PILLAR 3 REGULATORY DISCLOSURES REPORT – AS AT 30 NOVEMBER 2015

JEFFERIES INTERNATIONAL (HOLDINGS) LIMITED

CONTENTS

1 OVERVIEW AND BASIS OF PREPARATION

1.1 BUSINESS BACKGROUND

Jefferies (Jefferies Group LLC and its subsidiaries) is a global investment banking firm providing clients with capital markets and financial advisory services, institutional brokerage and securities research, as well as wealth management. The firm provides research and execution services in equity, fixed income, and foreign exchange markets, and a range of investment banking services including underwriting, mergers and acquisitions, restructuring and recapitalisation, and other advisory services, with all businesses operating in the Americas, Europe and Asia. Jefferies Group LLC is a wholly-owned subsidiary of Leucadia National Corporation (NYSE: LUK), a diversified holding company.

Jefferies operates in the United Kingdom ('UK') through its two main broker-dealers, Jefferies International Limited ('JIL') and Jefferies Bache Limited ('JBL') along with their parent-holding company Jefferies International (Holdings) Limited ('JIHL') (together the 'JIHL Group' or 'Group' for regulatory and accounting consolidation purposes). JIHL's immediate parent undertaking and controlling entity is Jefferies Group LLC. During 2015, JBL was wound down and as such the only significant subsidiary of JIHL is JIL; JIL's risk profile materially represents the risk profile of JIHL.

1.2 REGULATORY FRAMEWORK: BASEL ACCORD AND PURPOSE OF THE PILLAR 3 REPORT

The Basel framework, implemented in the European Union ('EU') via the Capital Requirements Directive ('CRD') and the Capital Requirements Regulation ('CRR'), sets out minimum capital requirement standards for firms to ensure they are adequately capitalised against the risks they face and are able to withstand losses during periods of stress conditions. The framework consists of three pillars:

- **Pillar 1** sets out the minimum capital requirements for credit and counterparty, market and operational risks;
- **Pillar 2** covers the review process by firms and supervisors to assess the appropriateness of the Pillar 1 level of capital and concludes on any additional capital to be held for risks not captured or not adequately captured by Pillar 1; and
- **Pillar 3** encourages market discipline and transparency through appropriate disclosures on capital adequacy and risk management processes.

The purpose of this Disclosures Report (the 'Report') is to set out how JIHL and its material subsidiary JIL comply with the Pillar 3 requirements under Basel 3 as set out in articles 431 to 455 of the CRR as well as with other relevant standards including SYSC19.3A (the FCA's Sourcebook for Senior Management Arrangements, Systems and Controls) and technical standards published by the European Banking Authority ('EBA'). This Report focuses primarily on remuneration disclosures as well as disclosures on regulatory measures of risk exposure and capital requirements for the following Principal Risks under Pillar 1: credit (counterparty) risk; market risk; and operational risk.

1.3 SCOPE OF THE PILLAR 3 DISCLOSURES AND BASIS OF CONSOLIDATION

This Report relates solely to the consolidated activities and position of JIHL and its material subsidiary JIL (along with its branch and subsidiary network) as at 30th November 2015. JIL is subject by the FCA to regulatory supervision and minimum capital standards both on a standalone and consolidated basis.

JIL's consolidated financial results and aggregated risk profile is material to the JIHL Group. This scope of consolidation used for regulatory reporting is the same as that used for statutory accounting reporting for JIHL's activities.

1.4 POLICY, FREQUENCY OF PUBLICATION AND VERIFICATION

Policy - As part of its Capital Management Framework, the JIHL Group has a policy in place to assess the appropriateness of its Pillar 3 disclosures, including their verification and frequency of review and publication. The Pillar 3 policy, in line with the CRR requirements, also requires that the external disclosures present the Group's risk profile comprehensively, subject to the information being material and not proprietary or confidential. No information is omitted on that basis.

Frequency - The Group's policy is to publish this Report at least annually using the accounting reference date and, if appropriate, more frequently if there is a significant change in the Group's risk profile.

Verification - The 2015 disclosures were validated and approved internally by senior management in line with the Pillar 3 Disclosures policy. Validation checks and reconciliations are performed within the Controllers function. The internal validation process included data validation by Senior Management in Controllers, Risk, Human Resources, Legal and Regulatory Reporting, and final approval by the JIHL Board of Directors.

1.5 PRESENTATION OF RISK EXPOSURES AND ACCOUNTING PRINCIPLES

Unless otherwise stated, the calculation methodologies underlying the measurement of the risk exposures and risk exposure requirements in this Report are those required in the CRR for use by the JIHL Group in its consolidated regulatory risk reporting submitted to the FCA. In general, the measurement of exposures for regulatory risk reporting purposes is based on standard regulatory calculations. Therefore, these exposure measures may be materially different from those used by Jefferies generally for risk management internally and those used for external risk disclosures, including in the JIHL Group's financial statements and Jefferies' public disclosures.

The basis of consolidation used for JIHL Group for accounting purposes is materially consistent with that used for regulatory purposes. Except for the application of the exposure measurement methodologies described above, these disclosures have been prepared in accordance with applicable UK Generally Accepted Accounting Principles with further adjustments made where required to comply with the requirements of part two (own funds) and part three (own funds requirements) of the CRR.

This document does not constitute a set of financial statements. Financial statements for the JIHL Group are prepared in accordance with applicable UK company law and accounting standards. The JIHL Group sets out its approach to valuation and impairments in the notes to its financial statements.

1.6 OTHER DISCLOSURES

Whilst the JIHL Group is a material sub-group of Jefferies, the information disclosed in this document is not necessarily indicative of Jefferies as a whole, nor is it comprehensively representative of the Jefferies' activities in any particular region, nor does it preclude possible changes in policy, strategy, risk appetite, or approach. Investors, stakeholders, or other users seeking information on capital adequacy, risk exposures and risk management policies should consult the public disclosures of Jefferies.

Jefferies is committed to providing transparency of its capital resources and risk management practices to provide better information to a wide range of users while minimising duplication. As such, complementary disclosures to this document may be found in different reports. Where the Pillar 3 disclosures focus on regulatory capital information and risk management, other disclosures include Jefferies public disclosures and financial statements.

- ***Jefferies Regulatory Disclosures:*** Jefferies is required by the US Securities and Exchange Commission ('SEC') to file public disclosures at a consolidated group level. Some of the information in these disclosures is applicable to the JIHL Group. These disclosures can be found at:

http://investor-relations.jefferies.com/CorporateProfile.aspx?iid=102756

- ***Financial Statements:*** These disclosures should be read in conjunction with the financial statements of Jefferies. These can be found at:

http://www.jefferies.com/cositemgr.pl/html/InvestorRelations

- ***Country by Country Reporting:*** As of 1 January 2014, entities in the JIHL Group comply with country by country reporting ('CBCR') requirements under article 89 of CRDIV. The regulations require Jefferies to publicly disclose annually on a consolidated basis, by country where they have an establishment, certain information on their activities according to geographical location. These can be found at:

http://ir.jefferies.com/Basel-Pillar-Disclosures/Index?KeyGenPage=324537

2 GOVERNANCE & RISK OVERSIGHT

2.1 BOARD OF DIRECTORS

2.1.1 BOARD AND DIRECTORSHIPS

The Boards of Directors in the JIHL Group are responsible for the long term success of the Group by creating sustainable value for the firm's sole shareholder, Jefferies Group LLC, whilst safeguarding Jefferies' name, reputation and credit rating. Figure 1 shows the number of directorships held by members of the JIHL and JIL Boards. The JIL Board ('the Board') sets strategy, in line with delegated authority from the shareholder, and oversees its implementation through the approved Business Plans ensuring that those are pursued within the Board-approved Risk Appetite.

Figure 1: Number of Directorships Held By Members of the JIHL and Boards

		Directorships	
Name	Position	Executive	Non-Executive
David Weaver	President of Jefferies International Ltd.	2	0
Timothy Cronin	Head of EMEA Fixed Income	1	0
Huw Tucker	International Chief Financial Officer	2	0
Timothy Barker	Non-Executive	0	2
Dominic Lester	Head of European Investment Banking	1	0
Alan Gibbins	Non-Executive	0	5
Patrick Campbell	Non-Executive	0	4

Executive directorships within the JIHL Group are counted as one directorship. All Executive Directorships are held within the Jefferies or Leucadia groups of companies. All of the above directorships are compliant with CRDIV requirements.

2.1.2 BOARD RECRUITMENT

Recruitment for, and appointment of, a member of the Board combines an assessment of technical capability and knowledge base as well as competency skills with reference to Jefferies' leadership framework. The Nominations Committee formalises the process for the appointment of new Board members by identifying and recommending for approval, by the Boards, candidates to fill Board vacancies having evaluated the balance of knowledge, skills, diversity (including gender) and experience of the Boards. When recruiting members to the Boards the Committee considers a broad set of qualities and competencies and assesses the time commitment required.

Board recruitment is subject to the approval of the appointing Board. As part of the formal Director appointment process, Jefferies takes a number of additional checks, coordinated through the Human Resources and Legal Departments, which include but are not limited to: criminal record searches; a financial probity search; a UK directorship check; a sanction list check; an electoral register check; FCA/PRA Register search; employment reference checks. Regulatory approval is co-ordinated through the Head of Compliance EMEA. The Nominations Committee has oversight of the induction process for new Directors and the on-going training and development of all Board members.

2.1.3 BOARD DIVERSITY

Jefferies is committed to promoting a diverse workplace, and approaches diversity in the broadest sense recognising that successful businesses embrace diversity at all levels. As part of its duties, the Nominations Committee is also responsible for considering a broad set of qualities, skills and competencies when recruiting members to the Boards and for that purpose consider the diversity of the Boards, including gender. The Nominations Committee will also periodically, and at least annually, assess the structure, size and composition, including diversity of the Board, and make recommendations to the Boards with regard to any changes.

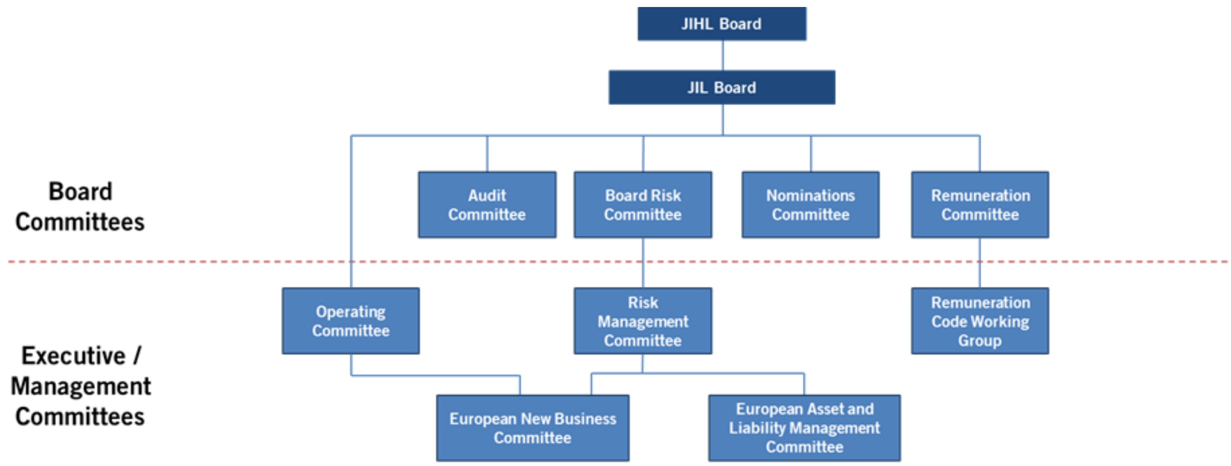
2.2 RISK OVERSIGHT COMMITTEES AND INFORMATION FLOWS

The Boards require that Senior Management including the executive members of the Boards, business heads and heads of control functions, take an active role in the risk management process and require business and support functions to assist in the identification, assessment and control of all risks.

The Boards have set up a hierarchy of Board and Management Committees and Sub-Committees, collectively the 'Risk Oversight Committees', with the objective of ensuring an effective risk governance structure. The Boards approve the Terms of Reference of each of the Board Committees and Management Committees. In addition to delegating, the Boards reserve certain matters to themselves as set out in the Board Charter. This arrangement enables the Boards to:

- Interact effectively with the executive team which is charged with delivering the Group's agreed strategy whilst effectively managing the risks;
- Establish a robust control framework to manage risk effectively across the businesses, whilst allowing effective challenge, oversight and decision making;
- Benefit from the work of dedicated committees focussed on important risk areas;
- Receive management information on compliance with the Risk Appetite; and
- Ensure clear escalation procedures are in place to enable effective decision making and risk management.

Figure 2: Board and Executive Management Committees



Through the Risk Management Framework, the Boards require a comprehensive and integrated view of risk and risk management and the use of a common risk language / taxonomy across the Firm. They also approve the standardised form, frequency and content of the risk information they require to be presented to Board meetings.

2.2.1 BOARD COMMITTEES

- **Board Risk Committee** – The Committee members are all non-executive directors. The Committee reviews and approves respective policies for each of the Principal Risks at least annually. The Committee has met seven times in 2015.
- **Audit Committee** – The Audit Committee members are all non-executive directors. It assesses and provides oversight on regulatory matters, reviews disclosures, significant financial reporting issues and material information in annual reports. It evaluates external and internal auditors, reviews the management letter and response, approves the annual audit plan and reviews the adequacy of internal controls.
- **Nominations Committee –** The Committee is responsible for identifying and recommending for approval, by the Boards, candidates to fill Board vacancies, having evaluated the balance of knowledge, skills, diversity and experience of the Boards.
- **Remuneration Committee** – The Committee is responsible for ensuring the Group's annual Remuneration Policy Statement and remuneration structures comply with the Remuneration Code *(see section 5 for more details).*

2.2.2 EXECUTIVE / MANAGEMENT COMMITTEES & SUB-COMMITTEES

Management Committees & Sub-Committees – These Committees (which include, amongst others, the Risk Management Committee, Operating Committee, New Business Committee and European Asset & Liability Management Committee – 'ALCO') meet more frequently, at least monthly. The Committees oversee specialised areas and escalate significant issues to the Board Committees and the Boards accordingly.

3 RISK MANAGEMENT FRAMEWORK

3.1 BOARD RESPONSIBILITY

The Board is ultimately responsible for the governance and oversight of risk management and ensuring adequate systems and controls are maintained to enable risks to be appropriately identified, measured, managed and monitored. With reliance on the Risk Management Framework ('RMF') and the annual controls assurance testing programme undertaken by internal audit, the Boards consider that the risk management systems and controls in place are adequate for the Group's strategy and risk profile, these being designed to manage rather than eliminate the risks the Group is exposed to and as such offer reasonable but not absolute assurance against material misstatement, fraud and loss.

3.2 APPROACH TO RISK MANAGEMENT

3.2.1 THREE LINES OF DEFENCE MODEL

The Boards have adopted the Three Lines of Defence operational model which ensures segregation of duties and demonstrates the roles, responsibilities and accountabilities for risk, control and decision making. The approach adopted includes:

- **First Line** - Those responsible for initiating and directly identifying and managing the risks. Includes those that commit the Group's liquidity and capital resources.
- **Second Line** - Oversight and independent controls.
- **Third Line** - Provide independent challenge and assurance.

3.2.2 RISK MANAGEMENT DEPARTMENT

The independent Risk Management Department ('Risk Management'), headed by the EMEA Chief Risk Officer ('CRO') forms the second line of defence for market, credit, liquidity and operational risks. Risk Management consists of five teams: Market and Liquidity Risk; Credit Risk; Operational Risk; Model Validation; and Risk Control. The heads of the teams report to the CRO.

The Board approves the mandate of the Department and the job specification for the CRO as part of the RMF. The CRO reports directly to the President and meets with the Board at least quarterly to provide updates on the Group risk profile and compliance with the Risk Appetite Statements.

3.2.3 RMF

The RMF sets out the processes for the review, challenge and approval of the risk management policies and procedures, the risk appetite statements, risk limit structures and risk management processes and reporting.

The RMF requires that there are policies in place for managing each of the Principal Risks identified by the Board with named owners and committees responsible for the day-to-day monitoring of each of those risks on behalf of the Board. The ICAAP[1] and ILAA[2] documents which govern the over-arching risks of capital and liquidity are approved annually by the Board; the other Principal Risk policies are presented to the Board Risk Committee for review and approval at least annually.

3.2.4 LIMIT FRAMEWORK

The JIHL Group applies a comprehensive framework of limits on a number of key metrics to constrain the risk profile of the business activities as part of the Risk Appetite Statements ('RASs'). The size of each limit reflects the risk tolerance for a certain activity under normal business conditions.

Stress testing is performed and reported daily as part of the risk management process. In addition, ad hoc stress tests and scenario analyses are performed and new scenarios added as market conditions dictate. Stress testing is used to assess our aggregate risk position as well as for limit setting and risk/reward analysis.

3.2.5 RISK ASSURANCE

The Board Audit Committee reviews the work and resourcing of Internal Audit which provides independent assurance on the design, adequacy and effectiveness of the system of internal controls.

[1] Internal Capital Adequacy Assessment Process
[2] Individual Liquidity Adequacy Assessment

Reviews from third parties including External Audit, exchanges, regulatory authorities and rating agencies also provide independent feedback on the internal control arrangements. However since they are third parties, the Group cannot rely upon them to be a formal part of their control structure, accountable to the Board.

Internal Audit takes steps to verify compliance with the approved policies as part of their role to verify the implementation and effectiveness of the RMF.

3.3 ADHERENCE TO THE BOARDS' RISK APPETITE STATEMENT

The Risk Appetite Framework ('RAF') sets the overall approach through which risk appetite is established, communicated, and monitored. The RAF is a key component of the RMF, the ICAAP, the ILAA, the proceedings of the Board and Risk Oversight Committees. It provides a common understanding and guidance on the acceptable level of risk in all the Principal Risk categories the Group is facing and provides a link between the Business Plans and risk management.

The Board has identified and approved the Principal Risks which arise from implementing the Board approved Business Plans: **Capital Risk; Market Risk; Credit Risk; Operational Risk; Conduct Risk; and Liquidity Risk.** The overall risk appetite is to accept moderate and controlled risks as part of the Group's main focus of facilitating client-driven business[3] while maintaining:

- Adequate capital resources, to cover both regulatory requirements and to support the business plans in business as usual ('BAU') and stressed conditions; and
- Stable and efficient access to funding and liquidity, to ensure that there is sufficient liquidity to meet the Group's obligations when due.

The Board is updated quarterly on the status against the risk appetite metrics. Figure 3 sets out the Principal Risks and a number of key measures used to monitor the Group's risk profile.

Figure 3: Principal Risks and RAS Metrics

Principal Risk	RAS Metric(s) and Comments	Measure status as at 30 November 2015
Capital Risk The risk that the Group's capital, both at solo and consolidated level, is inadequate to satisfy regulatory requirements, support business goals or general solvency.	The Group maintains targets for the following ratios: ▪ Solvency Ratio (including buffer requirements); ▪ Common Equity Tier 1 ('CET1') Ratio; and ▪ Total Capital Ratio. The Group targets minimum buffers well above the regulatory capital guidance thresholds and has consistently maintained throughout the year significant surpluses to those thresholds. The Business Plans are approved on the basis of capital plans over a long time horizon of three years. The ICAAP also shows surplus capital over a three year period even after a stress event.	JIHL (at consolidated level): ▪ CET1 Ratio: 16.5% ▪ Total Capital Ratio: 33.6%
Market Risk Market risk is defined as the risk of loss due to changes in market prices and /or other parameters	JIL has set up a number of Level 1 and Level 2 market risk limits. The Level 1 limits set at firm level include metrics around the worst case loss of a series of stress tests; and a 1-day 95% Value At Risk limit. Level 2 limits are set up at desk level and include additional limits based on market value and sensitivity based metrics.	JIL utilisation of limits: ▪ Stress: 46% ▪ VaR: 30%
Credit Risk The risk of loss due to adverse change in	The Group's risk appetite requires that no credit limit to a single counterparty (with the exception of central counterparties) can be higher than the lowest excess capital (as defined by the Board) in the past 12 months without Board	All credit risk exposures were within the credit risk limits as

[3] In order to facilitate client transactions, the Group may act as principal to provide liquidity which requires the commitment of its capital and maintenance of dealer inventory.

the JIHL Group's clients and counterparties' creditworthiness or their inability or unwillingness to meet their financial obligations under the term and conditions of a financial contract as and when they fall due.	approval. The credit limit approval process is managed under the Credit Risk Policy (set out in section 4.2) and includes consideration of exposures to single counterparties, groups of connected counterparties, counterparty in one country and in one industry / trading the same products.	at 30 November 2015.
Operational Risk The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events (including legal risk).	The risk profile of operational risks is determined using a Heat Map (based on assessments for operational risks against potential financial impact and likelihood of occurrence). The risk appetite for operational risk is expressed as to the maximum combination of financial impact and likelihood of occurrence, above which an operational risk is deemed unacceptable by the Boards of Directors and corrective action should be taken to reduce the likelihood of occurrence. Operational risks are also assessed using forward-looking scenario analysis and other ad-hoc risk assessments (as described in section 4.4).	As at 30 November 2015, there was one operational risk against which the Board has asked remediation measures to be taken, which the Board will review, to reduce its likelihood of occurrence.
Conduct Risk The risk that detriment is caused to customers, clients, counterparties, markets or JIHL itself because of the inappropriate execution of our business activities.	As per operational risk above, this is assessed using a Heat Map, as well as forward-looking scenarios analysis and ad-hoc assessments.	No conduct risk is assessed to be outside the risk appetite as at 30 November 2015.
Liquidity Risk The risk of loss due to the Firms being unable to meet its cash or funding obligations as they fall due in a timely manner or would have to meet these obligations at excessive costs.	The risk appetite for liquidity risk is determined using the following: ▪ Prudent Funding Profile – setting thresholds for the profile of the funding structure to ensure this is appropriately diversified with respect to tenors and maturity; and ▪ Liquidity resource (Liquid Asset Buffer ('LAB') plus cash) – setting minimum thresholds for liquidity resources to ensure this is of a sufficient size and quality to cover the higher of the Internal Liquidity Requirement ('ILR'), and the Individual Liquidity Guidance ('ILG') set by the FCA. The Group has maintained at all times throughout the year liquid resources well above the regulatory and internal minimum requirements (assessed through liquidity stress testing over a 93 day survival period).	LAB resources were 214% of the higher of the ILR and ILG requirements as at 30 November 2015.

4 PRINCIPAL RISK MANAGEMENT

4.1 CAPITAL RISK MANAGEMENT

4.1.1 CAPITAL MANAGEMENT FRAMEWORK OVERVIEW

The Capital Management Framework ('CMF') formalises the overall approach to capital management within the JIHL Group as directed by the Board. The CMF provides that the risk appetite statement for capital risk is supported by a comprehensive set of monitoring metrics, management information, appropriate oversight and that adequate capital is held against all material capital risks.

4.1.2 GOVERNANCE

Senior management review capital levels on an on-going basis to support business needs as well as respond appropriately to market conditions. Capital adequacy, including resources and requirements, is monitored and managed daily by the Regulatory Controllers Department which also needs to sign-off on all New Business Approvals. Within the JIHL Group, capital management and planning are overseen by various committees reporting up to the Board, including the Operating Committee, and the European ALCO and, on a quarterly basis to the Board. Management Information ('MI') on capital ratios, solvency ratios, capital utilisation, key risk indicators and trends are reported to these Committees and are readily available at all times to support the strategic and business decision making as required.

4.1.3 CAPITAL MANAGEMENT AND OWN FUNDS

The capital management policy is to maintain a strong capital base that is comfortably above the minimum regulatory capital requirements to support all material risks inherent in the Group's businesses and market environment; capital forecasts are evaluated both short-term (less than three months) as well as medium-term (minimum of three years) with the following objectives:

- To support the Board-approved strategic objectives and business plans; and
- To remain adequately capitalized and be able to withstand losses during periods of stressed conditions without material franchise or business impact.

The size and composition of JIHL's capital base are determined by a number of factors including the minimum regulatory capital requirements (Pillar 1) as well as the capital planning methodologies and processes, which include the ICAAP (Pillar 2). They may also be impacted by other factors such as rating agency guidelines for Jefferies, the business initiatives and opportunities; cost and availability of both long term and short term funding; stress testing analysis (which assesses the potential future losses due to adverse changes in JIHL's business and market environment); as well as regulatory changes such as recent implementation of Basel 3.

Figure 4 shows the composition and size of the Group's own funds as at 30 November 2015 based on the audited financial statements. Appendix 1 summarises the key features of the Tier 1 and Tier 2 capital instruments. Appendix 2 details information on own funds and key capital ratios.

Figure 4: Own Funds - Reconciliation between Financial Statements and Regulatory Own Funds

Own Funds position as at 30 November 2015 (GBP in millions)	JIHL	JIL	JBL	Notes
Common Equity Tier 1 Capital				1
Shareholders Equity	423.27	425.45	88.45	
Retained earnings	3.80	40.60	(12.98)	
Regulatory Deductions				
Additional value adjustments	(4.58)	(4.56)	(0.01)	
Common Equity Tier 1 Capital	422.50	461.49	57.98	
Total Common Equity Tier 1 capital	**422.50**	**461.49**	**57.98**	
Subordinated Notes	438.64	298.76	16.60	
Regulatory Deductions				
Total Tier 2 Capital	**438.64**	**298.76**	**16.60**	
Total Own Funds	**861.14**	**760.24**	**74.58**	
Risk Weighted Assets				
Standardised Approach				
Market Risk Exposures	1,550	1,519	0	
Credit Risk Exposures	191	169	7	
Counterparty Risk Exposures	161	161	0	
Concentration Risk Exposures	0	0	0	
Operational Risk Exposures - Basic Indicator Approach	635	552	104	
Credit Valuation Adjustment risk exposure	24	24	0	
Total Risk Weighted Assets	**2,560**	**2,425**	**111**	
Common Equity Tier 1 Ratio	**16.5%**	**19.0%**	**52.2%**	
Total Capital Ratio	**33.6%**	**31.3%**	**67.1%**	

Note

1. The group has no Additional Tier 1 instruments; as such, the Tier 1 requirements are met solely with CET1 instruments.

Application of the Pillar 1 Framework

The Group makes use of the following approaches for the calculation of the minimum regulatory capital requirements under Pillar 1 for each risk factor:

- **Credit (and Counterparty Risk) -** The Mark to Market method and the Financial Collateral Comprehensive Method are used for the calculation of risk exposures and for securities financing transactions respectively. The Financial Collateral Comprehensive Method is used for the valuation of any credit risk mitigants.
- **Market Risk -** The Standardised Approach is used except for a limited scope of products within the JIL equity options book. As at 30 November 2015, the size of these books was not material.
- **Credit Valuation Adjustment ('CVA')** – The capital requirement is calculated using the Standardised Approach.
- **Operational Risk -** Basic Indicator Approach.

The Group makes no use of advanced internal models for the calculation of its capital requirements. Figure 5 summarises the capital requirements for the JIHL Group (consolidated) and JIL per risk type as at 30 November 2015.

Figure 5: Summary of Capital Requirements

Regulatory Capital Requirements As at 30th November 2015 (GBP in millions)	JIHL Group *GBPm*	JIL *GBPm*
Market Risk Requirement	124	122
Credit Risk Requirement	15	14
Counterparty Risk Requirement	13	13
Concentration Risk Requirement	0	0
Operational Risk Requirement	51	44
Credit Valuation Adjustment Requirement	2	2
Total Regulatory Capital Requirements	**205**	**194**

Notes:

The calculation methodologies underlying the measurement of the risk exposures and risk exposure requirements above are those prescribed by the CRR for use by the JIHL Group in its consolidated regulatory risk reporting submitted to the FCA. These exposure measures may be materially different from those used by the JIHL Group and the Jefferies Group generally for risk management internally and those used for other risk disclosures, including in Financial Statements and the Jefferies SEC disclosures.

Leverage ratio

The leverage ratio is a measure of Tier 1 capital as a percentage of exposures as defined under CRR rules. JIHL Group's leverage ratio as at 30th November 2015 was 7.11%.

Capital Buffers

As part of the Group's capital planning and risk assessment, the additional requirements for capital buffers (including the conservation buffer and the countercyclical buffer) are considered according to the CRR requirements. Requirements for both the conservation buffer and countercyclical buffer ('CCYB') are phased-in from 1 January 2016 to 1 January 2019. On 1 December 2015, the Financial Policy Committee ('FCP') maintained a UK CCYB rate of 0%.

The FPC recognises CCYB rates for Hong Kong, Norway and Sweden of 0%, 1% and 1% respectively. At 30 November 2015 relevant credit exposures in Norway and Sweden were £5m and £1m respectively. As such, this would have resulted in an immaterial countercyclical buffer requirement.

Application of the Pillar 2 Framework

As part of the capital planning process, Jefferies ensures that the JIHL Group at consolidated level and its subsidiaries on a standalone basis have capital resources in excess of the minimum regulatory capital requirements which are required under stressed conditions. These stress tests inform decisions on the size and quality of capital buffers required to ensure capital adequacy under severe but plausible stressed scenarios. These results are incorporated into the capital planning process.

The minimum regulatory capital requirements for the JIHL Group entities have been agreed with the FCA through the FCA's Supervisory Review and Evaluation Process ('SREP') which sets the Individual Capital Guidance ('ICG'). The level of Pillar 2 capital held by each of the entities reflects the risks inherent in their business models and products traded as well as the governance, control and risk management infrastructure. JIL's assessment of its Pillar 2 requirements at the solo level and JIHL at the consolidated level are then reviewed by the FCA and the final ICG levels agreed. The minimum regulatory capital requirement is the sum of the respective Pillar 1 and 2 requirements for each entity. JIHL Group's on-going compliance with the internal capital management targets and minimum regulatory capital requirements are monitored daily by senior management and reviewed against current and possible future market conditions, current portfolio composition and expected future business developments.

The JIHL Group ICAAP assesses:

- Current and future capital adequacy under BAU and stressed operating environments over the capital planning horizon and in line with the stress testing framework; and
- Internal capital adequacy thresholds relating directly to the Board-approved risk appetite and in line with the capital management framework.

Following the application of the Pillar 2 framework, the Group identifies the capital buffers and ratios that it seeks to apply at the entity level. These buffers set out:

- The minimum Solvency Ratio, CET1 Ratio and Total Capital Ratio required for each firm and the Group as a whole. The regulatory Leverage Ratio is also considered; and
- Any capital buffers required to be held including any amounts to be held under BAU conditions above these minimums to reduce the risk that these limits will ever be breached.

Other Risks Considered as part of the ICAAP

As part of the ICAAP, the Group considers and assesses other risks relevant to its operating activities that may not be covered, or adequately covered by Pillar 1. These include:

- **Large Exposures (Concentration Risk)** - This considers the risk that any credit exposures are concentrated with respect to sector, geography and type of counterparty.
- **Regulatory Risk -** This considers the risks of financial loss arising from either a breach of the regulatory requirements and/or adverse impact of the rules (or changing rules) in conducting business.
- **Group Risk (including Reputational Risk) -** This assesses the risk that the financial position of the Group may be adversely affected by its relationships with other entities in Jefferies or by risks which may (or be perceived to) affect the financial position of the Jefferies group of firms, for example through reputational contagion.
- **Business Risk –** This considers any risk to the Group arising from changes in its business, including: the acute risk to earnings posed by falling or volatile income; the broader risk of the Group's business model or strategy proving inappropriate due to macro-economic, geopolitical, industry, regulatory or other factors; and the risk that the Group may not be able to carry out its business plan and desired strategy.
- **Interest Rate Risk in the Non-Trading Book** - This considers the interest rate risk arising from non-trading book activities. The Group manages its exposures within the trading book; as such this risk for the Group only refers to the interest rate risk applicable from its variable rate borrowing facilities used to support the trading activities.

4.1.4 Transferability of Capital

The Firm does not believe that legal or regulatory restrictions constitute a material impediment to the transfer of capital between JIHL and its parent company, Jefferies Group LLC, or to the transfer of capital within the JIHL Group. Any redemption terms in the Group's capital instruments are set out in Appendix 1.

4.2 CREDIT AND COUNTERPARTY RISK MANAGEMENT

4.2.1 Credit Risk Management

JIL is exposed to credit risk as to other broker-dealers and customers and as a member of exchanges and clearing organisations.

Credit risk is managed according to the framework of the Jefferies Credit Risk Management Policy and Procedures (the 'Credit Risk Policy') which is responsible for identifying counterparty credit risk throughout the trading businesses, establishing counterparty limits and managing and monitoring those credit limits. The policy is approved annually by the Board Risk Committee and includes:

- Defining credit limit guidelines and credit limit approval processes;
- Considering exposures to a single counterparty, or groups of connected counterparties, counterparties in the same country or region, and/or in the same industry (sector);
- Approving counterparties and counterparty limits (which take into account applicable enforceable netting agreements, collateral or other acceptable forms of credit risk mitigation negotiated by the Legal Department) within parameters set by the Credit Policy;
- Negotiating, approving and monitoring credit terms in legal and master documentation;
- Determining the analytical standards and risk parameters for on-going management and monitoring credit risk books;
- Actively managing daily exposure, exceptions, and breaches; and
- Monitoring daily margin call activity and counterparty performance (in concert with the JIL and JBL Collateral Management Departments).

The JIHL Group utilises a number of legal and market available credit risk mitigants to mitigate counterparty risk.

4.2.2 Assigning Credit Limits for Counterparty Credit Exposures

Credit Limit Assessment and Approval

Client Credit Exposure Limits are granted within a framework of Credit Ratings. Ratings provided by the external credit rating agencies ('ECAIs'). Standard & Poor's ('S&P'), Moody's and Fitch are used for all types of exposures, where these are available. Where a counterparty is rated by at least one of the three ECAIs, that rating is typically considered, otherwise an internal risk rating model is used, together with detailed credit analysis, to assess a credit rating for each client. Internal rating models are not used for the calculation of the regulatory capital requirements.

Credit Risk Management assesses counterparty credit risk and sets credit limits in the aggregate (at the counterparty group level) and for each individual counterparty and by netting set.

The counterparties' credit rating, together with considerations on size and leverage will signify a maximum credit limit ceiling for that client within the Global Credit Policy. A Credit Approval Grid within the Credit Policy dictates the size of credit limit which may be approved by Credit Manager, Senior Credit officer and Chief Credit Officer.

Documentation

The JIHL Group employs standard market documentation enhanced where relevant with the Group's own Terms of Business.

Limit Framework Methodology

Credit Risk Management assesses counterparty credit risk and sets credit limits at the counterparty group level; for each individual counterparty; and by specific product type. Counterparties are grouped in a hierarchy by common ultimate parent ('Corporate Hierarchy Group'). Limits must be approved per appropriate credit authorities and set as live in credit and trading systems before trading commences.

Limits are measured in terms of potential exposure. Credit limit and exposure methodology includes:

- **Credit Limit Types ('CLT') -** individual equity, fixed income and commodity product-specific limits defined and governed by master legal documentation; collateral terms; netting rules; trading and settlement characteristics; and
- **Credit Limit Measures -** based on various exposure metrics including notional, margin financing, settlement, mark-to-market or fair value amounts, and potential or expected exposures; tenor; haircuts; and collateralization.

The Group uses the large exposures regime and the limits within it to constrain regulatory capital to counterparty credit exposures.

4.2.3 Credit Risk Exposure Measurement and Reporting in JIHL

The Group uses an in-house designed Credit Risk Management System. The system holds the detailed reports written by the credit analysts on counterparties and gives detailed information on exposures grouped by industry type, country and by the type of underlying product traded.

All credit exposures are reviewed against approved limits on a daily basis. Credit exposures to companies with common ownership are grouped together to ensure aggregate limits do not exceed Credit Policy limits.

4.2.4 Wrong-Way Risk

Wrong Way Risk ('WWR') is the risk that the probability of default of a credit exposure is positively correlated with the credit quality of the counterparty to which the exposure relates. Specific WWR exists when legal or structural dependence adversely links exposure at default with the counterparty's credit quality. General WWR is present when counterparty creditworthiness and exposure are both correlated with market risk factors. In some instances both specific and general WWR can exist.

Incidences of Wrong Way Risk

Jefferies recognises that General WWR is inherent in certain businesses. Where Jefferies has a requirement to finance or borrow securities, it is recognised that often it is most practical to obtain that funding from counterparties registered in the same country as the securities collateral. General Wrong Way Risk occurs where Jefferies is a borrower of securities.

The incidence of General WWR is considered in New Business Approval proposals and requires approval by the New Business Committee.

Little appetite exists for Specific WWR. Instances of specific WWR occasionally occur, for example where Jefferies borrows a counterparty's own securities as part of a diversified portfolio. Where initiated, Specific WWR trades must conform to the following:

- Counterparties of the highest creditworthiness available;
- Portfolio must remain within counterparty's potential exposure ('PE') limit after reduction to zero of the collateral item causing specific WWR; and
- Minimal tenors.

Specific WWR trades require approval of trade documentation by the Chief Credit Officer and CRO. Exposure is recorded as the full notional and frequent monitoring and reporting takes place to senior management throughout the life of the trade.

4.2.5 Collateral Management and Valuation

The Group makes use of eligible credit risk mitigants including netting and collateral to reduce its credit risk exposures, subject to the relevant legal agreements meeting the requirements of the CRR.

Collateral Management

The key objectives of collateral management are to:

- Define the underlying products that require margin maintenance within JIL and JBL;
- Define the operational margin process; and
- Ensure the appropriate management of credit and operational risk for the margin process.

The appropriate level of collateralisation is set for each client by Credit Risk in the legal negotiation process. These refer to valuations of transactions, in accordance with the contractual legal agreement and may include levels for any unsecured threshold, Minimum Transfer Amounts ('MTA') and acceptable collateral. Typically, this entails a preliminary review as well as periodic reviews of the credit risk for the counterparties.

The underlying business lines are governed by legal agreements. The Legal Department conducts negotiations, drafting and review of agreements. They enforce the collateral and margin agreements, including initiation of collections and lawsuits where appropriate. Risk Management are part of the negotiation process and will provide approval for any non-standard terms.

Collateral Eligibility and Valuation

Liquid, easy to settle and high quality collateral are the properties the Group seeks in collateral. All the securities offered as collateral must be approved by the Credit Risk Management team which assesses the counterparty's financial strength and the credit risks associated with the type of business and products. The team will then recommend credit limits and eligible collateral types on a client by client basis. This will be negotiated and approved in the legal documentation process prior to execution of any business.

The types of collateral considered include cash, fixed income securities (predominantly government bonds), bank guarantees (Letters of Credit), equity stocks (large cap and highly liquid shares listed on major exchanges) and convertible bonds. As at 30 November 2015, the non-cash collateral held by the Group was not material. The collateral agreement or the trade documents set out who is responsible for the valuation of the collateral. No credit derivatives were used as credit risk mitigants as at 30 November 2015. Given that the collateral held was predominantly cash and letters of credit, there were no credit or market risk concentrations related to collateral as a credit risk mitigant as at 30 November 2015.

Depending on the type of trade, the valuation may be done on a Mark-to-Market or Mark-to-Model basis. Valuation can be carried out intraday or real time for liquid products, or less frequently for any less liquid products as deemed necessary by senior management.

4.2.6 Collateral on Downgrade of Jefferies Credit Rating

The impact of a one-notch downgrade in Jefferies rating on the collateral demanded by central counterparties is assessed as part of the Group's liquidity stress test assumptions and contributes to the liquid asset buffer calculation.

Collateral is considered for: derivative agreements ('ISDA / CSA'), securities financing agreements (GMRA / GMSLA); and exchange and central counterparty ('CCP') agreements. The Group seeks to manage its obligations by minimising the number of the derivative agreements and securities financing agreements that have terms permitting this. As such, as at 30 November 2015, a one notch downgrade of Jefferies rating would have no material impact on the amount of collateral to be posted by JIHL to these counterparties. The impact on one notch downgrade in Jefferies rating on the collateral demanded by CCPs would be £31m.

4.2.7 CREDIT RISK QUANTITATIVE DISCLOSURES

Figure 6 provides a summary of the consolidated capital requirements for credit and counterparty risk as at 30 November 2015. Exposures for derivatives and long settlement transactions are calculated using the Mark-to-Market method (article 274 of CRR). Figures 6 to 14 provide an overview of the credit risk exposures as at 30 November 2015.

The firm does not have an exposures in equities not included in the trading book other than JIL's equity investment in its subsidiary Jefferies Schweiss AG ('JSA') which is risk weighted at 250% and not deducted from capital resources due to being under applicable thresholds. The activities of JSA were transferred to a JIL Switzerland branch in 2015 and JSA is in the process of being closed and deregistered.

Figure 6: Credit Risk Capital Requirements by Exposure Class

Consolidated Credit Risk Capital Requirement *Analysed by Applicable Standardised Approach Exposure Classes* **As at 30 November 2015**				
(GBP in millions)	**Credit Risk Capital Component**	**Counterparty Risk Capital Component**	**Concentration Risk Capital Component**	**Credit Risk Capital Requirement**
Sovereign	0	0	0	0
Institutional	15	9	0	24
Corporate	0	4	0	4
Public Sector Entity	0	0	0	0
Other	0	0	0	0
Total Consolidated Credit Risk Capital Requirements	**15**	**13**	**0**	**28**

Notes:

The calculation methodologies underlying the measurement of the risk exposures and risk exposure requirements above are those prescribed by the CRR for use by the JIHL Group in its consolidated regulatory risk reporting submitted to the FCA. These exposure measures may be materially different from those used by the JIHL Group and the Jefferies Group generally for risk management internally and those used for external risk disclosures, including in Financial Statements and the Jefferies SEC disclosures.

Figure 7: Breakdown of Derivatives Counterparty Credit Risk Exposure

Consolidated Derivative Counterparty Credit Risk Exposure Analysis of Net Exposure **As at 30 November 2015** **(GBP in millions)**	
Gross positive fair value of the contract - pre netting	761
Potential Future Exposure values	169
Gross exposure values	930
Netting benefits	436
Netted current credit exposure	495
Collateral held	81
Consolidated Net Derivative Credit Exposure	**413**

Figure 8: Derivatives Counterparty Credit Risk Exposure by Contract Type

Consolidated Derivative Counterparty Credit Exposure By Contract Type Standardised Approach (i.e. positive fair value of the contract plus Potential Future Exposure values) Pre-Mitigation **As at 30 November 2015** **(GBP in millions)**	
Interest rate Contracts	383
Foreign Exchange Contracts	10
Equity Contracts	97
Commodities Contracts	0
Credit Derivatives Contracts	4
Consolidated Total	**495**

Figure 9: Average Credit Risk Exposure

Consolidated Average Credit Risk Exposure **As at 30 November 2015** **(GBP in millions)**	**Total exposure pre-mitigation**	**Total exposure Post-mitigation**	**YTD average total exposure pre-mitigation**	**YTD average total exposure post-mitigation**
Exposure class				
Sovereign	115	3	174	12
Institutional	2,306	669	8,570	1,155
Corporate	4,398	367	4,436	957
Public Sector Entity	0	0	31	6
Other	11	2	42	15
Consolidated Total	**6,830**	**1,041**	**13,253**	**2,144**

Figure 10: Credit Risk Exposure by Geographic Region

Total Consolidated Credit Risk Exposure - Geographical Analysis	**Pre-Mitigation**				**Post-Mitigation**			
As at 30 November 2015 **(GBP in millions)**	**EMEA**	**AMERICAS**	**ASIA PACIFIC**	**TOTAL**	**EMEA**	**AMERICAS**	**ASIA PACIFIC**	**TOTAL**
Exposure class								
Sovereign	115	0	0	115	3	0	0	3
Institutional	1,635	666	4	2,306	580	86	2	669
Corporate	4,365	19	15	4,398	339	19	9	367
Public Sector Entity	0	0	0	0	0	0	0	0
Other	1	9	0	11	1	1	0	2
Consolidated Total	**6,117**	**694**	**20**	**6,830**	**924**	**106**	**11**	**1,041**

Figure 11: Credit Risk Exposures by Maturity Bucket

Total Consolidated Credit Risk Exposure-Maturity Analysis	Pre-Mitigation							Post-Mitigation						
As at 30 November 2015 (GBP in millions)	On Call	</= 1m	>1m </=3m	>3m </=6m	>6m </=12m	>12m	Total	On Call	</= 1m	>1m </=3m	>3m </=6m	>6m </=12m	>12m	Total
Exposure class														
Sovereign	0	0	36	79	0	0	115	0	0	0	3	0	0	3
Institutional	0	1,662	261	120	4	259	2,306	0	486	60	50	0	72	669
Corporate	0	3,654	7	120	325	293	4,398	0	49	7	12	6	293	367
Public Sector Entity	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	1	5	3	1	0	11	0	1	1	0	0	0	2
Consolidated Total	**0**	**5,317**	**309**	**322**	**330**	**553**	**6,830**	**0**	**536**	**67**	**66**	**7**	**366**	**1,041**

Figure 12: Credit Risk Exposures (Pre-Mitigation) by Mitigation Type

Total Consolidated Credit Risk (Pre-Mitigation) Exposure – Mitigation Analysis As at 30 November 2015			
(GBP in millions)	**Covered by eligible financial collateral**	**Covered by other eligible collateral**	**Covered by credit derivatives**
Exposure class			
Sovereign	115	0	0
Institutional	1,799	0	0
Corporate	4,052	0	0
Public Sector Entity	0	0	0
Other	9	0	0
Consolidated Total	**5,975**	**0**	**0**

Figure 13: Notional Value of Credit Derivative Contracts

Consolidated Notional Value of Credit Derivative Contracts		
As at 30 November 2015	**Firm portfolio management**	**Client intermediation**
(GBP in millions)		
Single name underlying	0	0
Index underlying	46	0
Protection bought	**46**	**0**
Single name underlying	0	0
Index underlying	37	0
Protection Sold	**37**	**0**

Figure 14 shows a reconciliation between the exposures using the ratings of External Credit Assessment Institutions ('ECAIs') and the CRR's credit quality steps as at 30 November 2015.

Figure 14: Credit Risk Exposures (Pre and Post Mitigation) by Credit Quality Step

Total Pre-/Post-Mitigation Consolidated Credit Risk Exposures - CRR Credit Quality Step Analysis As at 30 November 2015					
CRR Standardised Approach credit quality step	**S&P equivalent ratings**	**Moody's equivalent ratings**	**Fitch equivalent ratings**	**Total exposure pre mitigation** *GBPm*	**Total exposure post mitigation** *GBPm*
1	AAA to AA-	Aaa to Aa3	AAA to AA-	289	193
2	A+ to A-	A1 to A3	A+ to A-	888	217
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	886	88
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	1	0
5	B+ to B-	B1 to B3	B+ to B-	0	0
6	CCC+ and below	Caa1 and below	CCC+ and below	0	0
No external rating				4,766	542
of which centrally cleared				4,323	309
Total				**6,830**	**1,041**

4.2.8 Past Due and Impaired Exposures

For investment banking fees and certain commissions, payment terms are agreed as part of the client engagement. Senior Management makes a provision for receivable items falling behind their agreed contractual due date ('past due exposures'). As at 30 November 2015 the Group recognise specific provisions related to past due exposures as shown in figure 15. The Group does not make general provisions according to its accounting principles.

In terms of impaired exposures, the Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. Where this evidence exists the assets are re-measured to reflect the present value of expected future cash flows. The difference between the carrying amount and the present value of expected future cash flows is recognised in the profit and loss account for the period. As at 30 November 2015, there were no impairments for the Group.

Figure 15: Provisions related to past due exposures

Counterparty Type	Past Due Exposures (£m)	Bad Debt Provision Charged to P&L During the Period (£m)
Institution	1.26	0.88
Corporate	48.26	0.85
Total	**49.52**	**1.73**

4.3 MARKET RISK MANAGEMENT

4.3.1 MARKET RISK MANAGEMENT

Market risk may arise from a variety of activities including market-making, trading, underwriting, and investing. The Group's trading strategies to manage exposure to market risk include diversifying exposures, controlling position size, and establishing economic hedges in related securities or derivatives, although gains and losses can occur for positions that are hedged.

The management and reporting of the Group's consolidated regulatory exposures and capital requirements against applicable internal thresholds, regulatory limits or available regulatory resources is carried out independently by the Regulatory Controllers Department.

The Market Risk Management team ('Market Risk Management') is a function independent of the revenue-generating units that monitors all trading activities; it reports to the CRO and to global Market Risk Management Heads.

Market Risk Management designs and develops risk management approaches which are subject to ongoing review. Risk exposures are monitored daily against pre-defined limits. In addition, risk reports are generated and monitored every day. Market Risk Management also assists Product Control in the Independent Price Verification ('IPV') process for valuations where external prices are not readily available.

Market Risk Management uses a wide range of techniques to manage the market risks inherent in our businesses/portfolios, including Value-at-Risk for internal reporting purposes (and not for the calculation of regulatory capital requirements). Market Risk Management recognises the limitations in using VaR as an isolated measurement of market risk. Hence, Market Risk Management uses additional methodologies to complement the VaR calculations to assess, monitor and manage market risk. Other key metrics included in the framework include inventory position and exposure limits on a gross and net basis; scenario analysis and stress tests; Risks-Not-in-VaR reports; sensitivities (including Greeks); exposure concentrations including collateral; aged inventory; amount of Level 3 assets; counterparty exposure; leverage; cash capital; and performance analysis metrics.

Scenario Analysis and Stress Tests

Stress testing is used to analyse the potential impact of specific events or moderate or extreme market moves on the current portfolio both firm wide and within business segments. Stress scenarios comprise both historical and hypothetical market environment, and generally involve simultaneous changes of many risk factors. Indicative market changes in the Group's scenarios include, but are not limited to, a large widening of credit spreads; a substantial decline in equities markets; significant moves in selected emerging markets; large moves in interest rates; changes in the shape of the yield curve and large moves in European markets. In addition, Market Risk Management also performs ad hoc stress tests and develops new scenarios as market conditions dictate. Stress testing is performed and reported at least daily as part of the risk management process.

4.3.2 MARKET RISK QUANTITATIVE DISCLOSURES

Figure 16 shows the components of the consolidated market risk regulatory capital requirements for the JIHL Group as at 30 November 2015.

Figure 16: Market Risk Capital Requirements

Market Risk Capital Requirements As at 30 November 2015 (GBP in millions)	JIHL	JIL
Interest Rate Position Risk Requirement	95	95
Equity Position Risk Requirement	13	13
CIU Position Risk Requirement	6	6
Commodity Position Risk Requirement	0	0
Foreign Exchange Position Risk Requirement	10	8
Total Consolidated Market Risk Capital Requirements	**124**	**122**

Notes:

The calculation methodologies underlying the measurement of the risk exposures and risk exposure requirements above are those prescribed by the CRR for use by the JIHL Group in its consolidated regulatory risk reporting submitted to the FCA These exposure measures may be materially different from used by the JIHL Group and the Jefferies Group generally for risk management internally and those used for external risk disclosures, including in the Financial Statements and the Jefferies SEC disclosures.

4.3.3 SECURITISATIONS

As part of JIL's Fixed Income business, the Group engages in buying and selling third-party securitisations to support its client franchise. As such JIL is not defined as an originator or a sponsor for regulatory purposes. The Group is defined as an 'investor' (as per the definition in the CRR).

JIL holds long inventory only in the trading book. There is no activity booked in the non-trading book. The activities are valued and subject to the Jefferies Group's Accounting Policies, as set out in the Jefferies Group 10-K disclosures. The risks associated with this activity are managed under the Credit and Market Risk Management frameworks.

4.3.4 APPROACH TO CALCULATING RISK WEIGHTED ASSETS ('RWAS')

The Group uses ratings from Moody's, Fitch and Standard & Poor's for its securitisation positions and calculates its capital requirements under the standardised approach as set out in article 251 of the CRR. Figures 17 to 19 set out the securitisation exposures in the trading book and associated capital requirements broken down by type of exposures and risk weight bands (credit quality steps – 'CQS'). As at 30 November 2015, 59% of JIL's securitisation inventory was in CQS 3 or above compared to 60% at the 2014 accounting reference date whilst the overall portfolio has been reduced as part of industry wide de-risking. As at 30 November 2015, JIL has an immaterial inventory of resecuritisation positions totalling £0.4m.

Figure 17: Securitisation Exposures and corresponding Capital Requirement

JIHL Securitisation exposures and corresponding capital requirements As at 30 November 2015 (GBP in millions)		
	Exposures value / securitisation positions per risk weight band	Capital requirements
Underlying credit quality step ("CQS")		
CQS1	35	1
CQS2	40	2
CQS3	14	1
CQS4	24	7
Other	39	39
Total	**152**	**49**

Figure 18: Securitisation Exposures by Credit Quality Step

JIHL Securitisation exposures by type (I) As at 30 November 2015 (GBP in millions)			
	Exposure value per Type		
Underlying credit quality step ('CQS')	**Securitisation Positions**	**Re-Securitisation Positions**	**Total**
CQS 1	35	0	35
CQS 2	40	0	40
CQS 3	14	0	14
CQS 4	24	0	24
Other	39	0	39
Total	**152**	**0**	**152**

Figure 19: Securitisation Exposures by Type of Exposure

JIHL Securitisation exposures by type (II) As at 30 November 2015 (GBP in millions)			
		Exposure value per Type	
Underlying Type	Traditional Securitisation	Synthetic Securitisation	Total
RMBS	92	0	92
CMBS	50	0	50
CDO	10	0	10
CLO	0	0	0
Other	0	0	0
Total	**152**	**0**	**152**

4.4 OPERATIONAL RISK MANAGEMENT

The JIHL Group has an established Operational Risk Management Framework ('ORMF') which has been approved by the Boards. This is a key component of the RMF and includes governance; application of common principles and standards; collection and analysis of operational risk events and exposures; proactive operational risk management; and periodic review and analysis of business metrics to identify and recommend controls and process-related enhancements. The framework is supplemented by a number of policies and controls including:

- Risk Self-Assessments by each Department, aggregated to form the Risk Register;
- A programme of controls assurance against its operational risks;
- Incident Reporting requirements, detailing the timing and process of reporting;
- Key Risk Indicators ('KRIs') subject to measurable thresholds reflecting the risk tolerance of the business;
- Ad-hoc risk assessments, triggered by a Board or Senior Management request, on a specific business line, support area, product, process or system; and
- Consistent operational risk taxonomy for data classification, aggregation and trend analysis.

Each revenue producing and support department is responsible for implementing the Operational Risk Management Framework; carrying out regular Risk Self-Assessments; and timely reporting and managing their incidents and Key Risk Indicators. A central Operational Risk Management team ('ORM') is responsible for the maintenance and oversight of the framework, ensuring its consistent implementation across Jefferies as well as providing the operational risk tools and infrastructure for departments to record, manage and report their operational risk exposures.

Internal Audit is responsible for providing independent, objective assurance on the management of operational risk in each department, audit of key controls, and review of the effectiveness of the Operational Risk Framework.

The Jefferies Operational Risk System ('JORS') accommodates all processes and data on the same platform for analysis and reporting.

Capital Requirements Calculation for Operational Risk

The Group follows the CRR's Basic Indicator Approach for the calculation of the consolidated minimum Operational Risk capital requirement under Pillar 1. ORM is responsible for the methodology for assessing the capital requirement as part of ICAAP based on a scenario analysis approach. Scenarios are used to highlight potentially significant risks to Senior Management, beyond those that have been identified in other operational risk processes. They are forward looking and focus on the risks which, if they occur, would have a severe, but plausible, impact on the JIHL Group.

4.5 CONDUCT RISK MANAGEMENT

Conduct Risk is recognised by the Boards as constituting one of the Firms' Principal Risks. Compliance and HR take responsibility for the second line of defence for Conduct Risk while Operational Risk management collects loss events data and assist in identification of control improvement and event follow up.

Each employee is responsible for his or her own conduct in carrying out their role and to ensure that such conduct is consistent with the ethical values of respect, honesty and integrity. Such conduct includes acting in compliance with all the relevant laws, rules and regulations that impact on the employees' role. The Boards have mandated various policies and procedures to enable the Group and its employees to understand and fully comply with the regulatory and ethical standards expected from them.

4.6 LIQUIDITY RISK MANAGEMENT

4.6.1 Liquidity Risk Management Framework and Process

The Group's main liquidity risks analysed using the FCA's liquidity risk driver framework are wholesale secured funding risk, intraday liquidity risk and off balance sheet liquidity risk. Liquidity risk is managed through the implementation of the Liquidity Risk Management Framework ('LRMF'); this sets out the limits supporting the liquidity risk appetite statement; identifies the liquidity risks inherent in the business and funding models; and sets out the tools through which those liquidity risks are measured, managed, monitored and controlled including stress testing, early warning indicators, liquid asset buffer management, and cash and intra-day liquidity usage management. Liquidity risk is assessed as part of the Board-approved ILAA process.

In addition to compliance with the current Individual Liquidity Guidance metric, the Group also reports the Liquidity Coverage Ratio ('LCR') to the FCA. More details about the Jefferies Group Liquidity Risk Management Framework and the use of the Group stress testing approach can be found in the Jefferies Group 10-K report.

4.6.2 Asset Encumbrance

An asset is considered encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit enhance any on balance sheet or off balance sheet transaction from which it cannot be freely withdrawn. An asset is considered unencumbered if it has not been pledged against an existing liability. We categorise unencumbered assets as "available" or "not available": unencumbered assets available are the assets that are readily available for future collateral needs; unencumbered assets not available are the assets that cannot be pledged as collateral (this comprises most of the client receivables, derivative contracts and certain assets that do not meet the collateral requirements).

As an integral aspect of its business model, JIL engages in activities that result in certain assets being encumbered as security for borrowings or through segregation. Figures 20, 21 and 22 provide a breakdown of the asset encumbrance at the JIHL consolidated group level using the median of quarter end value of the Firms' financial year in 2015. The Group does not exceed the FCA's threshold for disclosure of the fair value of collateral received.

Figure 20: Asset Encumbrance Summary

JIHL Asset Encumbrance				
(GBP in millions)	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Asset Type				
Equity instruments	146	146	30	30
Debt securities	1,631	1,631	463	463
Other assets	46		3,765	

* Numbers were calculated based on the median value for each quarter end of the Group's financial year in 2015.

Figure 21: Breakdown of Unencumbered Assets

JIHL Breakdown of Unencumbered Assets (GBP in millions)	Encumbered - Fair Value Pledged as Collateral	Unencumbered - Fair Value Available	Unencumbered - Fair Value Not Available	Total Assets
Cash & Other Liquid Assets	0	196	0	196
Equity Instruments	146	30	0	176
Debt Instruments	1,631	463	0	2,094
Derivative and Other Inventories	0	0	490	490
Other Assets	0	0	90	90
Receivables	46	0	1,366	1,412
Fixed Assets	0	0	21	21
Reverse Repo	0	0	1,390	1,390
Stock Borrow	0	0	212	212
Total Assets	**1,823**	**689**	**3,569**	**6,081**

Figure 22: Summary of Encumbered Assets / Collateral Received and Associated Liabilities

JIHL Encumbered assets / collateral received and associated liabilities		
(GBP in millions)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABS encumbered
Carrying amount of selected financial liabilities	3,702	3,152

4.6.3 INFORMATION ON IMPORTANCE OF ENCUMBRANCE

The Group's main source of encumbrance is JIL's use of secured financing to fund inventory for its market-making activities. This funding is predominantly secured on high quality liquid cash securities such as government bonds and main index equities using industry-standard market legal agreements (GMRAs for repo and GMSLAs for stock borrow/loan). These agreements permit the counterparty to realise the security held to recover their funds once the stipulated terms of default are met.

The sources and types of the encumbrance of the Group's assets have not changed in the last 12 months. The extent varies in accordance with the growth or decline in the value of the market-making inventory or client assets being financed or segregated respectively

In Figure 20, other assets primarily (90%) consist of securities, derivatives and financing transaction receivables driven by JIL. The balance is predominantly cash.

5 REMUNERATION

The following remuneration disclosures are made in accordance with article 450 of the CRR and the FCA's SYSC419.3A (Remuneration Code, 'the Code') for the financial year ended 30 November 2015 in respect of the JIHL Group and significant subsidiaries in scope. These disclosures are made in accordance with the guidance on proportionality; JIL is classified as Level 3 firms.

5.1 REMUNERATION POLICY AND THE DECISION-MAKING PROCESS

The relevant operating companies within the JIHL Group that employ Jefferies staff is JIL. The business strategy for JIHL is to provide quality services to Jefferies' clients, to increase revenues, and to provide a return to shareholders and other stakeholders. As such the compensation policies and practices are designed to be flexible to support these objectives in a highly competitive market, improve individual and corporate performance and contribution while managing risk effectively in recognition of our employees being critical to executing the business strategy successfully.

5.1.1 GOVERNANCE

The Group promotes sound and effective risk management practices and does not encourage risk-taking that exceeds the risk appetite levels. JIL has number of risk management and compliance policies and procedures in place, including procedures for new business approval, client credit checks, trader mandates, limits for balance sheet usage and cash usage as well as period, compulsory anti-money laundering training for all the employees.

The Board reviews these policies and practices and the incentives created for managing risk, capital and liquidity to ensure that these accord with the risk appetite. The Board reviews business performance and compensation costs for each business unit.

A joint Remuneration Committee whose members are the Non-Executive Directors meets at least twice a year and is supported by the Remuneration Working Group ('RWG'), which provides information to the Committee on Remuneration Code issues and practices. The RWG is constituted of representatives from Finance, Legal, Compliance, Risk, and Human Resources. The RWG met twice in 2015.

The remit of the Remuneration Committee is set out in the Committee's charter. Principally, the Committee is responsible for:

- Annual review and approval of the Remuneration Policy Statement for JIL;
- Annual review of the Group's policies and practices for remuneration and incentives created by its remuneration system for staff generally and Code Staff *(as defined in section 5.3)*; and
- Ensuring that the Group's remuneration policy complies with the Remuneration Code and other legal and regulatory requirements and industry guidance as considered relevant.

In carrying out its duties, the Committee takes into account the long term interests of the Group's shareholder(s), risk management for the Group and the financial condition and future prospects of the Group.

5.2 DESIGN CHARACTERISTICS OF THE REMUNERATION SYSTEM IN JIHL

Jefferies rewards employees with fixed and variable remuneration (principally, base salaries and bonuses respectively). Fixed pay is decided by reference to a variety of factors including seniority of the role within the organisation, experience of the person in that role and competitive market data for that role.

As regards to bonuses, Jefferies operates a general discretionary year-end bonus scheme, the purpose of which is to reward and incentivise JIL employees, including Code Staff (see section 5.2.1 below regarding the link between pay and performance). All employees of the JIHL Group are eligible to participate in this scheme; there are no bonus schemes specific to Code Staff only. Year-end performance awards are made from annual bonus pools for the financial year, calculated on a business unit basis.

Jefferies will consider offering guarantee payments and/or buying out deferred variable remuneration for prospective hires where the hire is of particular importance to the group for achieving its business objectives. Guarantees and buy-outs are subject to senior management approval.

Depending on the level of an employee's total compensation, variable remuneration may either be paid in unrestricted or restricted cash (guaranteed or buy-out awards are always restricted). Where awards are restricted they are subject to

[4] FCA's Senior Management Arrangements, Systems and Control Sourcebook

vesting and clawback terms. The Group monitors the ratio of fixed to variable compensation for Code Staff to ensure adherence with the General Requirement of the Code.

Jefferies considers that its remuneration practices are appropriate, taking into account the size, internal organisation and the nature, scope and complexity of the activities of the Jefferies Group, and:

- Align with Jefferies's business strategy (stated above);
- Encourage behaviour that supports the long term financial soundness and risk management framework; and
- Comply with all relevant regulatory requirements.

5.2.1 Link between Pay and Performance

JIL has an annual Business Plan approved by the Board in January each year. Business units consider performance targets and budgets annually, and feed this into the Business Plan. As indicated, business unit performance and remuneration costs are regularly reviewed by the Boards against the Business Plan. In the event of the Group's performance being weak, the bonus pool and any distributions will be reduced accordingly at the discretion of the senior management of the relevant business unit.

The discretionary nature of the bonus scheme enables management to review individual employee performance against financial and non-financial measures and to take appropriate action to reduce or otherwise extinguish any entitlement to bonus on the grounds of failure to comply with risk and/or compliance policies (including breaches of desk and/or individual risk limits) even where performance against financial targets would otherwise have led to a bonus being awarded.

When determining employee performance awards, the factors considered include, but are not limited to:

- An employee's performance during the year, against financial and non-financial metrics, with specific attention to stand-out performance, active contribution and adherence to expected risk and compliance requirements;
- Performance and profitability of the business unit, the relevant legal entity, and the wider Jefferies group;
- Overall contribution of the individual to the business unit performance;
- Importance of the sector / business unit and the need to retain the individual; and
- Competitive market data and performance of the financial markets in general.

5.2.2 Vesting

The performance awards are announced and paid in the fiscal quarter immediately following the end of the fiscal year to which the bonus relates, provided the individual is a Jefferies' employee on the date that the award is made and is not under notice, whether given by Jefferies or the employee, to terminate their employment. Further, individuals will not be eligible to receive bonus awards where they are suspended or under investigation for conduct that could result in termination for misconduct.

Jefferies' current practice is to pay end-of-year performance bonuses in up-front cash. The vesting periods applicable to 2015 restricted awards range between one and four years to encourage employees to take a multi-year perspective. Using its discretion under the proportionality principle, the Firm does not disclose information on vesting remuneration.

5.3 AGGREGATE QUANTITATIVE INFORMATION ON REMUNERATION

Figure 23 presents the aggregate quantitative remuneration by business area for Code Staff in the JIHL Group for the financial year ended 30 November 2015. Code Staff are broken down into:

i. Senior Management: includes all employees who are registered with the FCA as performing Significant Influence Functions ('SIFs') for the entities in scope, and all employees who (whether or not a SIF) have responsibility for the management and supervision of a significant business line or who head a business line that has a material impact on the Group's risk profile; and

ii. Other members of staff: includes all other employees whose professional activities could have a material impact on the Group's risk profile.

Figure 23: Aggregate Remuneration for Code Staff

Aggregate Remuneration 2015 - All Staff (GBP in millions) Business Area	Code Staff	Non-Code Staff	Total
Capital Markets	53	117	170
Asset Management	2	7	9
Corporate	3	28	31
Total staff payout	**59**	**152**	**210**

5.4 AGGREGATE QUANTITATIVE INFORMATION ON REMUNERATION FOR CODE STAFF

Figure 24: Breakdown of Fixed and Variable Remuneration for Senior Managers and Other members of staff

Remuneration 2015 - Code Staff	Senior Management	Other Members of Staff	Total for Code Staff
Fixed Remuneration (GBP in millions)	7	10	17
Variable Remuneration (GBP in millions)	16	25	41
of which Cash	22	35	58
of which Shares	1	0	1
of which Share-linked instruments	**0**	**0**	0
of which Other	**0**	**0**	0
Number of Staff	**27**	**40**	**67**

Figure 25: Breakdown of Sign-On and Severance Payments during the Year

New Sign-on and Severance Payments made during the financial year 2015	Senior Management	Other Members of Staff
New Sign-On Bonuses (GBP in millions)	4	1
Number of Staff	**3**	**3**
Severance Payments (GBP in millions)	0	0
Number of Staff	**3**	**2**

Figure 26: Staff Remuneration by Value

Number of Staff Remunerated Euro 1 million or more	Senior Management	Other members of staff	Total
€1 million to 1.49 million	4	12	16
€1.5 million to 1.99 million	0	4	4
€2 million to 2.49 million	0	2	2
€2.5 million to 2.99 million	1	1	2
€3 million to 3.49 million	0	1	1
€3.5 million to 3.99 million	1	0	1
€4 million to 4.49 million	0	0	0
€4.5 million to 4.99 million	0	1	1
€5 million to 5.99 million	1	0	1
€6 million to 6.99 million	0	0	0
€7 million to 7.99 million	1	0	1
Total number of staff	**8**	**21**	**29**

APPENDIX 1: CAPITAL INSTRUMENTS' MAIN FEATURES

	Capital instruments main features								
1	Issuer	Jefferies International (Holdings) Ltd.	Jefferies International Ltd.	Jefferies International Ltd.	Jefferies International Ltd.	Jefferies International Ltd.	Jefferies International Ltd.	Jefferies International Ltd.	Jefferies International (Holdings) Ltd.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placeme	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3	Governing law(s) of the instrument	English Law	English Law	English Law	English Law	English Law	English Law	English Law	English Law
Regulatory treatment									
4	Transitional CRR rules	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
5	Post-transitional CRR rules	CET1	CET1	T2	T2	T2	T2	T2	T2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo	Solo	Solo	Solo	Solo	Solo	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary share	Ordinary share	Subordinated loan	Subordinated loan notes	Subordinated loan notes	Subordinated loan notes	Subordinated loan notes	Subordinated loan notes
8	Amount recognised in regulatory capital (Currency in million, as of most rece	£267	£326	£64	£70	£90	£32	£32	£119
9	Nominal amount of instrument	$446m (£267m)	$536m (£326m)	$100m(£64m)	$110m (£70m)	$140m(£90m)	$50m (£32m)	$50m (£32m)	$186m (£119m)
9a	Issue price	N/A	N/A	$100m(£64m)	$100,000	$100,000	$100,000	$100,000	$100,000
9b	Redemption price	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
10	Accounting classification	Shareholders' equity	Shareholders' equity	Liability-Amortised cost	Liability-Amortised cost	Liability-Amortised cost	Liability-Amortised cost	Liability-Amortised cost	Liability-Amortised cost
11	Original date of issuance	N/A	N/A	05-Jul-11	25-Apr-13	25/04/2013	27-May-14	08-Oct-14	01-Jul-11
12	Perpetual or dated	Perpetual	Perpetual	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	no maturity	no maturity	30-Jun-36	30-Apr-33	30-Apr-33	31-May-34	31-Oct-24	30-Jun-30
14	Issuer call subject to prior supervisory approval	N/A	N/A	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Coupons / dividends									
17	Fixed or floating dividend/coupon	N/A	N/A	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	N/A	N/A	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
19	Existence of a dividend stopper	No	No	N/A	N/A	N/A	N/A	N/A	N/A
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	no discretion	no discretion	no discretion	no discretion	no discretion	no discretion	no discretion	no discretion
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	no discretion	no discretion	no discretion	no discretion	no discretion	no discretion	no discretion	no discretion
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No	No	No
22	Noncumulative or cumulative	N/A	N/A	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	N/A	N/A	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
30	Write-down features	No	No	No	No	No	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type imm	N/A	N/A	Non-Subordinated Creditors	Non-Subordinated Creditors	Non-Subordinated Creditors	Non-Subordinated Creditors	Non-Subordinated Creditors	Non-Subordinated Creditors
36	Non-compliant transitioned features	No	No	No	No	No	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

APPENDIX 2: OWN FUNDS

	Own Funds	JIHL Consolidated 30th November 2015 (£m)	JIHL Consolidated SUBJECT TO PRE-REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013	JIL Solo 30th November 2015 (£m)	JIL Solo SUBJECT TO PRE-REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013
Common Equity Tier 1 (CET 1) Capital: insturments and reserves					
1	Capital instruments and the related share premium accounts	423.27		425.45	
	of which: ordinary shares	423.27		425.45	
2	Retained earnings	3.80		40.60	
3a	Funds for general banking risk	0.00		0.00	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	0.00		0.00	
	Public sector capital injections grandfathered until 1 January 2018	0.00		0.00	
5	Minority interests (amount allowed in consolidated CET1)	0.00		0.00	
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	0.00		0.00	
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	427.07		466.05	
Common Equity Tier 1 (CET1) capital: regulatory adjustments					
7	Additional value adjustments (negative amount)	(4.58)		(4.56)	
8	Intangible assets (net of related tax liability) (negative amount)	0.00		0.00	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	0.00		0.00	
11	Fair value reserves related to gains or losses on cash flow hedges	0.00		0.00	
12	Negative amounts resulting from the calculation of expected loss amounts	0.00		0.00	
13	Any increase in equity that results from securitised assets (negative amount)	0.00		0.00	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0.00		0.00	
15	Defined-benefit pension fund assets (negative amount)	0.00		0.00	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	0.00		0.00	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0.00		0.00	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0.00		0.00	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0.00		0.00	
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	0.00		0.00	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	0.00		0.00	
22	Amount exceeding the 15% threshold (negative amount)	0.00		0.00	
25a	Losses for the current financial year (negative amount)	0.00		0.00	
25b	Foreseeable tax charges relating to CET1 items (negative amount)	0.00		0.00	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	(4.58)		(4.56)	
26A	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	0.00		0.00	
26B	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	0.00		0.00	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	0.00		0.00	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(4.58)		(4.56)	
29	Common Equity Tier 1 (CET1) capital	422.50		461.49	
Additional Tier 1 (AT1) capital: instruments					
30	Capital instruments and the related share premium accounts	0.00		0.00	
31	of which: classified as equity under applicable accounting standards	0.00		0.00	
32	of which: classified as liabilities under applicable accounting standards	0.00		0.00	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	0.00		0.00	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	0.00		0.00	
36	Additional Tier 1 (AT1) capital before regulatory adjustments	0.00		0.00	
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	0.00		0.00	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0.00		0.00	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0.00		0.00	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0.00		0.00	
41	Regulatory adjustments applied to additional tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	0.00		0.00	
41A	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	0.00		0.00	
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	0.00		0.00	
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR	0.00		0.00	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	0.00		0.00	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	0.00		0.00	
44	Additional Tier 1 (AT1) capital	0.00		0.00	
45	Tier 1 capital (T1 = CET1 + AT1)	422.50		461.49	
Tier 2 (T2) capital: instruments and provisions					
46	Capital instruments and the related share premium accounts	438.64		298.76	
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	0.00		0.00	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	0.00		0.00	
50	Credit risk adjustments	0.00		0.00	
51	Tier 2 (T2) capital before regulatory adjustments	438.64		298.76	

	Own Funds	JIHL Consolidated 30th November 2015 (£m)	JIHL Consolidated SUBJECT TO PRE-REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013	JIL Solo 30th November 2015 (£m)	JIL Solo SUBJECT TO PRE-REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013
Tier 2 (T2) capital: regulatory adjustments					
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	0.00		0.00	
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0.00		0.00	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0.00		0.00	
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0.00		0.00	
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	0.00		0.00	
56a	Residual amounts deducted from Tier 2capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	0.00		0.00	
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	0.00		0.00	
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR	0.00		0.00	
57	Total regulatory adjustments to Tier 2 (T2) capital	0.00		0.00	
58	Tier 2 (T2) capital	438.64		298.76	
59	Total capital (TC = T1 + T2)	861.14		760.24	
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013(i.e. CRR residual amounts)	0.00		0.00	
60	Total risk weighted assets	2,560.07		2,425.00	
Capital ratios and buffers					
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	16.5%		19.0%	
62	Tier 1 (as a percentage of total risk exposure amount)	16.5%		19.0%	
63	Total capital (as a percentage of total risk exposure amount)	33.6%		31.3%	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	0.0%		0.0%	
65	of which: capital conservation buffer requirement	0.0%		0.00	
66	of which: countercyclical buffer requirement	0.0%		0.00	
67	of which: systemic risk buffer requirement	0.0%		0.00	
68A	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.00		0.00	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	0.0%		0.0%	
Amounts below the thresholds for deduction (before risk weighting)					
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	0.00		0.00	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	0.00		0.00	
74		0.00		0.00	
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	0.00		0.00	
Applicable caps on the inclusion of provisions in Tier 2					
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	0.00		0.00	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	0.00		0.00	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	0.00		0.00	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	0.00		0.00	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)					
80	Current cap on CET1 instruments subject to phase out arrangements	0.00		0.00	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0.00		0.00	
82	Current cap on AT1 instruments subject to phase out arrangements	0.00		0.00	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0.00		0.00	
84	Current cap on T2 instruments subject to phase out arrangements	0.00		0.00	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0.00		0.00	

GLOSSARY

ALCO	Asset and Liability Management Committee
BAU	Business as Usual
Board	The JIL Board
CCP	Central Counterparty
CET1	Common Equity Tier 1
CLT	Credit Limit Type
CQS	Credit Quality Step
CRD	Capital Requirements Directive
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSA	Credit Support Annex
CVA	Credit Valuation Adjustment
EBA	European Banking Authority
ECAI	External Credit Assessment Institution
GMRA	Global Master Repurchase Agreement
GMSLA	Global Master Securities Lending Agreement
ICAAP	Internal Capital Adequacy Assessment Process
ICG	Individual Capital Guidance
ILAA	Individual Liquidity Adequacy Assessment
ISDA	International Swaps and Derivatives Association
Jefferies	Jefferies Group LLC and Subsidiaries
JIHL	Jefferies International (Holdings) Limited
JIL	Jefferies International Limited
JORS	Jefferies Operational Risk System
KRI	Key Risk Indicator
LCR	Liquidity Coverage Ratio
LRMF	Liquidity Risk Management Framework
MI	Management Information
MTA	Minimum Transfer Amount
ORM	Operational Risk Management
ORMF	Operational Risk Management Framework
PE	Potential Exposure
RAF	Risk Appetite Framework
RAS	Risk Appetite Statement
Report	Pillar 3 Disclosures Report
RMF	Risk Management Framework
RWA	Risk Weighted Assets
RWG	Remuneration Working Group
S&P	Standard and Poor's
SEC	Securities and Exchanges Commission
SIF	Significant Influence Function
SREP	Supervisory Review and Evaluation Process
WWR	Wrong Way Risk