

FINANCIAL SUPPLEMENT

2019 Fourth Quarter

FEBRUARY 12, 2020

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1. COWEN INC.

Revenue Metrics (Non-GAAP Unaudited) - Cowen Inc.

\$ thousands	2018					2019				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
INVESTMENT BANKING REVENUE	\$93,924	\$80,042	\$77,510	\$77,586	\$329,062	\$82,993	\$104,219	\$70,022	\$94,957	\$352,192
Advisory										
Revenue	\$14,360	\$14,498	\$22,195	\$30,680	\$81,733	\$28,416	\$11,861	\$16,962	\$27,019	\$84,258
Total transactions	5	10	6	9	30	9	10	13	16	48
Average fee (implied)	\$2,880	\$1,450	\$3,700	\$3,411	\$2,723	\$3,157	\$1,186	\$1,305	\$1,689	\$1,752
Median fee	\$2,300	\$1,325	\$2,094	\$2,300	\$1,800	\$734	\$1,117	\$1,059	\$1,188	\$956
Transaction value (in B)	\$1,078	\$2,984	\$1,712	\$5,115	\$10,889	\$6,423	\$773	\$927	\$1,592	\$9,715
Capital Markets										
Revenue	\$79,564	\$65,544	\$55,315	\$46,906	\$247,329	\$54,577	\$92,358	\$53,060	\$67,938	\$267,933
Total transactions	37	31	31	22	121	30	46	30	34	140
Of which bookrun	28	22	19	13	82	21	32	15	23	91
Average fee (implied)	\$2,151	\$2,113	\$1,784	\$2,132	\$2,044	\$1,819	\$2,008	\$1,769	\$1,998	\$1,914
Median fee	\$1,672	\$1,625	\$1,178	\$1,600	\$1,600	\$1,344	\$1,538	\$1,275	\$1,370	\$1,415
MARKETS REVENUE	\$117,203	\$122,492	\$107,258	\$125,537	\$472,490	\$113,261	\$125,276	\$111,746	\$115,097	\$465,380
Brokerage Revenue	\$114,071	\$113,186	\$101,672	\$123,371	\$452,300	\$105,157	\$120,672	\$105,860	\$108,724	\$440,413
Institutional brokerage*	\$82,248	\$83,255	\$73,659	\$88,412	\$327,574	\$76,450	\$88,222	\$74,243	\$79,547	\$318,462
Institutional services	\$31,823	\$29,931	\$28,013	\$34,959	\$124,726	\$28,707	\$32,450	\$31,618	\$29,177	\$121,952
Financing revenue & other**	\$3,132	\$9,306	\$5,586	\$2,166	\$20,190	\$8,104	\$4,604	\$5,886	\$6,373	\$24,967
Markets revenue per trading day	\$1,921	\$1,914	\$1,703	\$1,993	\$1,882	\$1,857	\$1,989	\$1,745	\$1,798	\$1,847
# Trading days	61	64	63	63	251	61	63	64	64	252
# Publishing analysts***	54	54	53	51	51	52	52	53	52	52
MANAGEMENT FEE	\$13,126	\$12,486	\$12,386	\$11,178	\$49,176	\$10,431	\$10,468	\$10,907	\$13,869	\$45,674
Monthly run rate (trailing 3 months)	\$4,375	\$4,162	\$4,129	\$3,726	\$4,098	\$3,477	\$3,489	\$3,636	\$4,623	\$3,806
INCENTIVE INCOME	\$5,197	\$9,363	\$6,910	\$2,277	\$23,747	\$16,747	\$4,229	\$14,377	\$10,840	\$46,193
INVESTMENT INCOME	\$14,301	\$19,954	\$27,672	\$(5,582)	\$56,345	\$16,984	\$485	\$16,053	\$20,933	\$54,455
TOTAL REVENUE****	\$241,507	\$234,310	\$226,233	\$207,412	\$909,460	\$233,469	\$244,389	\$217,093	\$249,819	\$944,770

* "Institutional Brokerage" revenue includes: cash equities, electronic trading, options, ADR, special situations and credit; "Institutional Services" revenue includes: prime services, global clearing, securities finance, commission management and commission recapture

** "Other" includes investment income and management fees

*** Includes equity, credit and macro publishing analysts

**** Total revenue is the sum of investment banking, brokerage, management fee, incentive income, investment income and other revenue

Summary Operating and Other Financial Information (Non-GAAP Unaudited) - Cowen Inc.

	2018					2019				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
SUMMARY ECONOMIC INCOME DATA (\$ thousands)										
Economic income revenue	\$241,507	\$234,310	\$226,233	\$207,410	\$909,460	\$233,469	\$244,389	\$217,093	\$249,819	\$944,770
Economic income (loss)*	\$22,360	\$20,043	\$20,986	\$5,954	\$69,342	\$15,274	\$15,487	\$5,547	\$12,334	\$48,642
Economic operating income (loss)	\$25,346	\$23,002	\$23,894	\$8,683	\$80,925	\$20,230	\$20,435	\$10,629	\$17,787	\$69,081
RETURN ON AVERAGE COMMON EQUITY										
Annualized return on average common equity**	15.6 %	13.6 %	13.7 %	5.0 %	12.1 %	11.5 %	11.4 %	5.9 %	10.0 %	9.7 %
PER COMMON SHARE INFORMATION										
Economic income per share (basic)	\$0.75	\$0.67	\$0.71	\$0.22	\$2.35	\$0.51	\$0.58	\$0.19	\$0.42	\$1.65
Economic Income per share (diluted)	\$0.73	\$0.65	\$0.68	\$0.19	\$2.26	\$0.48	\$0.55	\$0.18	\$0.40	\$1.55
Economic operating income per share (basic)	\$0.86	\$0.77	\$0.81	\$0.33	\$2.74	\$0.68	\$0.74	\$0.36	\$0.61	\$2.34
Economic operating income per share (diluted)	\$0.83	\$0.75	\$0.77	\$0.28	\$2.63	\$0.64	\$0.70	\$0.34	\$0.58	\$2.21
NON-INTEREST EXPENSES (EX. D&A)										
Compensation expenses	\$134,614	\$132,894	\$127,896	\$114,215	\$509,619	\$131,945	\$136,410	\$122,621	\$146,562	\$537,538
Non-compensation expenses	\$72,663	\$72,106	\$65,797	\$74,894	\$285,460	\$72,010	\$77,882	\$74,338	\$74,308	\$298,538
Fixed non-compensation expenses (ex. D&A)	\$34,676	\$34,869	\$35,065	\$37,204	\$141,814	\$34,877	\$38,416	\$37,083	\$36,296	\$146,672
Variable non-compensation expenses	\$37,987	\$37,237	\$30,732	\$37,690	\$143,646	\$37,133	\$39,466	\$37,255	\$38,012	\$151,866
DEPRECIATION & AMORTIZATION										
Depreciation	\$1,582	\$1,662	\$1,653	\$1,674	\$6,572	\$1,673	\$1,693	\$1,836	\$2,107	\$7,309
Amortization	\$1,404	\$1,297	\$1,255	\$1,055	\$5,011	\$3,273	\$3,258	\$3,246	\$3,346	\$13,130
EXPENSE RATIOS										
Compensation to revenue ratio	55.7 %	56.7 %	56.5 %	55.1 %	56.0 %	56.5 %	55.8 %	56.5 %	58.7 %	56.9 %
Non-compensation expenses to revenue ratio	30.1 %	30.8 %	29.1 %	36.1 %	31.4 %	30.8 %	31.9 %	34.2 %	29.7 %	31.6 %
Fixed non-compensation expense to revenue ratio (ex. D&A)	14.4 %	14.9 %	15.5 %	17.9 %	15.6 %	14.9 %	15.7 %	17.1 %	14.5 %	15.5 %
Variable non-compensation expense to revenue ratio	15.7 %	15.9 %	13.6 %	18.2 %	15.8 %	15.9 %	16.1 %	17.2 %	15.2 %	16.1 %

* Economic Income is after payment of preferred dividends, and in Financial Supplements prior to 2Q'19 this metric was labeled "Economic Income Attributable to Common Shareholders."

** See "Return on Common Equity (ROCE) Definition" page

Summary Operating and Other Financial Information (Non-GAAP Unaudited) - Cowen Inc.

	2018					2019				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
INVESTED CAPITAL BREAKDOWN										
Operating Co	\$495,100	\$534,692	\$575,688	\$584,454	\$584,454	\$442,459	\$528,908	\$570,987	\$584,832	\$584,832
Asset Co	\$190,653	\$182,509	\$201,933	\$202,268	\$202,268	\$192,341	\$149,036	\$145,019	\$137,726	\$137,726
Total invested capital	\$685,753	\$717,201	\$777,621	\$786,722	\$786,722	\$634,800	\$677,944	\$716,006	\$722,558	\$722,558
SELECT BALANCE SHEET DATA										
Cowen Inc. stockholders' equity	\$758,787	\$793,207	\$808,244	\$794,407	\$794,407	\$814,782	\$817,424	\$817,055	\$809,855	\$809,855
Common equity	\$657,471	\$691,891	\$706,928	\$693,091	\$693,091	\$713,466	\$716,108	\$715,739	\$708,539	\$708,539
Book value per share	\$22.27	\$23.37	\$24.26	\$24.37	\$24.37	\$24.12	\$24.29	\$24.67	\$24.77	\$24.77
Tangible book value per per share	\$19.25	\$20.40	\$21.28	\$21.36	\$21.36	\$17.84	\$18.24	\$18.63	\$18.70	\$18.70
SUMMARY STOCKHOLDERS' EQUITY INFORMATION										
Stockholders' Equity	\$758,787	\$793,207	\$808,244	\$794,407	\$794,407	\$814,782	\$817,424	\$817,055	\$809,855	\$809,855
Less:										
Preferred Stock	\$101,316	\$101,316	\$101,316	\$101,316	\$101,316	\$101,316	\$101,316	\$101,316	\$101,316	\$101,316
Common Equity	\$657,471	\$691,891	\$706,928	\$693,091	\$693,091	\$713,466	\$716,108	\$715,739	\$708,539	\$708,539
OTHER DATA										
Common shares outstanding (end of period)	29,517	29,609	29,143	28,438	28,438	29,581	29,480	29,013	28,610	28,610
Common shares outstanding (average)										
Basic	29,625	29,769	29,610	26,610	29,545	29,750	29,769	29,529	29,046	29,525
Diluted	30,492	30,720	30,844	30,844	30,735	31,625	31,522	31,264	30,722	30,722
Employees, end of period	1,097	1,105	1,131	1,134	1,134	1,223	1,240	1,299	1,291	1,291

Reconciliation of US GAAP and Economic Income (Unaudited)

Three Months Ended December 31, 2019

	Adjustments			Economic Income
	US GAAP Net Income	Other Adjustments (1)	Funds Consolidation (2)	
Revenue				
Investment banking	\$ 102,922	\$ (7,965) (a)	\$ —	\$ 94,957
Brokerage	99,907	8,817 (b)	—	108,724
Management fees	11,128	2,111 (c)	630	13,869
Incentive income	823	9,974 (c)	43	10,840
Investment income	—	20,933 (d)	—	20,933
Interest and dividends	45,067	(45,067) (b)(d)	—	—
Reimbursement from affiliates	246	(274) (e)	28	—
Reinsurance premiums	17,267	(17,267) (f)	—	—
Other revenues	2,205	(1,709) (f)	—	496
Consolidated Funds	1,570	—	(1,570)	—
Total revenue	281,135	(30,447)	(869)	249,819
Interest expense (Economic Income/(Loss)) / Interest and dividend expense (US GAAP)	43,539	(35,932) (b)(d)	—	7,607
Total net revenues	237,596	5,485	(869)	242,212
Expenses				
Non interest expense	256,146	(29,818) (a)(e)(h)(i)	—	226,328
Consolidated Funds expenses	2,734	—	(2,734)	—
Total expenses	258,880	(29,818)	(2,734)	226,328
Total other income (loss)	55,796	(28,202) (c)(d)(i)	(27,594)	—
Income taxes expense / (benefit)	5,238	(5,238) (h)	—	—
Income (loss) attributable to non-controlling interests in consolidated subsidiaries and investment funds	24,051	3,530	(25,729)	1,852
Income (loss) attributable to Cowen Inc.	5,223	8,809	—	14,032
Less: Preferred stock dividends	1,698	—	—	1,698
Economic Income (Loss)/ Income (loss) attributable to Cowen Inc. common stockholders	\$ 3,525	\$ 8,809	\$ —	12,334
Add: Depreciation and Amortization				5,453
Economic operating income (loss)				\$ 17,787

Note: Refer to End Notes, Definition of GAAP to Non-GAAP Measures and Legal Notice at the end of the Financial Supplement

Reconciliation of US GAAP and Economic Income (Unaudited)

Twelve Months Ended December 30, 2019

	US GAAP Net Income	Adjustments		Economic Income
		Other Adjustments (1)	Funds Consolidation (2)	
Revenue				
Investment banking	\$ 375,025	\$ (22,833) (a)	\$ —	\$ 352,192
Brokerage	402,747	37,666 (b)	—	440,413
Management fees	32,608	10,796 (c)	2,270	45,674
Incentive income	1,547	44,046 (c)	600	46,193
Investment income	—	54,455 (d)	—	54,455
Interest and dividends	174,913	(174,913) (b)(d)	—	—
Reimbursement from affiliates	1,026	(1,148) (e)	(122)	—
Reinsurance premiums	46,335	(46,335) (f)	—	—
Other revenues	5,433	396 (f)	14	5,843
Consolidated Funds	9,809	—	(9,809)	—
Total revenue	1,049,443	(97,870)	(6,803)	944,770
Interest expense (Economic Income/(Loss)) / Interest and dividend expense (US GAAP)	168,628	(140,603) (b)(d)	—	28,025
Total net revenues	880,815	42,733	(6,803)	916,745
Expenses				
Non interest expense	935,801	(79,286) (a)(e)(h)(i)	—	856,515
Goodwill impairment	4,100	(4,100)	—	—
Consolidated Funds expenses	8,963	—	(8,963)	—
Total expenses	948,864	(83,386)	(8,963)	856,515
Total other income (loss)	138,772	(102,109) (c)(d)(i)	(36,663)	—
Income taxes expense / (benefit)	14,853	(14,853) (h)	—	—
Income (loss) attributable to non-controlling interests in consolidated subsidiaries and investment funds	31,239	8,060	(34,503)	4,796
Income (loss) attributable to Cowen Inc.	24,631	30,803	—	55,434
Less: Preferred stock dividends	6,792	—	—	6,792
Economic Income (Loss)/ Income (loss) attributable to Cowen Inc. common stockholders	\$ 17,839	\$ 30,803	\$ —	48,642
Add: Depreciation and Amortization				20,439
Economic operating income (loss)				\$ 69,081

Note: Refer to End Notes, Definition of GAAP to Non-GAAP Measures and Legal Notice at the end of the Financial Supplement

2. OPERATING CO

Revenue Metrics (Non-GAAP Unaudited) - Operating Co

\$ thousands	2018					2019				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
INVESTMENT BANKING REVENUE	\$93,924	\$80,042	\$77,510	\$77,586	\$329,062	\$82,993	\$104,219	\$70,022	\$94,957	\$352,192
Advisory										
Revenue	\$14,360	\$14,498	\$22,195	\$30,680	\$81,733	\$28,416	\$11,861	\$16,962	\$27,019	\$84,258
Total transactions	5	10	6	9	30	9	10	13	16	48
Average fee (implied)	\$2,880	\$1,450	\$3,700	\$3,411	\$2,723	\$3,157	\$1,186	\$1,305	\$1,689	\$1,752
Median fee	\$2,300	\$1,325	\$2,094	\$2,300	\$1,800	\$734	\$1,117	\$1,059	\$1,188	\$956
Transaction value (in B)	\$1,078	\$2,984	\$1,712	\$5,115	\$10,889	\$6,423	\$773	\$927	\$1,592	\$9,715
Capital Markets										
Revenue	\$79,564	\$65,544	\$55,315	\$46,906	\$247,329	\$54,577	\$92,358	\$53,060	\$67,938	\$267,933
Total transactions	37	31	31	22	121	30	46	30	34	140
Of which bookrun	28	22	19	13	82	21	32	15	23	91
Average fee (implied)	\$2,151	\$2,113	\$1,784	\$2,132	\$2,044	\$1,819	\$2,008	\$1,769	\$1,998	\$1,914
Median fee	\$1,672	\$1,625	\$1,178	\$1,600	\$1,600	\$1,344	\$1,538	\$1,275	\$1,370	\$1,415
MARKETS REVENUE	\$117,203	\$122,492	\$107,258	\$125,537	\$472,490	\$113,261	\$125,276	\$111,746	\$115,097	\$465,380
Brokerage Revenue	\$114,071	\$113,186	\$101,672	\$123,371	\$452,300	\$105,157	\$120,672	\$105,860	\$108,724	\$440,413
Institutional brokerage*	\$82,248	\$83,255	\$73,659	\$88,412	\$327,574	\$76,450	\$88,222	\$74,243	\$79,547	\$318,462
Institutional services	\$31,823	\$29,931	\$28,013	\$34,959	\$124,726	\$28,707	\$32,450	\$31,618	\$29,177	\$121,952
Financing revenue & other**	\$3,132	\$9,306	\$5,586	\$2,166	\$20,190	\$8,104	\$4,604	\$5,886	\$6,373	\$24,967
Markets revenue per trading day	\$1,921	\$1,914	\$1,703	\$1,993	\$1,882	\$1,857	\$1,989	\$1,745	\$1,798	\$1,847
# Trading days	61	64	63	63	251	61	63	64	64	252
# Publishing analysts***	54	54	53	51	51	52	52	53	52	52
MANAGEMENT FEE	\$11,279	\$10,938	\$10,840	\$10,410	\$43,466	\$9,728	\$9,968	\$10,321	\$13,682	\$43,699
Monthly run rate (trailing 3 months)	\$3,760	\$3,646	\$3,613	\$3,470	\$3,622	\$3,243	\$3,323	\$3,440	\$4,561	\$3,642
INCENTIVE INCOME	\$3,039	\$12,321	\$1,859	\$(368)	\$16,851	\$16,637	\$2,633	\$15,384	\$10,388	\$45,041
INVESTMENT INCOME	\$18,233	\$18,476	\$25,779	\$(8,896)	\$53,593	\$16,142	\$(3,141)	\$15,231	\$23,111	\$51,344
TOTAL REVENUE****	\$241,210	\$234,152	\$217,664	\$200,627	\$893,651	\$231,778	\$238,652	\$216,686	\$251,357	\$938,473

* Brokerage revenue does not include financing revenue, which is included in investment income. "Institutional Brokerage" revenue includes: cash equities, electronic trading, options, ADR, special situations and credit; "Institutional Services" revenue includes: prime services, global clearing, securities finance, soft dollar and commission recapture

** Other includes investment income and management fees

*** Includes equity, credit and macro publishing analysts

**** Total revenue is the sum of investment banking, brokerage, management fee, incentive income, investment income and other revenue

Summary Operating and Other Financial Information (Non-GAAP Unaudited) - Operating Co

\$ thousands	2019	
	Q3	Q4
SUMMARY ECONOMIC INCOME DATA (\$ thousands)		
Economic income revenue	\$216,686	\$251,357
Economic income (loss)*	\$8,289	\$17,601
Economic operating income (loss)	\$13,362	\$23,048
RETURN ON AVERAGE COMMON EQUITY		
Annualized return on average common equity**	8.0 %	13.6 %
PER COMMON SHARE INFORMATION		
Economic income per share (basic)	\$0.28	\$0.61
Economic Income per share (diluted)	\$0.27	\$0.57
Economic operating income per share (basic)	\$0.45	\$0.79
Economic operating income per share (diluted)	\$0.43	\$0.75
NON-INTEREST EXPENSES (EX. D&A)		
Compensation expenses	\$121,889	\$145,879
Non-compensation expenses	\$73,675	\$72,997
Fixed non-compensation expenses (ex. D&A)	\$36,459	\$36,245
Variable non-compensation expenses	\$37,216	\$36,752
DEPRECIATION & AMORTIZATION		
Depreciation	\$1,827	\$2,101
Amortization	\$3,246	\$3,346
EXPENSE RATIOS		
Compensation to revenue ratio	56.3 %	58.0 %
Non-compensation expenses to revenue ratio	34.0 %	29.0 %
Fixed non-compensation expense to revenue ratio (ex. D&A)	16.8 %	14.4 %
Variable non-compensation expense to revenue ratio	17.2 %	14.6 %

* Economic Income is after payment of preferred dividends, and in Financial Supplements prior to 2Q'19 this metric was labeled "Economic Income Attributable to Common Shareholders."

** See "Return on Common Equity (ROCE) Definition" page

3. ASSET CO

Revenue Metrics (Non-GAAP Unaudited) - Asset Co

<i>\$ thousands</i>	2018					2019				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
MANAGEMENT FEE	\$1,847	\$1,548	\$1,546	\$768	\$5,709	\$703	\$500	\$586	\$187	\$1,976
Monthly run rate (trailing 3 months)	\$616	\$516	\$515	\$256	\$476	\$234	\$167	\$195	\$47	\$165
INCENTIVE INCOME	\$2,158	-\$2,958	\$5,051	\$2,645	\$6,896	\$110	\$1,596	\$(1,007)	\$452	\$1,152
INVESTMENT INCOME	\$(3,932)	\$1,478	\$1,893	\$3,314	\$2,753	\$842	\$3,626	\$822	\$(2,178)	\$3,111
TOTAL REVENUE	\$297	\$158	\$8,569	\$6,785	\$15,809	\$1,691	\$5,737	\$407	\$(1,538)	\$6,297

Summary Operating and Other Financial Information (Non-GAAP Unaudited) - Asset Co

\$ thousands	2019	
	Q3	Q4
SUMMARY ECONOMIC INCOME DATA (\$ thousands)		
Economic income revenue	\$407	\$(1,538)
Economic income (loss)*	\$(2,742)	\$(5,267)
Economic operating income (loss)	\$(2,733)	\$(5,261)
RETURN ON AVERAGE COMMON EQUITY		
Annualized return on average common equity**	(23.9)%	(56.6)%
PER COMMON SHARE INFORMATION		
Economic income per share (basic)	\$(0.09)	\$(0.18)
Economic Income per share (diluted)	\$(0.09)	\$(0.17)
Economic operating income per share (basic)	\$(0.09)	\$(0.18)
Economic operating income per share (diluted)	\$(0.09)	\$(0.17)
NON-INTEREST EXPENSES (EX. D&A)		
Compensation expenses	\$731	\$687
Non-compensation expenses	\$663	\$1,311
Fixed non-compensation expenses (ex. D&A)	\$624	\$51
Variable non-compensation expenses	\$39	\$1,260
DEPRECIATION & AMORTIZATION		
Depreciation	\$9	\$6
Amortization	\$0	\$0
EXPENSE RATIOS		
Compensation to revenue ratio	179.6 %	N/A
Non-compensation expenses to revenue ratio	162.9 %	N/A
Fixed non-compensation expense to revenue ratio (ex. D&A)	153.3 %	N/A
Variable non-compensation expense to revenue ratio	9.6 %	N/A

* Economic Income is after payment of preferred dividends, and in previous Financial Supplements this metric was labeled "Economic Income Attributable to Common Shareholders." Labeling for prior reporting periods has been updated in this Financial Supplement.

** See "Return on Common Equity (ROCE) Definition" page

4. APPENDIX

Return on Common Equity (ROCE) Definition

RETURN ON COMMON EQUITY:

$$\text{Return on Common Equity} = \frac{\text{Economic Operating Income}}{\text{Average Common Equity}}$$

where:

$$\text{Economic Operating Income} = \text{Economic Income} + \text{Depreciation \& Amortization}$$

$$\text{Average Common Equity} = \frac{\text{Common Equity (Beginning of Period)} + \text{Common Equity (End of Period)}}{2}$$

Note: Economic Income is after payment of preferred dividends, and in previous Financial Supplements (prior to 2Q'19) this metric was labeled "Economic Income Attributable to Common Shareholders." Labeling for prior reporting periods have been updated in this Financial Supplement.

Definition of US GAAP to Non-GAAP Financial Measures

In addition to the results presented in the Company's earnings press release in accordance with accounting principles generally accepted in United States of America ("US GAAP"), the Company presents financial measures that are non-GAAP measures, such as Economic Income (Loss) and Economic Income (Loss) excluding certain non-cash items. The Company believes that these non-GAAP measures, viewed in addition to, and not in lieu of, the Company's reported US GAAP results, provide useful information to investors regarding its performance and overall results of operations. These metrics are an integral part of the Company's internal reporting to measure the performance of its businesses and the overall effectiveness of senior management. Reconciliations to comparable US GAAP measures are available in the schedules included in this financial supplement. The non-GAAP measures presented herein may not be comparable to similarly titled measures presented by other public companies, and are not identical to corresponding measures used in our various agreements or public filings.

Economic Income (Loss)

Economic Income (Loss) may not be comparable to similarly titled measures used by other public companies. Cowen uses Economic Income (Loss) as a measure of its operating performance, not as a measure of liquidity. Economic Income (Loss) should not be considered in isolation or as a substitute for operating income, net income, operating cash flows, investing and financing activities, or other income or cash flow statement data prepared in accordance with US GAAP. As a result of the adjustments made to arrive at Economic Income (Loss) described below, Economic Income (Loss) has limitations in that it does not take into account certain items included or excluded under US GAAP, including its consolidated funds. Economic Income (Loss) is considered by management as a supplemental measure to the US GAAP results to provide a more complete understanding of its performance as management measures it.

In general, Economic Income (Loss) is a pre-tax measure that:

Eliminates

- (i) the impact of consolidation for consolidated funds and

Excludes

- (ii) goodwill and intangible impairment
- (iii) certain other transaction-related adjustments and/or reorganization expenses and
- (iv) certain costs associated with debt

Economic Operating Income (Loss) is a similar measure but before depreciation and amortization expenses.

In addition, Economic Income (Loss) revenues *include*:

- Investment income that represents the income the Company has earned in investing its own capital, including realized and unrealized gains and losses, interest and dividends, net of associated investment related expenses
 - For US GAAP purposes, these items are included in each of their respective line items
- Management fees, incentive income and investment income earned through the Company's investment as a general partner in certain real estate entities and the Company's investment in the activist business and certain funds
 - For US GAAP purposes, all of these items, are recorded in other income (loss)
- Economic Income (Loss) presents underwriting expenses net of investment banking revenues, expenses reimbursed from clients within their respective expense category and records income from uncrystallized incentive fees. Economic Income (Loss) also records retainer fees, relating to investment banking activities, collectible during the period that would otherwise be deferred until closing for US GAAP reporting.

In addition, Economic Income (Loss) expenses are reduced by reimbursement from affiliates, which for US GAAP purposes is presented gross as part of revenue.

For a more complete description of Economic Income (Loss) and a reconciliation of US GAAP net income (loss) to Economic Income (Loss) for the periods presented and additional information regarding the reconciling adjustments, please see the End Notes in the Financial Supplement.

End Notes

The following is a summary of the adjustments made to US GAAP net income (loss) to arrive at Economic Income:

- (1) Other adjustments include reclassifications between other income (loss), non-controlling interests and interest and non-interest expenses based on the nature of the respective line item
- (2) Fund consolidation reflects the impact of consolidation. The related elimination entries of the Consolidated Funds are not included in Economic Income. Adjustments include elimination of incentive income and management fees earned from the Consolidated Funds.

Other Adjustments:

- (a) Economic Income (Loss) presents underwriting expenses net of investment banking revenues, expenses reimbursed from clients within their respective expense category. Economic Income (Loss) also records retainer fees, relating to investment banking activities, collectible during the period that would otherwise be deferred until closing for US GAAP reporting.
- (b) Economic Income (Loss) brokerage revenues included net securities borrowed and securities loaned activities which are shown gross in interest income and interest expense for US GAAP.
- (c) Economic Income (Loss) recognizes revenues (i) net of fund start-up costs and distribution fees paid to agents, (ii) records income from uncrystallized incentive fees and (iii) the Company's proportionate share of management and incentive fees of certain real estate operating entities, the healthcare royalty business and the activist business.
- (d) Economic Income (Loss) recognizes Company income from proprietary trading (including interest and dividends) for which the majority of this activity is shown in other income (loss) for US GAAP reporting.
- (e) Reimbursement from affiliates is shown as a reduction of Economic Income expenses, but is included as a part of revenues under US GAAP.
- (f) Economic Income (Loss) recognizes underwriting income from the Company's insurance related activities, net of expenses, within other revenue. The costs are recorded within expenses for US GAAP reporting.
- (g) Aircraft lease revenue is shown net of expenses in investment income for Economic Income (Loss).
- (h) Economic Income (Loss) excludes income taxes and acquisition related adjustments as management does not consider these items when evaluating the performance of the segment.
- (i) Economic Income (Loss) recognizes the Company's proportionate share of expenses, for certain real estate operating entities and the activist business, for which the investments are recorded under the equity method of accounting for investments.
- (j) Economic Income (Loss) excludes gain/(loss) on debt extinguishment.