

# FINANCIAL SUPPLEMENT

2020 Fourth Quarter

FEBRUARY 11, 2021

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## 1. COWEN INC.

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

	2018	2019				2020					
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
<i>\$ thousands</i>											
<b>INVESTMENT BANKING REVENUE</b>	<b>\$329,062</b>	<b>\$81,561</b>	<b>\$103,379</b>	<b>\$69,433</b>	<b>\$96,711</b>	<b>\$351,085</b>	<b>\$99,197</b>	<b>\$190,430</b>	<b>\$185,151</b>	<b>\$254,402</b>	<b>\$729,180</b>
M&A											
Revenue	\$81,733	\$26,984	\$11,021	\$16,373	\$28,773	\$83,152	\$19,773	\$30,983	\$32,476	\$87,669	\$170,901
Total transactions	30	10	9	13	16	48	12	9	10	17	48
Average fee (implied)	\$2,724	\$2,698	\$1,225	\$1,259	\$1,798	1,732	\$1,648	\$3,443	\$3,248	\$5,157	3,560
Median fee	\$1,800	\$1,117	\$876	\$1,059	\$1,188	\$1,008	\$1,201	\$1,295	\$1,685	\$2,800	\$1,723
Transaction value (in M)	\$10,889	\$7,207	\$716	\$927	\$1,592	\$10,443	\$1,114	\$4,742	\$6,011	\$25,641	\$37,508
Total Capital Markets Revenue	\$247,329	\$54,577	\$92,358	\$53,060	\$67,938	\$267,933	\$79,424	\$159,447	\$152,675	\$166,733	\$558,279
Capital Markets Underwriting <sup>1</sup>											
Revenue	--	\$47,477	\$72,402	\$39,874	\$59,144	\$218,897	\$65,725	\$134,736	\$123,053	\$116,620	\$440,135
Total transactions	--	25	42	22	25	114	24	48	50	44	166
Average fee (implied)	--	\$1,899	\$1,724	\$1,812	\$2,366	\$1,920	\$2,739	\$2,807	\$2,461	\$2,650	\$2,651
Median fee	--	\$1,478	\$1,527	\$1,300	\$1,924	\$1,477	\$2,309	\$2,206	\$2,033	\$1,690	\$2,007
Capital Markets Advisory <sup>2</sup>											
Revenue	--	\$7,100	\$19,956	\$13,186	\$8,794	\$49,036	\$13,699	\$24,711	\$29,622	\$50,113	\$118,145
Total transactions	--	5	5	8	9	27	7	7	11	12	37
Average fee (implied)	--	\$1,420	\$3,991	\$1,648	\$977	\$1,816	\$1,957	\$3,530	\$2,693	\$4,176	\$3,193
Median fee	--	\$700	\$1,500	\$1,173	\$666	\$900	\$1,350	\$1,880	\$2,250	\$3,465	\$2,225
<b>BROKERAGE REVENUE</b>	<b>\$467,117</b>	<b>\$111,872</b>	<b>\$124,044</b>	<b>\$110,180</b>	<b>\$113,047</b>	<b>\$459,143</b>	<b>\$132,672</b>	<b>\$167,067</b>	<b>\$167,084</b>	<b>\$185,824</b>	<b>\$652,647</b>
Institutional brokerage <sup>3</sup>	\$327,578	\$78,304	\$89,303	\$75,907	\$80,451	\$323,965	\$97,961	\$119,064	\$113,313	\$132,344	\$462,682
Institutional services	\$139,539	\$33,568	\$34,741	\$34,273	\$32,596	\$135,178	\$34,711	\$48,003	\$53,771	\$53,480	\$189,965
Prime Services Management Fees <sup>4</sup>	\$3,158	\$663	\$754	\$808	\$771	\$2,996	\$826	\$647	\$802	\$792	\$3,067
Miscellaneous Markets Fees <sup>4</sup>	\$2,215	\$899	\$478	\$758	\$1,279	\$3,414	-\$1,113	\$1,448	-\$445	\$1,730	\$1,620
Total Markets Revenue <sup>4</sup>	\$472,490	\$113,434	\$125,276	\$111,746	\$115,097	\$465,553	\$132,385	\$169,162	\$167,441	\$188,346	\$657,334
Markets revenue per trading day	\$1,870	\$1,849	\$1,977	\$1,733	\$1,786	\$1,836	\$2,122	\$2,675	\$2,604	\$2,931	\$2,598
# Trading days	251	61	63	64	64	252	62	63	64	64	253
# Publishing analysts <sup>5</sup>	51	52	52	53	52	52	53	54	54	53	53
<b>MANAGEMENT FEE</b>	<b>\$49,175</b>	<b>\$10,430</b>	<b>\$10,468</b>	<b>\$10,907</b>	<b>\$10,492</b>	<b>\$42,297</b>	<b>\$13,320</b>	<b>\$14,402</b>	<b>\$14,636</b>	<b>\$16,742</b>	<b>\$59,100</b>
Monthly run rate for period	\$4,098	\$3,477	\$3,489	\$3,636	\$3,497	\$3,525	\$4,440	\$4,801	\$4,879	\$5,581	\$4,925
<b>INCENTIVE INCOME</b>	<b>\$23,304</b>	<b>\$16,291</b>	<b>\$4,080</b>	<b>\$14,389</b>	<b>\$10,973</b>	<b>\$45,732</b>	<b>(\$4,086)</b>	<b>\$46,375</b>	<b>(\$1,302)</b>	<b>\$44,375</b>	<b>\$85,362</b>
<b>INVESTMENT INCOME</b>	<b>\$41,528</b>	<b>\$10,269</b>	<b>\$(2,887)</b>	<b>\$11,734</b>	<b>\$16,611</b>	<b>\$35,726</b>	<b>\$(31,103)</b>	<b>\$140,486</b>	<b>\$(90,488)</b>	<b>\$10,328</b>	<b>\$29,222</b>
<b>OTHER REVENUE</b>	<b>\$(1,169)</b>	<b>\$1,159</b>	<b>\$4,318</b>	<b>\$(126)</b>	<b>\$491</b>	<b>\$5,843</b>	<b>\$562</b>	<b>\$(60)</b>	<b>\$(794)</b>	<b>\$1,074</b>	<b>\$780</b>
<b>TOTAL REVENUE<sup>6</sup></b>	<b>\$909,017</b>	<b>\$231,582</b>	<b>\$243,402</b>	<b>\$216,517</b>	<b>\$248,325</b>	<b>\$939,827</b>	<b>\$210,562</b>	<b>\$558,700</b>	<b>\$274,287</b>	<b>\$512,745</b>	<b>\$1,556,291</b>

1) "Capital Markets Underwriting" includes IPOs, secondary offerings, convertible bonds, ATM offerings and publicly rated debt

2) "Capital Markets Advisory" includes private placements, PIPEs, private debt financings, debt advisory and other advisory fees

3) "Institutional Brokerage" includes: cash and electronic trading, options, ADR, special situations and credit; "Institutional Services" includes: prime services, clearing, securities finance, commission management and recapture.

4) "Markets Revenue" includes brokerage revenue as well as management fees for prime services and miscellaneous fees presented in management fees and other revenue in economic income (loss) respectively

5) Includes equity, credit and macro publishing analysts

6) 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					2020				
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
<b>SUMMARY ECONOMIC INCOME DATA (\$ thousands)</b>											
Economic income revenue	\$909,017	\$231,582	\$243,402	\$216,517	\$248,325	\$939,827	\$210,562	\$558,700	\$274,287	\$512,745	\$1,556,291
Economic income (loss)*	\$68,900	\$13,386	\$14,497	\$4,970	\$10,845	\$43,698	\$(12,580)	\$161,264	\$31,762	\$132,800	\$313,245
Economic operating income (loss)	\$80,483	\$18,341	\$19,447	\$10,051	\$16,298	\$64,137	\$(7,145)	\$166,927	\$37,437	\$138,705	\$335,922
<b>RETURN ON AVERAGE COMMON EQUITY</b>											
Annualized return on average common equity**	11.8 %	10.4 %	10.9 %	5.6 %	9.1 %	9.0 %	(4.1)%	90.0 %	18.6 %	66.1 %	43.4 %
<b>PER COMMON SHARE INFORMATION</b>											
Economic income per share (basic)	\$2.33	\$0.45	\$0.49	\$0.17	\$0.37	\$1.48	\$(0.44)	\$5.76	\$1.15	\$4.93	\$11.19
Economic Income per share (diluted)	\$2.24	\$0.42	\$0.46	\$0.16	\$0.35	\$1.40	\$(0.44)	\$5.50	\$1.06	\$4.38	\$10.60
Economic operating income per share (basic)	\$2.72	\$0.62	\$0.65	\$0.34	\$0.56	\$2.17	\$(0.25)	\$5.97	\$1.35	\$5.15	\$12.00
Economic operating income per share (diluted)	\$2.62	\$0.58	\$0.62	\$0.32	\$0.53	\$2.05	\$(0.25)	\$5.69	\$1.25	\$4.58	\$11.38
<b>NON-INTEREST EXPENSES (EX. D&amp;A)</b>											
Compensation expenses	\$509,619	\$131,945	\$136,409	\$122,619	\$146,562	\$537,535	\$125,707	\$305,082	\$153,786	\$279,947	\$864,520
Non-compensation expenses	\$285,460	\$72,010	\$77,883	\$74,339	\$74,308	\$298,540	\$80,784	\$75,682	\$72,126	\$83,930	\$312,523
Fixed non-compensation expenses (ex. D&A)	\$141,814	\$34,877	\$38,415	\$37,083	\$36,296	\$146,671	\$37,484	\$34,860	\$34,384	\$39,845	\$146,574
Variable non-compensation expenses	\$143,646	\$37,133	\$39,468	\$37,256	\$38,012	\$151,869	\$43,300	\$40,822	\$37,742	\$44,085	\$165,949
<b>DEPRECIATION &amp; AMORTIZATION</b>											
Depreciation	\$6,572	\$1,673	\$1,694	\$1,836	\$2,107	\$7,310	\$2,240	\$2,389	\$3,227	\$2,598	\$10,454
Amortization	\$5,011	\$3,273	\$3,258	\$3,246	\$3,346	\$13,122	\$3,194	\$3,274	\$2,448	\$3,307	\$12,223
<b>EXPENSE RATIOS</b>											
Compensation to revenue ratio	56.1 %	57.0 %	56.0 %	56.6 %	59.0 %	57.2 %	59.7 %	54.6 %	56.1 %	54.6 %	55.6 %
Non-compensation expenses to revenue ratio	31.4 %	31.1 %	32.0 %	34.3 %	29.9 %	31.8 %	38.4 %	13.5 %	26.3 %	16.4 %	20.1 %
Fixed non-compensation expense to revenue ratio (ex. D&A)	15.6 %	15.1 %	15.8 %	17.1 %	14.6 %	15.6 %	17.8 %	6.2 %	12.5 %	7.8 %	9.4 %
Variable non-compensation expense to revenue ratio	15.8 %	16.0 %	16.2 %	17.2 %	15.3 %	16.2 %	20.6 %	7.3 %	13.8 %	8.6 %	10.7 %

\* Economic Income is after accrual 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					2020				
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
<b>INVESTED CAPITAL BREAKDOWN*</b>											
Operating Co	\$547,484	\$442,459	\$528,908	\$570,987	\$580,600	\$530,739	\$539,867	\$711,762	\$784,204	\$722,758	\$689,648
Asset Co	\$194,341	\$192,341	\$149,036	\$145,019	\$137,000	\$155,849	\$126,683	\$124,421	\$127,713	\$131,030	\$127,462
<b>Total invested capital</b>	<b>\$741,825</b>	<b>\$634,800</b>	<b>\$677,944</b>	<b>\$716,006</b>	<b>\$717,600</b>	<b>\$686,588</b>	<b>\$666,550</b>	<b>\$836,183</b>	<b>\$911,917</b>	<b>\$853,788</b>	<b>\$817,110</b>
<b>SUMMARY STOCKHOLDERS' EQUITY INFORMATION</b>											
<b>Stockholders' Equity</b>	\$794,407	\$814,782	\$817,424	\$817,055	\$809,855	\$809,855	\$784,803	\$901,685	\$911,180	\$969,497	\$969,497
Less:											
Preferred Stock	\$101,316	\$101,316	\$101,316	\$101,316	\$101,316	\$101,316	\$101,316	\$101,316	\$101,316	\$101,316	\$101,316
<b>Common Equity</b>	<b>\$693,091</b>	<b>\$713,466</b>	<b>\$716,108</b>	<b>\$715,739</b>	<b>\$708,539</b>	<b>\$708,539</b>	<b>\$683,487</b>	<b>\$800,369</b>	<b>\$809,864</b>	<b>\$868,181</b>	<b>\$868,181</b>
<b>Book value per share</b>	<b>\$24.37</b>	<b>\$24.12</b>	<b>\$24.29</b>	<b>\$24.67</b>	<b>\$24.77</b>	<b>\$24.77</b>	<b>\$24.74</b>	<b>\$28.96</b>	<b>\$30.48</b>	<b>\$32.34</b>	<b>\$32.34</b>
<b>Tangible book value per per share</b>	<b>\$21.36</b>	<b>\$17.84</b>	<b>\$18.24</b>	<b>\$18.63</b>	<b>\$18.72</b>	<b>\$18.72</b>	<b>\$18.60</b>	<b>\$22.94</b>	<b>\$24.32</b>	<b>\$25.95</b>	<b>\$25.95</b>
<b>OTHER DATA</b>											
Common shares outstanding (end of period)	28,438	29,581	29,480	29,013	28,610	28,610	27,628	27,642	26,569	26,846	26,846
Common shares outstanding (weighted average)											
Basic	29,545	29,750	29,769	29,529	29,046	29,525	28,598	27,983	27,663	26,934	27,790
Diluted	30,735	31,625	31,522	31,264	30,722	31,286	28,598	29,316	29,970	30,316	29,519
Employees, end of period	1,134	1,223	1,240	1,299	1,291	1,291	1,313	1,294	1,330	1,364	1,364

\* Full year invested capital is the quarterly average for the respective period

# Reconciliation of US GAAP and Economic Income (Non-GAAP Unaudited) Three Months Ending December 31, 2020

(Dollars amounts in thousands)

	US GAAP		Reclassifications and Adjustments		Economic Income		
	Net income (loss)	Management Reclassifications	Fund Consolidation Reclassifications (l)	Income Statement Adjustments	Total Economic Income/(Loss)	Operating Company	Asset Company
<b>Revenues</b>							
Investment banking	\$ 266,135	\$ (11,733)	(a) (b)	\$ —	\$ 254,402	\$ 254,402	\$ —
Brokerage	147,479	38,345	(c)(d)(i)	—	185,824	185,824	—
Management fees	12,304	2,899	(d)(e)	1,539	16,742	16,430	312
Incentive income (loss)	465	43,910	(d)(e)(f)	—	44,375	42,606	1,769
Investment income (loss)	—	10,328	(g)(i)	—	10,328	5,220	5,108
Interest and dividends	59,912	(59,912)	(c)(g)(i)	—	—	—	—
Reimbursement from affiliates	271	(271)	(b)	—	—	—	—
Reinsurance premiums	11,204	(11,204)	(h)	—	—	—	—
Other revenue	3,912	(2,824)	(d)(g)(h)	(14)	1,074	1,073	1
Consolidated Funds revenues	1,238	—	—	(1,238)	—	—	—
<b>Total revenues</b>	<b>502,920</b>	<b>9,538</b>		<b>287</b>	<b>512,745</b>	<b>505,555</b>	<b>7,190</b>
Interest expense (Economic Income/(Loss)) / Interest and dividend expense (US GAAP)	61,875	(53,613)	(c)(g)(i)	—	7,157	6,048	1,109
<b>Total net revenues</b>	<b>441,045</b>	<b>63,151</b>		<b>287</b>	<b>505,588</b>	<b>499,507</b>	<b>6,081</b>
<b>Expenses</b>							
Compensation & benefits	277,394	2,553	(j)(k)	—	279,947	278,273	1,674
Fixed non-compensation expense	—	46,558	(e)(*)	—	39,845	39,895	(50)
Variable non-compensation expense	—	44,085	(*)	—	44,085	44,081	4
Other non-compensation expense	117,079	(117,079)	(a),(b),(d),(g),(h),(i),(j),(*)	—	—	—	—
Depreciation & amortization	5,353	—	—	552	5,905	5,900	5
Non-controlling interest	—	1,308	(k)	—	1,308	1,308	—
Consolidated Funds expenses	616	—	—	(616)	—	—	—
<b>Total expenses</b>	<b>400,442</b>	<b>(22,575)</b>		<b>(616)</b>	<b>371,090</b>	<b>369,457</b>	<b>1,633</b>
<b>Other income (loss)</b>	<b>99,892</b>	<b>(95,794)</b>	(e)(f)(g)(i)	<b>(1,379)</b>	<b>(2,719)</b>	<b>—</b>	<b>—</b>
<b>Income taxes expense / (benefit)</b>	<b>37,784</b>	<b>—</b>	—	<b>(37,784)</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Income (loss) attributable to non-controlling interests in consolidated subsidiaries and investment funds</b>	<b>10,544</b>	<b>(10,068)</b>	(k)	<b>(476)</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Income (loss) attributable to Cowen Inc.</b>	<b>92,167</b>	<b>—</b>	—	<b>42,331</b>	<b>134,498</b>	<b>130,050</b>	<b>4,448</b>
Less: Preferred stock dividends	1,698	—	—	—	1,698	1,443	255
<b>Economic Income (Loss)/ Income (loss) attributable to Cowen Inc. common stockholders</b>	<b>\$ 90,469</b>	<b>\$ —</b>		<b>\$ —</b>	<b>\$ 132,800</b>	<b>128,607</b>	<b>4,193</b>
Add back: Depreciation and amortization expense	—	—	—	—	5,905	5,900	5
<b>Economic Operating Income (Loss)</b>					<b>\$ 138,705</b>	<b>\$ 134,507</b>	<b>\$ 4,198</b>

# Reconciliation of US GAAP and Economic Income (Non-GAAP Unaudited) Three Months Ending December 31, 2019

(Dollars amounts in thousands)

	US GAAP		Reclassifications and Adjustments				Economic Income		
	Net income (loss)	Management Reclassifications	Fund Consolidation Reclassifications (l)	Income Statement Adjustments	Total Economic Income/(Loss)	Operating Company	Asset Company		
<b>Revenues</b>									
Investment banking	\$ 102,922	\$ (6,211)	(a)(b)(i)	\$ —	\$ —	\$ 96,711	\$ 96,711	\$ —	
Brokerage	99,907	13,140	(c)(i)	—	—	113,047	113,047	—	
Management fees	11,128	(1,265)	(d)(e)	629	—	10,492	10,305	187	
Incentive income (loss)	823	10,107	(e)(f)	43	—	10,973	10,603	370	
Investment income (loss)	—	16,610	(g)(i)	—	—	16,610	18,788	(2,178)	
Interest and dividends	45,067	(45,067)	(c)(g)(i)	—	—	—	—	—	
Reimbursement from affiliates	246	(274)	(b)	28	—	—	—	—	
Reinsurance premiums	17,267	(17,267)	(g)	—	—	—	—	—	
Other revenue	2,205	(1,714)	(h)	—	—	491	490	1	
Consolidated Funds revenues	1,570	—	(d)(g)(h)	(1,570)	—	—	—	—	
<b>Total revenues</b>	<b>281,135</b>	<b>(31,941)</b>		<b>(870)</b>	<b>—</b>	<b>248,324</b>	<b>249,944</b>	<b>(1,620)</b>	
Interest expense (Economic Income/(Loss)) / Interest and dividend expense (US GAAP)	43,539	(34,843)	(c)(g)(i)	—	(1,089) (m)	7,607	6,205	1,402	
<b>Total net revenues</b>	<b>237,596</b>	<b>2,902</b>		<b>(870)</b>	<b>1,089</b>	<b>240,717</b>	<b>243,739</b>	<b>(3,022)</b>	
<b>Expenses</b>									
Compensation & benefits	147,161	(599)	(j)(k)	—	—	146,562	145,875	687	
Fixed non-compensation expense	—	37,288	(e)(*)	—	(992) (n)	36,296	36,245	51	
Variable non-compensation expense	—	38,012	(*)	—	—	38,012	36,752	1,260	
Other non-compensation expense	103,515	(103,515)	(a),(b),(d),(g),(h),(j),(i),(*)	—	—	—	—	—	
Depreciation & amortization	5,470	(17)		—	—	5,453	5,447	6	
Non-controlling interest	—	1,852	(k)	—	—	1,852	1,852	—	
Consolidated Funds expenses	2,734	—		(2,734)	—	—	—	—	
<b>Total expenses</b>	<b>258,880</b>	<b>(26,979)</b>		<b>(2,734)</b>	<b>(992)</b>	<b>228,175</b>	<b>226,171</b>	<b>2,004</b>	
<b>Other income (loss)</b>	<b>55,796</b>	<b>(28,202)</b>	(e)(f)(g)(i)	<b>(27,594)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	
<b>Income taxes expense / (benefit)</b>	<b>5,238</b>	<b>—</b>		<b>—</b>	<b>(5,238) (p)</b>	<b>—</b>	<b>—</b>	<b>—</b>	
<b>Income (loss) attributable to non-controlling interests in consolidated subsidiaries and investment funds</b>	<b>24,051</b>	<b>1,679</b>	(k)	<b>(25,730)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	
<b>Income (loss) attributable to Cowen Inc.</b>	<b>5,223</b>	<b>—</b>		<b>—</b>	<b>7,319</b>	<b>12,542</b>	<b>17,568</b>	<b>(5,026)</b>	
Less: Preferred stock dividends	1,698	—		—	—	1,698	1,375	323	
<b>Economic Income (Loss)/ Income (loss) attributable to Cowen Inc. common stockholders</b>	<b>\$ 3,525</b>	<b>\$ —</b>		<b>\$ —</b>	<b>\$ 7,319</b>	<b>10,844</b>	<b>16,193</b>	<b>(5,349)</b>	
Add back: Depreciation and amortization expense						5,453	5,447	6	
<b>Economic Operating Income (Loss)</b>						<b>\$ 16,297</b>	<b>\$ 21,640</b>	<b>\$ (5,343)</b>	



# Reconciliation of US GAAP and Economic Income (Non-GAAP Unaudited) Twelve Months Ending December 31, 2020

(Dollars amounts in thousands)

	US GAAP		Reclassifications and Adjustments		Economic Income		
	Net income (loss)	Management Reclassifications	Fund Consolidation Reclassifications (l)	Income Statement Adjustments	Total Economic Income/ (Loss)	Operating Company	Asset Company
<b>Revenues</b>							
Investment banking	\$ 769,486	\$ (40,306) (a) (b)	\$ —	\$ —	\$ 729,180	\$ 729,180	\$ —
Brokerage	572,548	80,099 (c)(d)(i)	—	—	652,647	652,647	—
Management fees	47,515	8,570 (d)(e)	3,015	—	59,100	58,154	946
Incentive income (loss)	592	84,737 (d)(e)(f)	33	—	85,362	83,435	1,927
Investment income (loss)	—	29,222 (g)(i)	—	—	29,222	37,786	(8,564)
Interest and dividends	187,459	(187,459) (c)(g)(i)	—	—	—	—	—
Reimbursement from affiliates	1,048	(1,098) (b)	50	—	—	—	—
Reinsurance premiums	30,147	(30,147) (h)	—	—	—	—	—
Other revenue	8,621	(7,806) (d)(g)(h)	(35)	—	780	775	5
Consolidated Funds revenues	5,888	—	(5,888)	—	—	—	—
<b>Total revenues</b>	<b>1,623,304</b>	<b>(64,188)</b>	<b>(2,825)</b>	<b>—</b>	<b>1,556,291</b>	<b>1,561,977</b>	<b>(5,686)</b>
Interest and dividend expense	187,725	(153,584) (c)(g)(i)	—	(4,499) (m)	29,642	24,519	5,123
<b>Total net revenues</b>	<b>1,435,579</b>	<b>89,396</b>	<b>(2,825)</b>	<b>4,499</b>	<b>1,526,649</b>	<b>1,537,458</b>	<b>(10,809)</b>
<b>Expenses</b>							
Compensation & benefits	860,531	3,989 (j)(k)	—	—	864,520	860,753	3,767
Fixed non-compensation expense	—	158,095 (e),(*)	—	(11,521) (n)(o)	146,574	146,246	328
Variable non-compensation expense	—	165,949 (*)	—	—	165,949	165,927	22
Other non-compensation expense	403,745	(403,745) (a),(b),(d), (g),(h),(j),(i),(*)	—	—	—	—	—
Depreciation & amortization	22,677	—	—	—	22,677	22,655	22
Non-controlling interest	—	6,892 (k)	—	—	6,892	6,892	—
Consolidated Funds expenses	5,409	—	(5,409)	—	—	—	—
<b>Total expenses</b>	<b>1,292,362</b>	<b>(68,820)</b>	<b>(5,409)</b>	<b>(11,521)</b>	<b>1,206,612</b>	<b>1,202,473</b>	<b>4,139</b>
<b>Other income (loss)</b>	<b>154,220</b>	<b>(177,800) (e)(f)(g)(i)</b>	<b>26,299</b>	<b>(2,719) (q)</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Income taxes expense / (benefit)</b>	<b>90,373</b>	<b>—</b>	<b>—</b>	<b>(90,373) (p)</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Income (loss) attributable to non-controlling interests in consolidated subsidiaries and investment funds</b>	<b>(9,299)</b>	<b>(19,584) (k)</b>	<b>28,883</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Income (loss) attributable to Cowen Inc.</b>	<b>\$ 216,363</b>	<b>—</b>	<b>—</b>	<b>103,674</b>	<b>320,037</b>	<b>334,985</b>	<b>(14,948)</b>
Less: Preferred stock dividends	6,792	—	—	—	6,792	5,604	1,188
<b>Economic Income (Loss)/ Income (loss) attributable to Cowen Inc. common stockholders</b>	<b>\$ 209,571</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 103,674</b>	<b>313,245</b>	<b>329,381</b>	<b>(16,136)</b>
Add back: Depreciation and amortization expense					22,677	22,655	22
<b>Economic Operating Income (Loss)</b>					<b>\$ 335,922</b>	<b>\$ 352,036</b>	<b>\$ (16,114)</b>

**COWEN**

# Reconciliation of US GAAP and Economic Income (Non-GAAP Unaudited) Twelve Months Ending December 31, 2019

(Dollars amounts in thousands)

	US GAAP		Reclassifications and Adjustments			Economic Income		
	Net income (loss)	Management Reclassifications	Fund Consolidation Reclassifications (l)	Income Statement Adjustments	Total Economic Income/(Loss)	Operating Company	Asset Company	
<b>Revenues</b>								
Investment banking	\$ 375,025	\$ (23,940)	(a)(b)(i)	\$ —	\$ —	\$ 351,085	\$ 351,085	\$ —
Brokerage	402,747	56,396	(c)(i)	—	—	459,143	459,143	—
Management fees	32,608	7,419	(d)(e)	2,270	—	42,297	40,321	1,976
Incentive income (loss)	1,547	43,585	(e)(f)	600	—	45,732	44,600	1,132
Investment income (loss)	—	35,725	(g)(i)	—	—	35,725	32,614	3,111
Interest and dividends	174,913	(174,913)	(c)(g)(i)	—	—	—	—	—
Reimbursement from affiliates	1,026	(1,148)	(b)	122	—	—	—	—
Reinsurance premiums	46,335	(46,335)	(h)	—	—	—	—	—
Other revenue	5,433	395	(d)(g)(h)	15	—	5,843	5,785	58
Consolidated Funds revenues	9,809	—		(9,809)	—	—	—	—
Total revenues	1,049,443	(102,816)		(6,802)	—	939,825	933,548	6,277
Interest expense (Economic Income/(Loss)) / Interest and dividend expense (US GAAP)	168,628	(136,306)	(c)(g)(i)	—	(4,297) (m)	28,025	22,576	5,449
<b>Total net revenues</b>	880,815	33,490		(6,802)	4,297	911,800	910,972	828
<b>Expenses</b>								
Compensation & benefits	535,772	1,766	(j)(k)	—	—	537,538	532,468	5,070
Fixed non-compensation expense	—	149,279	(e)(*)	—	(2,608) (n)	146,671	144,134	2,537
Variable non-compensation expense	—	151,867	(*)	—	—	151,867	150,480	1,387
Other non-compensation expense	379,569	(379,569)	(a),(b),(d),(g),(h),(j),(l),(*)	—	—	—	—	—
Depreciation & amortization	20,460	(21)		—	—	20,439	20,403	36
Non-controlling interest	—	4,796	(k)	—	—	4,796	4,796	—
Goodwill impairment	4,100	—		—	(4,100) (o)	—	—	—
Consolidated Funds expenses	8,963	—		(8,963)	—	—	—	—
<b>Total expenses</b>	948,864	(71,882)		(8,963)	(6,708)	861,311	852,281	9,030
<b>Other income (loss)</b>	138,772	(102,107)	(e)(f)(g)(i)	(36,665)	—	—	—	—
<b>Income taxes expense / (benefit)</b>	14,853	—		—	(14,853) (p)	—	—	—
<b>Income (loss) attributable to non-controlling interests in consolidated subsidiaries and investment funds</b>	31,239	3,265	(k)	(34,504)	—	—	—	—
<b>Income (loss) attributable to Cowen Inc.</b>	24,631	—		—	25,858	50,489	58,691	(8,202)
Less: Preferred stock dividends	6,792	—		—	—	6,792	5,434	1,358
<b>Economic Income (Loss)/ Income (loss) attributable to Cowen Inc. common stockholders</b>	\$ 17,839	\$ —		\$ —	\$ 25,858	43,697	53,257	(9,560)
Add back: Depreciation and amortization expense						20,439	20,403	36
<b>Economic Operating Income (Loss)</b>						\$ 64,136	\$ 73,660	\$ (9,524)

**COWEN**

# Adjustments Made to US GAAP Net Income (Loss) to Arrive at Economic Income (Loss)

## **Management Reclassifications**

*Management reclassification adjustments and fund consolidation reclassification adjustments have no effect on economic income. These adjustments are reclassifications to change the location of certain line items.*

- a Underwriting expenses: Economic Income (Loss) presents underwriting expenses net of investment banking revenues.
- b Reimbursable client expenses: Economic Income (Loss) presents expenses reimbursed from clients and affiliates within their respective expense category but is included as a part of revenues under US GAAP.
- c Securities financing interest expense: 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.
- d Fund start-up costs and distribution fees: Economic Income (Loss) presents revenues net of fund start-up costs and distribution fees paid to agents.
- e Certain equity method investments: Economic Income (Loss) recognizes the Company's proportionate share of management and incentive fees and associated share of expenses on a gross basis for equity method investments within the activist business, real estate operating entities and the healthcare royalty business. The Company applies the equity method of accounting to these entities and accordingly the results from these businesses are recorded within Other Income (Loss) for US GAAP.
- f Carried interest: The Company applies an equity ownership model to carried interest which is recorded in Other Income (Loss) for US GAAP. The Company presents carried interest as incentive income for Economic Income (Loss).
- g Proprietary trading gains and losses: 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.
- h Insurance related activities expenses: 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.
- i Facilitation trading gains and losses: Economic Income (Loss) recognizes gains and losses on investments held as part of the Company's facilitation and trading business within brokerage revenues as these investments are directly related to the markets business activities.
- j Associated partner/banker compensation reclassification: Economic Income (Loss) presents certain payments to associated banking partners as compensation rather than non-compensation expenses.
- k Management company non-controlling interest: The Company also presents US GAAP Income (Loss) attributable to non-controlling interests within total other expenses for Economic Income (Loss).
- \* US GAAP other non-compensation expenses are presented as fixed non-compensation and variable non-compensation for Economic Income (Loss) reporting.

## **Fund Consolidation Reclassifications**

- l The impacts of consolidation and the related elimination entries of the Consolidated Funds are not included in Economic Income (Loss). Adjustments to reconcile to US GAAP Net Income (Loss) included elimination of incentive income and management fees earned from the Consolidated Funds and addition of investment fund expenses excluding management fees paid, investment fund revenues and investment income (loss).

## **Income Statement Adjustments**

- m Economic Income (Loss) excludes the amortization of discount (premium) on debt.
- n Economic Income (Loss) excludes acquisition related adjustments.
- o Economic Income (Loss) excludes goodwill and intangible impairment.
- p Economic Income (Loss) excludes income taxes.
- q Economic Income (Loss) excludes gain/(loss) on debt extinguishment.

## 2. OPERATING CO

# Revenue Metrics (Non-GAAP Unaudited) - Operating Co

	2018	2019				2020					
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
\$ thousands											
<b>INVESTMENT BANKING REVENUE</b>	<b>\$329,062</b>	<b>\$81,561</b>	<b>\$103,379</b>	<b>\$69,433</b>	<b>\$96,711</b>	<b>\$351,085</b>	<b>\$99,197</b>	<b>\$190,430</b>	<b>\$185,151</b>	<b>\$254,402</b>	<b>\$729,180</b>
M&A											
Revenue	\$81,733	\$26,984	\$11,021	\$16,373	\$28,773	\$83,152	\$19,773	\$30,983	\$32,476	\$87,669	\$170,901
Total transactions	30	10	9	13	16	48	12	9	10	17	48
Average fee (implied)	\$2,724	\$2,698	\$1,225	\$1,259	\$1,798	\$1,732	\$1,648	\$3,443	\$3,248	\$5,157	\$3,560
Median fee	\$1,800	\$1,117	\$876	\$1,059	\$1,188	\$1,008	\$1,201	\$1,295	\$1,685	\$2,800	\$1,723
Transaction value (in B)	\$10,889	\$7,207	\$716	\$927	\$1,592	\$10,443	\$1,114	\$4,742	\$6,011	\$25,641	\$37,508
Total Capital Markets Revenue	\$247,329	\$54,577	\$92,358	\$53,060	\$67,938	\$267,933	\$79,424	\$159,447	\$152,675	\$166,733	\$558,279
Capital Markets Underwriting <sup>1</sup>											
Revenue	--	\$47,477	\$72,402	\$39,874	\$59,144	\$218,897	\$65,725	\$134,736	\$123,053	\$116,620	\$440,135
Total transactions	--	25	42	22	25	114	24	48	50	44	166
Average fee (implied)	--	\$1,899	\$1,724	\$1,812	\$2,366	\$1,920	\$2,739	\$2,807	\$2,461	\$2,650	\$2,651
Median fee	--	\$1,478	\$1,527	\$1,300	\$1,924	\$1,477	\$2,309	\$2,206	\$2,033	\$1,690	\$2,007
Capital Markets Advisory <sup>2</sup>											
Revenue	--	\$7,100	\$19,956	\$13,186	\$8,794	\$49,036	\$13,699	\$24,711	\$29,622	\$50,113	\$118,145
Total transactions	--	5	5	8	9	27	7	7	11	12	37
Average fee (implied)	--	\$1,420	\$3,991	\$1,648	\$977	\$1,816	\$1,957	\$3,530	\$2,693	\$4,176	\$3,193
Median fee	--	\$700	\$1,500	\$1,173	\$666	\$900	\$1,350	\$1,880	\$2,250	\$3,465	\$2,225
<b>BROKERAGE REVENUE</b>	<b>\$467,117</b>	<b>\$111,872</b>	<b>\$124,044</b>	<b>\$110,180</b>	<b>\$113,047</b>	<b>\$459,143</b>	<b>\$132,672</b>	<b>\$167,067</b>	<b>\$167,084</b>	<b>\$185,824</b>	<b>\$652,647</b>
Institutional brokerage <sup>3</sup>	\$327,578	\$78,304	\$89,303	\$75,907	\$80,451	\$323,965	\$97,961	\$119,064	\$113,313	\$132,344	\$462,682
Institutional services	\$139,539	\$33,568	\$34,741	\$34,273	\$32,596	\$135,178	\$34,711	\$48,003	\$53,771	\$53,480	\$189,965
Prime Services Management Fees <sup>4</sup>	\$3,158	\$663	\$754	\$808	\$771	\$2,996	\$826	\$647	\$802	\$792	\$3,067
Miscellaneous Markets Fees <sup>4</sup>	\$2,215	\$899	\$478	\$758	\$1,279	\$3,414	-\$1,113	\$1,448	(\$445)	\$1,730	\$1,620
Total Markets Revenue <sup>4</sup>	\$472,490	\$113,434	\$125,276	\$111,746	\$115,097	\$465,553	\$132,385	\$169,162	\$167,441	\$188,346	\$657,334
Markets revenue per trading day	\$1,870	\$1,849	\$1,977	\$1,733	\$1,786	\$1,836	\$2,122	\$2,675	\$2,604	\$2,931	\$2,598
# Trading days	251	61	63	64	64	252	62	63	64	64	253
# Publishing analysts <sup>5</sup>	51	52	52	53	52	52	53	54	54	53	53
<b>MANAGEMENT FEE</b>	<b>\$43,466</b>	<b>\$9,727</b>	<b>\$9,968</b>	<b>\$10,321</b>	<b>\$10,305</b>	<b>\$40,321</b>	<b>\$13,116</b>	<b>\$14,234</b>	<b>\$14,374</b>	<b>\$16,430</b>	<b>\$58,154</b>
Monthly run rate (trailing 3 months)	\$3,622	\$3,242	\$3,323	\$3,440	\$3,435	\$3,360	\$4,372	\$4,745	\$4,791	\$5,477	\$4,846
<b>INCENTIVE INCOME</b>	<b>\$16,270</b>	<b>\$16,131</b>	<b>\$2,615</b>	<b>\$15,251</b>	<b>\$10,603</b>	<b>\$44,600</b>	<b>-\$1,942</b>	<b>\$45,392</b>	<b>(\$2,621)</b>	<b>\$42,606</b>	<b>\$83,435</b>
<b>INVESTMENT INCOME</b>	<b>\$38,776</b>	<b>\$9,427</b>	<b>\$(6,513)</b>	<b>\$10,912</b>	<b>\$18,789</b>	<b>\$32,615</b>	<b>\$(19,449)</b>	<b>\$142,379</b>	<b>\$(90,364)</b>	<b>\$5,220</b>	<b>\$37,786</b>
<b>OTHER REVENUE</b>	<b>\$(1,619)</b>	<b>\$1,124</b>	<b>\$4,304</b>	<b>\$(132)</b>	<b>\$490</b>	<b>\$5,785</b>	<b>\$562</b>	<b>\$(62)</b>	<b>\$(796)</b>	<b>\$1,073</b>	<b>\$775</b>
<b>TOTAL REVENUE<sup>6</sup></b>	<b>\$893,072</b>	<b>\$229,842</b>	<b>\$237,797</b>	<b>\$215,965</b>	<b>\$249,945</b>	<b>\$933,550</b>	<b>\$224,156</b>	<b>\$559,440</b>	<b>\$272,828</b>	<b>\$505,555</b>	<b>\$1,561,977</b>

1) "Capital Markets Underwriting" includes IPOs, secondary offerings, convertible bonds, ATM offerings and publicly rated debt

2) "Capital Markets Advisory" includes private placements, PIPEs, private debt financings, debt advisory and other advisory fees

3) "Institutional Brokerage" includes: cash and electronic trading, options, ADR, special situations and credit; "Institutional Services" includes: prime services, clearing, securities finance, commission management and recapture.

4) "Markets Revenue" includes brokerage revenue as well as management fees for prime services and miscellaneous fees presented in management fees and other revenue in economic income (loss) respectively

5) Includes equity, credit and macro publishing analysts

6) 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					2020				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
<b>SUMMARY ECONOMIC INCOME DATA (\$ thousands)</b>										
Economic income revenue	\$229,842	\$237,797	\$215,965	\$249,945	\$933,550	\$224,156	\$559,440	\$272,828	\$505,555	\$1,561,977
Economic income (loss)*	\$15,593	\$13,904	\$7,567	\$16,194	\$53,258	\$3,649	\$164,339	\$32,790	\$128,607	\$329,381
Economic operating income (loss)	\$20,532	\$18,849	\$12,639	\$21,641	\$73,661	\$9,077	\$169,996	\$3,846	\$134,507	\$352,036
<b>RETURN ON AVERAGE COMMON EQUITY</b>										
Annualized return on average common equity**	12.4 %	11.2 %	7.5 %	12.9 %	11.0 %	5.6 %	95.7 %	20.2 %	69.2 %	49.4 %
<b>PER COMMON SHARE INFORMATION</b>										
Economic income per share (basic)	\$0.52	\$0.47	\$0.26	\$0.56	\$1.80	\$0.13	\$5.87	\$1.19	\$4.77	\$11.77
Economic Income per share (diluted)	\$0.49	\$0.44	\$0.24	\$0.53	\$1.70	\$0.13	\$5.61	\$1.09	\$4.24	\$11.16
Economic operating income per share (basic)	\$0.69	\$0.63	\$0.43	\$0.75	\$2.49	\$0.32	\$6.07	\$1.39	\$4.99	\$12.58
Economic operating income per share (diluted)	\$0.65	\$0.60	\$0.40	\$0.70	\$2.35	\$0.32	\$5.80	\$1.28	\$4.44	\$11.93
<b>NON-INTEREST EXPENSES (EX. D&amp;A)</b>										
Compensation expenses	\$130,250	\$134,454	\$121,889	\$145,879	\$532,468	\$125,006	\$304,644	\$152,829	\$278,273	\$860,753
Non-compensation expenses	\$71,344	\$76,599	\$73,674	\$72,997	\$294,615	\$80,631	\$75,572	\$71,993	\$83,930	\$312,173
Fixed non-compensation expenses (ex. D&A)	\$34,260	\$37,171	\$36,458	\$36,245	\$144,135	\$37,339	\$34,755	\$34,257	\$39,895	\$146,246
Variable non-compensation expenses	\$37,084	\$39,428	\$37,216	\$36,752	\$150,480	\$43,292	\$40,817	\$37,736	\$44,081	\$165,927
<b>DEPRECIATION &amp; AMORTIZATION</b>										
Depreciation	\$1,660	\$1,686	\$1,827	\$2,101	\$7,274	\$2,234	\$2,383	\$3,222	\$2,593	\$10,432
Amortization	\$3,278	\$3,259	\$3,246	\$3,346	\$13,129	\$3,194	\$3,274	\$2,448	\$3,307	\$12,223
<b>EXPENSE RATIOS</b>										
Compensation to revenue ratio	56.7 %	56.5 %	56.4 %	58.4 %	57.0 %	55.8 %	54.5 %	56.0 %	55.0 %	55.1 %
Non-compensation expenses to revenue ratio	31.0 %	32.2 %	34.1 %	29.2 %	31.6 %	36.0 %	13.5 %	26.4 %	16.6 %	20.0 %
Fixed non-compensation expense to revenue ratio (ex. D&A)	14.9 %	15.6 %	16.9 %	14.5 %	15.4 %	16.7 %	6.2 %	12.6 %	7.9 %	9.4 %
Variable non-compensation expense to revenue ratio	16.1 %	16.6 %	17.2 %	14.7 %	16.1 %	19.3 %	7.3 %	13.8 %	8.7 %	10.6 %

\* 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

	2018	2019					2020				
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
<i>\$ thousands</i>											
<b>MANAGEMENT FEE</b>	\$5,709	\$703	\$500	\$586	\$187	\$1,976	\$204	\$168	\$262	\$312	\$946
Monthly run rate for period	\$476	\$234	\$167	\$195	\$47	\$165	\$68	\$56	\$87	\$104	\$79
<b>INCENTIVE INCOME</b>	\$7,034	\$160	\$1,465	\$(862)	\$370	\$1,132	\$(2,144)	\$983	\$1,319	\$1,769	\$1,927
<b>INVESTMENT INCOME</b>	\$2,753	\$842	\$3,626	\$822	\$(2,178)	\$3,111	\$(11,655)	\$(1,893)	\$(124)	\$5,108	\$(8,564)
<b>OTHER REVENUE</b>	\$450	\$36	\$15	\$6	\$1	\$58	\$0	\$2	\$2	\$1	\$5
<b>TOTAL REVENUE</b>	\$15,946	\$1,740	\$5,605	\$552	\$(1,620)	\$6,277	\$(13,594)	\$(740)	\$1,459	\$7,190	\$(5,686)



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

\$ thousands	2019					2020				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
<b>SUMMARY ECONOMIC INCOME DATA (\$ thousands)</b>										
Economic income revenue	\$1,740	\$5,605	\$552	\$(1,620)	\$6,277	\$(13,594)	\$(740)	\$1,459	\$7,190	\$(5,686)
Economic income (loss)*	\$(2,207)	\$593	\$(2,597)	\$(5,349)	\$(9,560)	\$(16,228)	\$(3,074)	\$(1,028)	\$4,193	\$(16,136)
Economic operating income (loss)	\$(2,191)	\$599	\$(2,588)	\$(5,343)	\$(9,523)	\$(16,222)	\$(3,068)	\$(1,023)	\$4,198	\$(16,114)
<b>RETURN ON AVERAGE COMMON EQUITY</b>										
Annualized return on average common equity**	(5.1)%	5.6 %	(24.2)%	(50.0)%	(22.3)%	(152.0)%	(39.3)%	(9.6)%	27.3 %	(26.2)%
<b>PER COMMON SHARE INFORMATION</b>										
Economic income per share (basic)	\$(0.07)	\$0.02	\$(0.09)	\$(0.18)	\$(0.32)	\$(0.57)	\$(0.11)	\$0.04	\$0.16	\$(0.58)
Economic Income per share (diluted)	\$(0.07)	\$0.02	\$(0.08)	\$(0.17)	\$(0.31)	\$(0.57)	\$(0.10)	\$0.03	\$0.14	\$(0.55)
Economic operating income per share (basic)	\$(0.07)	\$0.02	\$(0.09)	\$(0.18)	\$(0.32)	\$(0.57)	\$(0.11)	\$0.04	\$0.16	\$(0.58)
Economic operating income per share (diluted)	\$(0.07)	\$0.02	\$(0.08)	\$(0.17)	\$(0.30)	\$(0.57)	\$(0.10)	\$0.03	\$0.14	\$(0.55)
<b>NON-INTEREST EXPENSES (EX. D&amp;A)</b>										
Compensation expenses	\$1,696	\$1,956	\$729	\$687	\$5,070	\$699	\$438	\$957	\$1,674	\$3,767
Non-compensation expenses	\$665	\$1,283	\$665	\$1,311	\$3,924	\$154	\$110	\$133	-\$46	\$350
Fixed non-compensation expenses (ex. D&A)	\$617	\$1,244	\$625	\$51	\$2,537	\$146	\$105	\$127	-\$50	\$328
Variable non-compensation expenses	\$48	\$39	\$40	\$1,260	\$1,387	\$8	\$5	\$6	\$4	\$22
<b>DEPRECIATION &amp; AMORTIZATION</b>										
Depreciation	\$12	\$8	\$9	\$6	\$35	\$5	\$6	\$5	\$5	\$21
Amortization	\$2	\$(1)	\$0	\$0	\$1	\$0	\$0	\$0	\$0	\$0
<b>EXPENSE RATIOS</b>										
Compensation to revenue ratio	97.5 %	34.9 %	132.1 %	N/A	80.8 %	N/A	N/A	65.6 %	23.3 %	N/A
Non-compensation expenses to revenue ratio	38.2 %	22.9 %	120.5 %	N/A	62.5 %	N/A	N/A	9.1 %	N/A	N/A
Fixed non-compensation expense to revenue ratio (ex. D&A)	35.5 %	22.2 %	113.2 %	N/A	40.4 %	N/A	N/A	8.7 %	N/A	N/A
Variable non-compensation expense to revenue ratio	2.8 %	0.7 %	7.2 %	N/A	22.1 %	N/A	N/A	0.4 %	0.1 %	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 supplemental financial measures that are not prepared in accordance with U.S. GAAP. These non-GAAP financial measures include (i) Economic Income (Loss), (ii) Economic Operating Income (Loss), (iii) Economic Proceeds and related components, (iv) Net Economic Proceeds and related components (v) Economic Expenses and related components and (vi) related per share measures. The Company believes that these non-GAAP financial measures, viewed in addition to, and not in lieu of, the Company's reported US GAAP results, provide useful information to investors and analysts regarding its performance and overall results of operations as it presents investors and analysts with a supplemental operating view of the Company's financials to help better inform their analysis of the Company's performance.

These Non-GAAP financial measures are an integral part of the Company's internal reporting to measure the performance of its business segments, allocate capital and other strategic decisions as well as assess the overall effectiveness of senior management. The Company believes that presenting these non-GAAP measures may provide expanded transparency into the Company's business operations, growth opportunities and expense allocation decisions.

The Company's primary non-GAAP financial measures of profit or loss are Economic Income (Loss) and Economic Operating Income (Loss). Economic Income (Loss) is a pre-tax measure that (i) includes management reclassifications which the Company believes provides additional insight on the performance of the Company's core businesses and divisions (ii) eliminates the impact of consolidation for Consolidated Funds and excludes (iii) goodwill and intangible impairment (iv) certain other transaction-related adjustments and/or reorganization expenses and (v) certain costs associated with debt. Economic Operating Income (Loss) is a similar measure but before depreciation and amortization expenses. The Company believes that these non-GAAP financial measures provide analysts and investors transparency into the measures of profit and loss management uses to evaluate the financial performance of and make operating decisions for the segments including determining appropriate compensation levels. Additionally, the measures provide investors and analysts with additional insight into the activities of the Company's core businesses, taking into account, among other things, the impact of minority investment stakes, securities borrowing and lending activities and expenses from investment banking activities on US GAAP reported results.

In addition to Economic Income (Loss) and Economic Operating Income (Loss), the Company also presents Economic Proceeds, Net Economic Proceeds, Economic Expenses, as well as their related components. These measures include management reclassifications and the elimination of the impact of the consolidation for Consolidated funds as described for Economic Income (Loss) and Economic Operating Income (Loss) described above. These adjustments are meant to provide comparability to our peers as well as to provide investors and analysts with transparency into how the Company manages its operating businesses and how analysts and investors review and analyze the Company's and its peers' similar lines of businesses. For example, among others, within the Company's Op Co business segment, investors and analysts typically review and analyze the performance of investment banking revenues net of underwriting expenses and excluding the impact of reimbursable expenses. Additionally, the performance of the Company's Markets business is typically analyzed as a unit incorporating commissions, interest from securities financing transactions and gains and losses from proprietary and facilitation trading. The Company's investment management business performance is analyzed and reviewed by investors and analysts through investment income, incentive income and management fees. The presentation of Economic Proceeds, Net Economic Proceeds, Economic Expenses as well as their related components align with these and other examples of how the Company's business activities and performance are reviewed by analysts and investors in addition to providing simplification related to legacy businesses and investments for which the Company maintains long-term monetization strategies. Additionally, the Company manages its operating businesses to an Economic Compensation-to-Proceeds ratio. Presentation of Economic Compensation Expense and Economic Proceeds provides transparency in addition to the Company's US GAAP Compensation Expense.

Reconciliations to comparable US GAAP measures are presented along with the Company's Non-GAAP financial measures. 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.

These Non-GAAP measures should not be considered in isolation or as a substitute for revenue, expenses, 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), 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.