
Jefferies – A Global Investment Banking Firm

April 2017

Notes on Forward Looking Statements

This document contains “forward looking statements” within the meaning of the safe harbor provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward looking statements include statements about our future and statements that are not historical facts. These forward looking statements are usually preceded by the words “expect,” “intend,” “may,” “will,” or similar expressions. Forward looking statements may contain expectations regarding revenues, earnings, operations, and other results, and may include statements of future performance, plans, and objectives. Forward looking statements also include statements pertaining to our strategies for future development of our business and products. Forward looking statements represent only our belief regarding future events, many of which by their nature are inherently uncertain. It is possible that the actual results may differ, possibly materially, from the anticipated results indicated in these forward-looking statements. Information regarding important factors that could cause actual results to differ, perhaps materially, from those in our forward looking statements is contained in reports we file with the SEC. You should read and interpret any forward looking statement together with reports we file with the SEC.

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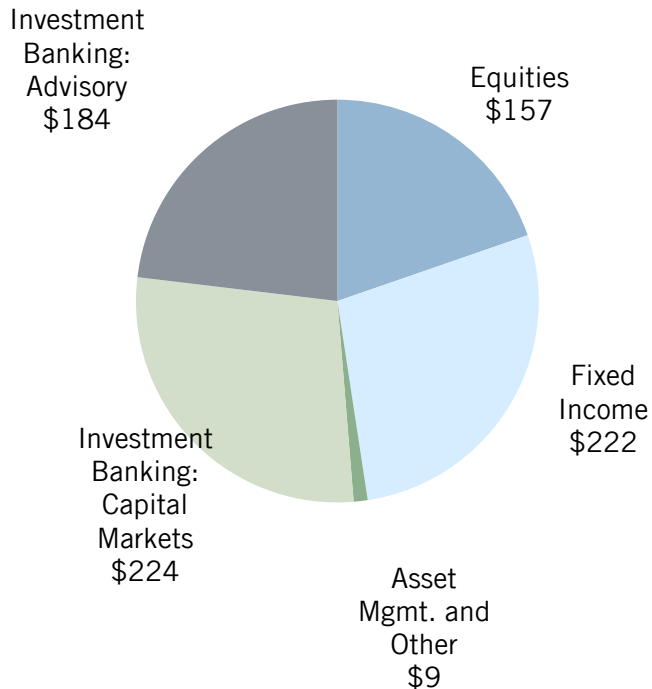
- **Full-Service Capital Markets Platform:** expertise and depth across equities, fixed income and investment banking
- **Client-Focused:** providing investor and issuer clients with the highest quality advice and execution
- **Global Footprint:** sales & trading and investment banking presence across the United States, Europe and Asia
- **Strong, Stable Foundation:** robust long-term capital base, comparatively low leverage and free from dependence upon government support
- **Positioned to Seize Market Share:** having broadened our product offering and hired additional key talent during the downturn, Jefferies is positioned to grow market share

Earnings Update – First Quarter 2017 & Last Twelve Months

(\$ Millions)

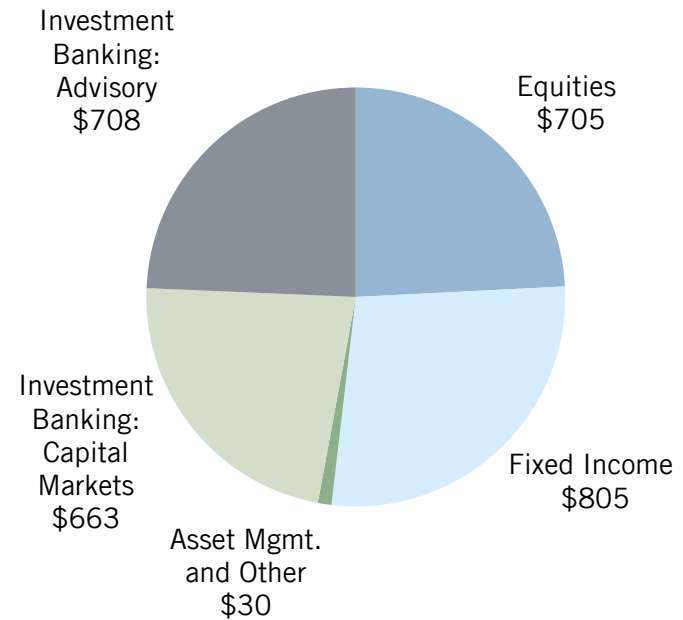
First quarter ending February 28, 2017 performance:

- Net Revenues: \$796 million
- Pre-Tax Earnings: \$124 million
- Net Earnings: \$114 million
- Revenues by Source:



Last twelve months ending February 28, 2017 performance:

- Net Revenues: \$2,911 million
- Pre-Tax Earnings: \$404 million
- Net Earnings: \$296 million
- Revenues by Source:



Liquidity and Funding Principles

Jefferies' long-standing liquidity and funding principles have maintained the strength and soundness of our platform across market cycles

- Owning inventory that is composed of liquid assets that turn over regularly, with Level 3 assets at ~3% of inventory
- Maintaining a sound, long-term capital base and reasonable leverage relative to our business activity
- No material reliance on short-term unsecured funding or customer balances. No commercial paper program
- Short-term secured funding that is readily and consistently available through clearing houses, or fixed for periods of time that exceed the expected tenure of the inventory they are funding
- Assessing capital reserves and maintaining liquidity to withstand adverse changes in the trading or financing markets and a firm specific idiosyncratic stress
- Where appropriate, entering into partnerships and joint ventures with complementary long-term partners to pursue business opportunities that otherwise may exceed our capital capacity or risk tolerance (Jefferies Finance, Jefferies LoanCore)

Core Operating Principles

Jefferies is focused on the following core principles to manage risk and deliver across-the-cycle revenue and earnings growth:

- **Strong Liquidity**

- Jefferies' maintains a very liquid, financeable and low-risk balance sheet

- **Limited Leverage**

- Jefferies maintains a consistent, carefully managed leverage ratio, and has demonstrated the operational and financial flexibility to reduce leverage in times of stress

- **Driving Productivity**

- Jefferies continues to increase investment banker productivity

- **Taking Market Share**

- Since 2008, Jefferies has grown market share by:

- Taking advantage of market dislocation and our competitors' ongoing struggles to enter new businesses and regions and expand existing capabilities
- Delivering broader and better capabilities to our clients

- **Culture**

- Jefferies is transparent, not arrogant, client focused and creditor friendly

Strong Capital Structure and Ample Liquidity

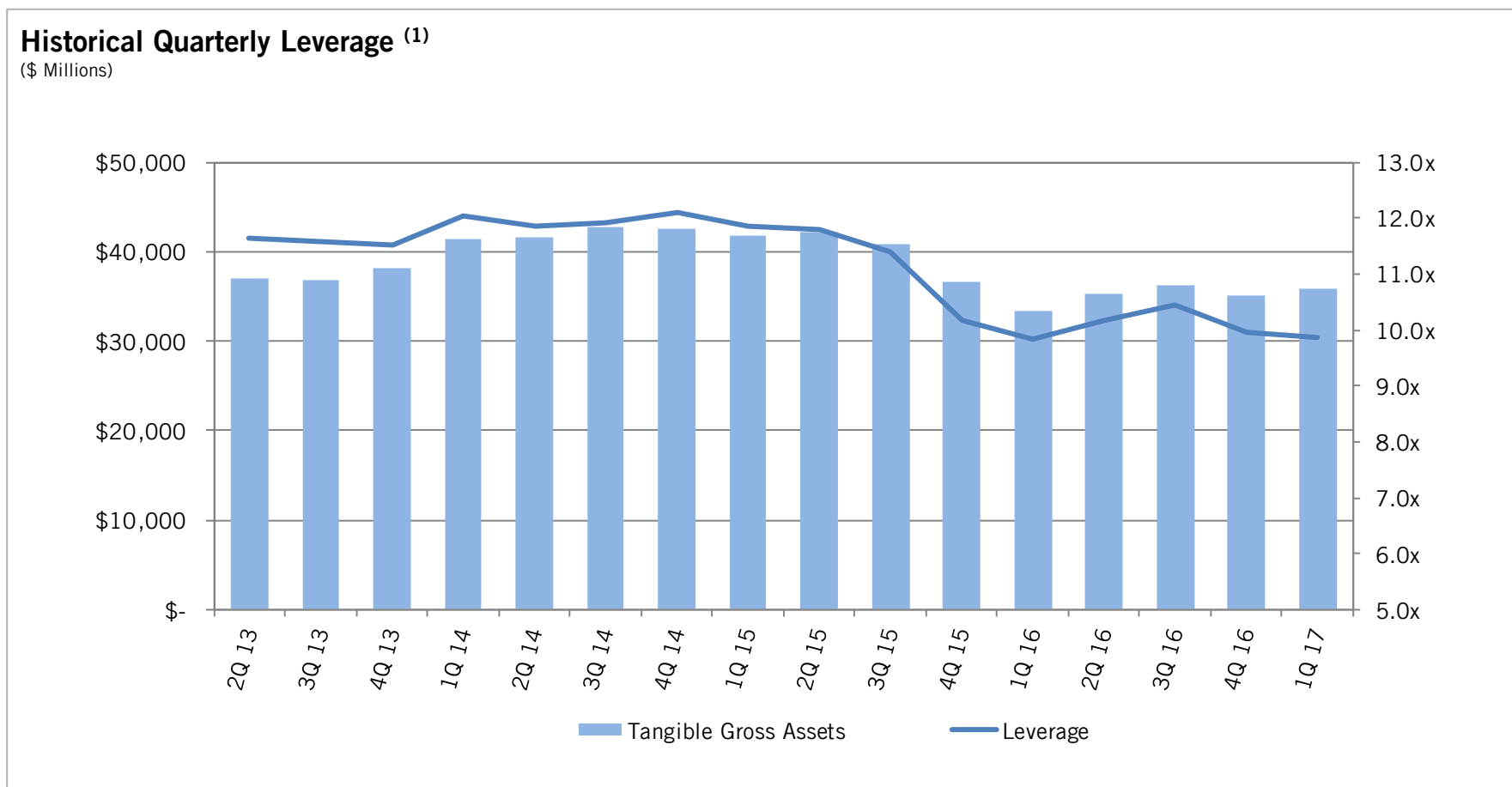
- Jefferies maintains a highly liquid balance sheet, with low gross leverage and exposure to illiquid assets, and significant structural liquidity
- Jefferies continues to manage the size of its balance sheet in response to market conditions and volatility
 - Total assets: \$37.7 billion
 - Leverage: 6.9x ⁽¹⁾
 - Tangible gross leverage: 9.9x ⁽²⁾
- Long-term capital of \$11.4 billion

(1) Leverage ratio equals total assets divided by total equity.

(2) Tangible gross leverage ratio and tangible gross assets are non-GAAP financial measures. Tangible gross leverage ratio equals tangible gross assets divided by tangible member's equity. Tangible gross assets equals total assets less goodwill and identifiable intangible assets. Tangible member's equity represents total member's equity less goodwill and identifiable intangible assets. The tangible gross leverage ratio is used by rating agencies in assessing our leverage ratio. See Appendix on page 15 for a reconciliation to GAAP measures.

Limited Leverage

- Jefferies has a long-standing policy of carefully managing balance sheet leverage
- In periods of stress, Jefferies has demonstrated the ability to rapidly reduce leverage without unduly impacting our business



Source: Jefferies.

(1) Tangible gross leverage ratio and tangible gross assets are non-GAAP financial measures. Tangible gross leverage ratio equals tangible gross assets divided by tangible member's equity. Tangible gross assets equals total assets less goodwill and identifiable intangible assets. Tangible member's equity represents total member's equity less goodwill and identifiable intangible assets. The tangible gross leverage ratio is used by rating agencies in assessing our leverage ratio. See Appendix on page 15 for a reconciliation to GAAP measures.

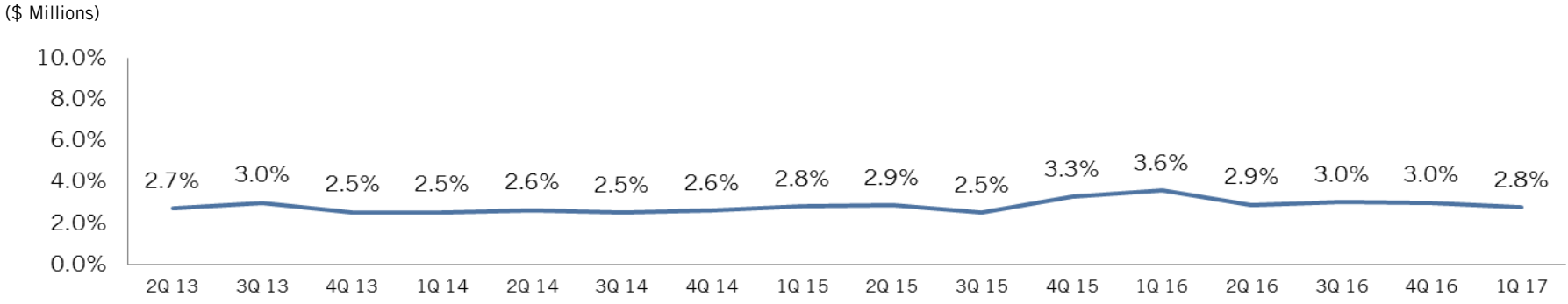
Strong Liquidity

- Jefferies' trading inventory is liquid and low-risk, rapidly turning in order to serve client flow
- **Very liquid inventory**
 - 70.5% of financial instruments owned are readily and consistently financeable at haircuts of 10% or less
 - Level 3 Trading Assets represent only 3.0% of long inventory – consistent over past 26 quarters
- **Reliable secured funding**
 - Approximately 75% of our repurchase financing activities use collateral that is considered eligible collateral by central clearing corporations.
 - No reliance on short-term unsecured funding or customer balances. No commercial paper program
- **Client-focused**
 - Fee and flow based businesses represent preponderance of net revenues

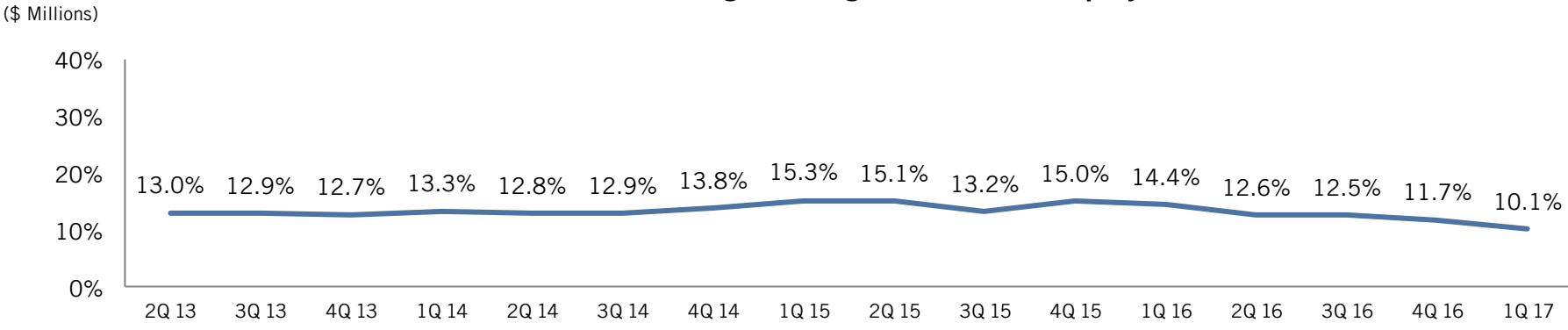
Level 3 Trading Assets Overview

- 97% of inventory is Levels 1 and 2, with a minimal amount of Level 3 Trading Assets ⁽¹⁾
- Level 3 Trading Assets ⁽¹⁾ represent only 10% of tangible member's equity

Level 3 Financial Instruments Owned ⁽¹⁾ as a Percentage of Financial Instruments Owned



Level 3 Financial Instruments Owned ⁽¹⁾ as a Percentage of Tangible Member's Equity ⁽²⁾



(1) Note: In May 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-07, "Fair Value Measurement (Topic 820) - Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)." Jefferies has adopted this guidance retrospectively during the second quarter of fiscal 2015.

(2) Tangible member's equity (a non-GAAP financial measure) represents total member's equity less goodwill and identifiable intangible assets. See Appendix on page 15 for a reconciliation to GAAP measures.

Value-at-Risk (VaR)

(\$ Millions)

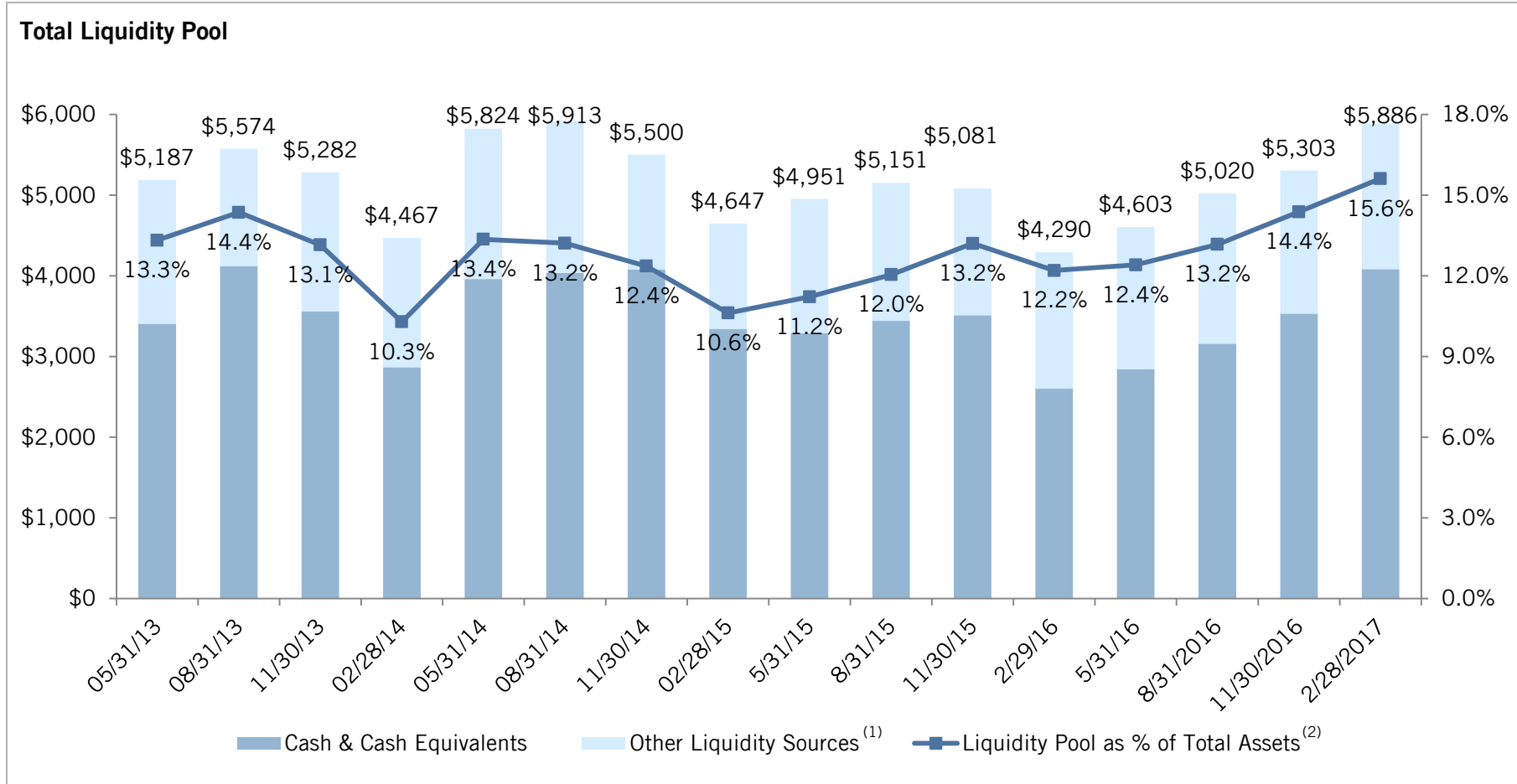
Daily VaR	
Risk Category	Average Daily VaR for the Three Months Ended February 28, 2017
Adjusted Firmwide ⁽¹⁾	\$8.3
Interest Rates	\$7.69
Equity Prices	7.27
Currency Rates	0.2
Commodity Prices	0.89
Diversification Effect	(5.75)
Firmwide	\$10.3

(1) Excluding our investment in KCG, our average VaR was \$8.3 million for the three months ended February 28, 2017

Liquidity Pool

(\$ Millions)

- Jefferies maintains significant excess liquidity on hand



(1) Consists primarily of securities purchased under agreements to resell, our U.K. liquidity pool, unencumbered inventory representing an estimate of the amount of additional secured financing that could be reasonably obtained and funds available under our senior secured revolving credit facility.

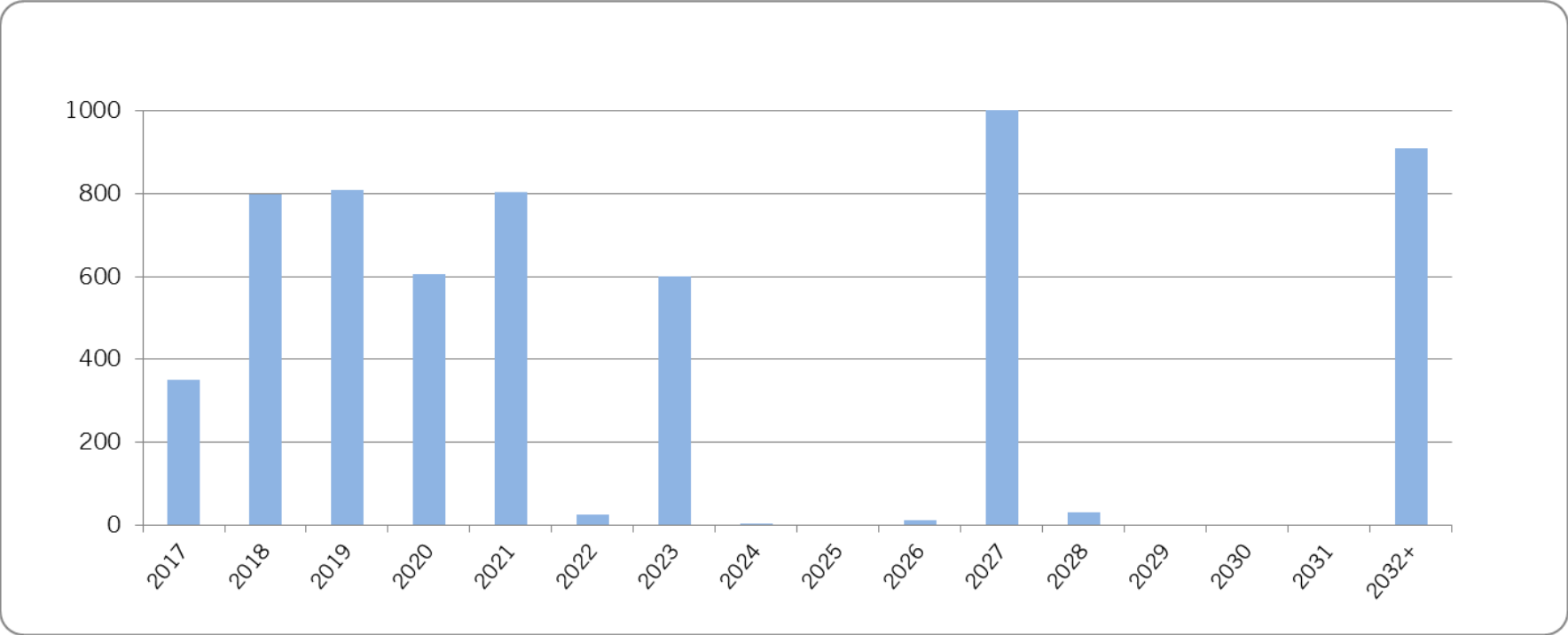
(2) Cash & Cash Equivalents plus Other Liquidity Sources, divided by Total Assets.

Long-Term Debt Profile

- As of 2/28/2017, our \$6.1 billion notional of long-term debt had a weighted average maturity of approximately 7 years
- \$345 million convertible bond is puttable in November 2017
- No maturity of long-term debt in a single year is greater than 20% of outstanding long-term debt
- During the three months ended February 28, 2017, we issued structured notes with a total principal amount of approximately \$48.6 million

Long-Term Debt Maturity Schedule (Notional)

(\$ Millions)



Credit Ratings

Jefferies Group LLC

Agency	Rating	Outlook
Standard & Poor's	BBB-	Stable
Moody's	Baa3	Stable
Fitch	BBB-	Stable

Subsidiaries

Jefferies LLC

Agency	Rating	Outlook
Standard & Poor's	BBB	Stable
Moody's	Baa2	Stable

Jefferies International

Agency	Rating	Outlook
Standard & Poor's	BBB	Stable
Moody's	Baa2	Stable

Note: As of February 28, 2017.

Appendix

Balance Sheet Overview

As of February 28, 2017

(\$ Millions)

Jefferies Group LLC

Balance Sheet as of 2/28/2017

Assets		Liabilities and Equity	
Cash & Cash Equivalents	\$ 4,080	Bank Loans	\$ 423
Cash & Securities Segregated	705	Financial Instruments Sold, Not Yet Purchased	8,728
Financial Instruments Owned	13,253	Securities Loaned	2,523
Investments in Managed Funds	171	Securities Sold Under Agreements to Repurchase	7,315
Loans to and Investments in Related Parties	672	Other Secured Financings	594
Securities Borrowed	6,886	Payables to Brokers, Dealers and Clearing Organizations	2,961
Securities Purchased Under Agreements to Resell	4,468	Payables to Customers	2,412
Receivables from Brokers, Dealers and Clearing Organizations	2,678	Accrued Expenses and Other Liabilities	1,007
Receivables from Customers	1,182	Long-term Debt	6,267
Fees, Interest and Other Receivables	312	Total Liabilities	<u>\$ 32,231</u>
Premises and Equipment	277		
Goodwill	1,640	Member's Equity	5,472
Other Assets	1,378	Noncontrolling Interests	1
		Total Equity	<u>\$ 5,472</u>
Total Assets	<u>\$ 37,703</u>	Total Liabilities and Equity	<u>\$ 37,703</u>

Leverage: ⁽¹⁾ 6.9x

Tangible Gross Leverage: ⁽²⁾ 9.9x

Note: As presented in Jefferies public filings.

(1) Leverage ratio equals total assets divided by total equity.

(2) Tangible gross leverage ratio (a non-GAAP financial measure) equals total assets of \$37,703 million less goodwill and identifiable intangible assets of \$1,843 million divided by tangible member's equity of \$3,629 million. Tangible member's equity represents total member's equity of \$5,472 million less goodwill and identifiable intangible assets of \$1,843 million. The tangible gross leverage ratio is used by rating agencies in assessing our leverage ratio.

Tangible Assets and Tangible Member's Equity GAAP Reconciliation

(\$ Billions)	2013			2014				2015				2016				2017
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Total Assets (GAAP)	38.9	38.8	40.2	43.4	43.6	44.8	44.5	43.8	44.1	42.8	38.6	35.2	37.1	38.1	36.9	37.7
Less: Goodwill and Intangibles	2.0	2.0	2.0	2.0	2.0	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.8	1.8
Tangible Gross Assets (Non-GAAP)	37.0	36.8	38.2	41.5	41.6	42.8	42.6	41.9	42.2	40.9	36.7	33.3	35.2	36.3	35.1	35.9
Total Member's Equity (GAAP)	5.1	5.2	5.3	5.4	5.5	5.6	5.4	5.4	5.5	5.5	5.5	5.3	5.3	5.3	5.4	5.5
Less: Goodwill and Intangibles	2.0	2.0	2.0	2.0	2.0	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.8	1.8
Tangible Member's Equity (Non-GAAP)	3.2	3.2	3.3	3.4	3.5	3.6	3.5	3.5	3.6	3.6	3.6	3.4	3.5	3.5	3.5	3.6
Gross Leverage (GAAP)	7.5x	7.4x	7.4x	8.0x	7.9x	8.0x	8.1x	8.0x	8.0x	7.8x	7.0x	6.7x	6.9x	7.2x	6.9x	6.9x
Tangible Gross Leverage (Non-GAAP)	11.7x	11.6x	11.5x	12.0x	11.9x	11.9x	12.1x	11.9x	11.8x	11.4x	10.2x	9.8x	10.2x	10.5x	10.0x	9.9x

Note: Jefferies tangible gross assets and tangible member's equity are unaudited non-GAAP financial measures that begin with information prepared in accordance with U.S. GAAP and then are adjusted to exclude goodwill and intangibles. Management believes that the tangible gross assets and tangible member's equity are common metrics used by many investors in its industry to evaluate performance from period to period.