

RAYMOND JAMES FINANCIAL INC

Form 10-K

November 22, 2016

Index

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, 2016

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 No. 59-1517485

(State or other jurisdiction of (I.R.S. Employer incorporation or organization) Identification No.)

880 Carillon Parkway, St. Petersburg, Florida 33716

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (727) 567-1000

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

Title of each class	Name of each exchange on which registered
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Common Stock, \$.01 Par Value	New York Stock Exchange
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6.90% Senior Notes Due 2042	New York Stock Exchange
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Securities registered pursuant to Section 12(g) of the 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 Securities Exchange Act of 1934 during the preceding 12 months (or 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 and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting

company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

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

As of March 31, 2016, 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 \$5,967,672,213.

The number of shares outstanding of the registrant’s common stock as of November 18, 2016 was 141,970,986.

#### 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 16, 2017 are incorporated by reference into Part III.

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PART I

Item 1. BUSINESS

Raymond James Financial, Inc. (“RJF” or the “Company”) is a financial holding company whose broker-dealer subsidiaries are engaged in various financial services businesses, including the underwriting, distribution, trading and brokerage of equity and debt securities and the sale of mutual funds and other investment products. In addition, other subsidiaries of RJF provide investment management services for retail and institutional clients, corporate and retail banking, and trust services.

Established in 1962 and public since 1983, RJF has been listed on the New York Stock Exchange (the “NYSE”) since 1986 under the symbol “RJF.” As a financial holding company, RJF is subject to supervision, examination and regulation by the Board of Governors of the Federal Reserve System (the “Fed”).

RJF’s principal subsidiaries are Raymond James & Associates, Inc. (“RJ&A”), Raymond James Financial Services, Inc. (“RJFS”), Raymond James Financial Services Advisors, Inc. (“RJFSA”), Raymond James Ltd. (“RJ Ltd.”), Eagle Asset Management, Inc. (“Eagle”), and Raymond James Bank, N.A. (“RJ Bank”). All of these subsidiaries are wholly owned by RJF. RJF and its subsidiaries are hereinafter collectively referred to as “our,” “we,” or “us.” Our operations are predominately conducted in the United States of America (“U.S.”) and Canada.

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 four operating segments and our “Other” segment. The four operating segments are “Private Client Group” (“PCG”), “Capital Markets,” “Asset Management,” and RJ Bank. The Other segment captures principal capital and private equity activities as well as certain corporate overhead costs of RJF.

The graph below depicts the relative net revenue contribution of each of our operating segments for the fiscal year ended September 30, 2016:

\*Chart above does not include intersegment eliminations or the Other segment.

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PRIVATE CLIENT GROUP

We provide financial planning and securities transaction services to more than 2.9 million client accounts through the branch office systems of RJ&A, RJFS, RJFSA, RJ Ltd. and in the United Kingdom through Raymond James Investment Services Limited (“RJIS”). 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 key revenue producers, primarily for transitional cost assistance and retention purposes.

Total assets under administration in the PCG segment as of September 30, 2016 amount to \$574.1 billion. We have 7,146 financial advisors affiliated with us as of September 30, 2016.

Employee Financial Advisors

Employee financial advisors work in a traditional branch setting supported by local management and administrative staff. They provide services predominately to individual clients. These financial advisors are our employees, and their compensation 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, are paid a larger percentage of commissions and fees 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, they are permitted to conduct, on a limited basis, certain other approved business activities, such as offering insurance products, independent registered investment advisory services, and accounting and tax services.

Irrespective of the affiliation choice, our financial advisors offer a broad range of investments and services, including both third party and proprietary products, and a variety of financial planning services. Revenues from this segment are typically driven by total client assets under administration, and are generally either recurring fee-based or transactional in nature. The proportion of our securities commissions and fee revenues originating from the employee versus the independent contractor affiliation models is relatively balanced.

Securities commissions and fee revenues by affiliation, as well as the portion of total segment revenues that is recurring versus transactional in nature, for the fiscal year ended September 30, 2016, are presented below:

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We provide the following types of services through this segment:

• We provide investment services for which we charge sales commissions or asset-based fees based on established schedules.

• We offer investment advisory services. Fee revenues for such services are computed as either a percentage of the assets in the client account or a flat periodic fee charged to the client for investment advice.

• Our U.S. financial advisors provide insurance and annuity products through our general insurance agency, Raymond James Insurance Group, Inc.

• Our U.S. financial advisors offer a number of professionally managed load and no-load mutual funds.

• We provide 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.

• We provide custodial, trading, research and other back office support and services (including access to clients' account information and the services of the Asset Management segment) to the independent contractor registered investment advisors with whom we are affiliated.

• We conduct securities lending activities through RJ&A, in which we borrow and lend securities from and to broker-dealers, financial institutions, and other counterparties. Generally, we conduct these activities as an intermediary (referred to as "matched book"). However, RJ&A will also loan client marginable securities in a margin account containing a debit (referred to as lending from the "box") to counterparties. The borrower of the securities puts up a cash deposit on which interest is earned. The lender in turn receives cash and pays interest. The net revenues of this business consist of the interest spreads generated on these activities.

• Through our Alternative Investments Group, we provide diversification strategies and products to qualified clients of our affiliated financial advisors. The Alternative Investments Group provides strategies and products for portfolio investment allocation opportunities where a selective addition of alternative investments that have historically demonstrated lower correlation to traditional market indices may reduce overall portfolio volatility and increase long-term performance.

• Through the formation of the Alex. Brown division of RJ&A, we enhanced our capabilities to service the needs of ultra-high-net-worth clients and select institutions.

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CAPITAL MARKETS

Our capital markets segment conducts institutional sales, securities trading, equity research, investment banking, syndicate, and the syndication of investments that qualify for tax credits under Section 42 of the Internal Revenue Code (referred to as our “tax credit funds”). Within our management structure, we distinguish between activities that support equity and fixed income products and services. We primarily conduct these activities in the U.S., Canada, and Europe.

The graph below depicts the portions of this segment’s revenues that are derived from equity securities and products, fixed income securities and products, and our tax credit funds activities for the fiscal year ended September 30, 2016:

We provide the following services through this segment:

Equity Capital Markets Activities

We earn institutional sales commissions on the sale of equity products. Sales volume is influenced by a combination of general market activity and the Capital Markets group’s ability to identify and promote attractive investment opportunities for our institutional clients. Commission amounts on equity transactions are 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 and acquisition 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.

In our syndicate operations, we coordinate the marketing, distribution, pricing and stabilization of lead and co-managed equity underwritings. In addition to lead and co-managed offerings, this department coordinates our participation in transactions managed by other investment banking firms.

Our domestic 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 agricultural, consumer, energy, clean energy, energy services, financial services, healthcare, industrial, mining and natural resources, forest products, real estate, technology, and communication and transportation. Proprietary industry studies and company-specific research reports are made available to both institutional and individual clients.

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Fixed Income Activities

We earn institutional sales commissions from institutional clients who purchase both taxable and tax-exempt fixed income products, primarily municipal, corporate, government agency and mortgage-backed bonds. The commissions that we charge on fixed income products are based on trade size and the characteristics of the specific security involved.

We carry inventories of taxable and tax-exempt securities to facilitate institutional sales activities. Our taxable and tax-exempt fixed income traders purchase and sell corporate, municipal, government, government agency, and mortgage-backed bonds, asset-backed securities, preferred stock, and certificates of deposit from and to our clients or other dealers.

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 health care and higher education institutions. We may also act as a consultant, underwriter, or selling group member for offerings of corporate bonds, mortgage-backed securities (“MBS”), whole loans, agency bonds, preferred stock and unit investment trusts. When underwriting new issue securities, we may agree to purchase the issue through a negotiated sale or submission of a competitive bid.

In order to facilitate client transactions, hedge a portion of our fixed income securities inventories, or to a limited extent for our own account, we enter into interest rate swaps and futures contracts. In addition, we conduct a “matched book” derivatives business where we may enter into derivative transactions, including interest rate swaps, options, and combinations of those instruments, primarily with government entities and not-for-profit counterparties. 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.

Through our fixed income public finance operations, we enter into forward commitments to purchase Government National Mortgage Association (“GNMA”) or Federal National Mortgage Association (“FNMA”) MBS. Such MBS securities are issued on behalf of various state and local housing finance agencies (“HFA”) clients and consist of the mortgages originated through their lending programs.

Tax Credit Fund Activities

In our syndication of tax credit investments, one of our subsidiaries acts 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. 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.



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ASSET MANAGEMENT

Our Asset Management segment provides investment advisory and asset management services to individual and institutional investment portfolios, and sponsors mutual funds under the name “Eagle” (“Eagle Funds”). We also provide services to our PCG clients (“AMS”) and through Raymond James Trust, N.A. (“RJ Trust”).

We earn advisory fees on both managed and non-discretionary asset-based accounts. In managed programs, we make decisions about how to invest the assets in accordance with such programs objectives. In non-discretionary asset-based programs, we provide administrative support to each plan, which may include trade execution, record-keeping and periodic investor reporting. We generally earn higher fees for managed programs than for non-discretionary asset-based programs, since we provide additional services to managed programs. As of September 30, 2016, there were \$77.0 billion in financial assets held in managed programs and \$119.3 billion in financial assets held in non-discretionary asset-based programs.

The graph below depicts financial assets under management in our managed programs by objective as of September 30, 2016:

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RJ BANK

RJ Bank provides corporate loans, securities based loans (“SBL”) and residential loans. RJ Bank is active in corporate loan syndications and participations. RJ Bank also provides Federal Deposit Insurance Corporation (“FDIC”) insured deposit accounts to clients of our broker-dealer subsidiaries and to the general public. RJ Bank generates net interest revenue principally through the interest income earned on loans and investments, which is offset by the interest expense it pays on client deposits and on its borrowings.

RJ Bank operates primarily from a branch location adjacent to RJF’s corporate office complex in St. Petersburg, Florida. Access to RJ Bank’s products and services is available nationwide through the offices of our affiliated broker-dealers as well as through electronic banking services. RJ Bank’s assets include commercial and industrial (“C&I”) loans, commercial and residential real estate loans, tax-exempt loans, as well as loans fully collateralized by marketable securities. Corporate loans represent approximately 70% of RJ Bank’s loan portfolio, of which 95% are 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 liabilities primarily consist of deposits that are cash balances swept from the investment accounts of PCG clients.

RJ Bank has total assets of \$16.6 billion at September 30, 2016, which are comprised of the following:

OTHER

Our “Other” segment includes our principal capital and private equity activities as well as certain corporate overhead costs of RJF, such as the interest cost on our senior notes payable, and the acquisition and integration costs associated with certain acquisitions (See Note 3 of the Notes to Consolidated Financial Statements in this Form 10-K for additional information on our acquisitions).

Our principal capital and private equity activities include various direct and third party private equity investments; employee investment funds (the “Employee Funds”); and various private equity funds which we sponsor.

EMPLOYEES AND INDEPENDENT CONTRACTORS

Our employees and independent contractors (collectively “associates”) are vital to our success in the financial services industry. As of September 30, 2016, we had over 11,900 employees, and over 4,000 affiliated independent contractor financial advisors.

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### OPERATIONS AND INFORMATION PROCESSING

We have operations personnel at various locations throughout the U.S. 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 U.S. securities brokerage operations. RJ Ltd. operations personnel have similar responsibilities at our Canadian brokerage operations located in Vancouver, British Columbia.

The information technology department develops and supports the integrated solutions that provide a differentiated platform for our business. This platform is designed to allow our financial advisors to spend more time with their clients and enhance and grow their business.

In the area of information security, we have developed and implemented a framework of principles, policies and technology to protect both our own information as well as that of our clients. We apply numerous safeguards to maintain the confidentiality, integrity and availability of both client and Company 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. Our business departments have developed operational plans for such disruptions, and we have a staff which devotes its full time to monitoring and facilitating 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 or one of our operations processing or data center sites in Florida, Colorado, Tennessee or Michigan.

We have also developed a business continuity plan for each of our PCG retail branches in the event any of these branches is impacted by severe weather.

### COMPETITION

The financial services industry is an intensely competitive business. 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, usually with lower levels of service, to individual clients. We compete principally on the basis of the quality of our associates, services, product selection, location and reputation in local markets.

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

### REGULATION

RJF is a bank holding company subject to the Bank Holding Company Act that has made an election to be a financial holding company. As a financial holding company, RJF is subject to regulation, oversight, and supervision, including periodic examination, by the Fed. RJ Bank is a national bank regulated, supervised and examined by the Office of the Comptroller of the Currency (“OCC”), and the Consumer Financial Protection Bureau (“CFPB”). Our trust company subsidiary also is regulated, supervised and examined by the OCC. The Fed and the FDIC also regulate and may examine RJ Bank and the trust company. 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 below,

capital requirements. This regulatory and supervisory framework is currently subject to significant changes that can affect the operating costs and permissible businesses of RJF, RJ Bank and the trust company. As a part of their supervisory function, 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, unsafe or unsound practices. Our broker-dealer subsidiaries, which also are registered investment advisors, are subject to regulation and oversight by various regulatory and self-regulatory authorities discussed under “Other regulations applicable to our operations” below.

The following discussion summarizes briefly the principal elements of the supervisory and regulatory framework applicable to RJF. The framework is intended to protect our clients and customers, the integrity of the financial markets, and 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 upstream to RJF funds from our regulated subsidiaries, which include RJ Bank or our broker-dealer subsidiaries. To the extent that the following information describes statutory and

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regulatory provisions, it is qualified in its entirety by reference to the particular statutory and regulatory provisions. A change in applicable statutes, regulations or regulatory or supervisory policy may have a material effect on our business.

### Rules and regulations resulting from the Dodd-Frank Act

In July 2010, the U.S. government enacted sweeping changes to the supervision and regulation of the financial industry through the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”). The Dodd-Frank Act requires U.S. federal banking and other regulatory agencies to conduct hundreds of rulemakings, studies and reports. These regulatory agencies include: the Commodity Futures Trading Commission; the Securities and Exchange Commission (the “SEC”); the Fed; the OCC; the FDIC; the CFPB; and the Financial Stability Oversight Council. Certain elements of the Dodd-Frank Act became effective immediately; however, the details of some provisions are subject to implementing regulations. Furthermore, some provisions of the Dodd-Frank Act are still subject to further rulemaking proceedings and studies and will take effect over the next several years.

As a result of the Dodd-Frank Act and other regulatory reforms, we are experiencing a period of unprecedented 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. 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). Below, we highlight certain of the more significant changes brought about as a result of the Dodd-Frank Act.

### FDIC Assessment Rates

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. In February 2011, pursuant to the Dodd-Frank Act, the FDIC issued a final rule changing its assessment base. For banks with greater than \$10 billion in assets, the FDIC’s new rule changed the assessment rate calculation, which 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. This new rule became effective for RJ Bank beginning with the December 2013 assessment period.

### CFPB Oversight

In July 2011, the CFPB began operations and was given rulemaking authority for a wide range of consumer protection laws that apply to all banks and was provided broad powers to supervise and enforce federal consumer protection laws. The CFPB has supervisory and enforcement powers under several consumer protection laws, including the: (i) Equal Credit Opportunity Act; (ii) Truth in Lending Act; (iii) Real Estate Settlement Procedures Act; (iv) Fair Credit Reporting Act; (v) Fair Debt Collection Act; (vi) Consumer Financial Privacy provisions of the Gramm-Leach-Bliley Act and unfair, deceptive or abusive acts or practices under section 1031 of the Dodd-Frank Act. Beginning with fiscal year 2014, the CFPB assumed supervisory authority over RJ Bank for its compliance with the various federal consumer protection laws. The CFPB has authority to promulgate regulations, issue orders, draft policy statements, conduct examinations, and bring enforcement actions. The creation of the CFPB has led to enhanced enforcement of consumer protection laws. To the extent that, as a result of such heightened scrutiny and oversight, we become the subject of any enforcement activity, we may be required to pay fines, incur penalties, or engage in certain remediation efforts.

### Stress Tests

In October 2012, the Fed, FDIC and OCC jointly issued final rules requiring certain bank holding companies, state member banks, and savings and loan companies with total assets between \$10 billion and \$50 billion to conduct annual company-prepared stress tests, report the results to their primary regulator and the Fed (who is RJF's primary regulator), and publish a summary of the results. Stress tests must be conducted using certain scenarios (baseline, adverse, and severely adverse) prescribed by the Fed. RJF was required to conduct its first stress test by March 2014. The Dodd-Frank Act also required that RJF begin publicly disclosing a summary of certain stress test results no later than June 30, 2015 for the stress test cycle beginning on October 1, 2014. The summary of certain stress test results is available on our website under "More... - Investors - Financial Reports - Other Reports and Information - 2016 Annual Dodd-Frank Act Stress Test Disclosure" (the information on our website is not incorporated by reference into this report).

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### The Volcker Rule

RJF is subject to the Volcker Rule, which generally prohibits, subject to exceptions, insured depository institutions, bank holding companies and their affiliates (together, “Banking Entities”) from engaging in “proprietary trading” or acquiring or retaining an ownership interest in a hedge fund or private equity fund (“covered funds”). Banking Entities engaged in proprietary trading and/or investments in covered funds must establish a Volcker Rule-specific compliance program. We have adopted a program, which is designed to be effective in ensuring compliance with the Volcker Rule, however, in connection with their examinations, regulators will assess the sufficiency and adequacy of our program. The Volcker Rule also limits investments in, and relationships with, covered funds. The conformance period for compliance with the rule with respect to investments in certain illiquid funds has been extended and Banking Entities may still apply for an additional five-year extension with respect to investments in certain illiquid funds. We maintain a number of private equity investments, some of which meet the definition of covered funds under the Volcker Rule. The extension of the conformance deadline provides us with additional time to realize the value of these investments in due course and implement any additional actions necessary for conformance with the rule. To the extent that any of our covered funds satisfy the Fed’s criteria for further extension for certain illiquid funds, we may apply for such extensions, although there is no assurance that any such extension would be granted.

### Basel III and U.S. Capital Rules

Both RJF, as a bank holding company, and RJ Bank are subject to capital requirements that have increased due to recent regulatory actions. In July 2013, the OCC, the Fed and the FDIC released final U.S. rules implementing the Basel III capital framework developed by the Basel Committee on Banking Supervision and certain 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) increase the quantity and quality of regulatory capital; (ii) establish a capital conservation buffer; and (iii) make 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 as of January 1, 2016. See Note 25 of the Notes to the Consolidated Financial Statements in this Form 10-K for information regarding RJF and RJ Bank regulatory capital levels and ratios, including information regarding the capital conservation buffer. The increased capital requirements 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. 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, as a financial holding company, 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 assets; and (iii) capital conservation buffers. See Item 7, “Regulatory” in this report and Note 25 of the Notes to the Consolidated Financial Statements in this Form 10-K, for further information.

### Money Market Funds

In July 2014, the SEC adopted amendments to the rules that govern money market mutual funds. The amendments make structural and operational reforms to address risks of excessive withdrawals over relatively short time frames by

investors from money market funds, while preserving the benefits of the funds. We do not sponsor any money market funds. We utilize such funds in limited circumstances for our own investment purposes as well as to offer our clients with money market funds that are sponsored by third parties as one of several cash sweep alternatives.

#### Municipal Advisor Regulation

In September 2013, the SEC issued final rules regarding the mandatory registration of “municipal advisors” as required under the Dodd-Frank Act. These final rules for municipal advisors, which became effective in July 2014: (i) impose a fiduciary duty on municipal advisors when advising municipal entities; (ii) may result in the need for new written representations by issuers; and (iii) may limit the manner in which we, in our capacity as an underwriter or in our other professional roles, interact with municipal issuers. Our municipal finance business became subject to additional regulation and oversight by the SEC by virtue of our registration with the SEC as a municipal advisor in 2014. In August 2014, the SEC also announced that it will undertake a two-year review of municipal advisors as part of an exam initiative.



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Moreover, in December 2015, the Municipal Securities Rulemaking Board (the “MSRB”) received approval from the SEC on new MSRB Rule G-42 (regarding duties of non-solicitor municipal advisors) and related amendments to MSRB Rule G-8 (regarding books and records to be made by municipal advisors, among others), all of which became effective in June 2016. Additional rulemaking by the MSRB may cause further changes to the manner in which state and local governments are able to interact with outside finance professionals. These new rules may impact the nature of our interactions with public finance clients, as well as potentially have a negative short-term impact on the volume of public finance financing transactions while the industry attempts to adapt to the new regulatory landscape. However, we do not expect these new rules to have a materially adverse impact on our public finance results of operations, which are included in our Capital Markets segment.

### Fiduciary Duty Standard

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. The SEC has not yet proposed rules relating to a new standard of conduct applicable to broker-dealers. However in April 2016, the U.S. Department of Labor (the “DOL”) issued its final regulation (the “DOL Rule”) expanding the definition of who is deemed an “investment advice fiduciary” under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), as a result of giving investment advice to a “plan,” “plan participant” or “beneficiary,” as well as under the Internal Revenue Code for individual retirement arrangements (“IRAs”) and non-ERISA plans (collectively, “qualified plans”). As a result of adopting a new definition of “fiduciary” under ERISA, the final rule extends fiduciary status to many investment professionals that have not been considered fiduciaries under current law. A fiduciary is subject to strict duties to act solely in the interests of plan participants and beneficiaries and is personally liable to the ERISA plan for breaches in its discharge of its duties.

The DOL Rule also contains exemptions, including the Best Interest Contract exemption (the “BIC Exemption”) and Principal Transactions in Certain Assets exemption (the “Principal Transactions Exemption”), designed to enable investment professionals that will become fiduciaries to continue to operate under existing business models that would otherwise be prohibited, subject to compliance with new conditions. In order to rely on these exemptions, we will be required to: (i) act under defined impartial conduct standards that are in the best interest of our client; (ii) adopt certain anti-conflict policies and procedures; (iii) provide disclosure of certain information relating to fees, compensation and defined “material conflicts of interest;” (iv) provide a written acknowledgment of fiduciary status; and (v) for IRAs and non-ERISA plans, enter into an enforceable contract with our client that contains extensive warranties and does not allow exculpatory provisions waiving the client’s rights and remedies, including the right to participate in a class action in court. The DOL Rule became effective as of June 7, 2016, with phase-in of the fiduciary definition not applicable until April 10, 2017, and further transition periods until January 1, 2018 applying to both the BIC Exemption and Principal Transactions Exemption.

We are evaluating the impact of the DOL Rule on our business. However, because qualified accounts, particularly IRA accounts, comprise a significant portion of our business, we expect that compliance with the DOL Rule and reliance on the BIC Exemption and the Principal Transactions Exemption will require us to incur increased legal, compliance and information technology costs. In addition, as discussed above, we may face enhanced legal risks.

### Incentive-Based Compensation Arrangements

Pursuant to the Dodd-Frank Act, six federal agencies are charged with jointly prescribing regulations or guidelines related to the prohibition of incentive-based compensation arrangements that encourage inappropriate risks at certain financial institutions. The agencies have released a proposed rule that would prohibit certain forms of incentive-based compensation arrangements for financial institutions with greater than \$1 billion in total assets (the “Incentive-Based

Compensation Proposal”). Much of the Incentive-Based Compensation Proposal would apply to financial institutions categorized as either “Level 1” institutions (assets of \$250 billion or more) or “Level 2” institutions (assets of \$50 billion to \$250 billion), while “Level 3” institutions (assets of \$1 billion to \$50 billion) would be subject to less extensive obligations. All covered financial institutions would be required to, among other requirements: (i) annually document the structure of their incentive-based compensation arrangements; (ii) retain records of such annual documentation for at least seven years; and (iii) comply with general prohibitions on incentive-based compensation arrangements that could encourage inappropriate risk-taking. Should the Incentive-Based Compensation Proposal be adopted, we would be subject to the rule’s requirements as a “Level 3” financial institution, which would require us to incur additional legal and compliance costs, as well as subject us to increased legal risks.

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Other regulations applicable to our operations

The SEC is the federal agency charged with administration of the federal securities laws in the United States. 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.

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 became effective as of October 2013 and 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. We continue to evaluate the impact of these amendments on our broker-dealer subsidiaries; however, based on our current analysis, we do not believe these amendments will have a material adverse effect on any of our broker-dealer subsidiaries.

Financial services firms are 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 United States, we have additional offices in Europe, Canada and Latin America that are subject to local regulatory bodies in these territories.

Much of the regulation of broker-dealers in the United States and Canada, however, has been delegated to self-regulatory organizations (“SROs”), 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 commissions may conduct administrative proceedings that can result in censure, fine, suspension or expulsion of a broker-dealer, its officers or employees. 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.

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, 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 and IIROC. IIROC requires that RJ Ltd. be a member of the Canadian Investors Protection Fund (the “CIPF”), whose primary role is investor protection. The CIPF provides protection for securities and cash held in client accounts up to \$1 million Canadian currency (“CDN”) per client, with

separate coverage of CDN \$1 million for certain types of accounts. See Note 25 of the Notes to Consolidated Financial Statements in this Form 10-K for further information on SEC, FINRA and IIROC regulations pertaining to broker-dealer regulatory minimum net capital requirements.

Our investment advisory operations, including the mutual funds that we sponsor, are also subject to extensive regulation in the United States. Our U.S. asset managers are registered as investment advisors 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.

RJ Bank is also subject to the Community Reinvestment Act (the "CRA"). The CRA 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 one of the following public CRA ratings: "outstanding;" "satisfactory;" "needs to improve;" or "substantial noncompliance." Members of the public may submit comments on a bank's performance under the CRA; such comments will form part of the bank's performance evaluation. The results of the evaluation, together with the bank's CRA rating, are also taken into consideration

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when evaluating mergers, acquisitions, and applications to open a branch or facility. RJ Bank could face additional requirements and limitations should it fail to adequately meet the criteria stipulated under the CRA.

Bank Secrecy Act and USA PATRIOT Act of 2001

The Bank Secrecy Act and the USA PATRIOT Act of 2001 (“Patriot Act”) and requirements administered by the Office of Foreign Assets Control (“OFAC”) require financial institutions, among other things, to implement a risk-based program reasonably designed to prevent money laundering and to combat the financing of terrorism, including through suspicious activity and currency transaction reporting, compliance, record-keeping and due diligence on customers. The Patriot Act also contains financial transparency laws and enhanced information collection tools and enforcement mechanisms for the U.S. government, including: due diligence and record-keeping requirements for private banking and correspondent accounts; standards for verifying customer identification at account opening; and rules to produce certain records upon request of a regulator or law enforcement and to promote cooperation among financial institutions, regulators, and law enforcement in identifying parties that may be involved in terrorism, money laundering and other crimes. Failure to meet the requirements of the Bank Secrecy Act, the Patriot Act, or OFAC can lead to supervisory actions including fines.

EXECUTIVE OFFICERS OF THE REGISTRANT

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

- Jennifer C. Ackart 52 Senior Vice President since August, 2009 and Controller since February, 1995
- Bella Loykhter 63 Executive Vice President - Technology and Operations - Raymond James & Associates, Inc. since June, 2011; Managing Director and Chief Information Officer - UBS Wealth Management Americas, Allaire November, 2006 - January, 2011
- Paul D. Allison 60 Chairman, President and CEO - Raymond James Ltd. since January, 2009; Co-President and Co-CEO - Raymond James Ltd., August, 2008 - January, 2009
- John C. Carson, Jr. 60 President since April, 2012; President - Morgan Keegan & Company, LLC, formerly known as Morgan Keegan & Company, Inc., since July, 2013; Chief Executive Officer and Executive Managing Director - Morgan Keegan & Company, Inc., March, 2008 - July, 2013
- George Catanese 57 Senior Vice President since October, 2005 and Chief Risk Officer since February, 2006
- Scott A. Curtis 54 President - Raymond James Financial Services, Inc. since January, 2012; Senior Vice President - Private Client Group - Raymond James & Associates, Inc., July, 2005 - December, 2011
- Jeffrey A. Dowdle 52 President - Asset Management Group since May, 2016; Executive Vice President - Asset Management Group, February, 2014 - May, 2016; President - Asset Management Services - Raymond James & Associates, Inc., January, 2005 - February, 2014; Senior Vice President - Raymond James & Associates, Inc., January, 2005 - February, 2014
- Tashtego S. Elwyn 45 President - Private Client Group - Raymond James & Associates, Inc. since January, 2012; Regional Director - Raymond James & Associates, Inc., October, 2006 - December, 2011

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Jeffrey P. Julien Executive Vice President - Finance since August, 2009, Chief Financial Officer since April, 1987 and Treasurer since February, 2011; Director and/or officer of several RJF subsidiaries

Steven M. Raney 51 President and CEO - Raymond James Bank, N.A. since January, 2006

Paul C. Reilly 62 Chief Executive Officer since May, 2010; Director since January, 2006; President, May, 2009 - April, 2010

Jonathan N. Santelli 45 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; Managing Director and Associate General Counsel - Preferred and Small Business Banking - Bank of America, December, 2011 - August, 2013; Managing Director and Associate General Counsel - Private Wealth Management - Bank of America, October, 2009 - November, 2011

Jeffrey E. Trocin 57 President - Global Equities and Investment Banking - Raymond James & Associates, Inc. since July, 2013; Executive Vice President - Equity Capital Markets - Raymond James & Associates, Inc., February, 2001 - July, 2013

Dennis W. Zank 62 Chief Operating Officer since January, 2012; Chief Executive Officer - Raymond James & Associates, Inc. since January, 2012; President - Raymond James & Associates, Inc., December, 2002 - December, 2011

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

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OTHER 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.

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 and regulatory developments or 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 below, 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 below is not exhaustive; there may be factors not discussed below or in 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, customers, investors and associates. If we fail to address, or appear to fail to address, issues that may give rise to reputational risk, we could significantly harm our business prospects. These issues may include, but are not limited to, any of the risks discussed in this Item 1A, including appropriately dealing with potential conflicts of interest, legal and regulatory requirements, ethical issues, money laundering, cybersecurity and privacy, record-keeping, and sales and trading practices, the failure to sell securities we have underwritten at the anticipated price levels, and the proper identification of the legal, reputational, credit, liquidity, and market risks inherent in our products. Failure to maintain appropriate service and quality standards, or a failure or perceived failure to treat customers and 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. Further, negative publicity about us, whether or not true, may also harm our future business prospects.

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 including oil and gas, consumer confidence levels, 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.



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At times over the last several years we have experienced operating cycles during weak and uncertain U.S. and global economic conditions, including low economic output levels, artificially maintained levels of historically low interest rates, relatively high unemployment rates, and significant uncertainty with respect to domestic and international fiscal and monetary policy. These conditions led to changes in the global financial markets that from time to time negatively impacted our net revenue and profitability. While global financial markets have shown signs of improvement, uncertainty remains. A period of sustained downturns and/or volatility in the securities markets, prolonged continuation of the artificially low level of short-term interest rates, a return to increased credit market dislocations, reductions in the value of real estate, and other negative market factors could significantly impair our revenues and profitability. We could experience a decline in commission revenue from lower trading volumes, a decline in fees from reduced portfolio values of securities managed on behalf of our clients, a reduction in revenue from capital markets and advisory transactions due to reduced activity, increased credit provisions and charge-offs, losses sustained from our customers' and market participants' failure to fulfill their settlement obligations, reduced net interest earnings, and other losses. Periods of reduced revenue and other losses could be accompanied by periods of 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 the Middle East and in Eastern Europe and Russia. Concerns about the European Union ("EU"), including Britain's June 23, 2016 referendum to exit the EU ("Brexit"), and the stability of the EU's sovereign debt, has caused uncertainty and disruption for financial markets globally. Continued uncertainties loom over the outcome of the EU's financial support programs. It is possible that other EU member states may experience financial troubles in the future, or may choose to follow Britain's lead and leave the EU. Any negative impact on economic conditions and global markets from these developments could adversely affect our business, financial condition and liquidity.

U.S. state and local governments also continue to struggle with budget pressures caused by the ongoing less than optimal economic environment and ongoing concerns regarding municipal issuer credit quality. If these trends continue or worsen, investor concerns could potentially reduce the number and size of transactions in which we participate and, in turn, reduce investment banking revenues. In addition, such factors could adversely affect the value of the municipal securities we hold in our trading securities portfolio.

RJ Bank is particularly affected by economic conditions in North America. Market conditions in the United States and Canada can be assessed through the following metrics: the level and volatility of interest rates; the 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.

We must maintain appropriate liquidity levels. Our inability to maintain adequate liquidity and readily available access to the 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, including limiting our efforts to recruit additional financial advisors, sell assets at unfavorable prices, and cut or eliminate dividend payments. Our liquidity could be negatively affected by the inability of our subsidiaries to generate cash in the form of dividends from earnings, regulatory changes to the 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 a prohibition or limitations on our ability to pay dividends or repurchase our stock. The OCC, the Fed, the FDIC, and the SEC

(through FINRA) 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.

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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 (see Note 18 of the Notes to Consolidated Financial Statements in this Form 10-K for such information). A credit rating downgrade would also result in RJF incurring a higher commitment fee on any unused balance on its \$300 million revolving credit facility executed on August 6, 2015, 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 15 of the Notes to Consolidated Financial Statements in this Form 10-K for information on this revolving credit facility).

We are exposed to market 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. 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 venture capital 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, relative 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 venture capital and 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 venture capital 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, when these companies go public, the

size of our position relative to the public float and whether we are subject to any resale restrictions. Further, our investments could incur significant mark-to-market losses, especially if they have been written up in prior periods because of higher market prices.

See Item 7A, “Quantitative and Qualitative Disclosures about Market Risk,” in this report for additional information regarding our exposure to and approaches to managing market 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 performance obligations 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

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certain securities, loans and derivatives in our trading accounts. 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 trading 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 monitoring collateral and transaction levels daily. 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 through the offering of: C&I loans, commercial and residential mortgage loans, tax-exempt loans, home equity lines of credit, and margin and other loans collateralized by securities. We 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 available for sale securities portfolio. 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. Our policies also can adversely affect borrowers, potentially increasing the risk that they may fail to repay their loans or satisfy their obligations to us.

See Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," in this report for additional information regarding our exposure to and approaches to managing credit risk.

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 transactions. As a result of 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 adversely affected 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

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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 business depends on fees generated from the distribution of financial products, fees earned from the management of client accounts by our asset management subsidiaries, and advisory 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 funds and annuities. The investment management fees we are paid may also decline over time due to factors such as increased competition, renegotiation of contracts and the introduction of new, lower-priced investment products and services. Changes in market values or in the fee structure of asset management accounts would affect our revenues, business and financial condition. Asset management fees often are primarily comprised of base management and incentive fees. Management fees are primarily based on assets under management (“AUM”). AUM balances are impacted by net inflow/outflow of client assets and market values. Below-market investment performance by our funds and portfolio managers could result in a loss of managed accounts and could result in reputational damage that might make it more difficult to attract new investors and thus further impact our business and financial condition. If we were to experience the loss of managed accounts, our fee revenue would decline. In addition, in periods of declining market values, our asset values under management may resultantly decline, which would negatively impact our fee revenues.

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 which 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. 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. In addition, despite risk mitigation policies, we may incur losses as a result of positions we hold in connection with our market making or underwriting activities.

From time to time and 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 could impact our financial results.

We have made and, to the limited extent permitted by applicable regulations, may continue to make principal investments in private equity funds and other illiquid investments. We may be unable to realize our investment objectives if we cannot sell or otherwise dispose of our interests at attractive prices or complete a desirable exit strategy. In particular, these risks could arise from changes in the financial condition or prospects of the portfolio companies in which investments are made, changes in economic conditions or changes in laws, regulations, fiscal policies or political conditions. It could take a substantial period of time to identify attractive investment opportunities and then to realize the cash value of such investments. 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.

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, and this pressure has been augmented by the use of electronic and direct market access trading, which has created additional competitive downward pressure on trading margins. We believe that price competition and pricing pressures in these and other areas will continue as institutional investors continue to reduce the amounts they are willing to pay, including by reducing the number of brokerage firms they use, and some of our competitors seek to obtain market share by reducing fees, commissions or margins.

We face intense competition.

We are engaged in intensely competitive businesses. We compete on the basis of a number of factors, including the quality of our 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

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financial services industry, which has significantly increased the capital base and geographic reach of our competitors. See the section entitled “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. 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, including improvements made to internet connectivity, networking and telecommunications systems.

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, particularly our managing directors, and the 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 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 attracting and retaining 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.

Business growth could increase costs and regulatory and integration risks.

Integrating acquired businesses, including for example, the September 6, 2016 acquisition of the U.S. Private Client Services unit of Deutsche Bank Wealth Management (“Alex. Brown”) and the August 31, 2016 acquisition of MacDougall, MacDougall & MacTier, Inc. (“3Macs”), as well as providing a platform for new businesses and partnering with other firms involve risks and present financial, managerial and operational challenges. We may incur significant expense in connection with expanding our existing businesses, recruiting financial advisors, or making strategic acquisitions or investments. Our overall profitability would be negatively affected if investments and expenses associated with such growth are not matched or exceeded by the revenues derived from such investments or growth.

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

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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 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.

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; (ii) address the needs of our clients by using technology to provide products and services that satisfy their demands; and (iii) retain skilled information technology employees. Failure of our technology systems, which could result from events beyond our control, 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 7A, "Quantitative and Qualitative Disclosures about Market Risk," in this report for additional information regarding our exposure to and approaches for managing these types of operational risks.

Security breaches 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.

The expectations of sound operational and informational security practices have risen among our clients and vendors, the public at large and regulators. Our operational systems and infrastructure must continue to be safeguarded and monitored for potential failures, disruptions, cyber-attacks and breakdowns. Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Although cyber security 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, there can be no assurance that we will not suffer such losses in the future. 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 have an impact on the security and stability of our operations.

Notwithstanding the precautions we take, if one or more of these events were to occur, this could jeopardize the information we confidentially maintain, including that of our clients and counterparties, which is processed, stored in and transmitted through our computer systems and networks, or otherwise cause interruptions or malfunctions in our operations or the operations of our clients and counterparties. We may be required to expend significant additional resources to modify our protective measures, to investigate and remediate vulnerabilities or other exposures or to make required notifications. We may also be subject to litigation and financial losses that are neither insured nor 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.

In providing services to clients, we may manage, utilize and store sensitive or confidential client or employee data, including personal data. As a result, we may be subject to numerous laws and regulations designed to protect this information, such as U.S. federal and state laws governing the protection of personally identifiable information and international laws. 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.

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See Item 7A, “Quantitative and Qualitative Disclosures about Market Risk,” in this report for additional information regarding our exposure to and approaches for managing these types of operational risks.

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 have been a number of highly-publicized cases involving fraud or other misconduct by associates in the financial services industry. 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. If our associates were to improperly use or disclose confidential information provided by our clients, we could be subject to 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 the assets managed by our asset management business. 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.

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. Refer to the “we are exposed to credit risk” risk factor in this Item 1A for a discussion of how events, including weather events, could adversely impact RJ Bank’s loan portfolio. Refer to the “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” risk factor in this Item 1A for a discussion of how events beyond our control, including weather-related events, could impact our ability to conduct business.

Regions may fail to honor its indemnification obligations associated with Morgan Keegan matters.

Under the definitive stock purchase agreement entered into in connection with our acquisition of Morgan Keegan & Company, Inc., and MK Holding, Inc. and certain of its affiliates (collectively referred to as “Morgan Keegan”) from Regions Financial Corporation (“Regions”), Regions has obligations to continue to indemnify RJF with respect to certain litigation as well as other matters. Specifically, the terms of the agreement provide that Regions will indemnify RJF for losses incurred in connection with legal proceedings pending as of the closing date of that acquisition (April 2, 2012), or commenced thereafter and related to pre-closing matters that were received prior to the closing date, as well as any cost of defense pertaining thereto. RJF is relying on Regions to continue to fulfill its indemnification obligations under the SPA with respect to such matters. Our inability to enforce these indemnification provisions in the future, or our failure to recover future losses for which we are entitled to be indemnified, could result in our incurring significant costs for defense, settlement, and any adverse judgments, and resultantly have an adverse effect on our results of operations, financial condition, and our regulatory capital levels.

See Note 21 of the Notes to Consolidated Financial Statements in this Form 10-K for further information regarding the indemnification from Regions.

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

Many aspects of our business involve substantial risks of liability. We have been named as a defendant or co-defendant in lawsuits and arbitrations involving primarily 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. Our Private Client Group business segment has historically been more susceptible to litigation than our institutional businesses.

In highly volatile markets, the volume of claims and amount of damages sought in litigation and regulatory proceedings against financial institutions has historically increased. These 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

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to the suitability of our investment recommendations; 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" in this report for a discussion of our legal matters and Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," in this report for a discussion regarding our approach to managing legal risk.

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 the 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, one outcome could be that 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. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Estimates," in this report for additional information on the nature of these estimates.

Our financial instruments, including certain trading assets and liabilities, available for sale securities including Auction Rate Securities ("ARS"), certain loans, intangible assets and private equity 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 direct observable inputs, making their valuation particularly subjective and, consequently, based on significant estimation and judgment. In addition, sudden illiquidity in markets or declines in prices of certain securities may make it more difficult to value certain items, which may lead to the possibility that such valuations will be subject to further change or adjustment, as well as declines in our earnings in subsequent periods.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. The Financial Accounting Standards Board (the "FASB") and the SEC have at times revised the financial accounting and reporting standards that govern the preparation of our financial statements. In addition, accounting standard setters and those who interpret the accounting standards may change or even reverse their previous interpretations or positions on how these standards should be applied. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in our restating prior period financial statements. For further discussion of some of our significant accounting policies and standards, see the "Critical Accounting Estimates" discussion within Item 7 in this report, and Note 2 of the Notes to Consolidated Financial

Statements in this Form 10-K.

In June 2016, the FASB issued a new standard on accounting for credit losses. The new 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 its adoption, which will occur no later than the quarter ended December 31, 2020, will have on our financial position and 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 operational, legal and regulatory 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. Our banking and trading processes seek to balance our ability to profit from banking and trading positions with our exposure to potential losses. While we use limits and other risk mitigation techniques, those techniques and

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the judgments that accompany their application cannot 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. A failure to manage our growth adequately, 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 under growing scrutiny by U.S. federal and state regulators. 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 7A, “Quantitative and Qualitative Disclosures about Market Risk,” in this report.

We are exposed to risk from international markets.

We do business in other parts of the world, including a few developing regions commonly known as emerging markets, and as a result, are exposed to risks, including economic, market, litigation and regulatory 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 abovementioned factors. The impact of these fluctuations could be magnified because non-U.S. trading markets, particularly those in emerging markets, are generally smaller and less developed, less liquid and more volatile than U.S. trading markets.

We have 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, including most significantly property and casualty, workers’ compensation, errors and omissions liability, general liability and the portion of employee-related health care benefits plans we fund.

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, insurance claims may divert management resources away from operating our business.

## RISKS RELATED TO OUR REGULATORY ENVIRONMENT

Financial services firms have been subject to increased regulatory scrutiny over the last several years, increasing the risk of financial liability and reputational harm resulting from adverse regulatory actions.

Financial services firms have been operating in an onerous regulatory environment, which will become even more stringent in light of recent well-publicized failures of regulators to detect and prevent fraud. The industry has experienced 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. 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. Each of the regulatory bodies with jurisdiction over us has regulatory powers dealing with many different aspects of financial services, including, but not limited to, the authority to fine us and to grant, cancel, restrict or otherwise impose conditions on the right to continue operating particular businesses or engage in certain activities. Substantial legal liability or significant regulatory action taken against us could harm our business prospects through adverse financial effects and reputational harm.

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Changes in regulations resulting from the Dodd-Frank Act, the DOL Rules, including the new fiduciary standard, or any new regulations or laws may adversely affect our businesses.

Market and economic conditions over the past several years have directly led to a demand by the public for changes in the way the financial services industry is regulated, including a call for more stringent legislation and regulation in the United States and abroad. The Dodd-Frank Act enacted sweeping changes and an unprecedented increase in the supervision and regulation of the financial services industry (see Item 1, "Regulation," in this report for a discussion of such changes). The ultimate impact that the Dodd-Frank Act and implementing regulations will have on us, the financial industry and the economy at large cannot be quantified until all of the implementing regulations called for under the legislation have been finalized and fully implemented. Nevertheless, it is apparent that these legislative and regulatory changes 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.

The Dodd-Frank Act impacts the manner in which we market our products and services, manage our business and operations, and interact with regulators, all of which could materially impact our results of operations, financial condition and liquidity. Certain provisions of the Dodd-Frank Act that have (or may) impact our businesses include: the establishment of a fiduciary standard for broker-dealers; regulatory oversight of incentive compensation; the imposition of capital requirements on financial holding companies; restrictions on proprietary trading; and, to a lesser extent, greater oversight over derivatives trading. 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. The CFPB has had an active enforcement agenda and 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. To the extent the Dodd-Frank Act impacts the operations, financial condition, liquidity and capital requirements of unaffiliated financial institutions with whom we transact business, those institutions may seek to pass on increased costs, reduce their capacity to transact, or otherwise present inefficiencies in their interactions with us. We were required to comply with the Volcker Rule's provisions beginning on July 21, 2015. Although we have not historically engaged in significant levels of proprietary trading, due to our underwriting and market making activities, the Volcker Rule will likely adversely affect our results of operations through increased operational and compliance costs, possible reductions in our trading revenues, and changes to our private equity investments.

We are evaluating the impact of the DOL Rule on our business. However, because qualified accounts, particularly IRA accounts, comprise a significant portion of our business, we expect that implementation of the DOL Rule will negatively impact our results including the impact of increased costs related to compliance, legal and information technology. In addition, we expect that our legal risks will increase, in part, as a result of the new contractual rights required to be given to IRA and non-ERISA plan clients under the BIC Exemption and Principal Transactions Exemption.

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

In July 2013, the Fed, the OCC and the FDIC released final U.S. Basel III Rules, which 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. We continue to evaluate the impact of the U.S. Basel III Rules on both RJ Bank and RJF.

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 United States, 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 accounting practices. 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

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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. As more fully discussed in Item 1, "Regulation," in this report, RJF is required to perform annual stress tests using certain scenarios provided by the Fed. While we believe that both the quality and magnitude of our capital base is sufficient to support our current operations given our risk profile, the results of the stress testing process may affect our approach to managing and deploying capital.

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 IROC. Regulatory capital requirements applicable to some of our significant subsidiaries may impede access to funds that RJF needs to make payments on any such obligations.

See Note 25 of the Notes to Consolidated Financial Statements in this Form 10-K for further information on regulations and capital requirements.

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 debt service. 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 broker 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" in this report for additional information on liquidity and how we manage our liquidity risk.

We operate in a highly regulated industry in which future developments could adversely affect our business and financial condition.

The securities industry is subject to extensive and constantly changing regulation. 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.

As a financial holding company, we are regulated by the Fed. RJ Bank is regulated by the OCC, the Fed, the CFPB, and the FDIC. This oversight includes, but is not limited to, scrutiny with respect to affiliate transactions and compliance with consumer regulations. The economic and political environment over the past several years has resulted in increased focus on the regulation of the financial services industry, including many proposals for new rules. Any new rules issued by U.S. regulators that oversee the financial services industry could affect us in substantial and unpredictable ways and could have an adverse effect on our business, financial condition, and results of operations. We also may be adversely affected as a result of changes to federal, state or foreign tax laws, or by changes to the interpretation or enforcement of existing laws and regulations.

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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 affiliates may become subject to additional findings with respect to compliance or other regulatory deficiencies, which could subject us to additional liability, including penalties. See Item 1, "Regulation," in this report for additional information regarding our regulatory environment and Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," in this report regarding our approaches to managing regulatory risk.

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

The SEC has proposed certain measures that would establish a new framework to replace the requirements of Rule 12b-1 under the 1940 Act with respect to how mutual funds pay fees to cover the costs of selling and marketing their shares. The staff of the SEC's Office of Compliance, Inspections and Examinations has indicated that it is reviewing the use of fund assets to pay for fees to sub-transfer agents and sub-administrators for services that may be deemed to be distribution-related. Any adoption of such measures would be phased in over a number of years. As these measures are neither final nor undergoing implementation throughout the financial services industry, their impact cannot be fully ascertained at this time. As this regulatory trend continues, it could adversely affect our operations and, in turn, our financial results.

Asset management businesses have experienced a number of highly publicized regulatory inquiries, which have resulted in increased scrutiny within the industry and new rules and regulations for mutual funds, investment advisors and broker-dealers. As some of our wholly owned subsidiaries are registered as investment advisors with the SEC, increased regulatory scrutiny and rulemaking initiatives may result in augmented 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 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. For example, 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. It is not clear whether the SEC will determine that a heightened standard of conduct is appropriate for broker-dealers; however, any such standard, if mandated, would likely require us to review our product and service offerings and implement certain changes, as well as require that we incur additional regulatory costs in order to ensure compliance.

In addition, U.S. and foreign governments have recently taken regulatory actions impacting the investment management industry, and may continue to take further actions, 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 United States 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. Additionally, 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. A substantial portion of the research relied on by our investment management business in the investment decision making process is generated internally by our investment analysts and external research, including external research paid for with soft dollars. This external research generally is 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. Furthermore, new regulations

regarding the management of hedge funds and the use of certain investment products may impact our investment management business and result in increased costs. For example, many regulators around the world adopted disclosure and reporting requirements relating to the hedge fund business or other businesses, and changes to the laws, rules and regulations in the United States related to the over-the-counter swaps and derivatives markets require additional registration, recordkeeping and reporting obligations.

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. A successful challenge to an institution's performance under the CRA or fair lending laws and regulations could result in a wide variety of sanctions, including the required payment of damages and civil monetary penalties, injunctive relief, and the imposition of restrictions on mergers, acquisitions and expansion



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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.

### Item 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

### Item 2. PROPERTIES

The RJF and RJ Bank corporate headquarters are located on land we own that is located within the Carillon Office Park in St. Petersburg, Florida. This office complex currently includes buildings which provide approximately 920,000 square feet of office space. At this location, we also have the necessary rights to add approximately 440,000 square feet of new office space on our existing parcel. To facilitate certain storage needs, we lease approximately 30,000 square feet of warehouse space near this headquarters complex.

We conduct employee-based branch office operations in various locations throughout the U.S. and in certain foreign countries. With the exception of one company-owned RJ&A branch located in Crystal River, Florida, and certain interests in real estate holdings held under Morgan Properties, LLC which are insignificant in the aggregate, RJ&A branches are leased from third parties under leases that contain various expiration dates through 2027. Leases for branch offices of RJFS, the independent contractors of RJ Ltd., and RJIS, are the responsibility of the respective independent contractor financial advisors.

We conduct certain operations from our 88,000 square foot office building located on land we own in Southfield, Michigan. We operate a 40,000 square foot information technology data center on land we own in the Denver, Colorado area. We also conduct certain operations in approximately 240,000 square feet of leased office space in the Raymond James Tower located in downtown Memphis, Tennessee. During September 2016, we completed the purchase of approximately 65 acres of land located in Pasco County, Florida.

RJ Ltd. leases its main office premises in Vancouver, Calgary, Toronto, and Montreal, as well as certain branch offices located throughout Canada. These leases have various expiration dates through 2030. RJ Ltd. does not own any land or buildings.

See Note 21 of the Notes to Consolidated Financial Statements in this Form 10-K for further information on our lease commitments.

### Item 3. LEGAL PROCEEDINGS

In addition to the matters specifically described below, 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.

We are also subject, from time to time, to other reviews, investigations and proceedings (both formal and informal) by governmental and self-regulatory agencies regarding our business. Such proceedings may involve, among other things, our sales and trading activities, financial products or offerings we sponsored, underwrote or sold, and operational matters. Some of these proceedings have resulted, and may in the future result, in adverse judgments, settlements, fines, penalties, injunctions or other relief and/or require us to undertake remedial actions.

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).

We 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. While we have identified below certain proceedings that we believe could be material, individually or collectively, 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.

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We include in some of the descriptions of individual matters below 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.

Subject to the foregoing, we believe, after consultation with counsel and consideration of the accrued liability amounts included in the accompanying consolidated financial statements, 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.

See Note 21 of the Notes to Consolidated Financial Statements in this Form 10-K for additional information regarding legal and regulatory matter contingencies, and refer to the "loss provisions arising from legal and regulatory matters" section of Critical Accounting Estimates in Part II - Item 7 of this report, and Note 2 of the Notes to Consolidated Financial Statements in this Form 10-K, for information on our criteria for establishing accruals.

Jay Peak Litigation

We and one of our financial advisors are named defendants in various lawsuits related to an alleged fraudulent scheme conducted by Ariel Quiros ("Quiros") and William Stenger ("Stenger") involving the misuse of EB-5 investor funds in connection with the Jay Peak ski resort in Vermont ("Jay Peak") and associated limited partnerships. Plaintiffs in the lawsuits allege that Quiros misused \$200 million of the amounts raised by the limited partnerships and misappropriated \$50 million for his personal benefit. The plaintiffs also generally allege some combination of the following: that we or our subsidiaries or employees were negligent in supervision, breached fiduciary duty, conspired to breach, and aided and abetted the breach of, fiduciary duty, committed, or aided and abetted, fraud and/or fraudulent inducement, engaged in or facilitated fraudulent transfers, committed conversion, civil theft, and/or commingled investor funds.

There are six civil court actions pending in which we or one of our subsidiaries are named:

On May 3, 2016, Alexandre Daccache filed a purported consolidated class action on behalf of approximately 836 individual investors in seven Jay Peak limited partnerships in the U.S. Federal District Court for the Southern District of Florida, styled Daccache, et al. v. Raymond James Financial, Inc. The plaintiffs demand, among other things, damages in the amount of \$250 million, treble damages under the Racketeer Influenced and Corrupt Organizations Act ("RICO") and unspecified punitive damages.

On May 20, 2016, Michael I. Goldberg, a court-appointed receiver for Jay Peak, filed a complaint against the company and other defendants in the United States District Court for the Southern District of Florida, styled Michael I. Goldberg, as Receiver v. Raymond James Financial, Inc. et al. The complaint seeks, among other relief, compensatory damages and treble damages under RICO.

On June 3, 2016, Milos Citakovic and other individual investors filed a complaint against RJ&A and a financial advisor in the Eleventh Judicial Circuit Court in Miami-Dade County, Florida, styled Citakovic v. Raymond James & Associates, Inc., and Joel Burstein. The plaintiffs seek, among other things, compensatory damages.

On July 26, 2016, Caterina Calero and other individual investors filed a complaint against RJ&A and other defendants in the Eleventh Judicial Circuit Court in Miami-Dade County, Florida, styled Caterina Gonzalez Calero v. Raymond James & Associates, Inc. et al. ("Calero"). The complaint seeks, among other things, compensatory damages and treble damages for alleged violations of the Florida civil theft statute.

On October 26, 2016, Caroline Walters and other individual investors filed a complaint against RJ&A in the Circuit Court of the 20<sup>th</sup> Judicial Circuit in and for Collier County, Florida, styled Caroline Walters, et al. v. Raymond James & Associates, Inc. The plaintiffs seek, among other things, compensatory damages in an undetermined amount and treble damages for alleged RICO violations.

On November 7, 2016, Zheng Zhang and other individual investors filed a complaint against RJ&A, and certain other defendants, in the United States District Court for the Southern District of Florida, styled Zheng Zhang, et al. v. Raymond James & Associates, Inc., Joel Burstein and Ariel Quiros. The plaintiffs seek, among other things, compensatory damages and punitive damages in an undetermined amount.

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Given the early stage of the cases, the complexity of the forensic accounting necessary to determine the amount of actual investor losses, the identification and availability of any assets for recovery by the plaintiffs and the potential for insurance coverage, a range of possible loss in excess of the amount accrued cannot be estimated. While there can be no assurance that we will be successful, we intend to vigorously defend the claims against us.

Morgan Keegan Litigation

Indemnification from Regions

Under the agreement with Regions governing our 2012 acquisition of Morgan Keegan, Regions is obligated to indemnify RJF for losses we may incur in connection with any Morgan Keegan legal proceedings pending as of the closing date for that transaction (which was April 2, 2012), or commenced after the closing date but related to pre-closing matters that are received prior to April 2, 2015.

Pending Morgan Keegan matter (subject to indemnification)

In July 2006, Morgan Keegan & Company, Inc., a Morgan Keegan affiliate, and one of its former analysts were named as defendants in a lawsuit filed by Fairfax Financial Holdings and affiliates in the Circuit Court of Morris County, New Jersey. Plaintiffs made claims under a civil RICO statute, for commercial disparagement, tortious interference with contractual relationships, tortious interference with prospective economic advantage and common law conspiracy. Plaintiffs alleged that defendants engaged in a multi-year conspiracy to publish and disseminate false and defamatory information about plaintiffs in order to improperly drive down plaintiff's stock price, so that others could profit from short positions. Plaintiffs alleged that the defendants' actions damaged their reputations and harmed their business relationships. Plaintiffs alleged various categories of damages, including lost insurance business, lost financings and increased financing costs, increased audit fees and directors and officers insurance premiums and lost acquisitions, and have requested monetary damages. On May 11, 2012, the trial court ruled that New York law applied to plaintiff's RICO claims, and that the claims were therefore not subject to treble damages. On June 27, 2012, the trial court dismissed plaintiffs' tortious interference with prospective relations claim, but allowed the other claims to go forward. Prior to commencement of a jury trial, the court dismissed the remaining claims with prejudice. A hearing on plaintiffs' appeal of the court's rulings was held on October 17, 2016.

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## PART II

Item MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND  
5. ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the NYSE under the symbol "RJF." As of November 9, 2016, we had 358 holders of record of our common stock. A substantially greater number of shares of our common stock is held by beneficial owners, whose shares are held of record by banks, brokers, and other financial institutions. Our transfer agent is Computershare Inc. whose address is P.O. Box 30170, College Station, TX 77842-3170.

The following table sets forth for the periods indicated the high and low trades for our common stock:

	Fiscal year			
	2016		2015	
	High	Low	High	Low
First quarter	\$59.81	\$45.86	\$58.18	\$48.06
Second quarter	\$56.68	\$39.84	\$59.77	\$50.97
Third quarter	\$56.69	\$44.22	\$61.46	\$54.99
Fourth quarter	\$58.97	\$46.30	\$61.82	\$48.24

Cash dividends per share of common stock paid during the quarter are reflected below. The dividends were declared during the quarter preceding their payment.

	Fiscal year	
	2016	2015
First quarter	\$0.18	\$0.16
Second quarter	\$0.20	\$0.18
Third quarter	\$0.20	\$0.18
Fourth quarter	\$0.20	\$0.18

On August 24, 2016, our Board of Directors declared a quarterly cash dividend of \$0.20 per share of common stock which was paid on October 17, 2016.

See Note 25 of the Notes to Consolidated Financial Statements in this Form 10-K for information regarding our intentions for paying cash dividends and the related capital restrictions.

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We purchase our own stock from time to time in conjunction with a number of activities, each of which is described below. The following table presents information on our purchases of our own stock, on a monthly basis, for the twelve month period ended September 30, 2016:

	Total number of shares purchased (1)	Average price per share	Number of shares purchased as part of publicly announced plans or programs <sup>(2)</sup>	Approximate dollar value (in thousands) at each month-end, of securities that may yet be purchased under the plans or programs <sup>(3)(4)</sup>
October 1, 2015 – October 31, 2015	4,699	\$ 51.71	—	\$ 93,112
November 1, 2015 – November 30, 2015	124,984	57.57	—	\$ 150,000
December 1, 2015 – December 31, 2015	80,836	58.15	—	\$ 150,000
First quarter	210,519	\$ 57.66	—	
January 1, 2016 – January 31, 2016	2,273,592	\$ 47.44	2,234,366	\$ 44,231
February 1, 2016 – February 28, 2016	930,678	41.71	929,213	\$ 135,671
March 1, 2016 – March 31, 2016	7,622	45.43	—	\$ 135,671
Second quarter	3,211,892	\$ 45.78	3,163,579	
April 1, 2016 – April 30, 2016	40,017	\$ 48.83	—	\$ 135,671
May 1, 2016 – May 31, 2016	6,098	52.73	—	\$ 135,671
June 1, 2016 – June 30, 2016	922	54.87	—	\$ 135,671
Third quarter	47,037	\$ 49.45	—	
July 1, 2016 – July 31, 2016	3,490	\$ 53.86	—	\$ 135,671
August 1, 2016 – August 31, 2016	12,615	56.54	—	\$ 135,671
September 1, 2016 – September 30, 2016	1,712	57.78	—	\$ 135,671
Fourth quarter	17,817	\$ 56.14	—	
Fiscal year total	3,487,265	\$ 46.60	3,163,579	

Of the total for the year ended September 30, 2016, share purchases for the trust fund established to acquire our common stock in the open market and used to settle restricted stock units granted as a retention vehicle for certain employees of our wholly owned Canadian subsidiaries amounted to 84,642 shares, for a total consideration of \$4.9 million (for more information on this trust fund, see Note 2 and Note 11 of the Notes to Consolidated Financial Statements in this Form 10-K). These activities do not utilize the repurchase authority discussed in footnote (2) below.

We also repurchase shares when employees surrender shares as payment for option exercises or withholding taxes. Of the total for the year ended September 30, 2016, shares surrendered to us by employees for such purposes amount to 239,044 shares, for a total consideration of \$13.1 million. These activities do not utilize the repurchase authority discussed in footnote (2) below.

Of the total for the year ended September 30, 2016, we repurchased 3,163,579 shares pursuant to our securities repurchase authorization, see footnotes (2), (3) and (4) below for additional information.

(2) During January and February 2016, we purchased shares of our common stock in open market transactions, for a total purchase price of \$144.5 million, which reflects an average purchase price per share of \$45.69. These share repurchases were made pursuant to the RJF securities repurchase authorizations described in footnotes (3) and (4) below.

(3) On November 19, 2015, we announced an increase in the amount previously authorized by our Board of Directors to be used, at the discretion of our Securities Repurchase Committee, for open market repurchases of our common stock and certain senior notes, to \$150 million subject to cash availability and other factors.

(4) As a result of repurchases made during January 2016 and early February 2016, and to re-establish the prior authorization limit, on February 4, 2016, we announced an additional increase in the authorization limit. This action replenished the amount previously authorized by our Board of Directors to be deployed back to \$150 million (after consideration of the 2016 repurchases through such date) at the discretion of our Securities Repurchase Committee, for open market repurchases of our common stock and certain senior notes, subject to cash availability and other factors.



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## Item 6. SELECTED FINANCIAL DATA

	Year ended September 30,				
	2016	2015	2014	2013	2012
	(in thousands, except per share data)				
Operating results:					
Total revenues	\$5,520,344	\$5,308,164	\$4,965,460	\$4,595,798	\$3,897,900
Net revenues	\$5,403,267	\$5,200,210	\$4,861,369	\$4,485,427	\$3,806,531
Net income attributable to RJF	\$529,350	\$502,140	\$480,248	\$367,154	\$295,869
Net income per share - basic	\$3.72	\$3.51	\$3.41	\$2.64	\$2.22
Net income per share - diluted	\$3.65	\$3.43	\$3.32	\$2.58	\$2.20
Weighted-average common shares outstanding - basic	141,773	142,548	139,935	137,732	130,806
Weighted-average common and common equivalent shares outstanding - diluted	144,513	145,939	143,589	140,541	131,791
Cash dividends per common share - declared	\$0.80	\$0.72	\$0.64	\$0.56	\$0.52
Financial condition:					
Total assets <sup>(1)</sup>	\$31,593,733	\$26,468,032	\$23,312,788	\$23,172,045	\$21,144,975
Senior notes maturing within twelve months <sup>(2)</sup>	\$—	\$250,000	\$—	\$—	\$—
Long-term obligations:					
Non-current portion of other borrowings	\$604,080	<sup>(3)</sup> \$583,740	<sup>(3)</sup> \$537,932	<sup>(3)</sup> \$47,132	\$173,918
Non-current portion of loans payable of consolidated variable interest entities <sup>(4)</sup>	\$4,291	\$12,597	\$25,928	\$43,877	\$62,938
Non-current portion of senior notes payable <sup>(2)</sup>	\$1,700,000	\$900,000	\$1,150,000	\$1,150,000	\$1,150,000
Total long-term debt	\$2,308,371	\$1,496,337	\$1,713,860	\$1,241,009	\$1,386,856
Equity attributable to Raymond James Financial, Inc.	\$4,914,096	\$4,522,031	\$4,141,236	\$3,662,924	\$3,268,940
Shares outstanding <sup>(5)</sup>	141,545	142,751	140,836	138,750	136,076
Book value per share at end of year	\$34.72	\$31.68	\$29.40	\$26.40	\$24.02

Effective September 30, 2016 we adopted new accounting guidance related to the presentation of debt issuance costs. Under this new guidance, debt issuance costs related to a recognized debt liability are presented in the (1) balance sheet as a direct deduction from the carrying value of that debt liability, consistent with debt discounts. The applicable prior period balances have been reclassified to conform to the current year presentation. See Note 17 in the Notes to Consolidated Financial Statements in this Form 10-K for additional information.

(2) Senior notes payable balances presented exclude the impact of debt issuance costs.

At September 30, 2016, 2015, and 2014, the outstanding balances were primarily comprised of borrowings from (3) the Federal Home Loan Bank of Atlanta (“FHLB”) by RJ Bank and mortgage notes payable on our corporate headquarters offices.

(4) Loans payable of consolidated variable interest entities (“VIE”) are non-recourse to us.

(5) Excludes non-vested shares.



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

The following Management's Discussion and Analysis ("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 not to be meaningful.

Executive overview

We operate as a financial services and bank holding company. Results in the businesses in which we operate are highly correlated to the general overall strength of economic conditions and, more specifically, to the direction of the U.S. equity and fixed income markets, the 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 which include investors, borrowers, and competitors, impacting their level of participation in the financial markets. These factors also impact the level of public offerings, investment banking activity, trading profits, interest rate volatility and asset valuations, or a combination thereof. In turn, these decisions and factors affect our business results.

Year ended September 30, 2016 compared with the year ended September 30, 2015

We achieved net revenues of \$5.4 billion, a \$203 million, or 4%, increase over the prior year. Our net income of \$529 million reflects an increase of \$27 million, or 5%, and our diluted earnings per share for the current year amount to \$3.65, a 6% increase. The current year diluted earnings per share benefited from our repurchase of common stock in open market transactions. Total client assets under administration increased to \$604.4 billion at September 30, 2016, a 26% increase over the prior year level. The increase in assets under administration is attributable to our acquisitions of Alex. Brown and 3Macs, strong financial advisor recruiting results, high levels of retention of our existing financial advisors, and an increase in U. S. equity markets over the year.

After excluding the acquisition-related expenses we incurred during the current year, our Non-GAAP adjusted net income amounts to \$556 million,<sup>(1)</sup> an increase of 11% over the prior year. Non-GAAP adjusted diluted earnings per share amounts to \$3.84,<sup>(1)</sup> an increase of 12% over the \$3.43 diluted earnings per share in the prior year.

Net revenues increased in each of our four operating segments. Our non-operating Other segment reflects a decline in net revenues as the prior year experienced higher valuation gains from our private equity investments than the current year as well as realized gains on sales of ARS. Non-interest expenses have increased \$202 million, or 5%. The increase primarily results from: increases in compensation, commissions and benefits due to annual raises, growth in related commission and fee revenues, and increases in benefits expenses; increases in communications and information processing expenses resulting from our continued investment in our PCG platform and in improving our compliance and regulatory systems; an increase in the bank loan loss provision resulting from loan growth and an increase associated with the credit deterioration of certain loans in the energy sector, and increases in other expenses predominately due to increases in certain legal and regulatory expenses.

A summary of the most significant items impacting our financial results as compared to the prior year are as follows:

Our Private Client Group segment generated net revenues of \$3.62 billion, a 3% increase, while pre-tax income decreased by \$2 million to \$341 million. The increase in revenues is primarily attributable to an increase in account

and service fee income, most notably an increase in fees associated with our multi-bank client cash sweep program resulting from both an increase in short-term interest rates, and an increase in client cash balances resulting from clients' reaction to market volatility and uncertainty. Securities commissions and fee revenues increased 1% overall. Fees arising from fee-based accounts as well as commissions on fixed income products increased substantially, more than offsetting declines in commissions on mutual funds, equity securities and new issue sales credits. Non-interest expenses increased compared to the prior year level, most significantly due to higher administrative expenses to support our continued growth, higher communications and information technology expenses resulting from our continued investments in our platform and in improving our compliance and regulatory systems, and an increase in other expense predominately due to certain legal and regulatory expenses. The segment's margin on net revenues decreased to 9.4% from 9.8%.

“Adjusted net income,” and “adjusted diluted earnings per share” are each non-GAAP financial measures. Please see (1) the “reconciliation of the GAAP measures to the non-GAAP measures” in this Item 7, for a reconciliation of our non-GAAP measures to the most directly comparable GAAP measures, and for other important disclosures.

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The Capital Markets segment generated net revenues of \$1 billion, a 4% increase, while pre-tax income increased \$32 million, or 30%, to \$139 million. The increase in revenues is driven by an increase in trading profits, sales commissions on fixed income products, and to a lesser extent an increase in tax credit fund syndication fee revenues, offset by declines in equity underwriting fee and merger and acquisition and advisory fee revenues. Non-interest expenses increased a modest 1% over the prior year level.

Our Asset Management segment generated net revenues of \$404 million, a 3% increase, while pre-tax income decreased \$3 million, or 2%, to \$132 million. Non-discretionary asset-based administration fee revenues increased, driven by an increase in assets held in these programs over the prior year level. Advisory fee revenues from managed programs approximate the prior year despite the increase in balances of financial assets under management in managed programs as of fiscal year end due to the volatility of markets during the year and the timing of our fee computations. Expenses have increased 6% over the prior year level, due in large part to a prior year reversal of certain incentive compensation expense accruals for associates who left the firm during the prior year, which did not recur in the current year.

RJ Bank generated net revenues of \$494 million, a 19% increase, while pre-tax income increased \$59 million, or 21%, to \$337 million. The loan loss provision increased nearly \$5 million, or 20%, over the prior year level due to higher corporate loan growth, charges during the current year resulting from loans outstanding within the energy sector, and additional provision for corporate loan downgrades. Non-interest expenses (excluding provision for loan losses) increased \$16 million, or 15%, primarily due to an increase in the affiliate deposit account servicing fees paid to the Private Client Group resulting from an increase in balances, and an increase in FDIC insurance premiums.

Activities in our Other segment reflect a pre-tax loss that is \$84 million, or 129%, more than the prior year. Total revenues in the segment decreased \$21 million, or 31%, primarily resulting from a decrease in private equity valuation gains, and a decrease of \$11 million in gains on the sale of certain ARS securities resulting from prior year sales that did not recur in the current year, offset by increased interest revenue and foreign exchange gains. Acquisition-related expenses of \$41 million are reflected in this segment, which did not occur in the prior year. These expenses result from our incremental acquisition-related expenses for our acquisitions of Alex. Brown, 3Macs, and Mummert.

Our effective tax rate was 33.9% in fiscal year 2016, down from the 37.1% in the prior year. The reduction in our effective tax rate compared to the prior year was due to the following factors: (1) as a result of the fiscal year 2016 increase in equity market values compared to fiscal year 2015, the change in the amount of our non-taxable gains/losses arising from the value of our company-owned life insurance portfolio had the effect of decreasing our effective tax rate by 1.5% compared to the prior year; (2) adjustments associated with planned divestitures of our remaining businesses in South America accounted for an effective rate decrease of 1.1%; (3) we settled significant state tax audits during the year which reduced our effective rate by 0.4%; and (4) we were able to generate and utilize additional low-income housing tax credits to apply against our tax liability which had a favorable 0.5% impact on our effective tax rate.

We repurchased approximately 3.2 million shares of our common stock in open market transactions during the year, for a total purchase price of approximately \$144.5 million, reflecting an average per share repurchase price of \$45.69 (see Part II, Item 5 in this report, for additional information on these share repurchases). The current year diluted earnings per share benefited by \$0.05 as a result of these repurchases.

Consistent with our growth strategies, we completed three acquisitions during the year - Alex. Brown, 3Macs, and Mummert. We continue to evaluate future opportunities, but remain committed to our strategy that acquisitions must meet our strategic growth objectives, involve entities that share our culture of conservatism and “client-first” values, and be executed at purchase prices that provide us opportunities to increase our shareholders’ value.

The number and significance of possible regulatory changes that impact the businesses in which we operate continues to grow and evolve. In April 2016, the DOL issued its final regulation expanding the definition of who is deemed an “investment advice fiduciary” under ERISA as a result of giving investment advice to a plan, plan participant or beneficiary, as well as under the Internal Revenue Code for individual retirement accounts and non-ERISA plans. Refer to the “Fiduciary Duty Standard” section of Item 1 “Regulation” in this report for further discussion of the regulation, its effective dates, and its potential impact.

Year ended September 30, 2015 compared with the year ended September 30, 2014

We achieved net revenues of \$5.2 billion in fiscal year 2015, a \$339 million, or 7%, increase compared to the prior year. All four operating segments achieved net revenue increases. Total client assets under administration increased to \$480 billion at September 30, 2015, a 1% increase over the prior year level. The increase in assets under administration is attributable to strong

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financial advisor recruiting results and high levels of retention of our existing financial advisors, which more than offset the decline in the U.S. equity markets for the year (primarily occurring in our fourth fiscal quarter of fiscal year 2015).

We achieved net income in fiscal year 2015 of \$502 million, an increase of \$22 million, or 5%, compared to the prior year. Three of our four operating segments achieved increased profitability in fiscal year 2015 over the prior year level. Fully diluted earnings per share of \$3.43 increased \$0.11, or 3%, over the prior year amount.

Non-interest expenses in fiscal year 2015 increased \$278 million, or 7%, compared to the prior year. The increase is primarily due to the increase in compensation, commissions and benefits expenses associated with the increased revenues. In addition, as a result of various growth strategies across our businesses in fiscal year 2015, we experienced an increase in our business development expenses. Our strategic efforts during fiscal year 2015 to continually improve the technology available to our financial advisors, as well as the additional costs of compliance with various new rules and regulations impacting our industry, are factors impacting an increase in our communications and information processing expenses. The provision for loan losses increased significantly in fiscal year 2015 over the prior year, as fiscal year 2014 benefited to a greater extent than fiscal year 2015, from improved credit characteristics of the loan portfolio. The combination of the above noted factors, even after consideration of the incremental expenses resulting from activities associated with the strategic growth initiatives that should favorably impact future revenues, resulted in a pre-tax margin on net revenues in fiscal year 2015 of 15.3%, a level that is nearly equivalent to the 15.4% pre-tax margin on net revenues in the prior year.

A summary of the most significant items impacting our financial results in fiscal 2015 as compared to the fiscal year 2014 are as follows:

Our Private Client Group segment generated net revenues in fiscal year 2015 of \$3.5 billion, a \$228 million, or 7%, increase over the prior year. Pre-tax income amounted to \$342 million, a \$12 million, or 4%, increase over the prior year. The increase in revenues in fiscal year 2015 is primarily attributable to increased securities commissions and fee revenues, predominately arising from fee-based accounts, as well as an increase in mutual fund and annuity service fee revenues. Client assets under administration of the Private Client Group increased 1% over the prior year level, to \$453.3 billion at September 30, 2015. The increase in fiscal year 2015 commission revenues and client assets have resulted primarily from successful recruiting of financial advisors, and high levels of financial advisor retention. Financial advisor recruiting in fiscal year 2015 was strong with a net increase of 331 financial advisors over the year to 6,596 affiliated financial advisors as of September 30, 2015. There was an overall net increase in client assets despite the impact of the decline in the market value of assets that occurred during the fourth quarter of fiscal year 2015 as a result of declining equity market conditions. Commission expenses in fiscal year 2015 increased in proportion to the increase in commission revenues while all other components of non-interest expense increased 5% as we incurred increases in certain costs associated with the successful recruiting efforts and continued information system improvements. On July 31, 2015, we completed our acquisition of The Producers Choice, LLC (“TPC”), a private insurance and annuity marketing organization based in Troy, Michigan. Our acquisition of TPC brings more life insurance and annuity experts to the firm to support financial advisors and their clients.

•The Capital Markets segment generated fiscal year 2015 net revenues of \$960 million, a \$7 million, or 1%, increase over the prior year. Pre-tax income in fiscal year 2015 was \$107 million, a decrease of \$24 million, or 18%, compared to the prior year. Fiscal year 2015 reflected increases over the prior year in merger and acquisition fees and tax credit fund syndication fees. Commission revenues from fixed income institutional sales increased in fiscal year 2015 over the prior year level, resulting in part from growth in our public finance activities. However, equity underwriting revenues declined compared to the prior year as a result of weakness in both the energy and real estate sectors, which also led to a decline in commission revenues on equity products in fiscal year 2015. The net profit generated by this segment in fiscal year 2015 was negatively impacted by increased costs, some of which result from our efforts during

the year to broadly build out certain sector capabilities and to increase investment banking coverage in certain sectors, which we believe present solid long-term opportunities for future revenue growth. The continued difficult market environment in Canada in fiscal year 2015 negatively impacted this segment's revenues and profitability.

Our Asset Management segment generated net revenues in fiscal year 2015 of \$392 million, a \$23 million, or 6%, increase over the prior year. Pre-tax income in fiscal year 2015 was \$135 million, a \$7 million, or 5%, increase over the prior year. Financial assets under management increased 1% from the prior year, to \$65.2 billion as of September 30, 2015. The increase resulted from net inflows of client assets, which more than offset the unfavorable impact of the decline in the market value of assets that occurred during the fourth quarter of fiscal year 2015 as a result of declining equity market conditions. On April 30, 2015, we completed our acquisition of Cougar Global Investments Limited ("Cougar"), an asset



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management firm based in Toronto, Canada that markets its investment services to high net worth individuals, families, foundations, trusts and institutions in Canada and the United States.

RJ Bank generated net revenues in fiscal year 2015 of \$414 million, a \$63 million, or 18%, increase over the prior year. Pre-tax income in fiscal year 2015 was \$279 million, a \$36 million, or 15% increase, over the prior year. Net interest income increased due to growth in average loans outstanding, coupled with a modest increase in net interest margin in fiscal year 2015. Our provision for loan losses in fiscal year 2015 increased \$10 million, or 74% compared to the prior year. We incurred substantial provision for loan losses associated with loan growth in both years, however the majority of the year-over-year increase resulted from the prior year benefiting to a greater extent than fiscal year 2015, from improved credit characteristics of the loan portfolio. The credit characteristics of the loan portfolio generally improved over the year, reflecting the positive impact of improved economic conditions.

Activities in our Other segment in fiscal year 2015 resulted in a pre-tax loss that was \$19 million less than the prior year. Net revenues in this segment in fiscal year 2015 increased \$25 million, resulting from increases in revenues associated with our private equity portfolio investments, and an increase in gains resulting from our auction rate securities portfolio sales and redemption activities. As a result of the fiscal year 2015 increase in private equity investment revenues, the portion of this segment's pre-tax income that is attributable to noncontrolling interests also increased.

Our fiscal year 2015 effective tax rate was 37.1%, up from the 35.8% in the prior year. As a result of the fiscal year 2015 decline in equity market values compared to positive markets in fiscal year 2014, the change in the amount of our non-taxable gains/losses arising from the value of our company-owned life insurance portfolio had the effect of increasing our effective tax rate by 1.2% compared to the prior year effective tax rate.

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## Segments

The following table presents our consolidated and segment gross revenues, net revenues and pre-tax income (loss), the latter excluding noncontrolling interests, for the years indicated:

	Year ended September 30,				
	2016	2015	% change	2014	% change
	(\$ in thousands)				
<b>Total company</b>					
Revenues	\$5,520,344	\$5,308,164	4 %	\$4,965,460	7 %
Net revenues	5,403,267	5,200,210	4 %	4,861,369	7 %
Pre-tax income excluding noncontrolling interests	800,643	798,174	—	748,045	7 %
<b>Private Client Group</b>					
Revenues	3,626,718	3,519,558	3 %	3,289,503	7 %
Net revenues	3,616,479	3,507,806	3 %	3,279,883	7 %
Pre-tax income	340,564	342,243	—	330,278	4 %
<b>Capital Markets</b>					
Revenues	1,016,375	975,064	4 %	968,635	1 %
Net revenues	999,919	960,035	4 %	953,215	1 %
Pre-tax income	139,173	107,009	30 %	130,565	(18) %
<b>Asset Management</b>					
Revenues	404,421	392,378	3 %	369,690	6 %
Net revenues	404,349	392,301	3 %	369,666	6 %
Pre-tax income	132,158	135,050	(2) %	128,286	5 %
<b>RJ Bank</b>					
Revenues	517,243	425,988	21 %	360,317	18 %
Net revenues	493,966	414,295	19 %	351,770	18 %
Pre-tax income	337,296	278,721	21 %	242,834	15 %
<b>Other</b>					
Revenues	46,291	66,967	(31) %	42,203	59 %
Net revenues	(31,692)	(10,198)	(211) %	(35,253)	71 %
Pre-tax loss	(148,548)	(64,849)	(129) %	(83,918)	23 %
<b>Intersegment eliminations</b>					
Revenues	(90,704)	(71,791)	(26) %	(64,888)	(11) %
Net revenues	(79,754)	(64,029)	(25) %	(57,912)	(11) %

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## Reconciliation of the GAAP measures to the non-GAAP measures

For fiscal year 2016, we utilized certain non-GAAP calculations as additional measures to aid in, and enhance, the understanding of our financial results. We believe that the non-GAAP measures provide useful information by excluding certain material items that may not be indicative of our core operating results. We believe that these non-GAAP measures will allow for better evaluation of the operating performance of the business and facilitate a meaningful comparison of our results in the current year to those in prior and future years. The non-GAAP financial information should be considered in addition to, not as a substitute for, measures of financial performance prepared in accordance with GAAP. In addition, our non-GAAP measures may not be comparable to similarly titled non-GAAP measures of other companies.

The non-GAAP adjustments are comprised entirely of acquisition-related expenses (associated with our acquisitions of Alex. Brown, 3Macs and Mummert) net of applicable taxes. Our acquisition-related expenses are incremental expenses arising solely as a result of the acquisition, which do not represent recurring costs within the fully integrated combined organization. There are no non-GAAP adjustments in either of the fiscal years ended September 30, 2015 or 2014. See the footnotes below for further explanation of each item.

The following table provides a reconciliation of the GAAP measures to the non-GAAP measures for the period which includes non-GAAP adjustments:

	Year ended September 30, 2016 (\$ in thousands, except per share amounts)
Net income attributable to RJF, Inc. - GAAP	\$529,350
Non-GAAP adjustments:	
Acquisition-related expenses <sup>(1)</sup>	40,706
Tax effect of non-GAAP adjustments <sup>(2)</sup>	(13,793 )
Non-GAAP adjustments, net of tax	26,913
Adjusted net income attributable to RJF, Inc. - Non-GAAP basis	\$556,263
Non-GAAP earnings per common share:	
Adjusted non-GAAP basic	\$3.91
Adjusted non-GAAP diluted	\$3.84
Average equity - GAAP <sup>(3)</sup>	\$4,693,138
Adjusted average equity - non-GAAP <sup>(3)(4)</sup>	\$4,702,461
Return on equity - GAAP	11.3 %
Adjusted return on equity - non-GAAP basis <sup>(5)</sup>	11.8 %
Pre-tax income attributable to RJF - GAAP	\$800,643
Total pre-tax non-GAAP adjustments (as detailed above)	40,706
Adjusted pre-tax income attributable to RJF non-GAAP	\$841,349

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Pre-tax margin on net revenues - GAAP	14.8	%
Pre-tax margin on net revenues - non-GAAP <sup>(6)</sup>	15.6	%

- (1) The non-GAAP adjustment adds back to pre-tax income acquisition-related expenses incurred during the fiscal year associated with our acquisitions described above.
- (2) The non-GAAP adjustment reduces net income for the income tax effect of the pre-tax non-GAAP adjustments, utilizing the fiscal year effective tax rate to determine the current tax expense.
- (3) Computed by adding the total equity attributable to RJF as of each quarter-end date during the fiscal year, plus the beginning of the fiscal year total, divided by five.
- (4) The calculation of non-GAAP average equity includes the impact on equity of the non-GAAP adjustments described in the table above.
- (5) Computed by utilizing the adjusted net income attributable to RJF non-GAAP and the average equity non-GAAP. See footnotes (3) and (4) above for the calculation of average equity non-GAAP.
- (6) Computed by dividing the adjusted pre-tax income attributable to RJF by net revenues (GAAP basis).

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Net interest analysis

Given the relationship of our interest sensitive assets to liabilities, any changes in short-term interest rates are likely to have a meaningful impact on our overall financial performance, as we have certain assets and liabilities, primarily held in our PCG and RJ Bank segments, which are subject to changes in interest rates. Based on the current level of short-term interest rates, gradual increases in short-term interest rates would have the most significant favorable impact on our PCG and RJ Bank segments (refer to the table in Item 7A - Interest Rate Risk in this report, which presents an analysis of RJ Bank's estimated net interest income over a twelve month period based on instantaneous shifts in interest rates using the asset/liability model applied by RJ Bank).

The closing of the Alex. Brown acquisition occurred late in fiscal year 2016, therefore we expect that our average interest-earning assets will increase substantially in fiscal year 2017, over the average fiscal year 2016 levels. The substantial client cash and margin balances associated with the Alex. Brown division client accounts should have a favorable impact on our net interest earnings.

In December 2015, the Federal Reserve Bank announced an increase in its benchmark short-term interest rate by 25 basis points. We estimate that this increase had a favorable impact on our pre-tax income of an amount approximating \$60 million in fiscal year 2016, reflecting approximately \$80 million of additional pre-tax income on an annualized basis.

Our latest projection of the impact of additional increases by the Federal Reserve Bank in its benchmark short-term interest rate, which is based upon September 30, 2016 balances, projects that an additional 25 basis point rise would result in an additional increase in our annual pre-tax income in a range of approximately \$48 million to \$60 million over a twelve month period. The realization of such amounts is dependent upon the realization of certain key assumptions in our analysis. Such assumptions include our estimates of the timing and amounts of: earnings/deposit rates paid on our clients' cash balances; client cash balance levels; the level of earning assets; and RJ Bank's net interest margin. In our analysis, we assume that between 40% and 50% of such rate increase would also be reflected as a rate increase on earning/deposits paid on our clients' cash balances.

We anticipate that a majority of any future increases would be reflected in account and service fee revenues (resulting from an increase in the fees generated in lieu of interest income from our multi-bank sweep program with unaffiliated banks and the discontinuance of money market fund fee waivers) which are reported in the PCG segment, and the remaining portion of the increase would be reflected in net interest income reported primarily in our PCG and RJ Bank segments.

If the Federal Reserve Bank was to reverse its December 2015 action and decrease the benchmark short-term interest rate, the impact on our net interest income would be an unfavorable reversal of the positive impact described above.

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The following table presents our consolidated average interest-earning asset and liability balances, interest income and expense balances, and the average yield/cost, for the years indicated:

	Year ended September 30,		2015		2014				
	Average balance <sup>(1)</sup> (\$ in thousands)	Interest inc./exp.	Average yield/cost	Average balance <sup>(1)</sup>	Interest inc./exp.	Average yield/cost	Average balance <sup>(1)</sup>	Interest inc./exp.	Average yield/cost
Interest-earning assets:									
Margin balances	\$1,811,845	\$68,712	3.79 %	\$1,805,312	\$67,573	3.74 %	\$1,764,305	\$68,454	3.88 %
Assets segregated pursuant to regulations and other segregated assets	3,565,252	22,287	0.63 %	2,498,357	13,792	0.55 %	2,783,598	15,441	0.55 %
Bank loans, net of unearned income <sup>(2)</sup>	14,336,765	487,366	3.42 %	12,129,531	405,578	3.34 %	10,048,719	343,942	3.39 %
Available for sale securities	561,925	7,596	1.35 %	508,223	5,100	1.00 %	648,515	6,560	1.01 %
Trading instruments <sup>(3)</sup>	757,734	19,362	2.56 %	716,409	19,450	2.71 %	630,295	17,883	2.84 %
Stock loan	577,002	8,777	1.52 %	433,642	12,036	2.78 %	423,466	8,731	2.06 %
Loans to financial advisors <sup>(3)</sup>	563,548	8,207	1.46 %	457,797	7,056	1.54 %	413,600	6,427	1.55 %
Corporate cash and all other <sup>(3)</sup>	2,701,258	18,018	0.67 %	2,917,208	12,622	0.43 %	3,396,796	13,448	0.40 %
Total	\$24,875,329	\$640,325	2.57 %	\$21,466,479	\$543,207	2.53 %	\$20,109,294	\$480,886	2.39 %
Interest-bearing liabilities:									
Brokerage client liabilities	\$4,291,632	2,084	0.05 %	\$3,693,928	\$940	0.03 %	\$3,967,811	\$1,269	0.03 %
Bank deposits <sup>(2)</sup>	12,985,696	10,218	0.09 %	11,199,242	8,382	0.08 %	10,119,433	7,959	0.09 %
Trading instruments sold but not yet purchased <sup>(3)</sup>	293,096	5,035	1.72 %	294,256	4,503	1.53 %	243,737	4,327	1.78 %
Stock borrow	79,613	3,174	3.99 %	135,027	5,237	3.88 %	114,404	2,869	2.51 %
Borrowed funds	723,904	12,957	1.79 %	721,296	6,079	0.84 %	485,594	3,939	0.81 %
Senior notes	1,210,148	78,533	6.49 %	1,149,136	76,088	6.62 %	1,148,947	76,038	6.62 %
Loans payable of consolidated variable interest entities	18,090	1,021	5.64 %	33,225	1,879	5.66 %	51,518	2,900	5.63 %

(3)

Other <sup>(3)</sup>	229,859	4,055	1.76 %	271,476	4,846	1.79 %	319,328	4,790	1.50 %
Total	\$19,832,038	\$117,077	0.59 %	\$17,497,586	\$107,954	0.62 %	\$16,450,772	\$104,091	0.63 %
Net interest income		\$523,248			\$435,253			\$376,795	

(1) Represents average daily balance, unless otherwise noted.

(2) See Results of Operations – RJ Bank in this MD&A for further information.

(3) Average balance is calculated based on the average of the end of month balances for each month within the period.

(4) Net of affiliate deposit balances and interest expense associated with affiliate deposits.

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Year ended September 30, 2016 compared with the year ended September 30, 2015 – Net Interest Analysis

Net interest income increased \$88 million, or 20%. Net interest income is earned primarily by our RJ Bank and PCG segments, which are discussed separately below.

The RJ Bank segment's net interest income increased \$75 million, or 19%, resulting from an increase in average interest-earning banking assets partially offset by a small decline in the net interest margin. Refer to the discussion of the specific components of RJ Bank's net interest income in the RJ Bank section of this MD&A.

Net interest income in the PCG segment increased \$8 million, or 9%. Average customer cash balances and the related segregated asset balances increased compared to the prior year as many clients reacted to uncertainties in the equity markets during portions of the current year by increasing the cash balances in their brokerage accounts. The December 2015 Federal Reserve Bank short-term interest rate increase further increased the net interest earned on these segregated asset balances. In addition, both the interest rates and the average balances associated with margin loans provided to brokerage clients increased.

Interest income earned on the available for sale securities portfolio increased \$2 million, or 49%, due to increased yields and balances. See Note 7 of our Notes to Consolidated Financial Statements in this Form 10-K for additional information on our available for sale securities.

Interest expense incurred on our other borrowings increased by \$7 million, or 113%. These borrowings are in large part comprised of RJ Bank's borrowings from the FHLB and the related interest rate hedges. See Note 15 of our Notes to Consolidated Financial Statements in this Form 10-K for additional information regarding all of our borrowings other than our senior notes payable.

Interest expense incurred on our senior notes increased by \$2 million, or 3%. The incremental interest expense arising from our July 2016 \$800 million senior note issuances exceeded the interest savings resulting from our April 2016 repayment of the \$250 million 4.25% issuance which matured. See Note 17 of our Notes to Consolidated Financial Statements in this Form 10-K for additional information.

Year ended September 30, 2015 compared with the year ended September 30, 2014 – Net Interest Analysis

Net interest income increased \$58 million, or 16%, in fiscal year 2015 compared to the prior year. Net interest income is earned primarily by our RJ Bank and PCG segments, which are discussed separately below.

The RJ Bank segment's net interest income in fiscal year 2015 increased \$57 million, or 16%, primarily as a result of an increase in average loans outstanding as well as a modest increase in net interest margin. Refer to the discussion of the specific components of RJ Bank's net interest income in the RJ Bank section of this MD&A.

Net interest income in the PCG segment was nearly unchanged in fiscal 2015 compared to the prior year. A decrease in net interest income arising from our broker-dealer margin lending activities, where a decline in margin interest rates more than offset the impact of slightly higher average client margin balances outstanding, was nearly offset by an increase in net interest revenue arising from our securities lending activities.

Net interest income arising from our securities lending activities increased \$1 million, or 16%, in fiscal year 2015, due primarily to an increase in interest income associated with hard-to-borrow securities in our Box lending program. These revenues increased \$3 million in fiscal year 2015 due to our ability to lend these securities at a premium. The increase in revenues was offset by a \$2 million increase in interest expense during fiscal year 2015 associated with our stock borrow activities, as a result of additional expense associated with borrowing hard-to-borrow securities.



Interest income earned on the available for sale securities portfolio held in our RJ Bank and Other segments decreased \$1 million, or 22%, due to lower average investment balances and a slight decrease in yields on the portfolio in fiscal year 2015. The decrease in average balances outstanding is the result of sales and redemptions within the portfolio during fiscal year 2015 (see Note 7 of our Notes to Consolidated Financial Statements in this Form 10-K for additional information on our available for sale securities).

Interest income earned on our trading instruments held in the Capital Markets segment increased \$2 million, or 9%, in fiscal 2015, due to slightly higher average trading security inventory levels, partially offset by the impact of lower yields (see Note 6 of our Notes to Consolidated Financial Statements in this Form 10-K for additional information on our trading instruments).

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## Results of Operations – Private Client Group

The following table presents consolidated financial information for our PCG segment for the years indicated:

	Year ended September 30,					
	2016	%	2015	%	2014	
	change		change			
	(\$ in thousands)					
<b>Revenues:</b>						
<b>Securities commissions and fees:</b>						
Equities	\$240,855	(11 )%	\$270,435	(9 )%	\$297,535	
Fixed income products	95,908	29 %	74,448	(5 )%	78,082	
Mutual funds	631,102	(7 )%	680,375	—	678,577	
Fee-based accounts	1,589,124	8 %	1,472,877	17 %	1,261,267	
Insurance and annuity products	377,329	4 %	363,352	2 %	354,629	
New issue sales credits	44,088	(41 )%	75,015	(15 )%	88,341	
Sub-total securities commissions and fees	2,978,406	1 %	2,936,502	6 %	2,758,431	
Interest	107,281	7 %	100,594	1 %	99,147	
<b>Account and service fees:</b>						
Client account and service fees	230,470	31 %	176,175	9 %	162,057	
Mutual fund and annuity service fees	255,405	2 %	249,232	17 %	212,342	
Client transaction fees	20,258	7 %	18,971	11 %	17,124	
Correspondent clearing fees	2,522	5 %	2,401	(21 )%	3,022	
Account and service fees – all other	376	32 %	284	(3 )%	293	
Sub-total account and service fees	509,031	14 %	447,063	13 %	394,838	
Other	32,000	(10 )%	35,399	(5 )%	37,087	
Total revenues	3,626,718	3 %	3,519,558	7 %	3,289,503	
Interest expense	(10,239 )	(13 )%	(11,752 )	22 %	(9,620 )	
Net revenues	3,616,479	3 %	3,507,806	7 %	3,279,883	
<b>Non-interest expenses:</b>						
Sales commissions	2,193,099	1 %	2,169,823	8 %	2,002,831	
Admin & incentive compensation and benefit costs	595,541	8 %	552,762	7 %	518,489	
Communications and information processing	166,507	6 %	157,729	3 %	153,076	
Occupancy and equipment	125,555	4 %	121,115	2 %	118,503	
Business development	88,535	(4 )%	92,473	14 %	80,950	
Clearance and other	106,678	49 %	71,661	(5 )%	75,756	
Total non-interest expenses	3,275,915	3 %	3,165,563	7 %	2,949,605	
Pre-tax income	\$340,564	—	\$342,243	4 %	\$330,278	
Margin on net revenues	9.4	%	9.8	%	10.1 %	

The success of the PCG segment is dependent upon the quality of our products, services, financial advisors and support personnel including our ability to attract, retain and motivate a sufficient number of these associates. We face competition for qualified associates from major financial services companies, including other brokerage firms, insurance companies, banking institutions and discount brokerage firms.

Revenues of the PCG segment are correlated with total PCG client assets under administration, which include assets in fee-based accounts, and the overall U.S. equities markets. RJ&A advisors operate under the RJ&A registered investment advisor (“RIA”) license while independent contractors affiliated with RJFS may operate either under their own RIA license, or the RIA license of RJFSA. The investment advisory fee revenues associated with these activities are recorded within securities commissions and fee revenues on our consolidated financial statements. Refer to the securities commissions and fees section of our summary

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of significant accounting policies in Note 2 of the Notes to Consolidated Financial Statements in this Form 10-K for our accounting policies on presenting these revenues in our consolidated financial statements.

Net interest revenue in the Private Client Group is generated by client balances, predominantly the earnings on margin loans and assets segregated pursuant to regulations, less interest paid on client cash balances (the “Client Interest Program”). We also utilize a multi-bank sweep program which generates fee revenue from unaffiliated banks in lieu of interest revenue. The cash sweep program, known as the Raymond James Bank Deposit Program (“RJBDP”), is a multi-bank (RJ Bank and many non-affiliated banks) program under which clients’ cash deposits in their brokerage accounts are re-deposited into interest-bearing deposit accounts (up to \$250,000 per bank for individual accounts and up to \$500,000 per bank for joint accounts) at various third party banks. This program enables clients to obtain up to \$2.5 million in individual FDIC deposit insurance coverage (\$5 million for joint accounts) while earning competitive rates on their cash balances.

Clients’ transactions in securities are affected on either a cash or margin basis. Margin loans to clients are collateralized by the securities purchased or by other securities owned by the client. Interest is charged to clients on the amount borrowed. The interest rate charged to a client on a margin loan is based on current interest rates and on the outstanding amount of the loan.

Typically, broker-dealers utilize bank borrowings and equity capital as the primary sources of funds to finance clients’ margin account borrowings. RJ&A’s source of funds to finance clients’ margin account balances has been cash balances in brokerage clients’ accounts, which are funds awaiting investment. In addition, pursuant to written agreements with clients, broker-dealers are permitted by the SEC and FINRA rules to lend client securities in margin accounts to other financial institutions. SEC regulations, however, restrict the use of clients’ funds derived from pledging and lending clients’ securities, as well as funds awaiting investment, to the financing of margin account balances; to the extent not so used, such funds are required to be deposited in a special segregated account for the benefit of clients. The regulations also require broker-dealers, within designated periods of time, to obtain possession or control of, and to segregate, clients’ fully paid and excess margin securities.

No single client accounts for a material percentage of this segment’s total business.

PCG client asset balances are as follows as of the dates indicated:

	As of September 30,				
	2016	%	2015	%	2014
		change		change	
	(\$ in billions)				
Total PCG assets under administration	\$574.1	27 %	\$453.3	1 %	\$450.6
PCG assets in fee-based accounts	\$231.0	29 %	\$179.4	7 %	\$167.7

Total PCG assets under administration increased 27% over September 30, 2015. The increase results from net client inflows attributable to strong financial advisor recruiting results, high levels of retention of our existing financial advisors, our fiscal year 2016 acquisitions of Alex. Brown and 3Macs which resulted in a combined \$50 billion of client asset inflows as of their respective acquisition closing dates, and an increase in U. S. equity markets at September 30, 2016 compared to the prior year. Total PCG assets in fee-based accounts increased 29% compared to September 30, 2015. Increased client assets under administration typically result in higher fee-based account revenues and mutual fund and annuity service fees. In periods where equity markets improve, assets under administration increase and client activity generally increases, thereby having a favorable impact on financial advisor productivity. Generally, assets under administration, client activity, and financial advisor productivity decline in periods where equity markets reflect downward trends. Higher client cash balances generally lead to increased interest income and account fee revenues, depending upon spreads realized in our Client Interest Program and RJBDP.

The following table presents a summary of PCG financial advisors and the total number of PCG branch locations as of the dates indicated:

	September 30,		
	2016	2015	2014
Employees	3,098	2,738	2,634
Independent Contractors	4,048	3,858	3,631
Total advisors	7,146	6,596	6,265
Total branch locations	2,890	2,702	2,569

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The number of financial advisors as of September 30, 2016 reflects a net increase of 550 individuals, or an 8% net increase, over the number of financial advisors as of September 30, 2015. The net increase results from strong financial advisor recruiting and high levels of retention throughout fiscal year 2016, as well as the addition of 265 financial advisors as a result of our acquisitions of Alex. Brown and 3Macs. Importantly, the client asset levels and productivity measures associated with those financial advisors recruited during the fiscal year exceed our historical benchmark averages. Notwithstanding the future impact of changes in the overall economy, and more specifically their impact on future equity markets and fixed income markets, factors over which we have no control, we believe that this increase in productive financial advisors is a positive indication of potential future revenue growth in this segment.

### Year ended September 30, 2016 compared with the year ended September 30, 2015 – Private Client Group

Net revenues increased \$109 million, or 3%, to \$3.62 billion. Pre-tax income decreased \$2 million, to \$341 million. PCG's pre-tax margin on net revenues decreased to 9.4% as compared to the prior year's 9.8%. The 3Macs and Alex. Brown acquisitions were completed late in the fiscal year and therefore the impact of these acquisitions on this segment's operations were not significant to our fiscal year 2016 results.

Securities commissions and fees increased \$42 million, or 1%. Revenues earned on fee-based accounts increased \$116 million, or 8%, commissions earned on fixed income products increased \$21 million, or 29%, and commission revenues on insurance and annuity products increased \$14 million, or 4%. Offsetting these increases, commissions on mutual funds decreased \$49 million, or 7%, new issue sales credits declined \$31 million, or 41%, and commissions on equity products decreased \$30 million, or 11%, all of which reflect the challenging equity market conditions during significant portions of the current year.

Total account and service fees increased \$62 million, or 14%. Client account and service fees increased \$54 million, or 31%, primarily due to an increase in RJBDF fees resulting from increased average balances in the program as well as the December 2015 increase in interest rates. Mutual fund and annuity service fees increased \$6 million, or 2%, primarily as a result of an increase in money market processing fees and omnibus fees arising from increased client assets and positions which are paid to us by companies whose products we distribute. Omnibus fees are generally based on the number of positions held in our client portfolios and compensate us for recordkeeping.

Total segment revenues increased 3%. The portion of total segment revenues that we consider to be recurring is approximately 77% at September 30, 2016, an increase from 75% at September 30, 2015. Recurring commission and fee revenues include asset-based fees, trailing commissions from mutual funds and variable annuities/insurance products, mutual fund and annuity service fees, fees earned on funds in our multi-bank sweep program, and interest. Assets in fee-based accounts in fiscal year 2016 increased by a percentage greater than the percentage increases for total PCG client assets as clients continue to elect fee-based alternatives versus traditional transaction-based accounts. At September 30, 2016, such assets were \$231.0 billion, an increase of 29% compared to the \$179.4 billion as of September 30, 2015.

Net interest income in the PCG segment increased \$8 million, or 9%. Average customer cash balances and the related segregated asset balances increased compared to the prior year as many clients reacted to uncertainties in the equity markets during portions of the current year by increasing the cash balances in their brokerage accounts. The December 2015 Federal Reserve Bank short-term interest rate increase further increased the net interest earned on these segregated asset balances. In addition, both the average interest rate and the average client margin balances outstanding increased.

Non-interest expenses increased \$110 million, or 3%. Administrative and incentive compensation and benefits expense increased \$43 million, or 8%, resulting in part from annual increases in salaries, increases in employee

benefit plan costs and additional staffing levels, primarily in PCG operations and information technology functions, to support our continuing growth. Clearance and other expense increased \$35 million, or 49%, primarily resulting from increases in other expense related to certain legal and regulatory expenses which are approximately \$40 million higher than the prior year level. Sales commission expense increased \$23 million, or 1%, which is consistent with the 1% increase in securities commissions and fees revenues. Communications and information processing expense increased \$9 million, or 6%, due to increases in software consulting and other information technology expenses associated with our continued investment in our platform and improving our compliance and regulatory systems.

Year ended September 30, 2015 compared with the year ended September 30, 2014 – Private Client Group

Net revenues in fiscal year 2015 increased \$228 million, or 7%, to \$3.5 billion while pre-tax income increased \$12 million, or 4%, to \$342 million. PCG's pre-tax margin on net revenues decreased slightly to 9.8% as compared to 10.1% in fiscal year 2014.

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Securities commissions and fees in fiscal year 2015 increased \$178 million, or 6%. Client assets under administration increased to \$453.3 billion, an increase of \$2.7 billion, or 1%, compared to September 30, 2014. The year over year increase in client assets in fiscal year 2015 was driven by positive net inflows generated by financial advisor retention and recruiting results, as the equity markets in the U.S. were down compared to the prior year. The most significant increase in these revenues in fiscal year 2015 arose from revenues earned on fee-based accounts, which increased \$212 million, or 17%, and was partially offset by a \$27 million, or 9%, decrease in commissions on equity products, a \$13 million, or 15%, decrease in new issue sales credits due to a decrease in equity underwritings, and a \$4 million, or 5%, decrease in commissions on fixed income products. Fiscal year 2015 includes a \$7 million decrease in mutual fund commission revenues due to the resolution of a mutual fund share class issue that resulted in refunds of commissions being paid during the year to certain of our clients. Despite this unusual item, mutual fund commission revenues still increased \$2 million, compared to fiscal year 2014. Commission revenues on equity products have decreased in our Canadian broker-dealer subsidiary as a result of the weaker Canadian currency compared to the U.S. dollar, as well as the overall challenging Canadian market conditions that existed throughout fiscal year 2015. Commission earnings on fixed income products in fiscal year 2015 decreased primarily due to the continuation of historically low interest rates which continue to result in challenging fixed income market conditions.

Total account and service fee revenues in fiscal year 2015 increased \$52 million, or 13%. Mutual fund and annuity service fees increased \$37 million, or 17%, primarily as a result of an increase in education and marketing support (“EMS”) fees (which include no-transaction-fee (“NTF”) program revenues), and mutual fund omnibus fees, all of which are paid to us by the mutual fund companies whose products we distribute. During fiscal year 2014, we implemented technology changes in our EMS program and standardized tiered service levels provided to many mutual fund companies, resulting in increased fees earned from EMS arrangements. Omnibus fees are generally based on the number of positions held in our client portfolios. Increases in such revenues are a result of increases in the number of positions for existing fund families on the omnibus platform as well as new fund families joining the omnibus program during fiscal year 2015. Client account and service fees in fiscal year 2015 increased \$14 million, or 9%, as a result of the changes made in many of our fee schedules implemented since December 2013. In addition, transaction handling fees in fee-based accounts increased due to the increased number of transactions, fees generated in lieu of interest income from our multi-bank sweep program with unaffiliated banks increased due to higher average balances in the program, and SBL affiliate servicing fees increased (refer to the RJ Bank results of operations in this report for additional information on SBL activities) as SBL balances have continued to grow in fiscal year 2015.

PCG net interest is relatively unchanged in fiscal year 2015 compared to fiscal year 2014. Net interest income arising from our broker-dealer margin lending activities in fiscal year 2015 decreased slightly compared to the fiscal year 2014 level, a slight decline in margin interest rates more than offset the impact of slightly higher average margin loan balances outstanding. The rate of growth in margin loan balances in fiscal year 2015 has been negatively impacted by the popularity of our SBL product offered by RJ Bank. As a result of the extremely low rate interest rate environment that existed during fiscal year 2015 and the related low net interest spreads earned, there was only a nominal impact on our net interest revenues resulting from changes in client cash balances.

Total segment revenues in fiscal year 2015 increased 7%. The portion of total segment revenues that we consider to be recurring is approximately 75% at September 30, 2015, an increase from 72% at September 30, 2014. Assets in fee-based accounts in fiscal year 2015 increased more than average PCG client assets as clients continue to elect fee-based alternatives versus traditional transaction-based accounts. At September 30, 2015, such assets were \$179.4 billion, an increase of 7% compared to the \$167.7 billion as of September 30, 2014.

Non-interest expenses in fiscal year 2015 increased \$216 million, or 7%. Sales commission expense increased \$167 million, or 8%, largely consistent with the 6% increase in commission and fee revenues, coupled with increased hiring bonuses resulting from the high level of recruiting activity in fiscal year 2015. Administrative and incentive



compensation and benefits expense in fiscal year 2015 increased \$34 million, or 7%, in part from annual increases in salary expenses, increases in employee benefit plan costs, and additional staffing levels, primarily in information technology functions, to support our continuing growth. Business development expenses increased \$12 million, or 14%, due to increased recruiting activity and the related incoming account transfer fee expenses, and conference and travel related expenses in fiscal year 2015.

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## Results of Operations – Capital Markets

The following table presents consolidated financial information for our Capital Markets segment for the years indicated:

	Year ended September 30,				
	2016	%	2015	%	2014
	change		change		
	(\$ in thousands)				
Revenues:					
Institutional sales commissions:					
Equity	\$228,346	(8 )%	\$247,414	(5 )%	\$260,934
Fixed income	316,144	11 %	283,828	15 %	246,131
Sub-total institutional sales commissions	544,490	2 %	531,242	5 %	507,065
Equity underwriting fees	54,492	(27 )%	74,229	(26 )%	100,091
Merger and acquisitions fees	148,503	(8 )%	162,270	7 %	151,000
Fixed income investment banking revenues	41,024	(3 )%	42,149	(24 )%	55,275
Tax credit funds syndication fees	59,424	33 %	44,608	29 %	34,473
Investment advisory fees	28,664	7 %	26,766	17 %	22,966
Net trading profit	87,966	60 %	55,021	(8 )%	59,701
Interest	24,795	9 %	22,663	9 %	20,746
Other	27,017	68 %	16,116	(7 )%	17,318
Total revenues	1,016,375	4 %	975,064	1 %	968,635
Interest expense	(16,456 )	9 %	(15,029 )	(3 )%	(15,420 )
Net revenues	999,919	4 %	960,035	1 %	953,215
Non-interest expenses:					
Sales commissions	204,965	3 %	198,691	3 %	192,774
Admin & incentive compensation and benefit costs	433,136	1 %	428,501	1 %	425,153
Communications and information processing	72,305	1 %	71,630	6 %	67,835
Occupancy and equipment	34,250	1 %	34,006	(2 )%	34,859
Business development	39,892	(9 )%	44,058	9 %	40,409
Losses and non-interest expenses of real estate partnerships held by consolidated VIEs	42,565	10 %	38,553	(6 )%	41,072
Clearance and all other	76,189	(2 )%	77,801	19 %	65,160
Total non-interest expenses	903,302	1 %	893,240	3 %	867,262
Income before taxes and including noncontrolling interests	96,617	45 %	66,795	(22 )%	85,953
Noncontrolling interests	(42,556 )		(40,214 )		(44,612 )
Pre-tax income excluding noncontrolling interests	\$139,173	30 %	\$107,009	(18 )%	\$130,565

The Capital Markets segment consists primarily of equity and fixed income products and services. The activities include institutional sales and trading in the U.S., Canada and Europe; management of and participation in debt and equity public offerings; financial advisory services, including private placements and merger and acquisition services; public finance activities; and the syndication and related management of investment partnerships designed to yield returns in the form of low-income housing tax credits to institutions. We provide securities brokerage services to institutions with an emphasis on the sale of U.S. and Canadian equities and fixed income products. Institutional sales commissions for both equity and fixed income products 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 and promote those opportunities to potential and existing clients. Revenues

from investment banking activities are driven principally by our role in the offering and the number and dollar value of the transactions with which we are involved. This segment also includes trading of taxable and tax-exempt fixed income products, as well as equity securities in the over-the-counter (“OTC”) and Canadian markets. This trading 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 as agent for their clients. Profits and losses related to this trading 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.

No single client accounts for a material percentage of this segment’s total business.

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Year ended September 30, 2016 compared with the year ended September 30, 2015 – Capital Markets

Net revenues increased \$40 million, or 4%, to nearly \$1 billion. Pre-tax income increased \$32 million, or 30%, to \$139 million.

Commission revenues increased \$13 million, or 2%. Institutional fixed income commissions increased \$32 million, or 11%, benefiting from increased activity during the year both in the anticipation of, and the aftermath resulting from, the eventual December 2015 Federal Reserve Bank action to increase short-term interest rates, as well as the interest rate volatility in the markets during much of the fiscal year. Offsetting this increase, institutional equity sales commissions decreased \$19 million, or 8%, resulting primarily from decreased equity underwriting activities throughout most of fiscal year 2016.

Underwriting revenues decreased by \$20 million, or 27%, while merger and acquisition and advisory fees decreased \$14 million, or 8%. The late September 2015 decline in the equity markets, coupled with market uncertainty in advance of the December 2015 Federal Reserve Bank announcement and their related commentary on interest rates, combined to result in an unfavorable market environment for equity activities during much of the fiscal year. As a result, we experienced lower volumes in both our merger and acquisition advisory and underwriting activities throughout most of fiscal year 2016. While merger and acquisition and advisory fees are a volatile revenue source in general, the number of merger and acquisition transactions in fiscal year 2016, and especially in the first three months of the fiscal year, was particularly low. Most of the decrease in our equity underwriting revenues results from our domestic operations. Revenues from our Canadian activities were relatively unchanged from the low amount generated in the prior year. The number of both lead-managed and co-managed underwritings in both our domestic and Canadian operations decreased during fiscal year 2016 compared to fiscal year 2015.

We experienced solid performance in our public finance underwritings in the current year, which positively impacted both our securities commissions and fee revenues and our investment banking revenues. The combined revenues resulting from these public finance business activities increased 1% over the prior year level.

Tax credit fund syndication fee revenues increased \$15 million, or 33%, due to an increase in the volume of tax credit fund partnership interests sold during the current year. As a market leader amongst syndicators of Low-Income Housing Tax Credit Fund (“LIHTC”) investments, we achieved a new milestone in fiscal year 2016 by selling over \$1 billion of such investments to institutional investors. Additionally, we were able to recognize nearly \$7 million in revenues that were associated with partnership interests sold in prior years which had been deferred in those years. Current year recognition of these previously deferred revenues results from the favorable resolution of certain conditions associated with the partnership interests. As of September 30, 2016, approximately \$11 million of previously deferred revenues remain to be recognized in future revenues, whenever such conditions for revenue recognition are fully satisfied.

Our net trading profit increased \$33 million, or 60%. Trading profits generated in our fixed income operations increased approximately \$27 million, reflecting solid results in most product categories. Within our equity capital markets operations, the prior year included \$5 million of realized trading losses attributable to an equity underwriting position held in our Canadian subsidiary that did not recur in the current year.

Other revenues increased \$11 million, or 68%. These revenues include \$5 million arising from revenues associated with our annual analyst best picks. Foreign exchange gains associated with certain of our international operations increased \$4 million.

Non-interest expenses increased \$10 million, or 1%. Sales commissions expense increased \$6 million, or 3%, consistent with the 2% increase in institutional sales commission revenues. Administrative and incentive

compensation and benefit expense increased \$5 million, or 1%, consistent with annual increases in salaries and increases in employee benefit plan costs. Our business development expenses decreased \$4 million, or 9%, reflecting the outcome of heightened expense management.

Noncontrolling interests is primarily comprised of the net pre-tax impact (which are net losses) from the consolidation of certain low-income housing tax credit funds, with noncontrolling interests reflecting the portion of such losses that we do not own. Total segment expenses attributable to others approximate the prior year level.

Year ended September 30, 2015 compared with the year ended September 30, 2014 – Capital Markets

Net revenues in fiscal year 2015 increased \$7 million, or 1%, while pre-tax income decreased \$24 million, or 18%.

Institutional fixed income sales commissions in fiscal year 2015 increased \$38 million, or 15%, benefiting from increased interest rate volatility and public finance activities during fiscal year 2015. Offsetting this increase, institutional equity sales

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commissions decreased \$14 million, or 5%, resulting primarily from decreased equity underwriting activities throughout fiscal year 2015, particularly in the energy and real estate sectors.

Merger and acquisitions and advisory fee revenues in fiscal year 2015 increased \$11 million, or 7%, reaching \$162 million. We experienced significant increases in these revenues in fiscal year 2015 arising from our U.S. operations, led by our technology services sector and reflecting the benefit of prior years' investments in other business sectors. The portion of these revenues arising from our Canadian operations decreased significantly due to the difficult Canadian equity market conditions throughout fiscal year 2015, especially in the natural resources sector.

Our net trading profits in fiscal year 2015 decreased \$5 million, or 8%. Typically, our trading profits are generated primarily from fixed income securities. However, in fiscal year 2015, the primary reason for the decrease is \$5 million of realized trading losses arising in our Canadian operations, primarily attributable to a loss on an equity underwriting position. Despite the continuation of the challenging fixed income market conditions throughout fiscal year 2015, fixed income trading results were solid and steady throughout the year, assisted by the trading profits generated on GNMA and FNMA MBS.

Underwriting fee revenues in fiscal year 2015 decreased \$26 million, or 26%. Equity underwriting activities related to both initial public offerings and follow-on offerings declined significantly in the fiscal year. The market sectors that historically represent our areas of strength had relatively lower activity levels during fiscal year 2015.

We experienced growth in our public finance underwritings in fiscal year 2015 with a 63% increase in the par value of lead managed new issues compared to the prior year. This increase favorably impacts both our securities commissions and fees revenues and our investment banking revenues. The combined revenues resulting from our public finance business activities in fiscal year 2015 increased \$11 million, or 17%.

Tax credit fund syndication fee revenues in fiscal year 2015 increased by \$10 million, or 29%, due to a 17% increase in the volume of tax credit fund partnership interests sold during the year. Our continued growth in this business over the past several years has resulted in our ascension to a market leading position amongst syndicators of LIHTC investments.

Non-interest expenses in fiscal year 2015 increased \$26 million, or 3%. Sales commissions expense increased \$6 million, or 3%, which is correlated with the 5% increase in overall institutional sales commission revenues. Business development expenses in fiscal year 2015 increased \$4 million, or 9%, predominately in our equity capital markets operations, representing recruiting and other costs as they pursue opportunities for future growth and revenues. Clearance and other expense increased \$13 million, or 19%, primarily due to a higher volume of trades, as reflected by the increase in institutional sales commission revenues, and \$3 million of expense related to historical European trading activities.

During fiscal year 2015, we made investments in our domestic equity capital markets business through successful recruiting of experienced professionals to broadly build out our life sciences sector capabilities and to increase investment banking coverage in the financial services, energy and government services sectors. While the immediate impact of these hires results in an increase in compensation expense, we believe the long-term result of these efforts will have a favorable impact on both revenues and net profits of the segment.

Losses of real estate partnerships held by consolidated VIEs result directly from the consolidation of certain low-income housing tax credit funds, and in fiscal year 2015 decreased \$3 million, or 6%, compared to fiscal year 2014. Since we only hold an insignificant interest in these consolidated funds, nearly all of these losses are attributable to others and are therefore included in the offsetting noncontrolling interests. Refer to Note 11 of the Notes to Consolidated Financial Statements in this Form 10-K for further information on the consolidation of VIEs.

Noncontrolling interests includes the impact of consolidating certain low-income housing tax credit funds, which impacts other revenue, interest expense, and the losses of real estate partnerships held by consolidated VIEs (as described in the preceding paragraph), and reflects the portion of these consolidated entities which we do not own. Total segment expenses attributable to others in fiscal year 2015 decreased by \$4 million, corresponding with the reduction in losses of real estate partnerships held by consolidated VIEs discussed in the preceding paragraph.

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## Results of Operations – Asset Management

The following table presents consolidated financial information for our Asset Management segment for the years indicated:

	Year ended September 30,					
	2016	% change	2015	% change	2014	
	(\$ in thousands)					
Revenues:						
Investment advisory and related administrative fees:						
Managed programs	\$270,623	—	\$271,609	4 %	\$260,903	
Non-discretionary asset-based administration	74,130	10 %	67,286	17 %	57,341	
Sub-total investment advisory and related administrative fees	344,753	2 %	338,895	6 %	318,244	
Other	59,668	12 %	53,483	4 %	51,446	
Total revenues	404,421	3 %	392,378	6 %	369,690	
Expenses:						
Admin & incentive compensation and benefit costs	112,998	11 %	101,723	(1) %	102,674	
Communications and information processing	27,027	7 %	25,286	16 %	21,861	
Occupancy and equipment	4,423	(3) %	4,564	(1) %	4,587	
Business development	9,500	(4) %	9,911	8 %	9,208	
Investment sub-advisory fees	56,751	3 %	54,938	18 %	46,674	
Other	57,983	3 %	56,254	14 %	49,495	
Total expenses	268,682	6 %	252,676	8 %	234,499	
Income before taxes and including noncontrolling interests	135,739	(3) %	139,702	3 %	135,191	
Noncontrolling interests	3,581		4,652		6,905	
Pre-tax income excluding noncontrolling interests	\$132,158	(2) %	\$135,050	5 %	\$128,286	

The Asset Management segment includes the operations of Eagle, the Eagle Funds, AMS, ClariVest Asset Management, Inc. (“ClariVest”), Cougar, RJ Trust, and other fee-based programs. Revenues for this segment are primarily generated by the investment advisory fees related to asset management services provided for individual and institutional investment portfolios, along with mutual funds. We generate revenues in this segment by providing investment advisory and asset management services to either individual or institutional investment portfolios, along with mutual funds. Investment advisory fee revenues are earned on the assets held in either managed or non-discretionary asset-based programs. These fees are computed based on balances either at the beginning of the quarter, the end of the quarter, or average daily assets. Asset balances are impacted by both the performance of the market and the new sales and redemptions of client accounts/funds. Rising markets have historically had a positive impact on investment advisory fee revenues as existing accounts increase in value, and individuals and institutions may commit incremental funds in rising markets.

No single client accounts for a material percentage of this segment’s total business.

## Managed Programs

As of September 30, 2016, approximately 80% of investment advisory fees recorded in this segment are earned from assets held in managed programs. Of these revenues, approximately 70% of our investment advisory fees recorded each quarter are determined based on balances at the beginning of a quarter, approximately 15% are based on balances at the end of the quarter and the remaining 15% are computed based on average assets throughout the quarter.



In fiscal year 2015, RJF acquired Cougar. Eagle offers Cougar's global asset allocation strategies to its clients worldwide. Cougar has a substantial amount of assets under advisement, which are non-discretionary advised assets. See Note 3 of the Notes to Consolidated Financial Statements in this Form 10-K for additional information regarding the Cougar acquisition. The majority of the assets managed by Cougar are reflected in non-discretionary asset-based program balances.

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The following table reflects fee-billable financial assets under management in managed programs at the dates indicated:

	September 30,		
	2016	2015	2014
	(in millions)		
Assets under management:			
Eagle Asset Management, Inc. <sup>(1)</sup>	\$27,235	\$25,692	\$28,752
Freedom accounts <sup>(2)</sup>	24,136	20,188	18,562
Raymond James Consulting Services <sup>(3)</sup>	18,883	13,484	13,085
Unified Managed Accounts (“UMA” <sup>(4)</sup> )	10,389	8,613	7,587
All other	1,086	1,116	1,382
Sub-total assets under management	81,729	69,093	69,368
Less: Assets managed for affiliated entities	(4,744 )	(3,916 )	(4,811 )
Total financial assets under management	\$76,985	\$65,177	\$64,557

(1) Accounts by which Eagle asset managers are engaged to manage clients’ assets with investment decisions made by the Eagle asset manager.

(2) Accounts that provide the client a choice between mutual funds, exchange traded funds or a combination of both with investment decisions made by an in-house investment committee.

(3) Accounts by which in-house or third-party asset managers are engaged to manage clients’ assets with investment decisions made by such asset manager.

(4) Accounts that provide the client with the ability to combine separately managed accounts, mutual funds and exchange traded funds all in one aggregate account with investment decisions made by an in-house investment committee.

The following table summarizes the activity impacting the total financial assets under management in managed programs (including activity in assets managed for affiliated entities) for the years indicated:

	Year ended September 30,		
	2016	2015	2014
	(in millions)		
Assets under management at beginning of year	\$69,093	\$69,368	\$60,788
Net inflows of client assets	6,327	(1) 2,797	3,865
Net market appreciation (depreciation) in asset values	6,309	(2,170 )	4,715
Other	—	(902 ) <sup>(2)</sup>	—
Assets under management at end of year	\$81,729	\$69,093	\$69,368

(1) The fiscal year 2016 net inflows include approximately \$2.0 billion of client assets resulting from our acquisition of Alex. Brown.

The “other” category in the prior year includes \$1.05 billion of assets that were previously included in Eagle Asset Management, Inc. programs which were transferred into non-discretionary asset-based programs. The asset balances in non-discretionary asset-based programs are discussed below.

Non-discretionary asset-based programs

As of September 30, 2016, approximately 20% of investment advisory fee revenues recorded in this segment are earned for administrative services on assets held in certain non-discretionary asset-based programs. These assets totaled \$119.3 billion, \$91.0 billion, and \$81.3 billion as of September 30, 2016, 2015 and 2014, respectively. The majority of the administrative fees associated with these programs are determined based on balances at the beginning of the quarter, with a portion based on month-end balances. All such fees are reflected within “non-discretionary asset-based administration” revenues in this segment’s results of operations.

Year ended September 30, 2016 compared with the year ended September 30, 2015 – Asset Management

Revenues increased \$12 million, or 3%, to \$404 million. Pre-tax income decreased \$3 million, or 2%, to \$132 million.

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Total investment advisory and related administrative fee revenues increased by \$6 million, or 2%. Revenues from non-discretionary asset-based administration activities increased \$7 million, or 10%, primarily resulting from the 31% increase in assets held in such programs. Assets arising from our Alex. Brown and 3Mac's acquisitions had little impact on revenues as the acquisitions occurred late in the fiscal year. Offsetting this increase, advisory fee revenues from managed programs decreased by approximately \$1 million. Although financial assets under management increased \$11.8 billion, or nearly 18% (net of assets managed for affiliated entities) compared to the prior year level, such balances have been lower on fee billing dates during the current year. Also, a portion of the increase in assets arose from our acquisition of Alex. Brown which occurred late in the fiscal year.

Other income increased \$6 million, or 12%, resulting in part from RJ Trust which generated an increase in trust fee income arising from their 30% increase in trust assets from the prior year level. In addition, Eagle received increased shareholder servicing fees and money market fee sharing related to the increase in interest rates.

Expenses increased by approximately \$16 million, or 6%, primarily resulting from an \$11 million, or 11%, increase in administrative and incentive compensation expenses, a \$2 million, or 3%, increase in investment sub-advisory fee expense, a \$2 million, or 7%, increase in communications and information processing expense, and a \$2 million, or 3%, increase in other expense. The increase in administrative and incentive compensation expenses results primarily from annual salary increases, increases in personnel to support the growth of the business and increases in certain employee benefit plan costs. In addition, the prior year incentive compensation expense included a reversal of certain incentive compensation expense accruals for associates who left the firm during the prior year; such a reversal did not recur in the current year. The increase in sub-advisory fee expense results from increased assets under management in applicable programs. The increase in communication and information processing expense results from increased costs in support of growth in the business. The increase in other expense is in part the result of an increase in revenue sharing with PCG, certain regulatory compliance and legal expenses, and certain incremental costs associated with Cougar including amortization of intangible assets arising from the acquisition.

Noncontrolling interests includes the impact of the consolidation of certain subsidiary investment advisors and other subsidiaries. The portion of net income attributable to noncontrolling interests decreased \$1 million compared to the prior year as a result of the reduction in the amount of performance fee revenues earned in the current year that are attributable to others.

Year ended September 30, 2015 compared to the year ended September 30, 2014 – Asset Management

Pre-tax income in the Asset Management segment in fiscal year 2015 increased \$7 million, or 5%.

Investment advisory fee revenue in fiscal year 2015 increased by \$21 million, or 6%, generated by an increase in assets under management that resulted from net inflows of client assets. Market values depreciated primarily as a result of the equity market decline that occurred during the fourth quarter of fiscal year 2015. Performance fees, which are earned by managed funds for exceeding certain performance targets, amounted to \$5 million in fiscal year 2015, a decrease of \$5 million from the amount earned in the prior year.

Other revenue in fiscal year 2015 increased by \$2 million, or 4%, primarily resulting from an increase in fee income generated by RJ Trust, reflecting a 4% increase in RJ Trust client assets compared to the prior year, to \$3.51 billion as of September 30, 2015.

Expenses increased in fiscal year 2015 by approximately \$18 million, or 8%, primarily resulting from an \$8 million, or 18%, increase in investment sub-advisory fees, a \$3 million, or 16%, increase in communications and information support processing expense, and a \$7 million, or 14%, increase in other expenses. The increase in investment sub-advisory fee expense in fiscal year 2015 is primarily attributable to increased fees paid to external managers for

Raymond James Consulting Services and UMA programs, which both experienced increases in asset levels compared to the prior year. The fiscal year 2015 increase in communications and information processing expense result from additional costs associated with supporting the steadily increasing levels of assets under management as well as the growth in asset levels in our non-discretionary asset-based programs. The increase in other expense in fiscal year 2015 is primarily due to Eagle's share of certain costs incurred in the organization and start-up of a new fund in which Eagle serves as the sub-advisor.

Noncontrolling interests includes the impact of the consolidation of certain subsidiary investment advisors and other subsidiaries (including ClariVest). Total segment net income attributable to others in fiscal year 2015 decreased \$2 million compared to the prior year primarily as a result of a reduction in the amount of performance fee revenues earned in fiscal year 2015 that were attributable to others.

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## Results of Operations – RJ Bank

The following table presents consolidated financial information for RJ Bank for the years indicated:

	Year ended September 30,					
	2016	% change	2015	% change	2014	
	(\$ in thousands)					
Revenues:						
Interest income	\$501,967	21 %	\$415,271	17 %	\$355,304	
Interest expense	(23,277 )	99 %	(11,693 )	37 %	(8,547 )	
Net interest income	478,690	19 %	403,578	16 %	346,757	
Other income	15,276	43 %	10,717	114 %	5,013	
Net revenues	493,966	19 %	414,295	18 %	351,770	
Non-interest expenses:						
Compensation and benefits	29,742	7 %	27,843	9 %	25,430	
Communications and information processing	7,090	37 %	5,186	22 %	4,234	
Occupancy and equipment	1,216	(3 )%	1,256	(1 )%	1,274	
Loan loss provision	28,167	20 %	23,570	74 %	13,565	
FDIC insurance premiums	15,478	32 %	11,746	17 %	10,026	
Affiliate deposit account servicing fees	43,145	22 %	35,429	5 %	33,758	
Other	31,832	4 %	30,544	48 %	20,649	
Total non-interest expenses	156,670	16 %	135,574	24 %	108,936	
Pre-tax income	\$337,296	21 %	\$278,721	15 %	\$242,834	

RJ Bank provides corporate loans, residential loans and securities based loans. RJ Bank is active in corporate loan syndications and participations. RJ Bank also provides FDIC-insured deposit accounts to clients of our broker-dealer subsidiaries and to the general public. RJ Bank generates net interest revenue principally through the interest income earned on loans and investments, which is offset by the interest expense it pays on client deposits and on its borrowings.

Other than the business generated through our Private Client Group as a whole, no single client accounts for a material percentage of this segment's total business.

The following tables present certain credit quality trends for loans held by RJ Bank:

	Year ended September 30,		
	2016	2015	2014
	(in thousands)		
Net loan (charge-offs)/recoveries:			
C&I loans	\$(2,956)	\$(580 )	\$(1,829)
Commercial real estate ("CRE") loans—		3,773	64
Residential mortgage loans	(53 )	(461 )	(17 )
SBL	—	25	35
Total	\$(3,009)	\$2,757	\$(1,747)

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	As of September 30,			
	2016	2015	2014	
	(in thousands)			
Allowance for loan losses:				
Loans held for investment:				
C&I loans	\$ 137,701	\$ 117,623	\$ 103,179	
CRE construction loans	1,614	2,707	1,594	
CRE loans	36,533	30,486	25,022	
Tax-exempt loans	4,100	5,949	1,380	
Residential mortgage loans	12,664	12,526	14,350	
SBL	4,766	2,966	2,049	
Total	\$ 197,378	\$ 172,257	\$ 147,574	
Nonperforming assets:				
Nonperforming loans:				
C&I loans	\$ 35,194	\$ —	\$ —	
CRE loans	4,230	4,796	18,876	
Residential mortgage loans:				
Residential mortgage loans	41,746	47,504	61,391	
Home equity loans/lines	37	319	398	
Total nonperforming loans	81,207	52,619	80,665	
Other real estate owned:				
Residential first mortgage	4,497	4,631	5,380	
Total other real estate owned	4,497	4,631	5,380	
Total nonperforming assets	\$ 85,704	\$ 57,250	\$ 86,045	
Total nonperforming assets as a % of RJ Bank total assets	0.50	% 0.39	% 0.69	%
Total loans:				
Loans held for sale, net <sup>(1)</sup>	\$ 214,286	\$ 119,519	\$ 45,988	
Loans held for investment:				
C&I loans	7,470,373	6,928,018	6,422,347	
CRE construction loans	122,718	162,356	94,195	
CRE loans	2,554,071	2,054,154	1,689,163	
Tax-exempt loans	740,944	484,537	122,218	
Residential mortgage loans	2,441,569	1,962,614	1,751,747	
SBL	1,904,827	1,481,504	1,023,748	
Net unearned income and deferred expenses	(40,675 )	(32,424 )	(37,533 )	
Total loans held for investment <sup>(1)</sup>	15,193,827	13,040,759	11,065,885	
Total loans <sup>(1)</sup>	\$ 15,408,113	\$ 13,160,278	\$ 11,111,873	

(1) Net of unearned income and deferred expenses.

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The following table presents RJ Bank's allowance for loan losses by loan category:

	As of September 30, 2016			2015			2014		
	Loan category	Allowance as a % of total loans receivable		Loan category	Allowance as a % of total loans receivable		Loan category	Allowance as a % of total loans receivable	
	(\$ in thousands)								
Loans held for sale	\$—	1	%	\$—	1	%	\$—	—	%
C&I loans	123,459	42	%	98,447	44	%	87,551	49	%
CRE construction loans	1,452	1	%	2,148	1	%	1,307	1	%
CRE loans	30,809	14	%	24,064	13	%	21,061	13	%
Tax-exempt loans	4,100	5	%	5,949	4	%	1,380	1	%
Residential mortgage loans	12,655	16	%	12,513	15	%	14,340	16	%
SBL	4,764	12	%	2,962	11	%	2,044	9	%
Foreign loans	20,139	9	%	26,174	11	%	19,891	11	%
Total	\$197,378	100	%	\$172,257	100	%	\$147,574	100	%

	As of September 30, 2013			2012		
	Loan category	Allowance as a % of total loans receivable		Loan category	Allowance as a % of total loans receivable	
	(\$ in thousands)					
Loans held for sale	\$—	1	%	\$—	2	%
C&I loans	81,733	50	%	85,916	56	%
CRE construction loans	674	—	%	458	—	%
CRE loans	16,566	12	%	26,381	10	%
Residential mortgage loans	19,117	20	%	26,126	21	%
SBL	1,112	6	%	705	4	%
Foreign loans	17,299	11	%	7,955	7	%
Total	\$136,501	100	%	\$147,541	100	%

Information on foreign assets held by RJ Bank:

Changes in the allowance for loan losses with respect to loans RJ Bank has made to borrowers who are not domiciled in the U.S. are as follows:

	Year ended September 30,				
	2016	2015	2014	2013	2012
	(in thousands)				
Allowance for loan losses attributable to foreign loans, beginning of year:	\$26,174	\$19,891	\$17,299	\$7,955	\$1,596
(Benefit) provision for loan losses - foreign loans	(5,998 )	7,927	3,337	9,696	6,242
Foreign loan charge-offs:					
C&I loans	—	—	—	(56 )	—



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Foreign exchange translation adjustment	(37	)	(1,644	)	(745	)	(296	)	117
Allowance for loan losses attributable to foreign loans, end of year	\$20,139		\$26,174		\$19,891		\$17,299		\$7,955

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Cross-border outstandings represent loans (including accrued interest), interest-bearing deposits with other banks, and any other monetary assets which are cross-border claims according to bank regulatory guidelines for the country exposure report. The following table sets forth the country where RJ Bank's total cross-border outstandings exceeded 1% of total RJF assets as of each respective period:

	Deposits with other banks (in thousands)	C&I loans	CRE construction loans	CRE loans	Residential mortgage loans	SBL	Total cross-border outstandings (1)
September 30, 2016							
Canada	\$36,843	\$367,258	\$	—\$109,577	\$ 540	\$311	\$ 514,529
September 30, 2015							
Canada	\$122,810	\$456,602	\$	—\$178,230	\$ 557	\$328	\$ 758,527
September 30, 2014							
Canada	\$64,363	\$397,743	\$	—\$112,325	\$ 586	\$37	\$ 575,054

(1) Excludes any hedged, non-U.S. currency amounts.

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The following table presents average balance, interest income and expense, the related interest yields and rates, and interest spreads for RJ Bank for the years indicated:

	Year ended September 30, 2016			2015			2014		
	Average balance	Interest inc./exp.	Average yield/ cost	Average balance	Interest inc./exp.	Average yield/ cost	Average balance	Interest inc./exp.	Average yield/ cost
	(\$ in thousands)								
Interest-earning banking assets:									
Loans, net of unearned income <sup>(1)</sup>									
Loans held for sale - all domestic	\$150,305	\$4,551	3.07%	\$107,255	\$2,686	2.64%	\$107,898	\$2,705	2.51%
Loans held for investment:									
Domestic:									
C&I loans	6,167,886	231,652	3.71%	5,672,456	205,673	3.59%	4,854,911	176,820	3.61%
CRE construction loans	149,075	7,426	4.90%	95,609	4,105	4.23%	51,361	2,346	4.50%
CRE loans	1,927,405	58,616	2.99%	1,462,690	44,367	2.99%	1,249,124	37,156	2.93%
Tax-exempt loans <sup>(2)</sup>	617,701	16,707	4.16%	301,767	8,812	4.49%	44,150	1,454	5.07%
Residential mortgage loans	2,215,536	64,537	2.87%	1,924,408	55,286	2.83%	1,751,584	51,409	2.90%
SBL	1,711,500	51,446	2.96%	1,267,401	35,242	2.74%	779,872	21,843	2.76%
Foreign:									
C&I loans	1,003,516	39,824	3.90%	1,004,661	39,313	3.86%	945,799	38,778	4.04%
CRE construction loans	20,026	1,036	5.09%	23,017	937	4.01%	42,594	2,763	6.40%
CRE loans	369,819	11,432	3.04%	265,634	9,002	3.34%	217,461	8,537	3.87%
Residential mortgage loans	2,253	70	3.07%	2,697	84	3.06%	2,099	64	3.00%
SBL	1,743	69	3.89%	1,936	71	3.60%	1,866	67	3.57%
Total loans, net	14,336,765	487,366	3.42%	12,129,531	405,578	3.34%	10,048,719	343,942	3.39%
Agency MBS	363,722	4,993	1.37%	248,408	2,446	0.98%	297,933	2,622	0.88%
Non-agency collateralized mortgage obligations	68,904	1,764	2.56%	89,336	2,178	2.44%	127,022	3,164	2.49%
Cash	884,556	4,140	0.47%	611,375	1,344	0.22%	979,978	2,558	0.28%
FHLB stock, Federal Reserve Bank of Atlanta ("FRB") stock, and other	186,589	3,704	1.98%	111,891	3,725	3.33%	95,806	3,018	3.15%
Total interest-earning banking assets	15,840,536	\$501,967	3.18%	13,190,541	\$415,271	3.15%	11,549,458	\$355,304	3.04%
Non-interest-earning banking assets:									
Allowance for loan losses	(188,429 )			(158,373 )			(140,544 )		
	(3,172 )			(4,666 )			(9,338 )		

Unrealized loss on  
available for sale  
securities

Other assets	281,961	321,919	289,322
Total			
non-interest-earning	90,360	158,880	139,440
banking assets			
Total banking assets	\$ 15,930,896	\$ 13,349,421	\$ 11,688,898

(continued on next page)

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	Year ended September 30, 2016			2015			2014		
	Average balance	Interest inc./exp.	Average yield/ cost	Average balance	Interest inc./exp.	Average yield/ cost	Average balance	Interest inc./exp.	Average yield/ cost
	(\$ in thousands)								
	(continued from previous page)								
Interest-bearing banking liabilities:									
Deposits:									
Certificates of deposit	\$345,628	\$5,402	1.56 %	\$347,748	\$5,839	1.68 %	\$329,176	\$6,126	1.86 %
Money market, savings, and NOW accounts <sup>(3)</sup>	13,238,007	7,087	0.05 %	10,851,494	2,543	0.02 %	9,790,257	1,833	0.02 %
FHLB advances and other	680,778	10,788	1.56 %	664,387	3,311	0.49 %	337,603	588	0.17 %
Total interest-bearing banking liabilities	14,264,413	\$23,277	0.16 %	11,863,629	\$11,693	0.10 %	10,457,036	\$8,547	0.08 %
Non-interest-bearing banking liabilities	71,278			52,933			36,827		
Total banking liabilities	14,335,691			11,916,562			10,493,863		
Total banking shareholder's equity	1,595,205			1,432,859			1,195,035		
Total banking liabilities and shareholders' equity	\$15,930,896			\$13,349,421			\$11,688,898		
Excess of interest-earning banking assets over interest-bearing banking liabilities/net interest income	\$1,576,123	\$478,690		\$1,326,912	\$403,578		\$1,092,422	\$346,757	
Bank net interest: Spread			3.02 %			3.05 %			2.97 %
Margin (net yield on interest-earning banking assets)			3.04 %			3.07 %			2.98 %
Ratio of interest-earning banking assets to interest-bearing banking liabilities			111.05 %			111.18 %			110.45 %
Return on average: Total banking assets			1.41 %			1.34 %			1.35 %

Total banking shareholder's equity	14.10 %	12.52 %	13.21 %
Average equity to average total banking assets	10.01 %	10.73 %	10.22 %

(1) Nonaccrual loans are included in the average loan balances. Payment or income received on impaired nonaccrual loans are applied to principal. Income on other nonaccrual loans is recognized on a cash basis. Fee income on loans included in interest income for the years ended September 30, 2016, 2015 and 2014 was \$36 million, \$30 million, and \$34 million, respectively.

(2) The yield is presented on a tax-equivalent basis utilizing the federal statutory tax rate of 35%.

(3) Negotiable Order of Withdrawal ("NOW") account.

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

	Year ended September 30, 2016 compared to 2015			2015 compared to 2014		
	Increase (decrease) due to Volume	Rate	Total	Increase (decrease) due to Volume	Rate	Total
(in thousands)						
Interest revenue:						
Interest-earning banking assets:						
Loans, net of unearned income:						
Loans held for sale	\$1,078	\$787	\$1,865	\$(16)	\$(3)	\$(19)
Loans held for investment:						
Domestic:						
C&I loans	17,964	8,015	25,979	29,775	(922)	28,853
CRE construction loans	2,295	1,026	3,321	2,021	(262)	1,759
CRE loans	14,095	154	14,249	6,353	858	7,211
Tax-exempt loans	9,227	(1,332)	7,895	8,484	(1,126)	7,358
Residential mortgage loans	8,364	887	9,251	5,073	(1,196)	3,877
SBL	12,348	3,856	16,204	13,655	(256)	13,399
Foreign:						
C&I loans	(45)	556	511	2,414	(1,879)	535
CRE construction loans	(122)	221	99	(1,269)	(557)	(1,826)
CRE loans	3,531	(1,101)	2,430	1,891	(1,426)	465
Residential mortgage loans	(14)	—	(14)	18	2	20
SBL	(7)	5	(2)	3	1	4
Agency MBS	1,135	1,412	2,547	(436)	260	(176)
Non-agency collateralized mortgage obligations	(498)	84	(414)	(939)	(47)	(986)
Cash	601	2,195	2,796	(962)	(252)	(1,214)
FHLB stock, FRB stock, and other	2,486	(2,507)	(21)	507	200	707
Total interest-earning banking assets	72,438	14,258	86,696	66,572	(6,605)	59,967
Interest expense:						
Interest-bearing banking liabilities:						
Deposits:						
Certificates of deposit	(36)	(401)	(437)	346	(633)	(287)
Money market, savings and NOW accounts	559	3,985	4,544	199	511	710
FHLB advances and other	82	7,395	7,477	569	2,154	2,723
Total interest-bearing banking liabilities	605	10,979	11,584	1,114	2,032	3,146
Change in net interest income	\$71,833	\$3,279	\$75,112	\$65,458	\$(8,637)	\$56,821





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Year ended September 30, 2016 compared with the year ended September 30, 2015 – RJ Bank

Net revenues increased \$80 million, or 19%, to \$494 million. Pre-tax income increased \$59 million, or 21%, to \$337 million.

The increase in pre-tax income was primarily attributable to a \$75 million, or 19%, increase in net interest income and a \$5 million, or 43%, increase in other income, offset by an increase of \$5 million, or 20%, in the provision for loan losses, and a \$16 million, or 15%, increase in non-interest expenses (excluding provision for loan losses).

The \$75 million increase in net interest income was the result of a \$2.6 billion increase in average interest-earning banking assets partially offset by a small decline in net interest margin. The increase in average interest-earning banking assets was driven by a \$2.2 billion increase in average loans and a \$443 million increase in average cash and investments. The increase in average loans was comprised of a \$1.4 billion, or 16%, increase in average corporate loans, a \$444 million, or 35%, increase in average SBL balances, and a \$291 million, or 15%, increase in average residential mortgage loans. The net interest margin decreased to 3.04% from 3.07% due to an increase in average, lower-yielding cash balances in addition to an increase in total cost of funds to 0.16% from 0.10%. The average interest-earning banking assets yield increased slightly to 3.18% from 3.15% compared to the prior year primarily due to an increase in the loan portfolio yield to 3.42% from 3.34%. This resulted primarily from the Federal Reserve Bank's December 2015 increase in short-term interest rates. The increase in total cost of funds primarily resulted from an increase in deposit and borrowing costs, which includes additional expense from our interest rate hedging activities. Borrowing costs increased to 1.81% from 0.61% in the prior year.

Corresponding to the increase in average interest-earning banking assets, average interest-bearing banking liabilities increased \$2.4 billion to \$14.3 billion.

The increase in the provision for loan losses as compared to the prior year is primarily due to higher corporate loan growth, the charges during the current year related to loans outstanding within the energy sector, as well as additional provision for corporate loan downgrades resulting in higher criticized loans as compared to the prior year. The provision for loan losses also reflects the offsetting impact of improved credit characteristics from the continued decline in residential mortgage loan delinquencies and nonperforming loans.

Other income increased \$5 million as compared to prior year primarily due to increases in affiliate income related to the current year growth in securities-based lending, gains realized from the sale of available for sale securities, trading gains as a result of higher sales of Small Business Administration ("SBA") loan securitizations, and lower foreign exchange losses.

Non-interest expenses (excluding provision for loan losses) increased \$16 million as compared to the prior year. The current year expense included an \$8 million increase in affiliate deposit account servicing fees and a \$4 million increase in FDIC insurance premiums both resulting from the increase in deposit balances. Other increases in non-interest expense included a \$2 million increase in SBL affiliate fees due to increased SBL balances, a \$2 million increase in communications and information processing expense, a \$2 million increase in compensation and benefits resulting from salary increases and staff additions, and a \$1 million increase in equity losses related to RJ Bank's investment in low income housing tax credit projects (these losses are by design of the investment structure, income tax credits not reflected in the pre-tax operating results of the segment are received by RJF which net an overall positive return on such investments). These increases in non-interest expenses were partially offset by a \$3 million decrease in expense related to the reserve for unfunded lending commitments.

Year ended September 30, 2015 compared to the year ended September 30, 2014 – RJ Bank

Pre-tax income in the RJ Bank segment in fiscal year 2015 increased \$36 million, or 15% compared to fiscal year 2014. The increase in pre-tax income in fiscal year 2015 was primarily attributable to a \$63 million, or 18%, increase

in net revenues, offset by an increase of \$10 million, or 74%, in the provision for loan losses and a \$17 million, or 17%, increase in non-interest expenses (excluding the provision for loan losses). The increase in net revenues in fiscal year 2015 was attributable to a \$57 million increase in net interest income and a \$6 million increase in other income.

The \$57 million increase in net interest income in fiscal year 2015 was the result of a \$1.6 billion increase in average interest-earning banking assets and an increase in the net interest margin compared to fiscal year 2014. The increase in average interest-earning banking assets in fiscal year 2015 was primarily driven by a \$2.1 billion increase in average loans offset by a \$440 million decrease in average cash and investments. In fiscal year 2015, average corporate loans increased \$1.4 billion, or 19%, average SBL balances increased \$488 million, or 62%, and average residential mortgage loans increased \$173 million, or 10%. The yield on interest-earning banking assets increased to 3.15% from 3.04% due to an improvement in the earning-asset composition from lower-yielding cash and investments to a larger percentage of higher yielding loans in fiscal year 2015. The loan portfolio yield

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decreased slightly in fiscal year 2015 to 3.34% from 3.39% in fiscal year 2014. Primarily as a result of the increase in the yield of the average interest-earning banking assets in fiscal year 2015, the net interest margin increased to 3.07% from 2.98%.

Corresponding to the increase in average interest-earning banking assets, average interest-bearing banking liabilities in fiscal year 2015 increased \$1.4 billion to \$11.9 billion.

The increase in other income in fiscal year 2015 was due to a decrease of \$4 million in foreign currency losses, a \$1 million increase resulting from held for sale loan activities, and a \$1 million increase in gains from the sale of foreclosed properties.

A significant portion of the provision for loan losses in both fiscal year 2015 and 2014 resulted from loan portfolio growth in each year. The primary factors impacting the year over year increase in provision for loan losses in fiscal year 2015 results from the varying impact of credit characteristics which were particular to fiscal year 2015 and 2014. The fiscal year 2015 provision for loan losses was impacted by an increase in corporate criticized loans, which was partially offset by the impact of improved credit characteristics of the residential mortgage loan portfolio. Fiscal year 2014 benefited to a greater extent than fiscal year 2015 from the improved credit characteristics of the loan portfolio including a decrease in corporate criticized loans.

The \$17 million increase in non-interest expenses (excluding the provision for loan losses) in fiscal year 2015 was primarily attributable to a \$3 million, or 68%, increase in SBL affiliate fees due to increases in SBL balances; a \$2 million, or 5%, increase in affiliate deposit account servicing fees related to increased deposit balances; a \$2 million increase in expenses related to the reserve for unfunded lending commitments; a \$2 million or 17% increase in FDIC insurance premiums; a \$2 million, or 9%, increase in compensation and benefits resulting from annual raises and increases in the costs of certain employee benefit programs coupled with increases in the number of personnel; a \$1 million, or 22%, increase in communications and information processing expense; and a \$1 million increase of expense related to other taxes.

## Results of Operations – Other

The following table presents consolidated financial information for the Other segment for the years indicated:

	Year ended September 30,					
	2016	%	2015	%	2014	
		change		change		
	(\$ in thousands)					
Revenues:						
Interest income	\$16,977	39 %	\$12,237	(2) %	\$12,549	
Investment advisory fees	1,825	11 %	1,644	23 %	1,340	
Other	27,489	(48) %	53,086	87 %	28,314	
Total revenues	46,291	(31) %	66,967	59 %	42,203	
Interest expense	(77,983)	) 1 %	(77,165)	) —	(77,456)	
Net revenues	(31,692)	) (211) %	(10,198)	) 71 %	(35,253)	
Non-interest expenses:						
Compensation and other expenses	60,448	49 %	40,551	(6) %	43,055	
Acquisition-related expenses	40,706	—	—	—	—	
Total non-interest expenses	101,154	149 %	40,551	(6) %	43,055	
Loss before taxes and including noncontrolling interests:	(132,846)	) (162) %	(50,749)	) 35 %	(78,308)	

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Noncontrolling interests	15,702	14,100	5,610
Pre-tax loss excluding noncontrolling interests	\$(148,548)	(129)%	\$(64,849) 23 % \$(83,918)

This segment results include our principal capital and private equity activities, certain corporate overhead costs of RJF including the interest cost on our public debt, and the acquisition and integration costs associated with certain acquisitions (including for fiscal year 2016, acquisition costs associated with our acquisitions of Alex. Brown, 3Macs and Mummert, see Note 3 of the Notes to the Consolidated Financial Statements in this Form 10-K for additional information).

Year ended September 30, 2016 compared to the year ended September 30, 2015 – Other

The pre-tax loss generated by this segment increased by approximately \$84 million, or 129%.

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Total revenues in this segment decreased \$21 million, or 31%. Private equity gains included in other revenues decreased by \$24 million, or 50%. Realized gains on the sale of ARS securities decreased by \$11 million due to the nonrecurring prior year gain on the sale of all of our Jefferson County, Alabama Limited Obligation School Warrants ARS. Offsetting these decreases, prior year foreign exchange losses of \$5 million arising from certain Canadian denominated liabilities did not recur in the current year, and interest income increased \$5 million resulting from the increase in interest rates and higher corporate cash balances throughout most of the current year.

Interest expense increased \$1 million, or 1%. The most significant component of the increase was the interest expense incurred on our senior notes, which increased by \$2 million, or 3% as the average outstanding balance increased due to our July 2016 issuance of \$800 million of senior notes payable. The new issuances more than offset the impact of the April 2016 repayment of \$250 million in maturing senior notes. See Note 17 of the Notes to Consolidated Financial Statements in this Form 10-K for additional information.

Compensation and other expense increased \$20 million, or 49%. Of the increase, \$6 million is due to increases in expenses associated with certain corporate benefit plans provided to associates, \$5 million is the result of an increase in corporate charitable donations, and \$4 million is the result of additional executive compensation expense resulting from the favorable results of operations and new personnel.

The acquisition-related expenses pertain to incremental expenses incurred in connection with our acquisitions of Alex. Brown, 3Macs and Mummert. See Note 3 of the Notes to Consolidated Financial Statements in this Form 10-K for information regarding the components of these expenses.

The portion of revenue attributable to noncontrolling interests increased \$2 million, despite the decrease in total gains generated in the private equity portfolio. In the prior year, we had significant gains on certain investments in which a relatively small portion was attributable to others. In the current year, gains on those investments did not recur, and thus a larger portion of our total gains were attributable to others.

Year ended September 30, 2015 compared to the year ended September 30, 2014 – Other

The pre-tax loss generated by this segment in fiscal year 2015 decreased by approximately \$19 million, or 23%.

Net revenues in this segment in fiscal year 2015 increased \$25 million, or 71%. The increase in fiscal year 2015 results from a \$25 million increase in revenues arising from our principal capital and private equity portfolio investments. We also realized an increase in fiscal year 2015 revenues arising from the sale or redemption activities in our ARS portfolio of \$4 million, which were offset by certain foreign currency translation losses that primarily result from the weakened Canadian dollar, and decreases in the valuation of other investments (primarily in managed equities). The fiscal year 2015 ARS portfolio gain is primarily the result of an \$11 million gain on the sale of all of our Jefferson County, Alabama Limited Obligation School Warrants ARS. In the fiscal year 2014, gains resulting from sales and redemption activities in our ARS portfolio were primarily comprised of a \$5.5 million gain on the redemption of Jefferson County Alabama Sewer Revenue Refunding Warrants ARS.

The portion of revenue attributable to noncontrolling interests in fiscal year 2015 increased \$8 million, as the increase in revenues generated by our private equity portfolio resulted in higher amounts of such revenues that are attributable to others.

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## Certain statistical disclosures by bank holding companies

As a financial holding company, we are required to provide certain statistical disclosures by bank holding companies pursuant to the SEC's Industry Guide 3. Certain of those disclosures are as follows for the fiscal year indicated:

	Year ended		
	September 30,		
	2016	2015	2014
RJF return on average assets <sup>(1)</sup>	1.8%	2.0%	2.1%
RJF return on average equity <sup>(2)</sup>	11.3%	11.5%	12.3%
Average equity to average assets <sup>(3)</sup>	17.1%	18.5%	18.1%
Dividend payout ratio <sup>(4)</sup>	21.9%	21.0%	19.3%

(1) Computed as net income attributable to RJF for the year indicated, divided by average assets (the sum of total assets at the beginning and end of the year, divided by two).

(2) Computed by utilizing the net income attributable to RJF for the year indicated, divided by the average equity attributable to RJF 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, plus the beginning of the year total, divided by five.

(3) Computed as average equity (the sum of total equity at the beginning and end of the fiscal year, divided by two), divided by average assets (the sum of total assets at the beginning and end of the fiscal year, divided by two).

(4) Computed as dividends declared per common share during the fiscal year as a percentage of diluted earnings per common share.

Refer to the RJ Bank section of this MD&A, various sections within Item 7A in this report and the Notes to Consolidated Financial Statements in 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 market environments.

Senior management establishes our liquidity and capital policies. These policies include senior management's review of short- and long-term cash flow forecasts, review of monthly capital expenditures, the monitoring of the availability of alternative sources of financing, and the 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 as well as maintains our relationships with various lenders. The objectives of these policies are 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 used in operating activities during the year ended September 30, 2016 was \$518 million. Successful operating results generated a \$650 million increase in cash.

Increases in cash from operations include:

An increase in brokerage client payables had a \$1.82 billion favorable impact on cash. The increase largely results from two factors. First, many clients reacted to uncertainties in the equity markets by increasing the cash balances in their brokerage accounts. Second, our brokerage client account balances increased as a result of our fiscal year 2016 acquisitions of Alex. Brown and 3Macs. Cumulatively, these two factors result in the increase in brokerage client payables and a corresponding increase in assets segregated pursuant to regulations which is discussed below.

Stock loaned, net of stock borrowed, increased \$153 million.

Accrued compensation, commissions and benefits increased \$46 million as a result of the increased financial results we achieved in fiscal year 2016.

Offsetting these, decreases in cash used in operations resulted from:

A \$1.95 billion increase in assets segregated pursuant to regulations and other segregated assets, primarily resulting from the increase in client cash balances described above.

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• An increase in our brokerage client receivables and other receivables of \$621 million.

Loans provided to financial advisors, net of repayments, increased resulting in the use of \$345 million in cash. The increase in loans was due in part to retention incentives provided to financial advisors joining us as a result of our Alex. Brown and 3Macs acquisitions. In addition, loans provided to recruited financial advisors resulted from organic growth.

• An increase in securities purchased under agreements to resell, net of securities sold under agreements to repurchase, used \$135 million.

• Purchases and originations of loans held for sale, net of proceeds from sales and securitizations, resulted in a \$101 million decrease.

Investing activities resulted in the use of \$2.98 billion of cash during the year ended September 30, 2016.

The primary investing activities were:

• An increase in bank loans used \$2.28 billion.

• Purchases of available for sale investments held at RJ Bank, net of proceeds from maturations, repayments and sales within the portfolio, used \$356 million.

• Our acquisitions of Alex. Brown, 3Macs, and Mummert, net of the cash acquired in such transactions, used \$175 million.

• The investment in fixed assets, predominately internally-developed computer software, used \$122 million.

• The funding of other investments used \$40 million.

Financing activities provided \$2.58 billion of cash during the year ended September 30, 2016.

Increases in cash from financing activities resulted from:

• RJ Bank deposit balance increases provided \$2.34 billion.

• Proceeds of \$542 million from the issuance of senior notes, net of repayments of scheduled maturities and debt issuance costs.

• Proceeds of \$43 million from the exercise of stock options and employee stock purchases.

• Proceeds of \$25 million from FHLB borrowings.

Offsetting these, decreases in cash from financing activities resulted from:

• Our repurchase of \$163 million of RJF shares, including \$144.5 million used for repurchases pursuant to a share repurchase authorization (see Part II - Item 5 in this report, for additional information on our share repurchases).

• Repayments of our short-term borrowings of \$115 million.

• Payment of dividends to our shareholders of \$113 million.

The effect of currency exchange rates on our cash balances has resulted in a \$29 million decrease in our U.S. dollar denominated cash balance during the year ended September 30, 2016. This effect is primarily attributable to cash balances we have that are denominated in Canadian currency. While the Canadian dollar to U.S. dollar exchange rate increased 1.7% since September 30, 2015, which has a favorable impact on this measure, the amount of our cash balance denominated in Canadian currency has also increased, the effect of which more than offsets the favorable impact of the change in exchange rates.

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



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## Sources of Liquidity

Approximately \$810 million of our total September 30, 2016 cash and cash equivalents (a portion of which resides in a deposit account at RJ Bank) was available to the parent company without restrictions. The cash and cash equivalents held were as follows:

Cash and cash equivalents:	September 30, 2016 (in thousands)	
RJF	\$ 371,978	(1)
RJ&A	456,543	(2)
RJ Bank	201,760	
RJ Ltd.	308,677	
RJFS	116,279	
RJFSA	28,828	
Other subsidiaries	166,387	
Total cash and cash equivalents	\$ 1,650,452	

RJF maintains a depository account at RJ Bank which has a balance of \$350 million as of September 30, 2016.

(1) This cash balance is reflected in the RJF total, and is excluded from the RJ Bank total, since this balance is available to RJF on-demand and without restriction.

RJF has loaned \$828 million to RJ&A as of September 30, 2016 (a portion of which is included in the RJ&A cash (2) balance presented in this 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 above, we have other various potential sources of cash available to the parent from subsidiaries which are described in the following section.

At September 30, 2016 the RJF loan to RJ&A was \$828 million. Of this balance, \$371 million was not held in cash. RJ&A has other means of raising cash that include borrowings on committed or uncommitted facilities that are described in the following sections. Were RJ&A to have made such borrowings as of September 30, 2016, cash available to the parent at such time would have approximated \$1.18 billion rather than the \$810 million of cash available to the parent on September 30, 2016 presented above.

## Liquidity Available from Subsidiaries

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

RJ&A is required to maintain net capital equal to the greater of \$1 million or 2% of aggregate debit balances arising from client balances. Covenants in RJ&A's committed secured financing facilities require its net capital to be a minimum of 10% of aggregate debit items. At September 30, 2016, RJ&A significantly exceeded both the minimum regulatory and its financing covenants net capital requirements. At that date, RJ&A had excess net capital of approximately \$460 million, of which approximately \$120 million is available for dividend while still maintaining the internally targeted net capital ratio of 15% of aggregate debit items. There are also limitations on the amount of dividends that may be declared by a broker-dealer without FINRA approval.

RJ Bank may pay dividends to the parent company 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 capital to risk-weighted assets ratios. At September 30, 2016, RJ Bank had

approximately \$194 million of capital in excess of the amount it would need at September 30, 2016 to maintain its internally targeted total capital to risk-weighted assets ratio of 12.5%, 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 the amounts described above, and in certain instances may be subject to regulatory requirements.

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## Borrowings and Financing Arrangements

The following table presents our financing arrangements with third party lenders that we generally utilize to finance a portion of our fixed income securities trading instruments held, and the outstanding balances related thereto, as of September 30, 2016:

	As of September 30, 2016				Total number of arrangements
	RJ&A <sup>(4)</sup>	RJ Ltd.	RJF	Total	
	(\$ in thousands)				
Financing arrangement:					
Committed secured <sup>(1)</sup>	\$200,000	\$—	\$—	\$200,000	2
Committed unsecured	—	—	300,000	300,000	1
Uncommitted secured <sup>(1)(2)</sup>	1,800,000	34,495 <sup>(5)</sup>	—	1,834,495	8
Uncommitted unsecured <sup>(1)(2)</sup>	350,000	—	50,000	400,000	6
Total financing arrangements	\$2,350,000	\$34,495	\$350,000	\$2,734,495	17
Outstanding borrowing amount:					
Committed secured <sup>(1)</sup>	\$—	\$—	\$—	\$—	
Committed unsecured	—	—	—	—	
Uncommitted secured <sup>(1)(2)(3)</sup>	185,227	—	—	185,227	
Uncommitted unsecured <sup>(1)(2)</sup>	—	—	—	—	
Total outstanding borrowing amount	\$185,227	\$—	\$—	\$185,227	

(1) Our ability to borrow is dependent upon compliance with the conditions in the various committed loan agreements and collateral eligibility requirements.

(2) Lenders are under no contractual obligation to lend to us under uncommitted credit facilities.

(3) As of September 30, 2016, we had outstanding borrowings under two uncommitted secured borrowing arrangements with lenders.

(4) We generally utilize the RJ&A facilities to finance a portion of our fixed income securities trading instruments.

(5) This financing arrangement is primarily denominated in Canadian dollars, amounts presented in the table have been converted to U.S. dollars at the currency exchange rate in effect as of September 30, 2016.

The committed financing arrangements are in the form of either tri-party repurchase agreements or secured lines of credit, or in the case of the RJF Credit Facility, an unsecured line of credit. The uncommitted financing arrangements are in the form of secured lines of credit, secured bilateral or tri-party repurchase agreements, or unsecured lines of credit.

We maintain three unsecured settlement lines of credit available to our Argentine joint venture in the aggregate amount of \$12 million. Of the aggregate amount, one settlement line for \$9 million is guaranteed by RJF. We had no borrowings outstanding on these lines of credit as of September 30, 2016.

RJ Bank had \$575 million in FHLB borrowings outstanding at September 30, 2016, comprised of two floating-rate advances, totaling \$550 million and a \$25 million fixed-rate advance, all of which are secured by a blanket lien on RJ Bank's residential loan portfolio (see Note 15 of the Notes to Consolidated Financial Statements in this Form 10-K for

additional information regarding these borrowings). RJ Bank has an additional \$1.1 billion in immediate credit available from the FHLB as of September 30, 2016 and total available credit of 30% of total assets with the pledge of additional collateral to the FHLB.

RJ Bank is eligible to participate in the Fed's discount-window program; however, RJ Bank does not view borrowings from the Fed 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 Fed, and would be secured by pledged C&I loans.

From time to time we purchase short-term 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 financings with the outstanding balances on the Repurchase Agreements included in securities sold under agreements to repurchase. At September 30, 2016, collateralized financings outstanding in the amount of \$193 million are included in securities sold under agreements to repurchase on the Consolidated Statements of Financial Condition included in this Form 10-K. Of this total, outstanding balances on the uncommitted secured agreements (which are reflected in the table of financing arrangements

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above) were \$185 million as of September 30, 2016. There were no outstanding balances on committed facilities as of September 30, 2016. Borrowings on these secured or unsecured facilities are generally collateralized by non-customer, RJ&A owned securities. The required market value of the collateral associated with the committed secured facilities ranges from 102% to 140% of the amount financed.

The average daily balance outstanding during the five most recent successive quarters, the maximum month-end balance outstanding during the quarter and the period-end balances for Repurchase Agreements and Reverse Repurchase Agreements of RJF are as follows:

	Repurchase transactions			Reverse repurchase transactions		
	Average daily balance outstanding during the quarter	Maximum month-end balance outstanding during the quarter	End of period balance outstanding	Average daily balance outstanding during the quarter	Maximum month-end balance outstanding during the quarter	End of period balance outstanding
For the quarter ended:						
	(in thousands)					
September 30, 2016	\$202,687	\$ 195,551	\$ 193,229	\$412,513	\$ 470,222	\$ 470,222
June 30, 2016	\$239,237	\$ 266,158	\$ 266,158	\$433,003	\$ 457,777	\$ 444,812
March 31, 2016	\$268,150	\$ 266,761	\$ 190,679	\$419,112	\$ 471,925	\$ 428,864
December 31, 2015	\$270,586	\$ 247,730	\$ 245,554	\$423,059	\$ 415,346	\$ 405,507
September 30, 2015	\$280,934	\$ 332,536	\$ 332,536	\$432,131	\$ 498,871	\$ 474,144

At September 30, 2016, in addition to the financing arrangements described above, we had \$33 million outstanding on a mortgage loan for our St. Petersburg, Florida home-office complex, that is included in other borrowings in our Consolidated Statements of Financial Condition.

At September 30, 2016 we have senior notes payable of \$1.70 billion. Our senior notes payable, exclusive of any unaccreted premiums or discounts and debt issuance costs, is comprised of \$300 million par 8.60% senior notes due August 2019, \$250 million par 5.625% senior notes due 2024, \$500 million par 3.625% senior notes due 2026, \$350 million par 6.90% senior notes due 2042, and \$300 million par 4.95% senior notes due July 2046. See Note 17 in the Notes to the Consolidated Financial Statements in this Form 10-K for additional information.

Our current senior long-term debt ratings are:

Rating Agency	Rating	Outlook
Standard & Poor's Ratings Services ("S&P <sup>®</sup> ")	BBB	Positive
Moody's Investors Services ("Moody <sup>®</sup> ")	Baa2	Positive

- (1) The S&P rating and outlook are as presented in their September 2016 report.
- (2) The Moody's rating and outlook are as presented in their June 2016 report.

Our current long-term debt ratings depend upon a number of factors including industry dynamics, operating and economic environment, operating results and margins, earnings trends and volatility, balance sheet composition, liquidity and liquidity management, our capital structure, our 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 pursue obtaining 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 18 of the Notes to Consolidated Financial Statements in this Form 10-K for additional information). A credit downgrade could create a reputational issue and could also result in certain counterparties limiting their business with us, result in negative comments by analysts and potentially impact investor perception of us, and resultantly impact our stock price and/or our clients' perception of us. A credit downgrade would result in RJF incurring a higher commitment fee on any unused balance on one of its borrowing arrangements, the \$300 million revolving credit facility, in addition to triggering a higher interest rate applicable to any borrowings outstanding on that line as of

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and subsequent to such downgrade. Conversely, an improvement in RJF's current credit rating would have a favorable impact on the commitment fee as well as the interest rate applicable to any borrowings on such line. None of our credit agreements contain a condition or event of default related to our credit ratings.

### Other sources of liquidity

We own life insurance policies which are utilized to fund certain non-qualified deferred compensation plans and other employee benefit plans. The policies which we could readily borrow against have a cash surrender value of approximately \$323 million as of September 30, 2016 and we are able to borrow up to 90%, or \$291 million of the September 30, 2016 total, without restriction. To effect any such borrowing, the underlying investments would be converted to money market investments. Thus, a portion of any such borrowings could require us to take market risks as a component of our cost associated with the borrowing. There are no borrowings outstanding against any of these policies as of September 30, 2016.

On May 22, 2015 we filed a "universal" shelf registration statement with the SEC to be in a position to access the capital markets if and when necessary or perceived by us to be opportune. In July 2016, we chose to access such markets to issue senior notes, see Note 17 in the Notes to the Consolidated Financial Statements in this Form 10-K for additional information.

See the "contractual obligations" section below for information regarding our contractual obligations.

### Potential impact of Morgan Keegan matters subject to indemnification by Regions on our liquidity

As more fully described in Note 21 in the Notes to Consolidated Financial Statements in this Form 10-K, under the agreement with Regions governing our 2012 acquisition of Morgan Keegan, Regions is obligated to indemnify RJF for losses we may incur in connection with any Morgan Keegan legal proceedings pending as of the closing date for that transaction (which was April 2, 2012), or commenced after the closing date but related to pre-closing matters received prior to April 2, 2015. As a result of the indemnity, we do not anticipate the resolution of any pre-closing date Morgan Keegan litigation matters to negatively impact our liquidity (see Note 21 of the Notes to Consolidated Financial Statements in this Form 10-K, and Part I Item 3 - Legal Proceedings, in this report, for further information regarding the nature of the pre-closing date matters).

### Statement of financial condition analysis

The assets on our consolidated statement of financial condition consist 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 are liquid in nature, providing us with flexibility in financing our business.

Total assets of \$31.6 billion at September 30, 2016 are approximately \$5.13 billion, or 19%, greater than our total assets as of September 30, 2015. Net bank loans receivable increased \$2.22 billion primarily due to the growth of RJ Bank's corporate loan portfolio during the year. Additionally, assets segregated pursuant to federal regulations (for the benefit of our clients) increased \$1.98 billion, most significantly due to the increase in our brokerage client payable balances discussed in the following paragraph, in addition to a number of other less significant factors. Brokerage client receivables increased \$529 million primarily resulting from an increase in margin loan balances arising from our acquisition of Alex. Brown. Loans to financial advisors increased \$350 million resulting from both retention incentives provided to financial advisors joining us as a result of our Alex. Brown and 3Mac's acquisitions, as well as loans provided to recruited financial advisors resulting from organic growth. Available for sale securities increased \$346 million primarily resulting from an increase in such investments held by RJ Bank. Our intangible assets and

goodwill increased \$127 million primarily as a result of our fiscal year 2016 acquisitions of Alex. Brown, 3Macs, and Mummert. Offsetting the increases in assets, our cash and cash equivalents balance decreased \$951 million, refer to the discussion of the components of this decrease in the “Liquidity and Capital Resources” section within this Item 7.

As of September 30, 2016, our liabilities of \$26.4 billion were \$4.76 billion, or 22% more than our liabilities as of September 30, 2015. The increase is primarily due to a \$2.34 billion increase in bank deposit liabilities as RJ Bank retained a higher portion of RJBDF balances to in part, fund a portion of their net loan growth. Brokerage client payable balances increased \$1.77 billion, reflecting increases in client cash balances in brokerage accounts due to clients reacting to uncertain equity markets since September 30, 2015 by holding more cash, as well as an increase in client accounts resulting from our acquisitions of Alex. Brown and 3Macs. Our outstanding balance of senior notes payable increased \$543 million which is the net result of our July 2016 issuance of \$500 million 3.625% senior notes and \$300 million 4.95% senior notes and the \$250 million April 2016 repayment upon maturity of our 4.25% senior notes. Trade and other accounts payable decreased \$139 million primarily resulting from a



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decrease of \$108 million in the liability associated with Morgan Keegan legal matter contingencies which were subject to indemnification (see Note 21 of the Notes to the Consolidated Financial Statements in this Form 10-K for additional information).

## Contractual obligations

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

	Total (in thousands)	Year ended September 30,					Thereafter
		2017	2018	2019	2020	2021	
Long-term debt obligations:							
Senior notes payable <sup>(1)</sup>	\$ 1,700,000	\$—	\$—	\$ 300,000	\$—	\$—	\$ 1,400,000
Loans payable of consolidated variable interest entities <sup>(2)</sup>	12,597	8,306	3,613	678	—	—	—
Long-term portion of other borrowings <sup>(3)</sup>	608,658	4,578	555,113	5,130	5,430	30,748	7,659
Sub-total long-term debt obligations	2,321,255	12,884	558,726	305,808	5,430	30,748	1,407,659
Estimated interest on long-term debt <sup>(4)</sup>	1,470,565	114,755	111,068	99,844	73,631	71,835	999,432
Operating lease obligations <sup>(5)</sup>	437,605	91,729	80,615	72,916	61,452	45,602	85,291
Purchase obligations <sup>(6)</sup>	302,899	131,153	66,603	36,319	14,115	10,862	43,847
Other long-term liabilities: <sup>(7)</sup>							
Time deposits <sup>(8)</sup>	315,236	78,629	43,876	65,878	87,288	39,565	—
Deferred compensation programs <sup>(9)</sup>	424,969	78,319	60,446	68,342	62,348	53,087	102,427
Legal liabilities associated with matters subject to indemnification <sup>(10)</sup>	35,037	17,519	17,518	—	—	—	—
Low income housing tax credit guarantee obligation <sup>(11)</sup>	20,543	4,757	5,247	5,388	2,373	1,682	1,096
Sub-total long-term liabilities	795,785	179,224	127,087	139,608	152,009	94,334	103,523
Total contractual obligations	\$ 5,328,109	\$ 529,745	\$ 944,099	\$ 654,495	\$ 306,637	\$ 253,381	\$ 2,639,752

(1) See Note 17 of the Notes to Consolidated Financial Statements in this Form 10-K for additional information.

(2) Loans which are non-recourse to us. See further discussion in Note 16 of the Notes to Consolidated Financial Statements in this Form 10-K.

(3) See Note 15 of the Notes to Consolidated Financial Statements in this Form 10-K for additional information.

Interest computation includes scheduled interest on our senior notes, the mortgage note payable, and RJ Bank's FHLB advances (assuming no change in the variable interest rate from that as of September 30, 2016, but factoring (4) into the computation the effect of certain interest rate swap contracts that swap variable interest rate payments to fixed interest payments). See Notes 15 and 17 of the Notes to Consolidated Financial Statements in this Form 10-K for information regarding the borrowings.

(5) Primarily comprised of outstanding obligations on long-term leases for office space.

(6) In the normal course of our business, we enter into contractual arrangements whereby we commit to future purchases of products or services from unaffiliated parties. Purchase obligations for purposes of this table, include amounts associated with agreements to purchase goods or services that are enforceable and legally binding and that specify all significant terms including: minimum quantities to be purchased, fixed, minimum or variable price provisions, and the approximate timing of the transaction. Our most significant purchase obligations are vendor

contracts for data services, communication services, processing services and computer software contracts. 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.

The table does not include any amounts for uncertain tax positions because we are unable to reasonably predict the timing of future payments, if any, to respective taxing authorities. We have recorded a liability of \$22.2 million as (7) of September 30, 2016 which is included in trade and other payables on our Consolidated Statements of Financial Condition related to such positions (see Note 20 of the Notes to Consolidated Financial Statements in this Form 10-K for additional information).

(8) See Note 14 of the Notes to Consolidated Financial Statements in this Form 10-K for additional information.

See the following page for the continuation of the explanations to the footnotes in the above table.

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Continuation of the footnote explanations pertaining to the table on the previous page:

Includes obligations, presented on a gross basis, of our Long-Term Incentive Plan, our Wealth Accumulation Plan, our Voluntary Deferred Compensation Program, certain historic deferred compensation plans of Morgan Keegan, and deferred compensation obligations we assumed in the Alex. Brown acquisition. See Note 24 of the Notes to Consolidated Financial Statements in this Form 10-K for additional information regarding such plans. We own life insurance policies that are not presented in this table which are utilized to fund certain of these obligations. See (9) Note 10 of the Notes to Consolidated Financial Statements in this Form 10-K for information regarding our investments in company-owned life insurance. We also hold other investments that are not presented in this table to fund either the obligations of the historic deferred compensation plans of Morgan Keegan, or the deferred compensation obligations we assumed in the Alex. Brown acquisition. See Note 5 of the Notes to Consolidated Financial Statements in this Form 10-K for information regarding the fair value of such investments.

Regions has indemnified RJF for losses it may incur in connection with Morgan Keegan legal proceedings pending as of the closing date of our Morgan Keegan acquisition, or commenced after the closing date and related to pre-closing date matters. See Note 21 of the Notes to Consolidated Financial Statements in this Form 10-K for (10) further discussion. Amounts presented in this table represent the gross liabilities for such matters, and do not reflect the related and offsetting indemnification asset. See Note 10 of the Notes to Consolidated Financial Statements in this Form 10-K for information regarding the indemnification asset. These liabilities do not have defined maturity dates, however we expect that all such matters will be resolved within two years.

Raymond James Tax Credit Funds, Inc. has provided a guaranteed return on investment to a third party investor in one of its fund offerings, see Note 21 of the Notes to Consolidated Financial Statements in this Form 10-K for (11) further discussion. Amounts presented in this table represent the gross liability associated with this guarantee obligation, and do not reflect the related and offsetting financing asset. See Note 10 of the Notes to Consolidated Financial Statements in this Form 10-K for information regarding the offsetting financing asset.

We have made a number of investment commitments, either as commitments to fund LIHTC project partnerships, or to venture capital or private equity partnerships. We have also made commitments to provide loans to prospective financial advisors who have either accepted our offer, or recently recruited advisors, which have not yet been funded. See Note 21 of the Notes to Consolidated Financial Statements in this Form 10-K for further information on these and other commitments.

RJ Bank has entered into commitments to extend credit such as unfunded loan commitments, standby letters of credit, open end consumer and commercial lines of credit. See Note 26 of the Notes to Consolidated Financial Statements in this Form 10-K for further information on these and other outstanding off-balance credit-related commitments.

We are authorized by the Board of Directors to execute open market purchases of our common stock and certain of our senior notes, at the discretion of the Securities Repurchase Committee. See Item 5 in this report for additional information regarding this authorization.

In the normal course of business, certain of our subsidiaries act as general partner and may be contingently liable for activities of various limited partnerships. These partnerships engage primarily in real estate activities. In our opinion, such liabilities, if any, for the obligations of the partnerships will not in the aggregate have a material adverse effect on our consolidated financial position.

Regulatory

Refer to the discussion of the regulatory environment in which RJF and its subsidiaries operate, and the impact on our operations of certain rules and regulations resulting from the DOL Rule and the Dodd-Frank Act, including the Volcker Rule, in Item 1 Business, Regulation in this report.

RJF, RJ Bank and RJ Trust are each subject to various regulatory and capital requirements. RJF and RJ Bank are categorized as “well capitalized” as of September 30, 2016.

RJ Trust is regulated by the OCC and is required to maintain sufficient capital. As of September 30, 2016, RJ Trust met the requirements.

All of our other active regulated domestic and international subsidiaries, including but not limited to RJ&A, RJFS, Eagle Fund Distributors, Inc. and Raymond James (USA) Ltd., had net capital in excess of minimum requirements as of September 30, 2016.

RJ Ltd. is subject to the Minimum Capital Rule (Dealer Member Rule No. 17 of IIROC and the Early Warning System (Dealer Member Rule No. 30 of IIROC)). RJ Ltd. is not in Early Warning Level 1 or Level 2 at September 30, 2016.

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The maintenance of certain risk-based regulatory capital levels could impact various capital allocation decisions impacting one or more of our businesses. However, due to the strong capital position of RJF and its regulated subsidiaries, we do not anticipate these capital requirements will have any negative impact on our future business activities.

See Note 25 of the Notes to Consolidated Financial Statements in this Form 10-K for information on regulatory and 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 in this Form 10-K.

We believe that of our accounting estimates and assumptions, those described below involve a high degree of judgment and complexity. 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 the reported results of our operations and our financial position.

### Valuation of certain financial instruments, investments and other assets

The use of fair value to measure financial instruments, with related gains or losses recognized in our Consolidated Statements of Income and Comprehensive Income, is fundamental to our financial statements and our risk management processes.

“Trading instruments” and “available for sale securities” are reflected in the Consolidated Statements of Financial Condition at fair value or amounts that approximate fair value. Unrealized gains and losses related to these financial instruments are reflected in our net income or our total comprehensive income, 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 we provide about our fair value measurements included in our financial statements.

Fair value is defined by GAAP as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between willing market participants on the measurement date. We determine the fair values of our financial instruments and any other assets and liabilities required by GAAP to be recognized at fair value in the financial statements as of the close of business of each financial statement reporting period. These fair value determination processes also apply to any of our impairment tests or assessments performed for nonfinancial instruments such as goodwill, identifiable intangible assets, certain real estate owned and other long-lived assets.

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 measure considered from the

perspective of a market participant. As such, even when assumptions from market participants are not readily available, our own assumptions reflect those 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 with quoted prices in active markets for identical assets or liabilities. These include equity securities traded in active markets and certain U. S. Treasury securities, other governmental obligations, or publicly traded corporate debt securities.

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). Instruments that are generally included in this category are equity securities that are not actively traded, corporate obligations infrequently traded, certain government and municipal obligations, interest rate swaps, certain asset-backed securities (“ABS”), certain collateralized mortgage obligations (“CMOs”), certain MBS, certain other derivative instruments, brokered certificate

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of deposits, corporate loans and nonrecurring fair value measurements for certain loans held for sale, impaired loans and other real estate owned (“OREO”).

Level 3-Financial instruments reported in Level 3 have little, if any, market activity and are measured using our best estimate of fair value, where the inputs into the determination of fair value are both significant to the fair value measurement and unobservable. These valuations require significant judgment or estimation. Instruments in this category generally include: equity securities with unobservable inputs such as those investments made in our principal capital activities, certain non-agency ABS, pools of interest-only SBA loan strips (“I/O Strips”), certain municipal and corporate obligations which include ARS, and nonrecurring fair value measurements for certain impaired loans.

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.

See Notes 5, 6, 7 and 18 of the Notes to Consolidated Financial Statements in this Form 10-K for additional information on our financial instruments.

Investments in private equity measured at net asset value per share

Effective September 30, 2016, we adopted new accounting guidance related to the classification and disclosure of certain investments using the net asset value (“NAV”) as a practical expedient to measure the fair value of the investment. Among its provisions, this new guidance eliminates, for all investments in which fair value is measured using NAV as a practical expedient, the requirement to categorize such investments within the fair value hierarchy. We have retroactively applied this new guidance to investments held in the prior fiscal year. As a practical expedient, we utilize NAV or its equivalent to determine the recorded value of a portion of our private equity 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. See Note 5 of the Notes to Consolidated Financial Statements in this Form 10-K for additional information on our private equity investments measured at NAV.

Level 3 assets and liabilities

As of September 30, 2016, 8% of our total assets and 3% of our total liabilities are financial instruments measured at fair value on a recurring basis. In comparison as of September 30, 2015, financial instruments measured at fair value on a recurring basis represented 7% of our total assets and 3% of our total liabilities.

Financial instruments measured at fair value on a recurring basis categorized as Level 3 amount to \$215 million as of September 30, 2016 and represent 9% of our assets measured at fair value. Of the Level 3 assets as of September 30, 2016, our ARS positions comprise \$125 million, or 58%, and our private equity investments not measured at NAV comprise \$83 million, or 39%, of the total. Our Level 3 assets decreased \$9 million, or 4%, as compared to the September 30, 2015 level. Our ARS portfolio decreased approximately \$14 million compared to September 30, 2015, primarily resulting from decreases in the valuation of the portfolio, and to a lesser extent, sales and redemption activities (see Notes 5 and 7 of the Notes to Consolidated Financial Statements in this Form 10-K for additional information). Offsetting this decrease, our private equity investments not measured at NAV increased \$6 million as valuation increases more than offset the net impact of capital contributed/distributions received. Level 3 assets represent 4% of total equity as of September 30, 2016, reflecting a decrease from the 5% of total equity measure as of

September 30, 2015.

Financial instruments which are liabilities categorized as Level 3 amount are insignificant as of both September 30, 2016 and 2015.

#### Valuation techniques

The fair value for certain of our financial instruments is derived using pricing models and other valuation techniques that involve significant 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 for which actively quoted prices or pricing parameters are available will generally have a higher degree of price transparency than financial instruments that

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are thinly traded or not quoted. 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 volume and other market trading statistics. We have determined the market for certain other types of financial instruments, including certain CMOs, ABS, certain collateralized debt obligations and ARS, to be volatile, uncertain or inactive as of both September 30, 2016 and 2015. As a result, the valuation of these financial instruments included significant management judgment in determining the relevance and reliability of market information available. We considered the inactivity of the market to be evidenced by several factors, including a continued decreased price transparency caused by decreased volume of trades relative to historical levels, stale transaction prices and transaction prices that varied significantly either over time or among market makers.

The level within the fair value hierarchy, specific valuation techniques, and other significant accounting policies pertaining to certain financial instruments with the most significant carrying values that are presented in our Consolidated Statements of Financial Condition as of September 30, 2016 are described below.

### Trading instruments and trading instruments sold but not yet purchased

Trading securities are comprised primarily of the financial instruments held by our broker-dealer subsidiaries (see Note 6 of the Notes to Consolidated Financial Statements in this Form 10-K for more information). When available, we use quoted prices in active markets to determine the fair value of these securities. Such instruments are classified within Level 1 of the fair value hierarchy. Examples include exchange traded equity securities and liquid government debt securities. As of September 30, 2016, 4% of our gross trading security assets and 62% of our gross trading securities sold but not yet purchased, are classified as Level 1 of the fair value hierarchy.

When trading securities are traded in secondary markets and quoted market prices do not exist for such securities, 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. Instruments valued using these inputs are typically classified within Level 2 of the fair value hierarchy. Examples include certain municipal debt securities, corporate debt securities, agency MBS, brokered certificates of deposit and restricted equity securities in public companies. We utilize prices from independent services to corroborate our estimate 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. As of September 30, 2016, 96% of our gross trading security assets and 38% of our gross trading securities sold but not yet purchased, are classified as Level 2 of the fair value hierarchy.

Positions in illiquid trading securities that do not have readily determinable fair values require significant judgment or estimation. For these securities, we use pricing models, discounted cash flow methodologies, or similar techniques. Assumptions utilized by these techniques include estimates of future delinquencies, loss severities, defaults and prepayments, or redemptions. Securities valued using these techniques are classified within Level 3 of the fair value hierarchy. For certain CMOs, where there has been limited activity or less transparency around significant inputs to the valuation, such as assumptions regarding performance of the underlying mortgages, these securities are currently classified within Level 3 of the fair value hierarchy. As of September 30, 2016, less than 1% of our gross trading security assets, and none of our trading instruments sold but not yet purchased, are classified as Level 3 of the fair value hierarchy.

We enter into derivatives contracts as part of our fixed income operations in either over-the-counter market activities, or through “matched book” activities. See Note 18 of the Notes to Consolidated Financial Statements in this Form 10-K

for more information.

Fair values for the interest rate derivative contracts arising from our over-the-counter market activities are obtained from internal pricing models that consider current market trading levels and the contractual prices for the underlying financial instruments, as well as time value, yield curve and other volatility factors underlying the positions. Since our model inputs can be observed in a liquid market and the models do not require significant judgment, such derivative contracts are classified within Level 2 of the fair value hierarchy. We utilize values obtained from third party counterparty derivatives dealers to corroborate the output of our internal pricing models. The fair value of any cash collateral exchanged as part of the interest rate swap contract is netted, by counterparty, against the fair value of the derivative instrument.

Fair value for our matched book derivatives are determined using an internal model which includes inputs from independent pricing sources to project future cash flows under each underlying derivative contract. The cash flows are discounted to determine the present value. Since any changes in fair value are completely offset by an opposite change in the offsetting transaction position,

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there is no net impact on our Consolidated Statements of Income and Comprehensive Income from changes in the fair value of these derivative instruments. We record the value of each matched book derivative position held at fair value, as either an asset or an offsetting liability, presented as “derivative instruments associated with offsetting matched book positions” as applicable, on our Consolidated Statements of Financial Condition.

RJ Bank enters into three month forward foreign exchange contracts to hedge the risk related to their investment in their Canadian subsidiary. These derivatives are recorded at fair value on the Consolidated Statements of Financial Condition, the majority of which are designated as net investment hedges. The fair value of RJ Bank’s forward foreign exchange contracts is determined by obtaining valuations from a third party pricing service. These third party valuations are based on observable inputs such as spot rates, foreign exchange rates and both U.S. and Canadian 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.

We enter into certain interest rate swap contracts (the “RJ Bank Interest Hedges”) which swap variable interest payments on debt for fixed interest payments. Through the RJ Bank Interest Hedges, RJ Bank is able to mitigate a portion of the market risk associated with certain fixed rate interest earning assets held by RJ Bank. The RJ Bank Interest Hedges are recorded at fair value on the Consolidated Statements of Financial Condition and are designated as cash flow hedges. The fair value of RJ Bank Interest Hedges 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 derivative contracts are classified within Level 2 of the fair value hierarchy. We utilize values obtained from a third party to corroborate the output of our internal pricing models.

### Available for sale securities

Available for sale securities are comprised primarily of MBS, CMOs, and other equity securities held predominately by RJ Bank (the “RJ Bank AFS Securities”), and ARS held by a non-broker-dealer subsidiary of RJF (collectively referred to as the “RJF AFS Securities”). Of the RJF AFS Securities, 85% of the portfolio is classified as Level 2 and 15% is classified as Level 3, of the fair value hierarchy.

Debt and equity securities classified as available for sale are reported at fair value with unrealized gains and losses, net of deferred taxes, recorded through other comprehensive (loss) income and thereafter presented in shareholders’ equity as a component of accumulated other comprehensive (loss) income (“AOCI”) unless the loss is considered to be other-than-temporary, in which case the related credit loss portion is recognized as a loss in other revenue. Realized gains and losses on sales of such securities are recognized using the specific identification method and reflected in other revenue in the period they are sold.

The fair value of agency and non-agency securities included within the RJ Bank AFS 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. The market data the third party pricing services utilize for these price evaluations 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. In order to validate that the pricing information used by the primary third party pricing service is observable, we request, on a quarterly basis, some of the key market data available for a sample of securities and compare this data to that which we observed in our independent accumulation of market information. Securities valued using these valuation

techniques are classified within Level 2 of the fair value hierarchy.

For non-agency securities within the RJ Bank AFS Securities where a significant difference exists between the primary third party pricing service bid quotation and the secondary third party pricing service, we utilize a discounted cash flow analysis to determine which third party price quote is more representative of fair value under the current market conditions. The fair values for most non-agency securities at September 30, 2016 were based on the respective primary third party pricing service bid quotation. Securities measured using these valuation techniques are generally classified within Level 2 of the fair value hierarchy.

ARS are long-term variable rate securities tied to short-term interest rates that were intended to be reset through a “Dutch auction” process, which generally occurs every seven to 35 days. Holders of ARS were previously able to liquidate their holdings to prospective buyers by participating in the auctions. During 2008, the Dutch auction process failed and holders were no longer able to liquidate their holdings through the auction process. The fair value of the ARS holdings is estimated based on internal pricing models. The pricing model takes into consideration the characteristics of the underlying securities, as well as multiple

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inputs including the issuer and its credit quality, data from any recent trades, 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 inputs require significant management judgment and, accordingly, these securities are classified within Level 3 of the fair value hierarchy.

For any RJF AFS Securities in an unrealized loss position at the reporting period end, we make an assessment whether these securities are impaired on an other-than-temporary basis. In order to evaluate our risk exposure and any potential impairment of these securities, on at least a quarterly basis, we review the characteristics of each security owned such as, where applicable, collateral type, delinquency and foreclosure levels, credit enhancement, projected loan losses, collateral coverage, the presence of U.S. government or government agency guarantees, and issuer credit rating. The following factors are considered 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. Securities on which there is an unrealized loss that is deemed to be other-than-temporary are written-down to fair value with the credit loss portion of the write-down recorded as a realized loss in other revenue and the non-credit portion of the write-down recorded net of deferred taxes in other comprehensive (loss) income and are thereafter presented in equity as a component of AOCI. The credit loss portion of the write-down is the difference between the present value of the cash flows expected to be collected and the amortized cost basis of the security. The previous amortized cost basis of the security less the other-than-temporary impairment recognized in earnings establishes the new cost basis for the security.

For any RJF AFS Securities, we estimate the portion of loss attributable to credit using a discounted cash flow model. For RJ Bank AFS Securities, our discounted cash flow model utilizes relevant assumptions such as prepayment rate, default rate, and loss severity on a loan level basis. These assumptions are subject to change depending on a number of factors such as economic conditions, changes in home prices, and delinquency and foreclosure statistics, among others. Events that may trigger material declines in fair values or additional credit losses for these securities in the future would include, but are not limited to, deterioration of credit metrics, significantly higher levels of default and severity of loss on the underlying collateral, deteriorating credit enhancement and loss coverage ratios, or further illiquidity.

#### Private equity investments

Private equity investments are carried at either NAV as a practical expedient, or fair value utilizing valuation techniques categorized as Level 3 in the fair value hierarchy. Our total private equity investments as of September 30, 2016 amount to \$195 million prior to the consideration of the noncontrolling interest portion we do not own. Of this, 57% are valued using the NAV as a practical expedient, and 43% are valued at fair value. The valuation of these investments at fair value requires significant management 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. In comparison, our total private equity investments gross value, prior to the consideration of the noncontrolling interest portion we do not own, as of September 30, 2015 amounted to \$209 million. Of this total, 63% were valued using NAV as a practical expedient, and 37% were valued at fair value utilizing valuation techniques categorized as Level 3. See Note 5 of the Notes to Consolidated Financial Statements in this Form 10-K for additional information on our private equity investments, including the amounts associated with noncontrolling interests.

#### Valuation of identifiable intangible assets

During fiscal year 2016, we acquired Alex. Brown, 3Macs, and Mummert. In each case, we accounted for the acquisition under the acquisition method of accounting with the assets and liabilities recorded as of the acquisition date at their respective fair values in our consolidated financial statements. The assets to be measured at fair value include any acquired identifiable intangible assets including, but not limited to, assets such as trade names, customer relationships, non-compete agreements, and contracts which include favorable terms.

The process of identifying potential identifiable assets to value in any acquisition transaction is subjective, and involves management judgment. Estimating the fair value of identifiable intangible assets involves the use of valuation techniques that rely on significant estimates and assumptions. These estimates and assumptions may include forecasted revenue growth rates, forecasted allocations of expense and risk-adjusted discount rates. We base our fair value estimates on assumptions we believe to be reasonable given the information that is available to us at the time of our assessment; however, actual future results may differ significantly from those estimates.

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In some instances, depending on the nature of the intangible asset, the determination of the useful life of the asset can also be subjective, and involve significant management judgment.

The outcome of the identifiable intangible asset valuation process has a direct, inverse impact on the determination of the amount of goodwill arising from the application of the acquisition method of accounting for the transaction. The greater the identifiable intangible asset valuation, the lower the goodwill. Additionally, the greater the identifiable intangible asset, the greater amortization expense associated with such asset will be in future periods, and therefore, the lower future net income will be.

### Goodwill impairment

Goodwill, under GAAP, must be allocated to reporting units and tested for impairment at least annually. The annual goodwill impairment testing involves the application of significant management judgment, especially when estimating the fair value of its reporting units.

We perform goodwill 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 have elected December 31 as our annual goodwill impairment evaluation date. During the quarter ended March 31, 2016 we performed a qualitative impairment assessment for certain of our reporting units and a quantitative impairment assessment for our two RJ Ltd. reporting units operating in Canada.

For each reporting unit that we performed qualitative assessments, we determined whether it is more likely than not that the carrying value of such reporting unit, including the recorded goodwill, is in excess of the fair value of the reporting unit. In any instance in which we are unable to qualitatively conclude that it is more likely than not that the fair value of the reporting unit exceeds the reporting unit carrying value including goodwill, a quantitative analysis of the fair value of the reporting unit would be performed. Based upon the outcome of our qualitative assessments, we determined that no quantitative analysis of the fair value of any of the reporting units we elected to qualitatively analyze for impairment as of December 31, 2015 was required, and we concluded that none of the goodwill allocated to any of those reporting units as of December 31, 2015 was impaired. No events have occurred since December 31, 2015 that would cause us to update this impairment testing.

In the RJ Ltd. reporting unit testing, we elected to perform quantitative assessments for the two reporting units within RJ Ltd. that include an allocation of goodwill. Although GAAP provides the option to perform a qualitative analysis which may result in a conclusion that no quantitative analysis of the reporting unit equity value is required, for this year's annual goodwill testing of our two RJ Ltd. reporting units, we elected to perform a quantitative analysis. In these analyses, we make significant assumptions and estimates about the extent and timing of future cash flows and discount rates, as well as utilize data from peer group companies to assess the equity value of each RJ Ltd. reporting unit. Based upon the outcome of our quantitative assessments, we concluded there was no impairment of goodwill. The fair value of the equity of the RJ Ltd. PCG reporting unit was substantially in excess of its book carrying value, which includes goodwill. However, primarily as a result of the unfavorable impacts of the prolonged commodity recession in Canada on our business, most specifically impacting the natural resources sector of that economy, the fair value of the equity of the RJ Ltd. ECM reporting unit is not substantially in excess of its book carrying value, which includes goodwill. The RJ Ltd. ECM reporting unit goodwill balance was \$16.9 million as of December 31, 2015, and we estimate that the excess of the fair value of the reporting unit over its carrying value including goodwill approximates 10%. Should the equity market conditions in Canada fail to improve, or we otherwise fail to perform as we have projected, an impairment charge of some portion, or perhaps all, of such goodwill could occur. Refer to Note 13 in the Notes to the Consolidated Financial Statements in this Form 10-K for a discussion of the valuation methodologies and a summary of the key assumptions we applied in determining the fair value of our two RJ Ltd.

reporting units. No events have occurred since December 31, 2015 that would cause us to update this impairment testing.

Deterioration in economic market conditions, especially those impacting revenues reported in our PCG and Capital Markets segments, as well as increased costs arising from the effects of recent regulatory or legislative changes, may result in declines in reporting unit performance beyond management's current expectations. Declines in reporting unit performance, increases in equity capital requirements, or increases in the estimated cost of equity, could cause the estimated fair values of our reporting units or their associated goodwill to decline, which could result in a material impairment charge to earnings in a future period related to some portion of the associated goodwill.



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### Loss provisions

#### Loss provisions arising from 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 in this Form 10-K.

#### Loss provisions arising from operations of our Broker-Dealers

The recorded amount of liabilities associated with brokerage client receivables and loans to financial advisors and certain key revenue producers, is subject to significant management judgment. For a description of the significant estimates and judgments associated with establishing these broker-dealer related liabilities, see the “Brokerage client receivables, loans to financial advisors and allowance for doubtful accounts” section of Note 2 of the Notes to Consolidated Financial Statements in this Form 10-K.

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

RJ Bank provides an allowance for loan losses which reflects our continuing evaluation of the probable losses inherent in the loan portfolio. Refer to Note 2 of the Notes to Consolidated Financial Statements in this Form 10-K for discussion of RJ Bank’s policies regarding the allowance for loan losses, and refer to Note 9 of the Notes to Consolidated Financial Statements in this Form 10-K for quantitative information regarding the allowance balances as of September 30, 2016.

At September 30, 2016, the amortized cost of all RJ Bank loans was \$15.4 billion and an allowance for loan losses of \$197 million was recorded against that balance. The total allowance for loan losses is equal to 1.30% of the amortized cost of the loan portfolio.

RJ Bank’s process of evaluating its probable loan losses includes a complex analysis of several quantitative and qualitative factors, requiring a substantial amount of judgment. Due to the uncertainty associated with this subjectivity, our underlying assumptions and judgments could prove to be inaccurate, and the allowance for loan losses could then be insufficient to cover actual losses. In such an event, any losses would result in a decrease in our net income as well as a decrease in the level of regulatory capital at RJ Bank.

The provision for loan losses in the current year includes a provision resulting from an increase in the qualitative reserve related to loans in the energy sector.

### 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 the 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.

We have provided for U.S. deferred income taxes on undistributed earnings not considered permanently reinvested in our non-U.S. subsidiaries. To the extent that the cumulative undistributed earnings of non-U.S. subsidiaries are considered to be permanently invested, no deferred U.S. federal income taxes have been provided. 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. At the present time, we have no plans or intentions to repatriate funds for which no U.S. income tax has been provided.

See Note 20 of the Notes to Consolidated Financial Statements in this Form 10-K for further information.

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Effects of recently issued accounting standards, and accounting standards not yet adopted

In January 2014, the FASB issued new guidance which allows investors in Low Income Housing Tax Credit programs that meet specified conditions to present the net tax benefits (net of amortization of the cost of the investment) within income tax expense. The cost of the investments that meet the specified conditions will be amortized in proportion to (and over the same period as) the total expected tax benefits, including tax credits and other tax benefits as they are realized on the tax return. This new guidance first became effective for this financial report covering the quarter ending December 31, 2015. Based upon the nature of our investments in LIHTC structures, we do not meet the specified conditions which allow for election of this accounting treatment and thus the adoption of this guidance did not have any direct impact on our financial position or results of operations.

In January 2014, the FASB issued new guidance which clarifies when banks and similar institutions (creditors) should reclassify mortgage loans collateralized by residential real estate properties from the loan portfolio to OREO. This guidance defines when an in-substance repossession or foreclosure has occurred and when a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan. This new guidance first became effective for this financial report covering the quarter ending December 31, 2015. This new guidance had no impact on our financial position and results of operations. Given the nature of our OREO balances as of December 31, 2015, its adoption did not materially impact our OREO disclosures.

In April 2014, the FASB issued new guidance which changes the prior guidance regarding the requirements for reporting discontinued operations. Under the new guidance, a disposal of a component of an entity or a group of components of an entity, are required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when any of the following occurs: (1) the component of an entity or group of components of an entity meets certain criteria to be classified as held for sale. (2) The component of an entity or group of components of an entity is disposed of by sale. (3) The component of an entity or group of components of an entity is disposed of other than by sale (for example by abandonment or in a distribution to owners in a spinoff). The new guidance requires additional disclosures about discontinued operations that meet the above criteria. This new guidance is first effective for the period ended December 31, 2015. Due to the immaterial nature of our disposals in fiscal year 2016, this new guidance did not have any impact on our financial position or results of operations.

In May 2014, the FASB issued new guidance regarding revenue recognition. In August 2015, the FASB amended this new guidance by deferring the initial required implementation date by one year. 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. The FASB is expected to amend the guidance as the work of various industry implementation working groups identify implementation issues and FASB provides clarifying guidance in response to such feedback. In March 2016, the FASB issued such a clarifying amendment regarding certain principal versus agent considerations. In May 2016, the FASB issued additional amendments regarding the rescission of certain SEC Staff Observer Comments upon adoption of the new standard as well as providing an update to certain narrow topics within the scope of the new revenue recognition guidance. This new revenue recognition guidance, including clarifications, is first effective for our financial report covering the quarter ending December 31, 2018, early adoption is permitted in certain circumstances. Upon adoption, we may use either a full retrospective or a modified retrospective approach with respect to presentation of comparable periods prior to the effective date, we are still evaluating which transition approach to use. We are continuing our evaluation of the impact the adoption of this new guidance will have on our financial position and results of operations.

In June 2014, the FASB issued amended guidance for the accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. The new guidance

requires that a performance target that affects vesting of an award and that could be achieved after the requisite service period be treated as a performance condition. This new guidance is first effective for our interim financial report covering the quarter ending December 31, 2016. The adoption of this guidance is not anticipated to have a significant impact on our consolidated financial position or results of operations.

In August 2014, the FASB issued amended guidance that requires an entity's management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern. The new guidance: (1) provides for a definition of substantial doubt, (2) requires an evaluation every reporting period including interim periods, (3) provides principles for considering the mitigating effect of management's plans, (4) requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans, (5) requires an express statement and other disclosures when substantial doubt is not alleviated, and (6) requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). This new guidance is first effective for our interim financial

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report covering the quarter ending after December 31, 2016. The adoption of this guidance is not anticipated to have any impact on our consolidated financial statements or related disclosures.

In November 2014, the FASB issued amended guidance regarding the accounting for hybrid financial instruments (which in this context would apply to any shares of RJF stock that include embedded derivative features such as conversion rights, redemption rights, voting rights, and liquidation and dividend payment preferences) issued in the form of a share. The new guidance clarifies how current GAAP should be interpreted in evaluating the economic characteristics and risks of a host contract in a hybrid financial instrument that is issued in the form of a share. This new guidance is first effective for our interim financial report covering the quarter ending December 31, 2016. The adoption of this guidance is not anticipated to have any impact on our financial position and results of operations.

In January 2015, the FASB issued guidance that eliminates from GAAP the concept of extraordinary items. This new guidance is effective for us for our fiscal year commencing on October 1, 2016. Given that the adoption of this new guidance could impact certain presentations in our consolidated statements of income, depending upon the nature of future events and circumstances, but would not impact our determinations of net income presented in such statements, we do not anticipate that the adoption of this guidance will have any impact on the presentation of our results of operations.

In February 2015, the FASB issued amended guidance to the consolidation model. In October 2016, the FASB issued an additional amendment to this guidance. The impact of these amendments on the consolidation model are to:

Eliminate the deferral of the application of the new consolidation model, which had resulted in the application of prior accounting guidance to consolidation determinations of certain investment funds (see Note 2 of the Notes to Consolidated Financial Statements in this Form 10-K for a discussion of how this deferral is applicable to our Managed Funds).

Make certain changes to the variable interest consolidation model.

Make certain changes to the voting interest consolidation model.

This amended guidance is effective for us for our fiscal year commencing on October 1, 2016. The adoption of this new guidance will likely impact our financial statements in the following manner:

Will likely change certain historical conclusions that we are the primary beneficiary of certain LIHTC Funds. We currently anticipate that we will deconsolidate each of the non-guaranteed LIHTC Funds we currently consolidate. We will apply this new guidance to our Managed Funds, but do not anticipate that we will conclude that we are the primary beneficiary of such Managed Funds. Accordingly, we believe that our historical practice of not consolidating the Managed Funds will continue after the adoption of this amended guidance.

We believe the application of this amended guidance will significantly improve the meaningfulness of our consolidated financial statements. We will adopt this amended guidance in our interim financial report covering the quarter ending December 31, 2016.

In April 2015, the FASB issued guidance governing the presentation of debt issuance costs in the consolidated financial statements. Under the new guidance, debt issuance costs related to a recognized debt liability are required to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. In August 2015, the FASB issued additional clarifying guidance indicating that for debt issuance costs related to line-of-credit arrangements, the SEC staff would not object to an entity deferring and presenting debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. This new guidance first became effective for this financial report covering the year ended September 30, 2016. See Note 1 of the Notes to Consolidated Financial Statements in this

Form 10-K for additional information regarding our adoption of this guidance.

In April 2015, the FASB issued guidance governing a customer's accounting for fees paid in a cloud computing arrangement. Under the new guidance, if a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. This new guidance is effective for us for our fiscal year commencing on October 1, 2016. Given that we have a limited number of cloud computing arrangements, we do not expect the adoption of this new guidance to have a material impact on our consolidated financial statements.

In May 2015, the FASB issued guidance governing disclosures for entities who elect to measure the fair value of certain investments in certain entities using the net asset value per share (or its equivalent) practical expedient. Under the new guidance, the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset

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value practical expedient is eliminated. Additionally, the new guidance eliminates the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient, rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. We adopted this new guidance as of September 30, 2016, its adoption impacted certain of our fair value disclosures, however, it did not have an impact on our financial position. See Notes 1 and 5 in the Notes to Consolidated Financial Statements in this Form 10-K for additional information.

In June 2015, the FASB issued amended guidance related to technical corrections and improvements. This amended guidance: 1) includes amendments related to differences between the original guidance and the codification. 2) Provides guidance clarification and reference corrections. 3) Streamlines or simplifies the codification through minor structural changes to headings or minor edits of text to improve the usefulness and understandability of the codification. 4) Makes minor improvements to the guidance. The amendments that require transition guidance are effective for our fiscal year commencing on October 1, 2016 and early adoption is permitted. All other amendments will be effective upon issuance of the amended guidance. We do not anticipate that the adoption of this new guidance will have any material impact on our consolidated financial statements.

In September 2015, the FASB issued guidance governing adjustments to the provisional amounts recognized at the acquisition date with a corresponding adjustment to goodwill. Such adjustments are required when new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement amounts initially recognized or would have resulted in the recognition of additional assets and liabilities. This new guidance eliminates the requirement to retrospectively account for such adjustments. This new guidance is effective for our fiscal year commencing on October 1, 2016, and early adoption is permitted in certain circumstances. We do not expect the adoption of this new guidance to have a material impact on our consolidated financial statements. Where possible, we plan on adopting this simplifying guidance early. Given that this guidance applies to entity specific transactions and would only become relevant in certain circumstances, we are unable to estimate the impact, if any, this new guidance may have on our financial position.

In November 2015, the FASB issued guidance simplifying the presentation of deferred income taxes on the statement of financial position by eliminating the requirement to separately present current and noncurrent deferred tax liabilities and assets on such statements. Given that we do not present current and noncurrent balances separately on our consolidated statements of financial position, this simplifying guidance will have no impact our consolidated statements of financial position.

In January 2016, the FASB issued guidance related to the accounting for financial instruments. Among its provisions, this new guidance:

- Requires equity investments (other than those accounted for under the equity method or those that result from the consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any.

- Simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment.

- Eliminates the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet.

- Requires the use of the exit price notion when measuring the fair value of financial instruments for disclosure purposes.

- Requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option.

Requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements.

Clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available for sale securities in combination with the entity's other deferred tax assets.

This new guidance is effective for us for our fiscal year commencing on October 1, 2018. Early adoption is generally not permitted. We are evaluating the impact, if any, the adoption of this new guidance will have on our financial position and results of operations.

In February 2016, the FASB issued new guidance related to the accounting for leases. The new guidance requires the recognition of assets and liabilities on the balance sheet related to the rights and obligations created by lease agreements regardless of whether they are classified as finance or operating leases. Consistent with current 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



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arising from leases. The new guidance is first effective for our financial report covering the quarter ended December 31, 2019, early adoption is permitted. This new guidance will impact our financial position and results of operations. We are evaluating the magnitude of such impact.

In March 2016, the FASB issued new guidance related to derivatives and hedging, specifically the effect of derivative contract novations on existing hedge accounting relationships. The new guidance clarifies that a change in counterparty to a derivative instrument that has been designated as a hedging instrument under the current guidance does not, in and of itself, require re-designation of that hedging relationship provided that all other hedge accounting criteria continue to be met. The new guidance is first effective for our financial report covering the quarter ended December 31, 2017, 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.

In March 2016, the FASB issued new guidance related to derivatives and hedging, specifically contingent put and call options in debt instruments. The new guidance clarifies the requirements for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. An entity performing the assessment is required to assess the embedded call (put) options solely in accordance with the following four-step decision sequence; an entity must consider 1) whether the payoff is adjusted based on changes in an index, 2) whether the payoff is indexed to an underlying other than interest rates or credit risk, 3) whether the debt involves a substantial premium or discount and 4) whether the call (put) option is contingently exercisable. The new guidance is first effective for our financial report covering the quarter ended December 31, 2017, 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.

In March 2016, the FASB issued new guidance related to equity method investments and joint ventures. The new guidance eliminates the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment had been held. Additionally, the new guidance requires that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting and therefore upon qualifying for the equity method of accounting, no retroactive adjustment of the investment is required. The new guidance is first effective for our financial report covering the quarter ended December 31, 2017, early adoption is permitted. Given that this guidance applies to entity specific transactions and would only become relevant in certain circumstances, we are unable to estimate the impact, if any, this new guidance may have on our financial position.

In March 2016, the FASB issued amended guidance related to stock compensation. The amended guidance involves several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The amended guidance is first effective for our financial report covering the quarter ended December 31, 2017, although early adoption is permitted. We believe the adoption of this new guidance will improve the meaningfulness of the presentation of our financial position and results of operations and we plan to adopt this guidance early, after we have satisfactorily addressed all of its provisions. We anticipate, based upon the fair value of RJF shares as of September 30, 2016, that the implementation of this guidance will have a favorable impact on our tax expense and net earnings, beginning in the period of adoption.

In June 2016, the FASB issued new guidance related to the measurement of credit losses on financial instruments. 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 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 and expands the disclosure requirements regarding an entity's assumptions, models, and methods for estimating credit losses. Additionally the new guidance requires new disclosures of the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination. The new guidance is first effective for our financial report covering the quarter ended December 31, 2020, early adoption is permitted although not prior to our financial report covering the quarter ended December 31, 2019. We are evaluating the impact the adoption of this new guidance will have on our financial position and results of operations.

In August 2016, the FASB issued amended guidance related to the Statement of Cash Flows. The amended guidance involves several aspects of the classification of certain cash receipts and cash payments including debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, including

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bank-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions and separately identifiable cash flows and application of the predominance principle. The amended guidance is first effective for our financial report covering the quarter ended December 31, 2017, early adoption is permitted. The adoption of this new guidance will impact our Statement of Cash Flows, however, we are evaluating the impact the adoption of this new guidance will have on our financial position and results of operations.

In October 2016, the FASB issued guidance related to the accounting for income tax consequences of intra-entity transfers of assets. Current GAAP prohibits the recognition of current and deferred income taxes for intra-entity asset transfer until the asset has been sold to an outside party. Under the new guidance, an entity should recognize the income tax consequences of an inter-entity transfer of an asset when the transfer occurs. The guidance is first effective for our financial report covering the quarter ended December 31, 2018, 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.

### Off-Balance Sheet arrangements

Information concerning our off-balance sheet arrangements is included in Note 26 of the Notes to Consolidated Financial Statements in 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 occupancy, which may not be readily recoverable through charges for services we provide to our clients.

## Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### 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 results of this process are extensively documented and reported to executive management and the RJF Audit and Risk Committee of the Board of Directors.

The principal risks involved in our business activities are market, credit, liquidity, operational, and regulatory and legal.

#### Market risk

Market risk is our risk of loss resulting from changes in market prices of our inventory, hedge, interest-rate derivative 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, trade taxable and tax-exempt debt obligations and act as an active market maker in over-the-counter equity securities. In connection with these activities, we maintain inventories in order to ensure availability of securities and to facilitate client transactions. RJ Bank holds investments in MBS, residential mortgage-backed securities, CMOs and equity securities within its available for sale securities portfolio, and also from time-to-time may hold SBA loan securitizations not yet transferred. Additionally, we hold certain ARS in a non-broker-dealer subsidiary of RJF.

See Notes 2, 5, 6 and 7 of the Notes to Consolidated Financial Statements in this Form 10-K for fair value and other information regarding our trading inventories and available for sale securities.

Changes in value of our trading inventory may result from fluctuations in interest rates, obligor creditworthiness equity prices, macroeconomic factors, risk aversion, investor expectations, asset liquidity, and dynamic relationships among these factors. We manage our trading inventory by product type and have established trading divisions 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 levels including firm, division, asset type (organized as trading desks, e.g., for OTC equities, corporate bonds, municipal bonds) asset sub-type (e.g. below-investment grade positions), and individual trader. Position limits in trading inventory accounts are monitored

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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 their exposure in our derivatives subsidiary against established limits with respect to a number of factors, including interest rate, foreign exchange spot and forward rates, spread, ratio, basis, and volatility risk. These derivative exposures are monitored both on a total portfolio basis and separately for each agreement for selected maturity periods.

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

### Interest rate risk

### Trading activities

We are exposed to interest rate risk as a result of our trading inventories (primarily comprised of fixed income instruments) in our Capital Markets segment, as well as our RJ Bank operations.

We actively manage the interest rate risk arising from our fixed income trading securities through the use of hedging techniques that involve U.S. Treasury securities and futures contracts, liquid spread products, and swaps.

We monitor daily, the Value-at-Risk (“VaR”) for all of our trading portfolios. 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 numbers for all of our trading portfolios, including fixed income, equity, foreign exchange, and derivative instruments.

To calculate VaR, we use historical simulation. This approach assumes that historical changes in market conditions, such as in interest rates and equity prices, are representative of future changes. The 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 excludes fees, commissions, reserves, net interest income, and intraday trading. Based on these daily “ex ante” versus “ex post” comparisons, we verify that the number of times that regulatory-defined daily trading losses exceed VaR is consistent with our expectations at a 99% confidence level. During the twelve months ended September 30, 2016, our regulatory-defined daily loss in our trading portfolios exceeded our predicted VaR once.

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

	Year ended September 30, 2016			VaR at September 30, 2016 2015	
	High	Low	Daily Average	2016	2015
Daily VaR	\$2,735	\$619	\$ 1,584	\$1,804	\$1,173

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

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Separately, RJF provides additional market risk disclosures to comply with the MRR. The results of the application of this market risk capital rule are available on our website under “More... - Investors - Financial Reports - Market Risk Rule Disclosure” within 45 days after the end of each of our reporting periods (the information on our website is not incorporated by reference into this report).

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, and review of issuer ratings, as well as stress testing. We utilize stress testing to complement our VaR analysis so as to measure risk under historical and hypothetical adverse scenarios. During volatile markets we may choose to pare our trading inventories to reduce risk.

As a part of our fixed income public finance operations, RJ&A enters into forward commitments to purchase GNMA or FNMA MBS which are issued on behalf of various state and local HFAs (see further description of these activities in the Item 1 Business, Capital Markets section in this report). These activities result in exposure to interest rate risk. In order to hedge the interest rate risk to which RJ&A would otherwise be exposed between the date of the commitment and the date of sale of the MBS, RJ&A enters into to be announced (“TBA”) security contracts with investors for generic MBS securities at specific rates and prices to be delivered on settlement dates in the future. See Notes 2 and 21 of the Notes to Consolidated Financial Statements in this Form 10-K for additional information regarding these activities and the related balances outstanding as of September 30, 2016.

### Banking operations

RJ Bank maintains an earning asset portfolio that is comprised of C&I loans, tax-exempt loans, SBL, and commercial and residential real estate loans, as well as MBS and CMO’s (both of which are held in the available for sale securities portfolio), SBA loan securitizations and a trading portfolio of corporate loans. Those earning assets are primarily funded by RJ Bank’s obligations to customers (i.e. customer deposits). Based on its current earning asset portfolio, RJ Bank is subject to interest rate risk. The current economic environment has led to an extended period of low market interest rates. As a result, the majority of RJ Bank’s adjustable rate assets and liabilities have experienced a reduction in interest rate yields and costs that reflect these very low market interest rates. During the year, RJ Bank has focused its interest rate risk analysis on the risk of market interest rates rising. 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.

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 (“EVE”).

Simulation models and estimation techniques are used to assess the sensitivity of the net interest income stream to movements in interest rates. Assumptions about consumer behavior play an important role in these calculations; this is particularly relevant for loans such as mortgages where the client has the right, but not the obligation, to repay before the scheduled maturity. To ensure that RJ Bank is within its limits established for net interest income, a sensitivity analysis of net interest income to interest rate conditions is estimated for a variety of scenarios. RJ Bank utilizes an internally developed asset/liability model using standard industry software to analyze the available data. The model estimates changes in net interest income by calculating interest income and interest expense from existing assets and liabilities using current repricing, prepayment, and volume assumptions. Various interest rate scenarios are modeled in order to determine the effect those scenarios may have on net interest income.

In February 2015, we implemented a hedging strategy using interest rate swaps as a result of RJ Bank's asset and liability management process described above. For further information regarding this risk management objective, see the discussion of the RJ Bank Interest Hedges in the derivative contracts section of Note 2 of the Notes to Consolidated Financial Statements in this Form 10-K, and additional information in Note 18 of the Notes to Consolidated Financial Statements in this Form 10-K.



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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 thousands)	Projected change in net interest income
+300	\$570,203	1.72%
+200	\$575,174	2.61%
+100	\$579,272	3.34%
0	\$560,561	—
-50	\$507,221	(9.52)%

Refer to the Net Interest section of MD&A, in Item 7 of this report, for a discussion and estimate of the potential favorable impact on RJF's pre-tax income that could result from an increase in short-term interest rates applicable to RJF's entire operations.

The EVE analysis is a point in time analysis of current interest-earning assets and interest-bearing liabilities, which incorporates all cash flows over their estimated remaining lives, discounted at current rates. The EVE approach is based on a static balance sheet and provides an indicator of future earnings and capital levels as the changes in EVE indicate the anticipated change in the value of future cash flows. RJ Bank monitors sensitivity to changes in EVE utilizing board approved limits. These limits set a risk tolerance to changing interest rates and assist RJ Bank in determining strategies for mitigating this risk as it approaches these limits.

The following table presents an analysis of RJ Bank's estimated EVE sensitivity based on instantaneous shifts in interest rates (expressed in basis points) using RJ Bank's own asset/liability model:

Instantaneous changes in rate	Projected change in EVE
+300	(12.65)%
+200	(7.75)%
+100	(1.62)%
0	—
-50	(9.94)%

The following table shows the contractual maturities of RJ Bank's loan portfolio at September 30, 2016, including contractual principal repayments. This table does not, however, include any estimates of prepayments. These prepayments could shorten the average loan lives and cause the actual timing of the loan repayments to differ significantly from those shown in the following table:

	Due in			Total <sup>(1)</sup>
	One year or less	>One year – five years	> 5 years	
	(in thousands)			
Loans held for sale	\$—	\$—	\$202,967	\$202,967
Loans held for investment:				
C&I loans	188,267	4,742,258	2,539,848	7,470,373
CRE construction loans	22,914	70,247	29,557	122,718
CRE loans	273,463	1,735,356	545,252	2,554,071

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Tax-exempt loans	—	5,250	735,694	740,944
Residential mortgage loans	1,600	5,735	2,434,234	2,441,569
SBL	1,899,825	5,002	—	1,904,827
Total loans held for investment	2,386,069	6,563,848	6,284,585	15,234,502
Total loans	\$2,386,069	\$6,563,848	\$6,487,552	\$15,437,469

(1) Excludes any net unearned income and deferred expenses.

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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, 2016:

	Interest rate type		Total <sup>(1)</sup>
	Fixed	Adjustable	
	(in thousands)		
Loans held for sale	\$3,614	\$199,353	\$202,967
Loans held for investment:			
C&I loans	3,200	7,278,906 <sup>(2)</sup>	7,282,106
CRE construction loans	—	99,804 <sup>(2)</sup>	99,804
CRE loans	43,356	2,237,252 <sup>(2)</sup>	2,280,608
Tax-exempt loans	740,944	—	740,944
Residential mortgage loans	212,186	2,227,783 <sup>(2) (3)</sup>	2,439,969
SBL	5,002	—	5,002
Total loans held for investment	1,004,688	11,843,745	12,848,433
Total loans	\$1,008,302	\$12,043,098	\$13,051,400

(1) Excludes any net unearned income and deferred expenses.

(2) Related contractual loan terms may include an interest rate floor 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.

(3) See the discussion within the “Risk Monitoring process” section of Item 7A in this report for additional information regarding RJ Bank’s interest-only loan portfolio and related repricing schedule.

Other

Within our available for sale securities portfolio, we hold ARS, which are long-term variable rate securities tied to short-term interest rates. As short-term interest rates rise, due to the variable nature of the penalty interest rate provisions embedded in most of these securities in the event auctions fail to set the security’s interest rate, then a penalty rate that is specified in the security increases. These penalty rates are based upon a stated interest rate spread over what is typically a short-term base interest rate index. These securities are carried on our Consolidated Statements of Financial Condition at fair value, changes in interest rates impact the fair value (see notes 2 and 5 of the Notes to Consolidated Financial Statements in this Form 10-K for additional information on the fair value of these securities. Management estimates that at some level of increase in short-term interest rates, issuers of the securities will have the economic incentive to refinance (and thus prepay) the securities. The faster and steeper short-term interest rates rise, the earlier prepayments will likely occur and the higher the fair value of the security.

Equity price risk

We are exposed to equity price risk as a consequence of making markets in equity securities. RJ&A’s broker-dealer activities are primarily client-driven, with the objective of meeting clients’ needs while earning a trading profit 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 constantly throughout each day and establishing position limits.

In addition, RJF’s private equity investments may be impacted by equity prices.

Foreign exchange risk

We are subject to foreign exchange risk due to our investments in foreign subsidiaries as well as transactions denominated in a currency other than the U.S. dollar.

RJ Bank has an investment in a Canadian subsidiary, resulting in foreign exchange risk. To mitigate this risk, RJ Bank utilizes short-term, forward foreign exchange contracts. These derivative agreements are primarily accounted for as net investment hedges in the consolidated financial statements. See Notes 2 and 18 of the Notes to Consolidated Financial Statements in this Form 10-K for further information regarding these derivative contracts.

We have foreign exchange risk in our investment in RJ Ltd., of approximately CDN \$325 million at September 30, 2016, which is not hedged. Foreign exchange gains/losses related to this investment are primarily reflected in other comprehensive

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income (loss) (“OCI”) on our Consolidated Statements of Income and Comprehensive Income, see Note 22 of the Notes to Consolidated Financial Statements in this Form 10-K for further information regarding all of our components of OCI.

We also have foreign exchange risk associated with our investments in subsidiaries located in the United Kingdom, France, Germany, and South America. 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.

In addition, we are subject to foreign exchange risk due to our holdings of cash and certain other assets and liabilities, which result from transactions denominated in a currency other than the U.S. dollar. These foreign currency transactions are not hedged and the related gains/losses arising therefrom are reflected in other revenue on our Consolidated Statements of Income and Comprehensive Income.

### 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 whose 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 marking to market 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 private clients have available funds in the account before the trade is executed.

We offer loans to financial advisors and certain 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 stock borrow 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.

The valuation of the non-agency CMOs held as available for sale securities by RJ Bank is impacted by the credit risk associated with the underlying residential loans. Underlying loan characteristics associated with this risk are considered in valuing these securities. ARS held by a non-broker-dealer subsidiary of RJF is impacted by the credit worthiness of the ARS issuer. See Note 7 of the Notes to Consolidated Financial Statements in this Form 10-K for more information.

RJ Bank has substantial corporate, SBL and residential mortgage loan portfolios. 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.

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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, residential and SBL credit exposures. The strategy also includes diversification on a geographic, industry and customer level, regular credit examinations and management reviews of all corporate loans and 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 corporate and residential mortgage 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 incurred loan losses. RJ Bank utilizes a comprehensive credit risk rating system to measure the credit quality of individual corporate loans and related unfunded lending commitments, including the probability of default and/or loss given default of each corporate 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 in 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 described above. 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 other types of non-traditional loan products. 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: Loans in this segment are secured by 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 securities which will bring the loan current and may bring the loan within the prescribed LTV guidelines.

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. During fiscal year 2016 corporate profit levels declined slightly and have remained weak as compared to historic levels. Unemployment rates have remained relatively flat. Retail sales continue to be sluggish and credit quality trends, while improved in some sectors, remain somewhat tenuous. The volatility in residential home values in certain geographies has continued to have an impact on



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residential mortgage loan performance. All of these factors have a potentially negative impact on loan performance and net charge-offs. However, during fiscal year 2016, 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, 2016, 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 twelve months ended September 30, 2016.

Changes in the allowance for loan losses of RJ Bank are as follows:

	For the year ended September 30,					
	2016	2015	2014	2013	2012	
	(\$ in thousands)					
Allowance for loan losses, beginning of year	\$172,257	\$147,574	\$136,501	\$147,541	\$145,744	
Provision for loan losses	28,167	23,570	13,565	2,565	25,894	
Charge-offs:						
C&I loans	(2,956 )	(1,191 )	(1,845 )	(813 )	(10,486 )	
CRE loans	—	—	(16 )	(9,599 )	(2,000 )	
Residential mortgage loans	(1,470 )	(1,667 )	(2,015 )	(6,771 )	(15,270 )	
SBL	—	—	—	(254 )	(96 )	
Total charge-offs	(4,426 )	(2,858 )	(3,876 )	(17,437 )	(27,852 )	
Recoveries:						
C&I loans	—	611	16	117	—	
CRE loans	—	3,773	80	1,680	1,074	
Residential mortgage loans	1,417	1,206	1,998	2,299	2,543	
SBL	—	25	35	32	21	
Total recoveries	1,417	5,615	2,129	4,128	3,638	
Net (charge-offs) recoveries	(3,009 )	2,757	(1,747 )	(13,309 )	(24,214 )	
Foreign exchange translation adjustment	(37 )	(1,644 )	(745 )	(296 )	117	
Allowance for loan losses, end of year	\$197,378	\$172,257	\$147,574	\$136,501	\$147,541	
Allowance for loan losses to total bank loans outstanding	1.30	% 1.32	% 1.33	% 1.52	% 1.81	%

The primary factors influencing the provision for loan losses during the year as compared to the prior year include higher corporate loan growth, the charges during the current year resulting from loans outstanding within the energy sector, as well as additional provision for corporate loan downgrades resulting in higher criticized loans as compared to the prior year. The allowance for loan losses of \$197 million as of September 30, 2016 increased from the prior year due to significant loan portfolio growth during the fiscal year. The allowance for loan losses to total bank loans outstanding declined to 1.30% at September 30, 2016 from 1.32% at September 30, 2015.

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The following table presents net loan (charge-offs)/recoveries and the percentage of net loan (charge-offs)/recoveries to the average outstanding loan balances by loan portfolio segment:

	For the year ended September 30,					
	2016		2015		2014	
	Net loan (charge-off) amount (\$ in thousands)	% of avg. outstanding loans	Net loan (charge-off) amount (\$ in thousands)	% of avg. outstanding loans	Net loan (charge-off) amount (\$ in thousands)	% of avg. outstanding loans
C&I loans	\$ (2,956)	0.04 %	\$ (580 )	0.01 %	\$ (1,829 )	0.03 %
CRE loans	—	—	3,773	0.22 %	64	—
Residential mortgage loans	(53 )	—	(461 )	0.02 %	(17 )	—
SBL	—	—	25	—	35	—
Total	\$ (3,009)	0.02 %	\$ 2,757	0.02 %	\$ (1,747 )	0.02 %
	For the year ended September 30,					
	2013		2012			
	Net loan (charge-off) amount (\$ in thousands)	% of avg. outstanding loans	Net loan (charge-off) amount (\$ in thousands)	% of avg. outstanding loans		
C&I loans	\$ (696 )	0.01 %	\$ (10,486)	0.22 %		
CRE loans	(7,919 )	0.73 %	(926 )	0.11 %		
Residential mortgage loans	(4,472 )	0.26 %	(12,727 )	0.73 %		
SBL	(222 )	0.05 %	(75 )	0.08 %		
Total	\$ (13,309)	0.15 %	\$ (24,214)	0.32 %		

The level of charge-off activity is a factor that is considered in evaluating the potential for and severity of future credit losses. Net loan charge-off activity during the current year as compared to the prior year increased \$6 million as the current year reflected net charge-offs resulting from the resolution of certain corporate criticized loans while the prior year reflected net recoveries in the corporate loan portfolio for that respective fiscal year. Continued improved credit characteristics in the residential mortgage loan portfolio have resulted in insignificant amounts of net charge-offs during each of our fiscal years 2016 and 2015.

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The table below presents nonperforming loans and total allowance for loan losses:

	September 30, 2016		2015		2014	
	Nonperforming loan balance	Allowance for loan losses balance	Nonperforming loan balance	Allowance for loan losses balance	Nonperforming loan balance	Allowance for loan losses balance
	(\$ in thousands)					
Loans held for investment:						
C&I loans	\$35,194	\$(137,701)	\$—	\$(117,623)	\$—	\$(103,179)
CRE construction loans	—	(1,614)	—	(2,707)	—	(1,594)
CRE loans	4,230	(36,533)	4,796	(30,486)	18,876	(25,022)
Tax-exempt loans	—	(4,100)	—	(5,949)	—	(1,380)
Residential mortgage loans	41,783	(12,664)	47,823	(12,526)	61,789	(14,350)
SBL	—	(4,766)	—	(2,966)	—	(2,049)
Total	\$81,207	\$(197,378)	\$52,619	\$(172,257)	\$80,665	\$(147,574)
Total nonperforming loans as a % of RJ Bank total loans	0.53	%	0.40	%	0.73	%

	September 30, 2013		2012	
	Nonperforming loan balance	Allowance for loan losses balance	Nonperforming loan balance	Allowance for loan losses balance
	(\$ in thousands)			
Loans held for investment:				
C&I loans	\$89	\$(95,994)	\$19,517	\$(92,409)
CRE construction loans	—	(1,000)	—	(739)
CRE loans	25,512	(19,266)	8,404	(27,546)
Residential mortgage loans	76,357	(19,126)	78,739	(26,138)
SBL	—	(1,115)	—	(709)
Total	\$101,958	\$(136,501)	\$106,660	\$(147,541)
Total nonperforming loans as a % of RJ Bank total loans	1.14	%	1.31	%

The level of nonperforming loans is another indicator of potential future credit losses. The amount of nonperforming loans increased during the year ended September 30, 2016. This increase was due to a \$35 million increase in nonperforming C&I loans partially offset by a \$6 million decrease in nonperforming residential mortgage loans. Included in nonperforming residential mortgage loans are \$40 million in loans for which \$20 million in charge-offs were previously recorded, resulting in less exposure within the remaining balance.

The nonperforming loan balances above excludes \$14 million, \$15 million, \$14 million, \$10 million, and \$13 million as of September 30, 2016, 2015, 2014, 2013 and 2012 respectively, of residential troubled debt restructurings (“TDR”) which were returned to accrual status in accordance with our policy.

#### 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:

SBL and residential mortgage loan portfolio

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). Approximately 85% of the residential loans are fully documented loans and 98% of the residential mortgage loan portfolio is owner-occupant borrowers for their primary or

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second home residences, of which approximately 85% is for their primary residences. Approximately 10% of the first lien residential mortgage loans are ARMs with interest-only payments based on a fixed rate for an initial period of the loan, typically five to seven years, then become fully amortizing, subject to annual and lifetime interest rate caps. A high percentage of our originated 15 or 30-year fixed-rate mortgage loans are sold in the secondary market. RJ Bank's SBL portfolio is comprised of loans fully collateralized by client's marketable securities and represents 12% of RJ Bank's total loan portfolio. The underwriting policy for RJ Bank's SBL 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 loan portfolio

RJ Bank's corporate loan portfolio is comprised of approximately 480 borrowers, the majority of which are underwritten, managed and reviewed at RJ Bank's 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. As the process for evaluating the SNCs or other large syndications is consistent with the process for the other C&I, CRE and CRE construction loans in the portfolio, there is no additional credit risk with syndicated loans as compared to any other C&I, CRE and CRE construction loan in RJ Bank's 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. 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.

Regardless of the source, all corporate loans are independently underwritten to RJ Bank credit policies and are subject to loan committee approval, and credit quality is monitored on an on-going basis by RJ Bank's corporate 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 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 and corporate 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.

#### SBL and residential mortgage loans

The marketable collateral securing RJ Bank's SBL is 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 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 qualitative factors include, but are not limited to: loan performance trends, loan product parameters and qualification requirements, borrower credit scores, occupancy (i.e., owner occupied, second home or investment property), level of documentation, loan purpose, geographic concentrations, average loan size, loan policy exceptions, and updated LTV ratios. These qualitative measures, while

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considered and reviewed in establishing the allowance for loan losses, have not resulted in any material quantitative adjustments to RJ Bank's historical loss rates.

RJ Bank obtains the most recently available information (generally on a quarter lag) to estimate current LTV ratios on the individual loans in the performing residential mortgage loan portfolio. Current LTV ratios are estimated based on the initial appraisal obtained at the time of origination, adjusted using relevant market indices for housing price changes that have occurred since origination. The value of the homes could vary from actual market values due to change in the condition of the underlying property, variations in housing price changes within current valuation indices and other factors.

The current average estimated LTV is 54% for the total residential mortgage loan portfolio. Residential mortgage loans with estimated LTVs in excess of 100% represent slightly less than 1% of the residential mortgage loan portfolio. Credit risk management considers this data in conjunction with delinquency statistics, loss experience and economic circumstances to establish appropriate allowance for loan losses for the residential mortgage loan portfolio, which is based upon an estimate for the probability of default and loss given default for each homogeneous class of loans.

At September 30, 2016, loans over 30 days delinquent (including nonperforming loans) decreased to 1.20% of residential mortgage loans outstanding, compared to 1.69% over 30 days delinquent at September 30, 2015. Additionally, our September 30, 2016 percentage compares favorably to the national average for over 30 day delinquencies of 4.49% as most recently reported by the Fed. RJ Bank's significantly lower delinquency rate as compared to its peers is the result of both our uniform underwriting policies and the lack of subprime loans and limited amount of non-traditional loan products.

The following table presents a summary of delinquent residential mortgage loans:

	Delinquent residential loans (amount)			Delinquent residential loans as a percentage of outstanding loan balances		
	30-89 days	90 days or more	Total <sup>(1)</sup>	30-89 days	90 days or more	Total <sup>(1)</sup>
(\$ in thousands)						
September 30, 2016						
Residential mortgage loans:						
First mortgage loans	\$3,950	\$25,429	\$29,379	0.16%	1.05%	1.21%
Home equity loans/lines	—	20	20	—	0.10%	0.10%
Total residential mortgage loans	\$3,950	\$25,449	\$29,399	0.16%	1.04%	1.20%
September 30, 2015						
Residential mortgage loans:						
First mortgage loans	\$4,849	\$28,036	\$32,885	0.25%	1.44%	1.69%
Home equity loans/lines	30	231	261	0.14%	1.09%	1.23%
Total residential mortgage loans	\$4,879	\$28,267	\$33,146	0.25%	1.44%	1.69%

(1) Comprised of loans which are two or more payments past due as well as loans in process of foreclosure.

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 monthly to discuss the status, collection strategy and charge-off/write-down 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.



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Credit risk is also managed by diversifying the residential mortgage portfolio. The geographic concentrations (top five states) of RJ Bank's one-to-four family residential mortgage loans are as follows:

September 30, 2016		September 30, 2015			
	Loans outstanding as a % of RJ Bank total residential mortgage loans	Loans outstanding as a % of RJ Bank total loans		Loans outstanding as a % of RJ Bank total loans	
CA (1)	21.0%	3.2%	FL	20.5%	2.9%
FL	18.9%	2.9%	CA (1)	19.6%	2.8%
TX	7.1%	1.1%	NY	5.9%	0.8%
NY	5.5%	0.8%	TX	5.8%	0.8%
IL	3.6%	0.6%	NJ	4.2%	0.6%

The concentration ratios for the state of California excludes 4.4% and 4.7% from the computation of loans outstanding as a percentage of RJ Bank total residential mortgage loans, and 0.7% and 0.9% from the computation (1) of loans outstanding as a percentage of RJ Bank total loans, for September 30, 2016 and 2015 respectively, for loans purchased from a large investment grade institution that have full repurchase recourse for any delinquent loans.

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, 2016 and 2015, these loans totaled \$308 million and \$264 million, respectively, or approximately 10% and 15% of the residential mortgage portfolio, respectively. At September 30, 2016, the balance of amortizing, former interest-only, loans totaled \$296 million. The weighted average number of years before the remainder of the loans, which were still in their interest-only period at September 30, 2016, begins amortizing is 4.8 years. The outstanding balance of loans that were interest-only at origination and based on their contractual terms are scheduled to reprice, are as follows:

	September 30, 2016 (in thousands)
One year or less	\$ 59,128
Over one year through two years	10,830
Over two years through three years	16,235
Over three years through four years	36,078
Over four years through five years	26,942
Over five years	158,624
Total outstanding residential interest-only loan balance	\$ 307,837

A component of credit risk management for the residential portfolio is the LTV and borrower credit score at origination or purchase. The most recent LTV/FICO scores at origination of RJ Bank's residential first mortgage loan portfolio are as follows:

	September 30, 2016	September 30, 2015
Residential first mortgage loan weighted-average LTV/FICO	65%/760	66%/757

Corporate loans

Credit risk in RJ Bank's corporate loan portfolio 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 in this Form 10-K, specifically the bank loans and allowances for losses section, for additional information on RJ Bank's allowance for loan loss policies. See the Credit Risk section in Item 7A of this report for additional information on RJ Bank's corporate loan portfolio.

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At September 30, 2016, other than loans classified as nonperforming, there were no loans that were delinquent greater than 30 days.

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

September 30, 2016			September 30, 2015		
	Loans outstanding as a % of RJ Bank total corporate loans	Loans outstanding as a % of RJ Bank total loans		Loans outstanding as a % of RJ Bank total corporate loans	Loans outstanding as a % of RJ Bank total loans
Office (real estate)	5.6%	4.0%	Retail real estate	5.8%	4.3%
Hospitality	5.2%	3.7%	Pharmaceuticals	5.7%	4.2%
Consumer products and services	5.0%	3.6%	Consumer products and services	5.5%	4.1%
Retail real estate	4.6%	3.3%	Hospitality	5.4%	4.0%
Power & infrastructure	4.6%	3.3%	Automotive/transportation	4.5%	3.3%

RJ Bank's energy loan portfolio is primarily comprised of loans to mid-stream pipeline and other borrowers that are not directly exposed to the commodity. At September 30, 2016, the total commitment for these loans was \$696 million, of which \$408 million was outstanding, representing 4% of RJ Bank's total corporate loan portfolio and 3% of RJ Bank's total loans. There was \$83 million of this outstanding balance rated as criticized loans. As of September 30, 2016, RJ Bank had provided an allowance for loan losses of \$30 million for its energy loan portfolio, representing 7% of this loan portfolio.

## Liquidity risk

See the section entitled "Liquidity and capital resources" in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, in this report for more 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 cyber security incidents (see the section entitled "Our businesses depend on technology" in Item 1A, Risk Factors in this report for a discussion of certain cyber security 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 Accounting, 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 (chaired by our Chief Operating Officer and comprised of senior managers), 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 Item 1A: Risk Factors in this report, notwithstanding that we take protective measures and endeavor 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 have an impact on the security and stability of our operations. If one or more of these events were to occur, this could jeopardize the information we confidentially maintain, including that of our clients and counterparties, which is processed, stored in and transmitted through our

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computer systems and networks, or otherwise cause interruptions or malfunctions in our operations or the operations of our clients or counterparties. To-date, we have not experienced any material losses relating to cyber-attacks or other information security breaches, however, there can be no assurances that we will not suffer such losses in the future.

### Regulatory and legal risk

We have comprehensive procedures addressing regulatory capital requirements, sales and trading practices, use of and safekeeping of client funds, extension of credit, collection activities, money laundering and record keeping. We have designated Anti-Money Laundering (“AML”) Officers in each of our subsidiaries who monitor compliance with regulations adopted under the Patriot Act.

We expect that compliance with the DOL Rule and reliance on the BIC Exemption and the Principal Transactions Exemption will require us to incur increased legal, compliance and information technology costs. In addition, we may face enhanced legal risks. Refer to the “Regulation” section of Item 1 in this Form 10-K for a discussion of the DOL Rule.

We act as an underwriter or selling group member in both equity and fixed income product offerings. Particularly when acting as lead or co-lead manager, we have financial and legal exposure. To manage this exposure, a committee of senior executives review proposed underwriting commitments to assess the quality of the offering and the adequacy of due diligence investigation.

A Compliance and Standards Committee comprised of senior executives meets monthly to consider policy issues. The committee reviews material client or customer complaints and litigation, as well as issues in operating departments, for the purpose of identifying issues that present risk exposure to either us or our customers. The committee adopts policies to deal with these issues, which are then disseminated throughout our operations.

A Quality of Markets Committee meets regularly to monitor the best execution activities of our trading departments as they relate to customer orders. This committee is comprised of representatives from the OTC Trading, Listed Trading, Options, Municipal Trading, Taxable Trading, Compliance and Legal Departments and is under the direction of one of our senior officers. This committee reviews reports from the respective departments listed above and recommends action for improvement when necessary.

Our major business units have compliance departments that are responsible for regularly reviewing and revising compliance and supervisory procedures to conform to changes in applicable regulations.

Our banking activities are highly regulated and subject to impact from changes in banking laws and regulations, including unanticipated rulings. Present economic conditions have led to rapid introduction of significant regulatory programs or changes affecting consumer protection and disclosure requirements, financial reporting, and regulatory restructuring. Regulatory requirements including recent changes to consumer and mortgage lending regulations, as well as new regulatory or government programs, are closely monitored and acted upon to ensure a timely response. See further discussion of our risks associated with new regulations, including the Dodd-Frank Act, in Item 1A, “Risk Factors” within this report.

The nature of the periodic examinations of our operations by our various regulators, applicable to not only our banking activities but also to our broker-dealer operational activities, have been active, expanding in some respects as it pertains to the scope of their annual reviews, and reflective of a heightened level of scrutiny of the operations and activities of financial services entities. We continue to incur costs to support these reviews, and evaluate and implement changes in our processes and procedures to improve and continue to comply with all of the various regulations to which we are subject. Given this environment, we cannot predict the impact that the ultimate outcome

resulting from the periodic examinations by one or more of our regulators could have on our future costs or results of operations.

Legal risk includes the risk of PCG client claims, the possibility of sizable adverse legal judgments, exposure to pre-Closing Date litigation matters of Morgan Keegan should Regions fail to honor its indemnification obligations (see Item 3 Legal Proceedings in this report and Note 21 of the Notes to Consolidated Financial Statements in this Form 10-K for further discussion of the Regions indemnification for such matters) and non-compliance with applicable legal and regulatory requirements. We are generally subject to extensive regulation in the different jurisdictions in which we conduct business. Regulatory oversight of the financial services industry has become increasingly demanding over the past several years and we, as well as others in the industry, have been directly affected by this increased regulatory scrutiny.

In recent years, we have made and expect to continue to expand our deployment of significant resources in support of our AML program. We have significantly increased the number of associates dedicated to AML monitoring, expanded training for

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our associates, and during fiscal year 2016 implemented a leading AML software solution. All of these activities allow us to increase our monitoring and detection of suspicious and reportable activities.

We hold certain private equity investments which are subject to the Volcker Rule. The conformance period for compliance with the rule with respect to investments in certain illiquid funds has been extended and Banking Entities may still apply for an additional five-year extension with respect to investments in certain illiquid funds. The extension of the conformance deadline provides us with additional time to realize the value of these investments in due course and implement any additional actions necessary for conformance with the rule. To the extent that any of our covered funds satisfy the Fed's criteria for further extension for certain illiquid funds, we may apply for such extensions, although there is no assurance that any such extension would be granted. While we anticipate the liquidation of these investments to take place over a number of years, many of these fund investments meet the definition of prohibited "covered funds" as defined by the Volcker Rule of the Dodd-Frank Act. In order to be compliant with the Volcker Rule by its' July 2017 conformance period, it is possible that we may be required to sell our interests in such funds. If that occurs, we may receive a value for our interests that is less than the carrying value as there is a limited secondary market for these investments and we may be unable to sell them in orderly transactions. See further discussion of these regulations in the Regulatory section of Item 1 in this report, and see Note 5 of our Notes to Consolidated Financial Statements within this Form 10-K for information on the fair value of these private equity investments.

We have a number of outstanding claims resulting from, among other reasons, market conditions. While these claims may not be the result of any wrongdoing, we do, at a minimum, incur costs associated with investigating and defending against such claims. See further discussion of our accounting policy regarding such matters in the loss provisions arising from legal proceedings section of "Critical Accounting Estimates" contained within Item 7, "Management's Discussion of Analysis of Financial Condition and Results of Operations" in this report and in Note 2 of our Notes to Consolidated Financial Statements within this Form 10-K.

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## Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm  
The Board of Directors and Shareholders  
Raymond James Financial, Inc.:

We have audited the accompanying consolidated statements of financial condition of Raymond James Financial, Inc. and subsidiaries (the "Company" or "Raymond James") as of September 30, 2016 and 2015, and 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, 2016. 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 conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Raymond James as of September 30, 2016 and 2015, and the results of its operations and its cash flows for each of the years in the three-year period ended September 30, 2016, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Raymond James' internal control over financial reporting as of September 30, 2016, 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 22, 2016 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Tampa, Florida  
November 22, 2016  
Certified Public Accountants

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

	September 30,	
	2016	2015
	(in thousands)	
Assets:		
Cash and cash equivalents	\$1,650,452	\$2,601,006
Assets segregated pursuant to regulations and other segregated assets	4,889,584	2,905,324
Securities purchased under agreements to resell and other collateralized financings	470,222	474,144
Financial instruments, at fair value:		
Trading instruments	766,805	690,551
Available for sale securities	859,398	513,730
Private equity investments	194,634	209,088
Other investments	296,844	248,751
Derivative instruments associated with offsetting matched book positions	422,196	389,457
Receivables:		
Brokerage clients, net	2,714,782	2,185,296
Stock borrowed	170,860	124,373
Bank loans, net	15,210,735	12,988,021
Brokers-dealers and clearing organizations	164,908	134,890
Loans to financial advisors, net	838,721	488,760
Other	615,853	514,000
Deposits with clearing organizations	245,364	207,488
Prepaid expenses and other assets	777,224	693,739
Investments in real estate partnerships held by consolidated variable interest entities	157,228	199,678
Property and equipment, net	321,457	255,875
Deferred income taxes, net	322,024	266,899
Goodwill and identifiable intangible assets, net	504,442	376,962
Total assets	\$31,593,733	\$26,468,032

(continued on next page)

See accompanying Notes to Consolidated Financial Statements.



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

	September 30,	
	2016	2015
	(\$ in thousands)	
Liabilities and equity:		
Trading instruments sold but not yet purchased, at fair value	\$328,938	\$287,993
Securities sold under agreements to repurchase	193,229	332,536
Derivative instruments associated with offsetting matched book positions, at fair value	422,196	389,457
Payables:		
Brokerage clients	6,444,671	4,671,073
Stock loaned	677,761	478,573
Bank deposits	14,262,547	11,919,881
Brokers-dealers and clearing organizations	306,119	164,054
Trade and other	590,560	729,245
Other borrowings	608,658	703,065
Accrued compensation, commissions and benefits	915,954	842,527
Loans payable of consolidated variable interest entities	12,597	25,960
Senior notes payable	1,680,587	1,137,570
Total liabilities	26,443,817	21,681,934
Commitments and contingencies (see Note 21)		
Equity		
Preferred stock; \$.10 par value; 10,000,000 shares authorized; -0- shares issued and outstanding	—	—
Common stock; \$.01 par value; 350,000,000 shares authorized; 151,424,947 shares issued as of September 30, 2016 and 149,283,682 shares issued as of September 30, 2015. Shares outstanding of 141,544,511 as of September 30, 2016 and 142,750,653 as of September 30, 2015	1,513	1,491
Additional paid-in capital	1,498,921	1,344,779
Retained earnings	3,832,332	3,419,719
Treasury stock, at cost; 9,766,846 common shares at September 30, 2016 and 6,364,706 common shares at September 30, 2015	(362,937	) (203,455 )
Accumulated other comprehensive loss	(55,733	) (40,503 )
Total equity attributable to Raymond James Financial, Inc.	4,914,096	4,522,031
Noncontrolling interests	235,820	264,067
Total equity	5,149,916	4,786,098
Total liabilities and equity	\$31,593,733	\$26,468,032

See accompanying Notes to Consolidated Financial Statements.

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## RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	Year ended September 30,		
	2016	2015	2014
	(in thousands, except per share amounts)		
Revenues:			
Securities commissions and fees	\$3,498,615	\$3,443,038	\$3,241,525
Investment banking	304,155	323,660	340,821
Investment advisory and related administrative fees	392,326	385,238	362,362
Interest	640,325	543,207	480,886
Account and service fees	511,326	457,913	407,707
Net trading profit	91,591	58,512	64,643
Other	82,006	96,596	67,516
Total revenues	5,520,344	5,308,164	4,965,460
Interest expense	(117,077 )	(107,954 )	(104,091 )
Net revenues	5,403,267	5,200,210	4,861,369
Non-interest expenses:			
Compensation, commissions and benefits	3,624,747	3,525,378	3,312,635
Communications and information processing	279,746	266,396	252,694
Occupancy and equipment costs	167,455	163,229	161,683
Clearance and floor brokerage	42,732	42,748	39,875
Business development	148,413	158,966	139,672
Investment sub-advisory fees	59,930	59,569	52,412
Bank loan loss provision	28,167	23,570	13,565
Acquisition-related expenses	40,706	—	—
Other	234,000	183,642	172,885
Total non-interest expenses	4,625,896	4,423,498	4,145,421
Income including noncontrolling interests and before provision for income taxes	777,371	776,712	715,948
Provision for income taxes	271,293	296,034	267,797
Net income including noncontrolling interests	506,078	480,678	448,151
Net loss attributable to noncontrolling interests	(23,272 )	(21,462 )	(32,097 )
Net income attributable to Raymond James Financial, Inc.	\$529,350	\$502,140	\$480,248
Net income per common share – basic	\$3.72	\$3.51	\$3.41
Net income per common share – diluted	\$3.65	\$3.43	\$3.32
Weighted-average common shares outstanding – basic	141,773	142,548	139,935
Weighted-average common and common equivalent shares outstanding – diluted	144,513	145,939	143,589
Net income attributable to Raymond James Financial, Inc.	\$529,350	\$502,140	\$480,248
Other comprehensive income (loss), net of tax: <sup>(1)</sup>			
Unrealized (loss) gain on available for sale securities and non-credit portion of other-than-temporary impairment losses	(5,576 )	(3,325 )	6,021
Unrealized gain (loss) on currency translations, net of the impact of net investment hedges	2,179	(30,640 )	(18,635 )
Unrealized loss on cash flow hedges	(11,833 )	(4,650 )	—
Total comprehensive income	\$514,120	\$463,525	\$467,634

Other-than-temporary impairment:

Total other-than-temporary impairment, net	\$1,305	\$2,489	\$4,966
Portion of recoveries recognized in other comprehensive income	(1,305	) (2,489	) (4,993
Net impairment losses recognized in other revenue	\$—	\$—	\$(27

(1) All components of other comprehensive income (loss), net of tax, are attributable to Raymond James Financial, Inc.

See accompanying Notes to Consolidated Financial Statements.



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## RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Year ended September 30,		
	2016	2015	2014
	(in thousands, except per share amounts)		
Common stock, par value \$.01 per share:			
Balance, beginning of year	\$1,491	\$1,444	\$1,429
Share issuances	22	47	15
Balance, end of year	1,513	1,491	1,444
Additional paid-in capital:			
Balance, beginning of year	1,344,779	1,239,046	1,136,298
Employee stock purchases	28,025	23,847	20,234
Exercise of stock options and vesting of restricted stock units, net of forfeitures	16,470	21,351	8,780
Restricted stock, stock option and restricted stock unit expense	73,871	68,196	65,410
Excess tax benefit (reduction of prior tax benefit) from share-based payments	35,121	(8,115)	7,437
Other	655	454	887
Balance, end of year	1,498,921	1,344,779	1,239,046
Retained earnings:			
Balance, beginning of year	3,419,719	3,023,845	2,635,026
Net income attributable to Raymond James Financial, Inc.	529,350	502,140	480,248
Cash dividends declared	(116,737)	(106,271)	(91,133)
Other	—	5	(296)
Balance, end of year	3,832,332	3,419,719	3,023,845
Treasury stock:			
Balance, beginning of year	(203,455)	(121,211)	(120,555)
Purchases/surrenders	(153,137)	(64,780)	(2,173)
Exercise of stock options and vesting of restricted stock units, net of forfeitures	(6,345)	(17,464)	1,517
Balance, end of year	(362,937)	(203,455)	(121,211)
Accumulated other comprehensive loss: <sup>(1)</sup>			
Balance, beginning of year	(40,503)	(1,888)	10,726
Net change in unrealized gain/loss on available for sale securities and non-credit portion of other-than-temporary impairment losses, net of tax	(5,576)	(3,325)	6,021
Net change in currency translations and net investment hedges, net of tax	2,179	(30,640)	(18,635)
Net change in cash flow hedges, net of tax	(11,833)	(4,650)	—
Balance, end of year	(55,733)	(40,503)	(1,888)
Total equity attributable to Raymond James Financial, Inc.	\$4,914,096	\$4,522,031	\$4,141,236
Noncontrolling interests:			
Balance, beginning of year	\$264,067	\$292,020	\$335,413
Net loss attributable to noncontrolling interests	(23,272)	(21,462)	(32,097)
Capital contributions	15,179	19,530	22,565
Distributions	(18,312)	(23,570)	(27,093)
Other	(1,842)	(2,451)	(6,768)

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Balance, end of year	235,820	264,067	292,020
Total equity	\$5,149,916	\$4,786,098	\$4,433,256

(1) All components of other comprehensive (loss) income are attributable to Raymond James Financial, Inc.

See accompanying Notes to Consolidated Financial Statements.

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

	Year ended September 30,		
	2016	2015	2014
	(in thousands)		
Cash flows from operating activities:			
Net income attributable to Raymond James Financial, Inc.	\$529,350	\$502,140	\$480,248
Net loss attributable to noncontrolling interests	(23,272	) (21,462	) (32,097 )
Net income including noncontrolling interests	506,078	480,678	448,151
Adjustments to reconcile net income including noncontrolling interests to net cash (used in) provided by operating activities:			
Depreciation and amortization	72,383	68,315	64,163
Deferred income taxes	(58,798	) (23,462	) (35,171 )
Premium and discount amortization on available for sale securities and unrealized/realized gain on other investments	(25,010	) (42,544	) (22,804 )
Provisions for loan losses, legal proceedings, bad debts and other accruals	42,394	34,277	26,414
Share-based compensation expense	76,426	71,488	69,609
Other	36,590	54,527	35,343
Net change in:			
Assets segregated pursuant to regulations and other segregated assets	(1,954,079	) (416,060	) 1,575,563
Securities purchased under agreements to resell and other collateralized financings, net of securities sold under agreements to repurchase	(135,385	) 59,913	206,666
Stock loaned, net of stock borrowed	152,701	95,805	50,767
Loans provided to financial advisors, net of repayments	(344,786	) (81,617	) (34,067 )
Brokerage client receivables and other accounts receivable, net	(621,161	) (56,394	) (159,562 )
Trading instruments, net	(21,178	) 40,656	(46,526 )
Prepaid expenses and other assets	28,122	46,896	19,330
Brokerage client payables and other accounts payable	1,817,304	589,464	(1,800,957 )
Accrued compensation, commissions and benefits	46,351	28,758	72,294
Purchases and originations of loans held for sale, net of proceeds from sales of securitizations and loans held for sale	(101,155	) (59,638	) 45,811
(Excess tax benefit) reduction of prior tax benefit from share-based payment arrangements	(35,121	) 8,115	(7,437 )
Net cash (used in) provided by operating activities	(518,324	) 899,177	507,587
Cash flows from investing activities:			
Additions to property and equipment	(121,733	) (74,111	) (60,149 )
Increase in bank loans, net	(2,478,549	) (2,200,861	) (2,391,311 )
Purchases of Federal Home Loan Bank/Federal Reserve Bank stock, net	(3,231	) (4,446	) (22,161 )
Proceeds from sales of loans held for investment	197,557	111,731	183,279
Purchases or contributions, to private equity or other investments, net of proceeds from sales of, or distributions received from, private equity and other investments	(40,352	) (44,574	) 42,832
Purchases of available for sale securities	(463,202	) (92,485	) (1,305 )
Available for sale securities maturations, repayments and redemptions	95,961	69,757	104,407
Proceeds from sales of available for sale securities	11,062	84,785	49,937
Business acquisitions, net of cash acquired	(175,283	) (15,823	) (2,007 )

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Other investing activities, net of proceeds received	(4,049	)	(1,932	)	(286	)
Net cash used in investing activities	\$(2,981,819)		\$(2,167,959)		\$(2,096,764)	

(continued on next page)

See accompanying Notes to Consolidated Financial Statements.

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

	Year ended September 30,		
	2016	2015	2014
	(in thousands)		
Cash flows from financing activities:			
(Repayments of) proceeds from short-term borrowings, net	\$(115,000 )	\$(34,700 )	\$70,624
Proceeds from Federal Home Loan Bank advances	25,000	550,299	500,367
Repayments of Federal Home Loan Bank advances and other borrowed funds	(4,407 )	(509,252 )	(4,011 )
Proceeds from senior note issuances, net of debt issuance costs	792,221	—	—
Repayment of senior notes payable	(250,000 )	—	—
Repayments of borrowings by consolidated variable interest entities which are real estate partnerships	(14,262 )	(19,673 )	(21,839 )
Proceeds from capital contributed to and borrowings of consolidated variable interest entities which are real estate partnerships	—	110	726
Exercise of stock options and employee stock purchases	43,331	47,964	33,633
Increase in bank deposits	2,342,666	1,890,957	733,553
Purchases of treasury stock	(162,502 )	(88,542 )	(8,427 )
Dividends on common stock	(113,435 )	(103,143 )	(88,102 )
Excess tax benefit (reduction of prior tax benefit) from share-based payments	35,121	(8,115 )	7,437
Net cash provided by financing activities	2,578,733	1,725,905	1,223,961
Currency adjustment:			
Effect of exchange rate changes on cash	(29,144 )	(55,180 )	(32,337 )
Net (decrease) increase in cash and cash equivalents	(950,554 )	401,943	(397,553 )
Cash and cash equivalents at beginning of year	2,601,006	2,199,063	2,596,616
Cash and cash equivalents at end of year	\$1,650,452	\$2,601,006	\$2,199,063
Supplemental disclosures of cash flow information:			
Cash paid for interest	\$113,639	\$106,313	\$101,090
Cash paid for income taxes	\$303,793	\$378,928	\$319,279
Non-cash transfers of loans to other real estate owned	\$3,685	\$5,870	\$6,213

See accompanying Notes to Consolidated Financial Statements.

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RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2016

NOTE 1 – INTRODUCTION AND BASIS OF PRESENTATION

Description of business

Raymond James Financial, Inc. (“RJF” or the “Company”) is a financial holding company whose broker-dealer subsidiaries are engaged in various financial services businesses, including the underwriting, distribution, trading and brokerage of equity and debt securities and the sale of mutual funds and other investment products. In addition, other subsidiaries of RJF provide investment management services for retail and institutional clients, corporate and retail banking, and trust services. As used herein, the terms “we,” “our” 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 in the section titled, “Evaluation of VIEs to determine whether consolidation is required” and in Note 11. 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 United States of America (“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 during the reporting period. Actual results could differ from those estimates and could have a material impact on the consolidated financial statements.

Reporting period

Our quarters end on the last day of each calendar quarter.

Acquisitions

During fiscal year 2016, we completed our acquisitions of the U.S. Private Client Services unit of Deutsche Bank Wealth Management (“Alex. Brown”), MacDougall, MacDougall & MacTier, Inc. and its wholly owned subsidiaries (“3Macs”) headquartered in Canada, and Mummert & Company Corporate Finance GmbH (“Mummert”) headquartered in Europe. During fiscal year 2015, we completed our acquisitions of Cougar Global Investments Limited (“Cougar”) headquarter in Canada, and the U.S. based The Producers Choice LLC (“TPC”). See Note 3 for additional information on our acquisition activities during fiscal year 2016 and 2015.

Principal subsidiaries

As of September 30, 2016, our principal subsidiaries, all wholly owned, consist of: Raymond James & Associates, Inc. (“RJ&A”) a domestic broker-dealer carrying client accounts; Raymond James Financial Services, Inc. (“RJFS”) an

introducing domestic broker-dealer; Raymond James Financial Services Advisors, Inc. (“RJFSA”) a registered investment advisor; Raymond James Ltd. (“RJ Ltd.”) a broker-dealer headquartered in Canada; Eagle Asset Management, Inc. (“Eagle”), a registered investment advisor; and Raymond James Bank, N.A. (“RJ Bank”) a national bank.

#### Adoption of new accounting guidance

Effective September 30, 2016, we adopted new accounting guidance related to the presentation of debt issuance costs in the consolidated financial statements. Under this new guidance, debt issuance costs related to a recognized debt liability are presented in the balance sheet as a direct deduction from the carrying value of that debt liability, consistent with debt discounts. We have



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retroactively applied this guidance to debt liability balances existing in the prior fiscal year, and the applicable prior period balances have been reclassified to conform to the current year presentation. See Note 17 for additional information.

Effective September 30, 2016, we adopted new accounting guidance related to the classification and disclosure of certain investments using the net asset value (“NAV”) as a practical expedient to measure the fair value of the investment. Among its provisions, this new guidance eliminates, for all investments in which fair value is measured using NAV as a practical expedient, the requirement to categorize such investments within the fair value hierarchy. We have retroactively applied this new guidance to investments held in the prior fiscal year, and applicable balances have been reclassified to conform to the current year presentation. See Note 5 for additional information.

Reclassifications

In addition to the reclassification described above, certain other prior period amounts, none of which are material, have been reclassified to conform to the current year presentation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recognition of revenues

Securities commissions and fees

The significant components of our securities commissions and fees revenue include the following:

Commission revenues and related expenses from securities transactions are recorded on a trade date basis.  
a. Commission revenues are recorded at the amount charged to clients which, in certain cases, may include varying discounts.

Fees earned by financial advisors who provide investment advisory services under various manners of affiliation with us. These fee revenues are computed as either a percentage of the assets in the client account, or a flat periodic  
b. fee charged to the client for investment advice. Such fees are earned from the services provided by investment advisor representatives (“IARs”) and registered investment advisors (“RIAs”) who affiliate with us.

Financial advisors may choose to affiliate with us as either an employee of RJ&A, and thus operate under the RJ&A registered investment advisor (“RIA”) license, or as an independent contractor affiliated with RJFS. If affiliated with RJFS, the financial advisor may choose to provide such advisory services either under their own RIA license, or under the RIA license of RJFSA, a wholly owned RIA that exclusively supports the investment advisory activities of financial advisors affiliated with RJFS.

The revenue recognition and related expense policies associated with the generation of advisory fees from each of these affiliation alternatives are as follows:

Investment advisory service fee revenues earned by employee financial advisors (IARs of RJ&A) are presented in securities commissions and fees revenue on a gross basis. The RJ&A IARs are paid compensation which is  
i. computed as a percentage of the revenues generated and which is recorded as a component of compensation, commissions and benefits expense.

ii. Investment advisory service fee revenues earned by independent contractors who are registered representatives (“RR”) with RJFS are also registered with RJFSA and offer investment advisory services under RJFSA’s RIA license as an

IAR of RJFSA are presented in securities fees and commissions revenue on a gross basis. These financial advisors are paid a portion of the revenues generated which is recorded as a component of compensation, commissions and benefits expense.

Independent RIA firms that are owned and operated by a financial advisor who is an independent contractor registered as a RR with RJFS, may receive administrative and custodial services provided by RJFS as an  
iii. introducing broker-dealer firm to RJ&A. These independent RIA firms operate under their own RIA license and pay a fee for services provided to the RIA and its clients. These fees are recorded in securities commissions and fees revenue, net of the portion of the fees that are remitted to the independent RIA firm.

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We may earn fees as a result of providing a custodial platform for unaffiliated independent RIA firms. These independent RIA firms operate under their own RIA license and pay for administrative and other services provided through RJFS. These fees are recorded in securities commissions and fees revenue, net of the portion of the fees that are remitted to the independent RIA firm.

c. Certain asset-based fees, which are recorded ratably over the period earned.

d. Trailing commissions from mutual funds and variable annuities/insurance products, which are recorded ratably over the period earned.

e. Insurance commission revenues and related expenses are recognized when the delivery of the insurance contract is confirmed by the carrier, the premium is remitted to the insurance company and the contract requirements are met.

f. Annuity commission revenues and related expenses are recognized when the signed annuity contract and premium is submitted to the annuity carrier.

## Investment banking

Investment banking revenues, other than for merger and acquisition advisory arrangements, are recorded at the time a transaction is completed and the related income is reasonably determinable. Such investment banking revenues include management fees and underwriting fees, net of reimbursable expenses, earned in connection with the distribution of the underwritten securities, private placement fees, and syndication fees on the sale of low-income housing tax credit fund interests. Any securities we receive in connection with investment banking transactions are recorded at fair value.

Merger and acquisition advisory fee revenues are recorded when: there is an executed engagement letter; the delivery of our services is complete; the underlying transaction price is fixed or determinable; and the collectability of the fee is reasonably assured.

We distribute our proprietary equity research products to certain institutional investor clients at no charge.

## Investment advisory fees

We provide advice, research and administrative services for clients participating in both our managed and non-discretionary asset-based investment programs. These revenues are generated by our asset management businesses for administering and managing portfolios, funds and separate accounts. These asset management services are provided to individual investment portfolios, mutual funds and managed programs. We earn investment advisory fees based on the value of clients' portfolios which are held in either managed or non-discretionary asset-based programs. Fees are computed based on balances either at the beginning of the quarter, the end of the quarter, or average assets. These fees are recorded ratably over the period earned.

We may earn performance fees from various funds and separate accounts we manage, when their performance exceeds certain specified rates of return. We record performance fee revenues in the period they are specifically quantifiable and are earned. Once realized, such fees are not subject to clawback or reversal.

In our low-income housing tax credit fund syndication activities, we provide oversight and management of the funds during the fifteen year tax credit compliance period of the underlying funds' investments. We recognize these fees ratably over the period the services are provided.

Account and service fees

Account and service fees primarily include transaction fees, annual account fees, service charges, exit fees, servicing fees, fees generated in lieu of interest income from a multi-bank sweep program with unaffiliated banks, money market processing and distribution fees and correspondent clearing fees. The annual account fees such as IRA fees and distribution fees are recognized as earned over the term of the contract. The transaction fees are earned and collected from clients as trades are executed. Servicing fees such as omnibus, education and marketing support fees, and no-transaction fee program revenues are paid to us for marketing and administrative services and are recognized as earned. Under clearing agreements, we clear trades for unaffiliated correspondent brokers and retain a portion of commissions as a fee for our services. Correspondent clearing revenues are recorded net of commissions remitted. Total commissions generated by correspondents were \$49 million for the year ended September 30, 2016, and \$40 million in each respective year ended September 30, 2015 and 2014. Commissions remitted totaled \$47 million, \$38 million, and \$37 million for the years ended September 30, 2016, 2015, and 2014, respectively.

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### Cash and cash equivalents

Our cash equivalents include money market funds or highly liquid investments with original maturities of 90 days or less, other than those used for trading purposes.

### Assets segregated pursuant to regulations and other segregated assets

In accordance with Rule 15c3-3 of the Securities Exchange Act of 1934, RJ&A, as a broker-dealer carrying client accounts, is subject to requirements related to maintaining cash or qualified securities in a segregated reserve account for the exclusive benefit of its clients. In addition, RJ Ltd. is required to hold client Registered Retirement Savings Plan funds in trust. Segregated assets consist of cash and cash equivalents or qualified securities.

RJ Bank maintains cash in an interest-bearing pass-through account at the Federal Reserve Bank in accordance with Regulation D of the Federal Reserve Act, which requires depository institutions to maintain minimum average reserve balances against its deposits. In addition, RJ Bank may maintain interest-bearing bank deposits that are restricted for pre-funding letter of credit draws related to certain syndicated borrowing relationships in which RJ Bank is involved.

### Repurchase agreements and other collateralized financings

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. Our policy is to obtain possession of collateral with a market value equal to or in excess of the principal amount loaned under the Reverse Repurchase Agreements. To ensure that the market value of the underlying collateral remains sufficient, the securities are valued daily, and collateral is obtained from or returned to the counterparty when contractually required. These Reverse Repurchase Agreements may result in credit exposure in the event the counterparty to the transaction is unable to fulfill its contractual obligations.

### Financial instruments owned, financial instruments sold but not yet purchased and 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 exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between willing market participants on the measurement date.

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 measure considered from the perspective of a market participant. As such, even when assumptions from market participants are not readily available, our own assumptions reflect those 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 with quoted prices in active markets for identical assets or liabilities. These include equity securities traded in active markets and certain U. S. Treasury securities, other governmental obligations, or publicly traded corporate debt securities.

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). Instruments that are generally included in this category are equity securities that are not actively

traded, corporate obligations infrequently traded, certain government and municipal obligations, interest rate swaps, certain asset-backed securities (“ABS”), certain collateralized mortgage obligations (“CMOs”), certain mortgage-backed securities (“MBS”), certain other derivative instruments, brokered certificates of deposit, corporate loans and nonrecurring fair value measurements for certain loans held for sale, impaired loans and other real estate owned (“OREO”).

Level 3-Financial instruments reported in Level 3 have little, if any, market activity and are measured using our best estimate of fair value, where the inputs into the determination of fair value are both significant to the fair value measurement and unobservable. These valuations require significant judgment or estimation. Instruments in this category generally include: equity securities with unobservable inputs such as those investments made in our principal capital activities, certain non-agency ABS, pools of interest-only Small Business Administration (“SBA”) loan strips (“I/O Strips”), certain municipal and corporate obligations which include auction rate securities (“ARS”), and nonrecurring fair value measurements for certain impaired loans.

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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.

We offset our long and short positions for a particular security recorded at fair value as part of our trading instruments (long positions) and trading instruments sold but not yet purchased (short positions), when the long and short positions have identical Committee on Uniform Security Identification Procedures numbers ("CUSIPs").

### Valuation techniques

The fair value for certain of our financial instruments is derived using pricing models and other valuation techniques that involve significant 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 for which actively quoted prices or pricing parameters are available will generally have a higher degree of price transparency than financial instruments that are thinly traded or not quoted. 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 volume and other market trading statistics. We have determined the market for certain other types of financial instruments, including certain CMOs, ABS, certain collateralized debt obligations and ARS, to be volatile, uncertain or inactive as of both September 30, 2016 and 2015. As a result, the valuation of these financial instruments included significant management judgment in determining the relevance and reliability of market information available. We considered the inactivity of the market to be evidenced by several factors, including a continued decreased price transparency caused by decreased volume of trades relative to historical levels, stale transaction prices and transaction prices that varied significantly either over time or among market makers.

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

#### Level 1 measures:

Trading instruments and trading instruments sold but not yet purchased ("Trading Securities") are comprised primarily of the financial instruments held by our broker-dealer subsidiaries. These instruments are recorded at fair value with realized and unrealized gains and losses reflected in current period net income.

When available, we use quoted prices in active markets to determine the fair value of our Trading Securities. Such instruments are classified within Level 1 of the fair value hierarchy. Examples include exchange traded equity securities and liquid government debt securities.

#### Level 2 measures:

When Trading Securities are traded in secondary markets and quoted market prices do not exist for such securities, 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. Instruments valued using these inputs are typically classified within Level 2 of the fair value hierarchy. Examples include certain municipal debt securities, corporate debt securities, agency MBS, brokered certificates of deposit and restricted equity securities in public companies. We utilize prices from independent services to corroborate our estimate 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.

A portion of our financial instruments classified on our Consolidated Statements of Financial Condition as a component of our available for sale securities are classified as Level 2 within the fair value hierarchy. The valuation methodologies of such financial instruments are discussed in the available for sale securities section that follows.

We are a party to various derivative contracts that are classified as Level 2 within the fair value hierarchy. The valuation methodologies of such financial instruments are discussed in the derivatives contract section that follows.



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RJ Bank maintains a trading portfolio of certain corporate loans that it originates through the syndication market. These trading instruments are included in Trading Securities, are recognized as of the trade date, and are carried at fair value with the related unrealized and realized gains and losses reflected in net trading profit. These trading instruments are valued using quotes from a third party pricing service. These third party pricing service quotes are based on current market data provided by multiple dealers. The instruments are classified within Level 2 of the fair value hierarchy as the market inputs utilized by the third party pricing service are based upon observable inputs. We validate the third party pricing service quotes by comparing such prices to those provided by another external source.

RJ Bank maintains certain loans held for sale, which are classified within Level 2 of the fair value hierarchy. The valuation methodologies of such financial instruments are discussed in the loans held for sale and allowances for losses section that follows.

Level 3 measures:

Positions in illiquid securities that do not have readily determinable fair values require significant judgment or estimation. For these securities we use pricing models, discounted cash flow methodologies or similar techniques. Assumptions utilized by these techniques include estimates of future delinquencies, loss severities, defaults and prepayments or redemptions. Securities valued using these techniques are classified within Level 3 of the fair value hierarchy. For certain CMOs, where there has been limited activity or less transparency around significant inputs to the valuation, such as assumptions regarding performance of the underlying mortgages, these securities are currently classified within Level 3 of the fair value hierarchy.

A portion of our financial instruments classified on our Consolidated Statements of Financial Condition as a component of our available for sale securities are classified as Level 3 within the fair value hierarchy. The valuation methodologies of such financial instruments are discussed in the available for sale securities section that follows.

We hold private equity investments that are classified as Level 3 within the fair value hierarchy. The valuation methodologies of such financial instruments are discussed in the private equity investments section that follows.

I/O Strip securities do not trade in an active market with readily observable prices. Accordingly, we use valuation techniques that consider a number of factors including: (a) the original cost of the pooled underlying SBA loans from which the I/O Strip securities were created, and any changes from the original to the hypothetical cost of buying similar loans under current market conditions; (b) seasoning of the underlying SBA loans in the pool that back the I/O strip securities; (c) the type and nature of the pooled SBA loans backing the I/O Strip securities; (d) actual and assumed prepayment rates on the underlying pools of SBA loans; and (e) market data for past trades in comparable I/O Strip securities. Prices from independent sources are used to corroborate our estimates of fair value. Our I/O Strip securities are recorded in "other securities" within our trading instruments on our Consolidated Statements of Financial Condition. These fair value measurements use significant unobservable inputs and accordingly, we classify them as Level 3 of the fair value hierarchy.

Included within Trading Securities are to be announced ("TBA") security contracts with investors for generic MBS securities at specific rates and prices to be delivered on settlement dates in the future. These TBA's are entered into by RJ&A as a component of a hedging strategy, to hedge interest rate risk that it would otherwise be exposed to as part of a program its fixed income public finance operations offers to certain state and local housing finance agencies ("HFA"). Under this program, RJ&A enters into forward commitments to purchase Government National Mortgage Association ("GNMA") or Federal National Home Mortgage Association ("FNMA") MBS. The MBS securities are issued on behalf of various HFA clients and consist of the mortgages originated through their lending programs. RJ&A's forward GNMA or FNMA MBS purchase commitments arise at the time of the loan reservation for a borrower in the HFA

lending program (these loan reservations fix the terms of the mortgage, including the interest rate and maximum principal amount). The underlying terms of the GNMA or FNMA MBS purchase, including the price for the MBS security (which is dependent upon the interest rates associated with the underlying mortgages) are also fixed at loan reservation. Upon acquisition of the MBS security, RJ&A typically sells such security in open market transactions as part of its fixed income operations. Given that the actual principal amount of the MBS security is not fixed and determinable at the date of RJ&A's commitment to purchase, these forward MBS purchase commitments do not meet the definition of a "derivative instrument." These TBA securities are accounted for at fair value and are classified within Level 1 of the fair value hierarchy. The TBA securities may aggregate to either a net asset or net liability at any reporting date, depending upon market conditions. The offsetting purchase commitment is accounted for at fair value and is included in either other assets, or other liabilities, depending upon whether the TBA securities aggregate to a net asset or net liability. The fair value of the purchase commitment is classified within Level 3 of the fair value hierarchy.

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### Available for sale securities

Available for sale securities are comprised primarily of MBS, CMOs and other equity securities held predominately by RJ Bank (the “RJ Bank AFS Securities”) and ARS held by a non-broker-dealer subsidiary of RJF (collectively referred to as the “RJF AFS Securities”). These securities are generally classified at the date of purchase as available for sale securities. The RJ Bank AFS Securities are used as part of RJ Bank’s 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 the RJF AFS Securities is recognized in interest income on an accrual basis. For the RJ Bank AFS Securities, 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 any RJF AFS Securities are recognized using the specific identification method and reflected in other revenue in the period sold.

Unrealized gains or losses on any RJF AFS Securities, except for those that are deemed to be other-than-temporary, are recorded through other comprehensive (loss) income and are thereafter presented in equity as a component of accumulated other comprehensive income (“AOCI”) on our Consolidated Statements of Financial Condition.

For any RJF AFS 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. In order to evaluate our risk exposure and any potential impairment of these securities, on at least a quarterly basis, we review the characteristics of each security owned such as, where applicable, collateral type, delinquency and foreclosure levels, credit enhancement, projected loan losses, collateral coverage, the presence of U.S. government or government agency guarantees, and issuer credit rating. 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 intend and have the ability to hold the RJF AFS Securities to maturity. We have concluded that it is not more likely than not that we will be required to sell these available for sale securities before the recovery of their amortized cost basis. Those securities whose amortized cost basis we do not expect to recover in full are deemed to be other-than-temporarily impaired and are written down to fair value with the credit loss portion of the write-down recorded as a realized loss in other revenue and the non-credit portion of the write-down recorded, net of deferred taxes, in shareholders’ equity as a component of AOCI. The credit loss portion of the write-down is the difference between the present value of the cash flows expected to be collected and the amortized cost basis of the security.

For any RJF AFS Securities, we estimate the portion of loss attributable to credit using a discounted cash flow model. For RJ Bank AFS Securities, our discounted cash flow model utilizes relevant assumptions such as prepayment rate, default rate, and loss severity on a loan level basis. These assumptions are subject to change depending on a number of factors such as economic conditions, changes in home prices, delinquency and foreclosure statistics, among others. Events that may trigger material declines in fair values or additional credit losses for these securities in the future would include, but are not limited to, deterioration of credit metrics, significantly higher levels of default and severity of loss on the underlying collateral, deteriorating credit enhancement and loss coverage ratios, or further illiquidity. Expected principal and interest cash flows on the impaired debt security are discounted using the effective interest rate implicit in the security at the time of acquisition. The previous amortized cost basis of the security less the other-than-temporary impairment (“OTTI”) recognized in earnings establishes the new cost basis for the security.

The fair value of agency and non-agency securities included within the RJ Bank AFS 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. The market data the third party pricing services utilize for these price evaluations 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. In order to validate that the pricing information used by the primary third party pricing service is observable, we request, on a quarterly basis, some of the key market data available for a sample of securities and compare this data to that which we observed in our independent accumulation of market information. Securities valued using these valuation techniques are classified within Level 2 of the fair value hierarchy.

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For non-agency securities within the RJ Bank AFS Securities where a significant difference exists between the primary third party pricing service bid quotation and the secondary third party pricing service, we utilize a discounted cash flow analysis to determine which third party price quote is more representative of fair value under the current market conditions. Securities measured using these valuation techniques are generally classified within Level 2 of the fair value hierarchy.

ARS are long-term variable rate securities tied to short-term interest rates that were intended to be reset through a “Dutch auction” process, which generally occurs every seven to 35 days. Holders of ARS were at one time able to liquidate their holdings to prospective buyers by participating in the auctions. During 2008, the Dutch auction process failed and holders were no longer able to liquidate their holdings through the auction process. The fair value of the ARS holdings is estimated based on internal pricing models. The pricing model takes into consideration the characteristics of the underlying securities, as well as multiple inputs including the issuer and its credit quality, data from any recent trades, 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 inputs require significant management judgment and accordingly, these securities are classified within Level 3 of the fair value hierarchy.

### Derivative contracts

#### Trading:

We enter into interest rate swaps or futures contracts either as part of our fixed income business to facilitate client transactions, to hedge a portion of our trading inventory, or to a limited extent for our own account. These derivatives are accounted for as trading account assets or liabilities and recorded at fair value in the Consolidated Statements of Financial Condition. Any realized or unrealized gains or losses including interest, are recorded in net trading profit within the Consolidated Statements of Income and Comprehensive Income. The fair value of any cash collateral exchanged as part of the interest rate swap contract is netted, by-counterparty, against the fair value of the derivative instrument. The fair value of these interest rate derivative contracts 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 derivative contracts 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 through Raymond James Financial Products, LLC (“RJFP”) a non-broker-dealer subsidiary. RJFP enters into derivative transactions (primarily interest rate swaps) with clients. For every derivative transaction RJFP enters into with a client, it enters into an offsetting transaction with terms that mirror the client transaction, with a credit support provider who is a third party financial institution. Any collateral required to be exchanged under these derivative contracts is administered directly by the client and the third party financial institution. RJFP does not hold any collateral, or administer any collateral transactions, related to these instruments. We record the value of each derivative position held at fair value, as either an asset or an offsetting liability, presented as “derivative instruments associated with offsetting matched book positions,” as applicable, on our Consolidated Statements of Financial Condition. Fair value is determined using an internal model which includes inputs from independent pricing sources to project future cash flows under each underlying derivative contract. The cash flows are discounted to determine the present value. Since any changes in fair value are completely offset by an opposite change in the offsetting transaction position, there is no net impact on our Consolidated Statements of Income and Comprehensive Income from changes in the fair value of these derivative instruments. RJFP recognizes

revenue on derivative transactions on the transaction date, computed as the present value of the expected cash flows RJFP expects to receive from the third party financial institution over the life of the derivative contract. 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.

Hedges:

RJ Bank enters into three-month forward foreign exchange contracts to hedge the risk related to their investment in their Canadian subsidiary. These derivatives are recorded at fair value on the Consolidated Statements of Financial Condition, the majority of which are designated as net investment hedges. The effective portion of the related gain or loss is recorded, net of tax, in shareholders' equity as part of the cumulative translation adjustment component of AOCI with such balance impacting earnings in the event the net investment is sold or substantially liquidated. Gains and losses on the undesignated derivative instruments as well as amounts representing hedge ineffectiveness are recorded in earnings in the Consolidated Statements of Income and Comprehensive Income. Hedge effectiveness is assessed at each reporting period using a method that is based on changes in

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forward rates. The measurement of hedge ineffectiveness is based on the beginning balance of the foreign net investment at the inception of the hedging relationship and performed using the hypothetical derivative method. However, as the terms of the hedging instrument and hypothetical derivative match at inception, there is no expected ineffectiveness to be recorded in earnings. The fair value of any cash collateral exchanged as part of the forward exchange contracts is netted, by counterparty, against the fair value of the derivative instrument.

The fair value of RJ Bank's forward foreign exchange contracts is determined by obtaining valuations from a third party pricing service. These third party valuations are based on observable inputs such as spot rates, foreign exchange rates and both U.S. and Canadian 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. Beginning in February 2015, we entered into certain interest rate swap contracts (the "RJ Bank Interest Hedges") which swap variable interest payments on debt for fixed interest payments. Through the RJ Bank Interest Hedges, RJ Bank is able to mitigate a portion of the market risk associated with certain fixed rate interest earning assets held by RJ Bank.

The RJ Bank Interest Hedges are recorded at fair value on the Consolidated Statements of Financial Condition and are designated as cash flow hedges. The effective portion of the related gain or loss 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 certain borrowings. The ineffective portions of the related gain and loss are immediately recognized into earnings in the Consolidated Statements of Income and Comprehensive Income. Hedge effectiveness is assessed at inception and each reporting period utilizing regression analysis and performed using the hypothetical derivative method. However, as the key terms of the hedging instrument and hedged transaction match at inception, management expects there to be no ineffectiveness impacting earnings from this hedge while it is outstanding. As a result of these derivative transactions being executed through a clearing exchange, we are required to provide the exchange with either a cash deposit or qualified securities. Such deposit balances are included as a component of deposits with clearing organizations on our Consolidated Statements of Financial Condition. The fair value of RJ Bank Interest Hedges 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 derivative contracts are classified within Level 2 of the fair value hierarchy. We utilize values obtained from a third party to corroborate the output of our internal pricing models.

Other:

As part of our acquisition of Alex. Brown, RJ&A assumed certain Deutsche Bank restricted stock unit ("DBRSU") awards, including the associated plan terms and conditions. Refer to the "share-based compensation" section of this footnote for a description of the assumed obligation. The DBRSU awards contain performance conditions based on Deutsche Bank and subsidiaries attaining certain financial results and will ultimately be settled in Deutsche Bank AG ("DB") common shares, as traded on the New York Stock Exchange ("NYSE"), provided the performance metrics are achieved. The DBRSU obligation results in a derivative.

The DBRSU derivative liability is measured by applying the reporting period-end DB common share price to the DBRSU awards outstanding as of the end of such period. This computation is a Level 2 measure under the fair value hierarchy and the liability is included in accrued compensation, commissions, and benefits in our Consolidated Statements of Financial Condition.

Private equity investments

Private equity investments consist of direct and third party private equity funds, merchant banking investments, employee investment funds, and various Company-sponsored private equity funds. Our investments in these private funds are primarily closed-end funds in which the Company's investments are generally not eligible for redemption. Distributions will be received from these funds as the underlying assets are liquidated or distributed. We estimate that the underlying assets of these funds will be liquidated over the remaining life of these funds (ranging from one to nine years). These investments are measured at fair value with any changes recognized in other revenue on our Consolidated Statements of Income and Comprehensive Income. The fair value of private equity investments are determined utilizing either NAV 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: the fund does not have a readily determinable fair value; 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;

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and 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 significant 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.

### Other investments

Other investments consist primarily of marketable securities we hold that are associated with certain of our deferred compensation programs, term deposits with Canadian financial institutions, and certain investments in limited partnerships (or funds) for which in a number of instances, one of our affiliates serves as the managing member or general partner (see Note 11 for information regarding such funds).

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, typically five years from the date of the deferral. A liability associated with these deferrals is reflected as a component of our 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 market value. These investments are classified within Level 1 of the fair value hierarchy.

The valuation of the investments in limited partnerships and funds requires significant management 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. Such instruments are classified within Level 3 of the fair value hierarchy.

### Brokerage client receivables, loans to financial advisors and allowance for doubtful accounts

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 investment advisory fees. Both the receivables from the asset management and broker-dealer clients are reported at their outstanding principal balance, adjusted for any allowance for doubtful accounts. When a receivable held by one of our broker-dealer subsidiaries 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 in our Consolidated Statements of Financial Condition (see Note 19 for additional

information regarding this collateral).

We offer loans to financial advisors and certain key revenue producers, primarily for recruiting, transitional cost assistance, and retention purposes. These loans are generally repaid over a five to eight year period with interest recognized as earned. There is no fee income associated with these loans. We assess future recoverability of these loans through analysis of individual financial advisor production or other performance standards. 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: any 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

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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 is approximately \$13 million and \$10 million at September 30, 2016 and 2015, respectively. Our allowance for doubtful accounts is approximately \$5 million and \$4 million at September 30, 2016 and 2015, respectively.

### Securities borrowed and securities loaned

Securities borrowed and securities loaned transactions are reported as collateralized financings and recorded at the amount of collateral advanced or received. In securities borrowed transactions, we are generally required to deposit cash with the lender. With respect to securities loaned, we generally receive collateral in the form of cash in an amount in excess of the market value of securities loaned. We monitor the market value of securities borrowed and loaned on a daily basis, with additional collateral obtained or refunded as necessary (see Note 19 for additional information regarding this collateral).

### Bank loans and allowances for losses

#### 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, as well as loans which are fully collateralized by the borrower’s marketable securities. 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.

RJ Bank segregates its loan portfolio into six portfolio segments, C&I, commercial real estate (“CRE”), CRE construction, tax-exempt, residential mortgage, and securities based loans (“SBL”). 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.

RJ Bank purchases the guaranteed portions of SBA section 7(a) loans and accounts for these loans in accordance with the policy for loans held for sale. RJ Bank then aggregates SBA loans with similar characteristics into pools for securitization and sells 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 RJ Bank's 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 net trading profit. Sales of the securitizations are accounted for as of settlement date, which is the date RJ Bank has surrendered control over the transferred assets. RJ Bank does 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. The third party pricing service provides comparable price

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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, are designated as held for investment upon inception and recognized in loans receivable. If we subsequently designate a corporate 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 revenue, 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 revenue in the Consolidated Statements of Income and Comprehensive Income.

### Off-balance sheet loan commitments

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. RJ Bank's policy is generally to require customers to provide collateral at the time of closing. The amount of collateral obtained, if it is deemed necessary by RJ Bank upon extension of credit, is based on RJ Bank's 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 liabilities within the 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.

RJ Bank recognizes 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 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 OREO. Nonperforming loans represent those loans which have been placed on nonaccrual status and loans which have been restructured in a manner that grant a concession to a borrower experiencing financial difficulties; loans with such restructurings are discussed further below. Additionally, any accruing loans which are 90 days or more past due and in the process of collection are considered nonperforming loans.

Loans of all classes are placed on nonaccrual status when we determine that full payment of all contractual principal and interest is in doubt, or the loan is past due 90 days or more as to contractual interest or principal unless the loan, in our opinion, is well-secured and in the process of collection. When a loan is placed on nonaccrual status, the accrued and unpaid interest receivable is written off against interest income and accretion of the net deferred loan origination fees cease. Interest is recognized using the cash method for SBL and residential (first mortgage and home equity) loans and the cost recovery method for corporate loans thereafter until the loan qualifies for return to accrual status. Loans 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.

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 by RJ Bank 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 the Consolidated Statements of Financial Condition. These nonrecurring fair value measurements are classified within Level 2 of the fair value hierarchy. Costs relating to development and improvement of the property are capitalized, whereas those relating to holding the property are charged to operations. Sales of OREO are recorded as of the settlement date and any associated gains or losses are included in other revenue on our Consolidated Statements of Income and Comprehensive Income.

#### Troubled debt restructurings

A loan restructuring is deemed to be a troubled debt restructuring (“TDR”) if we, for economic or legal reasons related to the borrowers’ financial difficulties, grant a concession we would not otherwise consider. In TDRs, for all classes of loans, the

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concessions granted, such as interest rate reductions, generally do not reflect current market conditions for a new loan of similar risk made to another borrower in similar financial circumstances. For those restructurings of first mortgage and home equity residential mortgage loans which may reflect current market conditions, the concessions granted by RJ Bank are generally interest capitalization, principal forbearance, release of liability ordered under Chapter 7 bankruptcy not reaffirmed by the borrower, or an extension of the interest-only or maturity period. The concessions granted in restructurings of corporate loans are similar to those for residential mortgage loans, and may also include the reduction of the guarantor's liability. First mortgage and home equity residential mortgage TDRs may be returned to accrual status when there has been a sustained period of six months of satisfactory performance. Corporate TDRs have generally been partially charged-off and, therefore, remain on nonaccrual status until the loan is fully resolved.

## Impaired loans

Loans in all classes are considered to be impaired when, based on current information and events, it is probable that RJ Bank 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. RJ Bank determines 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 below in relation to the evaluation of the allowance for loan losses, except that as a practical expedient, RJ Bank measures 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

RJ Bank maintains an allowance for loan losses to provide for probable losses inherent in RJ Bank's 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 RJ Bank believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

RJ Bank has 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, RJ Bank relies on estimates and exercises 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;
- 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 loss is comprised of three components: allowances calculated based on formulas for homogeneous classes of loans collectively evaluated for impairment, specific allowances assigned to certain classified loans individually evaluated for impairment, and allowances resulting from our analysis of certain qualitative factors. The 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.

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. This analysis is utilized in establishing the allowance for each of the classes of loans through the application of an adjustment to the calculated allowance percentage for the respective loan grade.

The loans within the corporate 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 classes are assigned loan grades



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equivalent to the loan classifications utilized by bank regulators, dependent on their respective likelihood of loss. We assign each loan grade for all loan classes an allowance percentage based on the estimated incurred loss associated with that grade. The allowance for loan losses for all non-impaired loans is then calculated based on the allowance percentage assigned to the respective loan's class and grade factoring in the respective loss emergence period. The allowance for loan losses for all impaired loans and those nonaccrual residential 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 the loan grades and allowance percentages to the loans within the corporate 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 RJ Bank has 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 either a probability of default and loss given default methodology or analyses of peer group and industry loss history in combination with certain adjustments for loss emergence period.

The quantitative loss rates for corporate 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 external and environmental 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 RJ Bank's historical loss data over a period of time. RJ Bank currently utilizes 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; therefore, the allowance is based primarily on peer group allowance information and the qualitative factors noted below.

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, updated loan-to-value ("LTV") ratios, and the factors noted above that are utilized for corporate loans.

As TDRs, regardless of the loan portfolio segment or accrual status, are impaired loans, RJ Bank evaluates its credit risk on an individual loan basis. The amount of impairment recorded on these loans is primarily measured based on the present value of the expected future cash flows discounted at the loan's effective interest rate, or if collateral dependent, based on the fair value of the collateral, less costs to sell. In addition, all redefaults (60 or more days delinquent subsequent to the loan's modification date) on TDRs are factored into each portfolio segments' allowance for loan losses. Qualitative information, such as geographic area and industry for TDRs and redefaulted TDRs, is considered and reviewed in the determination of expected loss rates previously discussed.

RJ Bank reserves for losses inherent in its 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 future funding expectations. All classes of impaired loans which have unfunded lending commitments are analyzed in conjunction with the impaired reserve process previously described.

#### Loan charge-off policies

Corporate 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 RJ Bank determines that it is likely a corporate 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

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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. In instances where the individual loan under evaluation is agented by another bank, and where the agent bank has not ordered a timely update of an outdated appraisal, RJ Bank may make adjustments to previous appraised values for purposes of calculating specific reserves or taking partial charge-offs. These impaired loans are then considered to be in a workout status and we evaluate, on an ongoing basis, all factors relevant in determining the collectability and fair value of the loan. Appraisals on these impaired loans are obtained early in the impairment process as part of determining fair value and are updated as deemed necessary given the facts and circumstances of each individual situation. Certain factors such as guarantor recourse, additional borrower cash contributions or stable operations will mitigate the need for more frequent than annual appraisals. In its ongoing evaluation of each individual loan, RJ Bank may consider more frequent appraisals in locations where commercial property values are known to be experiencing a greater amount of volatility. For C&I and tax-exempt loans, RJ Bank evaluates all sources of repayment, including the estimated liquidation value of collateral, to arrive at the amount considered to be a loss and charged-off. Corporate banking and credit risk managers also hold a monthly meeting to review criticized loans (loans that are rated special mention or worse as defined by bank regulators, see Note 9 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 RJ Bank's corporate loan portfolio is comprised of participations in either SNCs or other large syndicated loans in the U.S. or Canada. The SNCs are U.S. loan syndications totaling over \$20 million that are shared between three or more regulated institutions. Most SNC loans are reviewed semi-annually by the agent bank's regulator, a process in which the other participating banks have no involvement. Once the SNC regulatory review process is complete, RJ Bank receives a summary of the review of these SNC credits from the Office of the Comptroller of the Currency ("OCC"). This summary includes a synopsis of each loan's regulatory classification, loans that are designated for nonaccrual status and directed charge-offs. RJ Bank must be at least as critical with nonaccrual designations, directed charge-offs, and classifications as the OCC. This ensures that each bank participating in a SNC loan rates the loan at least as critical. Any classification changes may impact RJ Bank's reserves and charge-offs during the quarter that the SNC information is received from the OCC, however, these differences in classifications are generally minimal given the size of the SNC loan portfolio. The amount of such adjustments depend upon the classification and whether RJ Bank had the loan classified differently (either more or less critically) than the SNC review findings and, therefore, could result in higher, lower, or no change in loan loss provisions than previously recorded. RJ Bank incorporates into its ratings process any observed regulatory trends in the semi-annual SNC exam process, but there will inherently be differences of opinion on individual credits due to the high degree of judgment involved. With respect to its ongoing credit evaluation process of the SNC portfolio, RJ Bank conforms to what it believes will be the regulators' view of individual credits. Corporate loans are subject to RJ Bank's internal review procedures and regulatory review by the OCC as part of RJ Bank's regulatory examination.

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, current valuation estimate and other data points. RJ Bank senior management meets monthly to discuss the status, collection strategy and charge-off/write-down recommendations on every residential mortgage loan over 60 days past due with charge-offs 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 RJ Bank estimates will ultimately be collected, based on the value of the underlying collateral less estimated costs to sell. RJ Bank predominantly uses broker price opinions ("BPO") for these valuations as access to the property is restricted during the collection and foreclosure process and there is insufficient data available for a full appraisal to be performed. BPOs contain relevant and timely sale comparisons and listings in the marketplace and, therefore, we have found these BPOs to be reasonable determinants of market value in lieu of appraisals and more reliable than an automated valuation tool or the use of tax assessed values. A full appraisal is

obtained post-foreclosure. RJ Bank takes further charge-offs against the owned asset if an appraisal has a lower valuation than the original BPO, but does not reverse previously charged-off amounts if the appraisal is higher than the original BPO. If a loan remains in pre-foreclosure status for more than nine months, an updated valuation is obtained and further charge-offs are taken against the allowance for loan losses, if necessary.

#### Other assets

RJ Bank carries investments in stock of the Federal Home Loan Bank of Atlanta (“FHLB”) and the Federal Reserve Bank of Atlanta (the “FRB”) at cost. These investments are held in accordance with certain membership requirements, are restricted, and lack a market. FHLB and FRB stock can only be sold to the issuer or another member institution at its par value. RJ Bank annually evaluates its holdings in FHLB and FRB stock for potential impairment based upon its assessment of the ultimate recoverability of the par value of the stock. This annual evaluation is comprised of a review of the capital adequacy, liquidity position and the overall financial condition of the FHLB and FRB to determine the impact these factors have on the ultimate recoverability of the par value of the respective stock. Impairment evaluations are performed more frequently if events or circumstances indicate there

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may be impairment. Any cash dividends received from these investments are recognized as interest income in the Consolidated Statements of Income and Comprehensive Income.

We maintain investments in a significant number of company-owned life insurance policies utilized to fund certain non-qualified deferred compensation plans and other employee benefit plans (see Note 24 for information on the non-qualified deferred compensation plans). The life insurance policies are carried at cash surrender value as determined by the insurer. See Note 10 for additional information.

### Investments in real estate partnerships held by consolidated variable interest entities

Raymond James Tax Credit Funds, Inc., a wholly owned subsidiary of RJF (“RJTCF”), is the managing member or general partner in low-income housing tax credit (“LIHTC”) funds, some of which require consolidation (refer to the separate discussion of our policies regarding the evaluation of VIEs to determine if consolidation is required that follows). 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 balance presented is the investment in project partnership balance of all of the LIHTC fund VIEs which require consolidation. Additional information is presented in Note 11.

### Property and equipment

Property, equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Depreciation of assets is primarily provided for using the straight-line method over the estimated useful lives of the assets, which range from two to 10 years for software, three to five years for furniture, fixtures and equipment and 10 to 31 years for buildings, building components, building improvements and land improvements. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the assets. Depreciation expense associated with property, equipment and leasehold improvements is included in occupancy and equipment costs in the Consolidated Statements of Income and Comprehensive Income. Amortization expense associated with computer software is included in communications and information processing expense in the Consolidated Statements of Income and Comprehensive Income.

Additions, improvements and expenditures that extend the useful life of an asset are capitalized. Expenditures for repairs and maintenance are charged to operations in the period incurred. Gains and losses on disposals of property and equipment are reflected in the Consolidated Statements of Income and Comprehensive Income in the period realized.

### Intangible assets

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 method, 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 expense in the Consolidated Statements of Income and Comprehensive Income.

The rights to service mortgage loans, known as mortgage servicing rights (“MSRs”), are an intangible asset. Our MSRs arise when RJ Bank sells residential mortgage loans and retains the associated mortgage servicing rights. RJ Bank records the estimated fair value of MSRs and amortizes MSRs in proportion to, and over the period of estimated net servicing revenue. MSRs are assessed for impairment quarterly, based on their fair value, with any impairment recognized in other expense in the Consolidated Statements of Income and Comprehensive Income.

## Goodwill

Goodwill represents the cost of acquired businesses in excess of the fair value of the related net assets acquired. GAAP does not provide for the amortization of indefinite-life intangible assets such as goodwill. Rather, these assets are subject to an evaluation of potential impairment on an annual basis, or more often if events or circumstances indicate there may be impairment. Goodwill impairment is determined by comparing the estimated fair value of a reporting unit with its respective carrying value. If the estimated fair value exceeds the carrying value, goodwill at the reporting unit level is not deemed to be impaired. However, if the estimated fair value is below carrying value, further analysis is required to determine the amount of the impairment. This further analysis involves assigning tangible assets and liabilities, identified intangible assets and goodwill to reporting units and comparing the fair value of each reporting unit to its carrying amount.

In the course of our evaluation of the potential impairment of goodwill, we may perform either a qualitative or a quantitative assessment. Our qualitative assessment of potential impairment may result in the determination that a quantitative impairment

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analysis is not necessary. Under this elective process, we assess qualitative factors to determine whether the existence of events or circumstances leads us to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If after assessing the totality of events or circumstances, 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 choose not to perform a qualitative assessment, or we choose to perform a qualitative assessment but are unable to qualitatively conclude that no impairment has occurred, then we perform a quantitative evaluation. In the case of a quantitative assessment, we estimate the fair value of the reporting unit which the goodwill that is subject to the quantitative analysis is associated (generally defined as the businesses for which financial information is available and reviewed regularly by management) and compare it to the carrying value. If the estimated fair value of a reporting unit is less than its carrying value, we estimate the fair value of all assets and liabilities of the reporting unit, including goodwill. If the carrying value of the reporting unit's goodwill is greater than the estimated fair value, an impairment charge is recognized for the excess.

We have elected December 31 as our annual goodwill impairment evaluation date (see Note 13 for additional information regarding the outcome of our goodwill impairment assessments).

## 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 managements judgment, the determination of a reasonable estimate of loss is not possible.

We record liabilities related to legal and regulatory proceedings in trade and 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 the consolidated financial statements and is recognized as either a charge, or a credit, to 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.

## 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 and directors based on estimated fair values. The compensation cost 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 24 for additional information. In addition, we account for share-based awards to our independent contractor financial advisors in accordance with guidance applicable to accounting for equity instruments that are issued to other than employees for acquiring, or in conjunction with selling, goods or services and guidance applicable to accounting for derivative financial instruments indexed to, and potentially settled in, a company's own

stock. Share-based awards granted to our independent contractor financial advisors are measured at their vesting date fair value and their fair value estimated at reporting dates prior to that time. The compensation expense recognized each period is based on the most recent estimated value. Further, we classify certain of these non-employee awards as liabilities at fair value upon vesting, with changes in fair value reported in earnings until these awards are exercised or forfeited. See Note 24 for additional information. Compensation expense is recognized for all share-based compensation with future service requirements over the requisite service period using the straight-line method, and in certain instances, the graded attribution method.

As part of our acquisition of Alex. Brown, RJ&A assumed certain DBRSU awards, including the associated plan terms and conditions. The DBRSU awards contain performance conditions based on Deutsche Bank and subsidiaries attaining certain financial results and will ultimately be settled in DB common shares, as traded on the NYSE, provided the performance metrics are achieved. The portion of these awards that relate to past services performed by the award recipients before the acquisition of Alex. Brown represents consideration transferred in the business combination. The portion of these awards which relate to compensation for

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future services are a prepaid compensation asset which has a corresponding derivative liability. The prepaid compensation asset is amortized over the remaining requisite service period of the participant using the straight-line method while the derivative liability is recorded at fair value at the end of each reporting period until it is settled. Refer to the “derivative contracts” sub-section of the “financial instruments owned, financial instruments sold but not yet purchased and fair value” section of this footnote for information regarding the determination of the fair value of this derivative. The amortization of the prepaid asset and the change in fair value of the derivative liability is recorded within compensation expense in our Consolidated Statements of Income and Comprehensive Income. See Note 24 for additional information on this 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 invest directly, as a principal in such investments, related to our obligations to perform under the deferred compensation plans (see the “Other Investments” discussion within the financial instruments owned, financial instruments sold but not yet purchased and fair value section of this Note 2 for further discussion of these assets). For other such plans, including our Long Term Incentive Plan (“LTIP”) and our Wealth Accumulation Plan, we purchase and hold life insurance 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 10 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 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 24 for additional information.

### 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 liabilities on our Consolidated Statements of Financial Condition and amortize the deferred rent over the lease term as a reduction to rent expense in the 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 in the Consolidated Statements of Income and Comprehensive Income at the time such abandonment is known and any loss is estimable.

### Acquisition-related expense

Acquisition-related expenses associated with certain acquisitions are separately reported in the Consolidated Statement of Income and Comprehensive Income and include certain incremental expenses arising from our acquisitions. These costs do not represent recurring costs within the fully integrated combined organization.

### Foreign currency translation

We consolidate our foreign subsidiaries and certain joint ventures in which we hold an interest. The statement of financial condition of the subsidiaries and joint ventures 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 the case of the foreign subsidiary of RJ Bank, 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 other

comprehensive (loss) income and are thereafter presented in equity as a component of AOCI. The translation gains or losses related to RJ Bank's U.S. subsidiaries' net investment in their Canadian subsidiary are tax affected to the extent the Canadian subsidiary's earnings will be repatriated to the U.S.

#### 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 the 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

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future tax consequences could materially impact our financial position, results of operations, or liquidity. See Note 20 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 Attributable to Raymond James Financial, Inc. 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 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 in the following VIE’s: the EIF Funds, a trust fund established for employee retention purposes (“Restricted Stock Trust Fund”), certain LIHTC funds (“LIHTC Funds”), various other partnerships and LLCs involving real estate (“Other Real Estate Limited Partnerships and LLCs”), certain new market tax credit funds (“NMTC Funds”), and certain funds formed for the purpose of making and managing investments in securities of other entities (“Managed Funds”).

### Determination of the primary beneficiary of a VIE

We assess VIEs for consolidation when we hold variable interests in the entity. We consolidate the VIEs that are subject to assessment when we are deemed to be the primary beneficiary of the VIE. Other than for the Managed Funds whose process is discussed separately, 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 obligations to absorb losses or the right to receive benefits that in either case could potentially be significant to the VIE.

### EIF Funds

The EIF Funds are limited partnerships for which we are the general partner. The EIF Funds invest in certain of our private equity activities as well as other unaffiliated venture capital limited partnerships. The EIF Funds were established as compensation and retention measures for certain of our key employees. We are deemed to be the primary beneficiary and, accordingly, we consolidate the EIF Funds.

### Restricted Stock Trust Fund

We utilize a trust in connection with certain of our restricted stock unit 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 restricted stock units granted as a retention vehicle for certain employees of our Canadian subsidiary. We are deemed to be the primary beneficiary and, accordingly, consolidate this trust fund.

### LIHTC Funds

RJTCF is the managing member or general partner in a number of LIHTC Funds having one or more investor members or limited partners. These low-income housing tax credit 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 in turn purchase and develop low-income housing properties qualifying for tax credits.

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

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attributes associated with the portfolio of low-income housing properties held by the fund, while RJTCF, as the managing member or general partner of the fund, is responsible for overseeing the fund's operations.

### Non-guaranteed low-income housing tax credit funds

As the managing member or general partner of the fund, except for one guaranteed fund discussed below, RJTCF 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). RJTCF earns fees from the fund for its services in organizing the fund, identifying and acquiring the project partnership investments, ongoing asset management fees, and a share of any residuals arising from sale of project partnerships upon the termination of the fund.

The determination of whether RJTCF is the primary beneficiary of any of the non-guaranteed LIHTC Funds in which it holds a variable interest is primarily dependent upon: (1) the analysis of whether the other variable interest holders in the tax credit fund hold significant participating rights over the activities that most significantly impact the tax credit funds' economic performance, and/or (2) whether RJTCF has an obligation to absorb losses of, or the right to receive benefits from, the tax credit fund VIE which could potentially be significant to the fund.

RJTCF sponsors two general types of non-guaranteed tax credit funds: either non-guaranteed single investor funds, or non-guaranteed multi-investor funds. In single investor funds, RJTCF has concluded that the one single investor member or limited partner in such funds has significant participating rights over the activities that most significantly impact the economics of the fund, resulting in a conclusion of shared power with the limited partner. Therefore RJTCF, as managing member or general partner of such funds, is not the one party with power over such activities and resultantly is not deemed to be the primary beneficiary of such single investor funds and these funds are not consolidated.

In multi-investor funds, RJTCF has concluded that since the participating rights over the activities that most significantly impact the economics of the fund are not held by one single investor member or limited partner, RJTCF is deemed to have the power over such activities. RJTCF then assesses whether its projected benefits to be received from the multi-investor funds, primarily from ongoing asset management fees or its share of any residuals upon the termination of the fund, are potentially significant to the fund. RJTCF is deemed to be the primary beneficiary, and therefore consolidates, any multi-investor fund for which it concludes that such benefits are potentially significant to the fund.

Among the LIHTC Fund entities evaluated, RJTCF determined that some of the LIHTC Funds it sponsors are not VIEs. These funds are either: (1) funds which RJTCF holds a significant interest (one of which typically holds interests in certain tax credit limited partnerships for less than 90 days, or until beneficial interest in the limited partnership or fund is sold to third parties), or (2) are single investor LIHTC Funds in which RJTCF holds an interest, but the LIHTC Fund does not meet the VIE determination criteria.

### Direct investments in LIHTC project partnerships

RJ Bank is the investor member of a LIHTC fund in which a subsidiary of RJTCF is the managing member. This LIHTC fund is an investor member in certain LIHTC project partnerships. We evaluate the appropriate accounting for these investments after aggregating RJ Bank and RJTCF's interests and roles in the LIHTC fund. Since unrelated third parties are the managing member of the investee project partnerships, we have determined that consolidation of these

project partnerships is not required; we account for these investments under the equity method. The carrying value of these project partnerships is included in other assets on our Consolidated Statements of Financial Condition (see Note 10 for additional information).

#### Guaranteed LIHTC fund

In conjunction with one of the multi-investor tax credit funds in which RJTCF is the managing member, RJTCF has provided the investor members with a guaranteed return on their investment in the fund (the “Guaranteed LIHTC Fund”). As a result of this guarantee obligation, RJTCF has determined that it is the primary beneficiary of, and accordingly consolidates, this guaranteed multi-investor fund.

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### Other real estate limited partnerships and LLCs

We have a variable interest in several limited partnerships involved in various real estate activities in which one of our subsidiaries is either the general partner or a limited partner. Given that we do not have the power to direct the activities that most significantly impact the economic performance of these partnerships or LLCs, we have determined that we are not the primary beneficiary of these VIEs. Accordingly, we do not consolidate these partnerships or LLCs.

### New market tax credit funds

An entity which was at one time an affiliate of Morgan Keegan (as hereinafter defined in Note 21) is the managing member of a number of NMTC Funds. NMTC Funds are organized as LLC's for the purpose of investing in eligible projects in qualified low-income areas or that serve qualified targeted populations. In return for making a qualified equity investment into the NMTC Fund, the Fund's investor member receives tax credits eligible to apply against their federal tax liability. These new market tax credits are taken by the investor member over a seven year period.

Each of these NMTC Funds have one investor member. We have concluded that in each of the NMTC Funds, the investor member of such funds has significant participating rights over the activities that most significantly impact the economics of the NMTC Fund and, therefore, our affiliate as the managing member of the NMTC Fund does not have the power over such activities. Accordingly, we are not deemed to be the primary beneficiary of these NMTC Funds and, therefore, they are not consolidated.

### Managed Funds

The Managed Funds are VIEs in which one of our subsidiaries serves as the general partner. The Managed Funds satisfy the conditions for deferral of the determination of who is the primary beneficiary that is performed based upon the assessment of who has the power to direct the activities of the entity that most significantly impact the entity's economic performance and the obligation to absorb losses of the entity that could potentially be significant to the entity. The deferral criteria which the Managed Funds meet are: 1) these funds' primary business activity involves investment in the securities of other entities not under common management for current income, appreciation or both; 2) ownership in the funds is represented by units of investments to which proportionate shares of net assets can be attributed; 3) the assets of the funds are pooled to avail owners of professional management; 4) the funds are the primary reporting entities; and 5) the funds do not have an obligation (explicit or implicit) to fund losses of the entities that could be potentially significant.

For the Managed Funds, our primary beneficiary assessment applies prior accounting guidance which assesses who will absorb a majority of the entity's expected losses, receive a majority of the entity's expected residual returns, or both. Based upon the outcome of our assessments, we have determined that we are not required to consolidate the Managed Funds.

## NOTE 3 – ACQUISITIONS

### Acquisitions during fiscal year 2016

#### Mummert & Company Corporate Finance GmbH

On June 1, 2016, we completed our acquisition of all of the outstanding shares of Mummert. Mummert is a middle market M&A advisory firm, headquartered in Munich, Germany, that is focused primarily on the technology, industrial, healthcare, consumer and business services sectors. Mummert expands our investment banking capabilities in Europe, and operates within the corporate finance division of RJ&A included in our Capital Markets segment. For

purposes of certain acquisition related financial reporting requirements, the Mummert acquisition is not considered a material acquisition. We accounted for this acquisition under the acquisition method of accounting with the assets and liabilities of Mummert recorded as of the acquisition date at their respective fair values in our consolidated financial statements. Mummert's results of operations have been included in our results prospectively from June 1, 2016.

MacDougall, MacDougall & MacTier Inc.

On August 31, 2016, we completed our acquisition of all of the outstanding shares of 3Macs, an independent investment firm founded in 1849 and headquartered in Montreal, Quebec, Canada. As of the acquisition date, 3Macs had approximately 70 financial advisors with approximately \$6 billion (Canadian) of client assets under administration. The 3Macs financial advisors will operate within a newly formed "3Macs" division of RJ Ltd. 3Macs is included in our Private Client Group segment. For purposes of certain acquisition related financial reporting requirements, the 3Macs acquisition is not considered a material acquisition. We accounted for this acquisition under the acquisition method of accounting with the assets and liabilities of 3Macs recorded as of

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the acquisition date at their respective fair values in our consolidated financial statements. 3Macs results of operations have been included in our results prospectively from August 31, 2016.

U.S. Private Client Services unit of Deutsche Bank Wealth Management

On September 6, 2016 (the “AB Closing Date”), RJ&A completed an acquisition of certain specified assets and the assumption of certain specified liabilities of Alex. Brown from Deutsche Bank Securities, Inc. As of the acquisition date, approximately 190 financial advisors with approximately \$46 billion of client assets under administration joined a new Alex. Brown division of RJ&A. Alex. Brown is included in our Private Client Group segment. For purposes of certain acquisition related financial reporting requirements, the Alex. Brown acquisition is not considered a material acquisition. We accounted for this acquisition under the acquisition method of accounting with the specific assets acquired and liabilities of Alex. Brown we assumed recorded as of the acquisition date at their respective fair values in our consolidated financial statements. Alex. Brown’s results of operations have been included in our results of operations prospectively from September 6, 2016.

Other items of note

After each of the 3Macs and Alex. Brown acquisitions were finalized and as part of financial advisor retention programs, RJ&A or RJ Ltd. funded retention loans to financial advisors who joined us at each respective closing date. RJ Ltd. funded approximately \$13 million of retention loans to such 3Macs financial advisors, with a final maturity date five years from their date of issuance. RJ&A funded approximately \$233 million of retention loans to such Alex. Brown financial advisors, with a final maturity seven years from their date of issuance.

Under the terms of our purchase of Alex. Brown, in the event of the departure prior to March 7, 2017 of any Alex. Brown financial advisor who became a continuing employee of RJ&A as of the AB Closing Date, depending upon the circumstances surrounding such departure, Deutsche Bank Securities, Inc. may owe a portion of the consideration they received on the AB Closing Date back to RJ&A. We accounted for this potentially refundable contingent consideration element of the purchase consideration at fair value as of the closing date.

As part of the acquisition of Alex. Brown, RJ&A assumed certain liabilities, including DBRSU awards. The DBRSU awards contain performance conditions based on Deutsche Bank and subsidiaries attaining certain financial results and will ultimately be settled in DB common stock, as traded on the NYSE, provided the performance metrics are achieved (see Notes 2 and 24 for additional information). On the acquisition date, RJ&A also executed employment agreements with certain key members of the Alex. Brown management team.

As part of the acquisition of 3Macs, each 3Macs selling shareholder who became a continuing employee as of the closing date, executed an agreement that provided, in part, should they leave the employment of 3Macs during the five year period after the closing date, depending upon the circumstances surrounding such departure, they may be required to repay a portion of the consideration they received upon the sale of their 3Macs shares. We have accounted for this potentially refundable contingent consideration element of the purchase consideration, amounting to \$24.7 million, as a prepaid compensation asset. This prepaid asset is being amortized as compensation expense over the five year post-combination service period associated with this provision. See Note 10 for additional information.

The terms in each of the 3Macs and Alex. Brown purchase agreements provided for a review, subsequent to the closing date, of the estimated amounts of net acquired assets compared to the actual closing date net assets acquired, with an adjustment of the purchase price either payable to the sellers (in the case of higher actual net assets than estimated at closing), or due from the sellers (in the case of lower actual net assets than estimated at closing). We anticipate these reviews to be completed, and any consideration to be transferred between the parties as a result of the outcome of the review, during fiscal year 2017.

As a part of the terms governing the Mummert acquisition, on certain future dates, there are earn-out computations to be performed or contingent consideration provisions that may apply which could result in additional payments to the sellers. See Note 21 for additional information regarding this contingent obligation. For the provisions that are unrelated to future employment considerations, we accounted for the contingent obligation at fair value as of the closing date. For the provisions where the ultimate payment of the contingent consideration are conditioned upon continued employment as of the measurement dates which are three and five years from the Mummert acquisition date, the obligations are being recognized as a component of our compensation expense over such periods.

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See Note 13 for information regarding the goodwill and identifiable intangible assets associated with these acquisitions. See Note 21 for additional information regarding the contingent consideration associated with the Mummert and Alex. Brown acquisitions.

## Acquisitions during fiscal year 2015

## Cougar Global Investments Limited

On April 30, 2015, we completed our acquisition of Cougar, which at such time had more than \$1 billion in assets under advisement. For purposes of certain acquisition related financial reporting requirements, the Cougar acquisition is not considered to be a material acquisition. We accounted for this acquisition under the acquisition method of accounting with the assets and liabilities of Cougar recorded as of the acquisition date at their respective fair values in our consolidated financial statements. Cougar's results of operations have been included in our results prospectively since April 30, 2015, in our asset management segment.

## The Producers Choice LLC

On May 28, 2015, RJF entered into a definitive agreement to acquire TPC. On July 31, 2015 (the "TPC Closing Date"), we completed our acquisition of TPC. For purposes of certain acquisition related financial reporting requirements, the TPC acquisition is not considered to be a material acquisition. We accounted for this acquisition under the acquisition method of accounting with the assets and liabilities of TPC recorded as of the acquisition date at their respective fair values in our consolidated financial statements. TPC's results of operations have been included in our results prospectively since July 31, 2015, in our private client group segment.

See Note 13 for information regarding the identifiable intangible assets and goodwill which resulted from these acquisitions. See Note 21 for additional information regarding the contingent consideration associated with the TPC acquisition.

## Acquisition-related expenses

The acquisition-related expenses presented on our Consolidated Statements of Income and Comprehensive income for the year ended September 30, 2016 pertain to certain incremental expenses incurred in connection with the acquisitions described above. Our acquisition-related expenses associated with our fiscal year 2015 acquisitions were not significant.

During the year ended September 30, 2016 we incurred the following acquisition-related expenses:

	Year ended September 30, 2016 (in thousands)
Information systems integration costs	\$ 21,752
Legal and regulatory	8,334
Pre-AB Closing Date unrealized loss in the fair value of DB shares purchased to satisfy the DBRSU liability <sup>(1)</sup>	4,837
Severance	866
Travel and all other	4,917
Total acquisition-related expenses	\$ 40,706

On various dates between the signing of the asset purchase agreement and the AB Closing Date, we purchased DB shares in open market transactions to serve as an economic hedge against a portion of the DBRSU liability to be assumed on the closing date. We hold these equity securities in other investments on our Consolidated Statements of Financial Condition and they are recorded at fair value. The unrealized loss we incurred on these shares prior to (1) the AB Closing Date is included herein as a component of acquisition-related expenses as the sole reason we acquired such asset was to use in the settlement of a portion of the DBRSU liability, once assumed. For periods subsequent to the AB Closing Date, any unrealized gains/losses arising from the change in the fair value of such assets is reflected as a component of the compensation expense associated with the DBRSUs. See Note 24 for additional information about the DBRSU's.

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## NOTE 4 – CASH AND CASH EQUIVALENTS, ASSETS SEGREGATED PURSUANT TO REGULATIONS, AND DEPOSITS WITH CLEARING ORGANIZATIONS

Our cash and cash equivalents, assets segregated pursuant to regulations and other segregated assets, and deposits with clearing organization balances are as follows:

	September 30,	
	2016	2015
	(in thousands)	
Cash and cash equivalents:		
Cash in banks	\$1,649,593	\$2,597,568
Money market fund investments	859	3,438
Total cash and cash equivalents <sup>(1)</sup>	\$1,650,452	\$2,601,006
Assets segregated pursuant to federal regulations and other segregated assets <sup>(2)</sup>	\$4,889,584	\$2,905,324
Deposits with clearing organizations		
Cash and cash equivalents	\$215,856	\$177,787
Government and agency obligations	29,508	29,701
Total deposits with clearing organizations	\$245,364	\$207,488

The total amounts presented include cash and cash equivalents of \$810 million and \$1.216 billion as of September 30, 2016 and 2015, respectively, which are either held directly by RJF in depository accounts at third party financial institutions, held in a depository account at RJ Bank (computed as the lesser of RJ Bank's cash balance or the amount of RJF's depository account balance), or are otherwise invested by one of our subsidiaries on behalf of RJF, all of which are available without restrictions.

Consists of cash maintained in accordance with Rule 15c3-3 under the Securities Exchange Act of 1934. RJ&A, as a broker-dealer carrying client accounts, is subject to requirements related to maintaining cash or qualified securities in segregated reserve accounts for the exclusive benefit of its' clients. Additionally, RJ Ltd. is required to hold client Registered Retirement Savings Plan funds in trust.

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## NOTE 5 – FAIR VALUE

Assets and liabilities measured at fair value on a recurring and nonrecurring basis are presented below:

September 30, 2016	Quoted prices in active markets for identical assets (Level 1) (1)	Significant other observable inputs (Level 2) (1)	Significant unobservable inputs (Level 3)	Netting adjustments (2)	Balance as of September 30, 2016
(in thousands)					
Assets at fair value on a recurring basis:					
Trading instruments:					
Municipal and provincial obligations	\$480	\$273,683	\$ —	\$—	\$274,163
Corporate obligations	10,000	122,885	—	—	132,885
Government and agency obligations	6,412	43,186	—	—	49,598
Agency MBS and CMOs	413	164,250	—	—	164,663
Non-agency CMOs and ABS	—	34,421	7	—	34,428
Total debt securities	17,305	638,425	7	—	655,737
Derivative contracts	—	163,242	—	(107,539 )	55,703
Equity securities	14,529	1,500	—	—	16,029
Brokered certificates of deposit	—	35,206	—	—	35,206
Other	555	3	3,572	—	4,130
Total trading instruments	32,389	838,376	3,579	(107,539 )	766,805
Available for sale securities:					
Agency MBS and CMOs	—	682,297	—	—	682,297
Non-agency CMOs	—	50,519	—	—	50,519
Other securities	1,417	—	—	—	1,417
ARS:					
Municipals	—	—	25,147	—	25,147
Preferred securities	—	—	100,018	—	100,018
Total available for sale securities	1,417	732,816	125,165	—	859,398
Private equity investments not measured at NAV <sup>(3)</sup>	—	—	83,165	(4) —	83,165
Other investments <sup>(5)</sup>	296,146	257	441	—	296,844
Derivative instruments associated with offsetting matched book positions	—	422,196	—	—	422,196
Deposits with clearing organizations:					
Government and agency obligations	29,508	—	—	—	29,508
Other assets:					
Derivative contracts <sup>(6)</sup>	—	2,016	—	—	2,016
Other assets	—	—	2,448	(7) —	2,448
Total other assets	—	2,016	2,448	—	4,464
Total assets at fair value on a recurring basis	\$359,460	\$1,995,661	\$ 214,798	\$(107,539 )	\$2,462,380
Assets at fair value on a nonrecurring basis:					
Bank loans, net:					
Impaired loans	\$—	\$23,146	\$ 47,982	\$—	\$71,128
Loans held for sale <sup>(8)</sup>	—	18,177	—	—	18,177

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Total bank loans, net	—	41,323	47,982	—	89,305
OREO <sup>(9)</sup>	—	679	—	—	679
Total assets at fair value on a nonrecurring basis	\$—	\$42,002	\$ 47,982	\$—	\$89,984

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September 30, 2016	Quoted prices in active markets for identical assets (Level 1) (1)	Significant other observable inputs (Level 2) (1)	Significant unobservable inputs (Level 3) (1)	Netting adjustments (2)	Balance as of September 30, 2016
(in thousands)					
(continued from previous page)					
Liabilities at fair value on a recurring basis:					
Trading instruments sold but not yet purchased:					
Municipal and provincial obligations	\$1,161	\$—	\$ —	\$—	\$ 1,161
Corporate obligations	1,283	29,791	—	—	31,074
Government obligations	266,682	—	—	—	266,682
Agency MBS and CMOs	2,804	—	—	—	2,804
Total debt securities	271,930	29,791	—	—	301,721
Derivative contracts	—	151,694	—	(142,859 )	8,835
Equity securities	18,382	—	—	—	18,382
Total trading instruments sold but not yet purchased	290,312	181,485	—	(142,859 )	328,938
Derivative instruments associated with offsetting matched book positions	—	422,196	—	—	422,196
Trade and other payables:					
Derivative contracts <sup>(6)</sup>	—	26,671	—	—	26,671
Other liabilities	—	—	67	—	67
Total trade and other payables	—	26,671	67	—	26,738
Accrued compensation, commissions and benefits:					
Derivative contracts <sup>(10)</sup>	—	17,769	—	—	17,769
Total liabilities at fair value on a recurring basis	\$290,312	\$ 648,121	\$ 67	\$(142,859)	\$ 795,641

The text of the footnotes to the table on the previous page are as follows:

We had \$3 million in transfers of financial instruments from Level 1 to Level 2 during the year ended September 30, 2016. These transfers were a result of a decrease in the availability and reliability of the observable inputs utilized in the respective instruments' fair value measurement. We had \$1 million in transfers of financial (1) instruments from Level 2 to Level 1 during the year ended September 30, 2016. These transfers were a result of an increase in the availability and reliability of the observable inputs utilized in the respective instruments' fair value measurement. Our policy is that the end of each respective quarterly reporting period determines when transfers of financial instruments between levels are recognized.

For derivative transactions not cleared through an exchange, and where permitted, we have elected to net derivative receivables and derivative payables and the related cash collateral received and paid when a legally enforceable (2) master netting agreement exists (see Note 19 for additional information regarding offsetting financial instruments). Deposits associated with derivative transactions cleared through an exchange are included in deposits with clearing organizations on our Consolidated Statements of Financial Condition.

(3) Effective September 30, 2016 we adopted new accounting guidance related to the classification and disclosure of certain investments using the NAV as a practical expedient to measure the fair value of the investment. The



amounts presented above do not include our investments measured at NAV, see Notes 1, 2, and the “investments in private equity measured at net asset value per share” section within this footnote, for additional information.

(4) The portion of these investments we do not own is approximately \$26 million as of September 30, 2016 and are included as a component of noncontrolling interest in our Consolidated Statements of Financial Condition. The weighted average portion we own is approximately \$57 million or 68% of the total private equity investments of \$83 million included in our Consolidated Statements of Financial Condition.

(5) Other investments include \$77 million of financial instruments that are related to obligations to perform under certain deferred compensation plans (see Notes 2 and 24 for further information regarding these plans), and DB shares with a fair value of \$12 million as of September 30, 2016 which we hold as an economic hedge against the DBRSU obligation (see Notes 2, 18, and 24 for additional information).

(6) Consists of derivatives arising from RJ Bank’s business operations, see Note 18 for additional information.

(7) Includes the fair value of forward commitments to purchase GNMA or FNMA MBS arising from our fixed income public finance operations (see Notes 2 and 21 for additional information regarding the GNMA or FNMA MBS commitments).

(8) Includes individual loans classified as held for sale, which were recorded at a fair value lower than cost.

(9) Represents the fair value of foreclosed properties which were measured at a fair value subsequent to their initial classification as OREO. The recorded value in the Consolidated Statements of Financial Condition is net of the estimated selling costs.

(10) The balance reflects the DBRSUs which arose from our acquisition of Alex. Brown, see the discussion of the circumstances giving rise to this derivative in Note 3.

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September 30, 2015	Quoted prices in active markets for identical assets (Level 1) (1)	Significant other observable inputs (Level 2) (1)	Significant unobservable inputs (Level 3)	Netting adjustments (2)	Balance as of September 30, 2015
(in thousands)					
Assets at fair value on a recurring basis:					
Trading instruments:					
Municipal and provincial obligations	\$ 17,318	\$ 188,745	\$ —	\$ —	\$ 206,063
Corporate obligations	2,254	92,907	156	—	95,317
Government and agency obligations	7,781	108,166	—	—	115,947
Agency MBS and CMOs	253	117,317	—	—	117,570
Non-agency CMOs and ABS	—	46,931	9	—	46,940
Total debt securities	27,606	554,066	165	—	581,837
Derivative contracts	—	132,707	—	(90,621 )	42,086
Equity securities	24,859	3,485	—	—	28,344
Brokered certificates of deposit	—	30,803	—	—	30,803
Other	679	4,816	1,986	—	7,481
Total trading instruments	53,144	725,877	2,151	(90,621 )	690,551
Available for sale securities:					
Agency MBS and CMOs	—	302,195	—	—	302,195
Non-agency CMOs	—	71,369	—	—	71,369
Other securities	1,402	—	—	—	1,402
ARS:					
Municipals	—	—	28,015	—	28,015
Preferred securities	—	—	110,749	—	110,749
Total available for sale securities	1,402	373,564	138,764	—	513,730
Private equity investments not measured at NAV <sup>(3)</sup>	—	—	77,435	(4) —	77,435
Other investments <sup>(5)</sup>	230,839	17,347	565	—	248,751
Derivative instruments associated with offsetting matched book positions	—	389,457	—	—	389,457
Deposits with clearing organizations:					
Government and agency obligations	29,701	—	—	—	29,701
Other assets:					
Derivative contracts <sup>(6)</sup>	—	917	—	—	917
Other assets	—	—	4,975	(7) —	4,975
Total other assets	—	917	4,975	—	5,892
Total assets at fair value on a recurring basis	\$ 315,086	\$ 1,507,162	\$ 223,890	\$ (90,621 )	\$ 1,955,517
Assets at fair value on a nonrecurring basis:					
Bank loans, net					
Impaired loans	\$ —	\$ 28,082	\$ 37,830	\$ —	\$ 65,912
Loans held for sale <sup>(8)</sup>	—	14,334	—	—	14,334
Total bank loans, net	—	42,416	37,830	—	80,246

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OREO <sup>(9)</sup>	—	671	—	—	671
Total assets at fair value on a nonrecurring basis	\$—	\$43,087	\$ 37,830	\$—	\$80,917

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September 30, 2015	Quoted prices in active markets for identical assets (Level 1) (1)	Significant other observable inputs (Level 2) (1)	Significant unobservable inputs (Level 3) (1)	Netting adjustments (2)	Balance as of September 30, 2015
(in thousands)					
(continued from previous page)					
Liabilities at fair value on a recurring basis:					
Trading instruments sold but not yet purchased:					
Municipal and provincial obligations	\$ 17,966	\$ 347	\$ —	\$ —	\$ 18,313
Corporate obligations	167	33,017	—	—	33,184
Government obligations	205,658	—	—	—	205,658
Agency MBS and CMOs	5,007	—	—	—	5,007
Total debt securities	228,798	33,364	—	—	262,162
Derivative contracts	—	109,120	—	(88,881 )	20,239
Equity securities	3,098	—	—	—	3,098
Other securities	—	2,494	—	—	2,494
Total trading instruments sold but not yet purchased	231,896	144,978	—	(88,881 )	287,993
Derivative instruments associated with offsetting matched book positions	—	389,457	—	—	389,457
Trade and other payables:					
Derivative contracts <sup>(6)</sup>	—	7,545	—	—	7,545
Other liabilities	—	—	58	—	58
Total trade and other payables	—	7,545	58	—	7,603
Total liabilities at fair value on a recurring basis	\$ 231,896	\$ 541,980	\$ 58	\$ (88,881 )	\$ 685,053

We had \$1 million in transfers of financial instruments from Level 1 to Level 2 during the year ended September 30, 2015. These transfers were a result of a decrease in the availability and reliability of the observable inputs utilized in the respective instruments' fair value measurement. We had \$2 million in transfers of financial instruments from Level 2 to Level 1 during the year ended September 30, 2015. These transfers were a result of an increase in the availability and reliability of the observable inputs utilized in the respective instruments' fair value measurement. Our policy is that the end of each respective quarterly reporting period determines when transfers of financial instruments between levels are recognized.

For derivative transactions not cleared through an exchange, and where permitted, we have elected to net derivative receivables and derivative payables and the related cash collateral received and paid when a legally enforceable master netting agreement exists (see Note 19 for additional information regarding offsetting financial instruments). Deposits associated with derivative transactions cleared through an exchange are included in deposits with clearing organizations on our Consolidated Statements of Financial Condition.

Effective September 30, 2016 we adopted new accounting guidance related to the classification and disclosure of certain investments using the NAV as a practical expedient to measure the fair value of the investment. These prior year amounts reflect the effect of reclassifications to conform the prior year to current year presentation. Accordingly, the amounts presented above do not include our investments measured at NAV, see Notes 1, 2, and the "investments in private equity measured at net asset value per share" section within this footnote, for additional

information.

- The portion of these investments we do not own is approximately \$19 million as of September 30, 2015 and are included as a component of noncontrolling interest in our Consolidated Statements of Financial Condition. The
- (4) weighted average portion we own is approximately \$58 million or 75% of the total private equity investments of \$77 million included in our Consolidated Statements of Financial Condition.
- (5) Other investments include \$106 million of financial instruments that are related to obligations to perform under certain deferred compensation plans (see Notes 2 and 24 for further information regarding these plans).
- (6) Consists of derivatives arising from RJ Bank's business operations, see Note 18 for additional information.
- (7) Includes the fair value of forward commitments to purchase GNMA or FNMA MBS arising from our fixed income public finance operations (see Notes 2 and 21 for additional information).
- (8) Includes individual loans classified as held for sale, which were recorded at a fair value lower than cost.
- (9) Represents the fair value of foreclosed properties which were measured at a fair value subsequent to their initial classification as OREO. The recorded value in the Consolidated Statements of Financial Condition is net of the estimated selling costs.

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The adjustment to fair value of the nonrecurring fair value measures for the year ended September 30, 2016 resulted in a \$12 million additional provision for loan losses and unfunded lending commitment reserve expense relating to impaired loans, and \$100 thousand in other losses relating to loans held for sale and OREO. The adjustment to fair value of the nonrecurring fair value measures for the year ended September 30, 2015 resulted in a \$900 thousand additional provision for loan losses relating to impaired loans and \$300 thousand in other losses relating to loans held for sale and OREO.

## Changes in Level 3 recurring fair value measurements

The realized and unrealized gains and losses for assets and liabilities within the Level 3 category presented in the tables below may include changes in fair value that were attributable to both observable and unobservable inputs.

Additional information about Level 3 assets and liabilities measured at fair value on a recurring basis is presented below:

Year ended September 30, 2016

Level 3 assets at fair value

(in thousands)

	Financial assets							Financial liabilities	
	Trading instruments			Available for sale securities		Private equity, other investments and other assets		trade and other	
	Corporate Obligations	Non-agency CMOs & ABS	Other	ARS – municipals	ARS - preferred securities	Private equity investments not measured at NAV	Other investments	Other assets	Other liabilities
Fair value September 30, 2015	\$156	\$9	\$1,986	\$28,015	\$110,749	\$77,435	\$ 565	\$4,975	\$ (58 )
Total gains (losses) for the year:									
Included in earnings	(137 )	—	(521 )	133	136	11,517	(1) 9	(2,527 )	(9 )
Included in other comprehensive income	—	—	—	(1,393 )	(9,656 )	—	—	—	—
Purchases and contributions	75	—	61,887	—	—	11,271	8	—	—
Sales	(94 )	—	(59,780)	(1,583 )	(1,211 )	(18 )	—	—	—
Redemptions by issuer	—	—	—	(25 )	—	—	—	—	—
Distributions	—	(2 )	—	—	—	(17,040 )	(141 )	—	—
Transfers: <sup>(2)</sup>									
Into Level 3	—	—	—	—	—	—	—	—	—
Out of Level 3	—	—	—	—	—	—	—	—	—
Fair value September 30, 2016	\$—	\$7	\$3,572	\$25,147	\$100,018	\$83,165	\$ 441	\$2,448	\$ (67 )
Change in unrealized gains (losses) for the year included in earnings (or changes in net assets) for assets held at the end of the year	\$—	\$2	\$(225 )	\$(1,348 )	\$(9,574 )	\$11,517	\$ 2	\$(2,527 )	\$ —

- Primarily results from valuation adjustments of certain private equity investments. Since we only own a portion of these investments, our share of the net valuation adjustments resulted in a gain of \$3 million which is included in net income attributable to RJF (after noncontrolling interests). The noncontrolling interests' share of the net valuation adjustments was a gain of approximately \$9 million.
- (1)
- (2) Our policy is that the end of each respective quarterly reporting period determines when transfers of financial instruments between levels are recognized.

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Year ended September 30, 2015

Level 3 assets at fair value

(in thousands)

	Financial assets							Financial liabilities		
	Trading instruments				ARS – municipals	ARS - preferred securities	Private equity, other investments, other receivables and other assets		Payables-trade and other	
	Corporate Obligations & ABS	Non- agency CMOs	Equity securities	Other			Private equity investments not measured at NAV <sup>(1)</sup>	Other investment	Other assets	Other liabilities
Fair value										
September 30, 2014	\$—	\$11	\$44	\$2,309	\$86,696	\$114,039	\$75,980	\$1,731	\$787	\$ (58 )
Total gains (losses) for the year:										
Included in earnings	(40 )	1	5	(180 )	11,042	25	8,723	<sup>(2)</sup> 57	4,188	—
Included in other comprehensive income	—	—	—	—	(6,112 )	(3,065 )	—	—	—	—
Purchases and contributions	33	—	20	34,478	—	—	1,226	—	—	—
Sales	(31 )	—	—	(34,621)	(63,611 )	—	(4,307 )	—	—	—
Redemptions by issuer	—	—	—	—	—	(250 )	—	(681 )	—	—
Distributions	—	(3 )	—	—	—	—	(4,187 )	(542 )	—	—
Transfers: <sup>(3)</sup>										
Into Level 3	209	—	—	—	—	—	—	—	—	—
Out of Level 3	(15 )	—	(69 )	—	—	—	—	—	—	—
Fair value										
September 30, 2015	\$156	\$9	\$—	\$1,986	\$28,015	\$110,749	\$77,435	\$565	\$4,975	\$ (58 )
Change in unrealized gains (losses) for the year included in earnings (or changes in net assets) for assets held at the end of the year	\$(40 )	\$1	\$—	\$11	\$(910 )	\$(3,065 )	\$7,252	\$(57 )	\$4,203	\$—

Effective September 30, 2016 we adopted new accounting guidance related to the classification and disclosure of certain investments using the NAV as a practical expedient to measure the fair value of the investment. These prior year amounts reflect the effect of reclassifications to conform the prior year to current year presentation.

(1) Accordingly, the amounts presented above do not include our investments measured at NAV, see Notes 1, 2, and the “investments in private equity measured at net asset value per share” section within this footnote, for additional information.



- Primarily results from valuation adjustments of certain private equity investments. Since we only own a portion of these investments, our share of the net valuation adjustments resulted in a gain of \$7 million which is included in net income attributable to RJF (after noncontrolling interests). The noncontrolling interests' share of the net valuation adjustments was a gain of approximately \$2 million.
- (2)
- (3) Our policy is that the end of each respective quarterly reporting period determines when transfers of financial instruments between levels are recognized.

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Year ended September 30, 2014

Level 3 assets at fair value

(in thousands)

	Financial assets										Financial liabilities
	Trading instruments			Available for sale securities			Private equity, other investments, other receivables and other assets				Payables-trade and other
	Non-agency CMOs & ABS	Equity securities	Other	Non-agency CMOs	ARS – municipals	ARS - preferred securities	Private equity investments not measured at NAV <sup>(1)</sup>	Other investments	Other receivables	Other assets	Other liabilities
Fair value											
September 30, 2013	\$14	\$35	\$3,956	\$78	\$130,934	\$110,784	\$82,390	\$4,607	\$2,778	\$15	\$ (60 )
Total gains (losses) for the year:											
Included in earnings	(1 )	6	(371 )	(27 )	7,046	44	4,143	174	(2,778 )	772	2
Included in other comprehensive income	—	—	—	22	(403 )	3,536	—	—	—	—	—
Purchases and contributions	—	103	18,628	—	—	—	975	63	—	—	—
Sales	—	(98 )	(19,904)	(38 )	(23,355 )	—	(7,076 )	(2,698 )	—	—	—
Redemptions by issuer	—	—	—	—	(27,526 )	(325 )	—	(64 )	—	—	—
Distributions	(2 )	—	—	(35 )	—	—	(11,741 )	(351 )	—	—	—
Transfers: <sup>(2)</sup>											
Into Level 3	—	—	—	—	—	—	7,289	<sup>(3)</sup> —	—	—	—
Out of Level 3	—	(2 )	—	—	—	—	—	—	—	—	—
Fair value											
September 30, 2014	\$11	\$44	\$2,309	\$—	\$86,696	\$114,039	\$75,980	\$1,731	\$—	\$787	\$ (58 )
Change in unrealized gains (losses) for the year included in earnings (or changes in net assets) for assets held at the end of the year	\$20	\$6	\$(7 )	\$—	\$(403 )	\$3,536	\$1,235	\$267	\$—	\$772	\$ —

(1)

Effective September 30, 2016 we adopted new accounting guidance related to the classification and disclosure of certain investments using the NAV as a practical expedient to measure the fair value of the investment. These prior year amounts reflect the effect of reclassifications to conform the prior year to current year presentation.

Accordingly, the amounts presented above do not include our investments measured at NAV, see Notes 1, 2, and the “investments in private equity measured at net asset value per share” section within this footnote, for additional information.

- (2) Our policy is that the end of each respective quarterly reporting period determines when transfers of financial instruments between levels are recognized.
- (3) The transfers into Level 3 were comprised of transfers of balances previously included in other receivables on our Consolidated Statements of Financial Condition.

As of September 30, 2016, 8% of our assets and 3% of our liabilities are instruments 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, 2016 represent 9% of our assets measured at fair value. In comparison as of September 30, 2015, 7% and 3% of our assets and liabilities, respectively, represented instruments 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, 2015 represented 11% of our assets measured at fair value. Level 3 instruments as a percentage of total financial instruments decreased by 3% compared to September 30, 2015, primarily as a result of the decrease in fair value of our ARS portfolio, offset by an increase in the fair value of our private equity investments not measured at NAV.

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Gains and losses related to Level 3 recurring fair value measurements included in earnings are presented in net trading profit, other revenues and other comprehensive income in our Consolidated Statements of Income and Comprehensive Income as follows:

	Net trading profits (in thousands)	Other revenues	Other comprehensive income
For the year ended September 30, 2016			
Total (losses) gains included in earnings	\$(658)	\$9,259	\$(11,049)
Change in unrealized (losses) gains for assets held at the end of the year	\$(223)	\$8,992	\$(10,922)
For the year ended September 30, 2015			
Total (losses) gains included in earnings	\$(214)	\$24,035	\$(9,177)
Change in unrealized (losses) gains for assets held at the end of the year	\$(28)	\$11,398	\$(3,975)
For the year ended September 30, 2014			
Total (losses) gains included in earnings	\$(366)	\$9,376	\$3,155
Change in unrealized gains (losses) for assets held at the end of the year	\$19	\$2,274	\$3,133

## Quantitative information about level 3 fair value measurements

The significant assumptions used in the valuation of level 3 financial instruments are as follows (the table that follows includes the significant majority of the financial instruments we hold that are classified as level 3 measures):

Level 3 financial instrument	Fair value at September 30, 2016 (in thousands)	Valuation technique(s)	Unobservable input	Range (weighted-average)
Recurring measurements:				
Available for sale securities:				
ARS:				
Municipals - issuer is a municipality	\$ 10,413	Discounted cash flow	Average discount rate <sup>(a)</sup>	5.17% - 6.36% (5.77%)
			Average interest rates applicable to future interest income on the securities <sup>(b)</sup>	1.23% - 1.83% (1.53%)
			Prepayment year <sup>(c)</sup>	2019 - 2026 (2022)
Municipals - tax-exempt preferred securities	\$ 14,734	Discounted cash flow	Average discount rate <sup>(a)</sup>	4.62% - 5.62% (5.12%)
			Average interest rates applicable to future interest income on the securities <sup>(b)</sup>	0.91% - 0.91% (0.91%)
			Prepayment year <sup>(c)</sup>	2016 - 2021 (2021)
Preferred securities - taxable	\$ 100,018	Discounted cash flow	Average discount rate <sup>(a)</sup>	4.87% - 6.34% (5.56%)
			Average interest rates applicable to future interest income on the securities <sup>(b)</sup>	1.24% - 2.51% (1.34%)

			Prepayment year <sup>(c)</sup>	2016 - 2021 (2021)
Private equity investments (not measured at NAV):	\$ 56,746	Income or market approach:		
		Scenario 1 - income approach - discounted cash flow	Discount rate <sup>(a)</sup>	13% - 20% (17.9%)
			Terminal growth rate of cash flows	3% - 3% (3%)
			Terminal year	2019 - 2021 (2020)
		Scenario 2 - market approach - market multiple method	EBITDA Multiple <sup>(d)</sup>	5.25 - 7.5 (6.3)
			Weighting assigned to outcome of scenario 1/scenario 2	81%/19%
	\$ 26,419	Transaction price or other investment-specific events <sup>(e)</sup>	Not meaningful <sup>(e)</sup>	Not meaningful <sup>(e)</sup>
Nonrecurring measurements:				
Impaired loans: residential	\$ 21,909	Discounted cash flow	Prepayment rate	7 yrs. - 12 yrs. (10.24 yrs.)
Impaired loans: corporate	\$ 26,073	Appraisal or discounted cash flow value <sup>(f)</sup>	Not meaningful <sup>(f)</sup>	Not meaningful <sup>(f)</sup>

The text of the footnotes to the table above are on the following page.

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The text of the footnotes to the table on the previous page are as follows:

(a) Represents discount rates used when we have determined that market participants would take these discounts into account when pricing the investments.

(b) Future 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.

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

(d) Represents amounts used when we have determined that market participants would use such multiples when pricing the investments.

(e) Certain private equity investments are valued initially at the transaction price until either our annual review, significant transactions occur, new developments become known, or we receive information from the fund manager that allows us to update our proportionate share of net assets, when any of which indicate that a change in the carrying values of these investments is appropriate.

(f) The valuation techniques used for the impaired corporate loan portfolio are appraisals less selling costs for the collateral dependent loans and discounted cash flows for impaired loans that are not collateral dependent.

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 below:

Auction rate securities:

One of the significant unobservable inputs used in the fair value measurement of auction rate securities presented within our available for sale securities portfolio relates to judgments regarding whether the level of observable trading activity is sufficient to conclude markets are active. Where insufficient levels of trading activity are determined to exist as of the reporting date, then management's assessment of how much weight to apply to trading prices in inactive markets versus management's own valuation models could significantly impact the valuation conclusion. The valuation of the securities impacted by changes in management's assessment of market activity levels could be either higher or lower, depending upon the relationship of the inactive trading prices compared to the outcome of management's internal valuation models.

The future interest rate and maturity assumptions impacting the valuation of the auction rate securities are directly related. As short-term interest rates rise, due to the variable nature of the penalty interest rate provisions embedded in most of these securities in the event auctions fail to set the security's interest rate, then a penalty rate that is specified in the security increases. These penalty rates are based upon a stated interest rate spread over what is typically a short-term base interest rate index. Management estimates that at some level of increase in short-term interest rates, issuers of the securities will have the economic incentive to refinance (and thus prepay) the securities. Therefore, the short-term interest rate assumption directly impacts the input related to the timing of any projected prepayment. The faster and steeper short-term interest rates rise, the earlier prepayments will likely occur and the higher the fair value of the security.

Private equity investments:

The significant unobservable inputs used in the fair value measurement of private equity investments 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. Significant increases (or decreases) in our investment entities' future economic performance will have a directly proportional impact on the valuation results. The value of our investment moves inversely with the market's expectation of returns from such investments. Should the market require higher returns from industries in which we are invested, all other factors held constant, our investments will decrease in value. Should the market accept lower returns from industries in which we are invested, all other factors held constant, our investments will increase in value.

Investments in private equity measured at net asset value per share

As a practical expedient, we utilize NAV or its equivalent to determine the recorded value of a portion of our private equity 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

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the investments at fair value.

Our private equity portfolio includes various direct and third party private equity investments, employee investment funds, and various 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 through distributions received through the liquidation of the underlying assets of those funds.

The recorded value and unfunded commitments related to our private equity portfolio is as follows:

	Recorded Value	Unfunded Commitment		Total
		RJF <sup>(1)</sup>	Noncontrolling Interest <sup>(2)</sup>	
	(in thousands)			
September 30, 2016				
Private equity investments at NAV	\$ 111,469	\$27,542	\$ 3,001	\$30,543
Private equity investments at fair value	83,165			
Total private equity investments	\$ 194,634			
September 30, 2015				
Private equity investments at NAV	\$ 131,653	\$35,606	\$ 3,326	\$38,932
Private equity investments at fair value	77,435			
Total private equity investments	\$ 209,088			

(1) Represents RJF's portion of unfunded commitments related to our private equity portfolio.

(2) Unfunded commitments related to the portion of our private equity portfolio owned by others. Such commitments are required to be funded by the holders of the noncontrolling interests.

While we anticipate the liquidation of these investments to take place over nine years, many of these fund investments meet the definition of prohibited "covered funds" as defined by the Volcker Rule of the Dodd-Frank Wall Street Reform and Consumer Protection Act. In order to be compliant with the Volcker Rule by its' July 2017 conformance period, it is possible that we may be required to sell our interests in such funds. If that occurs, we may receive a value for our interests that is less than the carrying value as there is a limited secondary market for these investments and we may be unable to sell them in orderly transactions.

#### Fair value option

The fair value option is an accounting election that allows the reporting entity to apply fair value accounting for certain financial assets and liabilities on an instrument by instrument basis. As of September 30, 2016 and 2015, we have elected not to choose the fair value option for any of our financial assets or liabilities not already recorded at fair value.

Additional disclosures about the fair value of financial instruments that are not carried on the Consolidated Statements of Financial Condition at fair value

Many, but not all, of the financial instruments we hold are recorded at fair value in the Consolidated Statements of Financial Condition.



The following represent financial instruments in which the ending balance at September 30, 2016 and 2015 is not carried at fair value, as computed in accordance with the GAAP definition of fair value (an exit price concept, refer to Note 2 for further discussion), on our Consolidated Statements of Financial Condition:

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

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agreements to resell and other collateralized financings are classified as Level 2 under the fair value hierarchy because they are generally variable rate instruments 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, as well as SBL intended to be held until maturity or payoff, and are recorded at amounts that result from the application of the loans held for investment methodologies summarized in Note 2. In addition, these financial instruments consist of loans held for sale, which are carried at the lower of cost or market value. A portion of these loans held for sale are included in the nonrecurring fair value measurements in addition to any impaired loans held for investment.

Fair values for both variable and fixed-rate loans held for investment are estimated using discounted cash flow analyses, based on interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. This methodology for estimating the fair value of loans does not consider other market variables and, therefore, is not based on an exit price concept. The majority of fair value determinations for 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 broker-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. Such loans are generally repaid over a five to eight year period, and are recorded at cost less an allowance for doubtful accounts. The fair value of loans to financial advisors, net, is determined through application of a discounted cash flow analysis, based on contractual maturities of the underlying loans discounted at the current market interest rates associated with such loans. This methodology for estimating the fair value of these loans does not consider other market variables and, therefore, is not based on an exit price concept. Loans to financial advisors, net are classified as Level 3 under the fair value hierarchy.

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 fair values for demand deposits are equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The carrying amounts of variable-rate money market and savings accounts approximate their fair values at the reporting date as these are short-term in nature. Due to their demand or short-term nature, the demand deposits and variable rate money market and savings accounts are classified as Level 2 under the fair value hierarchy. Fair values for fixed-rate certificate accounts 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 certificate accounts are classified as Level 3 under the fair value hierarchy.

Payables: Brokerage client payables, payables due to broker-dealers and clearing organizations, and trade and other payables are recorded at amounts that approximate fair value and are classified as Level 2 under the fair value hierarchy.

Other borrowings: The fair value of the mortgage note payable associated with the financing of our Saint Petersburg, Florida corporate offices is based upon an estimate of the current market rates for similar loans. The carrying amount of the remaining components of our other borrowings approximate their fair value due to the relative short-term nature of such borrowings, some of which are day-to-day. In addition to the mortgage note payable, the portion of other borrowings which are not “day-to-day” are primarily comprised of RJ Bank’s borrowings from the FHLB which, by their nature, reflect terms that approximate current market rates for similar loans. 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 based upon recent trades of those or other similar debt securities in the market.

Off-balance sheet financial instruments: The fair value of unfunded commitments to extend credit is based on a methodology similar to that described above for bank loans and further adjusted for the probability of funding. The fair value of these unfunded lending commitments, in addition to the fair value of other off-balance sheet financial instruments, are classified as Level 3 under the fair value hierarchy. See Note 26 for further discussion of off-balance sheet financial instruments.

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The estimated fair values by level within the fair value hierarchy and the carrying amounts of certain of our financial instruments not carried at fair value are as follows:

	Quoted prices in active markets for identical assets (Level 1) (in thousands)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total estimated fair value	Carrying amount
September 30, 2016					
Financial assets:					
Bank loans, net <sup>(1)</sup>	\$—	\$ 196,109	\$ 14,925,802	\$ 15,121,911	\$ 15,121,430
Loans to financial advisors, net	\$—	\$—	\$ 706,717	\$ 706,717	\$ 838,721
Financial liabilities:					
Bank deposits	\$—	\$ 13,947,310	\$ 318,228	\$ 14,265,538	\$ 14,262,547
Other borrowings <sup>(2)</sup>	\$—	\$ 34,520	\$—	\$ 34,520	\$ 33,391
Senior notes payable	\$ 362,180	\$ 1,452,071	\$—	\$ 1,814,251	\$ 1,680,587
September 30, 2015					
Financial assets:					
Bank loans, net <sup>(1)</sup>	\$—	\$ 105,199	\$ 12,799,065	\$ 12,904,264	\$ 12,907,776
Loans to financial advisors, net	\$—	\$—	\$ 420,868	\$ 420,868	\$ 488,760
Financial liabilities:					
Bank deposits	\$—	\$ 11,564,963	\$ 358,981	\$ 11,923,944	\$ 11,919,881
Other borrowings <sup>(2)</sup>	\$—	\$ 38,455	\$—	\$ 38,455	\$ 37,716
Senior notes payable	\$ 368,760	\$ 892,963	\$—	\$ 1,261,723	\$ 1,137,570

(1) Excludes all impaired loans and loans held for sale which have been recorded at fair value in the Consolidated Statements of Financial Condition at September 30, 2016 and 2015.

(2) Excludes the components of other borrowings that are recorded at amounts that approximate their fair value in the Consolidated Statements of Financial Condition at September 30, 2016 and 2015.

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## NOTE 6 – TRADING INSTRUMENTS AND TRADING INSTRUMENTS SOLD BUT NOT YET PURCHASED

	September 30, 2016		September 30, 2015	
	Instruments		Instruments	
	Trading	sold but not	Trading	sold but not
	instrument	yet	instrument	yet
	purchased		purchased	
	(in thousands)			
Municipal and provincial obligations	\$274,163	\$ 1,161	\$206,063	\$ 18,313
Corporate obligations	132,885	31,074	95,317	33,184
Government and agency obligations	49,598	266,682	115,947	205,658
Agency MBS and CMOs	164,663	2,804	117,570	5,007
Non-agency CMOs and ABS	34,428	—	46,940	—
Total debt securities	655,737	301,721	581,837	262,162
Derivative contracts <sup>(1)</sup>	55,703	8,835	42,086	20,239
Equity securities	16,029	18,382	28,344	3,098
Brokered certificates of deposit	35,206	—	30,803	—
Other	4,130	—	7,481	2,494
Total	\$766,805	\$ 328,938	\$690,551	\$ 287,993

Represents the derivative contracts held for trading purposes. These balances do not include all derivative (1) instruments. See Note 18 for further information regarding all of our derivative transactions, and see Note 19 for additional information regarding offsetting financial instruments.

See Note 5 for additional information regarding the fair value of trading instruments and trading instruments sold but not yet purchased.

## NOTE 7 – AVAILABLE FOR SALE SECURITIES

Available for sale securities are comprised of MBS and CMOs owned by RJ Bank and ARS owned by one of our non-broker-dealer subsidiaries.

There were \$8.5 million of proceeds, and a gain of \$100 thousand which is included in other revenues on our Consolidated Statements of Income and Comprehensive Income, from the sale of available for sale securities held by RJ Bank during the year ended September 30, 2016. During the year ended September 30, 2015, there were \$12.2 million in proceeds, and a loss of \$600 thousand, from sales of available for sale securities held by RJ Bank. During the year ended September 30, 2014, there were \$26.6 million in proceeds, and a gain of \$300 thousand, from the sale of available for sale securities owned by RJ Bank.

Certain securities in the ARS portion of the available for sale securities portfolio have been redeemed by their issuer or sold in market transactions. Sale or redemption activities within the ARS portion of the portfolio resulted in aggregate proceeds of \$2.8 million, and a gain of \$300 thousand which is included in other revenues on our Consolidated Statements of Income and Comprehensive Income for the year ended September 30, 2016. During the year ended September 30, 2015, sales or redemption activities within the ARS portion of the available for sale securities portfolio resulted in proceeds of \$63.9 million and a gain of \$11.1 million. Nearly all of the ARS proceeds as well as the gain on sale arising during the year ended September 30, 2015 resulted from the sale of Jefferson County, Alabama Limited Obligation School Warrants ARS. During the year ended September 30, 2014, sales or redemption activities within the ARS portion of the available for sale securities portfolio resulted in proceeds of \$51.2 million, and a gain of \$7.1 million, which includes \$26.5 million in proceeds and a gain of \$5.5 million, from the

redemption of Jefferson County, Alabama Sewer Revenue Refunding Warrants ARS.

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The amortized cost and fair values of available for sale securities are as follows:

	Cost basis  (in thousands)	Gross unrealized gains	Gross unrealized losses	Fair value
September 30, 2016				
Available for sale securities:				
Agency MBS and CMOs	\$680,341	\$ 2,512	\$(556 )	\$682,297
Non-agency CMOs <sup>(1)</sup>	53,427	9	(2,917 )	50,519
Other securities	1,575	—	(158 )	1,417
Total RJ Bank available for sale securities	735,343	2,521	(3,631 )	734,233
Auction rate securities:				
Municipal obligations	27,491	14	(2,358 )	25,147
Preferred securities	103,226	—	(3,208 )	100,018
Total auction rate securities	130,717	14	(5,566 )	125,165
Total available for sale securities	\$866,060	\$ 2,535	\$(9,197 )	\$859,398
September 30, 2015				
Available for sale securities:				
Agency MBS and CMOs	\$301,001	\$ 1,538	\$(344 )	\$302,195
Non-agency CMOs <sup>(2)</sup>	75,678	18	(4,327 )	71,369
Other securities	1,575	—	(173 )	1,402
Total RJ Bank available for sale securities	378,254	1,556	(4,844 )	374,966
Auction rate securities:				
Municipal obligations	28,966	576	(1,527 )	28,015
Preferred securities	104,302	6,447	—	110,749
Total auction rate securities	133,268	7,023	(1,527 )	138,764
Total available for sale securities	\$511,522	\$ 8,579	\$(6,371 )	\$513,730
September 30, 2014				
Available for sale securities:				
Agency MBS and CMOs	\$267,927	\$ 822	\$(1,029 )	\$267,720
Non-agency CMOs <sup>(3)</sup>	98,946	56	(7,084 )	91,918
Other securities	1,575	341	—	1,916
Total RJ Bank available for sale securities	368,448	1,219	(8,113 )	361,554
Auction rate securities:				
Municipal obligations	81,535	6,240	(1,079 )	86,696
Preferred securities	104,526	9,513	—	114,039
Total auction rate securities	186,061	15,753	(1,079 )	200,735
Total available for sale securities	\$554,509	\$ 16,972	\$(9,192 )	\$562,289

(1) As of September 30, 2016, the non-credit portion of unrealized losses related to non-agency CMOs with previously recorded OTTI was \$2.3 million (before taxes) recorded in AOCI. See Note 22 for additional information.

(2) As of September 30, 2015, the non-credit portion of unrealized losses related to non-agency CMOs with previously recorded OTTI was \$3.6 million (before taxes) recorded in AOCI.

(3) As of September 30, 2014, the non-credit portion of unrealized losses related to non-agency CMOs with previously recorded OTTI was \$6.1 million (before taxes) recorded in AOCI.

See Note 5 for additional information regarding the fair value of available for sale securities.



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The contractual maturities, amortized cost, carrying values and current yields for our available for sale securities are as presented below. Since RJ Bank's available for sale securities (MBS & CMOs) are backed by mortgages, actual maturities will differ from contractual maturities because borrowers may have the right to prepay obligations without prepayment penalties. Expected maturities of ARS may differ significantly from contractual maturities, as issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	September 30, 2016					
	After one		After five	After ten	Total	
	With	but	but	years		
	one	within	within			
	year	five	ten			
		years	years			
	(\$ in thousands)					
Agency MBS & CMOs:						
Amortized cost	\$1	\$27,476	\$100,033	\$552,831	\$680,341	
Carrying value	\$1	\$27,799	\$100,729	\$553,768	\$682,297	
Weighted-average yield	0.5%	1.66	% 1.46	% 1.49	% 1.49	%
Non-agency CMOs:						
Amortized cost	\$—	\$—	\$—	\$53,427	\$53,427	
Carrying value	\$—	\$—	\$—	\$50,519	\$50,519	
Weighted-average yield	—	—	—	2.56	% 2.56	%
Other securities:						
Amortized cost	\$—	\$—	\$—	\$1,575	\$1,575	
Carrying value	\$—	\$—	\$—	\$1,417	\$1,417	
Weighted-average yield	—	—	—	—	—	
Sub-total agency MBS & CMOs, non-agency CMOs and other securities:						
Amortized cost	\$1	\$27,476	\$100,033	\$607,833	\$735,343	
Carrying value	\$1	\$27,799	\$100,729	\$605,704	\$734,233	
Weighted-average yield	0.5%	1.66	% 1.46	% 1.58	% 1.57	%
Auction rate securities						
Municipal obligations:						
Amortized cost	\$—	\$—	\$—	\$27,491	\$27,491	
Carrying value	\$—	\$—	\$—	\$25,147	\$25,147	
Weighted-average yield	—	—	—	1.77	% 1.77	%
Preferred securities:						
Amortized cost	\$—	\$—	\$—	\$103,226	\$103,226	
Carrying value	\$—	\$—	\$—	\$100,018	\$100,018	
Weighted-average yield	—	—	—	0.87	% 0.87	%
Sub-total auction rate securities:						
Amortized cost	\$—	\$—	\$—	\$130,717	\$130,717	
Carrying value	\$—	\$—	\$—	\$125,165	\$125,165	
Weighted-average yield	—	—	—	1.05	% 1.05	%
Total available for sale securities:						
Amortized cost	\$1	\$27,476	\$100,033	\$738,550	\$866,060	
Carrying value	\$1	\$27,799	\$100,729	\$730,869	\$859,398	
Weighted-average yield	0.5%	1.66	% 1.46	% 1.49	% 1.49	%



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The gross unrealized losses and fair value, aggregated by investment category and length of time the individual securities have been in a continuous unrealized loss position, are as follows:

	September 30, 2016					
	Less than 12 months		12 months or more		Total	
	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses
	(in thousands)					
Agency MBS and CMOs	\$208,880	\$ (361 )	\$28,893	\$ (195 )	\$237,773	\$ (556 )
Non-agency CMOs	4,256	(21 )	44,137	(2,896 )	48,393	(2,917 )
Other securities	1,417	(158 )	—	—	1,417	(158 )
ARS municipal obligations	13,204	(697 )	11,695	(1,661 )	24,899	(2,358 )
ARS preferred securities	98,489	(3,208 )	—	—	98,489	(3,208 )
Total	\$326,246	\$ (4,445 )	\$84,725	\$ (4,752 )	\$410,971	\$ (9,197 )
	September 30, 2015					
	Less than 12 months		12 months or more		Total	
	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses
	(in thousands)					
Agency MBS and CMOs	\$3,488	\$ (37 )	\$29,524	\$ (307 )	\$33,012	\$ (344 )
Non-agency CMOs	—	—	65,854	(4,327 )	65,854	(4,327 )
Other securities	1,402	(173 )	—	—	1,402	(173 )
ARS municipal obligations	225	(3 )	11,627	(1,524 )	11,852	(1,527 )
Total	\$5,115	\$ (213 )	\$107,005	\$ (6,158 )	\$112,120	\$ (6,371 )

The reference point for determining when securities are in a loss position is the reporting period end. As such, it is possible that a security had a fair value that exceeded its amortized cost on other days during the period.

## Agency MBS and CMOs

The Federal Home Loan Mortgage Corporation (“FHLMC”), FNMA, as well the GNMA, guarantee the contractual cash flows of the agency MBS and CMOs. At September 30, 2016, of the 38 U.S. government-sponsored enterprise MBS and CMOs in an unrealized loss position, 32 were in a continuous unrealized loss position for less than 12 months and six were for 12 months or more. We do not consider these securities other-than-temporarily impaired due to the guarantee provided by FNMA, FHLMC, and GNMA as to the full payment of principal and interest, and the fact that we have the ability and intent to hold these securities to maturity.

## Non-agency CMOs

All individual non-agency securities are evaluated for OTTI on a quarterly basis. Only those non-agency CMOs whose amortized cost basis we do not expect to recover in full are considered to be other than temporarily impaired, as we have the ability and intent to hold these securities to maturity. To assess whether the amortized cost basis of non-agency CMOs will be recovered, RJ Bank performs a cash flow analysis for each security. This comprehensive process considers borrower characteristics and the particular attributes of the loans underlying each security. Loan level analysis includes a review of historical default rates, loss severities, liquidations, prepayment speeds and delinquency trends. In addition to historical details, home prices and the economic outlook are considered to derive the assumptions utilized in the discounted cash flow model to project security-specific cash flows, which factors in the

amount of credit enhancement specific to the security. The difference between the present value of the cash flows expected and the amortized cost basis is the credit loss, and it is recorded as OTTI.

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The significant assumptions used in the cash flow analysis of non-agency CMOs are as follows:

	September 30, 2016	
	Range	Weighted-average <sup>(1)</sup>
Default rate	0% - 8.2%	3.07%
Loss severity	0% - 53.8%	32.09%
Prepayment rate	6.5% - 19.6%	12.22%

(1) Represents the expected activity for the next twelve months.

At September 30, 2016, 11 of the 13 non-agency CMOs were in a continuous unrealized loss position. Ten of these securities were in that position for 12 months or more and one was in a continuous unrealized loss position for less than 12 months. Based on the expected cash flows derived from the model utilized in our analysis, we expect to recover all unrealized losses not already recorded in earnings on our non-agency CMOs. However, it is possible that the underlying loan collateral of these securities will perform worse than current expectations, which may lead to adverse changes in the cash flows expected to be collected on these securities and potential future OTTI losses. As residential mortgage loans are the underlying collateral of these securities, the unrealized losses at September 30, 2016 reflect the uncertainty in the markets for these instruments.

**ARS**

Our cost basis in the ARS we hold is the fair value of the securities in the period in which we acquired them. The par value of the ARS we hold as of September 30, 2016 is \$152.9 million. Only those ARS whose amortized cost basis we do not expect to recover in full are considered to be other-than-temporarily impaired as we have the ability and intent to hold these securities to maturity. All of our ARS securities are evaluated for OTTI on a quarterly basis.

As of September 30, 2016, there were 37 ARS preferred securities with a fair value less than their cost basis, indicating potential impairment. We analyzed the credit ratings associated with each of these securities as an indicator of potential credit impairment, and including subsequent rating changes, determined that all of these securities maintained investment grade ratings by at least one rating agency. We have the ability and intent to hold these securities to maturity and expect to recover their entire cost basis and therefore concluded that none of the potential impairment within our ARS preferred securities portfolio is related to potential credit loss.

Within our municipal ARS holdings as of September 30, 2016, there were nine municipal ARS with a fair value less than their cost basis, indicating potential impairment. We analyzed the credit ratings associated with these securities as an indicator of potential credit impairment, and including subsequent ratings changes, determined that all of these securities maintained investment grade ratings by at least one rating agency. We have the ability and intent to hold these securities to maturity and expect to recover their entire cost basis and therefore concluded that none of the potential impairment within our municipal ARS portfolio is related to potential credit loss.

**Other-than-temporarily impaired securities**

Although there is no intent to sell either our ARS or our non-agency CMOs and it is not more likely than not that we will be required to sell these securities, as of September 30, 2016 we do not expect to recover the entire amortized cost basis of certain securities within the non-agency CMO available for sale security portfolio.

Changes in the amount of OTTI related to credit losses recognized in other revenues on available for sale securities are as follows:

Year ended September 30,

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	2016	2015	2014
	(in thousands)		
Amount related to credit losses on securities we held at the beginning of the year	\$11,847	\$18,703	\$28,217
Decreases to the amount related to credit loss for securities sold during the year	(3,740 )	(6,856 )	(9,541 )
Additional increases to the amount related to credit loss for which an OTTI was previously recognized	—	—	27
Amount related to credit losses on securities we held at the end of the year	\$8,107	\$11,847	\$18,703

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## NOTE 8 - RECEIVABLES FROM AND PAYABLES TO BROKERAGE CLIENTS

The information presented below is exclusive of the transactions and balances that arise between RJ Bank and clients of our broker-dealer subsidiaries. Such transactions include those arising from the RJBDP program (as hereinafter defined in Note 14) and securities that serve as collateral under RJ Bank's SBL program (see Note 9 for additional information).

## Receivables from brokerage clients

Receivables from brokerage clients include amounts arising from normal cash and margin transactions and fees receivable. Margin receivables are collateralized by securities owned by brokerage clients. Such collateral is not included within any balances reflected on our Consolidated Statements of Financial Condition (see Note 19 for information regarding our use of a portion of this collateral in certain borrowing transactions). The amount receivable from clients is as follows:

	September 30,	
	2016	2015
	(in thousands)	
Brokerage client receivables	\$2,715,428	\$2,185,586
Allowance for doubtful accounts (646 ) (290 )		
Brokerage client receivables, net	\$2,714,782	\$2,185,296

## Payables to brokerage clients

Payables to brokerage clients include brokerage client funds on deposit awaiting reinvestment. The following table presents a summary of such payables:

	September 30,	
	2016	2015
	(in thousands)	
Brokerage client payables:		
Interest bearing	\$4,893,813	\$4,148,952
Non-interest bearing	1,550,858	522,121
Total brokerage client payables	\$6,444,671	\$4,671,073

## NOTE 9 – BANK LOANS, NET

Bank client receivables are comprised of loans originated or purchased by RJ Bank and include C&I loans, tax-exempt loans, SBL, as well as commercial and residential real estate loans. These receivables are collateralized by first or second mortgages on residential or other real property, other assets of the borrower, a pledge of revenue or are unsecured.

We segregate our loan portfolio into six loan portfolio segments: C&I, CRE, CRE construction, tax-exempt, residential mortgage, and SBL. 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 table presents 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:

	September 30, 2016		2015		2014	
	Balance	%	Balance	%	Balance	%
	(\$ in thousands)					
Loans held for sale, net <sup>(1)</sup>	\$214,286	1 %	\$119,519	1 %	\$45,988	—
Loans held for investment:						
Domestic:						
C&I loans	6,402,675	42 %	5,893,631	44 %	5,378,592	49 %
CRE construction loans	107,437	1 %	126,402	1 %	76,733	1 %
CRE loans	2,188,652	14 %	1,679,332	13 %	1,415,093	13 %
Tax-exempt loans	740,944	5 %	484,537	4 %	122,218	1 %
Residential mortgage loans	2,439,286	16 %	1,959,786	15 %	1,749,513	16 %
SBL	1,903,930	12 %	1,479,562	11 %	1,021,358	9 %
Foreign:						
C&I loans	1,067,698	7 %	1,034,387	8 %	1,043,755	9 %
CRE construction loans	15,281	—	35,954	—	17,462	—
CRE loans	365,419	2 %	374,822	3 %	274,070	2 %
Residential mortgage loans	2,283	—	2,828	—	2,234	—
SBL	897	—	1,942	—	2,390	—
Total loans held for investment	15,234,502		13,073,183		11,103,418	
Net unearned income and deferred expenses	(40,675 )		(32,424 )		(37,533 )	
Total loans held for investment, net <sup>(1)</sup>	15,193,827		13,040,759		11,065,885	
Total loans held for sale and investment	15,408,113	100%	13,160,278	100%	11,111,873	100%
Allowance for loan losses	(197,378 )		(172,257 )		(147,574 )	
Bank loans, net	\$15,210,735		\$12,988,021		\$10,964,299	

	September 30, 2013		2012	
	Balance	%	Balance	%
	(\$ in thousands)			
Loans held for sale, net <sup>(1)</sup>	\$110,292	1 %	\$160,515	2 %
Loans held for investment:				
Domestic:				
C&I loans	4,439,668	50 %	4,553,061	55 %
CRE construction loans	38,964	—	26,360	1 %
CRE loans	1,075,986	12 %	828,414	10 %
Residential mortgage loans	1,743,787	20 %	1,690,465	21 %
SBL	554,210	6 %	350,770	4 %
Foreign:				
C&I loans	806,337	9 %	465,770	6 %
CRE construction loans	21,876	—	23,114	—
CRE loans	207,060	2 %	108,036	1 %
Residential mortgage loans	1,863	—	1,521	—
SBL	1,595	—	1,725	—
Total loans held for investment	8,891,346		8,049,236	
Net unearned income and deferred expenses	(43,936 )		(70,698 )	



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Total loans held for investment, net <sup>(1)</sup>	8,847,410		7,978,538	
Total loans held for sale and investment	8,957,702	100%	8,139,053	100%
Allowance for loan losses	(136,501 )		(147,541 )	
Bank loans, net	\$8,821,201		\$7,991,512	

(1) Net of unearned income and deferred expenses, which includes purchase premiums, purchase discounts, and net deferred origination fees and costs.

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At September 30, 2016, the FHLB had a blanket lien on RJ Bank's residential mortgage loan portfolio as security for the repayment of certain borrowings. See Note 15 for more information regarding borrowings from the FHLB.

## Loans held for sale

RJ Bank originated or purchased \$1.8 billion, \$1.2 billion and \$1.0 billion of loans held for sale during the years ended September 30, 2016, 2015 and 2014, respectively. Proceeds from the sale of held for sale loans amounted to \$383 million, \$213 million and \$189 million for the years ended September 30, 2016, 2015 and 2014, respectively. Net gains resulting from such sales amounted to \$1.7 million, \$1.7 million and \$800 thousand for the years ended September 30, 2016, 2015 and 2014, respectively. Unrealized losses recorded in the Consolidated Statements of Income and Comprehensive Income to reflect the loans held for sale at the lower of cost or market value were \$300 thousand, \$400 thousand and \$400 thousand for the years ended September 30, 2016, 2015 and 2014, respectively.

## Purchases and sales of loans held for investment

The following table presents purchases and sales of any loans held for investment by portfolio segment:

	C&I	CRE	Residential mortgage	Total
	(in thousands)			
Year ended September 30, 2016				
Purchases	\$457,503	\$24,869	\$371,710 <sup>(2)</sup>	\$854,082
Sales <sup>(1)</sup>	\$172,968	\$—	\$—	\$172,968
Year ended September 30, 2015				
Purchases	\$792,921	\$—	\$220,311 <sup>(3)</sup>	\$1,013,232
Sales <sup>(1)</sup>	\$108,983	\$—	\$—	\$108,983
Year ended September 30, 2014				
Purchases	\$536,167	\$5,000	\$29,667	\$570,834
Sales <sup>(1)</sup>	\$219,914	\$—	\$—	\$219,914

Represents the recorded investment of loans held for investment that were transferred to loans held for sale and (1) subsequently sold to a third party during the respective period. Corporate loan sales generally occur as part of a loan workout situation.

(2) Includes the purchase from other financial institutions of residential mortgage loans totaling \$294 million in principal loan balance.

(3) Includes the purchase from another financial institution of residential mortgage loans totaling \$207 million in principal loan balance.



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## Aging analysis of loans held for investment

The following table presents an analysis of the payment status of loans held for investment:

	30-89 days and accruing (in thousands)	90 days or more and accruing	Total past due and accruing	Nonaccrual (1)	Current and accruing	Total loans held for investment (2)
As of September 30, 2016:						
C&I loans	\$—	\$ —	—	\$ 35,194	\$ 7,435,179	\$ 7,470,373
CRE construction loans	—	—	—	—	122,718	122,718
CRE loans	—	—	—	4,230	2,549,841	2,554,071
Tax-exempt loans	—	—	—	—	740,944	740,944
Residential mortgage loans:						
First mortgage loans	1,766	—	1,766	41,746	2,377,357	2,420,869
Home equity loans/lines	—	—	—	37	20,663	20,700
SBL	—	—	—	—	1,904,827	1,904,827
Total loans held for investment, net	\$ 1,766	\$ —	\$ 1,766	\$ 81,207	\$ 15,151,529	\$ 15,234,502
As of September 30, 2015:						
C&I loans	\$ 163	\$ —	\$ 163	\$ —	\$ 6,927,855	\$ 6,928,018
CRE construction loans	—	—	—	—	162,356	162,356
CRE loans	—	—	—	4,796	2,049,358	2,054,154
Tax-exempt loans	—	—	—	—	484,537	484,537
Residential mortgage loans:						
First mortgage loans	2,906	—	2,906	47,504	1,891,384	1,941,794
Home equity loans/lines	30	—	30	319	20,471	20,820
SBL	—	—	—	—	1,481,504	1,481,504
Total loans held for investment, net	\$ 3,099	\$ —	\$ 3,099	\$ 52,619	\$ 13,017,465	\$ 13,073,183

(1) Includes \$54 million and \$22 million of nonaccrual loans at September 30, 2016 and 2015, respectively, which are performing pursuant to their contractual terms.

(2) Excludes any net unearned income and deferred expenses.

Nonperforming loans represent those loans on nonaccrual status, troubled debt restructurings, and accruing loans which are 90 days or more past due and in the process of collection. The gross interest income related to the nonperforming loans reflected in the previous table, which would have been recorded had these loans been current in accordance with their original terms, totaled \$2 million, \$1 million and \$4 million for the years ended September 30, 2016, 2015 and 2014, respectively. The interest income recognized on nonperforming loans was \$1 million in each of the years ended September 30, 2016, 2015 and 2014.

The recorded investment in mortgage loans secured by one-to-four family residential properties for which formal foreclosure proceedings are in process is \$21 million and \$25 million at September 30, 2016 and 2015, respectively.



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## Impaired loans and troubled debt restructurings

The following table provides a summary of RJ Bank's impaired loans:

	September 30, 2016			2015		
	Gross recorded investment	Unpaid principal balance	Allowance for losses	Gross recorded investment	Unpaid principal balance	Allowance for losses
	(in thousands)					
Impaired loans with allowance for loan losses: <sup>(1)</sup>						
C&I loans	\$35,194	\$35,872	\$ 13,351	\$10,599	\$11,204	\$ 1,132
Residential - first mortgage loans	30,393	41,337	3,147	35,442	48,828	4,014
Total	65,587	77,209	16,498	46,041	60,032	5,146
Impaired loans without allowance for loan losses: <sup>(2)</sup>						
CRE loans	4,230	11,611	—	4,796	11,611	—
Residential - first mortgage loans	17,809	26,486	—	20,221	29,598	—
Total	22,039	38,097	—	25,017	41,209	—
Total impaired loans	\$87,626	\$115,306	\$ 16,498	\$71,058	\$101,241	\$ 5,146

(1) Impaired loan balances have had reserves established based upon management's analysis.

When the discounted cash flow, collateral value or market value equals or exceeds the carrying value of the loan, (2) then the loan does not require an allowance. These are generally loans in process of foreclosure that have already been adjusted to fair value.

The preceding table includes \$4 million CRE, and \$28 million residential first mortgage TDR's at September 30, 2016 and \$5 million CRE, \$11 million C&I, and \$33 million residential first mortgage TDR's at September 30, 2015.

The average balance of the total impaired loans and the related interest income recognized in the Consolidated Statements of Income and Comprehensive Income are as follows:

	Year ended September 30,		
	2016	2015	2014
	(in thousands)		
Average impaired loan balance:			
C&I loans	\$18,112	\$11,311	\$6,183
CRE loans	4,474	14,694	23,416
Residential mortgage loans:			
First mortgage loans	51,554	59,049	70,370
Home equity loans/lines	—	—	21
Total	\$74,140	\$85,054	\$99,990
Interest income recognized:			
Residential mortgage loans:			
First mortgage loans	\$1,413	\$1,426	\$1,592
Total	\$1,413	\$1,426	\$1,592

During the years ended September 30, 2016, 2015, and 2014, RJ Bank granted concessions to borrowers having financial difficulties, for which the resulting modification was deemed a TDR. These concessions granted for the respective first mortgage residential loans were interest rate reductions, amortization and maturity date extensions, capitalization of past due payments, or release of liability ordered under Chapter 7 bankruptcy not reaffirmed by the borrower. The concessions granted for the corporate loans were amortization and maturity date extensions.

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The table below presents the TDR's that occurred during the respective periods presented:

	Pre-modification Number of outstanding recorded contracts investment (\$ in thousands)	Post-modification outstanding recorded investment
Year ended September 30, 2016		
Residential – first mortgage loans <sup>1</sup>	\$ 236	\$ 236
Year ended September 30, 2015		
Residential – first mortgage loans <sup>6</sup>	1,117	1,196
Year ended September 30, 2014		
C&I loans	1 19,200	\$ 15,035
CRE loans	2 22,291	\$ 22,291
Residential – first mortgage loans <sup>14</sup>	\$ 3,599	\$ 3,892
Total	17 \$ 45,090	\$ 41,218

There were no TDR's for which there was a payment default and for which the respective loan was modified as a TDR during the years ended September 30, 2016 and 2015, respectively. During the year September 30, 2014, there were three residential first mortgage TDR's, respectively, with a recorded investment of \$900 thousand for which there was a payment default and for which the respective loan was modified as a TDR within the 12 months prior to the default. As of September 30, 2016 RJ Bank had no outstanding commitments on TDRs. As of September 30, 2015, RJ Bank had one outstanding commitment on a C&I TDR in the amount of \$600 thousand.

## Credit quality indicators

The credit quality of RJ Bank's loan portfolio is summarized monthly by management using the standard asset classification system utilized by bank regulators for the SBL and residential mortgage loan portfolios and internal risk ratings, which correspond to the same standard asset classifications for the corporate loan portfolios. These classifications are divided into three groups: Not Classified (Pass), Special Mention, and Classified or Adverse Rating (Substandard, Doubtful and Loss). These terms are defined as follows:

Pass – Loans which are well protected by the current net worth and paying capacity of the obligor (or guarantors, if any) or by the fair value, less costs to acquire and sell, of any underlying collateral in a timely manner.

Special Mention – Loans which have potential weaknesses that deserve management's close attention. These loans are not adversely classified and do not expose RJ Bank to sufficient risk to warrant an adverse classification.

Substandard – Loans which are inadequately protected by the current sound worth and paying capacity of the obligor or by the collateral pledged, if any. Loans with this classification are characterized by the distinct possibility that RJ Bank will sustain some loss if the deficiencies are not corrected.

Doubtful – Loans which have all the weaknesses inherent in loans classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full highly questionable and improbable on the basis of currently-known facts, conditions and values.



Loss – Loans which are considered by management to be uncollectible and of such little value that their continuance on 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.

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The credit quality of RJ Bank's held for investment loan portfolio is as follows:

	Pass	Special mention <sup>(1)</sup>	Substandard <sup>(1)</sup>	Doubtful <sup>(1)</sup>	Total
	(in thousands)				
September 30, 2016					
C&I	\$7,241,055	\$ 117,046	\$ 112,272	\$	—\$7,470,373
CRE construction	122,718	—	—	—	122,718
CRE	2,549,672	—	4,399	—	2,554,071
Tax-exempt	740,944	—	—	—	740,944
Residential mortgage					
First mortgage	2,355,393	11,349	54,127	—	2,420,869
Home equity	20,413	182	105	—	20,700
SBL	1,904,827	—	—	—	1,904,827
Total	\$ 14,935,022	\$ 128,577	\$ 170,903	\$	—\$15,234,502
September 30, 2015					
C&I	\$6,739,179	\$ 97,623	\$ 91,216	\$	—\$6,928,018
CRE construction	162,356	—	—	—	162,356
CRE	2,034,692	39	19,423	—	2,054,154
Tax-exempt	484,537	—	—	—	484,537
Residential mortgage					
First mortgage	1,868,044	14,890	58,860	—	1,941,794
Home equity	20,372	128	320	—	20,820
SBL	1,481,504	—	—	—	1,481,504
Total	\$ 12,790,684	\$ 112,680	\$ 169,819	\$	—\$13,073,183

(1) Loans classified as special mention, substandard or doubtful are all considered to be "criticized" loans.

The credit quality of RJ Bank's performing residential first mortgage loan portfolio is additionally assessed utilizing updated LTV ratios. Current LTVs are updated using the most recently available information (generally on a one-quarter lag) and are estimated based on the initial appraisal obtained at the time of origination, adjusted using relevant market indices for housing price changes that have occurred since origination. The value of the homes could vary from actual market values due to changes in the condition of the underlying property, variations in housing price changes within current valuation indices, and other factors.

The table below presents the most recently available update of the performing residential first mortgage loan portfolio summarized by current LTV. The amounts in the table represent the entire loan balance:

	Balance <sup>(1)</sup>
	(in thousands)
LTV range:	
LTV less than 50%	\$ 804,559
LTV greater than 50% but less than 80%	1,256,436
LTV greater than 80% but less than 100%	66,307
LTV greater than 100%, but less than 120%	11,106
LTV greater than 120%	858
Total	\$ 2,139,266

(1) Excludes loans that have full repurchase recourse for any delinquent loans.



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Allowance for loan losses and reserve for unfunded lending commitments

Changes in the allowance for loan losses of RJ Bank by portfolio segment are as follows:

	Loans held for investment						Total
	C&I	CRE construction	CRE	Tax-exempt	Residential mortgage	SBL	
	(in thousands)						
Year ended September 30, 2016							
Balance at beginning of year:	\$ 117,623	\$ 2,707	\$ 30,486	\$ 5,949	\$ 12,526	\$ 2,966	\$ 172,257
Provision (benefit) for loan losses	23,051	(1,023 )	5,997	(1,849 )	191	1,800	28,167
Net (charge-offs)/recoveries:							
Charge-offs	(2,956 )	—	—	—	(1,470 )	—	(4,426 )
Recoveries	—	—	—	—	1,417	—	1,417
Net charge-offs	(2,956 )	—	—	—	(53 )	—	(3,009 )
Foreign exchange translation adjustment	(17 )	(70 )	50	—	—	—	(37 )
Balance at September 30, 2016	\$ 137,701	\$ 1,614	\$ 36,533	\$ 4,100	\$ 12,664	\$ 4,766	\$ 197,378
Year ended September 30, 2015							
Balance at beginning of year:	\$ 103,179	\$ 1,594	\$ 25,022	\$ 1,380	\$ 14,350	\$ 2,049	\$ 147,574
Provision (benefit) for loan losses	16,091	1,176	2,205	4,569	(1,363 )	892	23,570
Net (charge-offs)/recoveries:							
Charge-offs	(1,191 )	—	—	—	(1,667 )	—	(2,858 )
Recoveries	611	—	3,773	—	1,206	25	5,615
Net (charge-offs)/recoveries	(580 )	—	3,773	—	(461 )	25	2,757
Foreign exchange translation adjustment	(1,067 )	(63 )	(514 )	—	—	—	(1,644 )
Balance at September 30, 2015	\$ 117,623	\$ 2,707	\$ 30,486	\$ 5,949	\$ 12,526	\$ 2,966	\$ 172,257
Year ended September 30, 2014							
Balance at beginning of year:	\$ 95,994	\$ 1,000	\$ 19,266	\$ —	\$ 19,126	\$ 1,115	\$ 136,501
Provision (benefit) for loan losses	9,560	625	5,860	1,380	(4,759 )	899	13,565
Net (charge-offs)/recoveries:							
Charge-offs	(1,845 )	—	(16 )	—	(2,015 )	—	(3,876 )
Recoveries	16	—	80	—	1,998	35	2,129
Net (charge-offs)/recoveries	(1,829 )	—	64	—	(17 )	35	(1,747 )
Foreign exchange translation adjustment	(546 )	(31 )	(168 )	—	—	—	(745 )
Balance at September 30, 2014	\$ 103,179	\$ 1,594	\$ 25,022	\$ 1,380	\$ 14,350	\$ 2,049	\$ 147,574

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The following table presents, by loan portfolio segment, RJ Bank's recorded investment and related allowance for loan losses:

	Loans held for investment			Recorded investment <sup>(1)</sup>		
	Allowance for loan losses		Total	Allowance for loan losses		Total
	Individually evaluated for impairment (in thousands)	Collectively devaluated for impairment		Individually evaluated for impairment	Collectively devaluated for impairment	
September 30, 2016						
C&I	\$ 13,351	\$ 124,350	\$ 137,701	\$ 35,194	\$ 7,435,179	\$ 7,470,373
CRE construction	—	1,614	1,614	—	122,718	122,718
CRE	—	36,533	36,533	4,230	2,549,841	2,554,071
Tax-exempt	—	4,100	4,100	—	740,944	740,944
Residential mortgage	3,156	9,508	12,664	56,735	2,384,834	2,441,569
SBL	—	4,766	4,766	—	1,904,827	1,904,827
Total	\$ 16,507	\$ 180,871	\$ 197,378	\$ 96,159	\$ 15,138,343	\$ 15,234,502
September 30, 2015						
C&I	\$ 1,132	116,491	\$ 117,623	\$ 10,599	\$ 6,917,419	\$ 6,928,018
CRE construction	—	2,707	2,707	—	162,356	162,356
CRE	—	30,486	30,486	4,796	2,049,358	2,054,154
Tax-exempt	—	5,949	5,949	—	484,537	484,537
Residential mortgage	4,046	8,480	12,526	62,706	1,899,908	1,962,614
SBL	—	2,966	2,966	—	1,481,504	1,481,504
Total	\$ 5,178	\$ 167,079	\$ 172,257	\$ 78,101	\$ 12,995,082	\$ 13,073,183

(1) Excludes any net unearned income and deferred expenses.

The reserve for unfunded lending commitments, included in trade and other payables on our Consolidated Statements of Financial Condition, was \$11 million and \$10 million at September 30, 2016 and 2015, respectively.

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## NOTE 10 - PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets include the following:

	September 30,	
	2016	2015
	(in thousands)	
Investments in company-owned life insurance <sup>(1)</sup>	\$417,137	\$320,523
Prepaid expenses	91,129	75,528
Direct investment in LIHTC project partnerships by RJ Bank <sup>(2)</sup>	55,129	33,267
Investment in FHLB stock	38,813	35,582
Indemnification asset <sup>(3)</sup>	35,325	143,144
Investment in FRB stock	24,706	24,450
Prepaid compensation arising from 3Macs acquisition <sup>(4)</sup>	24,285	—
Low-income housing tax credit fund financing asset <sup>(5)</sup>	20,543	24,452
Prepaid compensation associated with DBRSU awards <sup>(6)</sup>	15,170	—
OREO <sup>(7)</sup>	4,497	4,631
Other assets	50,490	32,162
Prepaid expenses and other assets	\$777,224	\$693,739

(1) As of September 30, 2016, we own life insurance policies with a cumulative face value of \$955.8 million.

(2) See the discussion of the accounting policies regarding these investments in the “direct investments in LIHTC project partnerships” section of Note 2.

(3) The indemnification asset pertains to legal matters for which Regions (as hereinafter defined in Note 21) has indemnified RJF in connection with our acquisition of Morgan Keegan (as hereinafter defined in Note 21). The liabilities related to such matters are included in trade and other payables on our Consolidated Statements of Financial Condition. See Note 21 for additional information.

(4) Asset arose from our acquisition of 3Macs. See the discussion of the circumstances giving rise to this asset in Note 3.

(5) In fiscal year 2010, we sold an investment in a low-income housing tax credit fund and we guaranteed the return on investment to one of the purchasers. As a result of selling this investment and providing a guaranteed return to its buyer, we are the primary beneficiary of the fund that was sold (see Note 11 for further information regarding the consolidation of this fund) and we accounted for this transaction as a financing. As a financing transaction, we continue to account for the asset transferred to the purchaser, and maintain a related liability corresponding to our obligations under the guarantee. As the benefits are delivered to the purchaser of the investment, this financing asset and the related liability decrease. A related financing liability in the amount of \$20.5 million and \$24.5 million is included in trade and other payables on our Consolidated Statements of Financial Condition as of September 30, 2016 and 2015, respectively. See Note 21 for further discussion of our obligations under the guarantee.

(6) See the discussion of the DBRSU awards in the “share-based compensation” section of Note 2, and additional information about such awards in Note 24.

(7) See the discussion of the accounting policies regarding OREO in the “nonperforming assets” section of Note 2.

NOTE 11 – 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 the “Evaluation of VIE’s to determine whether consolidation is required” section of Note 2 for a discussion of our principal involvement with the VIE’s and a summary of our accounting policies regarding our evaluations of VIE’s to determine whether we hold a variable interest and whether we are deemed to be the primary beneficiary of any VIE’s in which we hold an interest.

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VIEs where we are the primary beneficiary

Of the VIEs in which we hold an interest, we have determined that the EIF Funds, the Restricted Stock Trust Fund and certain LIHTC Funds require consolidation in our financial statements as we are deemed the primary beneficiary of those VIEs (see Note 2 for discussion of our accounting policies governing these determinations). The aggregate assets and liabilities of the VIEs we consolidate are provided in the table below.

	Aggregate assets <sup>(1)</sup>	Aggregate liabilities <sup>(1)</sup>
	(in thousands)	
September 30, 2016		
LIHTC Funds	\$ 107,511	\$ 26,604
Guaranteed LIHTC Fund <sup>(2)</sup>	63,415	2,556
Restricted Stock Trust Fund	9,949	9,949
EIF Funds	3,749	—
Total	\$ 184,624	\$ 39,109
September 30, 2015		
LIHTC Funds	\$ 143,111	\$ 41,125
Guaranteed LIHTC Fund <sup>(2)</sup>	71,231	2,263
Restricted Stock Trust Fund	6,405	6,405
EIF Funds	4,627	—
Total	\$ 225,374	\$ 49,793

(1) Aggregate assets and aggregate liabilities differ from the consolidated carrying value of assets and liabilities due to the elimination of intercompany assets and liabilities held by the consolidated VIE.

(2) In connection with one of the multi-investor tax credit funds in which RJTCF is the managing member, RJTCF has provided one investor member with a guaranteed return on their investment in the fund. See Note 10 for information regarding the financing asset associated with this fund, and see Note 21 for additional information regarding this commitment.

The following table presents information about the carrying value of the assets, liabilities and equity of the VIEs which we consolidate and which are included within our Consolidated Statements of Financial Condition. The noncontrolling interests presented in this table represent the portion of these net assets which are not ours.

	September 30, 2016      2015 (in thousands)	
Assets:		
Assets segregated pursuant to regulations and other segregated assets	\$ 7,547	\$ 8,525
Receivables, other	5,493	5,542
Investments in real estate partnerships held by consolidated variable interest entities	157,228	199,678
Trust fund investment in RJF common stock <sup>(1)</sup>	9,948	6,404
Prepaid expenses and other assets	3,711	4,297
Total assets	\$ 183,927	\$ 224,446
Liabilities and equity:		
Trade and other payables	\$ 13,231	\$ 12,424
Intercompany payables	9,918	6,400



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Loans payable of consolidated variable interest entities <sup>(2)</sup>	12,597	25,960
Total liabilities	35,746	44,784
RJF equity	6,094	6,121
Noncontrolling interests	142,087	173,541
Total equity	148,181	179,662
Total liabilities and equity	\$183,927	\$224,446

(1) Included in treasury stock in our Consolidated Statements of Financial Condition.

(2) Comprised of non-recourse loans. We are not contingently liable under any of these loans (see Note 16 for additional information).

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The following table presents information about the net loss of the VIEs which we consolidate, and is included within our Consolidated Statements of Income and Comprehensive Income. The noncontrolling interests presented in this table represent the portion of the net loss from these VIEs which is not ours.

	Year ended September 30,		
	2016	2015	2014
	(in thousands)		
Revenues:			
Interest	\$2	\$ 2	\$ 1
Other	46	(817 )	1,334
Total revenues	48	(815 )	1,335
Interest expense	(1,02)	(1,879)	(2,900)
Net revenues	(973 )	(2,694)	(1,565)
Non-interest expenses <sup>(1)</sup>	42,507	38,179	40,819
Net loss including noncontrolling interests	(43,48)	(40,873)	(42,384)
Net loss attributable to noncontrolling interests	(43,45)	(40,829)	(42,374)
Net loss attributable to RJF	\$(27)	\$ (44 )	\$ (10 )

<sup>(1)</sup> Primarily comprised of items reported in other expense on our Consolidated Statements of Income and Comprehensive Income.

## Low-income housing tax credit funds

As of September 30, 2016, RJTCF is the managing member or general partner in 106 separate low-income housing tax credit funds having one or more investor members or limited partners, 93 of which are determined to be VIEs and 13 of which are determined not to be VIEs. RJTCF has concluded that it is the primary beneficiary of six non-guaranteed LIHTC Fund VIEs and accordingly, consolidates these funds. In addition, RJTCF consolidates the one Guaranteed LIHTC Fund VIE it sponsors. See Note 21 for further discussion of the guarantee obligation as well as other RJTCF commitments. RJTCF also consolidates seven of the funds it determined not to be VIEs.

VIEs where we hold a variable interest but are not the primary beneficiary

## Low-income housing tax credit funds

RJTCF does not consolidate the LIHTC Fund VIEs that it determines it is not the primary beneficiary of. Our risk of loss is limited to our investments in, advances to, and receivables due from these funds.

## New market tax credit funds

One of our affiliates is the managing member of six NMTC Funds, and, as discussed in Note 2, this affiliate is not deemed to be the primary beneficiary of these NMTC Funds. These NMTC Funds are therefore not consolidated. Our risk of loss is limited to our receivables due from these funds.

## Other real estate limited partnerships and LLCs

We have a variable interest in several limited partnerships involved in various real estate activities in which a subsidiary is either the general partner or a limited partner. As discussed in Note 2, we have determined that we are not the primary beneficiary of these VIEs. Accordingly, we do not consolidate these partnerships or LLCs. The carrying value of our investment in these partnerships or LLCs represents our risk of loss.



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## 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 table below.

	September 30,			2015			
	2016	Aggregate assets	Aggregate liabilities	Our risk of loss	Aggregate assets	Aggregate liabilities	Our risk of loss
	(in thousands)						
LIHTC Funds	\$4,111,813	\$1,406,453	\$83,155	\$3,317,594	\$951,465	\$42,244	
NMTC Funds	65,338	68	12	65,388	40	12	
Other Real Estate Limited Partnerships and LLCs	22,897	23,522	140	29,523	37,062	163	
Total	\$4,200,048	\$1,430,043	\$83,307	\$3,412,505	\$988,567	\$42,419	

VIEs where we hold a variable interest but we are not required to consolidate

## Managed Funds

We have subsidiaries which serve as the general partner of these Managed Funds. As described in Note 2, we have determined that we are not required to consolidate these Managed Funds.

The aggregate assets, liabilities, and our exposure to loss from Managed Funds in which we hold a variable interest as of the dates indicated are provided in the table below:

	September 30,			2015			
	2016	Aggregate assets	Aggregate liabilities	Our risk of loss	Aggregate assets	Aggregate liabilities	Our risk of loss
	(in thousands)						
Managed Funds	\$99,483	\$ 74	\$ -	\$83,132	\$ 22	\$ 53	

## NOTE 12 - PROPERTY AND EQUIPMENT

	September 30,	
	2016	2015
	(in thousands)	
Land	\$24,150	\$20,104
Buildings, leasehold and land improvements	260,800	241,457
Furniture, fixtures, and equipment	200,947	179,952
Software	271,864	189,227
Construction in process	3,711	5,973
	761,472	636,713
Less: Accumulated depreciation and amortization	(440,015 )	(380,838 )
Total property and equipment, net	\$321,457	\$255,875

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## NOTE 13 - GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS

The following are our goodwill and net identifiable intangible asset balances as of the dates indicated:

	September 30,	
	2016	2015
	(in thousands)	
Goodwill	\$408,072	\$307,635
Identifiable intangible assets, net	96,370	69,327
Total goodwill and identifiable intangible assets, net	\$504,442	\$376,962

## Goodwill

The following summarizes our goodwill by segment, along with the balance and activity for the years indicated:

	Segment		Total
	Private client group	Capital markets	
	(in thousands)		
Goodwill at September 30, 2014	\$174,584	\$120,902	\$295,486
Additions	12,149 <sup>(1)</sup>	—	12,149
Goodwill at September 30, 2015	\$186,733	\$120,902	\$307,635
Additions	86,351 <sup>(2)</sup>	9,012 <sup>(3)</sup>	95,363
Foreign currency translation	2,437	2,637	5,074
Goodwill at September 30, 2016	\$275,521	\$132,551	\$408,072

(1) The addition in fiscal year 2015 is directly attributable to the acquisition of TPC (see Notes 1 and 3 for additional information).

(2) Of the total private client group segment additions in fiscal year 2016, \$81.7 million is attributable to our acquisition of Alex. Brown, and \$4.7 million is attributable to our acquisition of 3Macs. See Note 3 for additional information. The addition to goodwill associated with Alex. Brown is deductible for tax purposes over 15 years, the addition attributable to 3Macs is not deductible for tax purposes.

(3) The capital markets segment goodwill addition in fiscal year 2016 is directly attributable to our acquisition of Mummert. This goodwill is not deductible for tax purposes.

As described in Note 2, goodwill is subject to an evaluation of potential impairment on an annual basis, or more often if events or circumstances indicate there may be impairment.

We performed our annual goodwill impairment testing during the quarter ended March 31, 2016, evaluating the balances as of December 31, 2015. We assign goodwill to reporting units. Our reporting units include a Private Client Group reporting unit comprised of our RJ&A domestic retail brokerage operations and TPC (included in our Private Client Group segment), RJ&A Fixed Income (included in our Capital Markets segment) and RJ&A Equity Capital Markets (included in our Capital Markets segment). In addition, we have two RJ Ltd. reporting units (RJ Ltd. Private Client Group (included in our Private Client Group segment) and RJ Ltd. Capital Markets (included in our Capital Markets segment)), each associated with our Canadian operations, and we elected to perform a quantitative assessment for each of the Canadian reporting units.

## Qualitative Assessments

For each reporting unit that we performed qualitative assessments on, we determined whether it is more likely than not that the carrying value of the reporting unit, including the recorded goodwill, is in excess of the fair value of the reporting unit. In any instance in which we are unable to qualitatively conclude that it is more likely than not that the fair value of the reporting unit exceeds the reporting unit carrying value including goodwill, a quantitative analysis of the fair value of the reporting unit would be performed. Based upon the outcome of our qualitative assessments, we determined that no quantitative analysis of the fair value of any of the reporting units we elected to qualitatively analyze as of December 31, 2015 was required, and we concluded that none of the goodwill allocated to any of those reporting units as of December 31, 2015 was impaired. No events have occurred since December 31, 2015 that would cause us to update this impairment testing.

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## Quantitative Assessments

For our two RJ Ltd. reporting units, we elected not to perform a qualitative assessment but instead to perform quantitative assessments of the equity value of each RJ Ltd. reporting unit that includes an allocation of goodwill. In our determination of the reporting unit fair value of equity, we used a combination of the income approach and the market approach. Under the income approach, we used discounted cash flow models applied to each respective reporting unit. Under the market approach, we calculated an estimated fair value based on a combination of multiples of earnings of guideline companies in the brokerage and capital markets industry that are publicly traded on organized exchanges, and the book value of comparable transactions. The estimated fair value of the equity of the reporting unit resulting from each of these valuation approaches was dependent upon the estimates of future business unit revenues and costs, such estimates were subject to critical assumptions regarding the nature and health of financial markets in future years as well as the discount rate to apply to the projected future cash flows. In estimating future cash flows, a balance sheet as of the December 31, 2015 impairment test date and a statement of operations for the last twelve months of activity for each reporting unit 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 units estimated cost of equity which was derived through application of the capital asset pricing model. The valuation result from the market approach was dependent upon the selection of the comparable guideline companies and transactions and the earnings multiple applied to each respective reporting units' projected earnings. Finally, significant management judgment was applied in determining the weight assigned to the outcome of the market approach and the income approach, which resulted in one single estimate of the fair value of the equity of the reporting unit.

The following summarizes certain key assumptions utilized in our quantitative analysis as of December 31, 2015:

		Key assumptions			Weight assigned to the outcome of:	
Segment	Reporting unit	Goodwill as of the impairment testing date (in thousands)	Discount rate used in the income approach	Multiple applied to revenue/EPS in the market approach	Income approach	Market approach
Private client group:	RJ Ltd. Private Client Group	\$ 16,144	14%	1.2x/12.4x	75%	25%
Capital markets:	RJ Ltd. Capital Markets	16,893	15%	1.1x/14.4x	75%	25%
Total		\$ 33,037				

The assumptions and estimates utilized in determining the fair value of reporting unit equity are sensitive to changes, including, but not limited to, a decline in overall market conditions, adverse business trends and changes in the regulations.

Based upon the outcome of our quantitative assessments as of December 31, 2015, we concluded that none of the goodwill associated with our two RJ Ltd. reporting units was impaired.

No events have occurred since December 31, 2015 that would cause us to update this impairment testing.





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## 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:

	Segment Private client group (in thousands)	Capital markets	Asset management	RJ Bank	Total
Net identifiable intangible assets as of September 30, 2013	\$9,191	\$43,474	\$ 12,329	\$984	\$65,978
Additions	—	—	—	408	(1) 408
Amortization expense	(580 )	(5,499 )	(1,333 )	(199 )	(7,611 )
Net identifiable intangible assets as of September 30, 2014	\$8,611	\$37,975	\$ 10,996	\$1,193	\$58,775
Additions	10,290 (2)	—	7,974	(3) 574	(1) 18,838
Amortization expense	(719 )	(5,443 )	(1,833 )	(291 )	(8,286 )
Net identifiable intangible assets as of September 30, 2015	\$18,182	\$32,532	\$ 17,137	\$1,476	\$69,327
Additions	36,624 (4)	1,013 (5)	—	419	(1) 38,056
Amortization expense	(1,870 )	(5,619 )	(2,226 )	(412 )	(10,127 )
Foreign currency translation	—	11	(810 )	—	(799 )
Impairment losses	—	—	—	(87 )	(87 )
Net identifiable intangible assets as of September 30, 2016	\$52,936	\$27,937	\$ 14,101	\$1,396	\$96,370

(1) The additions are the result of mortgage servicing rights held by RJ Bank. The estimated useful life associated with these additions is approximately 10 years.

The fiscal year 2015 additions are directly attributable to the acquisition of identifiable intangible assets which (2) include customer relationships, a trade name, developed technology, and non-compete agreements, arising from our acquisition of TPC (see Note 3 for additional information).

The fiscal year 2015 additions are directly attributable to the acquisition of identifiable intangible assets which (3) include customer relationships, a trade name, intellectual property, and a non-compete agreement, arising from our acquisition of Cougar (see Note 3 for additional information).

The fiscal year 2016 additions are directly attributable to the acquisition of identifiable intangible assets which include customer relationships, trade names, seller relationship agreements, and non-compete agreements arising from our acquisitions of Alex. Brown and/or 3Macs (see Note 3 for additional information). The weighted-average (4) useful life associated with these intangible assets, by major asset class, are 15 years for the customer relationships, four years for the trade names, six years for the seller relationship agreements, and three years for the non-compete agreements. Altogether the aggregate weighted-average useful life associated with these additions is 12 years.

The fiscal year 2016 addition is directly attributable to the acquisition of identifiable intangible assets, primarily a (5) customer relationship intangible asset, arising from our acquisition of Mummert (see Note 3 for additional information). The weighted-average useful life associated with the addition is one year.



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Identifiable intangible assets by type are presented below:

	September 30, 2016		2015	
	Gross carrying value	Accumulated amortization	Gross carrying value	Accumulated amortization
	(in thousands)			
Customer relationships	\$99,470	\$ (22,895 )	\$75,217	\$ (17,759 )
Trade name	8,172	(499 )	4,278	(111 )
Developed technology	12,630	(10,280 )	12,630	(7,754 )
Intellectual property	516	(73 )	561	(23 )
Non-compete agreements	3,314	(612 )	1,018	(206 )
Seller relationship agreements	5,300	(69 )	—	—
Mortgage servicing rights	2,144	(748 )	2,067	(591 )
Total	\$131,546	\$ (35,176 )	\$95,771	\$ (26,444 )

Projected amortization expense by fiscal year associated with the identifiable intangible assets as of September 30, 2016 is as follows:

Fiscal year ended September 30,	(in thousands)
2017	\$ 12,947
2018	11,156
2019	10,675
2020	9,895
2021	9,104
Thereafter	42,593
	\$ 96,370

## NOTE 14 – BANK DEPOSITS

Bank deposits include Negotiable Order of Withdrawal (“NOW”) accounts, demand deposits, savings and money market accounts and certificates of deposit of RJ Bank. The following table presents a summary of bank deposits including the weighted-average rate:

	September 30, 2016		2015	
	Balance	Weighted-average rate <sup>(1)</sup>	Balance	Weighted-average rate <sup>(1)</sup>
	(\$ in thousands)			
Bank deposits:				
NOW accounts	\$4,958	0.01 %	\$4,752	0.01 %
Demand deposits (non-interest-bearing)	7,264	—	9,295	—
Savings and money market accounts	13,935,089	0.05 %	11,550,917	0.02 %
Certificates of deposit	315,236	1.55 %	354,917	1.64 %
Total bank deposits <sup>(2)</sup>	\$14,262,547	0.08 %	\$11,919,881	0.07 %

(1) Weighted-average rate calculation is based on the actual deposit balances at September 30, 2016 and 2015, respectively.

(2)

Bank deposits exclude affiliate deposits of approximately \$353 million and \$458 million at September 30, 2016 and 2015, respectively. These affiliate deposits include \$350 million and \$451 million, held in a deposit account on behalf of RJF as of September 30, 2016 and 2015, respectively (see Note 29 for additional information).

RJ Bank's savings and money market accounts in the table above consist primarily of deposits that are cash balances swept from the investment accounts maintained at RJ&A. These balances are held in Federal Deposit Insurance Corporation ("FDIC") insured bank accounts through the Raymond James Bank Deposit Program ("RJBDP") administered by RJ&A. The aggregate amount of time deposit account balances that exceed the FDIC insurance limit at September 30, 2016 is \$21.9 million.

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Scheduled maturities of certificates of deposit are as follows:

	September 30, 2016		2015	
	Denominations greater than or equal to \$100,000 (in thousands)	Denominations less than \$100,000	Denominations greater than or equal to \$100,000	Denominations less than \$100,000
Three months or less	\$ 14,252	\$ 12,663	\$ 6,206	\$ 7,610
Over three through six months	14,191	9,750	11,731	7,304
Over six through twelve months	15,452	12,321	18,341	14,807
Over one through two years	32,816	11,060	43,133	33,163
Over two through three years	43,730	22,148	33,556	10,825
Over three through four years	58,425	28,863	51,140	23,616
Over four through five years	26,173	13,392	63,351	30,134
Total	\$205,039	\$ 110,197	\$227,458	\$ 127,459

Interest expense on deposits is summarized as follows:

	Year ended September 30,		
	2016	2015	2014
	(in thousands)		
Certificates of deposit	\$5,402	\$5,839	\$6,126
Money market, savings and NOW accounts <sup>(1)</sup>	4,816	2,543	1,833
Total interest expense on deposits	\$10,218	\$8,382	\$7,959

<sup>(1)</sup> The balances for the year ended September 30, 2016 are presented net of interest expense associated with affiliate deposits.

## NOTE 15 – OTHER BORROWINGS

The following table details the components of other borrowings:

	September 30,	
	2016	2015
	(in thousands)	
Other borrowings:		
FHLB advances	\$575,000 <sup>(1)</sup>	\$550,000 <sup>(2)</sup>
Mortgage notes payable <sup>(3)</sup>	33,391	37,716
Borrowings on secured lines of credit <sup>(4)</sup>	—	115,000
Borrowings on ClariVest revolving credit facility <sup>(5)</sup>	267	349
Borrowings on unsecured lines of credit <sup>(6) (7)</sup>	—	—
Total other borrowings	\$608,658	\$703,065

<sup>(1)</sup> Borrowings from the FHLB as of September 30, 2016 are comprised of three advances. The FHLB advances in the amount of \$250 million, and \$300 million, mature in September 2018 and have interest rates which reset quarterly. We use interest rate swaps to manage the risk of increases in interest rates associated with these floating-rate advances by converting all of these balances subject to variable interest rates to a fixed interest rate. Refer to Note

18 for information regarding these interest rate swaps which are accounted for as hedging instruments. The other FHLB advance, in the amount of \$25 million, matures in October, 2020 and bears interest at a fixed rate of 3.4%. All of the FHLB advances are secured by a blanket lien granted to the FHLB on RJ Bank's residential mortgage loan portfolio. The weighted average interest rate on these advances as of September 30, 2016 is 1.01%.

Borrowings from the FHLB at September 30, 2015 are comprised of two floating-rate advances, one in the amount (2) of \$250 million and the other in the amount of \$300 million. Both of these advances were restructured during fiscal year 2016 in order to extend their maturity date.

See the following page for the continuation of the explanations to the footnotes in the above table.

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Continuation of the footnote explanations pertaining to the table on the previous page.

(3) Mortgage notes payable pertain to mortgage loans on our corporate headquarters offices located in St. Petersburg, Florida. These mortgage loans are secured by land, buildings, and improvements with a net book value of \$44.7 million at September 30, 2016. These mortgage loans bear interest at 5.7% with repayment terms of monthly interest and principal debt service and have a January 2023 maturity.

(4) Borrowings on secured lines of credit are day-to-day and are generally utilized to finance certain fixed income securities.

(5) ClariVest Asset Management, LLC (“ClariVest”), a subsidiary of Eagle, is a party to a revolving line of credit provided by a third party lender (the “ClariVest Facility”). The maximum amount available to borrow under the ClariVest Facility is \$500 thousand, bearing interest at a variable rate which is 1% over the lenders prime rate. The ClariVest Facility expires in September 2018.

(6) In August 2015, RJF entered into a revolving credit facility agreement in which the lenders are a number of financial institutions (the “RJF Credit Facility”). This committed unsecured borrowing facility provides for maximum borrowings of up to \$300 million, at variable rates of interest, with a facility maturity date in August 2020. There are no borrowings outstanding on the RJF Credit Facility as of either September 30, 2016 or 2015. The interest rate associated with the RJF Credit Facility is a variable rate that, among other factors, varies depending upon RJF’s credit rating. Based upon RJF’s credit rating as of September 30, 2016, the variable borrowing rate is 1.75% per annum over LIBOR. There is a variable rate commitment fee associated with the RJF Credit Facility, such fee varying depending upon RJF’s credit rating. Based upon RJF’s credit rating as of September 30, 2016, the variable rate commitment fee which applies to any difference between the daily borrowed amount and the committed amount, is 0.25% per annum.

(7) Borrowings on unsecured lines of credit, with the exception of the RJF Credit Facility, are day-to-day and are generally utilized for cash management purposes.

The interest rates for all of our U.S. and Canadian secured and unsecured financing facilities are variable and are based on the Fed Funds rate, LIBOR, a lenders prime rate, or the Canadian prime rate, as applicable. For the fiscal year ended September 30, 2016, interest rates on the U.S. facilities that were utilized during the year, other than the ClariVest Facility and the RJF Credit Facility which are each previously described, ranged from 0.18% to 2.85% (on a 360 days per year basis). The interest rate on the ClariVest Facility during the fiscal year ended September 30, 2016 was 4.45% (on a 360 days per year basis). The interest rate on the Canadian facility which was utilized from time-to-time throughout fiscal year 2016 was 1.95% (on a 360 days per year basis).

Our other borrowings as of September 30, 2016, mature as follows based on their contractual terms:

Fiscal year ended September 30,	(in thousands)
2017	\$ 4,578
2018	555,113
2019	5,130
2020	5,430
2021	30,748
Thereafter	7,659
Total	\$ 608,658

There were other collateralized financings outstanding in the amount of \$193 million and \$333 million as of September 30, 2016 and 2015, respectively. These other collateralized financings are included in securities sold under agreements to repurchase on the Consolidated Statements of Financial Condition. These financings are collateralized by non-customer, RJ&A-owned securities. See Note 19 for additional information regarding offsetting asset and liability balances as well as additional information regarding the collateral.

**NOTE 16 - LOANS PAYABLE OF CONSOLIDATED VARIABLE INTEREST ENTITIES**

Two of the VIEs that we consolidate have borrowings which are comprised of non-recourse loans. These loans have imputed interest rates of 5.17% and 6.38%. Payments on these loans are made semi-annually by the borrowing VIE directly to the third party lender. These loans mature on January 2, 2018 and January 2, 2019. We are not contingently obligated under either of these loans. See Note 11 for additional information regarding the entities determined to be VIEs, and which of those entities we consolidate.



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VIEs' loans payable are presented below:

	September 30,	
	2016	2015
	(in thousands)	
Current portion of loans payable	\$8,306	\$13,363
Long-term portion of loans payable	4,291	12,597
Total loans payable	\$12,597	\$25,960

The principal amount of the VIEs' borrowings as of September 30, 2016, mature as follows based on their contractual terms:

Fiscal year ended September 30,	(in thousands)
2017	\$ 8,306
2018	3,613
2019	678
Total	\$ 12,597

## NOTE 17 – SENIOR NOTES PAYABLE

The following summarizes our senior notes payable:

	September 30,	
	2016	2015
	(in thousands)	
4.25% senior notes, due 2016 <sup>(1)</sup>	\$—	\$250,000
8.60% senior notes, due 2019 <sup>(2)</sup>	300,000	300,000
5.625% senior notes, due 2024 <sup>(3)</sup>	250,000	250,000
3.625% senior notes, due 2026 <sup>(4)</sup>	500,000	—
6.90% senior notes, due 2042 <sup>(5)</sup>	350,000	350,000
4.95% senior notes, due 2046 <sup>(6)</sup>	300,000	—
	1,700,000	1,150,000
Unaccreted discount	(1,601 )	(778 )
Debt issuance costs	(17,812 )	(11,652 )
Total senior notes payable	\$1,680,587	\$1,137,570

(1) In April 2011, we sold in a registered underwritten public offering, \$250 million in aggregate principal amount of 4.25% senior notes. The notes matured and were repaid in April 2016.

In August 2009, we sold in a registered underwritten public offering, \$300 million in aggregate principal amount of 8.60% senior notes due August 2019. 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 (2)(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.

(3) 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 (4)(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.

See the following page for the continuation of the explanations to the footnotes in the above table.

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Continuation of the footnote explanations pertaining to the table on the previous page.

In March 2012, we sold in a registered underwritten public offering, \$350 million in aggregate principal amount of 6.90% senior notes due March 2042. Interest on these senior notes is payable quarterly in arrears. On or after (5) March 15, 2017, we may redeem some or all of the senior notes at any time at the redemption price equal to 100% of the principal amount of the notes being redeemed plus accrued 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. 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% (6) of the principal amount of the notes redeemed, or (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon, discounted to the redemption date at a discount rate equal to a designated U.S. Treasury rate, plus 45 basis points, plus accrued and unpaid interest thereon to the redemption date.

Our senior notes payable outstanding as of September 30, 2016, mature as follows based on their contractual terms:

Fiscal year ended September 30,	(in thousands)
2017	\$—
2018	—
2019	300,000
2020	—
2021	—
Thereafter	1,400,000
Total	\$ 1,700,000

## NOTE 18 – DERIVATIVE FINANCIAL INSTRUMENTS

The significant accounting policies governing our derivative financial instruments, including our methodologies for determining fair value, are described in Note 2.

## Derivatives arising from our fixed income business operations

We enter into derivatives contracts as part of our fixed income operations in either over-the-counter market activities, or through “matched book” activities. Each of these activities are described further below.

In our over-the-counter market activities, we enter into interest rate swaps and futures contracts either as part of our fixed income business to facilitate client transactions, to hedge a portion of our trading inventory, or to a limited extent for our own account. The majority of these derivative positions are executed in the over-the-counter market either directly with financial institutions or trades cleared through an exchange (together referred to as the “OTC Derivatives Operations”). Cash flows related to the interest rate contracts arising from the OTC Derivative Operations, are included as operating activities (the “trading instruments, net” line) on the Consolidated Statements of Cash Flows.

In our “matched book” activities, RJFP enters into derivative transactions (primarily interest rate swaps) with clients. For every derivative transaction RJFP enters into with a customer, RJFP enters into an offsetting transaction, on terms that mirror the customer transaction, with a credit support provider which is a third party financial institution. Due to this “pass-through” transaction structure, RJFP has completely mitigated the market and credit risk related to these derivative contracts. Therefore, the ultimate credit and market risk resides with the third party financial institution.

RJFP only has credit risk related to its uncollected derivative transaction fee revenues. In these activities, we do not use derivative instruments for trading or hedging purposes. As a result of the structure of these transactions, we refer to the derivative contracts we enter into as a result of these operations as our offsetting “matched book” derivative operations (the “Offsetting Matched Book Derivatives Operations”).

Any collateral required to be exchanged under the contracts arising from the Offsetting Matched Book Derivatives Operations is administered directly by the client and the third party financial institution. RJFP does not hold any collateral, or administer any collateral transactions, related to these instruments. We record the value of each derivative position arising from the Offsetting Matched Book Derivatives Operations at fair value, as either an asset or offsetting liability, presented as “derivative instruments associated with offsetting matched book positions,” as applicable, on our Consolidated Statements of Financial Condition.

The receivable for uncollected derivative transaction fee revenues of RJFP is \$7 million at both September 30, 2016 and 2015, and is included in other receivables on our Consolidated Statements of Financial Condition.

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None of the derivatives described above arising from either our OTC Derivatives Operations or our Offsetting Matched Book Derivatives Operations are designated as fair value or cash flow hedges.

Derivatives arising from RJ Bank's business operations

We enter into derivatives contracts as part of RJ Bank's business operations through its hedging activities, which include forward foreign exchange contracts and interest rate swaps. Each of these activities is described in the "derivative contracts" section of Note 2. Each of these activities is described further below.

A Canadian subsidiary of RJ Bank conducts operations directly related to RJ Bank's Canadian dollar-denominated corporate loan portfolio. U.S. subsidiaries of RJ Bank utilize forward foreign exchange contracts to hedge RJ Bank's foreign currency exposure due to its non-U.S. dollar net investment. Cash flows related to these derivative contracts are classified within operating activities in the Consolidated Statements of Cash Flows.

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. Through the RJ Bank Interest Hedges, RJ Bank swaps variable interest payments on certain debt for fixed interest payments as a strategy to mitigate a portion of the market risk associated with certain fixed interest earning assets held by RJ Bank.

See Note 22 for additional information on the impact of these hedging activities on our Other Comprehensive (Loss) Income.

Description of the collateral we hold related to derivative contracts

Where permitted, we elect to net-by-counterparty certain derivative contracts entered into in our OTC Derivatives Operations. Certain of these contracts contain a legally enforceable master netting arrangement that allows for netting of all derivative transactions with each counterparty and, therefore, the fair value of those derivative contracts are netted by counterparty in the Consolidated Statements of Financial Condition. The credit support annex related to the interest rate swaps and certain forward foreign exchange contracts allows parties to the master 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. As we elect to net-by-counterparty the fair value of derivative contracts arising from our OTC Derivatives Operations, we also net-by-counterparty any cash collateral exchanged as part of those derivative agreements. Refer to Note 19 for additional information regarding offsetting asset and liability balances.

This cash collateral is recorded net-by-counterparty at the related fair value. The cash collateral included in the net fair value of all open derivative asset positions arising from our OTC Derivatives Operations aggregates to a net asset of \$33 million as of September 30, 2016, and a net liability of \$44 million as of September 30, 2015. The cash collateral included in the net fair value of all open derivative liability positions from our OTC Derivatives Operations aggregates to a net asset of \$3 million and \$26 million at September 30, 2016 and 2015, respectively. Our maximum loss exposure under the interest rate swap contracts arising from our OTC Derivatives Operations at September 30, 2016 is \$38 million.

RJ Bank provides to counterparties for the benefit of its U.S. subsidiaries, a guarantee of payment in the event of the subsidiaries' default under forward foreign exchange contracts. Due to this RJ Bank guarantee and the short-term nature of these derivatives, RJ Bank's U.S. subsidiaries are not required to post collateral and do not receive collateral with respect to certain derivative contracts with the respective counterparties. As of September 30, 2016, all of RJ Bank's forward foreign exchange contracts are assets, therefore we consider there to be no significant exposure to loss

under these contracts.

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Derivative balances included in our financial statements

See the table below for the notional and fair value amounts of both the asset and liability derivatives.

Asset derivatives				September 30, 2015	
September 30, 2016					
Balance sheet location	Notional amount	Fair value <sup>(1)</sup>	Balance sheet location	Notional amount	Fair value <sup>(1)</sup>
(in thousands)					
Derivatives designated as hedging instruments:					
Forward foreign exchange contracts <sup>(2)</sup>	Prepaid expenses and other assets	\$988,200	<sup>(3)</sup> \$1,396	Prepaid expenses and other assets	\$752,600 <sup>(3)</sup> \$613
Derivatives not designated as hedging instruments:					
Interest rate contracts <sup>(4)</sup>	Trading instruments	\$2,036,233	\$153,482	Trading instruments	\$2,473,946 \$130,095
Interest rate contracts <sup>(4)</sup>	Trading instruments	\$121,715	<sup>(3)</sup> \$9,760	Trading instruments	\$74,873 <sup>(3)</sup> \$2,612
Interest rate contracts <sup>(5)</sup>	Derivative instruments associated with offsetting matched book positions	\$1,469,295	\$422,196	Derivative instruments associated with offsetting matched book positions	\$1,649,863 \$389,457
Forward foreign exchange contracts <sup>(2)</sup>	Prepaid expenses and other assets	\$411,300	<sup>(3)</sup> \$620	Prepaid expenses and other assets	\$214,300 <sup>(3)</sup> \$304
Liability derivatives					
Derivatives designated as hedging instruments:					
Interest rate contracts <sup>(6)</sup>	Trade and other payables	\$550,000	\$26,671	Trade and other payables	\$300,000 \$7,545
Derivatives not designated as hedging instruments:					
Interest rate contracts <sup>(4)</sup>	Trading instruments sold	\$1,997,100	\$145,296	Trading instruments sold	\$1,906,766 \$104,255
Interest rate contracts <sup>(4)</sup>	Trading instruments sold	\$133,108	<sup>(3)</sup> \$6,398	Trading instruments sold	\$136,710 <sup>(3)</sup> \$4,865
Interest rate contracts <sup>(5)</sup>	Derivative instruments associated with offsetting matched book positions	\$1,469,295	\$422,196	Derivative instruments associated with offsetting matched book positions	\$1,649,863 \$389,457
DBRSUs <sup>(7)</sup>	Accrued compensation, commissions and benefits	\$17,769	<sup>(8)</sup> \$17,769 <sup>(9)</sup> —		\$— \$—

The fair value in this table is presented on a gross basis before netting of cash collateral and before any netting by counterparty according to our legally enforceable master netting arrangements. The fair value in the Consolidated (1) Statements of Financial Condition is presented net. See Note 19 for additional information regarding offsetting asset and liability balances.

- (2) These contracts are associated with RJ Bank's activities to hedge its foreign currency exposure.
- (3) The notional amount presented is denominated in Canadian currency.
- (4) These contracts arise from our OTC Derivatives Operations.
- (5) These contracts arise from our Offsetting Matched Book Derivatives Operations.
- (6) These contracts are associated with our RJ Bank Interest Hedges activities.
- (7) This derivative liability arose from our acquisition of Alex. Brown. See the discussion of the circumstances giving rise to this liability in Note 3.
- (8) The notional amount for the DBRSU derivative is the number of DBRSU awards to be settled in DB shares, times the DB share price as of September 30, 2016.
- (9) The fair value of the DBRSU derivative includes both the pre-combination and the post-combination share obligation.



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(Losses) gains recognized in AOCI, net of income taxes, on derivatives are as follows (see Note 22 for additional information):

	Year ended September 30,		
	2016	2015	2014
	(in thousands)		
Forward foreign exchange contracts	\$(6,721 )	\$60,331	\$29,376
RJ Bank Interest Hedges	(11,833 )	(4,650 )	—
Total (losses) gains recognized in AOCI, net of taxes	\$(18,554)	\$55,681	\$29,376

There was no hedge ineffectiveness and no components of derivative gains or losses were excluded from the assessment of hedge effectiveness for any of the years ended September 30, 2016, 2015 or 2014. We expect to reclassify an estimated \$5.8 million as additional 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 10 years.

The table below sets forth the impact of the derivatives not designated as hedging instruments on the Consolidated Statements of Income and Comprehensive Income:

	Location of the impact recognized on derivatives included in the Consolidated Statements of Income and Comprehensive Income	Amount recognized during the year ended September 30,		
		2016	2015	2014
		(in thousands)		
Derivatives not designated as hedging instruments:				
Interest rate contracts <sup>(1)</sup>	Net trading profit	\$2,819	\$3,107	\$1,554
Interest rate contracts <sup>(2)</sup>	Other revenues	\$92	\$901	\$712
Forward foreign exchange contracts <sup>(3)</sup>	Other (loss) revenues	\$(2,662)	\$20,459	\$5,694
DBRSUs <sup>(4)</sup>	Compensation, commissions and benefits (gain)	\$(2,457)	\$—	\$—

(1) These contracts arise from our OTC Derivatives Operations.

(2) These contracts arise from our Offsetting Matched Book Derivatives Operations.

(3) These contracts are associated with RJ Bank's activities to hedge its foreign currency exposure.

The derivative arose from our acquisition of Alex. Brown, see the discussion of the circumstances giving rise to this derivative in Note 3. The impact of the change in value of the derivative in the current period is a gain, as the DB share price decreased. We also hold 900,000 shares of DB as of September 30, 2016 as an economic hedge against this obligation. The change in value of such DB shares since the AB Closing Date is recorded as a component of compensation, commissions and benefits expense on our Consolidated Statements of Income and Comprehensive Income, and partially offset a portion of this gain.

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Risks associated with, and our risk mitigation related to, our derivative contracts

We are exposed to credit losses in the event of nonperformance by the counterparties to forward foreign exchange derivative agreements, futures contracts, and the interest rate contracts associated with our OTC Derivatives Operations that are not cleared through an exchange. 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. Currently, we anticipate that all of the counterparties will be able to fully satisfy their obligations under those agreements. For our OTC Derivatives Operations that are not cleared through an exchange, we may require 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. We are required to maintain cash or marketable security deposits with the exchange we utilize to clear our OTC Derivatives transactions that are cleared through such exchanges. These deposits are a component of deposits with clearing organizations on our Consolidated Statements of Financial Condition.

We are exposed to interest rate risk related to the interest rate derivative agreements arising from certain of our OTC Derivatives Operations and RJ Bank Interest Hedges. We are also exposed to foreign exchange risk related to our futures contracts and forward foreign exchange derivative agreements. We monitor exposure in our derivative agreements which we have risk daily 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. These exposures are monitored both on a total portfolio basis and separately for each agreement for selected maturity periods.

Certain of the derivative instruments arising from our OTC Derivatives Operations and from RJ Bank's forward foreign exchange 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 are in a liability position at September 30, 2016 is \$3 million, for which we have posted collateral of \$2 million in the ordinary course of business. If the credit-risk-related contingent features underlying these agreements were triggered on September 30, 2016, we would have been required to post an additional \$1 million of collateral to our counterparties.

Our only exposure to credit risk in the Offsetting Matched Book Derivatives Operations is related to our uncollected derivative transaction fee revenues. We are not exposed to market risk as it relates to these derivative contracts due to the "pass-through" transaction structure previously described.

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## NOTE 19 – DISCLOSURE OF OFFSETTING ASSETS AND LIABILITIES, COLLATERAL, ENCUMBERED ASSETS AND REPURCHASE AGREEMENTS

## Offsetting assets and liabilities

The following table presents information about the financial and derivative instruments that are offset or subject to an enforceable master netting arrangement or other similar agreement as of the dates indicated:

	Gross amounts not offset in the Statements of Financial Condition		Gross amounts not offset in the Statements of Financial Condition		Gross amounts not offset in the Statements of Financial Condition	
	Gross amounts of recognized assets (liabilities) (in thousands)	Gross amounts offset in the Statements of Financial Condition	Net amounts presented in the Statements of Financial Condition	Financial instruments	Cash (received)paid	Net amount
As of September 30, 2016:						
Assets						
Securities purchased under agreements to resell and other collateralized financings	\$470,222	\$—	\$470,222	\$(470,222 ) <sup>(1)</sup>	\$ —	\$—
Derivatives - interest rate contracts <sup>(2)</sup>	153,482	(107,539 )	45,943	(29,028 )	—	16,915
Derivatives - interest rate contracts <sup>(3)</sup>	9,760	—	9,760	—	—	9,760
Derivatives - forward foreign exchange contracts <sup>(5)</sup>	2,016	—	2,016	—	—	2,016
Derivative instruments associated with offsetting matched book positions	422,196	—	422,196	(422,196 ) <sup>(4)</sup>	—	—
Stock borrowed	170,860	—	170,860	(167,169 )	—	3,691
Total assets	\$1,228,536	\$(107,539)	\$1,120,997	\$(1,088,615)	\$ —	\$32,382
Liabilities						
Securities sold under agreements to repurchase	\$(193,229 )	\$—	\$(193,229 )	\$193,229	<sup>(6)</sup> \$ —	\$—
Derivatives - interest rate contracts <sup>(2)</sup>	(145,296 )	142,859	(2,437 )	2,437	<sup>(7)</sup> —	—
Derivatives - interest rate contracts <sup>(3)</sup>	(6,398 )	—	(6,398 )	—	—	(6,398 )
Derivatives - RJ Bank Interest Hedges	(26,671 )	—	(26,671 )	—	26,671	<sup>(8)</sup> —
DBRSUs <sup>(9)</sup>	(17,769 )	—	(17,769 )	—	—	(17,769 )
Derivative instruments associated with offsetting matched book positions	(422,196 )	—	(422,196 )	422,196	<sup>(4)</sup> —	—
Stock loaned	(677,761 )	—	(677,761 )	664,870	—	(12,891 )

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Total liabilities	\$ (1,489,320)	\$ 142,859	\$ (1,346,461)	\$ 1,282,732	\$ 26,671	\$ (37,058)
As of September 30, 2015:						
Assets						
Securities purchased under agreements to resell and other collateralized financings	\$ 474,144	\$ —	\$ 474,144	\$ (474,144 ) <sup>(1)</sup>	\$ —	\$ —
Derivatives - interest rate contracts <sup>(2)</sup>	130,095	(90,621 )	39,474	(12,609 )	—	26,865
Derivatives - forward foreign exchange contracts <sup>(5)</sup>	917	—	917	—	—	917
Derivatives - interest rate contracts <sup>(3)</sup>	2,612	—	2,612	—	—	2,612
Derivative instruments associated with offsetting matched book positions	389,457	—	389,457	(389,457 ) <sup>(4)</sup>	—	—
Stock borrowed	124,373	—	124,373	(120,957 )	—	3,416
Total assets	\$ 1,121,598	\$ (90,621 )	\$ 1,030,977	\$ (997,167 )	\$ —	\$ 33,810
Liabilities						
Securities sold under agreements to repurchase	\$ (332,536 )	\$ —	\$ (332,536 )	\$ 332,536	<sup>(6)</sup> \$ —	\$ —
Derivatives - interest rate contracts <sup>(2)</sup>	(104,255 )	88,881	(15,374 )	3,528	<sup>(7)</sup> 7,399	<sup>(7)</sup> (4,447 )
Derivatives - interest rate contracts <sup>(3)</sup>	(4,865 )	—	(4,865 )	—	—	(4,865 )
Derivatives - RJ Bank Interest Hedges	(7,545 )	—	(7,545 )	—	7,545	<sup>(8)</sup> —
Derivative instruments associated with offsetting matched book positions	(389,457 )	—	(389,457 )	389,457	<sup>(4)</sup> —	—
Stock loaned	(478,573 )	—	(478,573 )	472,379	—	(6,194 )
Total liabilities	\$ (1,317,231)	\$ 88,881	\$ (1,228,350)	\$ 1,197,900	\$ 14,944	\$ (15,506)

The text of the footnotes in the above table are on the following page.

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The text of the footnotes to the table on the previous page are as follows:

We are over-collateralized since the actual amount of financial instruments pledged as collateral for securities  
(1) purchased under agreements to resell and other collateralized financings amounts to \$486 million and \$499 million as of September 30, 2016 and 2015, respectively.

Derivatives - interest rate contracts are included in trading instruments on our Consolidated Statements of Financial  
(2) Condition. See Note 18 for additional information.

Derivatives - interest rate contracts (in which the notional amount is denominated in Canadian currency) are  
(3) included in trading instruments on our Consolidated Statements of Financial Condition. See Note 18 for additional information.

Although these derivative arrangements do not meet the definition of a master netting arrangement as specified by  
GAAP, the nature of the agreement with the third party intermediary include terms that are similar to a master  
(4) netting agreement, thus we present the offsetting amounts net in this table. See Note 18 for further discussion of the “pass through” structure of the derivative instruments associated with Offsetting Matched Book Derivatives Operations.

These contracts are associated with RJ Bank’s activities to hedge its foreign currency exposure. As of both  
September 30, 2016 and 2015, the fair value of the forward foreign exchange contract derivatives are in an  
(5) asset position and are included in prepaid expenses and other assets on our Consolidated Statements of Financial Condition. See Note 18 for additional information.

We are over-collateralized since the actual amount of financial instruments pledged as collateral for securities sold  
(6) under agreements to repurchase amounts to \$200 million and \$346 million as of September 30, 2016 and 2015, respectively.

For the portion of these derivative contracts that are transacted through an exchange, the nature of the agreement  
with the clearing member exchange include terms that are similar to a master netting agreement, thus we are  
(7) over-collateralized as of September 30, 2016 and 2015 since the actual amount of cash and securities deposited with the exchange for these derivative contracts is \$8 million and \$18 million, respectively. These deposits are a component of deposits with clearing organizations on our Consolidated Statements of Financial Condition. See Note 18 for additional information.

Derivatives - RJ Bank Interest Hedges are included in trade and other payables on our Consolidated Statements of  
Financial Condition. See Note 18 for additional information. The RJ Bank Interest Hedges are transacted through  
an exchange. The nature of the agreement with the clearing member exchange includes terms that are similar to a  
(8) master netting agreement. We are over-collateralized since the actual amount of cash and securities deposited with the exchange for these derivative contracts is \$42 million and \$15 million as of September 30, 2016, and 2015, respectively. These deposits are included in deposits with clearing organizations on our Consolidated Statements of Financial Condition.

This derivative liability arose from our acquisition of Alex. Brown. See the discussion of the circumstances giving  
rise to this liability in Note 3. As of September 30, 2016, we hold 900,000 DB shares with a fair value of \$12  
(9) million as an economic hedge against the DBRSUs obligation. See additional discussion of the DBRSUs in Note 24.

For financial statement purposes, we do not offset our repurchase agreements or securities borrowing, securities lending transactions and certain of our derivative instruments including those transacted through an exchange, because the conditions for netting as specified by GAAP are not met. Our repurchase agreements, securities borrowing and securities lending transactions, and certain of our derivative instruments transacted through an exchange, 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 two parties to the transaction. Although not offset on the Consolidated Statements of Financial Condition, these transactions are included in the preceding table.

#### Collateral and deposits with clearing organizations

We receive cash and securities as collateral, primarily in connection with Reverse Repurchase Agreements, securities borrowed, derivative transactions not transacted through an exchange, and client margin loans arising from our domestic operations (see Note 8 for additional information). The cash collateral we receive is primarily associated with our OTC Derivative Operations (see Note 18 for additional information). The collateral we receive reduces our credit exposure to individual counterparties.

We also pay cash to the exchange, or receive cash from the exchange, related to derivative contracts transacted through an exchange. We account for such cash as a component of deposits with clearing organizations on our Consolidated Statements of Financial Condition.

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In many cases, we are permitted to deliver or repledge financial instruments we have received as collateral, for our own use in our repurchase agreements, securities lending agreements, other secured borrowings, satisfaction of deposit requirements with clearing organizations, or otherwise meeting either our, or our clients, settlement requirements.

The table below presents financial instruments at fair value, that we received as collateral, are 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 used to deliver or repledge, to satisfy one of our purposes described above:

	September 30,	
	2016	2015
	(in thousands)	
Collateral we received that is available to be delivered or repledged	\$2,925,335	\$2,308,277
Collateral that we delivered or repledged	\$1,536,393 <sup>(1)</sup>	\$1,122,540 <sup>(2)</sup>

The collateral delivered or repledged as of September 30, 2016, includes client margin securities which we pledged (1) with a clearing organization in the amount of \$389 million which were applied against our requirement of \$203 million.

The collateral delivered or repledged as of September 30, 2015, includes client margin securities which we pledged (2) with a clearing organization in the amount of \$241 million which were applied against our requirement of \$148 million.

## Encumbered assets

We pledge certain of our trading instrument assets to collateralize either Repurchase Agreements, other secured borrowings, or to satisfy our settlement requirements, with counterparties who may or may not have the right to deliver or repledge such securities.

The table below presents information about the fair value of our assets that have been pledged for one of the purposes described above:

	September 30,	
	2016	2015
	(in thousands)	
Financial instruments owned, at fair value, pledged to counterparties that:		
Had the right to deliver or repledge	\$587,369	\$424,668
Did not have the right to deliver or repledge	\$25,200 <sup>(1)</sup>	\$94,006 <sup>(2)</sup>

(1) Assets delivered or repledged as of September 30, 2016, includes securities which we pledged with a clearing organization in the amount of \$19 million which were applied against our requirement of \$203 million (client margin securities we pledged which are described in the preceding table constitute the remainder of the assets pledged to meet the requirement).

(2) Assets delivered or repledged as of September 30, 2015, includes securities which we pledged with a clearing organization in the amount of \$30 million which were applied against our requirement of \$148 million (client margin securities we pledged which are described in the preceding table constitute the remainder of the assets pledged to meet the requirement).

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

We enter into Repurchase Agreements where we sell securities under agreements to repurchase, and also engage in securities lending transactions. These activities are accounted for as collateralized financings. Our Repurchase Agreements would include “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, if any, that we are a party to as of period-end. As of both September 30, 2016 and 2015, we did not have any “repurchase-to-maturity” agreements. See Note 2 for a discussion of our respective Repurchase Agreement and securities borrowed and securities loaned accounting policies.



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

	Overnight and continuous days	Up to 30 days	30-90 days	Greater than 90 days	Total
As of September 30, 2016:	(in thousands)				
Repurchase agreements					
Government and agency obligations	\$92,804	\$6,252	\$ —	—	—\$99,056
Agency MBS and CMOs	92,422	1,751	—	—	94,173
Total Repurchase Agreements	185,226	8,003	—	—	193,229
Securities lending					
Equity securities	677,761	—	—	—	677,761
Total	\$862,987	\$8,003	\$ —	—	—\$870,990
Gross amounts of recognized liabilities for repurchase agreements and securities lending transactions included in the Offsetting Assets and Liabilities table included within this footnote					\$870,990
Amounts related to repurchase agreements and securities lending transactions not included in the Offsetting Assets and Liabilities table included within this footnote					\$—

As of September 30, 2015:

Repurchase agreements					
Government and agency obligations	\$211,594	\$5,250	\$ —	—	—\$216,844
Agency MBS and CMOs	112,941	2,751	—	—	115,692
Total Repurchase Agreements	324,535	8,001	—	—	332,536
Securities lending					
Equity securities	478,573	—	—	—	478,573
Total	\$803,108	\$8,001	\$ —	—	—\$811,109
Gross amounts of recognized liabilities for repurchase agreements and securities lending transactions included in the Offsetting Assets and Liabilities table included within this footnote					\$811,109
Amounts related to repurchase agreements and securities lending transactions not included in the Offsetting Assets and Liabilities table included within this footnote					\$—

We enter into Repurchase Agreements and conduct securities lending activities as components of the financing of certain of our operating activities. In the event the market value of the securities we pledge as collateral in these activities declines, we may have to post additional collateral or reduce the borrowing amounts. We monitor such levels daily.

## NOTE 20 – INCOME TAXES

Total income taxes are allocated as follows:

Year ended September 30,		
2016	2015	2014

	(in thousands)		
Recorded in:			
Income including noncontrolling interests	\$271,293	\$296,034	\$267,797
Equity, arising from compensation expense for tax purposes which is (in excess of) less than amounts recognized for financial reporting purposes	(35,121 )	8,115	(7,437 )
Equity, arising from cumulative currency translation adjustments and net investment hedges recorded through other comprehensive income (loss) (“OCI”)	(3,525 )	31,078	15,142
Equity, arising from available for sale securities recorded through OCI	(3,295 )	(2,246 )	3,694
Equity, arising from cash flow hedges recorded through OCI	(7,252 )	(2,850 )	—
Total	\$222,100	\$330,131	\$279,196

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Our provision (benefit) for income taxes consists of the following:

	Year ended September 30,		
	2016	2015	2014
	(in thousands)		
Current:			
Federal	\$287,350	\$266,359	\$260,504
State and local	32,101	48,130	29,904
Foreign	10,640	5,007	12,560
	330,091	319,496	302,968
Deferred:			
Federal	(51,383 )	(20,567 )	(35,262 )
State and local	(6,267 )	(5,127 )	(410 )
Foreign	(1,148 )	2,232	501
	(58,798 )	(23,462 )	(35,171 )
Total provision for income tax	\$271,293	\$296,034	\$267,797

Our income tax expense differs from the amount computed by applying the statutory federal income tax rate of 35% due to the following:

	Year ended September 30,					
	2016		2015		2014	
	Amount	%	Amount	%	Amount	%
	(\$ in thousands)					
Provision calculated at statutory rate	\$280,225	35 %	\$279,361	35 %	\$261,816	35 %
State income tax, net of federal benefit	13,864	1.7 %	29,224	3.6 %	18,826	2.5 %
Tax-exempt interest income	(6,969 )	(0.9 )%	(4,335 )	(0.5 )%	(2,146 )	(0.3 )%
(Income) losses associated with company-owned life insurance which are not (subject to tax) tax deductible	(9,098 )	(1.1 )%	3,040	0.4 %	(6,365 )	(0.8 )%
General business tax credits	(8,559 )	(1.0 )%	(7,166 )	(0.9 )%	(3,910 )	(0.5 )%
Other, net	1,830	0.2 %	(4,090 )	(0.5 )%	(424 )	(0.1 )%
Total provision for income tax	\$271,293	33.9 %	\$296,034	37.1 %	\$267,797	35.8 %

U.S. and foreign components of income excluding noncontrolling interests and before provision for income taxes are as follows:

	Year ended September 30,		
	2016	2015	2014
	(in thousands)		
U.S.	\$765,420	\$782,146	\$705,878
Foreign	35,222	16,028	42,167
Income excluding noncontrolling interest and before provision for income taxes	\$800,642	\$798,174	\$748,045

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The cumulative effects of temporary differences that give rise to significant portions of the deferred tax asset (liability) items are as follows:

	September 30,	
	2016	2015
	(in thousands)	
Deferred tax assets:		
Deferred compensation	\$ 192,397	\$ 150,949
Allowances for loan losses and reserves for unfunded commitments	78,552	68,445
Unrealized loss associated with foreign currency translations	22,184	22,892
Unrealized loss associated with available for sale securities	4,314	7,764
Accrued expenses	44,419	40,075
Other	24,897	28,575
Total gross deferred tax assets	366,763	318,700
Less: valuation allowance	(9 )	(9 )
Total deferred tax assets	366,754	318,691
Deferred tax liabilities:		
Partnership investments	(8,518 )	(13,476 )
Goodwill and other intangibles	(26,384 )	(23,967 )
Undistributed earnings of foreign subsidiaries	(9,636 )	(12,592 )
Other	(192 )	(1,757 )
Total deferred tax liabilities	(44,730 )	(51,792 )
Net deferred tax assets	\$ 322,024	\$ 266,899

We have a net deferred tax asset at September 30, 2016 and 2015. This asset includes net operating losses that will expire between 2017 and 2030. A valuation allowance for the fiscal year ended September 30, 2016 has been established for certain state net operating losses due to management's belief that, based on our historical operating income, projection of future taxable income, scheduled reversal of taxable temporary differences, and implemented tax planning strategies, it is more likely than not that the tax carryforwards will expire unutilized. We believe that the realization of the remaining net deferred tax asset of \$322 million is more likely than not based on the ability to carry back losses against prior year taxable income and expectations of future taxable income.

We have provided for U.S. deferred income taxes in the amount of \$10 million on undistributed earnings not considered permanently reinvested in our non-U.S. subsidiaries. To the extent that the cumulative undistributed earnings of non-U.S. subsidiaries are considered to be permanently invested, no deferred U.S. federal income taxes have been provided. As of September 30, 2016, we have approximately \$204 million of cumulative undistributed earnings attributable to foreign subsidiaries for which no provisions have been recorded for income taxes that could arise upon repatriation. 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, 2016, the current tax receivable included in other receivables is \$48 million, and a current tax payable of \$29 million is included in trade and other payables on our Consolidated Statements of Financial Condition. As of September 30, 2015 the current tax receivable included in other receivables is \$36 million and a current tax payable of \$47 million is included in trade and other payables on our Consolidated Statements of Financial Condition.

Balances associated with unrecognized tax benefits

We recognize the accrual of interest and penalties related to income tax matters in interest expense and other expense, respectively. During the year ended September 30, 2016, accrued interest expense related to unrecognized tax benefits decreased by approximately \$1 million. During the year ended September 30, 2016, penalty expense related to unrecognized tax benefits decreased by approximately \$700 thousand. As of September 30, 2016 and 2015, accrued interest and penalties were approximately \$4 million and \$6 million, respectively.

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The aggregate changes in the balances for uncertain tax positions are as follows:

	Year ended September 30,		
	2016	2015	2014
	(in thousands)		
Balance for uncertain tax positions at beginning of year	\$22,454	\$15,804	\$13,663
Increases for tax positions related to the current year	6,496	4,954	3,228
Increases for tax positions related to prior years <sup>(1)</sup>	1,284	3,466	2,455
Decreases for tax positions related to prior years	(1,592 )	(204 )	(1,642 )
Decreases due to lapsed statute of limitations	(1,447 )	(1,566 )	(1,218 )
Decreases related to settlements	(5,022 )	—	(682 )
Balance for uncertain tax positions at end of year	\$22,173	\$22,454	\$15,804

<sup>(1)</sup> The increases are primarily due to tax positions taken in previously filed tax returns with certain states. 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 table above after considering the federal tax benefit associated with any state tax provisions) was \$16 million, \$15 million, and \$10 million at September 30, 2016, 2015, 2014, respectively. We anticipate that the uncertain tax position balance may decrease by \$2 million over the next twelve months as a result of the resolution of outstanding state tax audits.

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 2013 for federal tax returns, fiscal year 2012 for state and local tax returns and fiscal year 2011 for foreign tax returns. Various state audits in process are expected to be completed in fiscal year 2017.

## NOTE 21 – COMMITMENTS, CONTINGENCIES AND GUARANTEES

### Commitments and contingencies

In the normal course of business we enter into commitments for either fixed income or equity underwritings. As of September 30, 2016, RJ&A had seven of such open underwriting commitments, all of which were subsequently settled in open market transactions at amounts which approximate the carrying value of the commitments in our Consolidated Statements of Financial Condition as of September 30, 2016. As of September 30, 2016, RJ Ltd. had four equity underwriting commitments, all of which are recorded in our Consolidated Statements of Financial Condition as of September 30, 2016, and which aggregate to approximately \$6 million in Canadian currency (“CDN”).

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, 2016 we had made commitments through the extension of formal offers totaling \$128 million that had not yet been funded, 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, 2016, \$62 million of the total amount extended are unfunded commitments to prospects that had accepted our offer, or recently hired producers.

In April 2016, Raymond James Global Securities Limited, a wholly owned subsidiary, entered into an agreement to sell all of its ownership interest in two joint ventures, Raymond James Latin Advisors Limited, an entity incorporated in the British Virgin Islands, and Raymond James Uruguay, S.A., an entity incorporated in Uruguay (collectively, the “Uruguay Ventures”). The sale of the Uruguay Ventures closed on October 27, 2016. In September 2016, Raymond James South American Holdings, Inc., a wholly owned subsidiary, entered into an agreement to sell all of its ownership interest in three of its subsidiaries, Raymond James Argentina S.A., RJ Delta Asset Management S.A., and RJ Delta Capital S.A., each of which is incorporated in Argentina (collectively, the “Argentine Ventures”). The Argentine Ventures currently serve, and the Uruguay Ventures served, certain Latin America markets. The Argentine Ventures sale transaction will close once all the conditions to the sale have been satisfied, including obtaining all necessary regulatory approvals, which we anticipate may occur prior to the end of calendar year 2016. The terms of sale for these transactions include customary representations and provide for certain customary indemnities in favor of the purchaser. Collectively, these sales are not anticipated to have any significant impact on our financial condition or results of operations as these Latin American operations do not have a major effect on RJF’s operations as a whole.

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As of September 30, 2016, RJ Bank had not settled purchases of \$122 million in syndicated loans. These loan purchases are expected to be settled within 90 days.

A subsidiary of RJ Bank has committed \$62 million as an investor member in a low-income housing tax credit fund in which a subsidiary of RJTCF is the managing member (see the discussion of “direct investments in LIHTC project partnerships” in Note 2 for information regarding the accounting policies governing these investments). As of September 30, 2016, the RJ Bank subsidiary has invested \$58 million of the committed amount.

See Note 26 for additional information regarding RJ Bank’s commitments to extend credit and other credit-related off-balance sheet financial instruments such as standby letters of credit and loan purchases.

We have unfunded commitments to various venture capital or private equity partnerships, which aggregate to approximately \$42 million as of September 30, 2016. Of the total, we have unfunded commitments to internally-sponsored private equity limited partnerships in which we control the general partner of approximately \$18 million.

As part of the terms governing the TPC acquisition (see Note 3 for additional information regarding this acquisition), on certain dates specified in the TPC purchase agreement, there are a number of “earn-out” computations to be performed. The result of these computations could result in additional cash paid to the sellers of TPC in the future. These elements of contingent consideration will be finally determined in the future based upon the outcome of either specific performance of defined tasks, or the achievement of specified revenue growth hurdles, over a measurement period ranging from 18 months to 3 years after the TPC Closing Date. Our initial estimate of the fair value of these elements of contingent consideration as of the TPC Closing Date are included in our determination of the goodwill arising from this acquisition. As of September 30, 2016, we computed an estimate of the fair value of this contingent consideration based upon the latest information available to us, and the excess of this fair value determination over the initial estimate is included in other expense on our Consolidated Statements of Income and Comprehensive Income.

As a part of the Mummert acquisition, on certain dates specified in the future, there are earn-out computations to be performed or contingent consideration provisions that may apply. These elements of contingent consideration will be finally determined based upon the achievement of specified revenue amounts and the continued employment of specified associates. See Note 3 for additional information regarding this acquisition.

All of the elements of contingent consideration arising from the 3Macs and Alex. Brown acquisitions, in both cases, could only result in a return of a portion of our purchase price paid at closing, and are described in Note 3.

RJF has committed an amount of up to \$225 million, subject to certain limitations and to annual review and renewal by the RJF Board of Directors, to either lend to RJTCF or to guarantee RJTCF’s obligations, in connection with RJTCF’s low-income housing development/rehabilitation and syndication activities. At September 30, 2016, RJTCF has \$76 million outstanding against this commitment. RJTCF may borrow from RJF in order to make investments in, or fund loans or advances to, either partnerships that purchase and develop properties qualifying for tax credits (“Project Partnerships”) or LIHTC Funds. 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.

Long-term lease agreements expire at various times through fiscal year 2027. Minimum annual rental payments under such agreements for the succeeding five fiscal years are approximately: \$92 million in fiscal year 2017, \$81 million in fiscal year 2018, \$73 million in fiscal year 2019, \$61 million in fiscal year 2020, \$46 million in fiscal year 2021, and



\$85 million thereafter. 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 \$97 million, \$89 million and \$91 million in fiscal years 2016, 2015 and 2014, respectively.

As a part of our fixed income public finance operations, RJ&A enters into forward commitments to purchase GNMA or FNMA MBS (see the discussion of these activities within “financial instruments owned, financial instruments sold but not purchased and fair value” in Note 2). At September 30, 2016, RJ&A had approximately \$821 million principal amount of outstanding forward MBS purchase commitments which are expected to be purchased over the following 90 days. In order to hedge the market interest rate risk to which RJ&A would otherwise be exposed between the date of the commitment and the date of sale of the MBS, RJ&A enters into TBA security contracts with investors for generic MBS securities at specific rates and prices to be delivered on settlement dates in the future. These TBA securities are accounted for at fair value and are included in Agency MBS securities in the table

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of assets and liabilities measured at fair value included in Note 5, and at September 30, 2016 aggregate to a net liability having a fair value of \$3 million. The estimated fair value of the purchase commitment is a \$2 million asset as of September 30, 2016.

As a result of extensive regulation of financial holding companies, banks, broker-dealers and investment advisory entities, RJF and certain of its subsidiaries are subject to regular reviews and inspections by regulatory authorities and self-regulatory organizations. The reviews can result in the imposition of sanctions for regulatory violations, ranging from non-monetary censure 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. Refer to the “legal matter contingencies” discussion within this footnote for information about related loss contingency reserves. See Note 25 for additional information regarding regulatory capital requirements applicable to RJF and certain of its subsidiaries.

## Guarantees

RJ Bank provides to an affiliate, RJ Capital Services, Inc. (“RJ Cap Services”), on behalf of certain corporate borrowers, a guarantee of payment in the event of the borrower’s default for exposure under interest rate swaps entered into with RJ Cap Services. At September 30, 2016, the exposure under these guarantees is \$14 million, which was underwritten as part of RJ Bank’s corporate credit relationship with such borrowers. The outstanding interest rate swaps at September 30, 2016 have maturities ranging from October 2016 through September 2034. RJ Bank records an estimated reserve for its credit risk associated with the guarantee of these client swaps, which was insignificant as of September 30, 2016. The estimated total potential exposure under these guarantees is \$52 million at September 30, 2016.

RJ Bank guarantees the forward foreign exchange contract obligations of its U.S. subsidiaries. See Note 18 for additional information regarding these derivatives.

RJF guarantees interest rate swap obligations of RJ Cap Services. See Note 18 for additional information regarding interest rate swaps.

We have from time to time authorized performance guarantees for the completion of trades with counterparties in Argentina. At September 30, 2016, there were no such outstanding performance guarantees.

In March 2008, RJF guaranteed an \$8 million letter of credit issued for settlement purposes that was requested by the Capital Markets Board (“CMB”) for a joint venture we were at one time affiliated with in the country of Turkey. While our Turkish joint venture ceased operations in December 2008, the CMB has not released this letter of credit. The issuing bank has instituted an action seeking payment of its fees on the underlying letter of credit and to confirm that the guarantee remains in effect.

RJF guarantees the existing mortgage debt of RJ&A of approximately \$33 million. See Note 15 for information regarding this borrowing.

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 for securities held in client accounts up to \$500 thousand per client, with a limitation of \$250 thousand on claims for cash balances. We have purchased excess SIPC coverage through various syndicates of Lloyd’s (the “Excess SIPC Insurer”). 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 the Excess SIPC Insurer against any and all losses they may incur associated with the excess SIPC policies.

RJTCF issues certain guarantees to various third parties related to Project Partnerships whose interests have been sold to one or more of the funds in which RJTCF is the managing member or general partner. In some instances, RJTCF is not the primary guarantor of these obligations, which aggregate to approximately \$2 million as of September 30, 2016.

RJTCF has provided a guaranteed return on investment to a third party investor in one of its fund offerings (“Fund 34”), and RJF has guaranteed RJTCF’s performance under the arrangement. Under the terms of the performance guarantee, should the underlying LIHTC project partnerships held by Fund 34 fail to deliver a certain amount of tax credits and other tax benefits to this investor over the next six years, RJTCF is obligated to pay the investor an amount that results in the investor achieving a minimum specified return on their investment. A \$20.5 million financing asset is included in prepaid expenses and other assets (see Note 10 for additional information), and a related \$20.5 million liability is included in trade and other payables on our Consolidated

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Statements of Financial Condition as of September 30, 2016 related to this obligation. The maximum exposure to loss under this guarantee is approximately \$23 million at September 30, 2016, which represents the undiscounted future payments due the investor.

### Legal and regulatory matter contingencies

In addition to the matters specifically described below, 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.

We are also subject, from time to time, to other reviews, investigations and proceedings (both formal and informal) by governmental and self-regulatory agencies regarding our business. Such proceedings may involve, among other things, our sales and trading activities, financial products or offerings we sponsored, underwrote or sold, and operational matters. Some of these proceedings have resulted, and may in the future result, in adverse judgments, settlements, fines, penalties, injunctions or other relief and/or require us to undertake remedial actions.

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).

We 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. While we have identified below certain proceedings that we believe could be material, individually or collectively, 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.

We include in some of the descriptions of individual matters below 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.

Subject to the foregoing, we believe, after consultation with counsel and consideration of the accrued liability amounts included in the accompanying consolidated financial statements, 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.

Excluding contingent liabilities arising out of the matters specifically described below, as well as any amounts subject to the below-described indemnification from Regions, as of September 30, 2016, we currently estimate that the aggregate range of possible loss is from \$0 to \$10 million in excess of the accrued liability (if any) related to litigation or regulatory matters. Refer to Note 2 for a discussion of our criteria for recognizing liabilities for contingencies related to such matters.

We and one of our financial advisors are named defendants in various lawsuits related to an alleged fraudulent scheme conducted by Ariel Quiros (“Quiros”) and William Stenger (“Stenger”) involving the misuse of EB-5 investor funds in connection with the Jay Peak ski resort in Vermont (“Jay Peak”) and associated limited partnerships. Plaintiffs in the lawsuits allege that Quiros misused \$200 million of the amounts raised by the limited partnerships and misappropriated \$50 million for his personal benefit. There are six civil court actions pending in which we or one of our subsidiaries are named. The plaintiffs variously demand, among other things, compensatory damages, treble damages under the Racketeer Influenced and Corrupt Organizations Act (“RICO”) and punitive damages. Given the early stage of the cases, the complexity of the forensic accounting necessary to determine the amount of actual investor losses, the identification and availability of any assets for recovery by the plaintiffs and the potential for insurance coverage, a range of possible loss in excess of the amount accrued cannot be estimated. While there can be no assurance that we will be successful, we intend to vigorously defend the claims against us.

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## Morgan Keegan Litigation

## Indemnification from Regions

Under the agreement with Regions Financial Corporation (“Regions”) governing our 2012 acquisition of Morgan Keegan & Company, Inc., and MK Holding, Inc. and certain of its affiliates (collectively referred to as “Morgan Keegan”), Regions is obligated to indemnify RJF for losses we may incur in connection with any Morgan Keegan legal proceedings pending as of the closing date for that transaction (which was April 2, 2012), or commenced after the closing date but related to pre-closing matters that are received prior to April 2, 2015.

The Morgan Keegan matter described below is subject to such indemnification provisions. As of September 30, 2016, management estimates the range of potential liability of all Morgan Keegan matters subject to indemnification, including the cost of defense, to be from \$16 million to \$51 million. Any loss arising from such matters, after application of any contractual thresholds and other reductions, as set forth in the agreement, will be borne by Regions. As of September 30, 2016 our Consolidated Statements of Financial Condition include an indemnification asset of approximately \$35 million which is included in other assets (see Note 10 for additional information), and a liability for potential losses of approximately \$35 million which is included within trade and other payables, pertaining to the Morgan Keegan matters subject to indemnification. The amount included within trade and other payables is the amount within the range of potential liability related to such matters which management estimates is more likely than any other amount within such range.

## Morgan Keegan matter (subject to indemnification)

In July 2006, Morgan Keegan & Company, Inc., a Morgan Keegan affiliate, and one of its former analysts were named as defendants in a lawsuit filed by Fairfax Financial Holdings and affiliates in the Circuit Court of Morris County, New Jersey. Plaintiffs made claims under a civil RICO statute, for commercial disparagement, tortious interference with contractual relationships, tortious interference with prospective economic advantage and common law conspiracy. Plaintiffs alleged that defendants engaged in a multi-year conspiracy to publish and disseminate false and defamatory information about plaintiffs in order to improperly drive down plaintiff’s stock price, so that others could profit from short positions. Plaintiffs alleged that the defendants’ actions damaged their reputations and harmed their business relationships. Plaintiffs alleged various categories of damages, including lost insurance business, lost financings and increased financing costs, increased audit fees and directors and officers insurance premiums and lost acquisitions, and have requested monetary damages. On May 11, 2012, the trial court ruled that New York law applied to plaintiff’s RICO claims, and that the claims were therefore not subject to treble damages. On June 27, 2012, the trial court dismissed plaintiffs’ tortious interference with prospective relations claim, but allowed the other claims to go forward. Prior to commencement of a jury trial, the court dismissed the remaining claims with prejudice. A hearing on plaintiffs’ appeal of the court’s rulings was held on October 17, 2016.

## NOTE 22 - OTHER COMPREHENSIVE (LOSS) INCOME

## Other comprehensive (loss) income

The activity in other comprehensive (loss) income net of the related tax effects are as follows:

	Year ended September 30,		
	2016	2015	2014
	(in thousands)		
Unrealized (losses) gains on available for sale securities	\$(5,576 )	\$(3,325 )	\$6,021
Unrealized gains (losses) on currency translations net of the impact of net investment hedges	2,179	(30,640 )	(18,635 )

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Unrealized loss on cash flow hedges	(11,833 )	(4,650 )	—
Net other comprehensive loss	\$(15,230)	\$(38,615)	\$(12,614)

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## Accumulated other comprehensive (loss) income

The following table presents the changes, and the related tax effects, of each component of accumulated other comprehensive (loss) income for the fiscal years ended September 30, 2016 and 2015 (in thousands):

	Net investment hedges <sup>(1)</sup>	Currency translations	Sub-total: net investment hedges and currency translations	Available for sale securities	Cash flow hedges <sup>(2)</sup>	Total
Year ended September 30, 2016						
Accumulated other comprehensive income (loss) as of the beginning of the year	\$ 93,203	\$ (130,476 )	\$ (37,273 )	\$ 1,420	\$ (4,650 )	\$ (40,503)
Other comprehensive (loss) income before reclassifications and taxes	(10,743 )	9,397	(1,346 )	(9,231 )	(25,535 )	(36,112 )
Amounts reclassified from accumulated other comprehensive income (loss), before tax	—	—	—	360	6,450	6,810
Pre-tax other comprehensive (loss) income	(10,743 )	9,397	(1,346 )	(8,871 )	(19,085 )	(29,302 )
Income tax effect	4,022	(497 )	3,525	3,295	7,252	14,072
Net other comprehensive (loss) income for the year, net of tax	(6,721 )	8,900	2,179	(5,576 )	(11,833 )	(15,230 )
Accumulated other comprehensive income (loss) as of September 30, 2016	\$ 86,482	\$ (121,576 )	\$ (35,094 )	\$ (4,156 )	\$ (16,483 )	\$ (55,733)
Year ended September 30, 2015						
Accumulated other comprehensive income (loss) as of the beginning of the year	\$ 32,872	\$ (39,505 )	\$ (6,633 )	\$ 4,745	\$—	\$ (1,888 )
Other comprehensive income (loss) before reclassifications and taxes	96,499	(96,061 )	438	2,863	(9,407 )	(6,106 )
Amounts reclassified from accumulated other comprehensive loss, before tax	—	—	—	(8,434 )	1,907	(6,527 )
Pre-tax other comprehensive income (loss)	96,499	(96,061 )	438	(5,571 )	(7,500 )	(12,633 )
Income tax effect	(36,168 )	5,090	(31,078 )	2,246	2,850	(25,982 )
Net other comprehensive income (loss) for the year, net of tax	60,331	(90,971 )	(30,640 )	(3,325 )	(4,650 )	(38,615 )
Accumulated other comprehensive income (loss) as of September 30, 2015	\$ 93,203	\$ (130,476 )	\$ (37,273 )	\$ 1,420	\$ (4,650 )	\$ (40,503)

(1) Comprised of forward foreign exchange derivatives associated with hedges of RJ Bank's foreign currency exposure due to its non-U.S. dollar net investments (see Note 18 for additional information on these derivatives).

(2) Represents RJ Bank Interest Hedges (see Note 18 for additional information on these derivatives).



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## Reclassifications out of AOCI

The following table presents the income statement line items impacted by reclassifications out of accumulated other comprehensive income (loss), and the related tax effects, during the years ended September 30, 2016 and 2015:

Accumulated other comprehensive income (loss) components:	Increase (decrease) in amounts reclassified from accumulated other comprehensive (loss) income (in thousands)	Affected line items in income statement
Year ended September 30, 2016		
Available for sale securities: <sup>(1)</sup>		
Auction rate securities <sup>(2)</sup>	\$ 87	Other revenue
RJ Bank available for sale securities <sup>(3)</sup>	273	Other revenue
RJ Bank Interest Hedges <sup>(4)</sup>	6,450	Interest expense
	6,810	Total before tax
Income tax effect	(2,590)	) Provision for income taxes
Total reclassifications for the period	\$ 4,220	Net of tax
Year ended September 30, 2015		
Available for sale securities: <sup>(1)</sup>		
Auction rate securities <sup>(2)</sup>	\$ (8,976)	) Other revenue
RJ Bank available for sale securities <sup>(3)</sup>	542	Other revenue
RJ Bank Interest Hedges <sup>(4)</sup>	1,907	Interest expense
	(6,527)	) Total before tax
Income tax effect	2,526	Provision for income taxes
Total reclassifications for the period	\$ (4,001)	) Net of tax

(1) See Note 7 for additional information regarding the available for sale securities, and Note 5 for additional fair value information regarding these securities.

(2) Other revenues in our Consolidated Statements of Income and Comprehensive Income include realized gains on the sale of ARS (see Note 7 for further information). The amounts presented in the table represent the reversal out of AOCI associated with such ARS' sold. The net of such realized gain and this reversal out of AOCI represents the net effect of such redemptions and sales activities on OCI for each respective fiscal year, on a pre-tax basis.

(3) Other revenues in our Consolidated Statements of Income and Comprehensive Income include realized gains or losses on the sale of certain available for sale securities held by RJ Bank (see Note 7 for further information). The amounts presented in the table represent the reversal out of AOCI associated with such securities sold. The net of such realized gains or losses and this reversal out of AOCI represents the net effect of such sales activities on OCI for each respective period, on a pre-tax basis.

(4) See Note 18 for additional information regarding the RJ Bank Interest Hedges, and Note 5 for additional fair value information regarding these derivatives.

All of the components of other comprehensive (loss) income described above, net of tax, are attributable to RJF.



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## NOTE 23 – INTEREST INCOME AND INTEREST EXPENSE

The components of interest income and interest expense are as follows:

	Year ended September 30,		
	2016	2015	2014
	(in thousands)		
Interest income:			
Margin balances	\$68,712	\$67,573	\$68,454
Assets segregated pursuant to regulations and other segregated assets	22,287	13,792	15,441
Bank loans, net of unearned income	487,366	405,578	343,942
Available for sale securities	7,596	5,100	6,560
Trading instruments	19,362	19,450	17,883
Stock loan	8,777	12,036	8,731
Loans to financial advisors	8,207	7,056	6,427
Corporate cash and all other	18,018	12,622	13,448
Total interest income	\$640,325	\$543,207	\$480,886
Interest expense:			
Brokerage client liabilities	\$2,084	\$940	\$1,269
Retail bank deposits	10,218	(1) 8,382	7,959
Trading instruments sold but not yet purchased	5,035	4,503	4,327
Stock borrow	3,174	5,237	2,869
Borrowed funds	12,957	6,079	3,939
Senior notes	78,533	76,088	76,038
Interest expense of consolidated VIEs	1,021	1,879	2,900
Other	4,055	4,846	4,790
Total interest expense	117,077	107,954	104,091
Net interest income	523,248	435,253	376,795
Subtract: provision for loan losses	(28,167 )	(23,570 )	(13,565 )
Net interest income after provision for loan losses	\$495,081	\$411,683	\$363,230

(1) The balance for the year ended September 30, 2016 is presented net of interest expense associated with affiliate deposits. The impact of such expense on prior year periods was not significant.

## NOTE 24 - SHARE-BASED AND OTHER COMPENSATION

## Employee 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 cost throughout the year. Benefits become fully vested after six 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, 2016 and 2015 was approximately 4,873,000 and 4,719,000, respectively. The market value of our common stock held by the ESOP at September 30, 2016 was approximately \$284 million, of which approximately \$3

million is 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 10 for information regarding the carrying value of these insurance policies) to earn a competitive rate of

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return for participants and to provide the primary source of funds available to satisfy our obligations under this plan (the “Deferral Plan Funding Structure”).

Contributions to the qualified plans and the LTIP, are approved annually by the Board of Directors or a committee thereof.

We have a Voluntary Deferred Compensation Plan (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. The Deferral Plan Funding Structure is the primary source of funding for this plan.

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 (see Note 5 for the fair value of these investments as of September 30, 2016, and 2015).

Compensation expense associated with all of the qualified and non-qualified plans described above totaled \$116.9 million, \$116.9 million and \$111.3 million for the fiscal years ended September 30, 2016, 2015 and 2014, respectively.

Share-based compensation plans

We have one share-based compensation plan for our employees, Board of Directors and non-employees (comprised of independent contractor financial advisors). The 2012 Stock Incentive Plan (the “2012 Plan”) permits us to grant share-based and cash-based awards designed to be exempt from the limitation on deductible compensation under Section 162(m) of the Internal Revenue Code. Under the 2012 Plan, we may grant 15,400,000 new shares in addition to the shares available for grant under six predecessor plans which were terminated as of February 23, 2012 (except with respect to awards previously granted under such terminated predecessor plans which remain outstanding). The 2012 Plan is the successor to predecessor plans under which options, restricted stock or restricted stock units have previously been issued. We have issued new shares under the 2012 Plan and also are permitted to reissue our treasury shares.

We recognize the resulting realized tax benefit or deficit that exceeds or is less than the previously recognized deferred tax asset for share-based awards (the excess tax benefit) as additional paid-in capital.

Stock option awards

Options may be granted to key administrative employees and employee financial advisors who achieve certain gross commission levels. Options are exercisable in the 36<sup>th</sup> to 84<sup>th</sup> months following the date of grant and only in the event that the grantee is an employee of ours or has terminated within 45 days, disabled, deceased or, in some instances, retired. Options are granted with an exercise price equal to the market price of our stock on the grant date.

Expense and income tax benefits related to our stock options awards granted to employees are presented below:

	Year ended September		
	30,		
	2016	2015	2014
	(in thousands)		
Total share-based expense	\$ 10,114	\$ 10,169	\$ 9,068

Income tax benefits related to share-based expense \$769 \$811 \$667

For the year ended September 30, 2016, we realized \$2 million of cumulative excess tax benefits related to our stock option awards.

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These amounts may not be representative of future share-based compensation expense since the estimated fair value of stock options is amortized over the requisite service period using the straight-line method, and in certain instances the graded vesting attribution method, and additional options may be granted in future years. The fair value of each fixed option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for stock option grants in the fiscal years ended September 30, 2016, 2015 and 2014:

	Year ended September 30,		
	2016	2015	2014
Dividend yield	1.41 %	1.30 %	1.33 %
Expected volatility	28.85 %	29.55 %	39.84 %
Risk-free interest rate	1.65 %	1.66 %	1.43 %
Expected lives (in years)	5.37	5.48	5.50

The dividend yield assumption is based on our declared dividend as a percentage of the stock price at the date of the grant. The expected volatility assumption is based on our historical stock price and is a weighted average combining (1) the volatility of the most recent year, (2) the volatility of the most recent time period equal to the expected lives assumption, (3) the implied volatility of option contracts of RJF stock, and (4) the annualized volatility of the price of our stock since the late 1980s. The risk-free interest rate assumption is based on the U.S. Treasury yield curve in effect at the time of grant of the options. The expected lives assumption is based on the average of (1) the assumption that all outstanding options will be exercised at the midpoint between their vesting date and full contractual term and (2) the assumption that all outstanding options will be exercised at their full contractual term.

A summary of option activity for grants to employees for the fiscal year ended September 30, 2016 is presented below:

	Options for shares	Weighted- average exercise price (\$)	Weighted- average term (years)	Weighted- average remaining contractual term (years)	Aggregate intrinsic value (\$)
Outstanding at October 1, 2015	4,061,354	\$ 41.49			
Granted	351,223	\$ 56.46			
Exercised	(625,194 )	\$ 29.25			
Forfeited	(76,910 )	\$ 46.42			
Outstanding at September 30, 2016	3,710,473	\$ 44.88	3.50		\$49,479,000
Exercisable at September 30, 2016	639,607	\$ 31.54	1.35		\$17,058,000

As of September 30, 2016, there was \$19.3 million of total unrecognized pre-tax compensation cost, net of estimated forfeitures, related to stock option awards. These costs are expected to be recognized over a weighted-average period of approximately 2.74 years.

The following stock option activity occurred under the 2012 Plan for grants to employees:

	Year ended September 30,		
	2016	2015	2014
Weighted-average grant date fair value per option	\$13.96	\$14.36	\$16.21

(in thousands, except per option amounts)

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Total intrinsic value of stock options exercised	\$ 16,273	\$ 29,574	\$ 15,570
Total grant date fair value of stock options vested	\$ 7,690	\$ 10,483	\$ 5,004

Cash received from stock option exercises during the fiscal year ended September 30, 2016 was \$13.7 million.



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## Restricted stock 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 a trust fund. This trust fund was established and funded to enable the trust fund to acquire our common stock in the open market to be used to settle restricted stock units granted as a retention vehicle for certain employees of the Canadian subsidiary (see Note 11 for discussion of our consolidation of this trust fund, which is a VIE). 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. The determination of the number of units or shares to be granted is determined by the Corporate Governance, Nominating and Compensation Committee of the Board of Directors. 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.

Prior to February 2011, non-employee members of our Board of Directors had been granted stock option awards annually. Commencing in February 2011, restricted stock unit awards are issued annually to such members of our Board of Directors, in lieu of stock option awards. The restricted stock units granted to these Directors vest over a one year period from their grant date, provided that the director is still serving on our Board of Directors at the end of such period.

The following restricted stock award activity for grants to employees and members of our Board of Directors occurred during the fiscal year ended September 30, 2016:

	Shares/Units	Weighted- average grant date fair value (\$)
Non-vested at October 1, 2015	4,684,373	\$ 42.29
Granted	1,322,958	\$ 56.14
Vested	(1,053,903)	\$ 35.20
Forfeited	(146,267)	\$ 40.35
Non-vested at September 30, 2016	4,807,161	\$ 47.71

Expense and income tax benefits related to our restricted stock awards granted to our employees and members of our Board of Directors are presented below:

	Year ended September 30,		
	2016	2015	2014
	(in thousands)		
Total share-based expense	\$62,624	\$57,587	\$54,666
Income tax benefits related to share-based expense	\$21,960	\$20,467	\$19,105

For the year ended September 30, 2016, we realized \$32.8 million of cumulative excess tax benefits related to our restricted stock awards.

As of September 30, 2016, there was \$95 million of total unrecognized pre-tax compensation cost, net of estimated forfeitures, related to restricted stock shares and restricted stock units. These costs are expected to be recognized over a weighted-average period of approximately 2.81 years. The total fair value of shares and unit awards vested under this plan during the fiscal year ended September 30, 2016 was \$35.7 million.

Restricted stock awards associated with Alex. Brown

As part of our acquisition of Alex. Brown, RJ&A assumed certain DBRSU awards, including the associated plan terms and conditions. The DBRSU awards contain performance conditions based on Deutsche Bank and subsidiaries attaining certain financial results and will ultimately be settled in DB common stock, as traded on the NYSE, provided the performance metrics are achieved. These awards are generally restricted for a three to six year period from their grant date, during which time the awards are subject to forfeiture in the event of termination other than for death, disability or retirement. The DBRSUs are accounted for as a derivative, see Note 18 for additional information.

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On the AB Closing Date, we assumed 1,357,449 of DBRSUs, none of which have either vested, or been forfeited, during the remainder of the fiscal year ended September 30, 2016. The per unit fair value of the DBSRUs at the AB Closing Date was \$14.90 per unit, and the DBRSUs per unit fair value as of September 30, 2016 was \$13.09.

As of September 30, 2016, there was a \$15.2 million prepaid compensation asset included in prepaid expenses and other assets in our Consolidated Statements of Financial Condition related to these DBRSUs (see Note 10). This asset is expected to be amortized over a weighted-average period of approximately three years. As of September 30, 2016, there was a \$17.8 million derivative liability included in accrued compensation, commissions and benefits in our Consolidated Statements of Financial Condition based on the September 30, 2016 fair value of DB shares of \$13.09. Subsequent to the AB Closing Date, the net impact of the DBRSUs in our Consolidated Statements of Income and Comprehensive Income for the year ended September 30, 2016, including the related income tax effects, is presented below:

	Year ended September 30, 2016 (in thousands)
Amortization of DBRSU prepaid compensation asset	\$ 355
Change in fair value of derivative liability (gain)	(2,457 )
Net gain before tax	\$ (2,102 )
Income tax expense	\$ 799

We hold 900,000 shares of DB as of September 30, 2016 as an economic hedge against this obligation, such shares are included in other assets on our Consolidated Statements of Financial Condition. For the period ended September 30, 2016, a loss in the fair value of these holdings since the AB Closing Date in the amount of \$1.6 million is included in compensation, commissions and benefits expense which offsets a portion of the gain reflected above.

## Employee stock purchase plan

Under the 2003 Employee Stock Purchase Plan, we are authorized to issue up to 7,375,000 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 market 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 557,000, 430,000 and 397,000 shares to employees during the years ended September 30, 2016, 2015 and 2014, respectively. The compensation cost is calculated as the value of the 15% discount from market value and was \$4.2 million, \$3.5 million and \$3 million during the fiscal years ended September 30, 2016, 2015 and 2014, respectively.

## Employee investment funds

Certain key employees participate in the EIF Funds, which are limited partnerships that invest in certain of our private equity and venture capital activities and other unaffiliated venture capital limited partnerships (see Notes 2 and 11 for further information on our consolidation of the EIF Funds, which are VIEs). We made non-recourse loans to these key employees for two-thirds of the purchase price per unit. All of these loans have been repaid.

We have various employee investment funds. Certain key employees participate in these funds, which are limited partnerships that invest in certain unaffiliated venture capital limited partnerships.

## Non-employee share-based and other compensation

Share-based compensation

Under the 2012 Plan, we may grant stock options, restricted shares of common stock or restricted stock units to our independent contractor financial advisors. The 2012 Plan is the successor to the prior plan under which options, restricted stock or restricted stock units have been issued to independent contractors. Share-based awards, granted to our independent contractor financial advisors are measured at their vesting date fair value and their fair value estimated at reporting dates prior to that time. In addition, we classify non-employee option awards as liabilities at fair value upon vesting, with changes in fair value reported in earnings until these awards are exercised or forfeited. The outstanding stock options and restricted stock units granted to our independent contractors are not material as of September 30, 2016.

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Other compensation

We also offer non-qualified deferred compensation plans that provide benefits to our independent contractor financial advisors who meet certain production requirements. The Deferral Plan Funding Structure 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 eligible to participate in our VDCP. Eligible participants may elect to defer a percentage or specific dollar amount of their compensation into the VDCP. The Deferral Plan Funding Structure is the primary source of funding for this plan.

NOTE 25 – REGULATORY CAPITAL REQUIREMENTS

RJF, as a financial holding company, RJ Bank, and our broker-dealer subsidiaries are subject to oversight by various regulatory authorities. Capital levels of each entity are monitored to assess the capital positions 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.

Under capital adequacy guidelines, RJF and RJ Bank must meet specific capital guidelines that involve quantitative measures of our assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. 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 report regulatory capital under Basel III under the standardized approach. Various aspects of the Basel III rules are subject to multi-year transition periods through December 31, 2018.

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 in Basel III, Common equity Tier 1 capital ("CET1") to risk-weighted assets. RJF and RJ Bank each calculate these ratios in order to assess compliance with both regulatory requirements and their internal capital policies. Effective January 1, 2016, the minimum CET1, Tier 1 Capital, and Total Capital ratios of RJF and RJ Bank are supplemented by an incremental capital conservation buffer, consisting entirely of capital that qualifies as CET1, that phases in beginning on January 1, 2016 in increments of 0.625% per year until it reaches 2.5% of risk weighted assets on January 1, 2019. The capital conservation buffer is intended to be used to absorb potential losses in times of financial or economic stress. If not maintained, we could be limited in the amount of certain discretionary bonuses that may be paid and the amount of capital that may be distributed, including dividends and common equity repurchases. As of September 30, 2016, RJF's and RJ Bank's capital conservation buffers were 13.6% and 6.0%, respectively. The applicable required capital conservation buffer for each as of September 30, 2016 was 0.625%.

At current capital levels, RJF and RJ Bank are each categorized as "well capitalized."

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To meet requirements for capital adequacy purposes or to be categorized as “well capitalized,” RJF must maintain minimum Common equity Tier 1, Tier 1 risk-based, Total risk-based, and Tier 1 leverage amounts and ratios as set forth in the table below.

	Actual		Requirement for capital adequacy purposes		To be well capitalized under regulatory provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(\$ in thousands)						
RJF as of September 30, 2016:						
Common equity Tier 1 capital	\$4,421,956	20.6%	\$966,341	4.5%	\$1,395,825	6.5%
Tier 1 capital	\$4,421,956	20.6%	\$1,288,454	6.0%	\$1,717,939	8.0%
Total capital	\$4,636,009	21.6%	\$1,717,939	8.0%	\$2,147,424	10.0%
Tier 1 leverage	\$4,421,956	15.0%	\$1,177,840	4.0%	\$1,472,300	5.0%

RJF as of September 30, 2015:

Common equity Tier 1 capital	\$4,101,353	22.1%	\$834,677	4.5%	\$1,205,644	6.5%
Tier 1 capital	\$4,101,353	22.1%	\$1,112,902	6.0%	\$1,483,869	8.0%
Total capital	\$4,290,431	23.1%	\$1,483,869	8.0%	\$1,854,837	10.0%
Tier 1 leverage	\$4,101,353	16.1%	\$1,018,859	4.0%	\$1,273,574	5.0%

The decrease in RJF’s Total capital and Tier 1 capital ratios at September 30, 2016 compared to September 30, 2015 was primarily the result of the significant growth of RJ Bank’s corporate loan portfolio, the repurchase of our common stock in open market transactions, and the fiscal year 2016 acquisitions of Alex. Brown and 3Macs (see Note 3 for additional information regarding these acquisitions). These deployments of excess capital were partially offset by positive earnings during the year ended September 30, 2016.

To meet the requirements for capital adequacy or to be categorized as “well capitalized,” RJ Bank must maintain Common equity Tier 1, Tier 1 risk-based, Total risk-based, and Tier 1 leverage amounts and ratios as set forth in the table below.

	Actual		Requirement for capital adequacy purposes		To be well capitalized under regulatory provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(\$ in thousands)						
RJ Bank as of September 30, 2016:						
Common equity Tier 1 capital	\$1,675,890	12.7%	\$592,864	4.5%	\$856,360	6.5%
Tier 1 capital	\$1,675,890	12.7%	\$790,486	6.0%	\$1,053,981	8.0%
Total capital	\$1,841,112	14.0%	\$1,053,981	8.0%	\$1,317,476	10.0%
Tier 1 leverage	\$1,675,890	9.9%	\$675,939	4.0%	\$844,924	5.0%

RJ Bank as of September 30, 2015:

Common equity Tier 1 capital	\$1,525,942	13.0%	\$526,577	4.5%	\$760,611	6.5%
Tier 1 capital	\$1,525,942	13.0%	\$702,103	6.0%	\$936,137	8.0%
Total capital	\$1,672,577	14.3%	\$936,137	8.0%	\$1,170,171	10.0%
Tier 1 leverage	\$1,525,942	10.9%	\$558,829	4.0%	\$698,536	5.0%

The slight decrease in RJ Bank's Total and Tier 1 capital ratios at September 30, 2016 compared to September 30, 2015 was primarily due to significant growth in corporate loans.

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 the parent company without prior approval by 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 capital to risk-weighted assets ratios.

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. RJ&A and RJFS, each being member firms of the Financial Industry Regulatory Authority ("FINRA"), are subject to the rules of FINRA, whose capital requirements are substantially the same as Rule 15c3-1. Rule 15c3-1 requires that aggregate indebtedness, as defined, not exceed 15 times net capital, as defined. Rule 15c3-1 also provides for an

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“alternative net capital requirement,” which RJ&A and RJFS have each elected. Regulations require that minimum net capital, as defined, be equal to the greater of \$1 million, (\$250 thousand for RJFS as of September 30, 2016) or two percent of aggregate debit items arising from client balances. FINRA may require a member firm to reduce its business if its net capital is less than four percent of Aggregate Debit Items and may prohibit a member firm from expanding its business and declaring cash dividends if its net capital is less than five percent of aggregate debit items.

The net capital position of our wholly owned broker-dealer subsidiary RJ&A is as follows:

As of September 30,  
2016          2015  
(\$ in thousands)

Raymond James & Associates, Inc.:

(Alternative Method elected)

Net capital as a percent of aggregate debit items	19.61	%	20.85	%
Net capital	\$512,594		\$411,222	
Less: required net capital	(52,287 )		(39,452 )	
Excess net capital	\$460,307		\$371,770	

The net capital position of our wholly owned broker-dealer subsidiary RJFS is as follows:

As of September  
30,  
2016          2015  
(in thousands)

Raymond James Financial Services, Inc.:

(Alternative Method elected)

Net capital	\$27,013		\$25,828	
Less: required net capital	(250 )		(250 )	
Excess net capital	\$26,763		\$25,578	

RJ Ltd. is subject to the Minimum Capital Rule (Dealer Member Rule No. 17 of the Investment Industry Regulatory Organization of Canada (“IIROC”)) and the Early Warning System (Dealer Member Rule No. 30 of the IIROC). The Minimum Capital Rule requires that every member shall have and maintain at all times risk-adjusted capital greater than zero calculated in accordance with Form 1 (Joint Regulatory Financial Questionnaire and Report) and with such requirements as the Board of Directors of the IIROC may from time to time prescribe. Insufficient risk-adjusted capital may result in suspension from membership in the stock exchanges or the IIROC.

The Early Warning System is designed to provide advance warning that a member firm is encountering financial difficulties. This system imposes certain sanctions on members who are designated in Early Warning Level 1 or Level 2 according to their capital, profitability, liquidity position, frequency of designation or at the discretion of the IIROC. Restrictions on business activities and capital transactions, early filing requirements, and mandated corrective measures are sanctions that may be imposed as part of the Early Warning System. RJ Ltd. is not in Early Warning Level 1 or Level 2 at either September 30, 2016 or 2015.

The risk adjusted capital of RJ Ltd. is as follows (in Canadian currency):

As of September 30,  
2016          2015  
(in thousands)

Raymond James Ltd.:

Risk adjusted capital before minimum	\$77,110		\$127,097	
Less: required minimum capital	(250 )		(250 )	



Risk adjusted capital                            \$76,860    \$126,847

The substantial decrease in risk adjusted capital of RJ Ltd. at September 30, 2016 compared to September 30, 2015 was primarily the result of its deployment of excess capital during fiscal year 2016 to fund a significant portion of the acquisition of 3Macs (see Note 3 for additional information regarding the acquisition).

Raymond James Trust, N.A., ("RJ Trust") is regulated by the OCC and is required to maintain sufficient capital. As of September 30, 2016 and 2015, RJ Trust met the requirements.

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At September 30, 2016, all of our other active regulated domestic and international subsidiaries are in compliance with and met all 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 requirements, and the availability of funds from our subsidiaries, including our broker-dealer and bank subsidiaries, which may 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; dividends to the parent from RJ Bank may be subject to restrictions by bank regulators. None of these restrictions have ever limited our past dividend payments.

**NOTE 26 – FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK**

In the normal course of business, we purchase and sell securities as either principal or agent on behalf of our clients. If either the client or counterparty fails to perform, we may be required to discharge the obligations of the nonperforming party. In such circumstances, we may sustain a loss if the market value of the security or futures contract is different from the contract value of the transaction.

In a number of instances in the discussions that follow, reference is made to collateral. Note 19 provides additional information regarding the recorded balances in the Consolidated Statements of Financial Condition and the collateral balances related thereto.

We also 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. Securities borrowed and securities loaned are carried at the amounts of cash collateral advanced and received in connection with the transactions. We measure the market value of the securities borrowed and loaned against the cash collateral on a daily basis. The market value of securities borrowed was \$91.5 million and securities loaned was \$69.6 million at September 30, 2016, and the market value of securities borrowed was \$83.4 million and securities loaned was \$39.7 million at September 30, 2015. The contract value of securities borrowed and securities loaned was \$93.4 million and \$75.8 million, respectively, at September 30, 2016 and the contract value of securities borrowed and securities loaned was \$86.3 million and \$44.4 million, respectively, at September 30, 2015. Additional cash is obtained as necessary to ensure such transactions are adequately collateralized. If another party to the transaction fails to perform as agreed (for example, failure to deliver a security or failure to pay for a security), we may incur a loss if the market value of the security is different from the contract amount of the transaction.

We have also loaned, to broker-dealers and other financial institutions, securities owned by clients and others for which we have received cash or other collateral. The market value of securities loaned was \$595.3 million and \$432.6 million at September 30, 2016 and 2015, respectively. The contract value of securities loaned was \$602 million and \$434.2 million at September 30, 2016 and 2015, respectively. If a borrowing institution or broker-dealer does not return a security, we may be obligated to purchase the security in order to return it to the owner. In such circumstances, we may incur a loss equal to the amount by which the market value of the security on the date of nonperformance exceeds the value of the collateral received from the financial institution or the broker-dealer.

We have sold securities that we do not currently own, and will, therefore, be obligated to purchase such securities at a future date. We have recorded \$329 million and \$288 million at September 30, 2016 and 2015, respectively, which represents the market value of such securities (see Notes 5 and 6 for further information). We are subject to loss if the market price of those securities not covered by a hedged position increases subsequent to fiscal year-end. We utilize short positions on government obligations and equity securities to economically hedge long inventory positions.

We enter into security transactions on behalf of our clients and other brokers involving forward settlement. Forward contracts provide for the delayed delivery of the underlying instrument. The contractual amounts related to these financial instruments reflect the volume and activity and do not reflect the amounts at risk. The gain or loss on these transactions is recognized on a trade date basis. Transactions involving future settlement give rise to market risk, which represents the potential loss that can be caused by a change in the market value of a particular financial instrument. Our exposure to market risk is determined by a number of factors, including the duration, size, composition and diversification of positions held, the absolute and relative levels of interest rates, and market volatility. The credit risk for these transactions is limited to the unrealized market valuation gains recorded in the Consolidated Statements of Financial Condition.

The majority of our transactions and, consequently, the concentration of our credit exposure, is with clients, broker-dealers and other financial institutions in the U.S. These activities primarily involve collateralized arrangements and may result in credit exposure in the event that the counterparty fails to meet its contractual obligations. Our exposure to credit risk can be directly

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impacted by volatile securities markets, which may impair the ability of counterparties to satisfy their contractual obligations. We seek to control our credit risk through a variety of reporting and control procedures, including establishing credit limits based upon a review of the counterparties' financial condition and credit ratings. We monitor collateral levels on a daily basis for compliance with regulatory and internal guidelines and request changes in collateral levels as appropriate.

As a part of our fixed income public finance operations, RJ&A enters into forward commitments to purchase GNMA or FNMA MBS. See Note 2 and Note 21 for information on these commitments. We utilize TBA security contracts to hedge our interest rate risk associated with these commitments. We are subject to loss if the timing of, or the actual amount of, the MBS securities differs significantly from the term and notional amount of the TBA security contracts we enter into.

RJ Ltd. is subject to foreign exchange risk primarily due to financial instruments denominated in U.S. dollars that may be impacted by fluctuation in foreign exchange rates. In order to mitigate this risk, RJ Ltd. enters into forward foreign exchange contracts. The fair value of these contracts is not significant. As of September 30, 2016, forward contracts outstanding to buy and sell U.S. dollars totaled CDN \$24.2 million and CDN \$23.6 million, respectively. RJ Bank is also subject to foreign exchange risk related to its net investment in a Canadian subsidiary. See Note 18 for information regarding how RJ Bank utilizes net investment hedges to mitigate a significant portion of this risk.

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 credit control 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 RJ Bank's exposure is limited to the replacement value of those commitments.

RJ Bank's commitments to extend credit and other credit-related off-balance sheet financial instruments outstanding are as follows:

	As of September 30,	
	2016	2015
	(in thousands)	
Standby letters of credit	\$29,686	\$60,925
Open end consumer lines of credit (primarily SBL)	\$3,616,933	\$2,531,690
Commercial lines of credit	\$1,430,630	\$1,419,746
Unfunded loan commitments	\$354,556	\$322,419

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. As of September 30, 2016, \$29.7 million of such letters of credit were outstanding. 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, RJ Bank uses a credit evaluation process and collateral requirements similar to those for loan commitments.

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.

Because many of RJ Bank's lending commitments expire without being funded in whole or part, the contract amounts are not estimates of RJ Bank's actual future credit exposure or future liquidity requirements. RJ Bank maintains a reserve to provide for potential losses related to the unfunded lending commitments. See Note 9 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. RJ Bank uses the same credit approval and monitoring process in extending loan commitments and other credit-related off-balance sheet instruments as it does in making loans.

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## NOTE 27 – EARNINGS PER SHARE

The following table presents the computation of basic and diluted earnings per share:

	Year ended September 30,		
	2016	2015	2014
	(in thousands, except per share amounts)		
Income for basic earnings per common share:			
Net income attributable to RJF	\$529,350	\$502,140	\$480,248
Less allocation of earnings and dividends to participating securities <sup>(1)</sup>	(1,256 )	(1,610 )	(3,007 )
Net income attributable to RJF common shareholders	\$528,094	\$500,530	\$477,241
Income for diluted earnings per common share:			
Net income attributable to RJF	\$529,350	\$502,140	\$480,248
Less allocation of earnings and dividends to participating securities <sup>(1)</sup>	(1,236 )	(1,580 )	(2,946 )
Net income attributable to RJF common shareholders	\$528,114	\$500,560	\$477,302
Common shares:			
Average common shares in basic computation	141,773	142,548	139,935
Dilutive effect of outstanding stock options and certain restricted stock units	2,740	3,391	3,654
Average common shares used in diluted computation	144,513	145,939	143,589
Earnings per common share:			
Basic	\$3.72	\$3.51	\$3.41
Diluted	\$3.65	\$3.43	\$3.32
Stock options and certain restricted stock units excluded from weighted-average diluted common shares because their effect would be antidilutive	3,255	2,849	1,503

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 restricted stock units and amounted to weighted-average shares of 346 thousand, 464 thousand and 887 thousand for the years ended (1) September 30, 2016, 2015 and 2014, respectively. Dividends paid to participating securities amounted to \$236 thousand, \$300 thousand and \$500 thousand for the years ended September 30, 2016, 2015, and 2014 respectively. Undistributed earnings are allocated to participating securities based upon their right to share in earnings if all earnings for the period had been distributed.

Dividends per common share declared and paid are as follows:

	Year ended		
	September 30,		
	2016	2015	2014
Dividends per common share - declared	\$0.80	\$0.72	\$0.64
Dividends per common share - paid	\$0.78	\$0.70	\$0.62

## NOTE 28 – SEGMENT INFORMATION

We currently operate through the following five business segments: “Private Client Group;” “Capital Markets;” “Asset Management;” RJ Bank; and the “Other” segment.

The business 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, "Summary of Significant Accounting Policies." Segment results include charges allocating most corporate overhead and benefits to each segment, refer to the discussion of the Other segment below for a description of the corporate expenses that are not allocated to segments. Intersegment revenues, expenses, receivables and payables are eliminated upon consolidation.

The Private Client Group segment includes the retail branches of our broker-dealer subsidiaries located throughout the U.S., Canada and the United Kingdom. These branches provide securities brokerage services including the sale of equities, mutual funds, fixed income products and insurance products to their individual clients. The segment includes net interest earnings on client margin loans and cash balances and certain fee revenues generated by the multi-bank aspect of the RJBDF. Additionally, this segment includes the activities associated with the borrowing and lending of securities to and from other broker-dealers,

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financial institutions and other counterparties, generally as an intermediary or to facilitate RJ&A's clearance and settlement obligations, and the correspondent clearing services that we provide to other broker-dealer firms.

The Capital Markets segment includes institutional sales and trading in the U.S., Canada and Europe. We provide securities brokerage, trading, and research services to institutions with an emphasis on the sale of U.S. and Canadian equities and fixed income products. This segment also includes our management of and participation in debt and equity underwritings, merger and acquisition services, public finance activities, and the operations of RJTCF.

The Asset Management segment includes the operations of Eagle, the Eagle Family of Funds, Cougar, the asset management operations of RJ&A, trust services of RJ Trust, and other fee-based asset management programs.

RJ Bank provides corporate loans, securities based loans and residential loans. RJ Bank is active in corporate loan syndications and participations. RJ Bank also provides FDIC insured deposit accounts to clients of our broker-dealer subsidiaries and to the general public. RJ Bank generates net interest revenue principally through the interest income earned on loans and investments, which is offset by the interest expense it pays on client deposits and on its borrowings.

The Other segment includes our principal capital and private equity activities as well as certain corporate overhead costs of RJF that are not allocated to operating segments including the interest costs on our public debt, and the acquisition and integration costs associated with certain of our acquisitions (see Note 3 for additional information).

Information concerning operations in these segments of business is as follows:

	Year ended September 30,		
	2016	2015	2014
	(in thousands)		
Revenues:			
Private Client Group	\$3,626,718	\$3,519,558	\$3,289,503
Capital Markets	1,016,375	975,064	968,635
Asset Management	404,421	392,378	369,690
RJ Bank	517,243	425,988	360,317
Other	46,291	66,967	42,203
Intersegment eliminations	(90,704 )	(71,791 )	(64,888 )
Total revenues <sup>(1)</sup>	\$5,520,344	\$5,308,164	\$4,965,460
Income (loss) excluding noncontrolling interests and before provision for income taxes:			
Private Client Group	\$340,564	\$342,243	\$330,278
Capital Markets	139,173	107,009	130,565
Asset Management	132,158	135,050	128,286
RJ Bank	337,296	278,721	242,834
Other	(148,548 )	(64,849 )	(83,918 )
Pre-tax income excluding noncontrolling interests	800,643	798,174	748,045
Add: net loss attributable to noncontrolling interests	(23,272 )	(21,462 )	(32,097 )
Income including noncontrolling interests and before provision for income taxes	\$777,371	\$776,712	\$715,948

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

Year ended September 30,  
2016      2015      2014



(in thousands)

Net interest income (expense):

Private Client Group	\$97,042	\$88,842	\$89,527
Capital Markets	8,339	7,634	5,326
Asset Management	183	127	92
RJ Bank	478,690	403,578	346,757
Other	(61,006 )	(64,928 )	(64,907 )
Net interest income	\$523,248	\$435,253	\$376,795

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

	September 30,	
	2016	2015
	(in thousands)	
Total assets:		
Private Client Group <sup>(1)</sup>	\$10,317,681	\$6,870,379
Capital Markets <sup>(2)</sup>	3,064,076	2,780,733
Asset Management	133,190	187,378
RJ Bank	16,613,391	14,191,566
Other	1,465,395	2,437,976
Total	\$31,593,733	\$26,468,032

(1)Includes \$275.5 million and \$186.7 million of goodwill at September 30, 2016 and 2015, respectively.

(2)Includes \$132.6 million and \$120.9 million of goodwill at September 30, 2016 and 2015, respectively.

We have operations in the United States, Canada, Europe and joint ventures in Latin America. Substantially all long-lived assets are located in the United States. Revenues and income before provision for income taxes and excluding noncontrolling interests, classified by major geographic areas in which they are earned, are as follows:

	Year ended September 30,		
	2016	2015	2014
	(in thousands)		
Revenues:			
United States	\$5,118,760	\$4,911,304	\$4,512,808
Canada	278,652	279,200	323,038
Europe	85,718	85,289	95,865
Other	37,214	32,371	33,749
Total	\$5,520,344	\$5,308,164	\$4,965,460
Pre-tax income (loss) excluding noncontrolling interests:			
United States	\$778,351	\$784,517	\$706,366
Canada	20,243	17,770	37,947
Europe	(3,791)	(6,852)	(1,546)
Other	5,840	2,739	5,278
Total	\$800,643	\$798,174	\$748,045

Our total assets, classified by major geographic area in which they are held, are presented below:

	September 30,	
	2016	2015
	(in thousands)	
Total assets:		
United States <sup>(1)</sup>	\$29,218,939	\$24,531,993
Canada <sup>(2)</sup>	2,275,056	1,814,178
Europe	61,067	<sup>(3)</sup> 36,669
Other	38,671	85,192
Total	\$31,593,733	\$26,468,032

(1)Includes \$356.3 million and \$274.6 million of goodwill at September 30, 2016 and 2015, respectively.

(2)Includes \$42.7 million and \$33 million of goodwill at September 30, 2016 and 2015, respectively.

(3)Includes \$9.1 million of goodwill at September 30, 2016.

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## NOTE 29 - 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 businesses. The Parent's primary activities include investments in subsidiaries and corporate investments, including cash management, company-owned life insurance and private equity investments. The primary source of operating cash available to the Parent is provided by dividends from its subsidiaries.

Our principal domestic broker-dealer subsidiaries of the Parent, RJ&A and RJFS, are required by regulations to maintain a minimum amount of net capital (other 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 net capital equal to 10% of aggregate debit balances. At September 30, 2016, each of these brokerage subsidiaries far exceeded their minimum net capital requirements, see Note 25 for further information.

Subsidiary net assets of approximately \$2.08 billion as of September 30, 2016 are 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 other subsidiaries, other than broker-dealer subsidiaries and RJ Bank, is not limited by regulatory or other restrictions, but the available amounts are not as significant as those amounts described above. The Parent regularly receives a portion of the profits of subsidiaries, other than RJ Bank, as dividends.

See Notes 15, 17, 21 and 25 for more information regarding borrowings, commitments, contingencies and guarantees, and capital and regulatory requirements of the Parent and its subsidiaries.

The following table presents the Parent's statements of financial condition:

	September 30,	
	2016	2015
	(in thousands)	
Assets:		
Cash and cash equivalents <sup>(1)</sup>	\$371,978	\$746,042
Intercompany receivables from subsidiaries:		
Bank subsidiary	—	82
Non-bank subsidiaries <sup>(2)</sup>	1,228,046	853,222
Investments in consolidated subsidiaries:		
Bank subsidiary	1,658,663	1,519,263
Non-bank subsidiaries	3,118,961	2,378,129
Property and equipment, net	14,891	10,602
Goodwill and identifiable intangible assets, net	31,954	31,954
Other assets	611,667	616,526
Total assets	\$7,036,160	\$6,155,820
Liabilities and equity:		
Trade and other	\$81,340	\$78,945
Intercompany payables to subsidiaries:		
Bank subsidiary	230	—
Non-bank subsidiaries	13,892	129,779
Accrued compensation and benefits	346,015	287,495
Senior notes payable	1,680,587	1,137,570

Total liabilities	2,122,064	1,633,789
Equity	4,914,096	4,522,031
Total liabilities and equity	\$7,036,160	\$6,155,820

- (1) Of the Parent's total cash and cash equivalents, \$350 million and \$451 million at September 30, 2016 and 2015, respectively, is held in a deposit account at RJ Bank.
- (2) Of the total receivable from non-bank subsidiaries, \$457 million and \$494 million at September 30, 2016 and 2015, respectively, is invested in cash and cash equivalents by the subsidiary on behalf of the Parent.

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The following table presents the Parent's statements of income:

	Year ended September 30,		
	2016	2015	2014
	(in thousands)		
Revenues:			
Dividends from non-bank subsidiaries	\$248,020	\$230,853	\$253,218
Dividends from bank subsidiary	75,000	—	25,000
Interest from subsidiaries	8,999	6,886	5,779
Interest	807	843	2,050
Other	4,654	3,823	1,613
Total revenues	337,480	242,405	287,660
Interest expense	(78,089 )	(76,233 )	(76,662 )
Net revenues	259,391	166,172	210,998
Non-interest expenses:			
Compensation and benefits	54,664	46,758	41,482
Communications and information processing	6,330	5,999	5,036
Occupancy and equipment costs	636	800	892
Business development	18,364	17,581	15,497
Other	9,792	10,365	8,252
Intercompany allocations and charges	(40,424 )	(46,898 )	(38,148 )
Total non-interest expenses	49,362	34,605	33,011
Income before income tax benefit and equity in undistributed net income of subsidiaries	210,029	131,567	177,987
Income tax benefit	(64,658 )	(42,688 )	(37,170 )
Income before equity in undistributed net income of subsidiaries	274,687	174,255	215,157
Equity in undistributed net income of subsidiaries	254,663	327,885	265,091
Net income	\$529,350	\$502,140	\$480,248

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

	Year ended September 30,		
	2016	2015	2014
	(in thousands)		
Cash flows from operating activities:			
Net income	\$529,350	\$502,140	\$480,248
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain on investments	(11,538 )	(5,586 )	(10,245 )
(Gain) loss on company-owned life insurance	(25,642 )	8,960	(17,989 )
Equity in undistributed net income of subsidiaries	(254,663 )	(327,885 )	(265,091 )
Other	73,798	60,634	75,725
Net change in:			
Intercompany receivables	19,641	(102,866 )	45,656
Other	97,067	51,442	44,360
Intercompany payables	(115,657 )	20,338	(108,056 )
Trade and other	2,396	(49 )	12,835
Accrued compensation and benefits	58,520	2,911	7,668
Net cash provided by operating activities	373,272	210,039	265,111
Cash flows from investing activities:			
(Investments in) distributions received from subsidiaries, net	(637,689 )	(9,493 )	33,973
(Advances to) repayments of advances by subsidiaries, net	(394,383 )	(40,120 )	287,154
Proceeds from sales (purchases) of investments, net	24,609	(4,601 )	6,347
Purchase of investments in company-owned life insurance, net	(49,488 )	(44,917 )	(25,581 )
Net cash (used in) provided by investing activities	(1,056,951 )	(99,131 )	301,893
Cash flows from financing activities:			
Proceeds from senior note issuances, net of debt issuance costs	792,221	—	—
Repayment of senior notes payable	(250,000 )	—	—
Exercise of stock options and employee stock purchases	43,331	47,964	33,633
Purchase of treasury stock	(162,502 )	(88,542 )	(8,427 )
Dividends on common stock	(113,435 )	(103,143 )	(88,102 )
Net cash provided by (used in) financing activities	309,615	(143,721 )	(62,896 )
Net (decrease) increase in cash and cash equivalents	(374,064 )	(32,813 )	504,108
Cash and cash equivalents at beginning of year	746,042	778,855	274,747
Cash and cash equivalents at end of year	\$371,978	\$746,042	\$778,855
Supplemental disclosures of cash flow information:			
Cash paid for interest	\$74,568	\$76,297	\$76,661
Cash paid (received) for income taxes, net	\$27,397	\$32,383	\$(59,552 )
Supplemental disclosures of noncash investing activity:			
Investments in (distributions from) subsidiaries, net	\$781	\$507	\$(132,117)

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## SUPPLEMENTARY DATA:

## SELECTED QUARTERLY FINANCIAL DATA

(unaudited)

Fiscal Year 2016

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
	(in thousands, except per share data)			
Revenues	\$ 1,301,526	\$ 1,340,918	\$ 1,386,693	\$ 1,491,207
Net revenues	\$ 1,274,517	\$ 1,311,494	\$ 1,358,482	\$ 1,458,774
Non-interest expenses	\$ 1,112,342	\$ 1,121,290	\$ 1,167,032	\$ 1,225,232
Income including noncontrolling interests and before provision for income taxes	\$ 162,175	\$ 190,204	\$ 191,450	\$ 233,542
Net income attributable to Raymond James Financial, Inc.	\$ 106,329	\$ 125,847	\$ 125,504	\$ 171,670
Net income per share - basic <sup>(1)</sup>	\$ 0.74	\$ 0.89	\$ 0.89	\$ 1.21
Net income per share - diluted <sup>(1)</sup>	\$ 0.73	\$ 0.87	\$ 0.87	\$ 1.19
Dividends declared per share	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20

(1) Due to rounding the quarterly results do not sum to the total for the year.

Fiscal Year 2015

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
	(in thousands, except per share data)			
Revenues	\$ 1,279,844	\$ 1,312,624	\$ 1,348,713	\$ 1,366,983
Net revenues	\$ 1,252,460	\$ 1,285,778	\$ 1,320,989	\$ 1,340,983
Non-interest expenses	\$ 1,053,811	\$ 1,110,145	\$ 1,119,694	\$ 1,139,848
Income including noncontrolling interests and before provision for income taxes	\$ 198,649	\$ 175,633	\$ 201,295	\$ 201,135
Net income attributable to Raymond James Financial, Inc.	\$ 126,296	\$ 113,463	\$ 133,195	\$ 129,186
Net income per share - basic	\$ 0.89	\$ 0.79	\$ 0.93	\$ 0.90
Net income per share - diluted	\$ 0.87	\$ 0.77	\$ 0.91	\$ 0.88
Dividends declared per share	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18

## 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.

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Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the year ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with accounting principles generally accepted in the United States. Internal control over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements; providing 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, 2016. 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, 2016 (included as follows).

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Raymond James Financial, Inc.:

We have audited Raymond James Financial Inc.'s (the "Company" or "Raymond James") internal control over financial reporting as of September 30, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. 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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 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.

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.

In our opinion, Raymond James maintained, in all material respects, effective internal control over financial reporting as of September 30, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial condition of Raymond James as of September 30, 2016 and 2015, and 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, 2016, and our report dated November 22, 2016 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Tampa, Florida

November 22, 2016

Certified Public Accountants



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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 2017 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, 2016.

Item 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 2017 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, 2016.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements and Schedules

The financial statements are set forth under Item 8 of this Annual Report on Form 10-K. Financial statement schedules have been omitted since they are either not required, not applicable, or the information is otherwise included.

(b) Exhibit listing

See below and continued on the following pages.

Exhibit Number	Description
3.1	Restated Articles of Incorporation of Raymond James Financial, Inc. as filed with the Secretary of State of Florida on November 25, 2008, incorporated by reference to Exhibit 3(i).1 to the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on November 28, 2008.
3.2	Amended and Restated By-Laws of Raymond James Financial, Inc., reflecting amendments adopted by the Board of Directors on February 20, 2015, incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 24, 2015.
4.1	Description of Capital Stock, incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on August 10, 2009.
4.2.1	Indenture, dated as of August 10, 2009 for Senior Debt Securities, between Raymond James Financial, Inc. and The Bank of New York Mellon Trust Company, N.A., incorporated by reference to Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on August 10, 2009.
4.2.2	First Supplemental Indenture, dated as of August 20, 2009, for the 8.60% Senior Notes Due 2019, 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 August 20, 2009.

4.2.3 Third Supplemental Indenture, dated as of March 7, 2012, for the 6.90% Senior Notes Due 2042, 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 7, 2012.

4.2.4 Fourth Supplemental Indenture, dated as of March 26, 2012, for the 5.625% Senior Notes Due 2024, between Raymond James Financial, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 26, 2012.

4.2.5 Fifth Supplemental Indenture, dated as of July 12, 2016, for the 3.625% Senior Notes Due 2026, between Raymond James Financial, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 12, 2016.

4.2.6 Sixth Supplemental Indenture, dated as of July 12, 2016, for the 4.95% 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.

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Exhibit Number	Description
10.1	Raymond James Financial, Inc. 2002 Incentive Stock Option Plan, effective February 14, 2002, *incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8, No. 333-98537, filed with the Securities and Exchange Commission on August 22, 2002.
10.2	Mortgage Agreement, dated as of December 13, 2002, incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on December 23, 2002.
10.3	Raymond James Financial, Inc. Stock Option Plan for Key Management Personnel, effective November *21, 1996, incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8, No. 333-103277, filed with the Securities and Exchange Commission on February 18, 2003.
10.4	Form of Indemnification Agreement with Directors, incorporated by reference to Exhibit 10.18 to the *Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on December 8, 2004.
10.5	Composite Version of 2003 Raymond James Financial, Inc. Employee Stock Purchase Plan, as amended *and restated, incorporated by reference to Appendix B to the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders held February 19, 2009, filed with the Securities and Exchange Commission on January 12, 2009.
10.6	Letter agreement, dated February 25, 2009, between Raymond James Financial, Inc. and Paul C. Reilly, *incorporated by reference to Exhibit 10.14 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 3, 2009.
10.7	Agreement, dated December 23, 2009, between Raymond James Financial, Inc. and Thomas A. James *regarding service as Chairman of the Board after his retirement as Chief Executive Officer, incorporated by reference to Exhibit 10.15 to the Company's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on February 9, 2010.
10.8.1	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.
10.8.2	Form of Notice of Restricted Stock Unit Award and associated Restricted Stock Unit Agreement * (employee/independent contractor) under 2005 Raymond James Financial, Inc. Restricted Stock Plan, as amended, incorporated by reference to Exhibit 10.17.2 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on November 30, 2010.
10.8.3	Form of Amendment to Restricted Stock Grant Agreements outstanding under 2005 Raymond James *Financial, Inc. Restricted Stock Plan, incorporated by reference to Exhibit 10.17.3 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on November 30, 2010.
10.9	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.
10.10	Form of Raymond James Financial, Inc. Restricted Cash Agreement dated as of March 31, 2013, *incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 20, 2013.
10.11	Amended and Restated Raymond James Financial Long-Term Incentive Plan, effective February 19, *2015, 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 August 8, 2016.
10.12.1	Revolving Credit Agreement, dated as of August 6, 2015, among Raymond James Financial, Inc. and a syndicate of lenders led by Bank of America, N.A. and Regions Bank, 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 August 10, 2015.

- 10.12.2 First Amendment to Revolving Credit Agreement, dated as of June 8, 2016, among Raymond James Financial, 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 June 9, 2016.
- 10.13.1 \* 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 January 14, 2016.
- 10.13.2 \* 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.
- 10.13.3 \* 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.
- 10.13.4 \* 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.
- 10.13.5 \* 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.
- 10.13.6 \* 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.
- 10.13.7 \* 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.



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Exhibit Number	Description
10.13.8	* 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.
10.13.9	* 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.
10.13.10	* 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.
10.13.11	* 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.
10.13.12	* 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.
10.13.13	* 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.
10.13.14	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.
10.14	* Raymond James Financial, Inc. Amended and Restated Voluntary Deferred Compensation Plan, effective February 23, 2016.
11	Statement re Computation of per Share Earnings (the calculation of per share earnings is included in Part II, Item 8, Note 27 in the Notes to Consolidated Financial Statements (Earnings Per Share) and is omitted here in accordance with Section (b)(11) of Item 601 of Regulation S-K).
12	Statement of Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends.
21	List of Subsidiaries.
23	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of Paul C. Reilly pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Jeffrey P. Julien pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Paul C. Reilly and 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.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

\* Indicates a management contract or compensatory plan or arrangement in which a director or executive officer participates.

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## 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 22<sup>nd</sup> day of November, 2016.

RAYMOND JAMES FINANCIAL, INC.

By: /s/ PAUL C. REILLY

Paul C. Reilly, Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ PAUL C. REILLY Paul C. Reilly	Chief Executive Officer (Principal Executive Officer) and Director	November 22, 2016
/s/ JEFFREY P. JULIEN Jeffrey P. Julien	Executive Vice President - Finance, Chief Financial Officer (Principal Financial Officer) and Treasurer	November 22, 2016
/s/ JENNIFER C. ACKART Jennifer C. Ackart	Senior Vice President and Controller (Principal Accounting Officer)	November 22, 2016
/s/ THOMAS A. JAMES Thomas A. James	Executive Chairman and Director	November 22, 2016
/s/ CHARLES G. VON ARENTSCHILDT Charles G. von Arentschildt	Director	November 22, 2016
/s/ SHELLEY G. BROADER Shelley G. Broader	Director	November 22, 2016
/s/ JEFFREY N. EDWARDS Jeffrey N. Edwards	Director	November 22, 2016
/s/ BENJAMIN C. ESTY Benjamin C. Esty	Director	November 22, 2016
/s/ FRANCIS S. GODBOLD	Vice Chairman and Director	November 22, 2016

Francis S. Godbold

/s/ GORDON L. JOHNSON      Director

Gordon L. Johnson

November 22,  
2016

/s/ RODERICK C. MCGEARY      Director

Roderick C. McGear

November 22,  
2016

/s/ ROBERT P. SALTZMAN      Director

Robert P. Saltzman

November 22,  
2016

/s/ SUSAN N. STORY      Director

Susan N. Story

November 22,  
2016

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