



**Raymond James Financial, Inc. & Raymond James Bank, N.A.
2015 Annual Dodd-Frank Act Stress Test Disclosure**

June 2015

Pursuant to regulations issued by the Board of Governors of the Federal Reserve System (“Federal Reserve” or “FRB”) and the Office of the Comptroller of Currency (“OCC”) under the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”), Raymond James Financial, Inc. (“Raymond James”, “RJF” or the “Company”) and Raymond James Bank, N.A. (“Raymond James Bank” or “RJ Bank”), a wholly owned subsidiary of RJF, are required to conduct an annual company-run stress test based on balance sheet information as of September 30, 2014 (the “2015 Stress Test”) and disclose certain results of the test.

This annual Dodd-Frank Act stress test is a forward-looking exercise under which RJF and RJ Bank must each estimate the impact of hypothetical macroeconomic scenarios provided by the Federal Reserve and OCC on its financial condition and regulatory capital ratios over a nine-quarter planning period. For the 2015 Stress Test, the stress period covers the period of October 1, 2014 through December 31, 2016. The test is designed to help assess whether RJF and RJ Bank have sufficient capital to absorb losses and support operations during hypothetical economic conditions.

About Raymond James Financial, Inc. and Raymond James Bank, N.A.

Raymond James Financial, Inc. is a leading diversified financial services company providing private client group, capital markets, asset management, banking and other services to individuals, corporations and municipalities. The Company has nearly 6,400 financial advisors serving in excess of 2.6 million client accounts in more than 2,600 locations throughout the United States, Canada and overseas. Total client assets are approximately \$505 billion. Public since 1983, the firm has been listed on the New York Stock Exchange since 1986 under the symbol RJF. Additional information is available at www.raymondjames.com.

Raymond James Bank originates and purchases commercial and industrial loans, commercial and residential real estate loans, tax-exempt loans, as well as securities based loans, all of which are funded primarily by FDIC-insured cash balances swept from the investment accounts of RJF broker-dealer subsidiaries’ clients.

Description of the Hypothetical Severely Adverse Economic Scenario

The Supervisory Severely Adverse Scenario (“Severely Adverse Scenario”) for the 2015 Stress Test was released by the Federal Reserve on October 23, 2014. It is important to note that this is a hypothetical scenario that involves economic conditions that are more adverse than currently expected by the Federal Reserve or RJF. Accordingly, the scenario is not a forecast of anticipated economic conditions, and therefore the estimates produced under the 2015 Stress Test are not forecasts of expected revenues, net income, or capital ratios. Rather, the hypothetical Severely Adverse Scenario is designed to test the strength and resilience of medium-sized banking organizations, including RJF and RJ Bank, and their ability to continue to meet the needs of consumers and businesses should severe economic and financial conditions develop in the future.

The Severely Adverse Scenario assumes a substantial weakening in global economic activity, accompanied by large reductions in asset prices. In the scenario, the United States corporate sector experiences substantial financial distress as reflected by a significant decline in equity prices and a widening of corporate bond spreads. In the United States, the scenario is characterized by a deep and prolonged recession in which the unemployment rate increases 4.0 percentage points from its level in September 2014, peaking at 10.1 percent in the second quarter of 2016. In the fourth quarter of 2015, the level of real Gross Domestic Product (“GDP”) is 4.6 percent lower than its level in the third quarter of 2014; GDP begins to recover thereafter. Despite this decline in real activity, higher projected oil prices cause the annualized rate of change in the Consumer Price Index (“CPI”) to reach 4.3 percent in the fourth quarter of 2014, before subsequently falling back. In response to this economic contraction, Treasury yields of all maturities decline significantly. Short-term interest rates remain near zero through 2017; long-term Treasury yields drop to 0.9 percent in the fourth quarter of 2014 and then slowly recover over the remainder of the stress period, reaching 1.9 percent by the fourth quarter of 2016. Equity prices fall by approximately 60 percent from their level at September 30, 2014 to the trough in the fourth quarter of 2015, and equity market volatility increases sharply until the end of 2015. Housing prices decline by approximately 25 percent during the stress period relative to their level in the third quarter of 2014, while

commercial real estate prices are approximately 35 percent lower at their trough in the third quarter of 2016 compared to the third quarter of 2014. Additional information on the Severely Adverse Scenario is available on the Federal Reserve's website at <http://www.federalreserve.gov/bankinforeg/stress-tests/2015-supervisory-scenarios-for-annual-stress-tests-introduction.htm>.

Pursuant to the 2015 Stress Test requirements, bank holding companies must make a uniform set of assumptions regarding capital actions over the stress period. These assumptions are designed to assist the public in comparing disclosed results across the bank holding companies subject to the tests and to reduce the effect of company-specific assumptions related to capital distributions on disclosed results. Under these regulations, financial information and capital ratios are calculated using the actual capital actions undertaken in the fourth quarter of 2014. For the remaining eight quarters of the stress period, firms must assume that (i) there are no issuances or redemptions of regulatory capital instruments (other than equity generation pursuant to expensed employee compensation programs); (ii) quarterly common stock dividends are equal to the quarterly average of common stock dividends paid over the course of 2014 (for RJF, the quarterly average common stock dividend during this period was \$0.165 per share); and (iii) payments on other regulatory capital instruments are made equal to the stated dividend, interest, or principal due on the instrument. These assumptions may not represent the actual capital actions that would be taken should severely adverse economic conditions develop. For example, if the extreme economic conditions specified in the hypothetical Severely Adverse Scenario were indeed to develop, RJF may respond by adjusting its capital actions to preserve or improve its capital and liquidity.

Primary Risks to Which RJF Is Exposed

- Market Risk – exposure to changes in asset and liability values due to changes in equity prices, interest rates, and other relevant market rates or prices. For example, a prolonged bear market would impact RJF's ability to generate commissions and fees in its private client business. Although the private client unit of RJF is expected to remain profitable in the Severely Adverse Scenario, the decline in revenue results in a reduction in earnings and capital generation.
- Credit Risk – exposure to borrowers' failure to repay loans due to RJ Bank and RJF, and, to a lesser extent, the failure of securities issuers and counterparties to perform as contractually required.
- Regulatory & Reputational Risk – violations of, or nonconformance with, laws, rules, regulations, prescribed practices or ethical standards; litigation and/or legal risks stemming from either real or perceived wrongdoing in a line of business or functional area. The noncompliance with laws, regulations or policies could subject RJF to regulatory sanctions, consequently damaging its reputation.
- Operational Risk – inadequacy or breakdown of internal processes, people and/or systems, or from external events that encumber internal processes, people and/or systems.
- Liquidity Risk – exposure to events that could impinge on RJF's ability to meet financial obligations as they come due under normal or stressed conditions. A prolonged lack of liquidity could limit RJF's ability to fund and originate new loans, make markets in certain debt and equity securities, and/or actively recruit new financial advisors.
- Interest Rate Risk – exposure of net interest income and market value of equity and debt instruments to adverse movements in interest rates.

Stress Test Methodology

Overseen by the RJF Board of Directors (“Board”) and risk and capital management committees at both RJF and RJ Bank, our stress testing framework utilizes both quantitative and qualitative estimation methodologies.

In determining when to use quantitative models, we review our ability to make statistically significant conclusions by attempting to correlate RJF’s historical results with the Company’s current business units and the scenarios outlined by the FRB. Credit losses at RJ Bank can be modeled using a quantitative model because of strong statistical correlations to relevant macroeconomic variables and the availability of relevant historical market data. However, we primarily rely on qualitative judgment of management to project the results of our non-bank businesses within RJF. When attempting to derive correlations between our non-bank businesses and the macroeconomic data provided by the Federal Reserve, we found the statistical correlations to macroeconomic variables to generally be weak or non-existent, and thus rely primarily upon conservative management assumptions to provide more useful projections.

Using our September 30, 2014 balance sheet position and income statement as a starting point, we use our quantitative and qualitative estimation methodologies to simulate, among other items, future values for the components of RJF’s and RJ Bank’s income statements, including pre-provision net revenue (net interest income plus non-interest income less non-interest expense) and credit losses across a nine-quarter forecast horizon. These estimation methodologies come together and dynamically interact with each other in our stress testing modeling.

Results for all projections are carefully reviewed and vetted by the Board and risk and capital management committees at both RJF and RJ Bank. In line with the Company’s conservative management philosophy, projections largely represent our “worst case” outlook given the Federal Reserve’s scenario (i.e., our assumptions or adjustments generally result in more severe outcomes than actually expected in terms of impact to earnings and capital). We believe that taking a more conservative approach in stress case scenarios better aligns with the spirit and intent of stress testing, and further acknowledges that a company’s ability to manage its risk positions can be somewhat diminished when the entire industry and marketplace is experiencing turmoil as a result of the economic environment. Although the Board and risk and capital management committees appreciate that there are significant limitations to a company-run stress test, which we will continuously strive to reduce, the Company is confident that its conservatism, both in business and with respect to its stress testing, combined with its strong capital levels, will provide an adequate level of capital flexibility in a stressed environment.

Results of RJF’s and RJ Bank’s 2015 Stress Test

As provided in the 2015 Stress Test requirements, RJF and RJ Bank measure its regulatory capital levels and regulatory capital ratios for each quarter of the nine quarter planning period in accordance with the rules that would be in effect during that quarter. Effective January 1, 2015, the Company and RJ Bank became subject to Basel III and its various transition provisions. Prior to January 1, 2015, the Company and RJ Bank were subject to the capital requirements of Basel 2.5 and Basel I, respectively. Therefore, our regulatory capital items reflect the Basel 2.5 and Basel 1 capital framework for the Company and RJ Bank, respectively, for the first projected quarter (4th quarter 2014) and the Basel III capital framework beginning in projected quarter two (1st quarter 2015) through projected quarter nine (4th quarter 2016) of the planning period.

Table 1 depicts cumulative results for the Company over the nine quarter planning period under the Severely Adverse Scenario:

Raymond James Financial, Inc. - Severely Adverse Scenario	
Table 1 - Cumulative Revenue, Loss, and Net Income - October 1, 2014 to December 31, 2016	
	<i>\$ millions</i>
Pre-Provision Net Revenue	\$756
Provision for Loan and Lease Losses	(\$569)
Realized Gains (Losses) on AFS Securities	(4)
All other Gains (Losses)	\$96
Taxes	(147)
Net Income	\$132

Pre-Provision Net Revenue includes net interest revenue and non-interest revenue, less non-interest expenses except Provision for Loan and Lease Losses. Therefore, Pre-Provision Net Revenue should not be confused with Net Revenues typically disclosed by RJF, as Net Revenues are not reduced by non-interest expenses. Taxes are impacted by nondeductible losses in the Corporate Owned Life Insurance portfolio over the nine quarter planning period.

Table 2 depicts changes in the Company's capital ratios over the nine quarter planning period under the Severely Adverse Scenario:

Raymond James Financial, Inc. - Severely Adverse Scenario				
Table 2 - Beginning, Ending, and Minimum Projected Capital Ratios - October 1, 2014 to December 31, 2016				
	<u>Actual</u>	<u>Projected</u>		
	September 30, 2014	December 31, 2016	Minimum	Minimum Period
<u>Capital Ratios</u>				
Tier 1 Leverage Ratio	16.42%	12.36%	12.18%	March 31, 2016
Common Equity Tier 1 Risk-based Capital Ratio	NA	19.91%	19.64%	March 31, 2015
Tier 1 Risk-based Capital Ratio	19.73%	19.91%	19.64%	March 31, 2015
Total Risk-based Capital Ratio	20.59%	20.70%	20.43%	March 31, 2015

The projected decline in the Company's Tier 1 Leverage Ratio in the Severely Adverse Scenario is primarily driven by a substantial increase in adjusted assets, as an assumed shift of client assets into cash during a turbulent market environment would increase deposits and segregated assets on the Company's balance sheet – assuming off-balance sheet capacity, such as through the Raymond James Bank Deposit Program, is limited in such an environment. While the Company's Tier 1 Capital is only projected to decline by approximately 5 percent in the Severely Adverse Scenario, the substantial increase in adjusted assets, driven by an increase in client cash balances on the balance sheet, causes the Tier 1 Leverage Ratio to decrease by over 400 basis points. Nonetheless, given the very strong starting point, the Tier 1 Leverage Ratio is expected to remain above 12 percent throughout the Severely Adverse Scenario, which is significantly above the minimum regulatory requirements and RJF's more conservative management thresholds.

Counterintuitively, the risk-based capital ratios actually increase in the Severely Adverse Scenario. Despite capital levels declining by approximately 5 percent – primarily driven by conservative projections of credit-driven losses in RJ Bank (see Table 4) coupled with lower profitability in the non-bank segments – the risk-based capital ratios are projected to increase, as RJ Bank's loan balances, and consequently the firm's risk-weighted assets, are expected to decline. This dynamic results in an improvement in RJ Bank's risk-based capital ratios as well (see Table 3). The projected decline in RJ Bank's loan balances, which is consistent with RJ Bank's actual experience in the last financial downturn, is primarily driven by the assumption that loan origination activity decelerates substantially in the Severely Adverse Scenario.

Table 3 depicts changes in RJ Bank’s capital ratios over the nine quarter planning period under the Severely Adverse Scenario:

Raymond James Bank, N.A. - Severely Adverse Scenario				
Table 3 - Beginning, Ending, and Minimum Projected Capital Ratios - October 1, 2014 to December 31, 2016				
	Actual	Projected		
	September 30, 2014	December 31, 2016	Minimum	Minimum Period
<u>Capital Ratios</u>				
Tier 1 Leverage Ratio	10.68%	9.52%	9.40%	June 30, 2015
Common Equity Tier 1 Risk-based Capital Ratio	NA	12.37%	11.95%	March 31, 2015
Tier 1 Risk-based Capital Ratio	11.24%	12.37%	11.84%	December 31, 2014
Total Risk-based Capital Ratio	12.49%	13.62%	13.09%	December 31, 2014

Table 4 depicts the projection for RJ Bank’s cumulative loan losses over the nine quarter planning period of the Severely Adverse Scenario, utilizing conservative assumptions.

Raymond James Bank, N.A. - Severely Adverse Scenario			
Table 4 - Cumulative Loan Losses - October 1, 2014 to December 31, 2016			
<i>\$ millions</i>	Losses (cumulative 9 quarters)		Portfolio Loss Rate
Total Loan Losses	\$576		5.68%

The portfolio loss rate was calculated using the average nine-quarter balance of RJ Bank’s loan portfolio. The projected loan losses – both the absolute dollar amount and as a percent of average loan balances – experienced in the Severely Adverse Scenario are meaningfully higher than RJ Bank’s actual experience during the last financial crisis. Management also believes that these projected loan losses are higher than what RJ Bank would actually experience in a severely adverse market environment, which reinforces the conservative approach utilized for the 2015 Stress Test.

Summary

The results of the 2015 Stress Test indicate that both RJF and RJ Bank have sufficient capital to successfully navigate a severe and prolonged economic downturn while still maintaining ample capital levels that exceed both regulatory requirements and higher management thresholds throughout the course of the Severely Adverse Scenario. RJF and RJ Bank utilized a conservative approach when projecting its results under the scenario. Additionally, RJF and RJ Bank consider the likelihood of the Severely Adverse Scenario actually occurring to be remote, and would expect economic events that do occur over the course of the forecast horizon to be materially more positive.

Forward Looking Statements

Certain statements made in this document constitute “forward-looking statements” under the Private Securities Litigation Reform Act of 1995. Specifically, our disclosures herein of projected results are hypothetical, are made pursuant to the requirements of the Federal Reserve’s Dodd-Frank Act stress test (“DFAST”) and related regulatory requirements, and do not necessarily reflect our expectations for future conditions. Forward-looking statements include information concerning projected capital levels, projected macroeconomic conditions under hypothetical scenarios, future strategic objectives, business prospects, anticipated savings, financial results (including expenses, earnings, liquidity, cash flow and capital expenditures), industry or market conditions, demand for and pricing of our products, acquisitions and divestitures, anticipated results of litigation and regulatory developments or general economic conditions. In addition, words such as “believes,” “expects,” “anticipates,” “intends,” “plans,” “estimates,” “projects,” “forecasts,” “potential,” “outlook,” and future or conditional verbs such as “will,” “may,” “could,” “should,” and “would,” as well as any other statement that necessarily depends on future events, are intended to identify forward-looking statements. Forward-looking statements are not guarantees, and they involve risks, uncertainties and assumptions. Although we make such statements in this document primarily based on hypothetical assumptions required under DFAST rules, or that we believe to be reasonable, there can be no assurance that actual results will not differ materially from those expressed in the forward-looking statements. We caution investors not to rely unduly on any forward-looking statements and urge you to carefully consider the risks described in our filings with the Securities and Exchange Commission (“SEC”) from time to time, including our most recent Annual Report on Form 10-K, and subsequent Forms 10-Q, which are available on www.raymondjames.com and the SEC’s website at www.sec.gov. We expressly disclaim any obligation to update any forward-looking statement in the event it later turns out to be inaccurate, whether as a result of new information, future events, or otherwise.