RAYMOND JAMES FINANCIAL INC
Form 10-K
November 22, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 2017
Or
o 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 incorporation or organization)	(I.R.S. Employer 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
Common Stock, $.01 par value	New York Stock Exchange

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 x No o

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 o No x

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 x No o

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 x No o

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. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o

Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o
	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

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

As of March 31, 2017, 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 $9,811,540,297.

The number of shares outstanding of the registrant's common stock as of November 16, 2017 was 144,400,529.

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 22, 2018 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 leading diversified financial services company providing private client group, capital markets, asset management, banking and other services to individuals, corporations and municipalities. RJF’s broker-dealer subsidiaries engage 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. RJF and its subsidiaries also provide investment management services for retail and institutional clients, corporate and retail banking services, and trust services.

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

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 “the firm”, “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 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, 2017:

*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 through branch office systems. Financial advisors have multiple affiliation options, which we refer to as AdvisorChoice. Our two primary affiliation options for financial advisors are the employee option and the independent contractor option.

We recruit experienced financial advisors from a wide variety of competitors. As a part of their agreement to join us, we may make loans to financial advisors and to certain other key revenue producers, primarily for transitional cost assistance and retention purposes.

Total assets under administration in the PCG segment as of September 30, 2017 amount to $659.5 billion. We have 7,346 financial advisors affiliated with us as of September 30, 2017.

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. Recurring 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. 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 segment net revenues that was recurring versus transactional in nature, for the fiscal year ended September 30, 2017, are presented below:

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.
- We provide insurance and annuity products.
- We 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 who are affiliated with us.
- We conduct securities borrowing and lending activities with other broker-dealers, financial institutions, and other counterparties. The net revenues of this business consist of the interest spreads generated on these activities.
- We provide diversification strategies and alternative investment products to qualified clients of our affiliated financial advisors. We provide strategies and products for portfolio investment allocation opportunities.

CAPITAL MARKETS

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

The graph below depicts the portions of this segment's revenues that were derived from equity securities and products, fixed income securities and products, and our tax credit funds activities for the fiscal year ended September 30, 2017:

We provide the following services through this segment:

Equity Capital Markets

- 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 & acquisition and advisory services. Our investment banking activities include a comprehensive range of strategic and financial advisory services tailored to our clients' business life cycles and backed by our strategic industry focus.

- Our global research department supports our institutional and retail sales efforts and publishes research on a wide variety of companies. This research primarily focuses on U.S., European 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.

Fixed Income

- We earn sales commissions from institutional clients who purchase and sell both taxable and tax-exempt fixed income products, primarily municipal, corporate, government agency and mortgage-backed bonds, and whole loans. 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 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. When underwriting new issue securities, we may agree to purchase the issue through a negotiated sale or submission of a competitive bid.

- In our over-the-counter market activities, we enter into interest rate swaps and futures contracts either to facilitate client transactions or to actively manage risk exposures that arise from our client activity, including a portion of our trading inventory. In addition, we conduct a "matched book" derivatives business where we may enter into interest rate derivative transactions with clients. In this matched book business, for every derivative transaction we enter into with a client, we enter into an offsetting derivative transaction with a credit support provider that is a third party financial institution.

- 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") mortgage-backed securities ("MBS"). Such MBS 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 Funds

- 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.

ASSET MANAGEMENT

Our Asset Management segment provides investment advisory and asset management services to individual and institutional investors, and also sponsors a family of mutual funds. We also provide services to our PCG clients through our asset management services division and through Raymond James Trust, N.A. ("RJ Trust").

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We earn investment advisory and related administrative fees on both managed and non-discretionary asset-based accounts. In managed programs, decisions are made by in-house or third-party portfolio managers or investment committees about how to invest the assets in accordance with such programs' objectives. In non-discretionary asset-based programs, we provide administrative support, 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, 2017, there were $96.4 billion in financial assets held in managed programs and $157.0 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, 2017:

RJ BANK

RJ Bank provides corporate (commercial and industrial ("C&I"), commercial real estate ("CRE") and CRE construction), securities-based ("SBL"), tax-exempt 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 an investment portfolio, 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 through the offices of our affiliated broker-dealers as well as through electronic banking services. RJ Bank's assets include C&I loans, commercial and residential real estate loans, tax-exempt loans, as well as loans fully collateralized by marketable securities. Corporate and tax-exempt loans represent approximately 67% of RJ Bank's loan portfolio, of which 90% 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 investment portfolio is comprised primarily of agency MBS and collateralized mortgage obligations ("CMOs") and is classified as available-for-sale. RJ Bank's liabilities primarily consist of deposits that are cash balances swept from the investment accounts of PCG clients.

RJ Bank had total assets of $20.61 billion at September 30, 2017, which were comprised of the following:

OTHER

Our Other segment includes our 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 Annual Report on Form 10-K ("Form 10-K") for additional information on our acquisitions).

Our private equity activities include various direct and third party private equity investments 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, 2017, we had over 12,700 employees and over 4,300 affiliated independent contractor financial advisors.

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 businesses. This platform is designed to allow our financial advisors to spend more time with their clients and enhance and grow their businesses.

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, supervisory and oversight framework is 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 functions, the Fed, the OCC, the FDIC, and the CFPB also have the power to bring enforcement actions for violations of law and, in the case of the Fed, the OCC and the FDIC, for unsafe or unsound practices. Our broker-dealer subsidiaries, which are also 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 the principal elements of the regulatory and supervisory framework applicable to RJF. The framework is intended to protect our clients, the integrity of the financial markets, our depositors and the Federal Deposit Insurance Fund and is not intended to protect our creditors or shareholders. These rules and regulations limit our ability to engage in certain activities, as well as our ability to submit funds to RJF from our regulated subsidiaries, which include RJ Bank and our broker-dealer subsidiaries. To the extent that the following information describes statutory and regulatory provisions, it is qualified in its entirety by reference to the particular statutory and regulatory provisions that are referenced. A change in applicable statutes or regulations or in regulatory or supervisory policy may have a material effect on our business.

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 required 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 and may be subject to amendment in the near future. As a result, we cannot specifically quantify the impact that such regulatory or supervisory requirements will have on our business and operations (see Item 1A, “Risk

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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 and related measures.

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.

CFPB Oversight

In July 2011, the CFPB began operations and was given rulemaking authority for a wide range of consumer protection laws applicable 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 (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. A summary of certain of our stress test results (RJF and RJ Bank) is available on our website at www.raymondjames.com/investor-relations/financial-report under "Other Reports and Information - 2017 Annual Dodd-Frank Act Stress Test Disclosure" (the information on our website is not incorporated by reference into this report).

The Volcker Rule

RJF is subject to the Volcker Rule, a provision of the Dodd-Frank Act which generally prohibits, subject to exceptions, insured depository institutions, bank holding companies and their affiliates (together, "banking entities") from engaging in proprietary trading and limits investments in and relationships with hedge funds and private equity funds ("covered funds"). Banking entities 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.

We maintain a number of private equity investments, some of which meet the definition of covered funds under the Volcker Rule. The conformance period for compliance with the rule with respect to investments in covered funds was July 2017; however, banking entities were able to apply for an extension to provide up to an additional five years to conform investments in certain illiquid funds. The majority of our covered fund investments meet the criteria to be considered an illiquid fund under the Volcker Rule and we received approval from the Fed to continue to hold such investments until July 2022. The extension of the conformance deadline provides us with additional time to realize the value of these investments in due course and to execute appropriate strategies to comply with the Volcker Rule at such time. Our current focus is on the divestiture of our existing portfolio.

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 regulatory actions in recent years. 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 21 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 abilities to grow during favorable market conditions and to return capital to shareholders, or require us to raise additional capital. As a result, our business, results of operations, financial condition and prospects could be adversely affected. See Item 1A, “Risk Factors,” within this report for more information.

Failure to meet minimum capital requirements can trigger discretionary, and in certain cases, mandatory actions by regulators that could have a direct material effect on the financial results of RJF and RJ Bank. Under capital adequacy guidelines, RJF and RJ Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification for RJF and RJ Bank are also subject to the qualitative judgments of U.S. regulators based on components of capital, risk-weightings of assets, off-balance sheet transactions, and other factors. Quantitative measures established by federal banking regulations to ensure capital adequacy require that RJF, 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 Note 21 of the Notes to the Consolidated Financial Statements in this Form 10-K, for further information.

Money Market Reform

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 money market funds that are sponsored by third parties as one of several cash sweep alternatives.

Municipal Advisor Regulation

In 2013 as required under the Dodd-Frank Act, the SEC issued its final rule regarding the new category of regulated financial activity: “municipal advisors” (the “MA Rule”). The MA Rule, which became effective in 2014: (i) imposes 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. In addition to the SEC rule, the Municipal Securities Rulemaking Board (“MSRB”) has developed a number of implementing rules and interpretive guidance relating to municipal advisors, and we have implemented policies and procedures reasonably designed to comply with such rules and guidance.

While over these past few years, broker-dealer and municipal advisor interaction with municipal entities has become an area of greater rulemaking and regulatory exam and enforcement interest, we do not expect 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 stated that it will consider a heightened standard of care; however, to date, it has not yet proposed any rules. 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 had not been considered fiduciaries under previous 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 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 are 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 2016, subject to a phase-in of the fiduciary definition in June 2017, and also subject to a further transition period until January 1, 2018 applying to both the BIC Exemption and Principal Transactions Exemption. In August 2017, the DOL recommended that the transition period be extended until July 1, 2019.

We have undertaken a comprehensive plan to comply with the DOL Rule. As 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 continue to incur increased levels of legal, compliance and information technology costs. As discussed above, we may also face enhanced legal risks. We anticipate that amendments to the scope of the DOL Rule or the adoption of any new rule by the SEC will require us to review and possibly modify our compliance plan and approach, which may also lead to additional costs. In addition, state laws that impose a fiduciary duty also may require monitoring, as well as require that we undertake additional compliance measures.

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.

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.

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 primarily in Canada and Europe and are subject to regulations in those areas. 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.

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 a public CRA rating. 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 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.

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 21 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.

In Europe, the Markets in Financial Instruments Regulation and a revision of the Markets in Financial Instruments Directive (together, “MiFID II”), will take effect on January 3, 2018, and will introduce comprehensive and new trading and market infrastructure reforms in the European Union, including new trading venues, enhancements to pre- and post-trading transparency, and additional investor protection requirements, among others. Although the full impact of these changes remains unclear, we have made changes to our European operations, including systems and controls, in order to be in compliance with MiFID II.

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.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

EXECUTIVE OFFICERS OF THE REGISTRANT

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

Jennifer C. Ackart	53	Senior Vice President since August 2009 and Controller since February 1995
Bella Loykhter Allaire	64	Executive Vice President - Technology and Operations - Raymond James & Associates, Inc. since June 2011; Managing Director and Chief Information Officer - UBS Wealth Management Americas, November 2006 - January 2011
Paul D. Allison	61	Chairman, President and CEO - Raymond James Ltd. since January 2009; Co-President and Co-CEO - Raymond James Ltd., August 2008 - January 2009
James E. Bunn	44	Co-President - Global Equities and Investment Banking - Raymond James & Associates, Inc. since October 2017; Head of Investment Banking - Raymond James & Associates, Inc. since January 2014; Co-Head of Technology Services Investment Banking - Raymond James & Associates, Inc., May 2009 - December 2013
John C. Carson, Jr.	61	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	58	Senior Vice President since October 2005 and Chief Risk Officer since February 2006
Scott A. Curtis	55	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	53	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	46	President - Private Client Group - Raymond James & Associates, Inc. since January 2012; Regional Director - Raymond James & Associates, Inc., October 2006 - December 2011
Thomas A. James	75	Chairman Emeritus since February 2017; Executive Chairman, May 2010 - February 2017
Jeffrey P. Julien	61	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	52	President and CEO - Raymond James Bank, N.A. since January 2006
Paul C. Reilly	63	Chairman since February 2017 and Chief Executive Officer since May 2010; Director since January 2006; President, May 2009 - April 2010

Jonathan N. Santelli	46	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	58	Co-President - Global Equities and Investment Banking - Raymond James & Associates, Inc. since October 2017; President - Global Equities and Investment Banking - Raymond James & Associates, Inc., July 2013 - October 2017; Executive Vice President - Equity Capital Markets - Raymond James & Associates, Inc., February 2001 - July 2013
Dennis W. Zank	63	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.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

OTHER INFORMATION

Our Internet address is 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, effects of accounting pronouncements, 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 "wo 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, 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 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 clients fairly can result in client dissatisfaction, litigation and heightened regulatory scrutiny, all of which can lead to lost revenue, higher operating costs and reputational harm. Negative publicity about us, whether or not true, may also harm our 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.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

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 improved, uncertainty remains. A period of sustained downturns and/or volatility in the securities markets, a return to very low levels of short-term interest rates, credit market dislocations, reductions in the value of real estate, and other negative market factors could significantly impair our revenues and profitability. Additionally, certain of our market-making activities depend on market volatility to provide trading opportunities for our clients and decreases in volatility may reduce these opportunities or adversely affect the results of these activities. 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 other parts of the world. Concerns about the European Union ("EU"), including Britain's June 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 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 affected primarily 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; 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, selling assets at unfavorable prices, and cutting or eliminating dividend payments. Our liquidity could be negatively affected by the inability of our subsidiaries to generate cash in the form of dividends from earnings, 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 prohibitions or limitations on our ability to pay dividends and/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.

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 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 loans, including 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 also incur credit risk through our investments. Our credit risk and credit losses can increase if our loans or investments are concentrated among borrowers or issuers engaged in the same or similar activities, industries, or geographies, or to borrowers or issuers who as a group may be uniquely or disproportionately affected by economic or market conditions. The deterioration of an individually large exposure, for example due to natural disasters, health emergencies or pandemics, acts of terrorism, severe weather events or other adverse economic events, could lead to additional loan loss provisions and/or charges-offs, or credit impairment of our investments, and subsequently have a material impact on our net income and regulatory capital.

Declines in the real estate market or sustained economic downturns may cause us to write down the value of some of the loans in RJ Bank's portfolio, foreclose on certain real estate properties or write down the value of some of our securities. Credit quality generally may also be affected by adverse changes in the financial performance or condition of our debtors or deterioration in the strength of the U.S. economy.

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

We are exposed to market risk.

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 private equity investments. Market conditions that change from time to time, thereby exposing us to market risk, include fluctuations in interest rates, equity prices, foreign exchange rates, and price deterioration or changes in value due to changes in market perception or actual credit quality of an issuer.

In addition, disruptions in the liquidity or transparency of the financial markets may result in our inability to sell, syndicate or realize the value of security positions, thereby leading to increased concentrations. The inability to reduce our positions in specific securities may not only increase the market and credit risks associated with such positions, but also increase the level of risk-weighted assets on our balance sheet, thereby increasing our capital requirements, which could have an adverse effect on our business results, financial condition and liquidity.

Our private equity investments are carried at fair value with unrealized gains and losses reflected in earnings. The value of our private equity portfolios can fluctuate and earnings from our investments can be volatile and difficult to predict. When, and if, we recognize gains can depend on a number of factors, including general economic conditions, the prospects of the companies in which we invest, 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 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Risk Management,” in this report for additional information regarding our exposure to and approaches to managing market risk.

Our business depends on fees generated from the distribution of financial products, fees earned from the management of client accounts, 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 and the renegotiation of contracts. In addition, the market environment in recent years has resulted in a shift to passive investment products, which generate lower fees than actively managed products. A continued trend toward passive investments or changes in market values or in the fee structure of asset management accounts would affect our revenues, business and financial condition. 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 inflows/outflows 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 values of AUM 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 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; however, our current focus is on the divestiture of our existing portfolio. We may be unable to realize our investment objectives if we cannot sell or otherwise dispose of our interests at attractive prices or complete a desirable exit strategy. In particular, these risks could arise from changes in the financial condition or prospects of the portfolio companies in which investments are made, changes in economic conditions or changes in laws, regulations, fiscal policies or political conditions. It could take a substantial period of time to identify attractive investment opportunities and then to realize the cash value of such investments. Even if a private equity investment proves to be profitable, it may be several years or longer before any profits can be realized in cash.

Any cyber-attack or other security breach of our technology systems, or those of our clients or other third-party vendors we rely on, could subject us to significant liability and harm our reputation.

Our operations rely heavily on the secure processing, storage and transmission of sensitive and confidential financial, personal and other information in our computer systems and networks. There have been several highly publicized cases involving financial services companies reporting the unauthorized disclosure of client or other confidential information in recent years, as well as cyber-attacks involving the theft, dissemination and destruction of corporate information or other assets, in some cases as a result of failure to follow procedures by employees or contractors or as a result of actions by third parties. Like other financial services firms, we are regularly the target of attempted cyber-attacks, including unauthorized access, mishandling or misuse of information, computer viruses or malware, denial-of-service attacks, phishing or other forms of social engineering, and other events, and we seek to continuously monitor and develop our systems to protect our technology infrastructure and data from misappropriation or corruption. Cyber-attacks can originate from a variety of sources, including third parties affiliated with foreign governments, organized crime or terrorist organizations. Third parties may also attempt to place individuals within our firm or induce employees, clients or other users of our systems to disclose sensitive information or provide access to our data, and these types of risks may be difficult to detect or prevent. Although 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, the techniques used in these attacks are increasingly sophisticated, change frequently and are often not recognized until launched. Although we seek to maintain a robust suite of authentication and layered information security controls, including our cyber threat analytics, data encryption and tokenization technologies, anti-malware defenses and vulnerability management program, any one or combination of these controls could fail to detect, mitigate or remediate these risks in a timely manner. Despite our implementation of protective measures and endeavoring to modify them as circumstances warrant, our computer systems, software and networks may be vulnerable to human error, natural disasters, power loss, spam attacks, unauthorized access, distributed denial of service attacks, computer viruses and other malicious code, and other events that could result in significant liability and damage to our reputation, and have an ongoing impact on the security and stability of our operations.

We also rely on numerous third party service providers to conduct other aspects of our business operations, and we face similar risks relating to them. While we regularly conduct security assessments on these third party vendors, we cannot be certain that their information security protocols are sufficient to withstand a cyber-attack or other security breach. In addition, in order to access our products and services, our customers may use computers and other devices that are beyond our security control systems.

Notwithstanding the precautions we take, if a cyber-attack or other information security breach were to occur, this could jeopardize the information we confidentially maintain, or otherwise cause interruptions in our operations or those of our clients and counterparties, exposing us to liability. As attempted attacks continue to evolve in scope and sophistication, we may be required to expend substantial additional resources to modify or enhance our protective measures, to investigate and remediate vulnerabilities or other exposures or to communicate about cyber-attacks to our customers. Though we have insurance against some cyber-risks and attacks, we may be subject to litigation and financial losses that exceed our policy limits or are not covered under any of our current insurance policies. A technological breakdown could also interfere with our ability to comply with financial reporting and other regulatory requirements, exposing us to potential disciplinary action by regulators. Further, successful cyber-attacks at other large financial institutions or other market participants, whether or not we are affected, could lead to a general loss of customer confidence in financial institutions that could negatively affect us, including harming the market perception of the effectiveness of our security measures or the financial system in general, which could result in reduced use of our financial products and services.

Further, in light of the high volume of transactions we process, the large number of our clients, partners and counterparties, and the increasing sophistication of malicious actors, a cyber-attack could occur and persist for an extended period of time without detection. We expect that any investigation of a cyber-attack would take substantial amounts of time, and that there may be extensive delays before we obtain full and reliable information. During such time we would not necessarily know the extent of the harm or how best to remediate it, and certain errors or actions could be repeated or compounded before they are discovered and remediated, all of which would further increase the costs and consequences of such an attack.

We may also be subject to liability under various data protection laws. In providing services to clients, we manage, utilize and store sensitive or confidential client or employee data, including personal data. As a result, we are subject to numerous laws and regulations designed to protect this information, such as U.S. federal, state and international laws governing the protection of personally identifiable information. These laws and regulations are increasing in complexity and number. If any person, including any of our associates, negligently disregards or intentionally breaches our established controls with respect to client or employee data, or otherwise mismanages or misappropriates such data, we could be subject to significant monetary damages, regulatory enforcement actions, fines and/or criminal prosecution. In addition, unauthorized disclosure of sensitive or confidential client or employee data, whether through system failure, employee negligence, fraud or misappropriation, could damage our reputation and cause us to lose clients and related revenue. Potential liability in the event of a security breach of client data could be significant. Depending on the circumstances giving rise to the breach, this liability may not be subject to a contractual limit or an exclusion of consequential or indirect damages.

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

The soundness of other financial institutions and intermediaries affects us.

We face the risk of operational failure, termination or capacity constraints of any of the clearing agents, exchanges, clearing houses or other financial intermediaries that we use to facilitate our securities 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 affected adversely by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, funding, counterparty or other relationships. We have exposure to many different industries and counterparties, and we routinely execute transactions with counterparties in the financial industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds and other institutional clients. Defaults by, or even rumors or questions about the financial condition of, one or more financial services institutions, or the financial services industry generally, have historically led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. Many of these transactions expose us to credit risk in the event of default of our counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by us cannot be realized or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due us. Losses arising in connection with counterparty defaults may have a material adverse effect on our results of operations.

Our risk management and conflicts of interest policies and procedures may leave us exposed to unidentified or unanticipated risk.

We seek to manage, monitor and control our market, credit, operational, 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 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 or may have limited predictive value. A failure to manage our growth adequately, including growth in the products or services we offer, or to manage our risk effectively, could materially and adversely affect our business and financial condition.

Financial services firms are subject to numerous actual or perceived conflicts of interest, which are under growing scrutiny by U.S. federal and state regulators and SROs such as FINRA. Our risk management processes include addressing potential conflicts of interest that arise in our business. Management of potential conflicts of interest has become increasingly complex as we expand our business activities. A perceived or actual failure to address conflicts of interest adequately could affect our reputation, the willingness of clients to transact business with us or give rise to litigation or regulatory actions. Therefore, there can be no assurance that conflicts of interest will not arise in the future that could cause result in material harm to our business and financial condition.

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

We continue to experience pricing pressures in areas of our business which may impair our future revenue and profitability.

We continue to experience pricing pressures on trading margins and commissions in fixed income and equity trading. In the fixed income market, regulatory requirements have resulted in greater price transparency, leading to price competition and decreased trading margins. In the equity market, we experience pricing pressure from institutional clients to reduce commissions, 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 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.

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, 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 recruiting and retaining skilled professionals in the financial services industry has escalated considerably. Financial industry employers are increasingly offering guaranteed contracts, upfront payments, and increased compensation. These can be important factors in a current employee’s decision to leave us as well as in a prospective employee’s decision to join us. As competition for skilled professionals in the industry remains intense, we may have to devote significant resources to 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. Recently, a large broker-dealer competitor announced its withdrawal from the Protocol for Broker Recruiting ("Protocol"), a voluntary agreement among over 1,700 firms that governs, among other things, the client information that financial advisors may take with them when they affiliate with a new firm. The ability to bring such customer data to a new broker-dealer generally means that the financial advisor is better able to move client account balances to his or her new firm. It is possible that other competitors will similarly withdraw from the Protocol. If the broker-dealers from whom we recruit new financial advisors prevent, or significantly limit, the transfer of client data, our recruiting efforts may be adversely affected and we could experience a higher number of claims against us relating to our recruiting efforts.

A downgrade in our credit ratings could have a material adverse effect on our operations, earnings and financial condition.

If our credit ratings were downgraded, or if rating agencies indicate that a downgrade may occur, our business, financial position, and results of operations could be adversely affected, perceptions of our financial strength could be damaged, and as a result, adversely affect our client relationships. Such a change in our credit ratings could also adversely affect our liquidity and competitive position, increase our borrowing costs, limit our access to the capital markets, trigger obligations under certain financial agreements, or decrease the number of investors, clients and counterparties willing or permitted to do business with or lend to us, thereby curtailing our business operations and reducing profitability.

We may not be able to obtain additional outside financing to fund our operations on favorable terms, or at all. The impact of a credit rating downgrade to a level below investment grade would result in our breaching provisions in certain of our derivative instruments, and may result in a request for immediate payment and/or ongoing overnight collateralization on our derivative instruments in liability positions. A credit rating downgrade would also result in RJF incurring a higher commitment fee on any unused balance on its $300 million revolving credit facility, in addition to triggering a higher interest rate applicable to any borrowings outstanding on the line as of and subsequent to such downgrade (see Note 14 of the Notes to Consolidated Financial Statements in this Form 10-K for information on this revolving credit facility).

Business growth could increase costs and regulatory and integration risks.

We continue to grow through acquisitions. Integrating acquired businesses, providing a platform for new businesses and partnering with other firms involve risks and present financial, managerial and operational challenges. We may incur significant expense in connection with expanding our existing businesses, recruiting financial advisors, 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.

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 7, “Management’s Discussion and Analysis of

Financial Condition and Results of Operations - Risk Management," in this report for additional information regarding our exposure to and approaches for managing 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.

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 challenging market conditions, 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 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 see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risk Management," 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 real estate and credit markets may increase the complexity and uncertainty involved in estimating the losses inherent in RJ Bank's loan portfolio. If management's underlying assumptions and judgments prove to be inaccurate, the allowance for loan losses could be insufficient to cover actual losses. Our financial condition, including our liquidity and capital, and results of operations could be materially and adversely impacted. 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.

The FASB has issued several new accounting standards, including on the topics of credit losses, revenue recognition and leases.

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Specifically, the new credit losses standard will replace multiple existing impairment models, including the replacement of the “incurred loss” model for loans with an “expected loss” model. We are evaluating the potential impact that the adoption of these standards will have on our financial position and results of operations. See Note 2 of the Notes to Consolidated Financial Statements in this Form 10-K for further information.

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 agreement 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 17 of the Notes to Consolidated Financial Statements in this Form 10-K for further information regarding the indemnification from Regions.

Our operations could be adversely affected by serious weather conditions.

Certain of our principal operations are located in St. Petersburg, Florida. While we have a business continuity plan that permits significant operations to be conducted out of our Southfield, Michigan and Memphis, Tennessee locations and our information systems processing to be conducted out of our information technology data center in the Denver, Colorado area, our operations could be adversely affected by hurricanes or other serious weather conditions that could affect the processing of transactions, communications, and the ability of our associates to get to our offices, or work from home. As discussed above, weather events could also adversely impact certain loans within RJ Bank’s portfolio. Refer to Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Risk Management” in this Form 10-K for a discussion of our operational risk management.

We are exposed to risk from international markets.

We do business in other parts of the world 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 above mentioned factors.

We are exposed to risks related to our insurance programs.

Our operations and financial results are subject to risks and uncertainties related to our use of a combination of insurance, self-insured retention and self-insurance for a number of risks. We have elected to self-insure our workers compensation, errors and omissions liability and our employee-related health care benefit plans. We have self-insured retention risk related to our property and casualty, and general liability benefit plans.

While we endeavor to purchase insurance coverage appropriate to our risk assessment, we are unable to predict with certainty the frequency, nature or magnitude of claims for direct or consequential damages. Our business may be negatively affected if our insurance proves to be inadequate or unavailable. In addition, claims associated with risks we have retained either through our self-insurance retention or by self-insuring, may exceed our recorded reserves which could negatively impact future earnings. Insurance claims may divert management resources away from operating our business.

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RISKS RELATED TO OUR REGULATORY ENVIRONMENT

Financial services firms have been subject to regulatory changes resulting from the Dodd-Frank Act and 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 over the last several years have been operating in an onerous regulatory environment, which could become 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.

As a result of the 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; prohibition of proprietary trading; restrictions on investments in covered funds; 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 are also required to comply with the Volcker Rule’s provisions. Although we have not historically engaged in significant levels of proprietary trading, due to our underwriting and market-making activities and our investments in covered funds, we have experienced and expect to continue to experience increased operational and compliance costs and changes to our private equity investments. Any changes to regulations or changes to the supervisory approach may also result in increased compliance costs to the extent we are required to modify our existing compliance policies, procedures and practices.

Broker-dealers and investment advisors are subject to regulations covering all aspects of the securities business, including, but not limited to: sales and trading methods; trade practices among broker-dealers; use and safekeeping of clients’ funds and securities; capital structure of securities firms; anti-money laundering efforts; recordkeeping; and the conduct of directors, officers and employees. Any violation of these laws or regulations could subject us to the following events, any of which could have a material adverse effect on our business, financial condition and prospects: civil and criminal liability; sanctions, which could include the revocation of our subsidiaries' registrations as investment advisors or broker-dealers; the revocation of the licenses of our financial advisors; censures; fines; or a temporary suspension or permanent bar from conducting business.

The majority of our affiliated financial advisors are independent contractors. Legislative or regulatory action that redefines the criteria for determining whether a person is an employee or an independent contractor could materially impact our relationships with our advisors and our business, resulting in an adverse effect on our results of operations.

Regulatory actions brought against us may result in judgments, settlements, fines, penalties or other results, any of which could have a material adverse effect on our business, financial condition or results of operations. There is no assurance that regulators will be satisfied with the policies and procedures implemented by RJF and its subsidiaries. In addition, from time to time, RJF and its affiliates may become subject to additional findings with respect to supervisory, compliance or other regulatory deficiencies, which could subject us to additional liability, including penalties, and restrictions on our business activities. Among other things, these restrictions could limit our ability to make investments, complete acquisitions, expand into new business lines, pay dividends and/or engage in share repurchases. See Item 1, “Regulation,” in this report for additional information regarding our regulatory environment and Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Risk Management,” in this report regarding our approaches to managing regulatory risk.

Changes in regulations resulting from the DOL Rule, including the DOL fiduciary standard, may adversely affect our businesses.

The DOL Rule became effective earlier in the year, subject to a transition period until January 2018 applying to both the BIC Exemption and Principal Transactions Exemption. Although we have undertaken a comprehensive plan to comply with the DOL Rule given that 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 continue to incur increased legal, compliance and information technology costs. We anticipate that if the DOL Rule is amended, a rule imposing heightened standards on broker-dealers is adopted by the SEC, or fiduciary rules are adopted at the state level, we will be required to incur additional costs in order to review and possibly modify our compliance plan and approach. Implementation of the DOL Rule, any amendments to the rule, and any rules addressing similar matters 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.

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 asset 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 U.S. related to the over-the-counter swaps and derivatives markets require additional registration, record keeping and reporting obligations.

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 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 and RJ Bank are required to perform annual stress tests using certain scenarios provided by the Fed. While we believe that both the quality and size 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 IIROC. 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 21 of the Notes to Consolidated Financial Statements in this Form 10-K for further information on regulations and capital requirements.

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

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.

As a financial holding company, RJF's liquidity depends on payments from its subsidiaries, which may be subject to regulatory restrictions.

RJF is a financial holding company and therefore depends on dividends, distributions and other payments from its subsidiaries in order to meet its obligations, including its debt service obligations. RJF's subsidiaries are subject to laws and regulations that restrict dividend payments or authorize regulatory bodies to prevent or reduce the flow of funds from those subsidiaries to RJF. RJF's broker-dealers and bank subsidiary are limited in their ability to lend or transact with affiliates and are subject to minimum regulatory capital and other requirements, as well as limitations on their ability to use funds deposited with them in 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.

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 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 1.25 million square feet of office space. Our current office space provides us the capacity we need to support our expected growth for several years, however, we also have the necessary rights to add approximately 440,000 square feet of new office space on our existing land within the Carillon Office Park. Additionally, we own approximately 65 acres of land located in Pasco County, Florida for future development and occupancy as needed. To facilitate certain storage needs, we lease warehouse space near our headquarters complex.

We conduct employee-based branch office operations in various locations throughout the U.S. and in certain foreign countries. RJ&A branches are leased from third parties under leases that contain various expiration dates through fiscal year 2028, with the exception of one company-owned RJ&A branch located in Crystal River, Florida. Leases for branch offices of RJFS, the independent contractors of RJ Ltd. and Raymond James Investment Services Limited ("RJIS") are the responsibility of the respective independent contractor financial advisors.

We conduct certain operations from our office building located on land we own in Southfield, Michigan (approximately 88,000 square feet) and operate an information technology data center on land we own in the Denver, Colorado area (approximately 40,000 square feet). We also conduct certain operations in leased office space (approximately 186,000 square feet) in the Raymond James Tower located in downtown Memphis, Tennessee.

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 fiscal year 2031. RJ Ltd. does not own any land or buildings.

See Note 17 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.

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 17 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 were named defendants in various lawsuits related to an alleged fraudulent scheme conducted by Ariel Quiros ("Quiros") and William Stenger involving the misuse of EB-5 visa program investor funds in connection with the Jay Peak ski resort in Vermont and associated limited partnerships ("Jay Peak"). Plaintiffs alleged that Quiros misused $200 million from the limited partnerships and misappropriated $50 million for his personal benefit. There were six civil court actions in which the plaintiffs variously demanded, among other things, compensatory damages, treble damages under the Racketeer Influenced and Corrupt Organizations Act ("RICO") and punitive damages.
On April 13, 2017, RJA entered into an agreement regarding a proposed final, comprehensive settlement of all past, present and future investor claims against us relating to the Jay Peak matters. Under the agreement, we paid to the SEC-appointed receiver for the Jay Peak entities an aggregate of $150 million, which included $4.5 million previously paid in our settlement with the State of Vermont. On June 30, 2017, the court issued a final order approving the proposed settlement agreement and barring all existing or potential future claims against us (other than by governmental bodies or agencies) for any actions or damages associated with the Jay Peak matters. The time period for appealing this final order expired on August 29, 2017, and the final order was not appealed.

Morgan Keegan Litigation

Indemnification from Regions

Under the agreement with Regions governing our 2012 acquisition of Morgan Keegan, Regions is obligated to indemnify us 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 were 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 Limited and an affiliate in the Superior Court of New Jersey, Law Division, in 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 the stock price of Fairfax, so that others could profit from short positions. Plaintiffs alleged that the defendants' actions disparaged them and harmed their business relationships. Plaintiffs further alleged various categories of damages, including lost insurance business, losses on stock and bond offerings, reputational loss, increased audit fees and directors' and officers' insurance premiums, and lost acquisitions. They requested actual and punitive damages and treble damages under their RICO claims. On May 11, 2012, the trial court dismissed the plaintiffs' RICO claims. 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, and the plaintiffs appealed. On April 27, 2017, the Superior Court of New Jersey, Appellate Division, affirmed the trial court's dismissal of certain claims against Morgan Keegan, including the RICO allegations, while remanding to the trial court the claims of disparagement, tortious interference with prospective business relations, and civil conspiracy, and limiting the actual damages to certain lost insurance business. Plaintiffs petitioned the Supreme Court of New Jersey for review of the Appellate Division's opinion, but on October 17, 2017, the Supreme Court of New Jersey denied the petition.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Our common stock is traded on the NYSE under the symbol "RJF." As of November 16, 2017, we had 361 holders of record of our common stock. Shares of our common stock are held by a substantially greater number of beneficial owners, whose shares are held of record by banks, brokers, and other financial institutions.

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

	Fiscal year			
	2017		2016	
	High	Low	High	Low
First quarter	$74.70	$56.61	$59.81	$45.86
Second quarter	$81.92	$69.09	$56.68	$39.84
Third quarter	$82.59	$71.35	$56.69	$44.22
Fourth quarter	$85.97	$74.81	$58.97	$46.30

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	
	2017	2016
First quarter	$0.20	$0.18
Second quarter	$0.22	$0.20
Third quarter	$0.22	$0.20
Fourth quarter	$0.22	$0.20

On August 23, 2017, our Board of Directors declared a quarterly cash dividend of $0.22 per share of common stock which was paid on October 16, 2017.

See Note 21 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.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

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, 2017:

	Total number of shares purchased	Average price per share	Number of shares purchased as part of publicly announced plans or programs	Approximate dollar value (in thousands) at each month-end, of securities that may yet be purchased under the plans or programs
October 1, 2016 – October 31, 2016	13,245	$ 60.46	—	$ 135,671
November 1, 2016 – November 30, 2016	157,010	$ 73.12	—	$ 135,671
December 1, 2016 – December 31, 2016	189,500	$ 72.70	—	$ 135,671
First quarter	359,755	$ 72.43	—	
January 1, 2017 – January 31, 2017	15,096	$ 71.28	—	$ 135,671
February 1, 2017 – February 28, 2017	15,251	$ 79.33	—	$ 135,671
March 1, 2017 – March 31, 2017	9,077	$ 79.13	—	$ 135,671
Second quarter	39,424	$ 76.20	—	
April 1, 2017 – April 30, 2017	29,329	$ 74.14	—	$ 135,671
May 1, 2017 – May 31, 2017	5,408	$ 73.94	—	$ 135,671
June 1, 2017 – June 30, 2017	7,128	$ 76.16	—	$ 135,671
Third quarter	41,865	$ 74.46	—	
July 1, 2017 – July 31, 2017	142	$ 80.95	—	$ 135,671
August 1, 2017 – August 31, 2017	22,464	$ 78.91	—	$ 135,671
September 1, 2017 – September 30, 2017	1,203	$ 76.08	—	$ 135,671
Fourth quarter	23,809	$ 78.78	—	
Fiscal year total	464,853	$ 73.26	—	

Of the total for the year ended September 30, 2017, 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 approximated 77 thousand shares, for a total consideration of $6 million (for more information on this trust fund, see Note 2 and Note 10 of the Notes to Consolidated Financial Statements in this Form 10-K). These activities do not utilize the repurchase authority presented in the table above.

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, 2017, shares surrendered to us by employees for such purposes approximated 388 thousand shares, for a total consideration of $28 million. These activities do not utilize the repurchase authority presented in the table above.

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RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Item 6. SELECTED FINANCIAL DATA

	Year ended September 30,				
$ in thousands, except per share amounts	2017	2016	2015	2014	2013
Operating results:					
Total revenues	$6,524,875	$5,521,120	$5,309,680	$4,964,128	$4,594,305
Net revenues	$6,371,097	$5,405,064	$5,203,606	$4,861,924	$4,487,893
Net income attributable to Raymond James Financial, Inc.	$636,235	$529,350	$502,140	$480,248	$367,154
Earnings per common share - basic	$4.43	$3.72	$3.51	$3.41	$2.64
Earnings per common share - diluted	$4.33	$3.65	$3.43	$3.32	$2.58
Weighted-average common shares outstanding - basic	143,275	141,773	142,548	139,935	137,732
Weighted-average common and common equivalent shares outstanding - diluted	146,647	144,513	145,939	143,589	140,541
Cash dividends per common share - declared	$0.88	$0.80	$0.72	$0.64	$0.56
Financial condition:					
Total assets	$34,883,456	$31,486,976	$26,325,850	$23,135,343	$22,965,444
Senior notes payable maturing within twelve months	$—	$—	$250,000	$—	$—
Long-term obligations:					
Non-current portion of other borrowings	$898,967	$604,080	$583,740	$537,932	$47,132
Non-current portion of senior notes payable	$1,550,000	$1,700,000	$900,000	$1,150,000	$1,150,000
Total long-term debt	$2,448,967	$2,304,080	$1,483,740	$1,687,932	$1,197,132
Total equity attributable to Raymond James Financial, Inc.	$5,581,713	$4,916,545	$4,524,481	$4,143,686	$3,665,373
Shares outstanding	144,097	141,545	142,751	140,836	138,750
Book value per share	$38.74	$34.73	$31.69	$29.42	$26.42

As a result of our October 1, 2016 adoption of the new consolidation guidance, we deconsolidated a number of tax credit fund variable interest entities ("VIEs") that had been previously consolidated. We determined that under the new guidance, we are no longer deemed to be the primary beneficiary of these VIEs. We applied the new consolidation guidance on the full retrospective basis, meaning that we have reflected the adjustments arising from this adoption as of the beginning of our earliest comparative period presented. There was no net income impact on our Consolidated Statements of Income and Comprehensive Income for the prior year periods as the net changes in revenues, interest and other expenses were offset by the impact of the deconsolidation on the net income/(loss) attributable to noncontrolling interests. See Note 2 in the Notes to the Consolidated Financial Statements for additional information.

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

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

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

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Introduction

The following Management’s Discussion and Analysis (“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 holding company 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, market volatility, 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 investment banking activity, including public offerings, as well as trading profits, and asset valuations, or a combination thereof. In turn, these decisions and factors affect our business results.

Year ended September 30, 2017 compared with the year ended September 30, 2016

We achieved net revenues of $6.37 billion, a $966 million, or 18% increase. Our pre-tax income amounted to $925 million, an increase of $125 million, or 16%. Our net income of $636 million increased $107 million, or 20%, and our earnings per diluted share were $4.33, a 19% increase.

During the year ended September 30, 2017, earnings were impacted negatively by the Jay Peak settlement, losses on the early extinguishment of certain of our senior notes and acquisition-related expenses. After excluding the impact of these expenses, which totaled $194 million in the current year on a pre-tax basis, our adjusted pre-tax income was $1.12 billion,[(1)] an increase of 30% compared with adjusted pre-tax income in the prior year, and adjusted net income was $768 million,[(1)] an increase of 35% compared with adjusted net income in the prior year. Adjusted earnings per diluted share were $5.23,[(1)] a 33% increase compared with adjusted earnings per diluted share in the prior year.

Net revenues increased in each of our four operating segments, including significant growth in the Private Client Group (“PCG”) and Asset Management segments, which benefited from growth in client assets in fee-based accounts, and significant growth in RJ Bank due to an increase in average interest-earning assets and an increase in net interest margin. Investment banking revenues in our Capital Markets segment were strong and were significantly higher than fiscal year 2016; however institutional sales commissions declined reflecting the low levels of market volatility. Total client assets under administration reached $692.9 billion at September 30, 2017, a 15% increase, primarily attributable to strong financial advisor recruiting and retention results and equity market appreciation.

Non-interest expenses increased $850 million, or 19%. The increase primarily resulted from increased compensation, commissions and benefits expenses, primarily associated with increased revenues and income, as well as increased staffing levels required to support our continued growth, and increased regulatory and compliance requirements. We also had losses on the early extinguishment of certain senior notes and increased legal expenses during the year for the Jay Peak settlement.

Our effective tax rate was 31.2% in the current year, down from the 33.9% for the prior year. The decrease in our effective tax rate compared to the prior year was primarily due to the favorable impact of the adoption of new stock compensation accounting guidance which had a favorable impact on our effective tax rate of 2.7% and our provision for taxes of $25 million (see Note 2 and Note 20 of the Notes to Consolidated Financial Statements in this Form 10-K for additional information). Also contributing to the decrease was a favorable impact of 1.7% due to the increase in the amount of nontaxable gains arising from the value of our company-owned life insurance portfolio as a result of an increase in equity market values, compared to a 1.1% favorable impact in the prior year.

Both the U.S. Senate and the U.S. House of Representatives have recently introduced versions of income tax reform, which would have significant impacts on the federal tax code. These proposals contain several corporate income tax provisions, including a corporate tax rate reduction from 35 percent to 20 percent which would prospectively benefit our effective tax rate following enactment. Depending on the scope of any enacted legislation, there could also be a significant negative impact on our results in the period of enactment, primarily due to the potential remeasurement of U.S. deferred tax balances at lower corporate enacted tax rates and a repatriation tax, if any, on deemed repatriated earnings from foreign subsidiaries.

(1) "Adjusted pre-tax income," "adjusted net income," and "adjusted earnings per diluted share" are each non-GAAP financial measures. Please see the "reconciliation of GAAP measures to non-GAAP measures" in this Item 2, for a reconciliation of our non-GAAP measures to the most directly comparable GAAP measures, and for other important disclosures.

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

A summary of our financial results by segment as compared to the prior year are as follows:

- Our Private Client Group segment generated net revenues of $4.42 billion, a 22% increase, while pre-tax income increased 10% to $373 million. The increase in net revenues was primarily attributable to an increase in securities commissions and fees, driven by strong recruiting results, the acquisitions of Alex. Brown and 3Macs in late fiscal 2016 and a stronger market environment compared to the prior year. The segment also benefited from the impact of higher short-term interest rates, resulting in increases in fees related to our RJ Bank Deposit Program ("RJBDP") and interest income. Non-interest expenses increased $773 million, or 24%, primarily resulting from an increase in sales commission expense, increased legal expenses related to the Jay Peak settlement and increased administrative & incentive compensation and benefits expense.

- The Capital Markets segment generated net revenues of $1.01 billion, a 1% increase, while pre-tax income also increased 1% to $141 million. The increase in net revenues was primarily due to an increase in merger & acquisition and advisory fee revenues and equity underwriting fees, partially offset by a decline in institutional sales commissions and trading profits, reflecting lower levels of volatility, and a decline in tax credit funds syndication revenues resulting from uncertainty over corporate tax reform. Non-interest expenses increased $16 million, or 2%, primarily resulting from an increase in incentive compensation and benefits expense largely related to improved investment banking results.

- Our Asset Management segment benefited from increased fee-based client assets, generating a 21% increase in net revenues to $488 million, while pre-tax income increased 30% to $172 million. The increase in net revenues primarily reflected increases in advisory fee revenues from managed programs and in non-discretionary asset-based administration fee revenues as financial assets under management in managed programs and assets held in non-discretionary asset-based programs increased 25% and 32%, respectively over the prior year level. Non-interest expenses increased $42 million, or 16%, primarily resulting from increased investment sub-advisory fees and growth-related increases in administrative & incentive compensation and benefits expense.

- RJ Bank generated a 20% increase in net revenues to $593 million, while pre-tax income increased 21% to $409 million. The increase in pre-tax income resulted primarily from an increase in net interest income and a decrease in the provision for loan losses, partially offset by higher affiliate deposit fees paid to the Private Client Group due to an increase in client account balances. Net interest income increased due to both growth in average interest-earning assets and an increase in the net interest margin which benefited from the impact of higher short-term interest rates.

- Activities in our Other segment generated a pre-tax loss that is $21 million, or 14% more than the prior year, primarily due to the losses on the early extinguishment of certain senior notes payable, combined with higher interest expense related to a higher average balance of our senior notes payable for the fiscal year. Total revenues in the segment increased $19 million, or 41%, primarily due to higher net valuation gains from our private equity portfolio and an increase in interest income due to increased short-term interest rates and higher corporate cash balances.

Consistent with our growth strategies, in April 2017 we announced we had entered into a definitive agreement to acquire 100% of the outstanding shares of Scout Investments, Inc. (the "Scout Group"), an asset management and distribution entity, from UMB Financial Corporation. The Scout Group includes Scout Investments ("Scout") and its Reams Asset Management division ("Reams"), as well as Scout Distributors. The addition of Scout, an equity asset manager, and Reams, an institutional-focused fixed income specialist, broadens the investment solutions available to our clients. The Scout Group was included in our Asset Management segment upon completion of this acquisition, which occurred November 17, 2017.

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

We achieved net revenues in fiscal year 2016 of $5.41 billion, a $201 million, or 4% increase over fiscal year 2015. Our fiscal year 2016 net income of $529 million reflected an increase of $27 million, or 5%, and our diluted earnings per share amounted to $3.65, a 6% increase. The fiscal year 2016 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 fiscal year 2015 level. The increase in assets under administration was 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 fiscal year 2016 impact of acquisition-related expenses and legal reserves for the Jay Peak matter, our adjusted net income amounted to $569 million [(1)] and adjusted diluted earnings per share amounted to $3.93 [(1)].

(1) “Adjusted net income,” and “adjusted diluted earnings per share” are each non-GAAP financial measures. Please see the “reconciliation of GAAP measures to 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.

Fiscal year 2016 net revenues increased in each of our four operating segments as compared to fiscal year 2015. Our non-operating Other segment reflected a decline in net revenues as fiscal year 2015 experienced higher valuation gains from our private equity investments than fiscal year 2016, as well as realized gains on sales of our auction rate securities ("ARS"). Non-interest expenses increased $204 million, or 5%. The increase primarily resulted from: increases in compensation, commissions and benefits due to annual raises, growth in related securities commissions 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 during fiscal year 2016.

A summary of the most significant items impacting our fiscal year 2016 financial results as compared to the prior year are as follows:

- Our Private Client Group segment generated fiscal year 2016 net revenues of $3.62 billion, a 3% increase, while pre-tax income decreased by $2 million to $341 million. The increase in net revenues was primarily attributable to an increase in account and service fee income, most notably an increase in fees associated with our RJBDP 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 during fiscal year 2016.

Securities commission 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 fiscal year 2015 levels, 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 expenses related to the Jay Peak matter.

- The Capital Markets segment generated fiscal year 2016 net revenues of $1.00 billion, a 4% increase, while pre-tax income increased by 30% to $139 million. The fiscal year 2016 increase in net revenues was driven by an increase in trading profits, sales commissions on fixed income products and an increase in tax credit fund syndication fee revenues, offset by declines in equity underwriting fees and merger & acquisition and advisory fee revenues. Non-interest expenses increased a modest 1% over the fiscal year 2015 level.

- Our Asset Management segment generated net revenues of $404 million, a 3% increase, while pre-tax income decreased by 2% to $132 million in fiscal year 2016. Non-discretionary asset-based administration fee revenues increased, driven by an increase in assets held in these programs. Investment advisory fee revenues from managed programs approximated the fiscal year 2015 level despite the increase in balances of financial assets under management as of September 30, 2016 due to the volatility of markets during fiscal year 2016 and the timing of our fee computations. Expenses increased 6% in fiscal year 2016 due, in large part, to the fiscal year 2015 reversal of certain incentive compensation expense accruals for associates who left the firm.

- RJ Bank generated fiscal year 2016 net revenues of $494 million, a 19% increase, while pre-tax income increased by 21% to $337 million. The loan loss provision increased nearly $5 million, or 20% over the fiscal year 2015 level due to higher corporate loan growth, charges resulting from loans outstanding within the energy sector, and additional provision for corporate loan downgrades during fiscal year 2016. 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 client account balances, as well as an increase in FDIC insurance premiums.

- Activities in our Other segment during fiscal year 2016 reflect a pre-tax loss that was $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 resulting from fiscal year 2015 sales that did not recur in fiscal year 2016, offset by increased interest revenue and foreign exchange gains. Acquisition-related expenses of $41 million for fiscal year 2016 did not occur in fiscal year 2015, and resulted from incremental expenses related to our acquisitions of Alex. Brown, 3Macs, and Mummert during fiscal year 2016.

- Our effective tax rate was 33.9% in fiscal year 2016, down from the 37.1% in the prior year. The fiscal year 2016 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 fiscal year 2015; (2) adjustments associated with our divestitures of our 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

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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 fiscal year 2016 for a total purchase price of approximately $144.5 million, reflecting an average per share repurchase price of $45.69. The fiscal year 2016 diluted earnings per share benefited by $0.05 as a result of these repurchases.

Segments

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

	Year ended September 30,				
$ in thousands	2017	% change	2016	% change	2015
Total company					
Net revenues	$6,371,097	18 %	$5,405,064	4 %	$5,203,606
Pre-tax income excluding noncontrolling interests	925,346	16 %	800,643	—	798,174
Private Client Group					
Net revenues	4,421,633	22 %	3,616,479	3 %	3,507,806
Pre-tax income	372,950	10 %	340,564	—	342,243
Capital Markets					
Net revenues	1,013,683	1 %	1,001,716	4 %	963,431
Pre-tax income	141,236	1 %	139,173	30 %	107,009
Asset Management					
Net revenues	487,658	21 %	404,349	3 %	392,301
Pre-tax income	171,736	30 %	132,158	(2)%	135,050
RJ Bank					
Net revenues	592,670	20 %	493,966	19 %	414,295
Pre-tax income	409,303	21 %	337,296	21 %	278,721
Other					
Net revenues	(29,870)	6 %	(31,692)	(211)%	(10,198)
Pre-tax loss	(169,879)	(14)%	(148,548)	(129)%	(64,849)
Intersegment eliminations					
Net revenues	(114,677)		(79,754)		(64,029)

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Reconciliation of GAAP measures to non-GAAP measures

We utilize certain non-GAAP calculations as additional measures to aid in, and enhance, the understanding of our financial results and related measures. 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 following table provides a reconciliation of GAAP measures to non-GAAP measures for the periods which include non-GAAP adjustments. Non-GAAP measures for the year ended September 30, 2016 have been revised from those previously reported to conform to our current presentation, which includes amounts related to the Jay Peak settlement.

	Year ended September 30,	
$ in thousands, except per share amounts	2017	2016
Net Income [1]	$636,235	$529,350
Non-GAAP adjustments: [2]		
Acquisition-related expenses	17,995	40,706
Losses on extinguishment of debt	45,746	—
Jay Peak matter	130,000	20,000
Sub-total pre-tax non-GAAP adjustments	193,741	60,706
Tax effect of non-GAAP adjustments	(61,869)	(20,570)
Non-GAAP adjustments, net of tax	131,872	40,136
Adjusted net income	$768,107	$569,486
Pre-tax income [1]	$925,346	$800,643
Total pre-tax non-GAAP adjustments (as detailed above)	193,741	60,706
Adjusted pre-tax income	$1,119,087	$861,349
Pre-tax margin on net revenues [3]	14.5%	14.8%
Adjusted pre-tax margin on net revenues [3]	17.6%	15.9%
Earnings per common share:		
Basic	$4.43	$3.72
Diluted	$4.33	$3.65
Adjusted earnings per common share:		
Adjusted basic	$5.35	$4.01
Adjusted diluted	$5.23	$3.93
Average equity [4]	$5,235,231	$4,695,588
Adjusted average equity [4]	$5,310,489	$4,707,959
Return on equity [5]	12.2%	11.3%
Adjusted return on equity [5]	14.5%	12.1%

(1) Excludes noncontrolling interests.

(2) See Note 3 for information on our acquisition-related expenses, Note 15 for information on our extinguishment of debt and Item 3 in this Form 10-K for more information on the Jay Peak matter.

(3) Computed by dividing the pre-tax income attributable to RJF by net revenues for each respective period or, in the case of adjusted pre-tax margin on net revenues, computed by dividing adjusted pre-tax income attributable to RJF by net revenues for each respective period.

(4) Computed by adding the total equity attributable to RJF as of each quarter-end date during the indicated period to the beginning of the year total and dividing by five. Adjusted average equity is computed by adjusting for the impact on average equity of the non-GAAP adjustments, as applicable for each respective period.

(5) Computed by dividing net income attributable to RJF by average equity for each respective period or, in the case of adjusted return on equity, computed by dividing adjusted net income attributable to RJF by adjusted average equity for each respective period.

Net interest analysis

The Federal Reserve Bank announced increases in its benchmark short-term interest rate of 25 basis points in each of June 2017, March 2017 and December 2016, as well as in December 2015. Increases in short-term interest rates such as these have a significant impact on our overall financial performance, as we have certain assets and liabilities, primarily held in our PCG and RJ Bank segments, which are sensitive to changes in interest rates. Given the relationship of our interest sensitive assets to liabilities held in each of these segments, increases in short-term interest rates result in an overall increase in our net earnings, although the impact to our net interest margin depends on the yields on interest-earning assets relative to interest-bearing liabilities.

In PCG, we also earn fees in lieu of interest income from our RJBDP, a multi-bank a sweep program in which clients' cash deposits in their brokerage accounts are swept into interest-bearing deposit accounts at RJ Bank and various third-party banks. Such fees are recorded in "Account and service fees" in our Consolidated Statements of Income and Comprehensive Income and fluctuate based on changes in short-term interest rates relative to deposit rates paid on client cash balances. Of the total client domestic cash balances of $43.0 billion at September 30, 2017, approximately $38.1 billion was included in the RJBDP, compared with $37.7 billion of the $43.9 billion of total client domestic cash balances at September 30, 2016. While the short-term interest rate increases in 2017 had a significant impact on fees earned from our RJBDP, they have not yet had a significant impact on market deposit rates paid on client cash balances. As such, any future increases in short-term interest rates may have less of an impact or could actually reduce our fees earned in this program, depending on the level of deposit rates paid on client cash balances.

If the Federal Reserve Bank was to reverse its previous actions and decrease the benchmark short-term interest rate or if deposit rates that we pay on client cash balances increased and resulted in a decline in spreads earned on our RJBDP program, the impact on our net interest income and account and service fees would be an unfavorable reversal of the positive impact described above.

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The following table presents our consolidated average balance, interest income and expense balances and the related yield and rates. Average balances are calculated on a daily basis unless otherwise noted.

	Year ended September 30,								
	2017			2016			2015		
$ in thousands	Average balance	Interest inc./exp.	Average yield/cost	Average balance	Interest inc./exp.	Average yield/cost	Average balance	Interest inc./exp.	Average yield/cost
Interest-earning assets:									
Assets segregated pursuant to regulations and other segregated assets	$3,250,854	$37,270	1.15 %	$3,565,252	$22,287	0.63 %	$2,498,357	$13,792	0.55 %
Securities loaned	456,573	14,049	3.08 %	577,002	8,777	1.52 %	433,642	12,036	2.78 %
Trading instruments (1)	655,302	21,068	3.22 %	707,321	19,362	2.74 %	678,715	19,450	2.87 %
Available-for-sale securities	1,588,484	27,946	1.76 %	561,925	7,596	1.35 %	508,223	5,100	1.00 %
Margin loans	2,403,451	85,699	3.57 %	1,811,845	68,712	3.79 %	1,805,312	67,573	3.74 %
Bank loans, net of unearned income (2)									
Loans held for sale	159,384	5,156	3.34 %	150,305	4,551	3.07 %	107,255	2,686	2.64 %
Loans held for investment:									
C&I loans	7,340,052	281,274	3.78 %	7,171,402	271,476	3.73 %	6,677,117	244,986	3.62 %
CRE construction loans	129,073	6,184	4.73 %	169,101	8,462	4.92 %	118,626	5,042	4.19 %
CRE loans	2,831,870	100,563	3.50 %	2,297,224	70,048	3.00 %	1,728,324	53,369	3.05 %
Tax-exempt loans (3)	891,922	23,057	3.98 %	617,701	16,707	4.16 %	301,767	8,812	4.49 %
Residential mortgage loans	2,803,464	83,537	2.94 %	2,217,789	64,607	2.87 %	1,927,105	55,370	2.83 %
SBL	2,123,189	72,400	3.36 %	1,713,243	51,515	2.96 %	1,269,337	35,313	2.74 %
Total bank loans, net	16,278,954	572,171	3.55 %	14,336,765	487,366	3.42 %	12,129,531	405,578	3.34 %
Loans to financial advisors (1)	848,677	13,333	1.57 %	563,548	8,207	1.46 %	457,797	7,056	1.54 %
Corporate cash and all other (1)	3,450,514	30,590	0.89 %	2,750,688	18,090	0.66 %	2,957,309	12,697	0.43 %
Total interest-earning assets	$28,932,809	$802,126	2.77 %	$24,874,346	$640,397	2.57 %	$21,468,886	$543,282	2.53 %
Interest-bearing liabilities:									
Bank deposits									
Certificates of deposit	$293,589	$4,325	1.47 %	$345,628	$5,402	1.56 %	$347,748	$5,839	1.68 %

Money market, savings and Negotiable Order of Withdrawal ("NOW") accounts	15,566,621	12,859	0.08 %	12,640,068	4,816	0.05 %	10,851,494	2,543	0.02 %
Securities borrowed	110,416	6,690	6.06 %	79,613	3,174	3.99 %	135,027	5,237	3.88 %
Trading instruments sold but not yet purchased (1)	289,218	6,138	2.12 %	281,501	5,035	1.79 %	274,364	4,503	1.64 %
Brokerage client liabilities	4,678,445	4,884	0.10 %	4,291,632	2,084	0.05 %	3,693,928	940	0.03 %
Other borrowings	855,638	16,559	1.94 %	723,904	12,957	1.79 %	721,296	6,079	0.84 %
Senior notes	1,689,172	94,665	5.60 %	1,210,148	78,533	6.49 %	1,149,136	76,088	6.62 %
Other (1)	267,794	7,658	2.86 %	241,454	4,055	1.68 %	293,615	4,845	1.65 %
Total interest-bearing liabilities	$23,750,893	$153,778	0.65 %	$19,813,948	$116,056	0.59 %	$17,466,608	$106,074	0.61 %
Net interest income		$648,348			$524,341			$437,208	

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

(2) Nonaccrual loans are included in the average loan balances. Payment or income received on corporate nonaccrual loans are applied to principal. Income on other nonaccrual loans is recognized on a cash basis. Fee income on all loans included in interest income for the twelve months ended September 30, 2017, 2016 and 2015, was $38 million, $36 million and $30 million respectively.

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

Year ended September 30, 2017 compared with the year ended September 30, 2016

Net interest income increased $124 million, or 24%, primarily reflecting an increase in interest income in our PCG and RJ Bank segments, partially offset by the impact of an increase in interest expense related to our senior notes payable.

Net interest income in the PCG segment increased $40 million, or 41%. Interest income in the PCG segment increased as a result of: 1) the impact of the increase in average segregated assets compared with prior year levels, largely driven by our September 2016 acquisition of Alex. Brown, as well as the impact of an increase in short-term interest rates on these balances; and 2) increased client margin balances, largely driven by our September 2016 acquisition of Alex. Brown. The favorable impact of the growth was partially offset by a decrease in average client margin rates on the portfolio. Interest expense for the segment increased, albeit to a much lesser extent, primarily due to an increase in client cash balances and an increase in the interest rate paid to clients on such balances.

The RJ Bank segment's net interest income increased $96 million, or 20%, resulting from an increase in average loans outstanding and an increase in available-for-sale securities, as well as an increase in net interest margin as compared to the prior year. Refer to the discussion of the specific components of RJ Bank's net interest income in the RJ Bank section of this MD&A.

Interest expense incurred on our senior notes increased by $16 million, or 21%, as the average outstanding balance of senior notes increased compared to the prior year. The net increase in the balance outstanding was due to our May 2017 and July 2016 issuances of a combined $1.30 billion in senior notes, offset by the April 2016 maturity and repayment of $250 million of senior notes and the March 2017 extinguishment of $350 million of senior notes. The early extinguishment of $300 million of senior notes in September 2017 did not meaningfully reduce our interest expense in fiscal year 2017.

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

Net interest income increased $87 million, or 20%, primarily due to an increase in net interest income in RJ Bank and, to a lesser extent in PCG.

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 fiscal 2016 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.

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. Interest expense incurred on other borrowings increased, primarily related to RJ Bank's borrowings from the FHLB and the related interest hedges. Refer to the discussion of the specific components of RJ Bank's net interest income in the RJ Bank section of this MD&A.

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.

Results of Operations – Private Client Group

The success of the PCG segment is dependent upon the quality of our products, services, financial advisors and support personnel. Revenues of this segment are correlated with the level of PCG client assets under administration, including fee-based accounts, as well as the overall U.S. equity markets. In periods where equity markets improve, assets under administration and client activity generally increase, thereby having a favorable impact on net revenues.

Through our PCG segment, we provide investment services for which we charge sales commissions or asset-based fees. In addition, we also offer investment advisory services for which we earn a fee calculated as a percentage of assets in the client account or a flat periodic fee charged to the client for investment advice. Such revenues are included in “Securities commissions and fees.” We also earn certain servicing fees, such as omnibus and education and marketing support (“EMS”) fees, from mutual fund and annuity companies whose products we distribute, which are included in “Account and service fees.”

Net interest revenue in the PCG segment is generated by interest earnings on margin loans provided to clients and on cash segregated pursuant to regulations, less interest paid on client cash balances in our client interest program. We also earn fees in lieu of interest revenue from our RJBDP program, which are included in “Account and service fees.” Higher client cash balances generally lead to increased interest income and account and service fee revenues, depending upon spreads realized in our client interest program and RJBDP. For more information on client cash balances, see our previous discussion of interest-earning and interest-bearing assets and liabilities in the Net Interest section of this MD&A.

For an overview of our PCG segment operations, refer to the information presented in Item I, Business in this Form 10-K.

Operating results

	Year ended September 30,				
$ in thousands	2017	% change	2016	% change	2015
Revenues:					
Securities commissions and fees:					
Fee-based accounts	$2,040,839	28 %	$1,589,124	8 %	$1,472,877
Mutual funds	646,614	2 %	631,102	(7)%	680,375
Insurance and annuity products	385,493	2 %	377,329	4 %	363,352
Equity products	303,015	26 %	240,855	(11)%	270,435
Fixed income products	118,062	23 %	95,908	29 %	74,448
New issue sales credits	72,281	64 %	44,088	(41)%	75,015
Sub-total securities commissions and fees	3,566,304	20 %	2,978,406	1 %	2,936,502
Interest	152,711	42 %	107,281	7 %	100,594
Account and service fees:					
Mutual fund and annuity service fees	290,661	14 %	255,405	2 %	249,232
RJBDP fees	270,030	99 %	135,460	63 %	83,059
Client account and service fees	98,500	4 %	95,010	2 %	93,117
Client transaction fees	22,205	10 %	20,258	7 %	18,971
Account and service fees – all other	2,898	—	2,898	8 %	2,685
Sub-total account and service fees	684,294	34 %	509,031	14 %	447,064
Other	34,279	7 %	32,000	(10)%	35,398
Total revenues	4,437,588	22 %	3,626,718	3 %	3,519,558
Interest expense	(15,955)	56 %	(10,239)	(13)%	(11,752)
Net revenues	4,421,633	22 %	3,616,479	3 %	3,507,806
Non-interest expenses:					
Sales commissions	2,653,287	21 %	2,193,099	1 %	2,169,823
Admin & incentive compensation and benefit costs	713,043	20 %	595,541	8 %	552,762
Communications and information processing	193,902	16 %	166,507	6 %	157,729
Occupancy and equipment costs	146,394	17 %	125,555	4 %	121,115
Business development	98,138	11 %	88,535	(4)%	92,473
Jay Peak matter	130,000	550 %	20,000	NM	—
Brokerage, clearing, exchange and other	113,919	31 %	86,678	21 %	71,661
Total non-interest expenses	4,048,683	24 %	3,275,915	3 %	3,165,563
Pre-tax income	$372,950	10 %	$340,564	—	$342,243

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Selected key metrics
Client Asset Balances:

$ in billions	As of September 30, 2017	% change	2016	% change	2015
PCG assets under administration	$659.5	15 %	$574.1	27 %	$453.3
PCG assets in fee-based accounts	$294.5	27 %	$231.0	29 %	$179.4

Financial advisors and Branch locations:

	September 30, 2017 (1)	2016	2015
Employees	3,041	3,098	2,738
Independent Contractors	4,305	4,048	3,858
Total financial advisors	7,346	7,146	6,596
Branch locations	2,994	2,890	2,702

(1) During the year ended September 30, 2017, we refined the criteria to determine our financial advisor population, which resulted in a decrease in our previously reported counts of approximately 100 advisors as of our date of adoption. The impact of the change in our methodology did not have a significant impact on the prior periods, and thus we have not revised the number of financial advisors reported in prior periods.

PCG assets under administration increased 15% over September 30, 2016, resulting from net client inflows and equity market appreciation. Our net client inflows were primarily attributable to strong financial advisor recruiting results. PCG assets in fee-based accounts as a percentage of overall PCG assets under administration increased compared to September 30, 2016 due, in part, to clients moving to fee-based alternatives versus traditional transaction-based accounts in response to the recently implemented DOL regulatory changes. PCG assets under administration increased as of September 30, 2016 compared with September 30, 2015 due to strong financial advisor recruiting results as well as our fiscal year 2016 acquisitions of Alex. Brown and 3Macs.

The net increase in financial advisors as of September 30, 2017 compared to September 30, 2016 resulted from strong financial advisor recruiting and high levels of retention throughout fiscal year 2017. 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 the markets, we believe that this increase in financial advisors is a positive indication of potential future revenue growth in this segment.

Year ended September 30, 2017 compared with the year ended September 30, 2016

Net revenues increased $805 million, or 22% to $4.42 billion. Pre-tax income, which was negatively impacted by the Jay Peak settlement, increased $32 million, or 10% to $373 million.

Securities commissions and fees increased $588 million, or 20%, primarily due to strong recruiting results, the acquisitions of Alex. Brown and 3Macs in late fiscal 2016 and a stronger market environment compared to the prior year.

Account and service fees increased $175 million, or 34%, primarily due to higher RJBDP fees resulting from an increase in short-term interest rates during fiscal year 2017. Mutual fund and annuity service fees also increased, reflecting higher EMS fees and mutual fund omnibus fees. The increase in EMS fees is primarily due to increased assets in the program. The increase in omnibus fees is a result of an increase in the number of positions invested in fund families on the omnibus platform.

The portion of total segment revenues that we consider to be recurring was 79% for fiscal 2017, an increase from 77% for fiscal 2016. Recurring 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 RJBDP program, and interest, all of which contributed to the increase.

As previously discussed, net interest income in the PCG segment increased $40 million, or 41%.

Non-interest expenses increased $773 million, or 24%. Sales commissions increased $460 million, or 21%, relatively in line with the increase in securities commissions and fees. Expenses related to the Jay Peak matter increased by $110 million to reflect the amount of the settlement in fiscal 2017. Administrative and incentive compensation and benefits expense increased $118 million, or 20%, primarily resulting from additional staffing levels, primarily in operations and information technology functions, to support our continued growth and increased regulatory and compliance requirements.

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

Net revenues in fiscal 2016 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 9.8% in fiscal 2015. The 3Macs and Alex. Brown acquisitions were completed toward the end of fiscal year 2016 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 in fiscal 2016 increased $42 million, or 1%. Revenues earned in fiscal year 2016 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 fiscal year 2016.

Total account and service fees in fiscal year 2016 increased $62 million, or 14%. RJBDP fees increased $52 million, or 63%, primarily 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.

The portion of total segment revenues that we consider to be recurring was approximately 77% for fiscal 2016, an increase from 75% from fiscal 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 RJBDP program, and interest.

As previously discussed, net interest income in the PCG segment increased $8 million, or 9%.

Non-interest expenses in fiscal year 2016 increased $110 million, or 3%. Administrative & incentive compensation and benefit costs 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 during fiscal year 2016. Sales commission expense in fiscal year 2016 increased $23 million, or 1%, which is consistent with the 1% increase in securities commissions and fees revenues. Expenses related to the Jay Peak matter were $20 million in fiscal 2016 and there were no expenses related to this matter in fiscal 2015. 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.

Results of Operations – Capital Markets

Our Capital Markets segment conducts fixed income institutional sales and equity securities trading, equity research, investment banking and the syndication and related management of investments that qualify for tax credits. We primarily conduct these activities in the U.S., Canada and Europe.

We earn institutional sales commissions for the sale of both equity and fixed income products, which are driven primarily through trade volume, resulting from a combination of participation in public offerings, general market activity, and by the Capital Markets group’s ability to find attractive investment opportunities and promote those opportunities to clients.

This segment also includes trading which involves the purchase of securities from, and the sale of securities to, our clients as well as other dealers who may be purchasing or selling securities for their own account or acting 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. In our fixed income businesses, we also enter into interest rate swaps and futures contracts to facilitate client transactions or to actively manage risk exposures.

We provide various investment banking services, including public and private equity and debt financing activities, including our public finance activities, merger and acquisition advisory, and other advisory services. Revenues from investment banking activities are driven principally by our role in the transaction and the number and dollar value of the transactions with which we are involved. For an overview of our Capital Markets segment operations, refer to the information presented in Item I, Business in this Form 10-K.

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Operating results

	Year ended September 30,				
$ in thousands	2017	% change	2016	% change	2015
Revenues:					
Securities commissions and fees:					
Equity	$222,942	(2)%	$228,346	(8)%	$247,414
Fixed income	267,749	(15)%	316,144	11 %	283,828
Sub-total securities commissions and fees	490,691	(10)%	544,490	2 %	531,242
Equity underwriting fees	72,845	34 %	54,492	(27)%	74,229
Merger & acquisition and advisory fees	228,422	54 %	148,503	(8)%	162,270
Fixed income investment banking	43,234	5 %	41,024	(3)%	42,149
Tax credit funds syndication fees	54,098	(9)%	59,424	33 %	44,601
Sub-total investment banking	398,599	31 %	303,443	(6)%	323,249
Investment advisory fees	21,623	(27)%	29,684	6 %	27,905
Net trading profit	78,155	(11)%	87,966	60 %	55,021
Interest	27,095	9 %	24,867	9 %	22,738
Other	18,072	(32)%	26,701	63 %	16,425
Total revenues	1,034,235	2 %	1,017,151	4 %	976,580
Interest expense	(20,552)	33 %	(15,435)	17 %	(13,149)
Net revenues	1,013,683	1 %	1,001,716	4 %	963,431
Non-interest expenses:					
Sales commissions	176,197	(14)%	204,965	3 %	198,691
Admin & incentive compensation and benefit costs	469,468	8 %	433,136	1 %	428,501
Communications and information processing	70,140	(3)%	72,305	1 %	71,630
Occupancy and equipment costs	33,920	(1)%	34,250	1 %	34,006
Business development	38,389	(4)%	39,892	(9)%	44,058
Losses and non-interest expenses of real estate partnerships held by consolidated VIEs	13,663	40 %	9,788	142 %	4,050
Brokerage, clearing, exchange and other	84,702	11 %	76,189	(2)%	77,801
Total non-interest expenses	886,479	2 %	870,525	1 %	858,737
Income before taxes and including noncontrolling interests	127,204	(3)%	131,191	25 %	104,694
Noncontrolling interests	(14,032)		(7,982)		(2,315)
Pre-tax income excluding noncontrolling interests	$141,236	1 %	$139,173	30 %	$107,009

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.

Year ended September 30, 2017 compared with the year ended September 30, 2016

Net revenues increased $12 million, or 1%, to $1.01 billion, led by higher merger & acquisition and advisory fees and equity underwriting revenues, partially offset by lower institutional sales commissions. Pre-tax income increased $2 million, or 1% to $141 million.

Total commission revenues decreased $54 million, or 10%. Institutional fixed income commissions decreased $48 million, or 15%, driven by lower client trading volumes, as fixed income was faced with a challenging operating environment characterized by low levels of volatility and a flattening yield curve. Institutional equity sales commissions decreased $5 million, or 2%, primarily reflecting the impact of low levels of volatility.

Merger & acquisition and advisory fees increased $80 million, or 54%, primarily due to a stronger volume of both domestic and foreign merger & acquisition activity in the current year compared to low levels in the prior year, as well as higher average fees per transaction. Fiscal year 2017 also benefited from the impact of a full year of revenues related to our June 2016 acquisition of Mummert & Company Corporate Finance GmbH ("Mummert").

Equity underwriting fees increased $18 million, or 34%, primarily due to the improved equity market conditions compared with a difficult fiscal 2016. The total number of both lead-managed and co-managed underwritings increased significantly over the prior year levels.

Net revenues related to our public finance underwriting and advisory activities remained solid during our 2017 fiscal year and increased slightly compared with fiscal 2016.

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Despite the uncertainty related to the outcome of any corporate tax reform initiatives, our tax credit funds reflected good performance during the fiscal year. This uncertainty did depress new investment activity amongst syndicators of Low-Income Housing Tax Credit Fund ("LIHTC") investments during the year and, as a result, our tax credit fund syndication fees decreased $5 million, or 9%, from prior year levels. Depending on the scope of any enacted tax reform legislation, there could also be a significant negative impact on the future results of our tax credit fund business.

Net trading profit decreased $10 million, or 11%, compared with a strong fiscal 2016, primarily due to lower market volatility.

Non-interest expenses increased $16 million, or 2%. Administrative & incentive compensation and benefit expenses increased $36 million, or 8%, primarily resulting from the increase in incentive compensation as a result of the increase in investment banking net revenues. Offsetting the increase, sales commission expenses decreased $29 million, or 14%, primarily as a result of lower institutional fixed income commission revenues during the year.

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

Net revenues in fiscal year 2016 increased $38 million, or 4%, to $1.00 billion. Fiscal year 2016 pre-tax income increased $32 million, or 30%, to $139 million.

Commission revenues in fiscal year 2016 increased $13 million, or 2%. Institutional fixed income commissions increased $32 million, or 11%, benefiting from increased activity both in the anticipation of, and the aftermath resulting from the 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 fiscal year 2016. Offsetting the increase, institutional equity sales commissions decreased $19 million, or 8%, resulting primarily from decreased equity underwriting activities throughout most of fiscal year 2016.

Equity underwriting fees decreased in fiscal year 2016 by $20 million, or 27%, while merger & 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 fiscal year 2016. As a result, we experienced lower volumes in both our merger & acquisition advisory and equity underwriting activities throughout most of fiscal year 2016. While merger & acquisition and advisory fees are a volatile revenue source in general, the number of merger & acquisition transactions in fiscal year 2016 was low. Most of the decrease in our equity underwriting revenues resulted from our domestic operations. Revenues from our Canadian activities were relatively unchanged from the low amount generated in fiscal year 2015. The number of both lead-managed and co-managed equity 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 fiscal year 2016, 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 fiscal year 2015 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 fiscal year 2016. As a market leader amongst syndicators of LIHTC investments, we achieved a new milestone in fiscal year 2016 by selling over $1 billion of such investments to institutional investors. Additionally, we recognized nearly $7 million in revenues that were associated with partnership interests sold in prior years which had been deferred in those years. Fiscal year 2016 recognition of these previously deferred revenues resulted from the favorable resolution of certain conditions associated with the partnership interests. As of September 30, 2016, approximately $11 million of previously deferred revenues remained to be recognized in future revenues, whenever such conditions for revenue recognition are fully satisfied.

Our net trading profit in fiscal year 2016 increased $33 million, or 60%. Trading profits generated in our fixed income operations increased approximately $27 million, reflecting solid results in most product categories. Our fiscal year 2015 equity capital markets operations included $5 million of realized trading losses attributable to an equity underwriting position held in our Canadian subsidiary that did not recur in fiscal year 2016.

Other revenues increased $10 million, or 63%. These revenues include $5 million in fiscal year 2016 arising from revenues associated with our annual analyst best picks. Foreign exchange gains associated with certain of our international operations increased $4 million during fiscal year 2016.

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Non-interest expenses in fiscal year 2016 increased $12 million, or 1%. Sales commission expense increased $6 million, or 3%, consistent with the 2% increase in institutional sales commission revenues. Administrative & incentive compensation and benefit expenses 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 in fiscal year 2016.

Results of Operations – Asset Management

Our Asset Management segment provides investment advisory and asset management services to individual and institutional investors, and also sponsors a family of mutual funds. Investment advisory fee revenues are earned on the assets held in either managed or non-discretionary asset-based programs. In managed programs, decisions are made by in-house or third-party portfolio managers or investment committees about how to invest the assets in accordance with such programs' objectives. In non-discretionary asset-based programs, we provide administrative support, 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, as we provide additional services, such as portfolio management, to managed 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 (inflows) and redemptions (outflows) of client accounts/funds. Rising equity 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. For an overview of our Asset Management segment operations, refer to the information presented in Item I, Business in this Form 10-K.

Operating results

	Year ended September 30,				
$ in thousands	2017	% change	2016	% change	2015
Revenues:					
Investment advisory and related administrative fees:					
Managed programs	$326,405	21 %	$270,623	—	$271,609
Non-discretionary asset-based administration	91,087	23 %	74,130	10 %	67,286
Sub-total investment advisory and related administrative fees	417,492	21 %	344,753	2 %	338,895
Account and service fees and Other	70,243	18 %	59,668	12 %	53,483
Total revenues	487,735	21 %	404,421	3 %	392,378
Interest expense	(77)	7 %	(72)	(6)%	(77)
Net revenues	487,658	21 %	404,349	3 %	392,301
Non-interest expenses:					
Compensation and benefits	123,119	9 %	112,998	11 %	101,723
Communications and information processing	30,109	11 %	27,027	7 %	25,286
Occupancy and equipment costs	5,046	14 %	4,423	(3)%	4,564
Business development	9,673	2 %	9,500	(4)%	9,911
Investment sub-advisory fees	75,497	33 %	56,751	3 %	54,938
Other	67,509	17 %	57,911	3 %	56,177
Total non-interest expenses	310,953	16 %	268,610	6 %	252,599
Income before taxes and including noncontrolling interests	176,705	30 %	135,739	(3)%	139,702
Noncontrolling interests	4,969		3,581		4,652
Pre-tax income excluding noncontrolling interests	$171,736	30 %	$132,158	(2)%	$135,050

Noncontrolling interests is primarily comprised of the net pre-tax impact (which are net gains) from the consolidation of certain subsidiaries with noncontrolling interests reflecting the portion of such gains we do not own.

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Selected key metrics

Managed Programs - For the fiscal years ended September 30, 2017 and 2016, approximately 80% of investment advisory fees recorded in this segment were earned from assets held in managed programs. Of these revenues, approximately 70% of such fees recorded in each quarter were determined based on balances at the beginning of the quarter, approximately 15% were based on balances at the end of the quarter and the remaining 15% were computed based on average assets throughout the quarter.

Financial assets under management:

	September 30,		
$ in millions	2017	2016	2015
Eagle Asset Management, Inc. ("Eagle") [1]	$31,670	$27,235	$25,692
Freedom accounts [2]	32,714	24,136	20,188
Raymond James Consulting Services [3]	23,612	18,883	13,484
Unified Managed Accounts ("UMA") [4]	12,577	10,389	8,613
All other	1,220	1,086	1,116
Sub-total financial assets under management	101,793	81,729	69,093
Less: Assets managed for affiliated entities	(5,397)	(4,744)	(3,916)
Total financial assets under management	$96,396	$76,985	$65,177

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

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

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

Activity (including activity in assets managed for affiliated entities):

	Year ended September 30,		
$ in millions	2017	2016	2015
Financial assets under management at beginning of year	$81,729	$69,093	$69,368
Net inflows	9,912	6,327	2,797
Net market appreciation/(depreciation) in asset values	10,152	6,309	(2,170)
Other	—	—	(902)
Financial assets under management at end of year	$101,793	$81,729	$69,093

The fiscal year 2016 net inflows in the table above include approximately $2.0 billion of client assets resulting from our acquisition of Alex. Brown. The "Other" category in fiscal year 2015 includes assets that were previously included in Eagle programs which were transferred into non-discretionary asset-based programs.

Non-discretionary asset-based programs - For the fiscal years ended September 30, 2017 and 2016, approximately 20% of investment advisory and related administrative fee revenues recorded in this segment were earned for administrative services on assets held in certain non-discretionary asset-based programs. These assets (including those managed for affiliated entities) totaled $157.0 billion, $119.3 billion, and $91.0 billion as of September 30, 2017, 2016 and 2015, respectively. The increase in assets in fiscal year 2017 over the prior year level was due, in part, to clients moving to fee-based alternatives in response to the recently implemented DOL regulatory changes. The majority of the administrative fees associated with these programs are determined based on balances at the beginning of the quarter.

Year ended September 30, 2017 compared with the year ended September 30, 2016

Net revenues increased $83 million, or 21%, to $488 million. Pre-tax income increased $40 million, or 30%, to $172 million.

Total investment advisory and related administrative fee revenues increased $73 million, or 21%. Investment advisory fee revenues arising from managed programs increased $56 million, or 21%, and fee revenues on non-discretionary asset-based administration activities increased $17 million, or 23%, both resulting from the increases in assets held by such programs, including the impact of the

Alex. Brown acquisition at the end of our 2016 fiscal year. Financial assets under management and non-discretionary assets were positively impacted by net financial advisor growth, the move to fee based accounts as a result of the implementation of the DOL regulatory changes and market appreciation.

Account and service fees and Other increased $11 million, or 18%, primarily resulting from RJ Trust which generated increased trust fee revenue arising from the increase in trust assets to $5.5 billion as of September 30, 2017, as well as increased shareholder servicing fees.

Non-interest expenses increased $42 million, or 16%, primarily resulting from a $19 million, or 33%, increase in investment sub-advisory fees and a $10 million, or 9%, increase in compensation and benefit expenses. The increase in investment sub-advisory fees resulted from the increase in assets in sub-advised managed programs. The increase in compensation and benefit expenses resulted primarily from annual salary increases as well as increases in personnel to support the growth of the business. Other expenses increased $10 million, or 17%, as a result of additional regulatory and compliance costs.

The results presented above do not include any acquisition-related expenses associated with our recently announced acquisition of Scout Investments, Inc. (the “Scout Group”) and its Reams Asset Management division (“Reams”), as well as Scout Distributors, which closed in November 2017. The acquisition-related expenses incurred in fiscal year 2017 related to this acquisition are reflected in the Other segment. See Note 3 of the Notes to Consolidated Financial Statements in this Form 10-K for further information about this acquisition.

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

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

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 3Macs 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 were lower on fee billing dates during the 2016 fiscal year. Also, a portion of the increase in assets arose from our acquisition of Alex. Brown which occurred late in the 2016 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.

Non-interest expenses increased by approximately $16 million, or 6%, primarily resulting from an $11 million, or 11%, increase in compensation and benefit 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 compensation and benefit expenses resulted 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.

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Results of Operations – RJ Bank

RJ Bank provides corporate loans (C&I, CRE and CRE construction), SBL, tax-exempt 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. Higher interest-earning asset balances generally lead to increased net interest earnings, depending upon spreads realized on our net interest-bearing liabilities. For more information on average interest earning asset and liability balances, see our discussion below in this MD&A.

For an overview of our RJ Bank segment operations, refer to the information presented in Item I, Business in this Form 10-K.

Operating results

	Year ended September 30,				
$ in thousands	2017	% change	2016	% change	2015
Revenues:					
Interest income	$609,971	22 %	$501,967	21 %	$415,271
Interest expense	(35,175)	51 %	(23,277)	99 %	(11,693)
Net interest income	574,796	20 %	478,690	19 %	403,578
Other income	17,874	17 %	15,276	43 %	10,717
Net revenues	592,670	20 %	493,966	19 %	414,295
Non-interest expenses:					
Compensation and benefits	33,991	14 %	29,742	7 %	27,843
Communications and information processing	7,946	12 %	7,090	37 %	5,186
Occupancy and equipment costs	1,432	18 %	1,216	(3)%	1,256
Loan loss provision	12,987	(54)%	28,167	20 %	23,570
FDIC insurance premiums	16,832	9 %	15,478	32 %	11,746
Affiliate deposit account servicing fees	67,981	58 %	43,145	22 %	35,429
Other	42,198	33 %	31,832	4 %	30,544
Total non-interest expenses	183,367	17 %	156,670	16 %	135,574
Pre-tax income	$409,303	21 %	$337,296	21 %	$278,721

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

	Year ended September 30,											
	2017				2016				2015			
$ in thousands	Average balance	Interest inc./exp.	Average yield/ cost		Average balance	Interest inc./exp.	Average yield/ cost		Average balance	Interest inc./exp.	Averag yield/ cost	
Interest-earning banking assets:												
Loans, net of unearned income (1)												
Loans held for sale	$159,384	$5,156	3.34	%	$150,305	$4,551	3.07	%	$107,255	$2,686	2.64	%
Loans held for investment:												
C&I loans	7,340,052	281,274	3.78	%	7,171,402	271,476	3.73	%	6,677,117	244,986	3.62	%
CRE construction loans	129,073	6,184	4.73	%	169,101	8,462	4.92	%	118,626	5,042	4.19	%
CRE loans	2,831,870	100,563	3.50	%	2,297,224	70,048	3.00	%	1,728,324	53,369	3.05	%
Tax-exempt loans (2)	891,922	23,057	3.98	%	617,701	16,707	4.16	%	301,767	8,812	4.49	%
Residential mortgage loans	2,803,464	83,537	2.94	%	2,217,789	64,607	2.87	%	1,927,105	55,370	2.83	%
SBL	2,123,189	72,400	3.36	%	1,713,243	51,515	2.96	%	1,269,337	35,313	2.74	%
Total loans, net	16,278,954	572,171	3.55	%	14,336,765	487,366	3.42	%	12,129,531	405,578	3.34	%
Agency MBS and CMOs	1,432,804	25,101	1.75	%	363,722	4,993	1.37	%	248,408	2,446	0.98	%
Non-agency CMOs	30,134	869	2.88	%	68,904	1,764	2.56	%	89,336	2,178	2.44	%
Cash	859,020	7,696	0.90	%	884,556	4,140	0.47	%	611,375	1,344	0.22	%
FHLB stock, Federal Reserve Bank of Atlanta (“FRB”) stock, and other	157,395	4,134	2.63	%	186,589	3,704	1.98	%	111,891	3,725	3.33	%
Total interest-earning banking assets	18,758,307	$609,971	3.28	%	15,840,536	$501,967	3.18	%	13,190,541	$415,271	3.15	%
Non-interest-earning banking assets:												
Allowance for loan losses	(194,029)				(188,429)				(158,373)			
Unrealized loss on available-for-sale securities	(6,663)				(3,172)				(4,666)			
Other assets	374,769				281,961				321,919			
Total non-interest-earning banking assets	174,077				90,360				158,880			
Total banking assets	$18,932,384				$15,930,896				$13,349,421			
Interest-bearing banking liabilities:												
Deposits:												
Certificates of deposit	$293,589	$4,325	1.47	%	$345,628	$5,402	1.56	%	$347,748	$5,839	1.68	%

Money market, savings, and NOW accounts	15,975,308	16,230	0.10	%	13,238,007	7,087	0.05	%	10,851,494	2,543	0.02	%
FHLB advances and other	820,594	14,620	1.76	%	680,778	10,788	1.56	%	664,387	3,311	0.49	%
Total interest-bearing banking liabilities	17,089,491	$35,175	0.20	%	14,264,413	$23,277	0.16	%	11,863,629	$11,693	0.10	%
Non-interest-bearing banking liabilities	92,762				71,278				52,933			
Total banking liabilities	17,182,253				14,335,691				11,916,562			
Total banking shareholder's equity	1,750,131				1,595,205				1,432,859			
Total banking liabilities and shareholders' equity	$18,932,384				$15,930,896				$13,349,421			
Excess of interest-earning banking assets over interest-bearing banking liabilities/net interest income	$1,668,816	$574,796			$1,576,123	$478,690			$1,326,912	$403,578		
Bank net interest:												
Spread			3.08	%			3.02	%			3.05	%
Margin (net yield on interest-earning banking assets)			3.10	%			3.04	%			3.07	%
Ratio of interest-earning banking assets to interest-bearing banking liabilities			109.77	%			111.05	%			111.18	%

(1) Nonaccrual loans are included in the average loan balances. Payment or income received on corporate nonaccrual loans are applied to principal. Income on other nonaccrual loans is recognized on a cash basis. Fee income on all loans included in interest income for the years ended September 30, 2017, 2016 and 2015 was $38 million, $36 million, and $30 million, respectively.

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

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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 our 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,					
	2017 compared to 2016			2016 compared to 2015		
	Increase/(decrease) due to			Increase/(decrease) due to		
$ in thousands	Volume	Rate	Total	Volume	Rate	Total
Interest revenue:						
Interest-earning banking assets:						
Bank loans, net of unearned income						
Loans held for sale	$275	$330	$605	$1,078	$787	$1,865
Loans held for investment:						
C&I loans	6,384	3,414	9,798	18,135	8,355	26,490
CRE construction loans	(2,003)	(275)	(2,278)	2,145	1,275	3,420
CRE loans	16,303	14,212	30,515	17,567	(888)	16,679
Tax-exempt loans	7,416	(1,066)	6,350	9,227	(1,332)	7,895
Residential mortgage loans	17,062	1,868	18,930	8,352	885	9,237
SBL	12,327	8,558	20,885	12,349	3,853	16,202
Total bank loans, net	57,764	27,041	84,805	68,853	12,935	81,788
Available-for-sale securities						
Agency MBS and CMOs	14,675	5,433	20,108	1,135	1,412	2,547
Non-agency CMOs	(993)	98	(895)	(498)	84	(414)
Cash	(120)	3,676	3,556	601	2,195	2,796
FHLB stock, FRB stock and other	(579)	1,009	430	2,486	(2,507)	(21)
Total interest-earning assets	70,747	37,257	108,004	72,577	14,119	86,696
Interest expense:						
Interest-bearing liabilities:						
Bank deposits						
Certificates of deposit	$(814)	$(263)	$(1,077)	$(36)	$(401)	$(437)
Money market, savings and NOW accounts	1,466	7,677	9,143	559	3,985	4,544
FHLB advances and other	2,216	1,616	3,832	82	7,395	7,477
Total interest-bearing liabilities	2,868	9,030	11,898	605	10,979	11,584
Change in net interest income	$67,879	$28,227	$96,106	$71,972	$3,140	$75,112

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

	Year ended September 30,		
$ in thousands	2017	2016	2015
Net loan (charge-offs)/recoveries:			
C&I loans	$(25,748)	$(2,956)	$(580)
CRE loans	5,013	—	3,773
Residential mortgage loans	83	(53)	(436)
Total	$(20,652)	$(3,009)	$2,757

$ in thousands	As of September 30, 2017	2016	2015
Nonperforming assets:			
Nonperforming loans:			
C&I loans	$5,221	$35,194	$—
CRE loans	—	4,230	4,796
Residential mortgage loans:			
Residential first mortgage	33,718	41,746	47,504
Home equity loans/lines	31	37	319
Total nonperforming loans	38,970	81,207	52,619
Other real estate owned:			
Residential first mortgage	4,729	4,497	4,631
Total other real estate owned	4,729	4,497	4,631
Total nonperforming assets	$43,699	$85,704	$57,250
Total nonperforming assets as a % of RJ Bank total assets	0.21 %	0.50 %	0.39 %
Total loans:			
Loans held for sale, net	$70,316	$214,286	$119,519
Loans held for investment:			
C&I loans	7,385,910	7,470,373	6,928,018
CRE construction loans	112,681	122,718	162,356
CRE loans	3,106,290	2,554,071	2,054,154
Tax-exempt loans	1,017,791	740,944	484,537
Residential mortgage loans	3,148,730	2,441,569	1,962,614
SBL	2,386,697	1,904,827	1,481,504
Net unearned income and deferred expenses	(31,178)	(40,675)	(32,424)
Total loans held for investment	17,126,921	15,193,827	13,040,759
Total loans	$17,197,237	$15,408,113	$13,160,278

Total loans in the above table are net of unearned income and deferred expenses. Total loans held for investment include $1.61 billion, $1.25 billion and $1.15 billion of loans to borrowers domiciled in Canada at September 30, 2017, 2016 and 2015, respectively. At September 30, 2017, there was $1.00 billion in Canadian dollar-denominated loans held for investment.

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

$ in thousands	As of September 30, 2017 Allowance	Loan category as a % of total loans receivable	2016 Allowance	Loan category as a % of total loans receivable	2015 Allowance	Loan category as a % of total loans receivable
Loans held for sale	$—	—	$—	1 %	$—	1 %
C&I loans	119,901	43 %	137,701	48 %	117,623	52 %
CRE construction loans	1,421	1 %	1,614	1 %	2,707	1 %
CRE loans	41,749	18 %	36,533	17 %	30,486	16 %
Tax-exempt loans	6,381	6 %	4,100	5 %	5,949	4 %
Residential mortgage loans	16,691	18 %	12,664	16 %	12,526	15 %

SBL	4,299	14	%	4,766	12	%	2,966	11	%
Total	$190,442	100	%	$197,378	100	%	$172,257	100	%

(continued on the next page)

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	As of September 30,					
	2014			2013		
$ in thousands	Allowance	Loan category as a % of total loans receivable		Allowance	Loan category as a % of total loans receivable	
Loans held for sale	$—	—		$—	1	%
C&I loans	103,179	58	%	95,994	59	%
CRE construction loans	1,594	1	%	1,000	1	%
CRE loans	25,022	15	%	19,266	14	%
Tax-exempt loans	1,380	1	%	—	—	%
Residential mortgage loans	14,350	16	%	19,126	19	%
SBL	2,049	9	%	1,115	6	%
Total	$147,574	100	%	$136,501	100	%

Year ended September 30, 2017 compared with the year ended September 30, 2016

Net revenues increased $99 million, or 20%, to $593 million, primarily reflecting an increase in net interest income. Pre-tax income increased $72 million, or 21%, to $409 million.

Net interest income in the RJ Bank segment increased $96 million, or 20%, primarily due to a $2.92 billion increase in average interest-earning banking assets to $18.76 billion and an increase in net interest margin. The increase in average interest-earning banking assets was driven by a $1.94 billion increase in average loans and a $1.03 billion increase in our average available-for-sale securities portfolio. The net interest margin increased to 3.10% from 3.04% due to an increase in the total banking assets yield, partially offset by an increase in RJ Bank’s total cost of funds. The increase in the total banking assets yield was primarily due to an increase in the loan portfolio yield resulting from an overall rise in market interest rates. The increase in the total cost of funds primarily resulted from the rise in market interest rates as well as an increase in average FHLB advances. Corresponding to the increase in average interest-earning banking assets, average interest-bearing banking liabilities increased $2.83 billion to $17.09 billion.

The loan loss provision decreased $15 million, or 54%, due to the change in mix of loan growth during fiscal 2017. Growth was significantly lower in the C&I loan portfolio during the current year, which has higher allowance percentages, and was higher in the residential mortgage, securities-based and tax-exempt loan portfolios, which have lower allowance percentages. This positive impact was partially offset by additional provision during the current year for C&I and CRE loans in specific industry sectors.
During August and September 2017, Texas and Florida suffered severe damage from Hurricanes Harvey and Irma. We performed an assessment of the impact to our loan portfolio associated with these weather related events and determined that only our residential mortgage loan portfolio could be impacted. A qualitative adjustment was made to the allowance for loan losses during the 2017 fiscal year with respect to the residential mortgage loan portfolio.

Non-interest expenses (excluding provision for loan losses) increased $42 million, or 33%, primarily reflecting a $25 million increase in affiliate deposit account servicing fees due to an increase in client account balances and a $4 million increase in compensation and benefits expense resulting from compensation increases and staff additions to support the growth of the business.

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

Net revenues in fiscal year 2016 increased $80 million, or 19%, to $494 million, primarily reflecting an increase in interest income. Pre-tax income increased $59 million, or 21%, to $337 million.

The $75 million, or 19%, increase in fiscal year 2016 net interest income was the result of a $2.65 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 $2.21 billion increase in average loans and a $443 million increase in average cash and available-for-sale securities portfolio. The net interest margin at September 30, 2016 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. The average interest-earning banking assets yield increased 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.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
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Borrowing costs increased in fiscal year 2016. Corresponding to the increase in average interest-earning banking assets, average interest-bearing banking liabilities increased during fiscal year 2016.

The $5 million, or 20%, increase in the provision for loan losses as compared to fiscal year 2015 was primarily due to higher corporate loan growth, the charges during fiscal year 2016 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 reflected the offsetting impact of improved credit characteristics from the continued decline in residential mortgage loan delinquencies and nonperforming loans.

Other income in fiscal year 2016 increased $5 million, or 43%, primarily due to increases in affiliate income related to the fiscal year 2016 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 7(a) (“SBA”) loan securitizations, and lower foreign exchange losses.

Non-interest expenses (excluding provision for loan losses) increased $16 million, or 15%, as compared to fiscal year 2015. The expense in fiscal year 2016 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 client account balances. Other increases in non-interest expenses 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 benefit expenses 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.

Results of Operations – Other

This segment’s results include our private equity activities, certain corporate overhead costs of RJF including the interest cost on our public debt, losses on extinguishment of debt and the acquisition and integration costs associated with certain acquisitions. For an overview of our Other segment operations, refer to the information presented in Item I, Business in this Form 10-K.

Operating results

	Year ended September 30,				
$ in thousands	2017	% change	2016	% change	2015
Revenues:					
Interest income	$24,998	47 %	$16,977	39 %	$12,237
Investment advisory fees	1,478	(19)%	1,825	11 %	1,644
Other	39,022	42 %	27,489	(48)%	53,086
Total revenues	65,498	41 %	46,291	(31)%	66,967
Interest expense	(95,368)	22 %	(77,983)	1 %	(77,165)
Net revenues	(29,870)	6 %	(31,692)	(211)%	(10,198)
Non-interest expenses:					
Compensation and other	64,573	7 %	60,448	49 %	40,551
Acquisition-related expenses	17,995	(56)%	40,706	NM	—
Losses on extinguishment of debt	45,746	NM	—	NM	—

Total non-interest expenses	128,314	27 %	101,154	149 %	40,551
Loss before taxes and including noncontrolling interests:	(158,184)	(19)%	(132,846)	(162)%	(50,749)
Noncontrolling interests	11,695		15,702		14,100
Pre-tax loss excluding noncontrolling interests	$(169,879)	(14)%	$(148,548)	(129)%	$(64,849)

Noncontrolling interests is primarily comprised of the net pre-tax impact (which are net gains) from the consolidation of certain private equity investments with noncontrolling interests reflecting the portion of such gains that we do not own.

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Year ended September 30, 2017 compared to the year ended September 30, 2016

The pre-tax loss generated by this segment increased by $21 million, or 14%.

Total revenues in this segment increased $19 million, or 41%, most of which is comprised of an increase in our other revenues of $12 million, or 42%, due to higher net gains (both realized and unrealized) arising from our private equity portfolio, which increased $8 million compared to the prior year, a portion of which relates to noncontrolling interests. Interest income increased $8 million, or 47%, resulting from the increase in interest rates and higher corporate cash balances.

Interest expense increased $17 million, or 22%, as the average outstanding balance of our senior notes increased due to the May 2017 and July 2016 issuances of an aggregate $1.30 billion in senior notes, partially offset by the April 2016 maturity and repayment of $250 million of senior notes and, the March 2017 extinguishment of $350 million of senior notes. The early extinguishment of $300 million of senior notes in September 2017 did not meaningfully reduce our interest expense in fiscal year 2017. See Note 15 of the Notes to Consolidated Financial Statements in this Form 10-K for further information.

Non-interest expenses increased $27 million, or 27%. Fiscal year 2017 included a $46 million loss on extinguishment of debt comprised of a make-whole premium and the acceleration of unamortized debt issuance costs related to the early extinguishment of our senior notes during the year. Acquisition-related expenses in fiscal year 2017, which were $23 million, or 56%, lower than the prior year, pertained to certain incremental expenses incurred in connection with our announced acquisition of the Scout Group as well as our fiscal year 2016 acquisitions of Alex. Brown and 3Macs. See Note 3 of the Notes to Consolidated Financial Statements in this Form 10-K for information regarding the components of these expenses.

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

The fiscal year 2016 pre-tax loss generated by this segment increased by approximately $84 million, or 129%.

Total revenues in this segment decreased $21 million, or 31%. Private equity gains included in other revenues in fiscal year 2016 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, and interest income increased $5 million resulting from the increase in interest rates and higher corporate cash balances throughout most of fiscal year 2016.

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 fiscal year 2016 issuances more than offset the impact of the April 2016 repayment of $250 million in maturing senior notes.

Compensation and other expense increased $20 million, or 49%. Of the increase, $6 million was due to increases in fiscal year 2016 expenses associated with certain corporate benefit plans provided to associates, $5 million was the result of an increase in corporate charitable donations, and $4 million was 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 fiscal year 2016 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.

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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. The following table provides certain of those disclosures for the periods indicated below. The disclosures for years ended September 30, 2016 and 2015 have been revised from those previously reported to conform to our current presentation which includes the impact of the deconsolidation of certain VIEs (see Note 2 of the Notes to Consolidated Financial Statements in this Form 10-K for additional information regarding the deconsolidation).

	Year ended September 30,		
	2017	2016	2015
RJF return on average assets	1.9%	1.9%	2.0%
RJF return on average equity	12.2%	11.3%	11.5%
Average equity to average assets	15.9%	16.6%	17.7%
Dividend payout ratio	20.3%	21.9%	21.0%

RJF return on average assets is computed as net income attributable to RJF for the year indicated, divided by average assets for each respective fiscal year. Average assets is computed by adding the total assets as of each quarter-end date during the indicated fiscal year, plus the beginning of the year total, divided by five.

RJF return on average equity is 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.

Average equity to average assets is computed as average equity divided by average assets as calculated in the above explanations.

Dividend payout ratio is 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 and Risk Management sections of this MD&A 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 management framework. This framework includes senior management's review of short- and long-term cash flow forecasts, review of monthly capital expenditures, monitoring of the availability of alternative sources of financing, and daily monitoring of liquidity in our significant subsidiaries. Our decisions on the allocation of capital to our business units consider, among other factors, projected profitability and cash flow, risk and impact on future liquidity needs. Our treasury department assists in evaluating, monitoring and controlling the impact that our business activities have on our financial condition, liquidity and capital structure and maintains our relationships with various lenders. The objective of this framework is to support the successful execution of our business strategies while ensuring ongoing and sufficient liquidity.

Liquidity is provided primarily through our business operations and financing activities. Financing activities could include bank borrowings, repurchase agreement transactions or additional capital raising activities under our universal shelf registration statement.

Cash provided by operating activities during the year ended September 30, 2017 was $1.31 billion. In addition to operating cash flows related to net income, other increases in cash from operations included:

- A $1.43 billion decrease in assets segregated pursuant to regulations and other segregated assets, primarily resulting from the decrease in client cash balances in part due to a significant number of client accounts from the September 2016 Alex. Brown acquisition electing into our RJBDP program during the current fiscal year.
- $189 million of proceeds from sales of securitizations and loans held for sale, net of purchases and originations of loans and securitizations.
- Accrued compensation, commissions and benefits increased $160 million as a result of the increased financial results we achieved in fiscal year 2017.

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

- A decrease of $1.13 billion in brokerage client payables and other accounts payable, primarily reflecting a decrease in client cash balances in our client interest program.
- Securities loaned, net of securities borrowed decreased $262 million, primarily as a result of a decline in securities lending activity.
- $146 million in Jay Peak settlement payments.

Investing activities resulted in the use of $3.38 billion of cash during the year ended September 30, 2017.

The primary investing activities were:

- A net increase in RJ Bank loans used $1.92 billion.
- Purchases of available-for-sale securities held at RJ Bank, net of proceeds from maturations, repayments and sales within the portfolio, used $1.34 billion.
- We used $190 million to fund property investments. Of this total, $52 million was used for our December 2016 purchase of three office buildings which are located adjacent to our existing corporate headquarters in St. Petersburg, Florida. The remainder was invested, in large part, in software and computer equipment.

Financing activities provided $4.06 billion of cash during the year ended September 30, 2017.

Increases in cash from financing activities resulted from:

- An increase in RJ Bank deposit balances of $3.47 billion.
- Net proceeds of $508 million from the issuance of 4.95% senior notes due 2046.
- Net proceeds of $905 million arising from FHLB borrowings and other borrowed funds.

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

- Repayment of $350 million of 6.90% senior notes due 2042, $300 million of 8.60% senior notes due 2019 and an associated $37 million debt extinguishment premium payment.
- Payment of dividends to our shareholders of $127 million.

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

Sources of Liquidity

Approximately $1.29 billion of our total September 30, 2017 cash and cash equivalents (a portion of which resides in depository accounts at RJ Bank) was available to us without restrictions. The cash and cash equivalents held were as follows:

$ in thousands	September 30, 2017
RJF	$ 528,397
RJ&A	1,178,683
RJ Bank	1,175,722
RJ Ltd.	439,012
RJFS	128,903
RJFSA	56,089
Other subsidiaries	162,866

Total cash and cash equivalents	$ 3,669,672

RJF maintains depository accounts at RJ Bank with a balance of $192 million as of September 30, 2017. The portion of this total that is available on demand without restrictions, which amounted to $152 million at September 30, 2017, is reflected in the RJF total and is excluded from the RJ Bank total.

RJF had loaned $783 million to RJ&A as of September 30, 2017 (such amount is included in the RJ&A cash balance presented in the table above), 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.

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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 transactions. 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, 2017, RJ&A significantly exceeded both the minimum regulatory requirements and the covenants in its financing arrangements pertaining to net capital. At that date, RJ&A had excess net capital of approximately $534 million, of which $176 million was 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 regulatory capital ratios. At September 30, 2017, RJ Bank had $184 million of capital in excess of the amount it would need at September 30, 2017 to maintain its 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.

Borrowings and Financing Arrangements

Committed financing arrangements

Our ability to borrow is dependent upon compliance with the conditions in the various loan agreements and, in the case of secured borrowings, collateral eligibility requirements. Our committed financing arrangements are in the form of either tri-party repurchase agreements or, in the case of the RJF Credit Facility, an unsecured line of credit. The required market value of the collateral associated with the committed secured facilities ranges from 102% to 125% of the amount financed.

The following table presents our committed financing arrangements with third party lenders, which 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, 2017				
$ in thousands	RJ&A	RJ Ltd.	RJF	Total	Total number of arrangements
Financing arrangement:					
Committed secured	$200,000	$ —	$—	$200,000	2
Committed unsecured	—	—	300,000	300,000	1
Total committed financing arrangements	$200,000	$ —	$300,000	$500,000	3
Outstanding borrowing amount:					
Committed secured	$—	$ —	$—	$—	
Committed unsecured	—	—	—	—	

Total outstanding borrowing amount	$—	$ —	$—	$—

Uncommitted financing arrangements

Our uncommitted financing arrangements are in the form of secured lines of credit, secured bilateral or tri-party repurchase agreements, or unsecured lines of credit. Our arrangements with third party lenders are generally utilized to finance a portion of our fixed income securities or for cash management purposes. Our uncommitted secured financing arrangements generally require us to post collateral in excess of the amount borrowed. As of September 30, 2017, we had outstanding borrowings under five uncommitted secured borrowing arrangements with lenders out of a total of 15 uncommitted financing arrangements (nine uncommitted secured and six uncommitted unsecured). However, lenders are under no contractual obligation to lend to us under uncommitted credit facilities.

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The following table presents our borrowings on uncommitted financing arrangements.

	As of September 30, 2017			
$ in thousands	RJ&A	RJ Ltd.	RJF	Total
Outstanding borrowing amount:				
Uncommitted secured	$480,942	$ —	$ —	$480,942
Uncommitted unsecured	350,000	—	—	350,000
Total outstanding borrowing amount	$830,942	$ —	$ —	$830,942

Other financings

RJ Bank had $875 million in FHLB borrowings outstanding at September 30, 2017, comprised of floating-rate advances totaling $850 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 14 of the Notes to Consolidated Financial Statements in this Form 10-K for additional information regarding these borrowings). RJ Bank had an additional $916 million in immediate credit available from the FHLB as of September 30, 2017 and, with the pledge of additional collateral to the FHLB, total available credit of 30% of total assets.

RJ Bank is eligible to participate in the Fed’s discount-window program; however, we do 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 securities under agreements to resell (“reverse repurchase agreements”) and sell securities under agreements to repurchase (“repurchase agreements”). We account for each of these types of transactions as collateralized agreements and financings, with the outstanding balances on the repurchase agreements included in “Securities sold under agreements to repurchase” on our Consolidated Statements of Financial Condition, included in this Form 10-K, in the amount $221 million as of September 30, 2017 (which are reflected in the table of financing arrangements above). Such financings are generally collateralized by non-customer, RJ&A owned securities or by securities that we have received as collateral under reverse repurchase agreements.

The average daily balance outstanding during the five most recent successive quarters, the maximum month-end balance outstanding during the quarter and the period-end balances for repurchase agreements and reverse repurchase agreements were as follows:

	Repurchase transactions			Reverse repurchase transactions		
For the quarter ended ($ in thousands)	Average daily balance outstanding	Maximum month-end balance outstanding during the quarter	End of period balance outstanding	Average daily balance outstanding	Maximum month-end balance outstanding during the quarter	End of period balance outstanding
September 30, 2017	$241,365	$ 247,048	$ 220,942	$463,618	$ 503,462	$ 404,462
June 30, 2017	$231,378	$ 226,972	$ 226,972	$479,653	$ 540,823	$ 483,820
March 31, 2017	$204,623	$ 222,476	$ 222,476	$410,678	$ 535,224	$ 535,224
December 31, 2016	$219,095	$ 241,773	$ 203,378	$424,548	$ 445,646	$ 358,493
September 30, 2016	$202,687	$ 195,551	$ 193,229	$412,513	$ 470,222	$ 470,222

At September 30, 2017, in addition to the financing arrangements described above, we had $29 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 included in this Form 10-K.

At September 30, 2017 we had senior notes payable of $1.55 billion. Our senior notes payable, exclusive of any unaccreted premiums or discounts and debt issuance costs, is comprised of $250 million par 5.625% senior notes due 2024, $500 million par 3.625% senior notes due 2026, and $800 million par 4.95% senior notes due 2046. See Note 15 in the Notes to the Consolidated Financial Statements in this Form 10-K for additional information.

Our senior long-term debt ratings as of the most current report are:

Rating Agency	Rating	Outlook
Standard & Poor’s Ratings Services (“S&P”)	BBB+	Stable
Moody’s Investors Services (“Moody’s”)	Baa1	Stable

Our current long-term debt ratings depend upon a number of factors including industry dynamics, operating and economic environment, operating results, operating margins, earnings trends and volatility, balance sheet composition, liquidity and liquidity management, 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 obtain additional financing.

Should our credit rating be downgraded prior to a public debt offering it is probable that we would have to offer a higher rate of interest to bond holders. A downgrade to below investment grade may make a public debt offering difficult to execute on terms we would consider to be favorable. A downgrade below investment grade could result in the termination of certain derivative contracts and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing overnight collateralization on our derivative instruments in liability positions (see Note 6 of the Notes to Consolidated Financial Statements 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 and subsequent to such downgrade. Conversely, an improvement in RJF’s current credit rating could 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 and uses of liquidity

We have company-owned life insurance (“COLI”) policies which are utilized to fund certain non-qualified deferred compensation plans and other employee benefit plans. Certain of our non-qualified deferred compensation plans and other employee benefit plans are self-directed while others are company-directed. The COLI policies which we could readily borrow against have a cash surrender value of approximately $405 million as of September 30, 2017 and we are able to borrow up to 90%, or $365 million, of the September 30, 2017 total without restriction. To effect any such borrowing, the underlying investments would be converted to money market investments, therefore requiring us to take market risk related to the self-directed plans. There are no borrowings outstanding against any of these policies as of September 30, 2017.

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.

On November 17, 2017 we acquired 100% of the outstanding shares of the Scout Group (see Note 3 of the Notes to Consolidated Financial Statements in this Form 10-K for more information) for a purchase price consideration of $173 million. We utilized our cash on-hand to fund the purchase.

See the “Contractual obligations” section below for information regarding our contractual obligations.

Statement of financial condition analysis

The assets on our consolidated statements 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 were liquid in nature, providing us with flexibility in financing our business.

Total assets of $34.88 billion at September 30, 2017 were $3.40 billion, or 11%, greater than our total assets as of September 30, 2016. Our cash and cash equivalents balances increased $2.02 billion; refer to the discussion of the components of this increase in the “Liquidity and Capital Resources” section within this Item 7. Net bank loans receivable increased $1.80 billion primarily due to the growth of RJ Bank’s CRE, tax-exempt, residential and securities-based loan portfolios. Our available-for-sale securities portfolio increased by $1.33 billion, as RJ Bank increased their investments in such securities in line with our growth plan for this portfolio.

Offsetting these increases, assets segregated pursuant to federal regulations (for the benefit of our clients) decreased $1.41 billion, in part due to a significant number of client accounts from the September 2016 Alex. Brown acquisition electing into our RJBDP program during the first quarter of fiscal 2017.

As of September 30, 2017, our total liabilities of $29.19 billion were $2.77 billion, or 10%, greater than our total liabilities as of September 30, 2016. Bank deposit liabilities increased $3.47 billion as RJ Bank received a higher allocation of RJBDP balances which was utilized to fund a portion of their increased securities portfolio and net loan growth. Other borrowings increased by $905 million due to the increased utilization of short-term financings for cash management purposes, the financing of our fixed income securities trading inventory, as well as increased borrowings by RJ Bank from the FHLB. Offsetting these increases, brokerage client payable balances decreased $1.03 billion, reflecting a decrease in client cash balances in our client interest program (refer to the discussion of the decrease in assets segregated pursuant to federal regulations above). Securities loaned balances decreased $294 million as a result of decreased activity. Our outstanding balance of senior notes payable decreased $132 million due to the extinguishment of $350 million of 6.90% senior notes due 2042 and $300 million of 8.60% senior notes due 2019, offset by the issuance of $500 million of 4.95% senior notes due 2046.

Contractual obligations

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

		Year ended September 30,					
$ in thousands	Total	2018	2019	2020	2021	2022	Thereafter
Long-term debt obligations:							
Senior notes payable	$1,550,000	$—	$—	$—	$—	$—	$1,550,000
Long-term portion of other borrowings	898,967	—	855,130	5,430	30,748	6,084	1,575
Sub-total long-term debt obligations	2,448,967	—	855,130	5,430	30,748	6,084	1,551,575
Estimated interest on long-term debt	1,449,995	92,059	87,230	74,194	73,043	72,430	1,051,039
Operating lease obligations	448,927	96,756	89,711	78,164	61,959	42,846	79,491
Purchase obligations	317,877	152,082	73,794	31,715	14,835	9,308	36,143
Other long-term liabilities:							
Certificates of deposit (including interest)	328,503	72,055	62,423	78,659	36,250	79,116	—
Deferred compensation programs	484,609	72,348	74,028	74,961	61,009	61,643	140,620
Guaranteed LIHTC fund obligation	15,786	5,247	5,388	2,373	1,682	1,096	—
Sub-total long-term liabilities	828,898	149,650	141,839	155,993	98,941	141,855	140,620
Total contractual obligations	$5,494,664	$490,547	$1,247,704	$345,496	$279,526	$272,523	$2,858,868

Estimated interest on long-term debt includes scheduled interest on our senior notes, our mortgage note payable and our FHLB advances (assuming no change in the variable interest rate from that as of September 30, 2017, but factoring into the computation the effect of the related interest rate hedges that swap variable interest rate payments to fixed interest payments). See Notes 14 and 15 of the Notes to Consolidated Financial Statements in this Form 10-K for information regarding our senior notes payable and other borrowings.

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, computer software contracts and our stadium naming rights contract which goes through 2027. Most of our contracts have provisions for early termination. For purposes of this table we have assumed we would not pursue early termination of such contracts.

See Note 20 of the Notes to Consolidated Financial Statements in this Form 10-K for additional information regarding our deferred compensation plans. Investments utilized to fund certain of these obligations are not presented in the table above.

Raymond James Tax Credit Funds, Inc. has provided a guaranteed return on investment to a third party investor in the Guaranteed LIHTC Fund. Amounts presented in the table above represent the gross liability associated with this guarantee obligation and do not reflect the related and offsetting financing asset. See Notes 9 and 17 of the Notes to Consolidated Financial Statements in this Form 10-K for further information.

The table above 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. See Note 16 of the Notes to Consolidated Financial Statements in this Form 10-K for additional information.

We have entered into investment commitments, lending commitments and other commitments to extend credit for which we are unable to reasonably predict the timing of future payments. See Notes 17 and 22 of the Notes to Consolidated Financial Statements in this Form 10-K for further information.

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 Form 10-K.

RJF and many of its subsidiaries are each subject to various regulatory capital requirements. As of September 30, 2017, all of our active regulated domestic and international subsidiaries had net capital in excess of minimum requirements. In addition, RJF and RJ Bank were categorized as “well capitalized” as of September 30, 2017.

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 21 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 financial instruments

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.

“Financial instruments” and “Financial instruments sold but not yet purchased” are reflected in the Consolidated Statements of Financial Condition at fair value. Unrealized gains and losses related to these financial instruments are reflected in our net income or our other comprehensive income/(loss), 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 price that would be received for an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. 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, our fair value measurements reflect assumptions that we believe market participants would use in pricing the asset or liability at the measurement date. In determining fair value, GAAP provides for the following three levels to be used to classify our fair value measurements:

Level 1-Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2-Inputs that are other than quoted prices in active markets, but which are either directly or indirectly observable as of the reporting date (i.e., prices for similar instruments).

Level 3-Inputs that cannot be observed in market activity.

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 2, 4, 5 and 6 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

As a practical expedient, we utilize net asset value (“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. Our investments in private equity measured at NAV amounted to $110 million and $111 million at September 30, 2017 and 2016, respectively. See Note 4 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, 2017, 10% of our total assets and 2% of our total liabilities are financial instruments measured at fair value on a recurring basis. In comparison as of September 30, 2016, financial instruments measured at fair value on a recurring basis represented 8% of our total assets and 3% of our total liabilities.

Financial instruments measured at fair value on a recurring basis categorized as Level 3 amounted to $201 million as of September 30, 2017 and represent 6% of our assets measured at fair value. Of the Level 3 assets as of September 30, 2017, our ARS positions comprise $106 million, or 53%, and our private equity investments not measured at NAV comprise $89 million, or 44%, of the total. Our Level 3 assets decreased $14 million, or 6%, as compared to the September 30, 2016 level. Our ARS portfolio decreased approximately $19 million compared to September 30, 2016, due to sales within the portfolio (see Notes 4 and 5 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, 2017.

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. We have determined the market for certain other types of financial instruments, including certain private equity investments, ARS, CMOs, ABS and certain collateralized debt obligations to be volatile, uncertain or inactive as of both September 30, 2017 and 2016. 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.

See Notes 2 and 4 of the Notes to Consolidated Financial Statements in this Form 10-K for further information about the level within the fair value hierarchy, specific valuation techniques and inputs, and other significant accounting policies pertaining to financial instruments at fair value.

Loss provisions

Loss provisions 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. In addition, refer to Note 17 of the Notes to the Consolidated Financial Statements in this Form 10-K for information regarding legal and regulatory matter contingencies as of September 30, 2017.

Loss provisions arising from operations of our Broker-Dealers

The recorded amounts of loss provisions associated with brokerage client receivables and loans to financial advisors and certain key revenue producers are subject to significant management judgment. For a description of the significant estimates and judgments associated with establishing these broker-dealer related loss provisions and the related allowances for doubtful accounts, see the “Brokerage client receivables, net” and “Loans to financial advisors, net” sections 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 8 of the Notes to Consolidated Financial Statements in this Form 10-K for quantitative information regarding the allowance balances as of September 30, 2017.

At September 30, 2017, the amortized cost of all RJ Bank loans was $17.2 billion and an allowance for loan losses of $190 million was recorded against that balance. The total allowance for loan losses is equal to 1.11% 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. As a result, the allowance for loan losses could be insufficient to cover actual losses. In such an event, any losses in excess of our allowance would result in a decrease in our net income as well as a decrease in the level of regulatory capital at RJ Bank.

Recent accounting developments

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

Off-Balance sheet arrangements

For information regarding our off-balance sheet arrangements, see Note 22 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.

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 related to our business activities are market, credit, liquidity, operational, model and regulatory and legal.

Market risk

Market risk is our risk of loss resulting from the impact of changes in market prices on our inventory, 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. We also hold investments in MBS, residential mortgage-backed securities, CMOs and equity securities within RJ Bank's 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, 4, 5 and 6 of the Notes to Consolidated Financial Statements in this Form 10-K for fair value and other information regarding our trading inventories, derivatives and available-for-sale securities.

Changes in value of our trading inventory may result from fluctuations in interest rates, credit spreads, equity prices, macroeconomic factors, asset liquidity and dynamic relationships among these factors. We manage our trading inventory by product type and have established trading 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 multiple 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 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 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 or co-lead manager 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. We actively manage the interest rate risk arising from our fixed income trading securities through the use of hedging strategies that involve U.S. Treasury securities and futures contracts, liquid spread products and derivatives.

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 exclude fees, commissions, reserves, net interest income and intraday trading. Based on these daily "ex ante" versus "ex post" comparisons, we determine whether the number of times that regulatory-defined daily trading losses exceed VaR is consistent with our expectations at a 99% confidence level. During the twelve months ended September 30, 2017, 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, for the period and dates indicated:

	Year ended September 30, 2017		Period end VaR		Daily average VaR	
$ in thousands	High	Low	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Daily VaR	$2,952	$938	$1,427	$ 1,804	$1,827	$ 1,584

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.

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 www.raymondjames.com/investor-relations/financial-report under "Market Risk Rule Disclosure."

Should markets suddenly become more volatile, actual trading losses may exceed VaR results presented on a single day and might accumulate over a longer time horizon, such as a number of consecutive trading days. Accordingly, management applies additional controls including position limits, a daily review of trading results, review of the status of aged inventory, independent controls on pricing, monitoring of concentration risk, review of issuer ratings and stress testing. We utilize stress testing to complement our VaR analysis so as to measure risk under historical and hypothetical adverse scenarios. During volatile markets we may choose to pare our trading inventories to reduce risk.

As a part of our fixed income public finance operations, we enter into forward commitments to purchase GNMA or FNMA MBS which are issued on behalf of various state and local housing finance agencies. These activities result in exposure to interest rate risk. In order to hedge the interest rate risk to which we would otherwise be exposed between the date of the commitment and the date of sale of the MBS, we enter into 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 17 of the Notes to Consolidated Financial Statements in this Form 10-K for additional information regarding these activities.

Banking operations

RJ Bank maintains an earning asset portfolio that is comprised of cash, C&I loans, tax-exempt loans, SBL, and commercial and residential real estate loans, as well as MBS and CMOs (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 client deposits. Based on its current earning asset portfolio, RJ Bank is subject to interest rate risk. During the year, RJ Bank has focused its interest rate risk analysis on the risk of market interest rates rising given the Federal Reserve Bank's increases in short-term interest rates since December 2015. 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.

RJ Bank uses simulation models and estimation techniques to assess the sensitivity of the net interest income stream to movements in interest rates. To ensure that RJ Bank remains within its tolerances established for net interest income, a sensitivity analysis of net interest income to interest rate conditions is estimated under a variety of scenarios. The model estimates the sensitivity by calculating

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Management's Discussion and Analysis

interest income and interest expense in a dynamic balance sheet environment using current repricing, prepayment, and reinvestment of cash flow assumptions over a twelve month time horizon. Various interest rate scenarios are modeled in order to determine the effect those scenarios may have on net interest income. Scenarios presented include instantaneous interest rate shocks of up 100 and 200 basis points and down 100 basis points. While not presented, additional rate scenarios are performed including interest rate ramps and yield curve shifts that may more realistically mimic the speed of potential interest rate movements. RJ Bank also performs simulations on time horizons up to five years to assess longer term impacts to various interest rate scenarios. On a quarterly basis, RJ Bank tests expected model results to actual performance. Additionally, any changes made to key assumptions in the model are documented and approved by RJ Bank’s Asset Liability Management Committee.

We utilize a hedging strategy using interest rate swaps as a result of RJ Bank’s asset and liability management process described above. For further information regarding this risk management objective, see the discussion of this hedging strategy in Note 2 and Note 6 of the Notes to Consolidated Financial Statements in this Form 10-K.

The following table is an analysis of RJ Bank’s estimated net interest income over a 12 month period based on instantaneous shifts in interest rates (expressed in basis points) using RJ Bank’s own asset/liability model:

Instantaneous changes in rate	Net interest income ($ in thousands)	Projected change in net interest income
+200	$655,668	(4.16)%
+100	$671,707	(1.81)%
0	$684,104	—
-100	$553,977	(19.02)%

Refer to “Management’s Discussion and Analysis - Net Interest Analysis” within this Form 10-K, for a discussion of the impact that an increase in short-term interest rates could have on RJF’s operations.
The following table shows the contractual maturities of RJ Bank’s loan portfolio at September 30, 2017, 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. Loan amounts in the table below exclude unearned income and deferred expenses.

	Due in			
$ in thousands	One year or less	> One year – five years	> 5 years	Total
Loans held for sale	$—	$36,030	$31,861	$67,891
Loans held for investment:				
C&I loans	114,443	4,098,767	3,172,700	7,385,910
CRE construction loans	—	112,681	—	112,681
CRE loans	546,414	2,001,057	558,819	3,106,290
Tax-exempt loans	—	4,295	1,013,496	1,017,791
Residential mortgage loans	1,662	2,668	3,144,400	3,148,730
SBL	2,383,183	3,514	—	2,386,697
Total loans held for investment	3,045,702	6,222,982	7,889,415	17,158,099
Total loans	$3,045,702	$6,259,012	$7,921,276	$17,225,990

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, 2017. Loan amounts in the table below exclude unearned income and deferred expenses.

	Interest rate type		
$ in thousands	Fixed	Adjustable	Total
Loans held for sale	$3,593	$64,298	$67,891
Loans held for investment:			
C&I loans	1,700	7,269,767	7,271,467
CRE construction loans	—	112,681	112,681
CRE loans	44,181	2,515,695	2,559,876
Tax-exempt loans	1,017,791	—	1,017,791
Residential mortgage loans	230,816	2,916,252	3,147,068
SBL	3,514	—	3,514
Total loans held for investment	1,298,002	12,814,395	14,112,397
Total loans	$1,301,595	$12,878,693	$14,180,288

Contractual loan terms for C&I, CRE, CRE construction and residential mortgage loans 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.

See the discussion within the "Management's Discussion and Analysis - Credit Risk - Risk Monitoring process" section of this Form 10-K for additional information regarding RJ Bank's interest-only residential mortgage loan portfolio.

In our available-for-sale portfolio, we hold primarily fixed-rate agency MBS and CMOs which were carried at fair value in our Consolidated Statements of Financial Condition at September 30, 2017 with changes in the fair value of the portfolio recorded through "Other comprehensive income" in our Consolidated Statements of Income and Comprehensive Income. At September 30, 2017, our portfolio had a fair value of $2.08 billion with a weighted-average yield of 1.94% and average expected duration of 3 years. See Note 5 in the Notes to Consolidated Financial Statements for additional information.

Other

We hold ARS, which are long-term variable rate securities tied to short-term interest rates, that are accounted for as available-for-sale and are carried at fair value on our Consolidated Statements of Financial Condition. 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. Changes in interest rates impact the fair value as we estimate 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. See Notes 2 and 4 of the Notes to Consolidated Financial Statements in this Form 10-K for additional information on the fair value of these securities.

Equity price risk

We are exposed to equity price risk as a consequence of making markets in equity securities. Our 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 throughout each day and establishing position limits.

In addition, our 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 and resulting balances denominated in a currency other than the U.S. dollar.

Investments in foreign subsidiaries

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 6 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 CDN $340 million at September 30, 2017, which is not hedged. Foreign exchange gains/losses related to this investment are primarily reflected in other comprehensive income/(loss) ("OCI") on our Consolidated Statements of Income and Comprehensive Income. See Note 18 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 and Germany. These investments are not hedged and we do not believe we have material foreign exchange risk either individually, or in the aggregate, pertaining to these subsidiaries.

Transactions and resulting balances denominated in a currency other than the U.S. dollar

We are subject to foreign exchange risk due to our holdings of cash and certain other assets and liabilities resulting from transactions denominated in a currency other than the U.S. dollar. Any currency related gains/losses arising from these foreign currency denominated balances are reflected in "Other revenues" in our Consolidated Statements of Income and Comprehensive Income. The foreign exchange risk associated with a portion of such transactions and balances denominated in foreign currency are mitigated utilizing short-term, forward foreign exchange contracts. Such derivatives are not designated hedges and therefore the related gains/losses associated with these contracts are included in "Other revenues" in our Consolidated Statements of Income and Comprehensive Income. See Note 6 of the Notes to Consolidated Financial Statements in this Form 10-K for information regarding our derivative contracts.

Credit risk

Credit risk is the risk of loss due to adverse changes in a borrower's, issuer's or counterparty's ability to meet its financial obligations under contractual or agreed upon terms. The nature and amount of credit risk depends on the type of transaction, the structure and duration of that transaction, and the parties involved. Credit risk is an integral component of the profit assessment of lending and other financing activities.

We are engaged in various trading and brokerage activities in which our counterparties primarily include broker-dealers, banks and other financial institutions. We are exposed to risk that these counterparties may not fulfill their obligations. The risk of default depends on the creditworthiness of the counterparty and/or the issuer of the instrument. We manage this risk by imposing and monitoring individual and aggregate position limits within each business segment for each counterparty, conducting regular credit reviews of financial counterparties, reviewing security and loan concentrations, holding and calculating the fair value of collateral on certain transactions and conducting business through clearing organizations, which may guarantee performance.

Our client activities involve the execution, settlement, and financing of various transactions on behalf of our clients. Client activities are transacted on either a cash or margin basis. Credit exposure results from client margin accounts, which are monitored daily and are collateralized. We monitor exposure to industry sectors and individual securities and perform analysis on a regular basis in connection with our margin lending activities. We adjust our margin requirements if we believe our risk exposure is not appropriate based on market conditions. In addition, when clients execute a purchase, we are at some risk that the client will renege on the trade. If this occurs, we may have to liquidate the position at a loss. However, most private clients have available funds in the account before the trade is executed.

We offer loans to financial advisors and certain other key revenue producers, primarily for recruiting, transitional cost assistance and retention purposes. We have credit risk and may incur a loss in the event that such borrower declares bankruptcy or is no longer affiliated with us. Historically, such losses have not been significant due to our strong advisor retention and successful collection efforts.

We are subject to concentration risk if we hold large positions, extend large loans to, or have large commitments with a single counterparty, borrower, or group of similar counterparties or borrowers (e.g., in the same industry). Securities purchased under agreements to resell consist primarily of securities issued by the U.S. government or its agencies. Receivables from and payables to clients and securities 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.

ARS held by a non-broker-dealer subsidiary of RJF is impacted by the credit worthiness of the ARS issuer. See Note 5 of the Notes to Consolidated Financial Statements in this Form 10-K for more information.

The Bank has substantial C&I, CRE, tax-exempt, 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.

RJ Bank’s strategy for credit risk management includes well-defined credit policies, uniform underwriting criteria, and ongoing risk monitoring and review processes for all corporate, tax-exempt, residential 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 and tax-exempt loans as well as individual delinquent residential loans. The credit risk management process also includes an annual independent review of the credit risk monitoring process that performs assessments of compliance with credit policies, risk ratings, and other critical credit information. RJ Bank seeks to identify potential problem loans early, record any necessary risk rating changes and charge-offs promptly and maintain appropriate reserve levels for probable inherent losses. RJ Bank utilizes a comprehensive credit risk rating system to measure the credit quality of individual corporate and tax-exempt loans and related unfunded lending commitments, including the probability of default and/or loss given default of each corporate and tax-exempt loan, and commitment outstanding. For its SBL and residential mortgage loans, RJ Bank utilizes the credit risk rating system used by bank regulators in measuring the credit quality of each homogeneous class of loans.

RJ Bank’s allowance for loan losses methodology is described in Note 2 of the Notes to Consolidated Financial Statements 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.

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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. Retail sales continue to be sluggish and credit quality trends, while improved in some sectors, remain somewhat tenuous. There also continue to be concerns over the energy sector as well as ongoing uncertainty in the healthcare sector in regard to the status of the Patient Protection and Affordable Care Act. These factors have a potentially negative impact on loan performance and net charge-offs. However, during fiscal year 2017, 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, 2017, 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, 2017.

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

	For the year ended September 30,				
$ in thousands	2017	2016	2015	2014	2013
Allowance for loan losses, beginning of year	$197,378	$172,257	$147,574	$136,501	$147,541
Provision for loan losses	12,987	28,167	23,570	13,565	2,565
Charge-offs:					
C&I loans	(26,088)	(2,956)	(1,191)	(1,845)	(813)
CRE loans	—	—	—	(16)	(9,599)
Residential mortgage loans	(918)	(1,470)	(1,667)	(2,015)	(7,025)
Total charge-offs	(27,006)	(4,426)	(2,858)	(3,876)	(17,437)
Recoveries:					
C&I loans	340	—	611	16	117
CRE loans	5,013	—	3,773	80	1,680
Residential mortgage loans	1,001	1,417	1,231		