, 2019. 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 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.

### ***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.

## RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

### Management's Discussion and Analysis

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.

\$ in millions	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, 2019	2	10	12	0.04%	0.22%	0.26%
September 30, 2018	2	13	15	0.06%	0.33%	0.39%

Our September 30, 2019 percentage continues to compare favorably to the national average for over 30 day delinquencies of 2.77%, 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. The following table details the geographic concentrations (top five states) of RJ Bank's one-to-four family residential mortgage loans.

September 30, 2019		
	Loans outstanding as a % of RJ Bank total residential mortgage loans	Loans outstanding as a % of RJ Bank total loans
CA	25.4%	5.4%
FL	16.8%	3.6%
TX	8.0%	1.7%
NY	7.6%	1.6%
CO	3.7%	0.8%

Loans where borrowers may be subject to payment increases include adjustable rate mortgage 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, 2019 and 2018, these loans totaled \$1.29 billion and \$992 million, respectively, or approximately 30% and 25% 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, 2019, begins amortizing is 6.1 years.

A component of credit risk management for the residential portfolio is the LTV ratio and borrower credit score at origination or purchase. The most recent weighted-average LTV ratios and FICO scores at origination of RJ Bank's residential first mortgage loan portfolio were 64% and 761, 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. 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.

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## Management's Discussion and Analysis

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, 2019	
	Loans outstanding as a % of RJ Bank total corporate loans	Loans outstanding as a % of RJ Bank total loans
Office real estate	7.8%	4.3%
Business systems and services	7.8%	4.3%
Automotive/transportation	5.8%	3.2%
Hospitality	5.7%	3.2%
Consumer products and services	4.7%	2.6%

### 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.

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, cyberattacks and other information security breaches, and other events that could have an impact on the security and stability of our operations. To-date, we have not experienced any material losses relating to cyberattacks or other information security breaches; however, there can be no assurances that we will not suffer such losses in the future.

### 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 output experiences a deviation 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 firm-wide model inventory, validating and approving all material models used across the firm, and on-going 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

## **RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES**

### *Management's Discussion and Analysis*

Directors. MRM assumes responsibility for the independent and effective challenge of model completeness, integrity and design based on intended use.

#### **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 - part of the second line of risk management - plays a key leadership role in the oversight, management, and mitigation of compliance risk throughout Raymond James. It does this by conducting an annual compliance risk assessment, carrying out monitoring and testing activities, implementing 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 expand and 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, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended September 30, 2019, 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, 2019, 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 26, 2019 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 judgment. 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 8 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 \$218 million as of September 30, 2019. Of that amount, the ALL for C&I loans was \$133 million or 61% of the total allowance, and the ALL for CRE loans was \$49 million or 22% 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 knowledge and experience. 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 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 primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's ALL process, including 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 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 knowledge and experience, 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 26, 2019



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

<i>\$ in millions, except per share amounts</i>	September 30,	
	2019	2018
<b>Assets:</b>		
Cash and cash equivalents	\$ 3,957	\$ 3,500
Cash segregated pursuant to regulations	2,014	2,441
Securities purchased under agreements to resell	343	373
Securities borrowed	248	255
Financial instruments, at fair value:		
Trading instruments (\$535 and \$465 pledged as collateral)	708	702
Available-for-sale securities (\$24 and \$20 pledged as collateral)	3,093	2,696
Derivative assets	338	180
Other investments (\$32 and \$25 pledged as collateral)	365	349
Brokerage client receivables, net	2,671	3,343
Receivables from brokers, dealers and clearing organizations	281	257
Other receivables	549	592
Bank loans, net	20,891	19,518
Loans to financial advisors, net	983	925
Property and equipment, net	527	486
Deferred income taxes, net	231	203
Goodwill and identifiable intangible assets, net	611	639
Other assets	1,020	954
<b>Total assets</b>	<b>\$ 38,830</b>	<b>\$ 37,413</b>
<b>Liabilities and shareholders' equity:</b>		
Bank deposits	\$ 22,281	\$ 19,942
Securities sold under agreements to repurchase	150	186
Securities loaned	323	423
Financial instruments sold but not yet purchased, at fair value:		
Trading instruments	296	235
Derivative liabilities	313	247
Brokerage client payables	4,361	5,625
Payables to brokers, dealers and clearing organizations	229	206
Accrued compensation, commissions and benefits	1,272	1,189
Other payables	518	459
Other borrowings	894	899
Senior notes payable	1,550	1,550
<b>Total liabilities</b>	<b>32,187</b>	<b>30,961</b>
Commitments and contingencies (see Note 17)		
<b>Shareholders' equity</b>		
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; 158,435,030 and 156,363,615 shares issued as of September 30, 2019 and 2018, respectively, and 137,841,952 and 145,642,437 shares outstanding as of September 30, 2019 and 2018, respectively	2	2
Additional paid-in capital	1,938	1,808
Retained earnings	5,874	5,032
Treasury stock, at cost; 20,593,078 and 10,693,026 common shares as of September 30, 2019 and 2018, respectively	(1,210)	(447)
Accumulated other comprehensive loss	(23)	(27)
<b>Total equity attributable to Raymond James Financial, Inc.</b>	<b>6,581</b>	<b>6,368</b>
Noncontrolling interests	62	84
<b>Total shareholders' equity</b>	<b>6,643</b>	<b>6,452</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 38,830</b>	<b>\$ 37,413</b>

See accompanying Notes to Consolidated Financial Statements.

**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,		
	2019	2018	2017
<b>Revenues:</b>			
Asset management and related administrative fees	\$ 3,451	\$ 3,119	\$ 2,471
Brokerage revenues:			
Securities commissions	1,450	1,626	1,578
Principal transactions	357	329	418
Total brokerage revenues	1,807	1,955	1,996
Account and service fees	738	713	612
Investment banking	596	501	491
Interest income	1,281	1,044	802
Other	150	144	153
<b>Total revenues</b>	<b>8,023</b>	<b>7,476</b>	<b>6,525</b>
Interest expense	(283)	(202)	(154)
<b>Net revenues</b>	<b>7,740</b>	<b>7,274</b>	<b>6,371</b>
<b>Non-interest expenses:</b>			
Compensation, commissions and benefits	5,087	4,795	4,228
Non-compensation expenses:			
Communications and information processing	373	352	297
Occupancy and equipment costs	218	202	191
Business development	194	181	155
Investment sub-advisory fees	94	92	79
Professional fees	85	74	55
Bank loan loss provision	22	20	13
Acquisition and disposition-related expenses	15	4	18
Losses on extinguishment of debt	—	—	46
Other	277	243	364
<b>Total non-compensation expenses</b>	<b>1,278</b>	<b>1,168</b>	<b>1,218</b>
<b>Total non-interest expenses</b>	<b>6,365</b>	<b>5,963</b>	<b>5,446</b>
Pre-tax income	1,375	1,311	925
Provision for income taxes	341	454	289
<b>Net income</b>	<b>\$ 1,034</b>	<b>\$ 857</b>	<b>\$ 636</b>
Earnings per common share – basic	\$ 7.32	\$ 5.89	\$ 4.43
Earnings per common share – diluted	\$ 7.17	\$ 5.75	\$ 4.33
Weighted-average common shares outstanding – basic	141.0	145.3	143.3
Weighted-average common and common equivalent shares outstanding – diluted	144.0	148.8	146.6
<b>Net income</b>	<b>\$ 1,034</b>	<b>\$ 857</b>	<b>\$ 636</b>
Other comprehensive income/(loss), net of tax:			
Available-for-sale securities	71	(42)	2
Currency translations, net of the impact of net investment hedges	(2)	(3)	16
Cash flow hedges	(61)	33	23
<b>Total other comprehensive income/(loss), net of tax</b>	<b>\$ 8</b>	<b>\$ (12)</b>	<b>\$ 41</b>
<b>Total comprehensive income</b>	<b>\$ 1,042</b>	<b>\$ 845</b>	<b>\$ 677</b>

See accompanying Notes to Consolidated Financial Statements.

**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,		
	2019	2018	2017
<b>Common stock, par value \$.01 per share:</b>			
Balance beginning of year	\$ 2	\$ 2	\$ 2
Share issuances	—	—	—
Balance end of year	2	2	2
<b>Additional paid-in capital:</b>			
Balance beginning of year	1,808	1,645	1,499
Employee stock purchases	34	31	26
Exercise of stock options and vesting of restricted stock units, net of forfeitures	21	32	28
Restricted stock, stock option and restricted stock unit expense	107	98	91
Acquisition of noncontrolling interest and other	(32)	2	1
Balance end of year	1,938	1,808	1,645
<b>Retained earnings:</b>			
Balance beginning of year	5,032	4,340	3,835
Net income attributable to Raymond James Financial, Inc.	1,034	857	636
Cash dividends declared (see Note 23)	(196)	(164)	(131)
Other	4	(1)	—
Balance end of year	5,874	5,032	4,340
<b>Treasury stock:</b>			
Balance beginning of year	(447)	(390)	(363)
Purchases/surrenders	(759)	(45)	(9)
Exercise of stock options and vesting of restricted stock units, net of forfeitures	(4)	(12)	(18)
Balance end of year	(1,210)	(447)	(390)
<b>Accumulated other comprehensive loss:</b>			
Balance beginning of year	(27)	(15)	(56)
Other comprehensive income/(loss), net of tax	8	(12)	41
Other	(4)	—	—
Balance end of year	(23)	(27)	(15)
<b>Total equity attributable to Raymond James Financial, Inc.</b>	<b>\$ 6,581</b>	<b>\$ 6,368</b>	<b>\$ 5,582</b>
<b>Noncontrolling interests:</b>			
Balance beginning of year	\$ 84	\$ 112	\$ 146
Net income/(loss) attributable to noncontrolling interests	(14)	(6)	3
Capital contributions	2	—	10
Distributions and other	(10)	(22)	(47)
Balance end of year	62	84	112
<b>Total shareholders' equity</b>	<b>\$ 6,643</b>	<b>\$ 6,452</b>	<b>\$ 5,694</b>

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

<i>\$ in millions</i>	Year ended September 30,		
	2019	2018	2017
<b>Cash flows from operating activities:</b>			
Net income	\$ 1,034	\$ 857	\$ 636
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:			
Depreciation and amortization	112	99	84
Deferred income taxes	(23)	117	(12)
Premium and discount amortization on available-for-sale securities and (gain)/loss on other investments	14	21	(28)
Provisions for loan losses, legal and regulatory proceedings and bad debts	59	55	36
Share-based compensation expense	112	99	109
Unrealized gain on company-owned life insurance policies, net of expenses	(10)	(32)	(43)
Losses on extinguishment of debt	—	—	46
Goodwill impairment	19	—	—
Other	51	17	35
Net change in:			
Securities sold under agreements to repurchase, net of securities purchased under agreements to resell	(8)	(5)	97
Securities loaned, net of securities borrowed	(93)	(78)	(262)
Loans provided to financial advisors, net of repayments	(79)	(87)	(51)
Brokerage client receivables and other accounts receivable, net	696	(518)	(54)
Trading instruments, net	41	(143)	57
Derivative instruments, net	(144)	73	58
Other assets	(85)	27	97
Brokerage client payables and other accounts payable	(1,231)	346	(1,133)
Accrued compensation, commissions and benefits	80	132	160
Purchases and originations of loans held for sale, net of proceeds from sales of securitizations and loans held for sale	32	(96)	189
Jay Peak matter payments	—	—	(146)
<b>Net cash provided by/(used in) operating activities</b>	<b>577</b>	<b>884</b>	<b>(125)</b>
<b>Cash flows from investing activities:</b>			
Additions to property and equipment	(138)	(134)	(190)
Increase in bank loans, net	(1,605)	(2,818)	(2,254)
Proceeds from sales of loans held for investment	235	193	333
Purchases of available-for-sale securities	(1,027)	(1,124)	(1,733)
Available-for-sale securities maturations, repayments and redemptions	644	495	299
Proceeds from sales of available-for-sale securities	—	45	94
Business acquisitions, net of cash acquired	(5)	(159)	—
Other investing activities, net	(1)	26	75
<b>Net cash used in investing activities</b>	<b>(1,897)</b>	<b>(3,476)</b>	<b>(3,376)</b>

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

(continued from previous page)

<i>\$ in millions</i>	Year ended September 30,		
	2019	2018	2017
<b>Cash flows from financing activities:</b>			
Proceeds from borrowings on the RJF Credit Facility	300	300	—
Repayment of borrowings on the RJF Credit Facility	(300)	(300)	—
Proceeds from/(repayments of) short-term borrowings, net	—	(610)	610
Proceeds from Federal Home Loan Bank advances	850	850	950
Repayments of Federal Home Loan Bank advances and other borrowed funds	(855)	(855)	(655)
Proceeds from senior note issuances, net of debt issuance costs paid	—	—	508
Extinguishment of senior notes payable	—	—	(650)
Premium paid on extinguishment of senior notes payable	—	—	(37)
Acquisition-related contingent consideration (paid)/received, net	—	(7)	3
Exercise of stock options and employee stock purchases	65	63	57
Increase in bank deposits	2,339	2,210	3,470
Purchases of treasury stock	(778)	(62)	(34)
Dividends on common stock	(191)	(151)	(127)
Acquisitions of and distributions to noncontrolling interests, net	(57)	(18)	(30)
<b>Net cash provided by financing activities</b>	<b>1,373</b>	<b>1,420</b>	<b>4,065</b>
<b>Currency adjustment:</b>			
Effect of exchange rate changes on cash	(23)	(33)	47
<b>Net increase/(decrease) in cash, cash equivalents, and cash segregated pursuant to regulations</b>	<b>30</b>	<b>(1,205)</b>	<b>611</b>
Cash, cash equivalents, and cash segregated pursuant to regulations at beginning of year	5,941	7,146	6,535
<b>Cash, cash equivalents, and cash segregated pursuant to regulations at end of year</b>	<b>\$ 5,971</b>	<b>\$ 5,941</b>	<b>\$ 7,146</b>
Cash and cash equivalents	\$ 3,957	\$ 3,500	\$ 3,670
Cash segregated pursuant to regulations	2,014	2,441	3,476
<b>Total cash, cash equivalents, and cash segregated pursuant to regulations at end of year</b>	<b>\$ 5,971</b>	<b>\$ 5,941</b>	<b>\$ 7,146</b>
<b>Supplemental disclosures of cash flow information:</b>			
Cash paid for interest	\$ 283	\$ 201	\$ 156
Cash paid for income taxes, net	\$ 390	\$ 231	\$ 349

See accompanying Notes to Consolidated Financial Statements.

**RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2019**

**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 for 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 9 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.

*Accounting estimates and assumptions*

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires us to make certain 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. Actual results could differ from those estimates and could have a material impact on the consolidated financial statements.

*Reclassifications*

Effective with the firm’s first fiscal quarter ended December 31, 2018, we have reclassified certain revenues among income statement line items and renamed certain line items. These reclassifications do not affect the Company’s reported total revenues or the total revenues in any of our segments for any of the previously reported periods. Prior period results have been conformed to the current presentation.

In addition to the reclassifications discussed in the preceding paragraph, certain other prior period amounts have been reclassified to conform to the current year’s presentation.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Recognition of revenues**

On October 1, 2018, we adopted new accounting guidance for revenue from contracts with customers. Under the new guidance, revenue 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 are 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 simultaneously receive and consume the benefit of our services as they are provided.

## **RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES**

### *Notes to Consolidated Financial Statements*

Payment for the majority of our services is considered to be variable consideration, as the amount of revenues 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 involve third parties in providing services to the customer for some of our contracts with customers. Under the new guidance, we are generally deemed to control the promised services before they are transferred to the customer. Accordingly, beginning with adoption of the new guidance, 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 for retail and institutional clients. Such fees are generally calculated as a percentage of the value of assets in fee-based accounts under administration in our Private Client Group (“PCG”) segment or the net asset value of institutional accounts, retail accounts we manage on behalf of third-party institutions or proprietary mutual funds that we manage 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 being provided. Asset management revenues earned 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 recognized at the time of sale (or, in the case of insurance and annuity products, when the policy is accepted by the carrier). 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.

##### Equities, exchange-traded funds (“ETFs”) and fixed income products

We earn commissions for executing and clearing transactions for customers, primarily in listed and OTC equity securities, including 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 transaction revenues*

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.



## **RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES**

### *Notes to Consolidated Financial Statements*

#### ***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. 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.

##### *Raymond James Bank Deposit Program (“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 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 relative to interest paid to clients 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 revenues***

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 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. Beginning October 1, 2018, such expenses have been included in “Professional fees” on our Consolidated Statements of Income and Comprehensive Income.

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.

#### **Cash 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 segregated pursuant to regulations on our Consolidated Statements of Financial Condition represented the amounts of cash actually on deposit in our segregated reserve accounts for regulatory purposes as of each respective period-end. In addition, Raymond James Ltd. (“RJ Ltd.”) is required to hold client Registered Retirement Savings Plan funds in trust. Raymond James Bank, N.A. (“RJ Bank”) maintains cash in an interest-bearing pass-through account at the Federal Reserve Bank (“FRB”) in accordance with Regulation D of the Federal Reserve Act, which requires depository institutions to maintain minimum average reserve balances against its deposits.

#### **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. To mitigate credit exposure under reverse repurchase agreements, we receive collateral with a fair value that is typically equal to or in excess of the principal amount loaned under such agreements. To ensure that the market value of the underlying collateral remains sufficient, collateral values are evaluated on a recurring basis, and collateral is obtained from or returned to the counterparty when contractually required. In addition, 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. See Note 7 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 or our clients or others we have received as collateral. Securities borrowed and securities loaned transactions are reported 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. 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. See Note 7 for additional information regarding collateralized agreements and financings.

**Financial instruments, financial instruments sold but not yet purchased, at fair value**

“Financial instruments owned” and “Financial instruments sold, but not yet purchased” 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.

Level 2 - Financial instruments reported in Level 2 include those that have pricing inputs that are other than 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 and other market statistics. We have determined the market for certain other types of financial instruments, including private equity investments and auction-rate securities (“ARS”), to be uncertain or inactive as of both September 30, 2019 and 2018. 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 presented 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.

## **RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES**

### *Notes to Consolidated Financial Statements*

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 classified at the date of purchase and are comprised primarily of agency mortgage-backed securities (“MBS”) and collateralized mortgage obligations (“CMOs”) held by RJ Bank. Available-for-sale securities held at RJ Bank are used primarily as part of its 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-temporary, 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. We do not consider our agency available-for-sale securities to be other-than-temporarily-impaired due to the guarantee of the full payment of principal and interest by the U.S. government and the fact that we have the ability and intent to hold these securities.

The fair value of our available-for-sale securities is determined by obtaining third-party pricing service bid quotations from two independent pricing services. Third-party pricing service bid quotations are based on either current market data or the most recently available market data. The third-party pricing services provide comparable price evaluations utilizing available 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. On a quarterly basis, we utilize bid quotations from other third-party pricing services to corroborate the pricing information obtained from the primary pricing service. Securities valued using these valuation techniques 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 derivative contracts entered into under a legally enforceable master netting agreement and, therefore, the fair value of those derivative contracts are netted by counterparty on our Consolidated Statements of Financial Condition. As we elect to net-by-counterparty the fair value of such derivative contracts, 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

## RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

### *Notes to Consolidated Financial Statements*

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 collateral. This “initial margin” is included as a component of “Other investments” or “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 or unrealized gains or losses, including interest, on our fixed income derivatives are recorded in “Principal transactions” on our Consolidated Statements of Income and Comprehensive Income. The fair value of these interest rate derivatives is 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 a liquid market and the models do not require significant judgment, such derivatives are classified within Level 2 of the fair value hierarchy. We utilize values obtained from third-party derivatives dealers to corroborate the output of our internal pricing models.

#### *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*

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.

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

## RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

### *Notes to Consolidated Financial Statements*

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 hedge interest rate derivatives 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.

#### *Derivative arising from our acquisition of Alex. Brown*

As part of our fiscal 2016 acquisition of Alex. Brown, we assumed certain Deutsche Bank restricted stock unit ("DBRSU") awards, which will ultimately be settled in Deutsche Bank AG ("DB") common shares, provided certain performance metrics are achieved. The DBRSU obligation results in a derivative, the fair value and notional of which is measured by multiplying the number of outstanding DBRSU awards to be settled in DB common shares as of the end of the reporting period by the end of reporting period DB share price, as traded on the New York Stock Exchange.

#### ***Other investments***

Other investments consist primarily of private equity investments, marketable securities we hold that are associated with certain of our deferred compensation plans, ARS, term deposits with Canadian financial institutions, and securities pledged as collateral with clearing organizations.

#### *Private equity investments*

Private equity investments consist of direct investments and 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 changes 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 or immediate settlement of the instrument.

#### *Auction rate securities*

We hold ARS which are long-term variable rate securities tied to short-term interest rates. Due to failures in the "Dutch auction" process originally used to transact in these securities, the fair value of the ARS holdings is estimated based on internal pricing models. The pricing models take into consideration the characteristics of the underlying securities, as well as multiple inputs including the issuer and its credit quality, data from recent trades, if any, the expected timing of redemptions and an estimated yield premium that a market participant would require over otherwise comparable securities to compensate for the illiquidity of the ARS. These valuation techniques use unobservable inputs and accordingly are classified within Level 3 of the fair value hierarchy.

## RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

### *Notes to Consolidated Financial Statements*

#### *Other*

The non-qualified deferred compensation plans or arrangements are for the benefit of certain employees, and provide a return to the participating employees based upon the performance of various referenced investments. The balances associated with these plans are invested in certain marketable securities that we hold until the vesting date, which is typically five years from the date of the deferral. A liability associated with these deferrals is reflected as a component of “Accrued compensation, commissions and benefits” on our Consolidated Statements of Financial Condition. We use quoted prices in active markets to determine the fair value of these investments. Such instruments are classified within Level 1 of the fair value hierarchy.

Canadian financial institution term deposits are recorded at cost which approximates fair value. These investments are classified within Level 1 of the fair value hierarchy.

#### **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, adjusted for 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 measured based on current prices from independent sources such as listed market prices or broker-dealer price quotations.

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 7 for additional information regarding this collateral). We present “Brokerage client receivables, net” at their outstanding principal balance on our Consolidated Statements of Financial Condition, net of any allowance for doubtful accounts. Our allowance for doubtful accounts was insignificant at both September 30, 2019 and 2018.

#### **Receivables from brokers, dealers and clearing organizations**

Receivables from brokers, dealers and clearing organizations include amounts receivable for securities failed to deliver and any cash on deposit with clearing organizations. We present “Receivables from brokers, dealers and clearing organizations” on our Consolidated Statements of Financial Condition, net of any allowance for doubtful accounts.

#### **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, commercial and residential real estate loans, tax-exempt loans and securities-based loans (“SBL”). 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. Syndicated loans purchased in the secondary market are recognized as of the trade date. Interest income is recognized on an accrual basis. 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.

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 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 value 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.

## **RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES**

### *Notes to Consolidated Financial Statements*

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 a loan workout situation, 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.

### ***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. 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 materially 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



## RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

### *Notes to Consolidated Financial Statements*

interest income and accretion of the net deferred loan origination fees cease. Interest is recognized using the cash method for SBL and other and residential (first mortgage and home equity) 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 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.

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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 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; experience, ability and depth of lending management and other relevant staff; local, regional, national and international economic conditions; competition; legal and regulatory requirements; and concentrations of credit risk.

Historical loan loss rates, a quantitative factor, are utilized when assigning the allowance percentages for residential first mortgage loans and residential home equity loans. These estimated loss rates are based on our historical loss data over a period of time. 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 classes of impaired loans which have unfunded lending commitments 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

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(loans that are rated special mention or worse as defined by bank regulators, see Note 8 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 OCC and 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. We believe BPOs are more reliable than an automated valuation tool or the use of tax assessed values. A full appraisal is obtained post-foreclosure and further charge-offs are recorded against the owned asset if an appraisal has a lower valuation than the original BPO, however, we do not reverse previously charged-off amounts if the new appraisal is higher. 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.

#### 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. Based upon the nature of these financing receivables, we do not analyze this asset on a portfolio segment or class basis. 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. Of the gross balance outstanding, the portion associated with financial advisors who are no longer affiliated with us was approximately \$22 million and \$20 million at September 30, 2019 and 2018, respectively. Our allowance for doubtful accounts was approximately \$9 million and \$8 million at September 30, 2019 and 2018, respectively.

#### Property and equipment, net

Property, equipment and leasehold improvements 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 and leasehold improvements. Furniture primarily consists of communications and technology hardware and furniture and fixtures. 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.

<b>Asset type</b>	<b>Estimated useful life</b>
Buildings, building & land improvements and building components	10 to 31 years
Furniture, fixtures and equipment	3 to 5 years
Software	2 to 10 years
Leasehold improvements	Lesser of useful life or lease term

Depreciation expense associated with property, equipment and leasehold improvements is included in "Occupancy and equipment costs" on our Consolidated Statements of Income and Comprehensive Income. Amortization expense associated with computer software

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is included in “Communications and information processing” expense on our Consolidated Statements of Income and Comprehensive Income.

Additions, improvements and expenditures that extend the useful life of an asset are capitalized. Costs for significant internally developed software projects are capitalized when the costs relate to development or modification of internal-use software that results in additional functionality. Costs related to preliminary project and post-project activities are expensed as incurred. Expenditures for repairs and maintenance are charged to operations in the period incurred. Gains and losses on disposals of property and equipment are reflected on our Consolidated Statements of Income and Comprehensive Income in the period realized.

#### **Intangible assets, net**

Certain identifiable intangible assets we acquire such as customer relationships, trade names, developed technology, intellectual property, 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 more often 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 perform 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 analysis. However, if we conclude otherwise, we then perform a quantitative impairment analysis. We have elected January 1 as our annual impairment evaluation date, evaluating balances as of December 31. See Note 11 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 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 of goodwill, we may elect either a qualitative or a quantitative assessment. Our qualitative assessment considers macro-economic and other industry-specific factors, such as trends in short-term and long-term interest rates, as well as company-specific factors, such as market capitalization, trends in revenue-generating activities, and merger or acquisition activity. 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 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 11 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, prepaid expenses, FHLB stock, FRB stock, and investments in real estate assets partnerships held by consolidated VIEs. See Note 12 for further information.

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### *Notes to Consolidated Financial Statements*

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 carried at cash surrender value as determined by the insurer.

In accordance with certain membership requirements, we carry investments in stock of the FHLB and the FRB. These investments are carried at cost, are restricted, lack a market, and can only be sold to the issuer or another member institution at their respective par values. Annually, or more frequently if events or circumstances indicate necessary, we evaluate our holdings for potential impairment through a review of the capital adequacy, liquidity position and overall financial condition of the FHLB and FRB to determine the ultimate recoverability of the par value of the respective stock. Any cash dividends received from these investments are recognized as “Interest income” on our Consolidated Statements of Income and Comprehensive Income.

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.

#### **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 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, we accrue a minimum based on the range of possible loss. No liability is recognized for those matters which, in management’s judgment, the determination of a reasonable estimate of loss is not possible.

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 with counsel 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 certain of these plans, we directly hold investments related to our obligations to perform under the deferred compensation plans. See the other investments discussion within the financial instruments, financial instruments sold but not yet purchased, at fair value section of this note for further discussion of these assets. 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 12 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.

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#### **Leases**

We lease office space and equipment under operating leases. We recognize rent expense related to these operating leases on a straight-line basis over the lease term. The lease term commences on the earlier of the date when we become legally obligated for the rent payments or the date on which we take possession of the property. For tenant improvement allowances and rent holidays, we record a deferred rent liability in “Other payables” on our Consolidated Statements of Financial Condition and amortize the deferred rent over the lease term as a reduction to rent expense on our Consolidated Statements of Income and Comprehensive Income. In instances where the office space or equipment under an operating lease will be abandoned prior to the expiration of the lease term (these instances primarily result from the effects of acquisitions), we accrue an estimate of any projected loss on our Consolidated Statements of Income and Comprehensive Income at the time such abandonment is known and any loss is estimable.

#### **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 objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year. We utilize the asset and liability method to provide 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 available to common shareholders by the weighted-average number of common shares outstanding. Earnings available 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 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.

#### ***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

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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.

#### ***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***

RJTFCF 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 RJTFCF 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 RJTFCF'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 RJTFCF, as the managing member or general partner of the fund, is responsible for overseeing the fund's operations.

RJTFCF 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. RJTFCF does not 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). RJTFCF 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, RJTFCF 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 RJTFCF, 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, RJTFCF 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, RJTFCF is deemed to have the power over such activities. RJTFCF 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 also the investor member of a LIHTC fund which we have determined to be a VIE, and in which a subsidiary of RJTFCF 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



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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.

#### **Recent accounting developments**

##### *Accounting guidance recently adopted*

**Goodwill** - In January 2017, the Financial Accounting Standards Board ("FASB") issued amended guidance to simplify the subsequent measurement of goodwill, eliminating "Step 2" from the goodwill impairment test (ASU 2017-04). Under this amended guidance, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and subsequently recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. We early-adopted this guidance on January 1, 2019, our goodwill impairment test date. We applied the amended guidance to the August 2019 impairment assessment of our Canadian Capital Markets business.

**Revenue recognition** - In May 2014, the FASB issued new guidance related to revenue recognition (ASU 2014-09). The new guidance is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. It also provides guidance on accounting for certain contract costs and requires additional disclosures. We adopted this guidance as of October 1, 2018, under a modified retrospective approach for all open contracts as of the date of initial adoption. As such, there was no impact on our prior period results.

The primary impact of this guidance was the change in the presentation of certain costs from a net presentation within revenues to a gross presentation, particularly costs related to merger & acquisitions advisory and underwriting transactions and certain administrative costs related to the RJBDP. As a result of this change, "Investment banking" and "Professional fees" were each \$23 million higher for the year ended September 30, 2019, and "Account and service fees" and "Other" expense were each \$8 million higher for the year ended September 30, 2019. These presentation changes had no impact on our pre-tax or net earnings. There were no material changes in timing of revenues recognized associated with the adoption. As a result, adoption of this guidance had no material impact on our net results of operations or financial position. See Note 19 for further information.

**Financial instruments** - In January 2016, the FASB issued new guidance related to the accounting for financial instruments (ASU 2016-01). Among its provisions, this new guidance generally requires equity investments to be measured at fair value with changes in fair value recognized in net income, subject to certain exceptions, and amends certain disclosure requirements associated with the fair value of financial instruments. We adopted this guidance as of October 1, 2018, under a modified retrospective approach. As a result, on a prospective basis beginning as of the date of adoption, we record changes in the fair value of our investments in equity securities that were previously classified as available-for-sale in net income. Previously, such unrealized gains/(losses) were reflected in OCI. The impact of adopting the new guidance resulted in a reclassification from AOCI to retained earnings of an accumulated gain of approximately \$4 million at October 1, 2018. See Note 5 for further information.

**Statement of Cash Flows (classification of certain cash receipts and cash payments)** - In August 2016, the FASB issued amended guidance related to the Statement of Cash Flows (ASU 2016-15). The amended guidance provides guidance on disclosure and classification of certain items within the statements of cash flows. We adopted this guidance on October 1, 2018, under a retrospective approach. The adoption did not have a material impact on our consolidated statements of cash flows and did not have an impact on our financial position or results of operations.

**Statement of Cash Flows (restricted cash)** - In November 2016, the FASB issued new guidance related to the classification and presentation of changes in restricted cash on the statement of cash flows (ASU 2016-18). The guidance requires an entity to include restricted cash and cash equivalents in its total of cash and cash equivalents on its statement of cash flows and to present a reconciliation of the beginning-of-period and end-of-period total of such amounts on the statement of cash flows. We adopted this guidance on October 1, 2018, under a retrospective approach. As a result of adoption, we recorded a decrease of \$1.02 billion and \$1.43 billion in net cash provided by operating activities for the years ended September 30, 2018 and 2017, respectively, related to reclassifying changes in cash segregated pursuant to regulations from operating activities to the cash and cash equivalents balance on the Consolidated Statements of Cash Flows. The total of cash segregated pursuant to regulations and cash and cash equivalents is included in a separate table on the Consolidated Statements of Cash Flows. The adoption did not have an impact on our financial position or results of operations.

## RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

### *Notes to Consolidated Financial Statements*

**Definition of a business** - In January 2017, the FASB issued amended guidance related to the definition of a business (ASU 2017-01). This amended guidance clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. We adopted this guidance on October 1, 2018, on a prospective basis. The impact of the adoption of this amended guidance is dependent upon acquisition and disposal activities subsequent to the date of adoption. The adoption did not have any impact on our financial position or results of operations.

**Share-based payment awards (modifications)** - In May 2017, the FASB issued amended guidance that clarifies when changes to the terms or conditions of share-based payment awards require an entity to apply modification accounting (ASU 2017-09). The amended guidance states an entity should account for the effects of a modification unless certain criteria are met which include that the modified award has the same fair value, vesting conditions and classification as the original award. We adopted the guidance on October 1, 2018, on a prospective basis. We generally do not modify our share-based payments awards. The adoption did not have an impact on our financial position or results of operations.

**Share-based payment awards (nonemployee)** - In June 2018, the FASB issued amended guidance that aligns the measurement and classification guidance for share-based payments to nonemployees with the guidance for share-based payments to employees, with certain exceptions (ASU 2018-07). The amended guidance states an entity should measure the fair value of the award by estimating the fair value of the equity instruments to be issued and, for equity-classified awards, the fair value should be measured on the grant date. The amended guidance also clarifies that nonemployee awards that contain a performance condition are to be measured based on the outcome that is probable and that entities may elect, on an award-by-award basis, to use the expected term or contractual term to measure the award. We early-adopted this standard on October 1, 2018, using a modified retrospective approach. The adoption did not have a significant impact on our financial position or results of operations.

### *Accounting guidance not yet adopted as of September 30, 2019*

**Lease accounting** - In February 2016, the FASB issued new guidance related to the accounting for leases (ASU 2016-02). The new guidance and subsequent amendments requires the recognition of assets and liabilities on the balance sheet related to the rights and obligations created by lease agreements with terms greater than twelve months, regardless of whether they are classified as finance or operating leases. Consistent with the previous guidance, the recognition, measurement and presentation of expenses and cash flows arising from a lease will primarily depend upon its classification as a finance or operating lease. The new guidance requires new disclosures to help financial statement users better understand the amount, timing and cash flows arising from leases. We adopted this guidance on October 1, 2019 using the alternative modified retrospective approach for leases effective as of the adoption date. The impact of adopting this guidance as of October 1, 2019 was a gross-up of our consolidated assets and liabilities of approximately \$375 million and \$400 million, respectively, primarily due to the recognition of right-of-use assets (“ROU assets”) and lease liabilities related to operating leases. The difference between the ROU asset and the lease liability is primarily due to lease incentives. The adoption had no effect on our results of operations or cash flows.

**Credit losses** - In June 2016, the FASB issued new guidance related to the measurement of credit losses on financial instruments (ASU 2016-13). The amended 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 assets measured either collectively or individually to include historical experience, current conditions and reasonable and supportable forecasts, replacing the existing incurred credit loss model and other models with the Current Expected Credit Losses (“CECL”) model. The new guidance expands the disclosure requirements regarding an entity’s assumptions, models, and methods for estimating credit losses and requires new disclosures of the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination. This new guidance is first effective for our fiscal year beginning on October 1, 2020 and will be adopted under a modified retrospective approach. Although permitted, we do not plan to early adopt. Our cross-functional team has continued our implementation efforts, including data collection and processing, model development and validation, and establishment of the governance and control processes. We are evaluating the impact the adoption of this new guidance will have on our financial position and results of operations, which will depend on, among other things, the current and expected macroeconomic conditions and the nature and characteristics of financial assets held by us on the date of adoption.

**Callable debt securities** - In March 2017, the FASB issued new guidance that requires certain premiums on callable debt securities to be amortized to the earliest call date instead of the contractual life of the security (ASU 2017-08). Discounts on callable debt securities will continue to be amortized to the contractual maturity date. We adopted the guidance October 1, 2019 using a modified retrospective approach. The adoption did not have a significant impact on our financial position and results of operations.

**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

## RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

### *Notes to Consolidated Financial Statements*

customers in cloud computing arrangements to be deferred over the non-cancellable term of the cloud computing arrangements 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. This amended guidance is first effective for our fiscal year beginning on October 1, 2020 with early adoption permitted. The guidance may be adopted either using the prospective or retrospective approach. We are currently evaluating the impact of this new guidance on our financial position and results of operations.

**Derivatives and hedging (interest rate)** - In October 2018, the FASB issued guidance amending Derivatives and Hedging (Topic 815) to add the overnight index swap (“OIS”) rate based on the Secured Overnight Financing Rate (“SOFR”) to the list of U.S. benchmark interest rates that are eligible during the early stages of the market transition from LIBOR to SOFR (ASU 2018-16). The amendments to this guidance will provide adequate lead time for entities to prepare for changes to interest rate hedging strategies. We adopted the guidance October 1, 2019 and will apply the guidance prospectively for qualifying new or re-designated hedging relationships. The adoption did not have a significant impact on our financial position and results of operations.

**Consolidation (decision making fees)** - In October 2018, the FASB issued guidance on how all entities evaluate decision-making fees under the variable interest entity guidance (ASU 2018-17). Under the new guidance, to determine whether decision-making fees 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. This guidance is first effective for our fiscal year beginning on October 1, 2020. Early adoption is permitted. We are evaluating the impact the adoption of this new guidance will have on our financial position and results of operations.

### **NOTE 3 – ACQUISITIONS**

#### **Acquisitions completed during fiscal year 2019**

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.

In April 2019, we completed our acquisition of Silver Lane Advisors LLC (“Silver Lane”), a boutique investment bank focused on merger & acquisition advisory. Silver Lane is included in our Capital Markets segment. We accounted for this acquisition under the acquisition method of accounting with the assets and liabilities of Silver Lane recorded as of the acquisition date at their respective fair values in our consolidated financial statements. For purposes of certain acquisition-related financial reporting requirements, the Silver Lane acquisition was not considered a material acquisition. Silver Lane’s results of operations have been included in our results prospectively from April 1, 2019.

#### **Acquisitions completed in prior fiscal years**

In November 2017, we completed our acquisition of 100% of the outstanding shares of Scout Investments, Inc. (the “Scout Group”), an asset management and distribution entity, from UMB Financial Corporation. The Scout Group includes Scout Investments (“Scout”) and its Reams Asset Management division (“Reams”), as well as Scout Distributors. The addition of Scout, an equity asset manager, and Reams, an institutional-focused fixed income specialist, broadened the investment solutions available to our clients and has been integrated into our Asset Management segment. For purposes of certain acquisition-related financial reporting requirements, the Scout Group acquisition was not considered a material acquisition. The Scout Group’s results of operations have been included in our results prospectively from November 17, 2017.

The acquisition and integration costs associated with certain acquisitions are included in “Acquisition and disposition-related expenses” on our Consolidated Statements of Income and Comprehensive Income. Such costs include, among other items, legal and regulatory costs, acquisition-related incentive costs and severance costs.

**RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES**
*Notes to Consolidated Financial Statements*
**NOTE 4 – FAIR VALUE**

Our “Financial instruments owned” and “Financial instruments sold but not yet purchased” 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 6 for additional information.

<i>\$ in millions</i>	Level 1	Level 2	Level 3	Netting adjustments	Balance as of September 30, 2019
<b>Assets at fair value on a recurring basis:</b>					
Trading instruments					
Municipal and provincial obligations	\$ —	\$ 267	\$ —	\$ —	\$ 267
Corporate obligations	8	95	—	—	103
Government and agency obligations	12	67	—	—	79
Agency MBS and CMOs	—	147	—	—	147
Non-agency CMOs and asset-backed securities (“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					
Agency MBS and CMOs	—	3,083	—	—	3,083
Other securities	10	—	—	—	10
Total available-for-sale securities	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
<b>Subtotal</b>	<b>239</b>	<b>4,219</b>	<b>90</b>	<b>(127)</b>	<b>4,421</b>
Other investments - private equity - measured at NAV	—	—	—	—	83
<b>Total assets at fair value on a recurring basis</b>	<b>\$ 239</b>	<b>\$ 4,219</b>	<b>\$ 90</b>	<b>\$ (127)</b>	<b>\$ 4,504</b>
<b>Liabilities at fair value on a recurring basis:</b>					
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
Equity (DBRSU obligation)	—	6	—	—	6
Total derivative liabilities	4	430	—	(121)	313
<b>Total liabilities at fair value on a recurring basis</b>	<b>\$ 279</b>	<b>\$ 450</b>	<b>\$ 1</b>	<b>\$ (121)</b>	<b>\$ 609</b>

**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, 2018
<b>Assets at fair value on a recurring basis:</b>					
Trading instruments					
Municipal and provincial obligations	\$ 1	\$ 247	\$ —	\$ —	\$ 248
Corporate obligations	10	100	—	—	110
Government and agency obligations	19	72	—	—	91
Agency MBS and CMOs	3	124	—	—	127
Non-agency CMOs and ABS	—	69	—	—	69
Total debt securities	33	612	—	—	645
Equity securities	15	—	—	—	15
Brokered certificates of deposit	—	39	—	—	39
Other	—	2	1	—	3
Total trading instruments	48	653	1	—	702
Available-for-sale securities					
Agency MBS and CMOs	—	2,628	—	—	2,628
Other securities	1	—	—	—	1
ARS preferred	—	—	67	—	67
Total available-for-sale securities	1	2,628	67	—	2,696
Derivative assets					
Interest rate - matched book	—	160	—	—	160
Interest rate - other	—	74	—	(55)	19
Foreign exchange	—	1	—	—	1
Total derivative assets	—	235	—	(55)	180
Other investments - private equity - not measured at NAV	—	—	56	—	56
All other investments	201	1	—	—	202
<b>Subtotal</b>	250	3,517	124	(55)	3,836
Other investments - private equity - measured at NAV	—	—	—	—	91
<b>Total assets at fair value on a recurring basis</b>	<b>\$ 250</b>	<b>\$ 3,517</b>	<b>\$ 124</b>	<b>\$ (55)</b>	<b>\$ 3,927</b>
<b>Liabilities at fair value on a recurring basis:</b>					
Trading instruments sold but not yet purchased					
Municipal and provincial obligations	\$ —	\$ 1	\$ —	\$ —	\$ 1
Corporate obligations	2	25	—	—	27
Government and agency obligations	194	—	—	—	194
Non-agency CMOs and ABS	—	1	—	—	1
Total debt securities	196	27	—	—	223
Equity securities	5	—	—	—	5
Other	—	—	7	—	7
Total trading instruments sold but not yet purchased	201	27	7	—	235
Derivative liabilities					
Interest rate - matched book	—	160	—	—	160
Interest rate - other	—	114	—	(47)	67
Foreign exchange	—	4	—	—	4
Equity (DBRSU obligation)	—	16	—	—	16
Total derivative liabilities	—	294	—	(47)	247
<b>Total liabilities at fair value on a recurring basis</b>	<b>\$ 201</b>	<b>\$ 321</b>	<b>\$ 7</b>	<b>\$ (47)</b>	<b>\$ 482</b>

**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,” gains/(losses) on other investments are reported in “Other” revenues, and gains/(losses) on available-for-sale securities are reported in either “Other” revenues (when included in earnings) or “Other comprehensive income” on our Consolidated Statements of Income and Comprehensive Income.

**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 <sup>(1)</sup>	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	(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)	\$ —

(1) Beginning of period balance includes \$67 million of preferred ARS, which were reclassified from available-for-sale securities in connection with the adoption of ASU 2016-01. See Note 2 for additional information.

**Year ended September 30, 2018**  
**Level 3 instruments at fair value**

<i>\$ in millions</i>	Financial assets			Financial liabilities
	Trading instruments	Available-for-sale securities	Other investments	Trading instruments
	Other	ARS - preferred	Private equity investments	Other
Fair value beginning of year	\$ 6	\$ 106	\$ 89	\$ —
Total gains/(losses) for the year:				
Included in earnings	(3)	5	(5)	(2)
Included in OCI	—	1	—	—
Purchases and contributions	82	—	—	2
Sales	(84)	(45)	(28)	(7)
Transfers:				
Into Level 3	—	—	—	—
Out of Level 3	—	—	—	—
Fair value end of year	<u>\$ 1</u>	<u>\$ 67</u>	<u>\$ 56</u>	<u>\$ (7)</u>
Unrealized gains/(losses) for the year included in earnings for instruments held at the end of the year	\$ —	\$ —	\$ (16)	\$ (2)
Unrealized gains/(losses) for the year included in OCI for instruments held at the end of the year	\$ —	\$ 3	\$ —	\$ —

As of September 30, 2019, 12% of our assets and 2% of our liabilities were measured at fair value on a recurring basis. In comparison, as of September 30, 2018 10% of our assets and 2% of our liabilities were measured at fair value on a recurring basis. Instruments measured at fair value on a recurring basis categorized as Level 3 as of September 30, 2019 and September 30, 2018 represented 2% and 3%, respectively.

# 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 a significant majority of our financial instruments 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.

Level 3 financial instrument \$ in millions	Fair value at September 30, 2019	Valuation technique(s)	Unobservable input	Range (weighted-average)
<b>Recurring measurements</b>				
Other investments - ARS preferred	\$ 24	Discounted cash flow	Average discount rate	5.18% - 6.18% (5.68%)
			Average interest rates applicable to future interest income on the securities <sup>(1)</sup>	2.01% - 2.01% (2.01%)
			Prepayment year <sup>(2)</sup>	2019 - 2022 (2022)
Other investments - private equity investments (not measured at NAV)	\$ 50	Income approach - discounted cash flow	Discount rate	25%
			Terminal earnings before interest, tax, depreciation and amortization ("EBITDA") multiple	12.5x
			Terminal year	2021 - 2042 (2022)
	\$ 13	Transaction price or other investment-specific events <sup>(3)</sup>	Not meaningful <sup>(3)</sup>	Not meaningful <sup>(3)</sup>

Level 3 financial instrument \$ in millions	Fair value at September 30, 2018	Valuation technique(s)	Unobservable input	Range (weighted-average)
<b>Recurring measurements</b>				
ARS preferred	\$ 67	Discounted cash flow	Average discount rate	6.50% - 7.85% (7.13%)
			Average interest rates applicable to future interest income on the securities <sup>(1)</sup>	4.13% - 5.51% (4.47%)
			Prepayment year <sup>(2)</sup>	2018 - 2021 (2021)
Other investments - private equity investments (not measured at NAV)	\$ 43	Income approach - discounted cash flow	Discount rate	25%
			Terminal EBITDA multiple	10.0x
			Terminal year	2022 - 2042 (2023)
	\$ 13	Transaction price or other investment-specific events <sup>(3)</sup>	Not meaningful <sup>(3)</sup>	Not meaningful <sup>(3)</sup>

(1) Interest rates are projected based upon a forward interest rate path, plus a spread over such projected base rate that is applicable to each future period for each security within this portfolio segment. The interest rates presented represent the average interest rate over all projected periods for securities within the portfolio segment.

(2) Assumed calendar year of at least a partial redemption of the outstanding security by the issuer.

(3) 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, new developments become known, or we receive information from a fund manager which allows us to update our proportionate share of net assets.

### 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 sections.

#### Other investments - ARS preferred

The future interest rate and prepayment assumptions impacting the valuation of the auction rate securities are directly related. As short-term interest rates rise, the penalty interest rates, which are embedded in most of these securities in the event auctions fail to set the security's interest rate, also increase. As penalty interest rates rise, we estimate that issuers of the securities will have the economic incentive to refinance (and thus prepay) the securities. As such, increases in the interest rate, which would generally result in an earlier prepayment assumption, would have increased the fair value of the securities. Increases in the discount rate would have resulted in a lower fair value of the securities.

**RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES***Notes to Consolidated Financial Statements**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 and/or a later terminal year would have resulted in a lower fair value measurement. Increases in the terminal EBITDA multiple would have resulted in a higher 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, 2019 included 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 industries 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.

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

<i>\$ in millions</i>	<b>Recorded value</b>	<b>Unfunded commitment</b>
<b>September 30, 2019</b>		
Private equity investments measured at NAV	\$ 83	\$ 15
Private equity investments not measured at NAV	63	
<b>Total private equity investments</b>	<b>\$ 146</b>	
<b>September 30, 2018</b>		
Private equity investments measured at NAV	\$ 91	\$ 18
Private equity investments not measured at NAV	56	
<b>Total private equity investments</b>	<b>\$ 147</b>	

Of the total private equity investments, the portions we owned were \$99 million and \$103 million as of September 30, 2019 and 2018, respectively. The portions of the private equity investments we did not own were \$47 million and \$44 million as of September 30, 2019 and 2018, respectively, and were included as a component of noncontrolling interests on our Consolidated Statements of Financial Condition.

Many of these 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 Board of Governors of the Federal Reserve System (the "Fed") to continue to hold the majority of our covered fund investments until July 2022. However, our current focus is the divestiture of this portfolio.



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## Notes to Consolidated Financial Statements

### 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 values of the related financial instrument.

<i>\$ in millions</i>	Level 2	Level 3	Total fair value	Valuation technique(s)	Unobservable input	Range (weighted-average)
<b>September 30, 2019</b>						
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 <sup>(1)</sup>	Not meaningful <sup>(1)</sup>	Not meaningful <sup>(1)</sup>
Loan 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

#### September 30, 2018

Bank loans, net:						
Impaired loans: residential	\$ 10	\$ 17	\$ 27	Discounted cash flow	Prepayment rate	7 yrs. - 12 yrs. (10.5 yrs.)
Impaired loans: corporate	\$ —	\$ 1	\$ 1	Collateral or discounted cash flow <sup>(1)</sup>	Not meaningful <sup>(1)</sup>	Not meaningful <sup>(1)</sup>
Loan held for sale	\$ 41	\$ —	\$ 41	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.

### Financial instruments that are not recorded at fair value on the Consolidated Statements of Financial Condition

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, 2019 or 2018. This table excludes financial instruments that are carried at amounts which approximate fair value.

Effective October 1, 2018, we adopted new accounting guidance (ASU 2016-01), which requires the fair value of financial instruments not carried at fair value on our statement of financial condition to be estimated utilizing an exit price and eliminates certain disclosure requirements related to these instruments, including exempting certain financial instruments from disclosure (e.g., demand deposits). Prior periods have not been updated to reflect this new accounting guidance.

<i>\$ in millions</i>	Level 1	Level 2	Level 3	Total estimated fair value	Carrying amount
<b>September 30, 2019</b>					
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
<b>September 30, 2018</b>					
Financial assets:					
Bank loans, net	\$ —	\$ 124	\$ 19,116	\$ 19,240	\$ 19,449
Financial liabilities:					
Bank deposits	\$ —	\$ 19,496	\$ 439	\$ 19,935	\$ 19,942
Senior notes payable	\$ —	\$ 1,558	\$ —	\$ 1,558	\$ 1,550

*Short-term financial instruments:* The carrying value of short-term financial instruments, including cash and cash equivalents, cash segregated pursuant to federal regulations, repurchase agreements and reverse repurchase agreements are recorded at amounts that

## RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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 segregated pursuant to federal regulations are classified as Level 1. Repurchase agreements and reverse repurchase agreements are classified as Level 2 under the fair value hierarchy as they are generally overnight and are collateralized by U.S. government or agency securities.

*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, and SBL and other loans intended to be held until maturity or payoff, and 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 following table.

Upon adoption of ASU 2016-01 in fiscal 2019, fair values for both variable and fixed-rate loans held for investment, are estimated using 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, receivables from brokers, dealers and clearing organizations, 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 or 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.

*Securities borrowed and securities loaned:* Securities borrowed and securities loaned are recorded at amounts which approximate fair value and are primarily classified as Level 2 under the fair value hierarchy.

*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.

*Payables:* Brokerage client payables, payables to brokers, dealers and clearing organizations, 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. Under the fair value hierarchy, our other borrowings are classified as Level 2.

*Senior notes payable:* The fair value of our senior notes payable is calculated based upon recent trades of those debt securities in the market.

### **NOTE 5 – AVAILABLE-FOR-SALE SECURITIES**

Available-for-sale securities are primarily comprised of agency MBS and CMOs owned by RJ Bank. See Note 2 for a discussion of our available-for-sale securities accounting policies, including the fair value determination process. As of October 1, 2018, we adopted new accounting guidance related to the classification and measurement of financial instruments (ASU 2016-01), which requires changes in the fair value of equity securities to be recorded in net income. See Note 2 for further information. As a result, on a prospective basis beginning October 1, 2018, unrealized gains/(losses) on our equity securities previously classified and accounted for as available-for-sale are recorded in net income instead of OCI. Accordingly, as of the date of adoption we reclassified approximately \$68 million

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of equity securities, substantially all of which consisted of preferred ARS, from “Available-for-sale securities” to “Other investments” on our Consolidated Statements of Financial Condition.

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

<i>\$ in millions</i>	Cost basis	Gross unrealized gains	Gross unrealized losses	Fair value
<b>September 30, 2019</b>				
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
<b>Total available-for-sale securities</b>	<b>\$ 3,065</b>	<b>\$ 32</b>	<b>\$ (4)</b>	<b>\$ 3,093</b>
<b>September 30, 2018</b>				
Agency residential MBS	\$ 1,616	\$ —	\$ (40)	\$ 1,576
Agency commercial MBS	47	—	—	47
Agency CMOs	1,035	—	(30)	1,005
Other securities	2	—	(1)	1
Total RJ Bank available-for-sale securities	2,700	—	(71)	2,629
ARS preferred	61	6	—	67
<b>Total available-for-sale securities</b>	<b>\$ 2,761</b>	<b>\$ 6</b>	<b>\$ (71)</b>	<b>\$ 2,696</b>

See Note 4 for additional information regarding the fair value of available-for-sale securities.

The following table details the contractual maturities, amortized cost, 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 will differ from contractual maturities because borrowers may have the right to prepay obligations without prepayment penalties.

<i>\$ in millions</i>	September 30, 2019				
	Within one year	After one but within five years	After five but within ten years	After ten years	Total
<b>Agency residential MBS</b>					
Amortized cost	\$ —	\$ 26	\$ 820	\$ 709	\$ 1,555
Carrying value	\$ —	\$ 25	\$ 830	\$ 719	\$ 1,574
<b>Agency commercial MBS</b>					
Amortized cost	\$ 5	\$ 208	\$ 58	\$ 34	\$ 305
Carrying value	\$ 5	\$ 211	\$ 59	\$ 35	\$ 310
<b>Agency CMOs</b>					
Amortized cost	\$ —	\$ —	\$ 87	\$ 1,108	\$ 1,195
Carrying value	\$ —	\$ —	\$ 87	\$ 1,112	\$ 1,199
<b>Other securities</b>					
Amortized cost	\$ —	\$ 2	\$ 8	\$ —	\$ 10
Carrying value	\$ —	\$ 2	\$ 8	\$ —	\$ 10
<b>Total available-for-sale securities</b>					
Amortized cost	\$ 5	\$ 236	\$ 973	\$ 1,851	\$ 3,065
Carrying value	\$ 5	\$ 238	\$ 984	\$ 1,866	\$ 3,093
Weighted-average yield	1.81%	2.29%	2.38%	2.43%	2.40%

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The following table details the gross unrealized losses and fair value 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
<b>September 30, 2019</b>						
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	—
<b>Total</b>	<b>\$ 313</b>	<b>\$ (1)</b>	<b>\$ 509</b>	<b>\$ (3)</b>	<b>\$ 822</b>	<b>\$ (4)</b>
<b>September 30, 2018</b>						
Agency residential MBS	\$ 747	\$ (15)	\$ 753	\$ (25)	\$ 1,500	\$ (40)
Agency commercial MBS	40	—	6	—	46	—
Agency CMOs	316	(5)	666	(25)	982	(30)
Other securities	—	—	1	(1)	1	(1)
<b>Total</b>	<b>\$ 1,103</b>	<b>\$ (20)</b>	<b>\$ 1,426</b>	<b>\$ (51)</b>	<b>\$ 2,529</b>	<b>\$ (71)</b>

U.S. government agencies guarantee the contractual cash flows of the agency MBS and CMOs. At September 30, 2019, of the 109 agency MBS and CMOs in an unrealized loss position, 36 were in a continuous unrealized loss position for less than 12 months and 73 were for 12 months or more. At September 30, 2019, 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 \$1.93 billion and \$869 million, respectively, and a fair value of \$1.95 billion and \$877 million, respectively.

For both years ended September 30, 2019 and 2018, there were no sales of agency MBS or CMO available-for-sale securities. During the year ended September 30, 2017, there were \$66 million in proceeds, resulting in an insignificant gain, from the sale of agency MBS and agency and non-agency CMOs available-for-sale securities. The gain that resulted from the sale was included in “Other” revenues on our Consolidated Statements of Income and Comprehensive Income.

Sales or redemptions of preferred ARS for the year ended September 30, 2018 resulted in aggregate proceeds of \$45 million and a gain of \$5 million, which was included in “Other” revenues on our Consolidated Statements of Income and Comprehensive Income. During the year ended September 30, 2017, sales or redemptions of preferred ARS resulted in proceeds of \$30 million and an insignificant gain.

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**NOTE 6 – 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, 2019			September 30, 2018		
	Derivative assets	Derivative liabilities	Notional amount	Derivative assets	Derivative liabilities	Notional amount
<b>Derivatives not designated as hedging instruments</b>						
Interest rate - matched book	\$ 280	\$ 280	\$ 2,296	\$ 160	\$ 160	\$ 2,416
Interest rate - other <sup>(1)</sup>	184	146	10,690	74	113	9,398
Foreign exchange	—	1	573	1	1	549
Equity (DBRSU obligation)	—	6	6	—	16	16
Subtotal	<u>464</u>	<u>433</u>	<u>13,565</u>	<u>235</u>	<u>290</u>	<u>12,379</u>
<b>Derivatives designated as hedging instruments</b>						
Interest rate	1	—	850	—	1	850
Foreign exchange	—	1	856	—	3	892
Subtotal	<u>1</u>	<u>1</u>	<u>1,706</u>	<u>—</u>	<u>4</u>	<u>1,742</u>
<b>Total gross fair value/notional amount</b>	<u>465</u>	<u>434</u>	<u>\$ 15,271</u>	<u>235</u>	<u>294</u>	<u>\$ 14,121</u>
<b>Offset on the Consolidated Statements of Financial Condition</b>						
Counterparty netting	(24)	(24)		(26)	(26)	
Cash collateral netting	(103)	(97)		(29)	(21)	
<b>Total amounts offset</b>	<u>(127)</u>	<u>(121)</u>		<u>(55)</u>	<u>(47)</u>	
<b>Net amounts presented on the Consolidated Statements of Financial Condition</b>	<u>338</u>	<u>313</u>		<u>180</u>	<u>247</u>	
<b>Gross amounts not offset on the Consolidated Statements of Financial Condition</b>						
Financial instruments <sup>(2)</sup>	(297)	(280)		(162)	(160)	
<b>Total</b>	<u>\$ 41</u>	<u>\$ 33</u>		<u>\$ 18</u>	<u>\$ 87</u>	

(1) Substantially all relates to interest rate derivatives entered into as part of our fixed income business operations, including to be announced (“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,		
	2019	2018	2017
Interest rate (cash flow hedges)	\$ (61)	\$ 33	\$ 23
Foreign exchange (net investment hedges)	22	28	(26)
<b>Total gains/(losses) in AOCI, net of taxes</b>	<u>\$ (39)</u>	<u>\$ 61</u>	<u>\$ (3)</u>

There were no components of derivative gains or losses excluded from the assessment of hedge effectiveness for any of the years ended September 30, 2019, 2018 or 2017. We expect to reclassify an insignificant amount 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 8 years.

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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) included on the Consolidated Statements of Income and Comprehensive Income	Year ended September 30,		
		2019	2018	2017
Interest rate	Principal transactions/other revenues	\$ 7	\$ 6	\$ 8
Foreign exchange	Other revenues	\$ 25	\$ 18	\$ (20)
Equity (DBRSU obligation)	Compensation, commissions and benefits expense	\$ 5	\$ 8	\$ (6)
Equity (DBRSU obligation)	Acquisition and disposition-related expenses	\$ —	\$ —	\$ (2)

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

We are exposed to credit losses in the event of nonperformance by the counterparties to forward foreign exchange derivative agreements and interest rate 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, 2019 and 2018. 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, 2019 and 2018.

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**NOTE 7 – COLLATERALIZED AGREEMENTS AND FINANCINGS**

Collateralized agreements are reverse repurchase agreements and securities borrowed. Collateralized financings are repurchase agreements and securities loaned. We enter into these transactions in order to facilitate client activities, invest excess cash, 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>	<b>Assets</b>		<b>Liabilities</b>	
	<b>Reverse repurchase agreements</b>	<b>Securities borrowed</b>	<b>Repurchase agreements</b>	<b>Securities loaned</b>
<b>September 30, 2019</b>				
Gross amounts of recognized assets/liabilities	\$ 343	\$ 248	\$ 150	\$ 323
Gross amounts offset on the Consolidated Statements of Financial Condition	—	—	—	—
Net amounts presented on the Consolidated Statements of Financial Condition	<u>343</u>	<u>248</u>	<u>150</u>	<u>323</u>
Gross amounts not offset on the Consolidated Statements of Financial Condition	<u>(343)</u>	<u>(243)</u>	<u>(150)</u>	<u>(311)</u>
<b>Net amount</b>	<u>\$ —</u>	<u>\$ 5</u>	<u>\$ —</u>	<u>\$ 12</u>
<b>September 30, 2018</b>				
Gross amounts of recognized assets/liabilities	\$ 373	\$ 255	\$ 186	\$ 423
Gross amounts offset on the Consolidated Statements of Financial Condition	—	—	—	—
Net amounts presented on the Consolidated Statements of Financial Condition	<u>373</u>	<u>255</u>	<u>186</u>	<u>423</u>
Gross amounts not offset on the Consolidated Statements of Financial Condition	<u>(373)</u>	<u>(248)</u>	<u>(186)</u>	<u>(408)</u>
<b>Net amount</b>	<u>\$ —</u>	<u>\$ 7</u>	<u>\$ —</u>	<u>\$ 15</u>

The total 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>	<b>September 30,</b>	
	<b>2019</b>	<b>2018</b>
Collateral we received that was available to be delivered or repledged	\$ 2,931	\$ 3,165
Collateral that we delivered or repledged	\$ 897	\$ 1,389

# RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

### Encumbered assets

We pledge certain of our financial instruments 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 the fair value of our assets that have been pledged for one of the purposes previously described.

<i>\$ in millions</i>	September 30,	
	2019	2018
Had the right to deliver or repledge	\$ 591	\$ 510
Did not have the right to deliver or repledge	\$ 65	\$ 65
Bank loans, net pledged at FHLB and the FRB	\$ 4,653	\$ 4,075

### 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
<b>September 30, 2019</b>					
<b>Repurchase agreements:</b>					
Government and agency obligations	\$ 70	\$ —	\$ —	\$ —	\$ 70
Agency MBS and CMOs	80	—	—	—	80
<b>Total repurchase agreements</b>	<b>150</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>150</b>
<b>Securities loaned:</b>					
Equity securities	323	—	—	—	323
<b>Total</b>	<b>\$ 473</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 473</b>

September 30, 2018

<b>Repurchase agreements:</b>					
Government and agency obligations	\$ 102	\$ —	\$ —	\$ —	\$ 102
Agency MBS and CMOs	84	—	—	—	84
<b>Total repurchase agreements</b>	<b>186</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>186</b>
<b>Securities loaned:</b>					
Equity securities	423	—	—	—	423
<b>Total</b>	<b>\$ 609</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 609</b>

As of both September 30, 2019 and 2018, 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 8 – 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.



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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>	<b>September 30,</b>					
	<b>2019</b>		<b>2018</b>		<b>2017</b>	
	<b>Balance</b>	<b>%</b>	<b>Balance</b>	<b>%</b>	<b>Balance</b>	<b>%</b>
<b>Loans held for investment:</b>						
C&I loans	\$ 8,098	38%	\$ 7,786	40%	\$ 7,386	43%
CRE construction loans	185	1%	151	1%	113	1%
CRE loans	3,652	17%	3,624	18%	3,106	18%
Tax-exempt loans	1,241	6%	1,227	6%	1,018	6%
Residential mortgage loans	4,454	21%	3,757	19%	3,149	18%
SBL and other	3,349	16%	3,033	15%	2,386	14%
<b>Total loans held for investment</b>	<b>20,979</b>		<b>19,578</b>		<b>17,158</b>	
Net unearned income and deferred expenses	(12)		(21)		(31)	
<b>Total loans held for investment, net</b>	<b>20,967</b>		<b>19,557</b>		<b>17,127</b>	
Loans held for sale, net	142	1%	164	1%	70	—
<b>Total loans held for sale and investment</b>	<b>21,109</b>	<b>100%</b>	<b>19,721</b>	<b>100%</b>	<b>17,197</b>	<b>100%</b>
Allowance for loan losses	(218)		(203)		(190)	
<b>Bank loans, net</b>	<b>\$ 20,891</b>		<b>\$ 19,518</b>		<b>\$ 17,007</b>	

<i>\$ in millions</i>	<b>September 30,</b>			
	<b>2016</b>		<b>2015</b>	
	<b>Balance</b>	<b>%</b>	<b>Balance</b>	<b>%</b>
<b>Loans held for investment:</b>				
C&I loans	\$ 7,470	48%	\$ 6,928	52%
CRE construction loans	123	1%	162	1%
CRE loans	2,554	17%	2,054	16%
Tax-exempt loans	741	5%	485	4%
Residential mortgage loans	2,442	16%	1,963	15%
SBL and other	1,905	12%	1,481	11%
<b>Total loans held for investment</b>	<b>15,235</b>		<b>13,073</b>	
Net unearned income and deferred expenses	(41)		(32)	
<b>Total loans held for investment, net</b>	<b>15,194</b>		<b>13,041</b>	
Loans held for sale, net	214	1%	119	1%
<b>Total loans held for sale and investment</b>	<b>15,408</b>	<b>100%</b>	<b>13,160</b>	<b>100%</b>
Allowance for loan losses	(197)		(172)	
<b>Bank loans, net</b>	<b>\$ 15,211</b>		<b>\$ 12,988</b>	

At September 30, 2019, 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 \$2.33 billion, \$1.69 billion and \$1.67 billion of loans held for sale during the years ended September 30, 2019, 2018 and 2017, respectively. Proceeds from the sale of these held for sale loans amounted to \$800 million, \$606 million and \$439 million for the years ended September 30, 2019, 2018 and 2017, respectively. Net gains resulting from such sales were insignificant in each of the years ended September 30, 2019, 2018 and 2017.

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**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
<b>Year ended September 30, 2019</b>				
Purchases	\$ 1,046	\$ 42	\$ 400	\$ 1,488
Sales	\$ 126	\$ —	\$ —	\$ 126
<b>Year ended September 30, 2018</b>				
Purchases	\$ 467	\$ 145	\$ 303	\$ 915
Sales	\$ 213	\$ —	\$ —	\$ 213
<b>Year ended September 30, 2017</b>				
Purchases	\$ 537	\$ 64	\$ 264	\$ 865
Sales	\$ 341	\$ —	\$ —	\$ 341

Sales in the preceding table represent the recorded investment 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
<b>September 30, 2019</b>						
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
<b>Total loans held for investment</b>	<b>\$ 2</b>	<b>\$ —</b>	<b>\$ 2</b>	<b>\$ 43</b>	<b>\$ 20,934</b>	<b>\$ 20,979</b>
<b>September 30, 2018</b>						
C&I loans	\$ —	\$ —	\$ —	\$ 2	\$ 7,784	\$ 7,786
CRE construction loans	—	—	—	—	151	151
CRE loans	—	—	—	—	3,624	3,624
Tax-exempt loans	—	—	—	—	1,227	1,227
Residential mortgage loans:						
First mortgage loans	1	—	1	23	3,707	3,731
Home equity loans/lines	—	—	—	—	26	26
SBL and other	—	—	—	—	3,033	3,033
<b>Total loans held for investment</b>	<b>\$ 1</b>	<b>\$ —</b>	<b>\$ 1</b>	<b>\$ 25</b>	<b>\$ 19,552</b>	<b>\$ 19,578</b>

The preceding table includes \$32 million and \$11 million at September 30, 2019 and 2018, 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 \$3 million at both September 30, 2019 and 2018. The recorded investment in mortgage loans secured by one-to-four family residential properties for which formal foreclosure proceedings were in process was \$7 million and \$12 million at September 30, 2019 and 2018, 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,					
	2019			2018		
	Gross recorded investment	Unpaid principal balance	Allowance for losses	Gross recorded investment	Unpaid principal balance	Allowance for losses
<b>Impaired loans with allowance for loan losses:</b>						
C&I loans	\$ 19	\$ 20	\$ 6	\$ —	\$ —	\$ —
Residential - first mortgage loans	11	13	1	15	20	2
<b>Total</b>	<b>30</b>	<b>33</b>	<b>7</b>	<b>15</b>	<b>20</b>	<b>2</b>
<b>Impaired loans without allowance for loan losses:</b>						
C&I loans	—	—	—	2	2	—
CRE loans	8	13	—	—	—	—
Residential - first mortgage loans	11	17	—	13	20	—
<b>Total</b>	<b>19</b>	<b>30</b>	<b>—</b>	<b>15</b>	<b>22</b>	<b>—</b>
<b>Total impaired loans</b>	<b>\$ 49</b>	<b>\$ 63</b>	<b>\$ 7</b>	<b>\$ 30</b>	<b>\$ 42</b>	<b>\$ 2</b>

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 \$19 million, \$8 million and \$18 million related to C&I, CRE and residential first mortgage loans, respectively, at September 30, 2019 and \$21 million of residential first mortgage TDRs at September 30, 2018.

The average balances of total impaired loans were as follows.

<i>\$ in millions</i>	Year ended September 30,		
	2019	2018	2017
<b>Average impaired loan balance:</b>			
C&I loans	\$ 19	\$ 4	\$ 17
CRE loans	5	—	1
Residential - first mortgage loans	25	33	44
<b>Total</b>	<b>\$ 49</b>	<b>\$ 37</b>	<b>\$ 62</b>

### 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.

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

Loss – Loans which are considered by management to be uncollectible and of such little value that their continuance on RJ Bank’s books as an asset, without establishment of a specific valuation allowance or charge-off, is not warranted. RJ Bank does not have any loan balances within this classification because, in accordance with its 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>	<b>Pass</b>	<b>Special mention</b>	<b>Substandard</b>	<b>Doubtful</b>	<b>Total</b>
<b>September 30, 2019</b>					
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
<b>Total</b>	<b>\$ 20,694</b>	<b>\$ 162</b>	<b>\$ 123</b>	<b>\$ —</b>	<b>\$ 20,979</b>
<b>September 30, 2018</b>					
C&I loans	\$ 7,679	\$ 48	\$ 59	\$ —	\$ 7,786
CRE construction loans	140	11	—	—	151
CRE loans	3,547	44	33	—	3,624
Tax-exempt loans	1,227	—	—	—	1,227
Residential mortgage loans:					
First mortgage loans	3,693	8	30	—	3,731
Home equity loans/lines	26	—	—	—	26
SBL and other	3,033	—	—	—	3,033
<b>Total</b>	<b>\$ 19,345</b>	<b>\$ 111</b>	<b>\$ 122</b>	<b>\$ —</b>	<b>\$ 19,578</b>

Loans classified as special mention, substandard or doubtful are all considered to be “criticized” loans.

**RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES**
*Notes to Consolidated Financial Statements*
**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						Total
	C&I loans	CRE construction loans	CRE loans	Tax-exempt loans	Residential mortgage loans	SBL and other	
<b>Year ended September 30, 2019</b>							
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	(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	<u>\$ 139</u>	<u>\$ 3</u>	<u>\$ 46</u>	<u>\$ 9</u>	<u>\$ 16</u>	<u>\$ 5</u>	<u>\$ 218</u>
<b>Year ended September 30, 2018</b>							
Balance at beginning of year	\$ 120	\$ 1	\$ 42	\$ 6	\$ 17	\$ 4	\$ 190
Provision/(benefit) for loan losses	12	2	5	3	(2)	—	20
Net (charge-offs)/recoveries:							
Charge-offs	(10)	—	—	—	—	—	(10)
Recoveries	—	—	—	—	2	—	2
Net (charge-offs)/recoveries	(10)	—	—	—	2	—	(8)
Foreign exchange translation adjustment	1	—	—	—	—	—	1
Balance at end of year	<u>\$ 123</u>	<u>\$ 3</u>	<u>\$ 47</u>	<u>\$ 9</u>	<u>\$ 17</u>	<u>\$ 4</u>	<u>\$ 203</u>
<b>Year ended September 30, 2017</b>							
Balance at beginning of year	\$ 138	\$ 1	\$ 37	\$ 4	\$ 13	\$ 4	\$ 197
Provision for loan losses	7	—	—	2	4	—	13
Net (charge-offs)/recoveries:							
Charge-offs	(26)	—	—	—	(1)	—	(27)
Recoveries	—	—	5	—	1	—	6
Net (charge-offs)/recoveries	(26)	—	5	—	—	—	(21)
Foreign exchange translation adjustment	1	—	—	—	—	—	1
Balance at end of year	<u>\$ 120</u>	<u>\$ 1</u>	<u>\$ 42</u>	<u>\$ 6</u>	<u>\$ 17</u>	<u>\$ 4</u>	<u>\$ 190</u>

# RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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
<b>September 30, 2019</b>						
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
<b>Total</b>	<b>\$ 7</b>	<b>\$ 211</b>	<b>\$ 218</b>	<b>\$ 55</b>	<b>\$ 20,924</b>	<b>\$ 20,979</b>
<b>September 30, 2018</b>						
C&I loans	\$ —	\$ 123	\$ 123	\$ 2	\$ 7,784	\$ 7,786
CRE construction loans	—	3	3	—	151	151
CRE loans	—	47	47	—	3,624	3,624
Tax-exempt loans	—	9	9	—	1,227	1,227
Residential mortgage loans	2	15	17	35	3,722	3,757
SBL and other	—	4	4	—	3,033	3,033
<b>Total</b>	<b>\$ 2</b>	<b>\$ 201</b>	<b>\$ 203</b>	<b>\$ 37</b>	<b>\$ 19,541</b>	<b>\$ 19,578</b>

The reserve for unfunded lending commitments, which is included in "Other payables" on our Consolidated Statements of Financial Condition, was \$9 million and \$10 million at September 30, 2019 and 2018, respectively.

### NOTE 9 – 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. See Note 2 for a discussion of our principal involvement with the 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
<b>September 30, 2019</b>		
Private Equity Interests	\$ 65	\$ 4
LIHTC funds	80	5
Restricted Stock Trust Fund	14	14
<b>Total</b>	<b>\$ 159</b>	<b>\$ 23</b>
<b>September 30, 2018</b>		
Private Equity Interests	\$ 67	\$ 5
LIHTC funds	111	21
Restricted Stock Trust Fund	14	14
<b>Total</b>	<b>\$ 192</b>	<b>\$ 40</b>

# RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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,	
	2019	2018
<b>Assets:</b>		
Cash, cash equivalents and cash segregated pursuant to regulations	\$ 7	\$ 7
Other receivables	—	1
Other investments	63	63
Other assets	75	107
<b>Total assets</b>	<b>\$ 145</b>	<b>\$ 178</b>
<b>Liabilities:</b>		
Other payables	\$ 4	\$ 26
<b>Total liabilities</b>	<b>\$ 4</b>	<b>\$ 26</b>
<b>Noncontrolling interests</b>	<b>\$ 60</b>	<b>\$ 78</b>

### 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,					
	2019			2018		
	Aggregate assets	Aggregate liabilities	Our risk of loss	Aggregate assets	Aggregate liabilities	Our risk of loss
Private Equity Interests	\$ 6,317	\$ 117	\$ 63	\$ 6,908	\$ 154	\$ 68
LIHTC funds	6,001	2,221	64	5,692	1,912	93
Other	205	115	4	211	114	4
<b>Total</b>	<b>\$ 12,523</b>	<b>\$ 2,453</b>	<b>\$ 131</b>	<b>\$ 12,811</b>	<b>\$ 2,180</b>	<b>\$ 165</b>

### NOTE 10 - PROPERTY AND EQUIPMENT

The following table presents our property and equipment, net balances as of the dates presented.

<i>\$ in millions</i>	September 30,	
	2019	2018
Land	\$ 29	\$ 29
Software, including development in progress	486	417
Buildings, leasehold and land improvements	385	350
Furniture, fixtures and equipment	278	248
Construction in process	10	16
<b>Total property and equipment</b>	<b>1,188</b>	<b>1,060</b>
Less: Accumulated depreciation and amortization	(661)	(574)
<b>Total property and equipment, net</b>	<b>\$ 527</b>	<b>\$ 486</b>

Depreciation expense and software amortization was \$97 million, \$85 million, and \$71 million for the fiscal years ended September 30, 2019, 2018, and 2017, respectively.

# RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

### NOTE 11 - 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,	
	2019	2018
Goodwill	\$ 464	\$ 478
Identifiable intangible assets, net	147	161
<b>Total goodwill and identifiable intangible assets, net</b>	<b>\$ 611</b>	<b>\$ 639</b>

#### Goodwill

The following 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
<b>Year ended September 30, 2019</b>				
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>
<b>Year ended September 30, 2018</b>				
Goodwill as of beginning of year	\$ 277	\$ 134	\$ —	\$ 411
Additions	—	—	69	69
Foreign currency translations	(1)	(1)	—	(2)
Goodwill as of end of year	<u>\$ 276</u>	<u>\$ 133</u>	<u>\$ 69</u>	<u>\$ 478</u>

The additions to goodwill during the years ended September 30, 2019 and 2018 arose from our acquisitions of Silver Lane and the Scout Group, respectively. The goodwill from these acquisitions primarily represents synergies from combining these entities with our existing businesses. All of the goodwill associated with both Silver Lane and the Scout Group is deductible for tax purposes over 15 years. See Note 3 for additional information regarding our acquisitions.

#### 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, 2019 evaluation date, evaluating balances as of December 31, 2018. In that testing, we performed a qualitative assessment for each of our reporting units that had goodwill. For each reporting unit on which we performed a qualitative assessment, we determined whether it was more likely than not that the fair value of the reporting unit was in excess of the carrying value of the reporting unit, including the recorded goodwill. Based upon the outcome of our qualitative assessments as of our annual evaluation date, we concluded that none of the goodwill allocated to any of our reporting units was impaired. Subsequent to our annual goodwill impairment testing, events associated with the RJ Ltd. Capital Markets reporting unit occurred that caused us to update this impairment testing. See quantitative assessment discussion below.

#### Quantitative assessments

During the quarter ended September 30, 2019, as a result of recent transactions and events in the Canadian capital markets in which we participate, we determined the goodwill associated with our RJ Ltd. Capital Markets reporting unit could be potentially impaired and therefore performed an event-driven impairment assessment. In completing this assessment, we performed a quantitative analysis of such reporting unit.

Our quantitative assessment of the equity value of the RJ Ltd. Capital Markets reporting unit used an income approach utilizing a discounted cash flow model. The estimated fair value of the equity of the reporting unit resulting from this approach was dependent upon estimates of future business unit revenues and costs. Such estimates were subject to critical assumptions regarding the nature



# RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

and health of financial markets in future years, projected future cash flows for the business (taking into account recent market events impacting the business), as well as the discount rate to apply to the projected future cash flows. In estimating future cash flows, a balance sheet as of August 31, 2019 and a statement of operations for the prior twelve months of activity were compiled. Future balance sheets and statements of operations were then projected, and estimated future cash flows were determined by the combination of these projections. The cash flows were discounted at the reporting unit's estimated cost of equity of approximately 13%, which was derived through application of the capital asset pricing model.

As a result of this quantitative assessment, we recorded an impairment charge of \$19 million, which was the entire value of the goodwill assigned to the RJ Ltd. Capital Markets reporting unit.

### 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
<b>Year ended September 30, 2019</b>				
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>
<b>Year ended September 30, 2018</b>				
Net identifiable intangible assets as of beginning of year	\$ 47	\$ 23	\$ 13	\$ 83
Additions	—	—	92	92
Amortization expense	(6)	(3)	(5)	(14)
Net identifiable intangible assets as of end of year	<u>\$ 41</u>	<u>\$ 20</u>	<u>\$ 100</u>	<u>\$ 161</u>

The additions of intangible assets during the years ended September 30, 2019 and 2018 were attributable to the Silver Lane acquisition and the Scout Group acquisition, respectively.

As described in Note 2, we perform impairment testing for our indefinite-lived 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, 2019 evaluation date, evaluating balances as of December 31, 2018. In that testing, we performed a qualitative assessment for our indefinite-lived intangible asset. Based upon the outcome of our qualitative assessment, no impairment was identified. No events have occurred since our assessment that would cause us to update this impairment testing.

The following summarizes our identifiable intangible assets by type.

<i>\$ in millions</i>	September 30,			
	2019		2018	
	Gross carrying value	Accumulated amortization	Gross carrying value	Accumulated amortization
Customer relationships	\$ 134	\$ (50)	\$ 133	\$ (40)
Non-amortizing customer relationships	52	—	52	—
Trade name	12	(5)	12	(4)
Developed technology	3	(2)	3	(1)
Intellectual property	1	—	1	—
Non-compete agreements	2	(2)	3	(2)
Seller relationship agreements	5	(3)	5	(1)
<b>Total</b>	<u>\$ 209</u>	<u>\$ (62)</u>	<u>\$ 209</u>	<u>\$ (48)</u>

# RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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>	
2020	\$	13
2021		12
2022		11
2023		10
2024		10
Thereafter		39
Total	\$	95

### NOTE 12 - 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,	
	2019	2018
Investments in company-owned life insurance policies	\$ 675	\$ 605
Prepaid expenses	123	99
Investments in real estate partnerships held by consolidated variable interest entities	75	107
Investment in FHLB stock	52	52
Investment in FRB stock	25	25
All other	70	66
<b>Total other assets</b>	<b>\$ 1,020</b>	<b>\$ 954</b>

As of September 30, 2019, the cumulative face value of our company-owned life insurance policies was \$1.89 billion.

### 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 including the weighted-average rate, the calculation of which was based on the actual deposit balances at each respective period.

<i>\$ in millions</i>	September 30,			
	2019		2018	
	Balance	Weighted-average rate	Balance	Weighted-average rate
Savings and money market accounts	\$ 21,654	0.25%	\$ 19,475	0.54%
Certificates of deposit	605	2.33%	445	2.03%
NOW accounts	6	0.01%	6	0.01%
Demand deposits (non-interest-bearing)	16	—	16	—
<b>Total bank deposits</b>	<b>\$ 22,281</b>	<b>0.31%</b>	<b>\$ 19,942</b>	<b>0.57%</b>

Total bank deposits in the preceding table exclude affiliate deposits of \$163 million and \$279 million at September 30, 2019 and 2018, respectively. These affiliate deposits included \$163 million and \$277 million at September 30, 2019 and 2018, respectively, 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 from the client investment accounts maintained at RJ&A to RJ Bank. These balances are held in Federal Deposit Insurance Corporation (“FDIC”) insured bank accounts through the RJBDP. The aggregate amount of individual time deposit account balances that exceeded the FDIC insurance limit at September 30, 2019 was \$44 million.

# RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

The following table sets forth the scheduled maturities of certificates of deposit.

<i>\$ in millions</i>	September 30,			
	2019		2018	
	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	\$ 24	\$ 19	\$ 30	\$ 17
Over three through six months	26	21	20	13
Over six through twelve months	75	37	38	26
Over one through two years	32	36	65	40
Over two through three years	40	93	21	14
Over three through four years	66	47	44	26
Over four through five years	38	51	63	28
<b>Total</b>	<b>\$ 301</b>	<b>\$ 304</b>	<b>\$ 281</b>	<b>\$ 164</b>

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,		
	2019	2018	2017
Savings, money market, and NOW accounts	\$ 120	\$ 60	\$ 13
Certificates of deposit	12	6	4
<b>Total interest expense on deposits</b>	<b>\$ 132</b>	<b>\$ 66</b>	<b>\$ 17</b>

### NOTE 14 – OTHER BORROWINGS

The following table details the components of other borrowings.

<i>\$ in millions</i>	September 30,	
	2019	2018
FHLB advances	\$ 875	\$ 875
Mortgage notes payable and other	19	24
<b>Total other borrowings</b>	<b>\$ 894</b>	<b>\$ 899</b>

#### *FHLB advances*

Borrowings from the FHLB as of September 30, 2019 and 2018 were comprised of both floating and fixed-rate advances. As of September 30, 2019 and 2018, the floating-rate advances, which have interest rates that reset quarterly, totaled \$850 million. The floating-rate advances mature in December 2020. 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, 2019 and 2018, the fixed-rate advance totaled \$25 million and bears interest at a fixed rate of 3.4%. This advance matures 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, 2019 and 2018 was 2.17% and 2.41%, 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”) which replaced the previous unsecured revolving credit facility agreement (the “RJF Credit Facility”) entered into by RJF. 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 million for RJF, at variable rates of interest. There were no borrowings outstanding on the Credit Facility as of September 30, 2019. There is a facility fee associated with the Credit Facility, which varies depending upon RJF’s credit rating. Based upon RJF’s credit rating as of September 30, 2019, 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, 2019. The interest rates for these arrangements are variable

# RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

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and are based on the Fed Funds rate, London Inter-bank Offered Rate (“LIBOR”), a lenders prime rate, or the Canadian prime rate, as applicable.

We also have other collateralized financings included in “Securities sold under agreements to repurchase” and “Securities loaned” on our Consolidated Statements of Financial Condition. See Note 7 for information regarding our other collateralized financing arrangements.

### Mortgage notes payable and other

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.

Our other borrowings as of September 30, 2019, mature as follows based on their contractual terms.

Fiscal year ended September 30,	\$ in millions
2020	\$ 5
2021	881
2022	6
2023	2
2024	—
Thereafter	—
<b>Total</b>	<b>\$ 894</b>

### NOTE 15 – SENIOR NOTES PAYABLE

The following table summarizes our senior notes payable.

\$ in millions	September 30,	
	2019	2018
5.625% senior notes, due 2024	\$ 250	\$ 250
3.625% senior notes, due 2026	500	500
4.95% senior notes, due 2046	800	800
Total principal amount	1,550	1,550
Unaccreted premium/(discount)	11	12
Unamortized debt issuance costs	(11)	(12)
Total senior notes payable	\$ 1,550	\$ 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, 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 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

# RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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.

### Redemption at par of certain senior notes

During the year ended September 30, 2017, we redeemed all of our outstanding 6.90% senior notes due March 2042 and 8.60% senior notes due August 2019. This redemption resulted in a \$46 million loss on extinguishment of debt on our Consolidated Statements of Income and Comprehensive Income for the year ended September 30, 2017, comprised of a make-whole premium and unamortized debt issuance costs.

### NOTE 16 – INCOME TAXES

For a discussion of our income tax accounting policies and other income tax-related information see Note 2.

#### The Tax Act

On December 22, 2017, the Tax Act was enacted, which significantly revised the U.S. corporate income tax system by, among other things, lowering federal corporate income tax rates from 35% to 21%. For the fiscal year ended September 30, 2019, our U.S. federal statutory tax rate was 21.0%. For the fiscal year ended September 30, 2018, our U.S. federal statutory tax rate was 24.5%, which reflects a blended federal statutory rate of 35.0% for our first fiscal quarter and 21.0% for the remaining three fiscal quarters.

Our provision for taxes for the year ended September 30, 2018 included \$105 million related to the enactment of the Tax Act, which included: (1) \$93 million due to the remeasurement of U.S. deferred tax assets at the lower enacted corporate tax rate; (2) the transition tax on deemed repatriated earnings of foreign subsidiaries of \$10 million, including the associated state tax liability; and (3) \$2 million due to the evaluation of deferred tax assets related to executive compensation.

#### Income taxes

The following table details the total income tax provision/(benefit) allocation for each respective period.

\$ in millions	Year ended September 30,		
	2019	2018	2017
<b>Recorded in:</b>			
Net income	\$ 341	\$ 454	\$ 289
Equity, arising from available-for-sale securities recorded through OCI	27	(19)	1
Equity, arising from currency translations, net of the impact of net investment hedges recorded through OCI	7	10	(7)
Equity, arising from cash flow hedges recorded through OCI	(23)	15	14
<b>Total provision for income taxes</b>	<b>\$ 352</b>	<b>\$ 460</b>	<b>\$ 297</b>

The following table details our provision/(benefit) for income taxes included in net income for each respective period.

\$ in millions	Year ended September 30,		
	2019	2018	2017
<b>Current:</b>			
Federal	\$ 286	\$ 258	\$ 256
State and local	63	65	38
Foreign	15	14	7
<b>Total current</b>	<b>364</b>	<b>337</b>	<b>301</b>
<b>Deferred:</b>			
Federal	(22)	121	(11)
State and local	(1)	(4)	(1)
<b>Total deferred</b>	<b>(23)</b>	<b>117</b>	<b>(12)</b>
<b>Total provision for income taxes</b>	<b>\$ 341</b>	<b>\$ 454</b>	<b>\$ 289</b>

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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.

	<b>Year ended September 30,</b>		
	<b>2019</b>	2018	2017
Provision calculated at statutory rate	21.0 %	24.5 %	35.0 %
Impact of Tax Act	0.1 %	8.1 %	—
State income tax, net of federal benefit	3.6 %	3.9 %	2.7 %
Excess tax benefits related to share-based compensation	(0.4)%	(0.9)%	(2.5)%
Gains on company-owned life insurance policies which are not subject to tax	(0.1)%	(0.7)%	(1.7)%
Federal tax credits	(0.9)%	(0.7)%	(1.6)%
Other, net	1.5 %	0.6 %	(0.7)%
<b>Total provision for income tax</b>	<b>24.8 %</b>	<b>34.8 %</b>	<b>31.2 %</b>

The following table presents our U.S. and foreign components of pre-tax income for each respective period.

<i>\$ in millions</i>	<b>Year ended September 30,</b>		
	<b>2019</b>	2018	2017
U.S.	\$ 1,340	\$ 1,268	\$ 915
Foreign	35	43	10
<b>Pre-tax income</b>	<b>\$ 1,375</b>	<b>\$ 1,311</b>	<b>\$ 925</b>

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>	<b>September 30,</b>	
	<b>2019</b>	2018
<b>Deferred tax assets:</b>		
Deferred compensation	\$ 192	\$ 180
Allowances for loan losses and reserves for unfunded commitments	56	53
Unrealized loss associated with foreign currency translations	10	6
Unrealized loss associated with available-for-sale securities	—	20
Accrued expenses	35	36
Partnership investments	12	6
Other	18	11
<b>Total deferred tax assets</b>	<b>323</b>	<b>312</b>
<b>Deferred tax liabilities:</b>		
Goodwill and identifiable intangible assets	(28)	(32)
Property and equipment	(57)	(60)
Unrealized gain associated with available-for-sale securities	(7)	—
Other	—	(17)
<b>Total deferred tax liabilities</b>	<b>(92)</b>	<b>(109)</b>
<b>Net deferred tax assets</b>	<b>\$ 231</b>	<b>\$ 203</b>

We had a net deferred tax asset at both September 30, 2019 and 2018. We believe that the realization of the net deferred tax asset of \$231 million is more likely than not based on expectations of future taxable income.

As of September 30, 2019, we considered all undistributed earnings of non-U.S. subsidiaries to be permanently reinvested. Therefore, we have not provided for any U.S. deferred income taxes. As of September 30, 2019, we had approximately \$291 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 due under the Tax Act. Because the time or 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.

As of September 30, 2019, the current tax receivable, which is included in “Other receivables” on our Consolidated Statements of Financial Condition, was \$22 million, and the current tax payable, which is included in “Other payables,” was \$49 million. As of September 30, 2018, the current tax receivable was \$6 million and the current tax payable was \$50 million.

# RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

### 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, 2019 and 2018, accrued interest and penalties were approximately \$6 million and \$5 million, respectively.

The following table presents the aggregate changes in the balances for uncertain tax positions.

<i>\$ in millions</i>	Year ended September 30,		
	2019	2018	2017
<b>Uncertain tax positions beginning of year</b>	<b>\$ 31</b>	<b>\$ 20</b>	<b>\$ 22</b>
Increases for tax positions related to the current year	11	5	3
Increases for tax positions related to prior years	7	10	—
Decreases for tax positions related to prior years	—	(1)	(1)
Decreases due to lapsed statute of limitations	(2)	(3)	(2)
Decreases related to settlements	(5)	—	(2)
<b>Uncertain tax positions end of year</b>	<b>\$ 42</b>	<b>\$ 31</b>	<b>\$ 20</b>

Tax positions related to prior years in the preceding table included positions taken in previously filed tax returns with the Internal Revenue Service and certain states, including an analysis of the impact from the 2018 Supreme Court decision in *South Dakota v. Wayfair* which impacted our state nexus positions in certain states for certain entities. We continue to evaluate these positions and intend to contest any proposed adjustments made by taxing authorities.

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 \$38 million, \$27 million, and \$15 million at September 30, 2019, 2018 and 2017, respectively. We anticipate that the uncertain tax position balance will not change significantly over the next 12 months.

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 2016 for federal tax returns, fiscal year 2015 for state and local tax returns and fiscal year 2015 for foreign tax returns. Various foreign and state audits in process are expected to be completed in fiscal year 2020.

### NOTE 17 – COMMITMENTS, CONTINGENCIES AND GUARANTEES

#### Commitments and contingencies

##### *Loan and underwriting commitments*

In the normal course of business, we enter into commitments for fixed income and equity underwritings. As of September 30, 2019, we had three such open underwriting commitments, which were subsequently settled in open market transactions and none of which resulted in a significant loss.

As part of our recruiting efforts, 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 commitments are contingent upon certain events occurring, including, but not limited to, the individual joining us. As of September 30, 2019, we had made commitments through the extension of formal offers totaling \$165 million; however, it is possible that not all of our offers will be accepted and therefore, we would not fund the total amount of the offers extended. As of September 30, 2019, \$118 million of the total amount extended consisted of unfunded commitments to prospective financial advisors who had accepted our offers, or recently hired producers.

##### *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.



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

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>	<b>September 30, 2019</b>	September 30, 2018
Open-end consumer lines of credit (primarily SBL)	<b>\$ 9,328</b>	\$ 7,332
Commercial lines of credit	<b>\$ 1,527</b>	\$ 1,643
Unfunded loan commitments	<b>\$ 599</b>	\$ 541
Standby letters of credit	<b>\$ 40</b>	\$ 41

Open-end consumer lines of credit primarily represent the unfunded amounts of RJ Bank loans to customers 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 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 8 for further discussion of this reserve for unfunded lending commitments. Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted. The credit risk amounts are equal to the contractual amounts, assuming that the amounts are fully advanced and that the collateral or other security is of no value. We use the same credit approval and monitoring process in extending loan commitments and other credit-related off-balance sheet instruments as we do in making loans.

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 credit risk involved in issuing letters of credit is essentially the same as that involved with extending loan commitments to clients and, accordingly, we use a credit evaluation process and collateral requirements similar to those for loan 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 \$30 million as of September 30, 2019.

*Lease commitments*

Long-term lease agreements expire at various times through fiscal year 2031. Minimum annual rental payments under such agreements for the succeeding five fiscal years are presented in the following table.

<b>Fiscal year ended September 30,</b>	<i>\$ in millions</i>
2020	\$ 103
2021	95
2022	79
2023	66
2024	49
Thereafter	127
Total	<u><u>\$ 519</u></u>

Certain leases contain rent holidays, leasehold improvement incentives, renewal options and/or escalation clauses. Rental expense incurred under all leases, including equipment under short-term agreements, aggregated to \$129 million, \$121 million and \$115 million for fiscal years 2019, 2018 and 2017, respectively.



## **RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES**

### *Notes to Consolidated Financial Statements*

#### *Other commitments*

RJF has committed an amount of up to \$225 million, subject to certain limitations, to either lend to, or guarantee obligations of RJTCF in connection with RJTCF's low-income housing development/rehabilitation and syndication activities. At September 30, 2019, RJTCF had \$52 million outstanding against this commitment. RJTCF may borrow from RJF in order to make investments in, or fund loans or advances to, either project partnerships that purchase and develop properties qualifying for tax credits or LIHTC funds, or to fund its other activities. Investments in project partnerships are sold 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, and the proceeds from the sales are used to repay RJTCF's borrowings from RJF. 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. At September 30, 2019, we had \$290 million 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, 2019, the fair value of the TBA securities and the estimated fair value of the purchase commitments were insignificant.

#### **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 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 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, 2019. The debt, which matures in 2021, 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 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 has increased significantly in the financial services industry. 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

## RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

### *Notes to Consolidated Financial Statements*

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 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, 2019, we estimated the upper end of the range of reasonably possible aggregate loss to be approximately \$35 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.

### *Legal matters*

#### Brink Complaint and Wistar Complaint

On February 17, 2015, Jyll Brink ("Brink") filed a putative class action complaint in the U.S. District Court for the Southern District of Florida (the "District Court") under the caption Jyll Brink v. Raymond James & Associates, Inc. (the "Brink Complaint"). The Brink Complaint alleges that Brink, a former customer of RJ&A, was charged a fee in her Passport Investment Account, and that the fee included an unauthorized and undisclosed profit to RJ&A in violation of its customer agreement and applicable industry standards. The Passport Investment Account is a fee-based account in which clients pay asset-based advisory fees and certain processing fees for ongoing investment advice and monitoring of securities holdings. The Brink Complaint seeks, among other relief, damages in the amount of the difference between the actual cost of processing a trade, as alleged by Brink, and the fee charged by RJ&A. On October 19, 2018, the District Court certified a class of former and current customers of RJ&A who executed a Passport Agreement and were charged processing fees during the period between February 17, 2010 and February 17, 2015.

On February 11, 2016, Caleb Wistar ("Wistar") and Ernest Mayeaux ("Mayeaux") filed a putative class action complaint in the District Court under the caption Caleb Wistar and Ernest Mayeaux v. Raymond James Financial Services, Inc. and Raymond James Financial Services Advisors, Inc. (as subsequently amended, the "Wistar Complaint"). Similar to the Brink Complaint, the Wistar Complaint alleges that Wistar and Mayeaux, former customers of Raymond James Financial Services, Inc. ("RJFS") and Raymond James Financial Services Advisors, Inc. ("RJFSA"), were charged a fee in RJFS and RJFSA's Passport Investment Account and that the fee included an unauthorized and undisclosed profit to RJFS and RJFSA in violation of its customer agreement and applicable industry standards. The Wistar Complaint seeks, among other relief, damages in the amount of the difference between the actual cost of processing a trade, as alleged by Wistar and Mayeaux, and the fee charge by RJFS and RJFSA.

On April 5, 2019, the parties to the Brink Complaint and the Wistar Complaint agreed in principle to an aggregate settlement of \$15 million. On October 25, 2019, the District Court entered an order granting final approval of the settlement.

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*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	Sub-total: net investment hedges and currency translations	Available- for-sale securities	Cash flow hedges	Total
<b>Year ended September 30, 2019</b>						
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>
<b>Year ended September 30, 2018</b>						
AOCI as of beginning of year	\$ 60	\$ (80)	\$ (20)	\$ (2)	\$ 7	\$ (15)
Cumulative effect of adoption of ASU 2018-02	—	—	—	(2)	2	—
OCI:						
OCI before reclassifications and taxes	38	(31)	7	(56)	47	(2)
Amounts reclassified from AOCI, before tax	—	—	—	(5)	1	(4)
Pre-tax net OCI	38	(31)	7	(61)	48	(6)
Income tax effect	(10)	—	(10)	19	(15)	(6)
OCI for the year, net of tax	28	(31)	(3)	(42)	33	(12)
AOCI as of end of year	<u>\$ 88</u>	<u>\$ (111)</u>	<u>\$ (23)</u>	<u>\$ (46)</u>	<u>\$ 42</u>	<u>\$ (27)</u>

As of October 1, 2018, we adopted new accounting guidance related to the classification and measurement of financial instruments (ASU 2016-01), which generally requires changes in the fair value of equity securities to be recorded in net income. As a result, on a prospective basis beginning October 1, 2018, unrealized gains/(losses) on our equity securities previously classified and accounted for as available-for-sale are recorded in net income instead of OCI. Accordingly, we reclassified a cumulative unrealized gain on such securities, net of tax, from AOCI to retained earnings. See Notes 2 and 5 for additional information.

During the year ended September 30, 2018, we adopted accounting guidance (ASU 2018-02) that allows for a reclassification from AOCI to retained earnings for stranded tax effects resulting from the Tax Act.

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. Reclassifications from AOCI to net income, excluding taxes, for the year ended September 30, 2018 were recorded in “Other” revenue and “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 6 for additional information on these derivatives).

**RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES**
*Notes to Consolidated Financial Statements*
**NOTE 19 - REVENUES**

On October 1, 2018, we adopted new accounting guidance for revenue from contracts with customers. See Note 2 for further information about this guidance and for a discussion of our accounting policies related to revenue recognition.

The following tables present our sources of revenues by segment. See Note 24 for additional information on our segment results.

<i>\$ in millions</i>	Year ended September 30, 2019					Total
	Private Client Group	Capital Markets	Asset Management	RJ Bank	Other and intersegment eliminations	
<b>Revenues:</b>						
Asset management and related administrative fees	\$ 2,820	\$ 6	\$ 645	\$ —	\$ (20)	\$ 3,451
<b>Brokerage revenues:</b>						
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 <sup>(1)</sup>	74	285	—	—	(2)	357
Total brokerage revenues	1,389	414	10	—	(6)	1,807
<b>Account and services fees:</b>						
Mutual fund and annuity service fees	334	—	2	—	(10)	326
RJBDF 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
<b>Investment banking:</b>						
Equity underwriting	32	100	—	—	—	132
Merger & acquisition and advisory	—	369	—	—	—	369
Fixed income investment banking	—	95	—	—	—	95
Total investment banking	32	564	—	—	—	596
<b>Other:</b>						
Tax credit fund revenues	—	86	—	—	—	86
All other <sup>(1)</sup>	26	4	2	26	6	64
Total other	26	90	2	26	6	150
<b>Total non-interest revenues</b>	<b>5,176</b>	<b>1,079</b>	<b>688</b>	<b>26</b>	<b>(227)</b>	<b>6,742</b>
Interest income <sup>(1)</sup>	225	38	3	975	40	1,281
<b>Total revenues</b>	<b>5,401</b>	<b>1,117</b>	<b>691</b>	<b>1,001</b>	<b>(187)</b>	<b>8,023</b>
Interest expense	(42)	(34)	—	(155)	(52)	(283)
<b>Net revenues</b>	<b>\$ 5,359</b>	<b>\$ 1,083</b>	<b>\$ 691</b>	<b>\$ 846</b>	<b>\$ (239)</b>	<b>\$ 7,740</b>

(1) These revenues are generally not in scope of the new 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
<b>Revenues:</b>						
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 <sup>(1)</sup>	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:						
Equity underwriting	35	93	—	—	—	128
Merger & acquisition and advisory	—	297	—	—	—	297
Fixed income investment banking	—	76	—	—	—	76
Total investment banking	35	466	—	—	—	501
Other:						
Tax credit fund revenues	—	79	—	—	—	79
All other <sup>(1)</sup>	30	1	2	22	10	65
Total other	30	80	2	22	10	144
<b>Total non-interest revenues</b>	<b>4,928</b>	<b>960</b>	<b>652</b>	<b>23</b>	<b>(131)</b>	<b>6,432</b>
Interest income <sup>(1)</sup>	193	32	2	793	24	1,044
<b>Total revenues</b>	<b>5,121</b>	<b>992</b>	<b>654</b>	<b>816</b>	<b>(107)</b>	<b>7,476</b>
Interest expense	(28)	(28)	—	(89)	(57)	(202)
<b>Net revenues</b>	<b>\$ 5,093</b>	<b>\$ 964</b>	<b>\$ 654</b>	<b>\$ 727</b>	<b>\$ (164)</b>	<b>\$ 7,274</b>

(1) These revenues are generally not in scope of the new accounting guidance for revenue from contracts with customers.

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

Year ended September 30, 2017

<i>\$ in millions</i>	Private Client Group	Capital Markets	Asset Management	RJ Bank	Other and intersegment eliminations	Total
<b>Revenues:</b>						
Asset management and related administrative fees	\$ 2,022	\$ 9	\$ 453	\$ —	\$ (13)	\$ 2,471
Brokerage revenues:						
Securities commissions:						
Mutual and other fund products	698	9	12	—	(5)	714
Insurance and annuity products	385	—	—	—	—	385
Equities, ETFs and fixed income products	331	152	—	—	(4)	479
Subtotal securities commissions	1,414	161	12	—	(9)	1,578
Principal transactions <sup>(1)</sup>	93	323	—	2	—	418
Total brokerage revenues	1,507	484	12	2	(9)	1,996
Account and services fees:						
Mutual fund and annuity service fees	291	—	2	—	(8)	285
RJBDP fees	270	—	2	—	(68)	204
Client account and other fees	116	5	16	—	(14)	123
Total account and service fees	677	5	20	—	(90)	612
Investment banking:						
Equity underwriting	62	117	—	—	—	179
Merger & acquisition and advisory	—	228	—	—	—	228
Fixed income investment banking	—	84	—	—	—	84
Total investment banking	62	429	—	—	—	491
Other:						
Tax credit fund revenues	—	79	—	—	—	79
All other <sup>(1)</sup>	17	2	2	16	37	74
Total other	17	81	2	16	37	153
<b>Total non-interest revenues</b>	<b>4,285</b>	<b>1,008</b>	<b>487</b>	<b>18</b>	<b>(75)</b>	<b>5,723</b>
Interest income <sup>(1)</sup>	153	27	1	610	11	802
<b>Total revenues</b>	<b>4,438</b>	<b>1,035</b>	<b>488</b>	<b>628</b>	<b>(64)</b>	<b>6,525</b>
Interest expense	(16)	(21)	—	(35)	(82)	(154)
<b>Net revenues</b>	<b>\$ 4,422</b>	<b>\$ 1,014</b>	<b>\$ 488</b>	<b>\$ 593</b>	<b>\$ (146)</b>	<b>\$ 6,371</b>

(1) These revenues are generally not in scope of the new accounting guidance for revenue from contracts with customers.

At September 30, 2019 and September 30, 2018, net receivables related to contracts with customers were \$347 million and \$384 million, respectively.

We record deferred revenue from contracts with customers when payment is received prior to the performance of our obligation to the customer. Deferred revenue balances were not material as of September 30, 2019 and September 30, 2018.

We have elected the practical expedient allowable by the guidance to not disclose information about remaining performance obligations pertaining to contracts that have an original expected duration of one year or less.

**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>	<b>Year ended September 30,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Interest income:</b>			
Cash segregated pursuant to regulations	\$ 59	\$ 53	\$ 38
Trading instruments	26	23	21
Available-for-sale securities	69	52	28
Margin loans	122	107	86
Bank loans, net of unearned income	871	722	572
Loans to financial advisors	18	15	13
Corporate cash and all other	116	72	44
<b>Total interest income</b>	<b>1,281</b>	<b>1,044</b>	<b>802</b>
<b>Interest expense:</b>			
Bank deposits	132	66	17
Trading instruments sold but not yet purchased	7	7	6
Brokerage client payables	21	15	5
Other borrowings	21	22	17
Senior notes payable	73	73	95
Other	29	19	14
<b>Total interest expense</b>	<b>283</b>	<b>202</b>	<b>154</b>
<b>Net interest income</b>	<b>998</b>	<b>842</b>	<b>648</b>
Bank loan loss provision	(22)	(20)	(13)
<b>Net interest income after bank loan loss provision</b>	<b>\$ 976</b>	<b>\$ 822</b>	<b>\$ 635</b>

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**

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, 2019 and 2018 was 4.56 million and 4.61 million, respectively. The market value of our common stock held by the ESOP at September 30, 2019 was \$376 million, of which \$3 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.

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 (see Note 12 for information regarding the carrying value of these company-owned life insurance policies) 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.

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.

# RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

We also maintain non-qualified deferred compensation plans or arrangements for the benefit of certain employees that provide a return to the participating employees based upon the performance of various referenced investments. Under the terms of each applicable plan or arrangement, we invest directly as a principal in such investments, which are directly related to our obligations under the respective deferred compensation plan and are included in “Other investments” on our Consolidated Statements of Financial Condition. See Note 4 for the fair value of these investments as of September 30, 2019, and 2018.

Compensation expense associated with all of the qualified and non-qualified plans previously described totaled \$162 million, \$154 million and \$131 million for the fiscal years ended September 30, 2019, 2018 and 2017, respectively.

### Share-based compensation plans

We have one share-based compensation plan for our employees, Board of Directors and non-employees (independent contractor financial advisors). The Amended and Restated 2012 Stock Incentive Plan (the “2012 Plan”) authorizes us to grant 40.24 million new shares, including the shares available for grant under six predecessor plans. As of September 30, 2019, 8.16 million shares were available under the 2012 Plan. Effective during the three months ended June 30, 2019, we generally reissue our treasury shares under the 2012 Plan; however, we are also permitted to issue our 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, 2019 and the related expense for years ended September 30, 2019, 2018 and 2017 were insignificant. Cash received from stock option exercises during the year ended September 30, 2019 was \$32 million.

### Restricted stock and 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 a contribution 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 one year period from their grant date or upon retirement from our Board.

The following table presents the restricted equity award activity which includes restricted stock and RSUs for grants to employees and members of our Board of Directors for the year ended September 30, 2019.

	Shares/Units (in millions)	Weighted- average grant date fair value (per share)
Non-vested as of beginning of year	4.8	\$ 68.39
Granted	1.6	\$ 76.72
Vested	(1.2)	\$ 55.15
Forfeited	(0.2)	\$ 71.58
Non-vested as of end of year	<u>5.0</u>	<u>\$ 74.08</u>

The following table presents expense and income tax benefits related to our restricted equity awards granted to our employees and members of our Board of Directors for the periods indicated.

<i>\$ in millions</i>	Year ended September 30,		
	2019	2018	2017
Total share-based expense	\$ 101	\$ 89	\$ 79
Income tax benefits related to share-based expense	\$ 23	\$ 23	\$ 28

Total share-based expense for the year ended September 30, 2017 included \$5 million, which was included as a component of “Acquisition and disposition-related expenses” on our Consolidated Statements of Income and Comprehensive Income.



## RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

For the year ended September 30, 2019, we realized \$26 million of excess tax benefits related to our restricted equity awards which favorably impacted income tax expense on our Consolidated Statements of Income and Comprehensive Income.

As of September 30, 2019, there was \$150 million of total pre-tax compensation costs not yet recognized, net of estimated forfeitures, related to restricted equity awards granted to employees and members of our Board of Directors. These costs are expected to be recognized over a weighted-average period of approximately 3 years. The following RSU activity occurred for the periods indicated.

<i>\$ in millions, except per unit award amounts</i>	Year ended September 30,		
	2019	2018	2017
Weighted-average grant date fair value per unit award	\$ 76.72	\$ 87.33	\$ 72.39
Total fair value of shares and unit awards vested	\$ 63	\$ 51	\$ 59

There were no outstanding RSUs related to our independent contractor financial advisors as of September 30, 2019.

#### *Employee stock purchase plan*

Under the 2003 Employee Stock Purchase Plan, we are authorized to issue up to 7.38 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 424 thousand, 336 thousand and 343 thousand shares to employees during the years ended September 30, 2019, 2018 and 2017, respectively. The compensation cost is calculated as the value of the 15% discount from market value and was \$5 million, \$5 million and \$4 million for the years ended September 30, 2019, 2018 and 2017, 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.

#### **NOTE 22 – REGULATORY CAPITAL REQUIREMENTS**

RJF, as a bank holding company and financial holding company, RJ Bank, 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 involve 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, 2019, both RJF's and RJ Bank's capital levels exceeded the capital conservation buffer requirement and were each categorized as "well-capitalized."

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

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
<b>RJF as of September 30, 2019:</b>						
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 as of September 30, 2018:**

CET1	\$ 5,718	24.3%	\$ 1,057	4.5%	\$ 1,527	6.5%
Tier 1 capital	\$ 5,718	24.3%	\$ 1,410	6.0%	\$ 1,880	8.0%
Total capital	\$ 5,941	25.3%	\$ 1,880	8.0%	\$ 2,350	10.0%
Tier 1 leverage	\$ 5,718	15.8%	\$ 1,451	4.0%	\$ 1,814	5.0%

RJF’s Tier 1 capital and Total capital ratios at September 30, 2019 increased compared to September 30, 2018 due to positive earnings during the current fiscal year, partially offset by the impacts of share repurchases and growth of the bank loan portfolio.

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
<b>RJ Bank as of September 30, 2019:</b>						
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 as of September 30, 2018:**

CET1	\$ 2,029	12.7%	\$ 721	4.5%	\$ 1,042	6.5%
Tier 1 capital	\$ 2,029	12.7%	\$ 961	6.0%	\$ 1,282	8.0%
Total capital	\$ 2,229	13.9%	\$ 1,282	8.0%	\$ 1,602	10.0%
Tier 1 leverage	\$ 2,029	8.8%	\$ 926	4.0%	\$ 1,158	5.0%

RJ Bank’s Tier 1 and Total capital ratios at September 30, 2019 increased compared to September 30, 2018 due to the impact of positive earnings during the current fiscal year, partially offset by growth of the bank loan portfolio.

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 have a significant 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.

# RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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>	<b>September 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Raymond James &amp; Associates, Inc.:</b>		
(Alternative Method elected)		
Net capital as a percent of aggregate debit items	39.7%	28.2%
Net capital	\$ 1,056	\$ 934
Less: required net capital	(53)	(66)
<b>Excess net capital</b>	<b>\$ 1,003</b>	<b>\$ 868</b>

As of September 30, 2019, RJFS, RJ Ltd., Raymond James Trust, N.A. (“RJ Trust”) 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 is 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.

### **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>	<b>Year ended September 30,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Income for basic earnings per common share:</b>			
Net income	\$ 1,034	\$ 857	\$ 636
Less allocation of earnings and dividends to participating securities	(2)	(1)	(1)
Net income attributable to RJF common shareholders	<u>\$ 1,032</u>	<u>\$ 856</u>	<u>\$ 635</u>
<b>Income for diluted earnings per common share:</b>			
Net income	\$ 1,034	\$ 857	\$ 636
Less allocation of earnings and dividends to participating securities	(2)	(1)	(1)
Net income attributable to RJF common shareholders	<u>\$ 1,032</u>	<u>\$ 856</u>	<u>\$ 635</u>
<b>Common shares:</b>			
Average common shares in basic computation	141.0	145.3	143.3
Dilutive effect of outstanding stock options and certain RSUs	3.0	3.5	3.3
Average common shares used in diluted computation	<u>144.0</u>	<u>148.8</u>	<u>146.6</u>
<b>Earnings per common share:</b>			
Basic	<u>\$ 7.32</u>	<u>\$ 5.89</u>	<u>\$ 4.43</u>
Diluted	<u>\$ 7.17</u>	<u>\$ 5.75</u>	<u>\$ 4.33</u>
Stock options and certain RSUs excluded from weighted-average diluted common shares because their effect would be antidilutive	0.4	0.5	1.7

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, 2019, 2018 and 2017. Undistributed earnings are allocated to participating securities based upon their right to share in earnings if all earnings for the period had been distributed.

# RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Dividends per common share declared and paid are detailed in the following table for each respective period.

	Year ended September 30,		
	2019	2018	2017
Dividends per common share - declared	\$ 1.36	\$ 1.10	\$ 0.88
Dividends per common share - paid	\$ 1.32	\$ 1.02	\$ 0.86

### 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 throughout our subsidiaries. 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 and securities transaction services through our 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, insurance products 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 client cash in the RJBDP, 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 related 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 for 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 revenue 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 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.

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

The following table presents information concerning operations in these segments of business.

<i>\$ in millions</i>	Year ended September 30,		
	2019	2018	2017
<b>Net revenues:</b>			
Private Client Group	\$ 5,359	\$ 5,093	\$ 4,422
Capital Markets	1,083	964	1,014
Asset Management	691	654	488
RJ Bank	846	727	593
Other	5	(15)	(30)
Intersegment eliminations	(244)	(149)	(116)
<b>Total net revenues</b>	<b>\$ 7,740</b>	<b>\$ 7,274</b>	<b>\$ 6,371</b>
<b>Pre-tax income/(loss):</b>			
Private Client Group	\$ 579	\$ 576	\$ 373
Capital Markets	110	91	141
Asset Management	253	235	172
RJ Bank	515	492	409
Other	(82)	(83)	(170)
<b>Total pre-tax income</b>	<b>\$ 1,375</b>	<b>\$ 1,311</b>	<b>\$ 925</b>

No individual client accounted for more than ten percent of revenues in any of the years presented.

<i>\$ in millions</i>	Year ended September 30,		
	2019	2018	2017
<b>Net interest income/(expense):</b>			
Private Client Group	\$ 183	\$ 165	\$ 137
Capital Markets	4	4	6
Asset Management	3	2	1
RJ Bank	820	704	575
Other and intersegment eliminations	(12)	(33)	(71)
<b>Net interest income</b>	<b>\$ 998</b>	<b>\$ 842</b>	<b>\$ 648</b>

The following table presents our total assets on a segment basis.

<i>\$ in millions</i>	September 30,	
	2019	2018
<b>Total assets:</b>		
Private Client Group	\$ 9,042	\$ 10,173
Capital Markets	2,287	2,279
Asset Management	401	387
RJ Bank	25,516	22,922
Other	1,584	1,652
<b>Total</b>	<b>\$ 38,830</b>	<b>\$ 37,413</b>

The following table presents goodwill, which was included in our total assets, on a segment basis.

<i>\$ in millions</i>	September 30,	
	2019	2018
<b>Goodwill:</b>		
Private Client Group	\$ 275	\$ 276
Capital Markets	120	133
Asset Management	69	69
<b>Total</b>	<b>\$ 464</b>	<b>\$ 478</b>

# RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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>	<b>Year ended September 30,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Net revenues:</b>			
U.S.	\$ 7,211	\$ 6,754	\$ 5,931
Canada	391	381	328
Europe	138	139	108
Other	—	—	4
<b>Total</b>	<b>\$ 7,740</b>	<b>\$ 7,274</b>	<b>\$ 6,371</b>
<b>Pre-tax income/(loss):</b>			
U.S.	\$ 1,356	\$ 1,269	\$ 919
Canada	29	47	14
Europe <sup>(1)</sup>	(10)	(5)	(4)
Other	—	—	(4)
<b>Total</b>	<b>\$ 1,375</b>	<b>\$ 1,311</b>	<b>\$ 925</b>

(1) 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 incurred during the first fiscal quarter of 2019.

The following table presents our total assets by major geographic area in which they were held.

<i>\$ in millions</i>	<b>September 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Total assets:</b>		
U.S.	\$ 35,978	\$ 34,651
Canada	2,754	2,673
Europe	98	89
<b>Total</b>	<b>\$ 38,830</b>	<b>\$ 37,413</b>

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>	<b>September 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Goodwill:</b>		
U.S.	\$ 433	\$ 426
Canada	23	43
Europe	8	9
<b>Total</b>	<b>\$ 464</b>	<b>\$ 478</b>

During the year ended September 30, 2019, we recognized an impairment charge of \$19 million related to our Canadian Capital Markets. See Note 11 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.

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, 2019, each of these broker-dealer subsidiaries exceeded their minimum net capital requirements (see Note 22 for further information).

# RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Net assets of approximately \$3.10 billion as of September 30, 2019 were restricted under regulatory or other restrictions from being transferred from certain subsidiaries to the Parent without prior approval of the respective entities' regulator.

Liquidity available to the Parent from its subsidiaries other than its broker-dealer subsidiaries and RJ Bank is not limited by regulatory or other restrictions; however, the available amounts are not as significant as those amounts previously described. The Parent regularly receives a portion of the profits of subsidiaries, other than RJ Bank, as dividends.

Cash and cash equivalents of \$1.35 billion and \$1.40 billion as of September 30, 2019 and 2018, 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 \$163 million as of September 30, 2019, of which \$107 million was available on demand and without restriction. As of September 30, 2018, \$277 million was held in depository accounts at RJ Bank, of which \$254 million was available on demand and 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,	
	2019	2018
<b>Assets:</b>		
Cash and cash equivalents	\$ 540	\$ 695
Assets segregated pursuant to regulations	57	23
Intercompany receivables from subsidiaries (primarily non-bank subsidiaries)	1,143	1,156
Investments in consolidated subsidiaries:		
Bank subsidiary	2,248	2,021
Non-bank subsidiaries	4,093	4,031
Property and equipment, net	14	14
Goodwill and identifiable intangible assets, net	32	32
Other assets	728	661
<b>Total assets</b>	<b>\$ 8,855</b>	<b>\$ 8,633</b>
<b>Liabilities and equity:</b>		
Accrued compensation and benefits	\$ 514	\$ 480
Intercompany payables to subsidiaries (primarily non-bank subsidiaries)	119	141
Other payables	91	94
Senior notes payable	1,550	1,550
<b>Total liabilities</b>	<b>2,274</b>	<b>2,265</b>
Equity	6,581	6,368
<b>Total liabilities and equity</b>	<b>\$ 8,855</b>	<b>\$ 8,633</b>

Of the total intercompany receivable from non-bank subsidiaries, \$827 million and \$735 million at September 30, 2019 and 2018, 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>	<b>Year ended September 30,</b>		
	<b>2019</b>	2018	2017
<b>Revenues:</b>			
Dividends from non-bank subsidiaries	\$ 632	\$ 225	\$ 183
Dividends from bank subsidiary	190	130	125
Interest from subsidiaries	31	25	16
Interest income	7	4	2
Other	20	20	26
<b>Total revenues</b>	<b>880</b>	<b>404</b>	<b>352</b>
Interest expense	(75)	(74)	(95)
<b>Net revenues</b>	<b>805</b>	<b>330</b>	<b>257</b>
<b>Non-interest expenses:</b>			
Compensation and benefits	73	68	62
Non-compensations expenses:			
Communications and information processing	8	9	9
Occupancy and equipment costs	1	1	1
Business development	20	20	19
Losses on extinguishment of debt	—	—	46
Other	16	17	14
Intercompany allocations and charges	(24)	(32)	(31)
<b>Total non-compensation expenses</b>	<b>21</b>	<b>15</b>	<b>58</b>
<b>Total non-interest expenses</b>	<b>94</b>	<b>83</b>	<b>120</b>
Pre-tax income before equity in undistributed net income of subsidiaries	711	247	137
Income tax benefit	(31)	(12)	(86)
Income before equity in undistributed net income of subsidiaries	742	259	223
Equity in undistributed net income of subsidiaries	292	598	413
<b>Net income</b>	<b>\$ 1,034</b>	<b>\$ 857</b>	<b>\$ 636</b>



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

The following table presents the Parent's statements of cash flows.

<i>\$ in millions</i>	Year ended September 30,		
	2019	2018	2017
<b>Cash flows from operating activities:</b>			
Net income	\$ 1,034	\$ 857	\$ 636
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss/(gain) on investments	4	1	(15)
Gain on company-owned life insurance policies, net of expenses	(5)	(37)	(48)
Equity in undistributed net income of subsidiaries	(292)	(598)	(413)
Losses on extinguishment of debt	—	—	46
Other	100	114	98
Net change in:			
Assets segregated pursuant to regulations	—	(1)	—
Intercompany receivables	(51)	6	179
Other assets	(16)	49	80
Intercompany payables	(22)	88	39
Other payables	(1)	13	(1)
Accrued compensation and benefits	34	66	68
<b>Net cash provided by operating activities</b>	<b>785</b>	<b>558</b>	<b>669</b>
<b>Cash flows from investing activities:</b>			
Investments in subsidiaries	(24)	(205)	(36)
Advances to/(repayments from) subsidiaries, net	63	4	(118)
Proceeds from sales of investments	3	12	5
Purchase of investments in company-owned life insurance policies, net	(44)	(70)	(41)
<b>Net cash used in investing activities</b>	<b>(2)</b>	<b>(259)</b>	<b>(190)</b>
<b>Cash flows from financing activities:</b>			
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	—	—	508
Extinguishment of senior notes payable	—	—	(650)
Premium paid on extinguishment of senior notes payable	—	—	(37)
Exercise of stock options and employee stock purchases	65	63	57
Purchase of treasury stock	(778)	(62)	(34)
Dividends on common stock	(191)	(151)	(127)
<b>Net cash used in financing activities</b>	<b>(904)</b>	<b>(150)</b>	<b>(283)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(121)</b>	<b>149</b>	<b>196</b>
Cash, cash equivalents, and cash segregated pursuant to regulations at beginning of year	717	568	372
<b>Cash, cash equivalents, and cash segregated pursuant to regulations at end of year</b>	<b>\$ 596</b>	<b>\$ 717</b>	<b>\$ 568</b>
Cash and cash equivalents	\$ 540	\$ 695	\$ 528
Cash segregated pursuant to regulations	56	22	40
<b>Total cash, cash equivalents, and cash segregated pursuant to regulations at end of year</b>	<b>\$ 596</b>	<b>\$ 717</b>	<b>\$ 568</b>
<b>Supplemental disclosures of cash flow information:</b>			
Cash paid for interest	\$ 78	\$ 78	\$ 99
Cash paid for income taxes, net	\$ 42	\$ 163	\$ 93
<b>Supplemental disclosures of noncash activity:</b>			
Investments in subsidiaries, net	\$ (43)	\$ —	\$ 24
Losses on extinguishment of debt	\$ —	\$ —	\$ 9

**SUPPLEMENTARY DATA:**

**SELECTED QUARTERLY FINANCIAL DATA**

(unaudited)

<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

<i>in millions, except per share amounts</i>	Fiscal Year 2018			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net revenues	\$ 1,726	\$ 1,812	\$ 1,837	\$ 1,899
Non-interest expenses	\$ 1,415	\$ 1,480	\$ 1,519	\$ 1,549
Pre-tax income	\$ 311	\$ 332	\$ 318	\$ 350
Net income	\$ 119	\$ 243	\$ 232	\$ 263
Earnings per common share - basic	\$ 0.82	\$ 1.67	\$ 1.59	\$ 1.80
Earnings per common share - diluted	\$ 0.80	\$ 1.63	\$ 1.55	\$ 1.76
Dividends per common share - declared	\$ 0.25	\$ 0.25	\$ 0.30	\$ 0.30

**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 Exchange Act, 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 Exchange Act 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, 2019 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

## RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

that transactions are recorded as necessary for preparation of our financial statements; providing 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, 2019. 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, 2019 (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, 2019, 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, 2019, 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, 2019 and 2018, 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, 2019, and the related notes (collectively, the consolidated financial statements), and our report dated November 26, 2019 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 26, 2019

**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 2020 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, 2019.

**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 2020 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, 2019.

**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.

<b>Exhibit Number</b>	<b>Description</b>
3.1	<a href="#">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.</a>
3.2	<a href="#">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.</a>
4.1	<a href="#">Description of Capital Stock.</a>
4.2.1	<a href="#">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.</a>
4.2.2	<a href="#">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.</a>
4.2.3	<a href="#">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.</a>
4.2.4	<a href="#">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.</a>
4.2.5	<a href="#">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.</a>
10.1	* <a href="#">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.</a>
10.2	<a href="#">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.</a>

**RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES**

<b>Exhibit Number</b>	<b>Description</b>
10.3	* <a href="#">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.</a>
10.4	<a href="#">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.</a>
10.5.1	* <a href="#">Raymond James Financial, Inc. Amended and Restated 2012 Stock Incentive Plan (as amended through February 18, 2016), incorporated by reference to Appendix A to the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders held February 18, 2016, filed with the Securities and Exchange Commission on January 14, 2016.</a>
10.5.2	* <a href="#">Form of Contingent Stock Option Agreement under 2012 Stock Incentive Plan, incorporated by reference to Exhibit 10.22 to the Company's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on May 9, 2012.</a>
10.5.3	* <a href="#">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.</a>
10.5.4	* <a href="#">Form of Restricted Stock Unit Agreement for Performance Based Restricted Stock Unit Award under 2012 Stock Incentive Plan, incorporated by reference to Exhibit 10.20.8 to the Company's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on February 8, 2013.</a>
10.5.5	* <a href="#">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.</a>
10.5.6	* <a href="#">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.</a>
10.5.7	* <a href="#">Form of Restricted Stock Unit Agreement for Stock Bonus Award under 2012 Stock Incentive Plan, as revised and approved on August 21, 2013, incorporated by reference to Exhibit 10.16.6 to the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on November 26, 2013.</a>
10.5.8	* <a href="#">Form of Restricted Stock Unit Award Notice and Agreement (time-based vesting) which amends and restates Mr. Reilly's award agreement issued in 2012 and will also be used for his subsequent award agreements, incorporated by reference to Exhibit 10.21.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 20, 2013.</a>
10.5.9	* <a href="#">Form of Restricted Stock Unit Award Notice and Agreement (performance-based vesting) which amends and restates Mr. Reilly's award agreement issued in 2012 and will also be used for his subsequent award agreements, incorporated by reference to Exhibit 10.21.2 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 20, 2013.</a>
10.5.10	* <a href="#">Form of Restricted Stock Unit Award Notice and Agreement (time-based vesting), incorporated by reference to Exhibit 10.22.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 20, 2013.</a>
10.5.11	* <a href="#">Form of Restricted Stock Unit Award Notice and Agreement (performance-based vesting), incorporated by reference to Exhibit 10.22.2 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 20, 2013.</a>
10.5.12	* <a href="#">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.</a>
10.5.13	* <a href="#">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.</a>
10.5.14	<a href="#">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.</a>
10.5.15	* <a href="#">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.</a>
10.5.16	* <a href="#">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.</a>
10.5.17	* <a href="#">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.</a>
10.5.18	* <a href="#">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.</a>
10.5.19	* <a href="#">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.</a>

**RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES**

<b>Exhibit Number</b>	<b>Description</b>
10.5.20	* <a href="#">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.</a>
10.5.21	* <a href="#">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.</a>
10.5.22	* <a href="#">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.</a>
10.5.23	* <a href="#">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.</a>
10.5.24	* <a href="#">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.</a>
10.5.25	* <a href="#">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.</a>
10.5.26	* <a href="#">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.</a>
10.5.27	* <a href="#">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.</a>
10.5.28	* <a href="#">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.</a>
10.5.29	* <a href="#">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.</a>
10.5.30	* <a href="#">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.</a>
10.6	* <a href="#">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.</a>
10.7	* <a href="#">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.</a>
10.8	* <a href="#">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.</a>
10.9.1	<a href="#">Credit Agreement, dated as of February 19, 2019, among Raymond James Financial, Inc., Raymond James &amp; 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.</a>
10.9.2	<a href="#">First Amendment to Credit Agreement, dated as of May 23, 2019, among Raymond James Financial, Inc., Raymond James &amp; 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.</a>
10.10	* <a href="#">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.</a>
21	<a href="#">List of Subsidiaries.</a>
23	<a href="#">Consent of Independent Registered Public Accounting Firm.</a>
31.1	<a href="#">Certification of Paul C. Reilly pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2	<a href="#">Certification of Jeffrey P. Julien pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32	<a href="#">Certification of Paul C. Reilly and Jeffrey P. Julien 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.</a>

## RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

<b>Exhibit Number</b>	<b>Description</b>
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.



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 26<sup>th</sup> day of November, 2019.

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.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ PAUL C. REILLY</u> Paul C. Reilly	Chairman and Chief Executive Officer (Principal Executive Officer) and Director	November 26, 2019
<u>/s/ JEFFREY P. JULIEN</u> Jeffrey P. Julien	Executive Vice President - Finance and Chief Financial Officer (Principal Financial Officer)	November 26, 2019
<u>/s/ JENNIFER C. ACKART</u> Jennifer C. Ackart	Senior Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)	November 26, 2019
<u>/s/ THOMAS A. JAMES</u> Thomas A. James	Chairman Emeritus and Director	November 26, 2019
<u>/s/ CHARLES G. VON ARENTSCHILDT</u> Charles G. von Arentschildt	Director	November 26, 2019
<u>/s/ SHELLEY G. BROADER</u> Shelley G. Broader	Director	November 26, 2019
<u>/s/ ROBERT M. DUTKOWSKY</u> Robert M. Dutkowsky	Director	November 26, 2019
<u>/s/ JEFFREY N. EDWARDS</u> Jeffrey N. Edwards	Director	November 26, 2019
<u>/s/ BENJAMIN C. ESTY</u> Benjamin C. Esty	Director	November 26, 2019
<u>/s/ ANNE GATES</u> Anne Gates	Director	November 26, 2019
<u>/s/ FRANCIS S. GODBOLD</u> Francis S. Godbold	Vice Chairman and Director	November 26, 2019
<u>/s/ GORDON L. JOHNSON</u> Gordon L. Johnson	Director	November 26, 2019
<u>/s/ RODERICK C. MCGEARY</u> Roderick C. McGeary	Director	November 26, 2019
<u>/s/ RAJ SESHADRI</u> Raj Seshadri	Director	November 26, 2019
<u>/s/ SUSAN N. STORY</u> Susan N. Story	Director	November 26, 2019

## **EXHIBIT 4.1**

### **DESCRIPTION OF THE COMPANY'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

The following is a brief description of the common stock, par value \$.01 per share (the "Common Stock") of Raymond James Financial, Inc. (the "Company"), which is the only security of the Company registered pursuant to Section 12 of the Securities Exchange Act of 1934.

#### **Description of Common Stock**

The following description of the Common Stock, related provisions of the Company's Restated Articles of Incorporation (the "Articles") and Amended and Restated By-Laws (the "By-Laws") and applicable Florida law is qualified in its entirety by, and should be read in conjunction with, the Articles, By-Laws and applicable Florida law.

#### **Authorized Capital Stock**

The authorized capital stock of the Company consists of 350,000,000 shares of Common Stock, and 10,000,000 shares of preferred stock, par value \$.10 per share (the "Preferred Stock"). There are no shares of Preferred Stock currently outstanding.

#### **Common Stock**

##### ***Fully Paid and Nonassessable***

All of the outstanding shares of the Company's Common Stock are fully paid and non-assessable.

##### ***Voting Rights***

Holders of the Common Stock are entitled to one vote per share on all matters to be voted upon by the stockholders. Holders of Common Stock are not entitled to cumulate votes for the election of directors.

##### ***Dividends***

Holders of Common Stock are entitled to receive such dividends as may be declared from time to time by the Company's Board of Directors (the "Board") out of funds legally available therefor, after payment of dividends required to be paid on outstanding Preferred Stock, if any.

##### ***Right to Receive Liquidation Distributions***

In the event of the liquidation, dissolution or winding up of the Company, the holders of Common Stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of any Preferred Stock then outstanding.

##### ***No Preemptive or Similar Rights***

The Common Stock has no preemptive or conversion rights and is not subject to further calls or assessments by the Company.

##### ***Certain Anti-Takeover Effects***

Certain provisions of the Company's Articles and By-Laws may have the effect of delaying, deferring or discouraging transactions involving an actual or potential change in control of the Company, including the following:

- the Articles provide that the affirmative vote of the holders of 66-2/3% of the outstanding shares of Common Stock is required to effect any merger, consolidation or sale of all or substantially all of its assets;

- the Board is authorized to approve the issuance of one more series of Preferred Stock without further authorization of the holders of Common Stock and to fix the number of shares, the designations and the relative rights and the limitations of any series of Preferred Stock, and as a result the Board, without the approval of holders of Common Stock, could authorize the issuance of Preferred Stock with voting, conversion and other rights of holders of Common Stock or other series of Preferred Stock or that could have the effect of delaying, deferring or preventing a change in control of the Company; and
- the Company's By-Laws specify an advance notice procedure for holders of Common Stock seeking to nominate persons to stand for election to the Board or to propose other business for consideration at a meeting of the holders of Common Stock, which requires that advance written notice and certain other information be provided to the Company, in accordance with the By-Laws.

***Transfer Agent***

The transfer agent for the Common Stock is Computershare Inc.

***Listing***

The Company's Common Stock is listed on the New York Stock Exchange under the trading symbol "RJF."

**EXHIBIT 21****RAYMOND JAMES FINANCIAL, INC.  
LIST OF SUBSIDIARIES**

The following listing includes all of the registrant's subsidiaries as of September 30, 2019, 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.
Eagle Boston Investment Management, Inc.	Florida	Eagle Asset Management, Inc.
EB Management I, LLC	Florida	Eagle Asset Management, Inc.
Former WT, Inc.	Tennessee	MK Holding, Inc.
Gateway Institutional Tax Credit Fund II, Ltd	Florida	Raymond James Tax Credit Funds, Inc.
Merchant Bankers, Inc.	Tennessee	MK Holding, Inc.
MK Holding, Inc.	Alabama	Raymond James Financial, Inc.
MK Investment Management, Inc.	Delaware	MK Holding, Inc.
MK Mezzanine Management, LLC	Delaware	Morgan Properties, LLC
Morgan Keegan & Associates, LLC	Delaware	MK Holding, Inc.
Morgan Keegan & Company, LLC	Tennessee	Raymond James Financial, Inc.
Morgan Keegan Employee Investment Fund, LP	Delaware	Merchant Bankers, Inc.
Morgan Keegan Fund Management, Inc.	Tennessee	MK Holding, Inc.
Morgan Keegan Mezzanine Fund, LP	Delaware	MK Mezzanine Management, LLC
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 I Limited Partnership	District of Columbia	Raymond James Tax Credit Funds, Inc.
Native American Housing Fund II Limited Partnership	District of Columbia	Raymond James Tax Credit Funds, Inc.
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.
Preferred Fund of Funds, LLC	Delaware	Morgan Keegan Fund Management, 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 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.

<b>Entity Name</b>	<b>State/Country of Incorporation</b>	<b>Subsidiary or Joint Venture of</b>
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 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.
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 GesmbH	Austria	Raymond James Corporate Finance GmbH
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 Holdings, Ltd.	Florida	Residual Partners
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 Latin America S.A.	Uruguay	Raymond James South American Holdings, Inc.
Raymond James Ltd.	Canada	Raymond James Canada, LLC
Raymond James Management, LLC	Delaware	Raymond James Investments, LLC
Raymond James Management-EPG, 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 45 L.L.C.	Florida	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 XVIII 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.

<b>Entity Name</b>	<b>State/Country of Incorporation</b>	<b>Subsidiary or Joint Venture of</b>
Raymond James Tax Credit Fund XXI L.L.C.	Delaware	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 (Quebec) Ltd.	Quebec	Raymond James Ltd.
Raymond James Yatirim Menkul Kiyemetler A.S.	Turkey	Raymond James European Holdings, Inc.
Residual Partners	Florida	Raymond James Financial, Inc.
RJ Capital Services, Inc.	Delaware	Raymond James Financial, Inc.
RJ Economic Development Fund, Inc.	Florida	Raymond James Financial, Inc.
RJ Partners, Inc.	Florida	Raymond James Financial, Inc.
RJ Securities, Inc.	Florida	Raymond James Investments, LLC
RJA Structured Finance, Inc.	Delaware	Raymond James Financial, Inc.
RJC Event Photos, LLC	Delaware	Raymond James Investments, LLC
RJC Forensics, LLC	Delaware	Raymond James Investments, LLC
RJC Partners, Inc.	Delaware	Raymond James Financial, Inc.
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.
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) 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 26, 2019, with respect to the consolidated statements of financial condition of Raymond James Financial, Inc. and subsidiaries as of September 30, 2019 and 2018, 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, 2019, and the effectiveness of internal control over financial reporting as of September 30, 2019, which reports appear in the September 30, 2019 annual report on Form 10-K of Raymond James Financial, Inc.

/s/ KPMG LLP

Tampa, Florida  
November 26, 2019

## 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 26, 2019

/s/ PAUL C. REILLY

Paul C. Reilly

Chairman and Chief Executive Officer



## EXHIBIT 31.2

### CERTIFICATIONS

I, Jeffrey P. Julien, 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 26, 2019

/s/ JEFFREY P. JULIEN

Jeffrey P. Julien

Executive Vice President - Finance and Chief Financial Officer

**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, 2019 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 26, 2019

/s/ JEFFREY P. JULIEN

Jeffrey P. Julien

Executive Vice President - Finance and Chief Financial Officer

November 26, 2019

## OUR VISION

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Our vision is to be a financial services firm as unique as the **people** we serve, transforming lives, businesses and communities through the power of personal relationships and professional advice.

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## OUR MISSION

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**Our business is people** and their financial well-being.

We are committed to helping individuals, corporations and municipalities achieve their unique goals, while also developing and supporting successful professionals, and helping our communities prosper.

## OUR VALUES

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### **We put clients first.**

If we do what's right for our clients, the firm will do well and we'll all benefit.



### **We act with integrity.**

We put others above self, and what's right above what's easy. We believe doing well and doing good aren't mutually exclusive.



### **We value independence.**

We respect autonomy, celebrate individuality and welcome diverse perspectives, while encouraging collaboration and innovation.



### **We think long term.**

We act responsibly, taking a conservative approach that translates into a strong, stable firm for clients, advisors, associates and shareholders.

# RAYMOND JAMES®

INTERNATIONAL HEADQUARTERS: THE RAYMOND JAMES FINANCIAL CENTER  
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