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# Jefferies – A Global Investment Banking Firm

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October 2018

## 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 Securities and Exchange Commission (“SEC”). You should read and interpret any forward looking statement together with reports we file with the SEC.

## Jefferies – A Global Investment Banking Firm

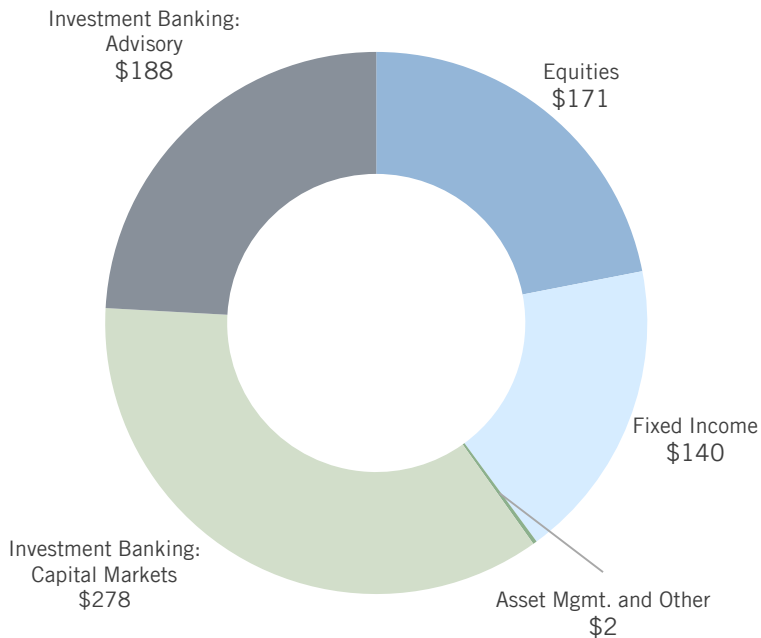
- **Full-Service Capital Markets Platform:** Expertise and depth across equities, fixed income and investment banking.
- **Client-Focused:** Providing investor and issuer clients with the highest quality advice and execution.
- **Global Footprint:** Sales & trading and investment banking presence across 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 – Third Quarter 2018 and Last Twelve Months

(\$ Millions)

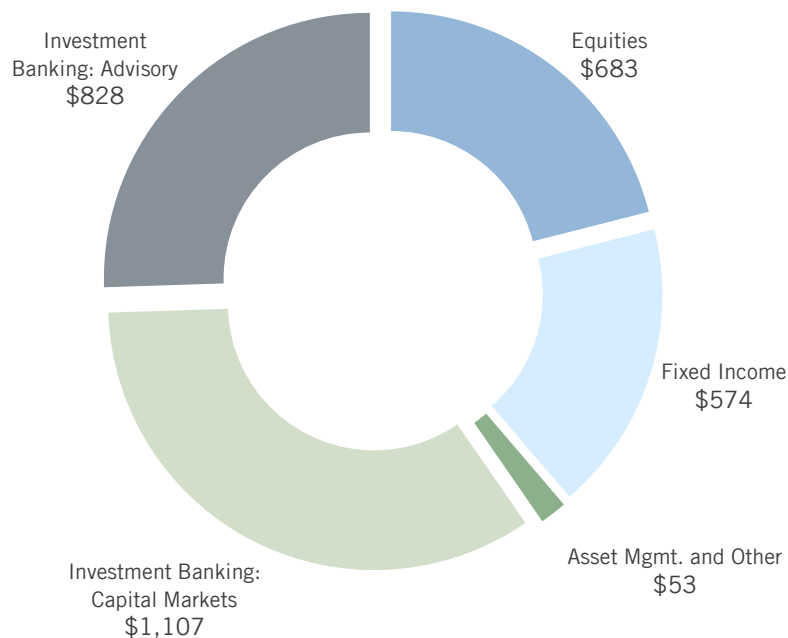
## Third quarter ended August 31, 2018 performance:

- Net Revenues: \$778 million
- Pre-Tax Earnings: \$87 million
- Net Earnings: \$60 million
- Revenues by Source:



## Last twelve months ended August 31, 2018 performance:

- Net Revenues: \$3,244 million
- Pre-Tax Earnings: \$474 million
- Net Earnings: \$187 million <sup>(1)</sup>
- Revenues by Source:



(1) The net gain for the last twelve months ended August 31, 2018 includes a provisional tax charge of \$160.2 million, as a result of the Tax Cuts and Jobs Act, which was enacted on December 22, 2017. Of this amount, \$108.5 million relates to the write down of Jefferies' deferred tax asset, reflecting the impact of a lower federal tax rate of 21% on Jefferies' deferred tax items, and a \$51.7 million expense relates to the deemed repatriation of unremitted foreign earnings.

(2) In the first quarter of 2018, we made changes to the presentation of our "Revenues by Source" to better align the manner in which we describe and present the results of our performance with the manner in which we manage our business activities and serve our clients. For a further discussion of these changes, see Jefferies Group LLC's Form 8-K filed on March 20, 2018. We have presented the twelve months ended August 31, 2018 to reflect results on a comparable basis, as reported in Jefferies Group public filings

# 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 2.0% of inventory as of 8/31/2018.
- 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 LLC).

# 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: \$40.6 billion
  - Leverage: 7.3x <sup>(1)</sup>
  - Tangible gross leverage: 10.4x <sup>(2)</sup>
- Long-term capital of \$11.3 billion.

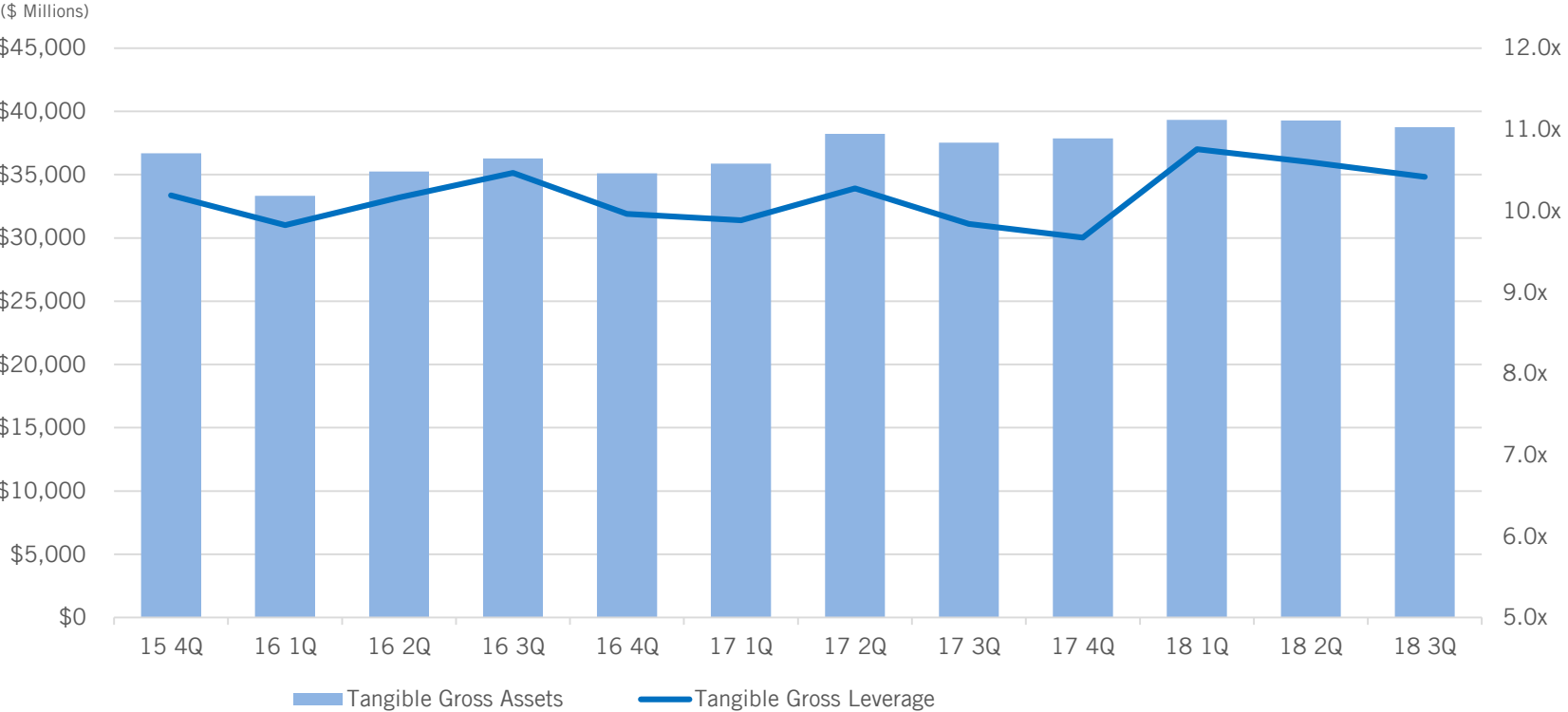
(1) Leverage ratio equals total assets divided by total equity.

(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 Jefferies Group LLC member's equity. Tangible gross assets equals total assets less goodwill and identifiable intangible assets. Tangible Jefferies Group LLC member's equity represents total Jefferies Group LLC 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.

## Historical Quarterly Leverage<sup>(1)</sup>



(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 Jefferies Group LLC member's equity. Tangible gross assets equals total assets less goodwill and identifiable intangible assets. Tangible Jefferies Group LLC member's equity represents total Jefferies Group LLC 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**

- 79% of financial instruments owned are readily and consistently financeable at haircuts of 10% or less.
- Level 3 Trading Assets represent only ~2% of long inventory.

- **Reliable secured funding**

- Approximately 71% of our cash and non-cash 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**

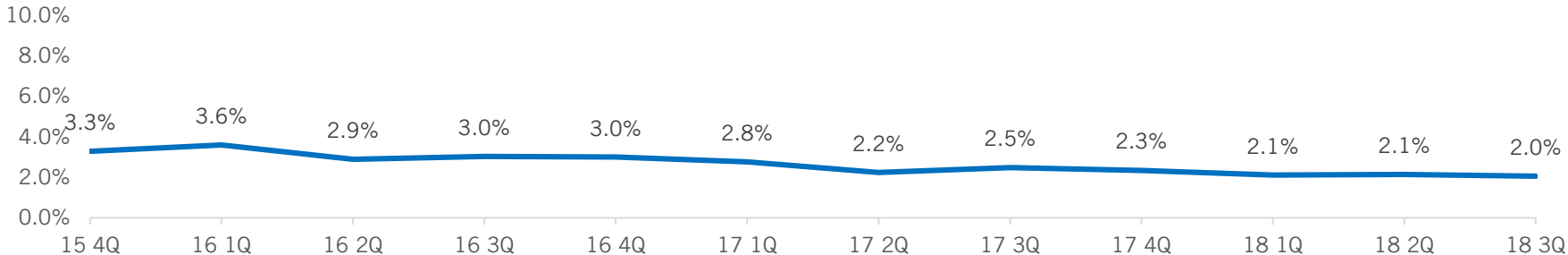
- Fee and flow based businesses represent preponderance of net revenues.

# Level 3 Trading Assets Overview

- 98% of inventory is Levels 1 and 2, with a minimal amount of Level 3 Trading Assets.
- Level 3 Trading Assets represent only 8.4% of tangible Jefferies Group LLC member's equity.

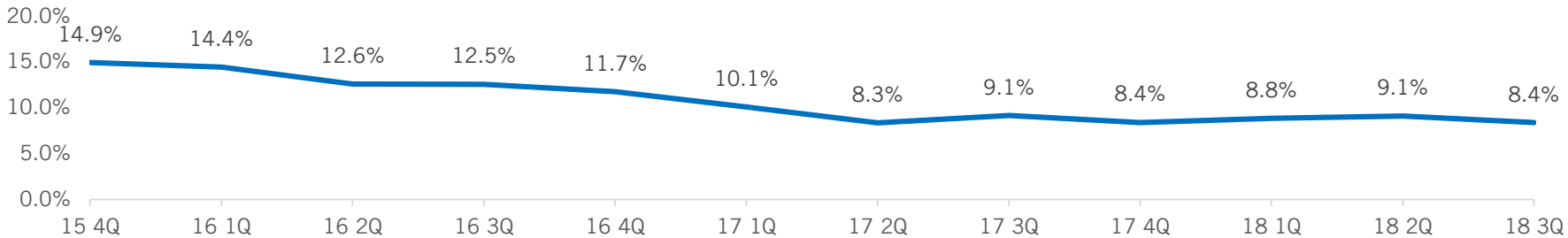
## Level 3 Financial Instruments Owned<sup>(1)</sup> as a Percentage of Financial Instruments Owned

(\$ Millions)



## Level 3 Financial Instruments Owned<sup>(1)</sup> as a Percentage of Tangible Jefferies Group LLC Member's Equity<sup>(2)</sup>

(\$ Millions)



(1) Tangible Jefferies Group LLC member's equity (a non-GAAP financial measure) represents total Jefferies Group LLC 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 <sup>(1)</sup> |   |
|--------------------------|---|
| Risk Categories          | Average Daily VaR for<br>the Three Months<br>Ended August 31,<br>2018 |
| Interest Rates           | 4.75  |
| Equity Prices            | 5.21  |
| Currency Rates           | .13   |
| Commodity Prices         | .64   |
| Diversification Effect   | (3.20)  |
| Firmwide                 | \$7.53  |

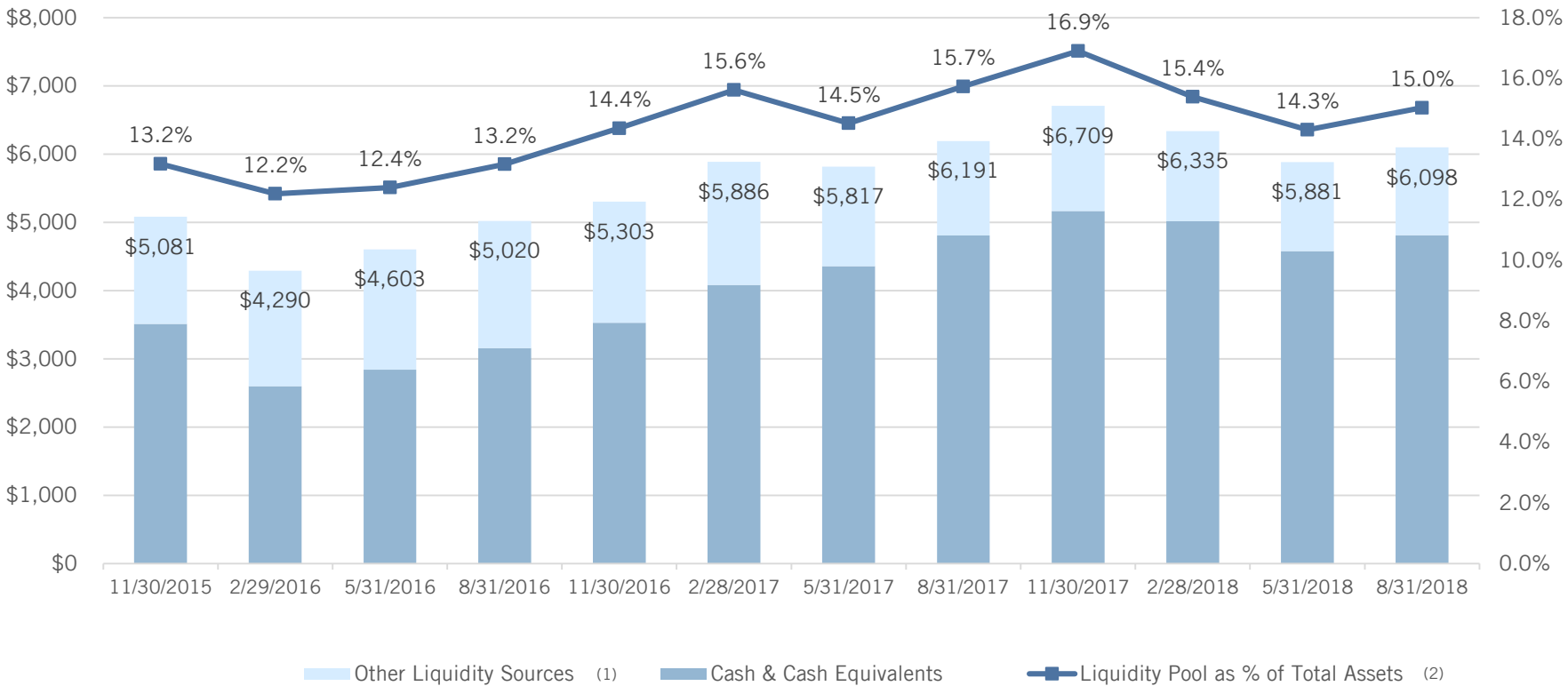
(1) A one-day time horizon, with a one year look-back period, and a 95% confidence level was used.

# Liquidity Pool

■ Jefferies maintains significant excess liquidity on hand.

## Total Liquidity Pool

(\$ Millions)

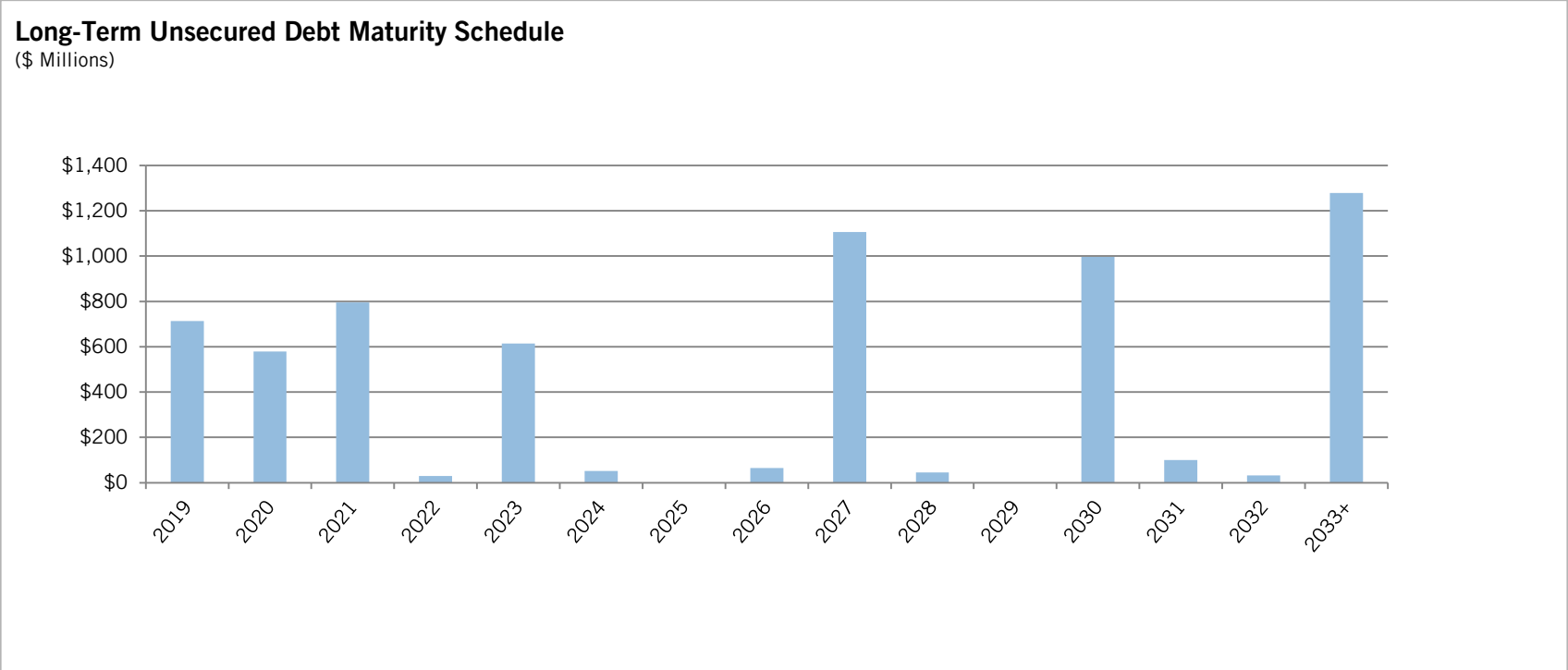


(1) Consists of high quality sovereign government securities and reverse repurchase agreements collateralized by U.S. government securities and other high quality sovereign government securities; deposits with a central bank within the European Economic Area, Canada, Australia, Japan, Switzerland or the USA; and securities issued by a designated multilateral development bank and reverse repurchase agreements with underlying collateral comprised of these securities. In addition, amounts include unencumbered inventory representing an estimate of the amount of additional secured financing that could be reasonably expected to be obtained from our financial instrument owned that are currently not pledged after considering reasonable financing haircuts.

(2) Cash and cash equivalents plus other liquidity sources, divided by total assets.

# Unsecured Long-Term Debt Profile

- As of 8/31/2018, our \$6.4 billion carrying value of unsecured long-term debt had a weighted average maturity of approximately 8.8 years.
- No maturity of unsecured long-term debt in a single year is greater than 20% of outstanding long-term debt.
- 2019 maturity has been pre-funded and will be paid off with existing cash



# Credit Ratings

## Group

| 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 October 5, 2018

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## Appendix

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# Balance Sheet Overview (\$ Millions)

As of August 31, 2018

| Jefferies Group LLC  |                  |   |                  |
|--|------------------|---|------------------|
| Balance Sheet as of 8/31/2018                                |                  |   |                  |
| Assets   |                  | Liabilities and Equity                                  |                  |
| Cash & Cash Equivalents                                      | \$ 4,813         | Short-term Borrowings                                   | \$ 382           |
| Cash & Securities Segregated                                 | 913              | Financial Instruments Sold, Not Yet Purchased           | 8,128            |
| Financial Instruments Owned                                  | 15,196           | Securities Loaned                                       | 2,532            |
| Loans to and Investments in Related Parties                  | 759              | Securities Sold Under Agreements to Repurchase          | 9,864            |
| Securities Borrowed  | 7,370            | Other Secured Financings                                | 1,005            |
| Securities Purchased Under Agreements to Resell              | 3,659            | Payables to Brokers, Dealers and Clearing Organizations | 1,938            |
| Receivables from Brokers, Dealers and Clearing Organizations | 2,524            | Payables to Customers                                   | 3,188            |
| Receivables from Customers                                   | 1,952            | Accrued Expenses and Other Liabilities                  | 1,404            |
| Fees, Interest and Other Receivables                         | 309              | Long-term Debt  | 6,575            |
| Premises and Equipment                                       | 299              | Total Liabilities                                       | \$ 35,015        |
| Goodwill   | 1,643            | Jefferies Group LLC Member's Equity                     | 5,548            |
| Other Assets   | 1,136            | Noncontrolling Interests                                | 9                |
|  |                  | Total Equity  | \$ 5,557         |
| <b>Total Assets</b>  | <b>\$ 40,572</b> | <b>Total Liabilities and Equity</b>                     | <b>\$ 40,572</b> |
| Leverage: <sup>(1)</sup>                                     | 7.3x             |   |                  |
| Tangible Gross Leverage: <sup>(2)</sup>                      | 10.4x            |   |                  |

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 \$40,572 million less goodwill and identifiable intangible assets of \$1,829 million divided by tangible Jefferies Group LLC member's equity of \$3,719 million. Tangible Jefferies Group LLC member's equity represents total Jefferies Group LLC member's equity of \$5,548 million less goodwill and identifiable intangible assets of \$1,829 million. The tangible gross leverage ratio is used by rating agencies in assessing our leverage ratio.



# Tangible Assets and Tangible Jefferies Group LLC Member's Equity GAAP Reconciliation

| (\$ Billions)   | 2014  | 2015  |       |       |       | 2016  |       |       |       | 2017  |       |       |       | 2018  |       |       |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|   | 4Q    | 1Q    | 2Q    | 3Q    | 4Q    | 1Q    | 2Q    | 3Q    | 4Q    | 1Q    | 2Q    | 3Q    | 4Q    | 1Q    | 2Q    | 3Q    |
| Total Assets (GAAP)                                     | 44.5  | 43.8  | 44.1  | 42.8  | 38.6  | 35.2  | 37.1  | 38.1  | 36.9  | 37.7  | 40.1  | 39.4  | 39.7  | 41.2  | 41.1  | 40.6  |
| Less: Goodwill and Intangibles                          | (1.9) | (1.9) | (1.9) | (1.9) | (1.9) | (1.9) | (1.9) | (1.9) | (1.8) | (1.8) | (1.8) | (1.8) | (1.8) | (1.8) | (1.8) | (1.8) |
| Tangible Gross Assets (Non-GAAP)                        | 42.6  | 41.9  | 42.2  | 40.9  | 36.7  | 33.3  | 35.2  | 36.3  | 35.1  | 35.9  | 38.2  | 37.5  | 37.9  | 39.3  | 39.3  | 38.7  |
| Total Jefferies Group LLC Member's Equity (GAAP)        | 5.4   | 5.4   | 5.5   | 5.5   | 5.5   | 5.3   | 5.3   | 5.3   | 5.4   | 5.5   | 5.6   | 5.7   | 5.8   | 5.5   | 5.5   | 5.6   |
| Less: Goodwill and Intangibles                          | (1.9) | (1.9) | (1.9) | (1.9) | (1.9) | (1.9) | (1.9) | (1.9) | (1.8) | (1.8) | (1.8) | (1.8) | (1.8) | (1.8) | (1.8) | (1.8) |
| Tangible Jefferies Group LLC Member's Equity (Non-GAAP) | 3.5   | 3.5   | 3.6   | 3.6   | 3.6   | 3.4   | 3.5   | 3.5   | 3.5   | 3.6   | 3.7   | 3.8   | 3.9   | 3.7   | 3.7   | 3.7   |
| Gross Leverage(GAAP)                                    | 8.1x  | 8.0x  | 8.0x  | 7.8x  | 7.0x  | 6.7x  | 6.9x  | 7.2x  | 6.9x  | 6.9x  | 7.2x  | 7.0x  | 6.9x  | 7.5x  | 7.4x  | 7.3x  |
| Tangible Gross Leverage (Non-GAAP)                      | 12.1x | 11.9x | 11.8x | 11.4x | 10.2x | 9.8x  | 10.2x | 10.5x | 10.0x | 9.9x  | 10.3x | 9.8x  | 9.7x  | 10.8x | 10.6x | 10.4x |

Note: Jefferies tangible gross assets and tangible Jefferies Group LLC 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 Jefferies Group LLC member's equity are common metrics used by many investors in its industry to evaluate performance from period to period.