

FINANCIAL SUPPLEMENT

2020 Second Quarter

JULY 28, 2020

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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
<i>\$ thousands</i>								
INVESTMENT BANKING REVENUE	\$329,062	\$82,993	\$104,216	\$70,022	\$94,957	\$352,192	\$98,759	\$190,430
M&A								
Revenue	\$81,733	\$28,416	\$11,858	\$16,962	\$27,019	\$84,258	\$19,335	\$30,983
Total transactions	30	9	10	13	16	48	12	9
Average fee (implied)	\$2,723	\$3,157	\$1,186	\$1,305	\$1,689	1,752	\$1,611	\$3,443
Median fee	\$1,800	\$734	\$1,117	\$1,059	\$1,188	\$956	\$1,201	\$1,295
Transaction value (in M)	\$10,889	\$6,423	\$773	\$927	\$1,592	\$9,715	\$1,114	\$4,742
Total Capital Markets Revenue	\$247,329	\$54,577	\$92,358	\$53,060	\$67,938	\$267,933	\$79,424	\$159,447
Capital Markets Underwriting ¹								
Revenue	--	\$47,477	\$72,402	\$39,874	\$59,144	\$218,897	\$65,725	\$134,736
Total transactions	--	25	42	22	25	114	24	48
Average fee (implied)	--	\$1,899	\$1,724	\$1,812	\$2,366	\$1,920	\$2,739	\$2,807
Median fee	--	\$1,478	\$1,527	\$1,300	\$1,924	\$1,477	\$2,309	\$2,206
Capital Markets Advisory ²								
Revenue	--	\$7,100	\$19,956	\$13,186	\$8,794	\$49,036	\$13,699	\$24,711
Total transactions	--	5	4	8	9	26	7	7
Average fee (implied)	--	\$1,420	\$4,989	\$1,648	\$977	\$1,886	\$1,957	\$3,530
Median fee	--	\$700	\$1,500	\$1,173	\$666	\$900	\$1,350	\$1,880
MARKETS REVENUE	\$472,490	\$113,434	\$125,276	\$111,746	\$115,097	\$465,380	\$132,385	\$169,162
Brokerage Revenue ⁷	\$467,117	\$111,872	\$124,044	\$110,180	\$113,047	\$459,143	\$132,672	\$167,067
Institutional brokerage ³	\$327,578	\$78,304	\$89,303	\$75,907	\$80,451	\$323,965	\$97,961	\$119,064
Institutional services	\$139,539	\$33,568	\$34,741	\$34,273	\$32,596	\$135,178	\$34,711	\$48,003
Markets Other Revenue ⁴	\$5,373	\$1,562	\$1,387	\$1,725	\$2,051	\$6,725	(\$287)	\$2,095
Markets revenue per trading day	\$1,882	\$1,860	\$1,991	\$1,749	\$1,798	\$1,849	\$2,135	\$2,685
# Trading days	251	61	63	64	64	252	62	63
# Publishing analysts ⁵	51	52	52	53	52	52	53	54
MANAGEMENT FEE	\$49,176	\$10,431	\$10,468	\$10,907	\$13,869	\$45,674	\$14,915	\$14,402
Monthly run rate (trailing 3 months)	\$4,098	\$3,477	\$3,489	\$3,636	\$4,623	\$3,806	\$4,972	\$4,801
INCENTIVE INCOME	\$23,747	\$16,747	\$4,229	\$14,377	\$10,840	\$46,193	(\$4,889)	\$46,375
INVESTMENT INCOME⁷	\$41,528	\$10,269	\$(2,887)	\$11,733	\$16,610	\$35,725	\$(31,104)	\$140,486
OTHER REVENUE	-\$1,170	\$1,157	\$4,319	\$(126)	\$496	\$5,843	\$562	\$(60)
TOTAL REVENUE⁶	\$909,460	\$233,469	\$244,389	\$217,093	\$249,819	\$944,770	\$210,915	\$558,700

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 Other Revenue" includes management fees for Prime Services and miscellaneous fees

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

7) For 2Q'20 and prior periods, investment income/losses related to Brokerage are now reflected in the Brokerage Revenue lines

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

	2018	2019					2020	
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2
SUMMARY ECONOMIC INCOME DATA (\$ thousands)								
Economic income revenue	\$909,460	\$233,469	\$244,389	\$217,093	\$249,819	\$944,770	\$210,915	\$558,700
Economic income (loss)*	\$69,342	\$15,274	\$15,483	\$5,547	\$12,334	\$48,642	\$(12,226)	\$161,265
Economic operating income (loss)	\$80,925	\$20,230	\$20,435	\$10,629	\$17,787	\$69,081	\$(6,792)	\$166,928
RETURN ON AVERAGE COMMON EQUITY								
Annualized return on average common equity**	12.1 %	11.5 %	11.4 %	5.9 %	10.0 %	9.7 %	(7.0)%	90.0 %
PER COMMON SHARE INFORMATION								
Economic income per share (basic)	\$2.35	\$0.51	\$0.58	\$0.19	\$0.42	\$1.65	\$(0.43)	\$5.76
Economic Income per share (diluted)	\$2.26	\$0.48	\$0.49	\$0.18	\$0.40	\$1.55	\$(0.43)	\$5.50
Economic operating income per share (basic)	\$2.74	\$0.68	\$0.74	\$0.36	\$0.61	\$2.34	\$(0.24)	\$5.97
Economic operating income per share (diluted)	\$2.63	\$0.64	\$0.65	\$0.34	\$0.58	\$2.21	\$(0.24)	\$5.69
NON-INTEREST EXPENSES (EX. D&A)								
Compensation expenses	\$509,619	\$131,945	\$136,409	\$122,621	\$146,562	\$537,538	\$125,707	\$305,082
Non-compensation expenses	\$284,156	\$72,010	\$77,882	\$74,338	\$74,308	\$298,538	\$80,784	\$75,682
Fixed non-compensation expenses (ex. D&A)	\$140,510	\$34,877	\$38,415	\$37,083	\$36,296	\$146,672	\$37,484	\$34,860
Variable non-compensation expenses	\$143,646	\$37,133	\$39,468	\$37,255	\$38,012	\$151,866	\$43,300	\$40,822
DEPRECIATION & AMORTIZATION								
Depreciation	\$6,572	\$1,673	\$1,694	\$1,836	\$2,107	\$7,309	\$2,240	\$2,389
Amortization	\$5,011	\$3,273	\$3,258	\$3,246	\$3,346	\$13,130	\$3,194	\$3,274
EXPENSE RATIOS								
Compensation to revenue ratio	56.0 %	56.5 %	55.8 %	56.5 %	58.7 %	56.9 %	59.6 %	54.6 %
Non-compensation expenses to revenue ratio	31.4 %	30.8 %	31.9 %	34.2 %	29.7 %	31.6 %	38.3 %	13.5 %
Fixed non-compensation expense to revenue ratio (ex. D&A)	15.6 %	14.9 %	15.7 %	17.1 %	14.5 %	15.5 %	17.8 %	6.2 %
Variable non-compensation expense to revenue ratio	15.8 %	15.9 %	16.1 %	17.2 %	15.2 %	16.1 %	20.5 %	7.3 %

* 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				2020		
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2
INVESTED CAPITAL BREAKDOWN								
Operating Co	\$584,454	\$442,459	\$528,908	\$570,987	\$584,832	\$584,832	\$539,867	\$711,762
Asset Co	\$202,268	\$192,341	\$149,036	\$145,019	\$137,726	\$137,726	\$126,683	\$124,421
Total invested capital	\$786,722	\$634,800	\$677,944	\$716,006	\$722,558	\$722,558	\$666,550	\$836,183
SUMMARY STOCKHOLDERS' EQUITY INFORMATION								
Stockholders' Equity	\$794,407	\$814,782	\$817,424	\$817,055	\$809,855	\$809,855	\$782,729	\$901,685
Less:								
Preferred Stock	\$101,316	\$101,316	\$101,316	\$101,316	\$101,316	\$101,316	\$101,316	\$101,316
Common Equity	\$693,091	\$713,466	\$716,108	\$715,739	\$708,539	\$708,539	\$683,487	\$800,369
Book value per share	\$24.37	\$24.12	\$24.29	\$24.67	\$24.77	\$24.77	\$24.74	\$28.96
Tangible book value per per share	\$21.36	\$17.84	\$18.24	\$18.63	\$18.72	\$18.72	\$18.60	\$22.94
OTHER DATA								
Common shares outstanding (end of period)	28,438	29,581	29,480	29,013	28,610	28,610	27,628	27,642
Common shares outstanding (weighted average)								
Basic	29,545	29,750	29,769	29,529	29,046	29,525	28,598	27,983
Diluted	30,735	31,625	31,522	31,264	30,722	30,722	28,598	29,316
Employees, end of period	1,134	1,223	1,240	1,299	1,291	1,291	1,313	1,294

Reconciliation of US GAAP and Economic Income (Unaudited)

Three Months Ending June 30, 2020

Dollars in thousands

	Three Months Ended June 30, 2020						
	US GAAP	Reclassifications and Adjustments			Economic Income		
	Net income (loss)	Management Reclassifications	Fund Consolidation Reclassifications (k)	Income Statement Adjustments	Total Economic Income/(Loss)	Operating Company	Asset Company
Revenues							
Investment banking	\$ 203,982	\$ (13,552) a, b	\$ —	\$ —	\$ 190,430	\$ 190,430	\$ —
Brokerage	147,224	19,843 c, h	—	—	167,067	167,067	—
Management fees	11,653	2,114 d, e	635	—	14,402	14,234	168
Incentive income (loss)	—	46,375 e	—	—	46,375	45,392	983
Investment income (loss)	—	140,486 f	—	—	140,486	142,379	(1,893)
Interest and dividends	47,918	(47,918) c	—	—	—	—	—
Reimbursement from affiliates	247	(272) b	25	—	—	—	—
Reinsurance premiums	5,967	(5,967) g	—	—	—	—	—
Other revenue	1,490	(1,532) g	(18)	—	(60)	(62)	2
Consolidated Funds revenues	359	—	(359)	—	—	—	—
Total revenues	418,840	139,577	283	—	558,700	559,440	(740)
Interest expense (Economic Income/(Loss)) / Interest and dividend expense (US GAAP)	49,304	(40,602) c	—	(1,131) l	7,571	6,102	1,469
Total net revenues	369,536	180,179	283	1,131	551,129	553,338	(2,209)
Expenses							
Compensation & Benefits	305,282	(200) i	—	—	305,082	304,644	438
Fixed non-compensation expense	—	37,475 e, j	—	(2,615) m	34,860	34,755	105
Variable non-compensation expense	—	40,822 j	—	—	40,822	40,817	5
Other non-compensation US GAAP expense	98,461	(98,461) a, b, d, g, i	—	—	—	—	—
Depreciation & Amortization	6,200	8	—	(545) p	5,663	5,657	6
Non-Controlling Interest	—	1,739 j	—	—	1,739	1,739	—
Goodwill impairment	—	—	—	—	—	—	—
Consolidated Funds expenses	1,585	—	(1,585)	—	—	—	—
Total expenses	411,528	(18,617)	(1,585)	(3,160)	388,166	387,612	554
Other income (loss)	233,872	(201,994) e, f, h	(31,878)	—	—	—	—
Income taxes expense / (benefit)	44,932	(95)	—	44,837 n	—	—	—
Income (loss) attributable to non-controlling interests in consolidated subsidiaries and investment funds	33,113	(3,103) j	(30,010)	—	—	—	—
Income (loss) attributable to Cowen Inc.	113,835	—	—	(40,546)	162,963	165,726	(2,763)
Less: Preferred stock dividends	1,698	—	—	—	1,698	1,387	311
Economic Income (Loss)/ Income (loss) attributable to Cowen Inc. common stockholders	112,137	—	—	(40,546)	161,265	164,339	(3,074)
Add back: Depreciation and amortization expense					5,663	5,657	6
Economic Operating Income (Loss)					\$ 166,928	\$ 169,996	\$ (3,068)

COWEN

Reconciliation of US GAAP and Economic Income (Unaudited)

Three Months Ending June 30, 2019

Dollars in thousands	Three Months Ended June 30, 2019						
	US GAAP	Reclassifications and Adjustments			Economic Income		
	Net income (loss)	Management Reclassifications	Fund Consolidation Reclassifications (k)	Income Statement Adjustments	Total Economic Income/(Loss)	Operating Company	Asset Company
Revenues							
Investment banking	\$ 114,705	\$ (11,325) a, b	\$ —	\$ 836 o	\$ 104,216	\$ 104,216	\$ —
Brokerage	111,382	12,662 c, h	—	—	124,044	124,044	—
Management fees	7,039	2,864 d, e	565	—	10,468	9,968	500
Incentive income (loss)	8	4,071 e	—	150 o	4,229	2,633	1,596
Investment income (loss)	—	(2,887) f	—	—	(2,887)	(6,513)	3,626
Interest and dividends	40,047	(40,047) c	—	—	—	—	—
Reimbursement from affiliates	254	(287) b	33	—	—	—	—
Reinsurance premiums	14,331	(14,331) g	—	—	—	—	—
Other revenue	930	3,401 g	(12)	—	4,319	4,304	15
Consolidated Funds revenues	3,468	—	(3,468)	—	—	—	—
Total revenues	292,164	(45,879)	(2,882)	986	244,389	238,652	5,737
Interest expense (Economic Income/(Loss)) / Interest and dividend expense (US GAAP)	\$ 39,528	(31,751) c	—	(1,071) l	6,706	5,298	1,408
Total net revenues	252,636	(14,128)	(2,882)	2,057	237,683	233,354	4,329
Expenses							
Compensation & Benefits	136,409	— i	—	—	136,409	134,454	1,955
Fixed non-compensation expense	—	38,588 e, j	—	(173) m	38,415	37,171	1,244
Variable non-compensation expense	—	39,468 j	—	—	39,468	39,428	40
Other non-compensation US GAAP expense	99,845	(99,845) a, b, d, g, i	—	—	—	—	—
Depreciation & Amortization	4,952	—	—	—	4,952	4,945	7
Non-Controlling Interest	—	1,258 j	—	—	1,258	1,258	—
Goodwill impairments	4,100	—	—	(4,100) p	—	—	—
Consolidated Funds expenses	2,231	—	(2,231)	—	—	—	—
Total expenses	247,537	(20,531)	(2,231)	(4,273)	220,502	217,256	3,246
Other income (loss)	9,692	(6,865) e, f, h	(2,827)	—	—	—	—
Income taxes expense / (benefit)	5,073	(34)	—	(5,039) o	—	—	—
Income (loss) attributable to non-controlling interests in consolidated subsidiaries and investment funds	3,906	(428) j	(3,478)	—	—	—	—
Income (loss) attributable to Cowen Inc.	\$ 5,812	—	—	11,369	17,181	16,098	1,083
Less: Preferred stock dividends	1,698	—	—	—	1,698	1,341	357
Economic Income (Loss)/ Income (loss) attributable to Cowen Inc. common stockholders	\$ 4,114	\$ —	\$ —	\$ 11,369	15,483	14,757	726
Add back: Depreciation and amortization expense					4,952	4,945	7
Economic Operating Income (Loss)					\$ 20,435	\$ 19,702	\$ 733

Reconciliation of US GAAP and Economic Income (Unaudited)

Six Months Ending June 30, 2020

Six Months Ended June 30, 2020							
Dollars in thousands	US GAAP	Reclassifications and Adjustments			Economic Income		
	Net income (loss)	Management Reclassifications	Fund Consolidation Reclassifications (k)	Income Statement Adjustments	Total Economic Income/(Loss)	Operating Company	Asset Company
Revenues							
Investment banking	\$ 309,010	\$ (19,383) a, b	\$ —	\$ —	\$ 289,627	\$ 289,627	\$ —
Brokerage	286,586	13,153 c, h	—	—	299,739	299,739	—
Management fees	23,257	3,154 d, e	1,312	—	27,723	27,351	372
Incentive income (loss)	—	42,288 e	—	—	42,288	43,449	(1,161)
Investment income (loss)	—	109,383 f	—	—	109,383	122,931	(13,548)
Interest and dividends	89,995	(89,995) c	—	—	—	—	—
Reimbursement from affiliates	508	(558) b	50	—	—	—	—
Reinsurance premiums	16,438	(16,438) g	—	—	—	—	—
Other revenue	3,340	(2,822) g	(18)	—	500	498	2
Consolidated Funds revenues	3,515	—	(3,515)	—	—	—	—
Total revenues	732,649	38,782	(2,171)	—	769,260	783,595	(14,335)
Interest expense (Economic Income/(Loss)) / Interest and dividend expense (US GAAP)	88,096	(70,505) c	—	(2,242) l	15,349	12,445	2,904
Total net revenues	644,553	109,287	(2,171)	2,242	753,911	771,150	(17,239)
Expenses							
Compensation & Benefits	429,710	1,076 i	—	—	430,786	429,650	1,136
Fixed non-compensation expense	—	74,175 e, j	—	(1,830) m	72,345	72,094	251
Variable non-compensation expense	—	84,121 j	—	—	84,121	84,109	12
Other non-compensation US GAAP expense	197,030	(197,030) a, b, d, g, i	—	—	—	—	—
Depreciation & Amortization	11,642	—	—	(545) p	11,097	11,085	12
Non-Controlling Interest	—	3,479 j	—	—	3,479	3,479	—
Goodwill impairment	—	—	—	—	—	—	—
Consolidated Funds expenses	4,299	—	(4,299)	—	—	—	—
Total expenses	642,681	(34,179)	(4,299)	(2,375)	601,828	600,417	1,411
Other income (loss)	116,724	(146,902) e, f, h	30,178	—	—	—	—
Income taxes expense / (benefit)	43,759	(205)	—	(43,554)	—	—	—
Income (loss) attributable to non-controlling interests in consolidated subsidiaries and investment funds	(29,075)	(3,231) j	32,306	—	—	—	—
Income (loss) attributable to Cowen Inc.	\$ 103,912	—	—	48,171 n	152,083	170,733	(18,650)
Less: Preferred stock dividends	3,396	—	—	—	3,396	2,745	651
Economic Income (Loss)/ Income (loss) attributable to Cowen Inc. common stockholders	\$ 100,516	\$ —	\$ —	\$ 48,171	148,687	167,988	(19,301)
Add back: Depreciation and amortization expense					11,097	11,085	12
Economic Operating Income (Loss)					\$ 159,784	\$ 179,073	\$ (19,289)

Reconciliation of US GAAP and Economic Income (Unaudited)

Six Months Ending June 30, 2019

Dollars in thousands	Six Months Ended June 30, 2019						
	US GAAP	Reclassifications and Adjustments			Economic Income		
	Net income (loss)	Management Reclassifications	Fund Consolidation Reclassifications (k)	Income Statement Adjustments	Total Economic Income/(Loss)	Operating Company	Asset Company
Revenues							
Investment banking	\$ 194,811	\$ (9,871) a, b	\$ —	\$ 2,272 o	\$ 187,212	\$ 187,212	\$ —
Brokerage	208,845	27,071 c, h	—	—	235,916	235,916	—
Management fees	14,180	5,651 d, e	1,067	—	20,898	19,695	1,203
Incentive income (loss)	23	19,804 e	543	606 o	20,976	19,270	1,706
Investment income (loss)	—	7,381 f	—	—	7,381	2,914	4,467
Interest and dividends	69,139	(69,139) c	—	—	—	—	—
Reimbursement from affiliates	542	(609) b	67	—	—	—	—
Reinsurance premiums	20,922	(20,922) g	—	—	—	—	—
Other revenue	1,991	3,499 g	(12)	—	5,478	5,427	51
Consolidated Funds revenues	5,808	—	(5,808)	—	—	—	—
Total revenues	516,261	(37,135)	(4,143)	2,878	477,861	470,434	7,427
Interest expense (Economic Income/(Loss)) / Interest and dividend expense (US GAAP)	68,612	(53,225) c	—	(2,117) l	13,270	10,615	2,655
Total net revenues	447,649	16,090	(4,143)	4,995	464,591	459,819	4,772
Expenses							
Compensation & Benefits	268,291	64 i	—	—	268,355	264,703	3,652
Fixed non-compensation expense	—	74,475 e, j	—	(1,185) m	73,290	71,428	1,862
Variable non-compensation expense	—	76,599 j	—	—	76,599	76,514	85
Other non-compensation US GAAP expense	184,008	(184,008) a, b, d, g, i	—	—	—	—	—
Depreciation & Amortization	9,908	—	—	—	9,908	9,884	24
Non-Controlling Interest	—	2,283 j	—	—	2,283	2,283	—
Goodwill impairment	4,100	—	—	(4,100) p	—	—	—
Consolidated Funds expenses	3,713	—	(3,713)	—	—	—	—
Total expenses	470,020	(30,587)	(3,713)	(5,285)	430,435	424,812	5,623
Other income (loss)	50,634	(47,186) e, f, h	(3,448)	—	—	—	—
Income taxes expense / (benefit)	8,250	31	—	(8,281) n	—	—	—
Income (loss) attributable to non-controlling interests in consolidated subsidiaries and investment funds	4,418	(540) j	(3,878)	—	—	—	—
Income (loss) attributable to Cowen Inc.	\$ 15,595	—	—	18,561	34,156	35,007	(851)
Less: Preferred stock dividends	3,396	—	—	—	3,396	2,717	679
Economic Income (Loss)/ Income (loss) attributable to Cowen Inc. common stockholders	\$ 12,199	\$ —	\$ —	\$ 18,561	30,760	32,290	(1,530)
Add back: Depreciation and amortization expense	—	—	—	—	9,908	9,884	24
Economic Operating Income (Loss)					\$ 40,668	\$ 42,174	\$ (1,506)

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 Economic Income (Loss) presents underwriting expenses net of investment banking revenues.
- b 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 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 Economic Income (Loss) recognizes revenues net of fund start-up costs and distribution fees paid to agents.
- e Economic Income (Loss) recognizes the Company's proportionate share of management and incentive fees and associated share of expenses on a gross basis for certain real estate operating entities, the healthcare royalty business and the activist business. Additionally, carried interest, which the Company applies an equity ownership model to, is recorded in other income (loss) for US GAAP and is shown as incentive income for Economic Income (Loss).
- f 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.
- g 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.
- h 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.
 - i Economic Income (Loss) presents certain payments to associated banking partners as compensation rather than non-compensation expenses.
 - j Economic Income (Loss) presents US GAAP expenses as either Fixed non-compensation or Variable non-compensation expenses. The Company also presents US GAAP Income (loss) attributable to non-controlling interests within total other expenses for Economic Income (Loss).

Fund Consolidation Reclassifications

- k 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

- l Economic Income (Loss) excludes the amortization of discount on convertible debt.
- m Economic Income (Loss) excludes acquisition related adjustments as management does not consider these items when evaluating the performance of the Company.
- n Economic Income (Loss) excludes income taxes.
- o For periods prior to the first quarter of 2020, Economic Income (Loss) records a) income from uncrystallized incentive fees and b) retainer fees, relating to investment banking activities, earned during the period that would otherwise be deferred until closing for US GAAP reporting. Similar amounts are not adjusted subsequently.
- p Economic Income (Loss) excludes goodwill and intangible impairment.

2. OPERATING CO

Revenue Metrics (Non-GAAP Unaudited) - Operating Co

	2018	2019				2020		
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2
<i>\$ thousands</i>								
INVESTMENT BANKING REVENUE	\$329,062	\$82,993	\$104,216	\$70,022	\$94,957	\$352,192	\$98,759	\$190,430
M&A								
Revenue	\$81,733	\$28,416	\$11,861	\$16,962	\$27,019	\$84,258	\$19,335	\$30,983
Total transactions	30	9	10	13	16	48	12	9
Average fee (implied)	\$2,723	\$3,157	\$1,186	\$1,305	\$1,689	\$1,752	\$1,611	\$3,443
Median fee	\$1,800	\$734	\$1,117	\$1,059	\$1,188	\$956	\$1,201	\$1,295
Transaction value (in B)	\$10,889	\$6,423	\$773	\$927	\$1,592	\$9,715	\$1,114	\$4,742
Total Capital Markets Revenue	\$247,329	\$54,577	\$92,358	\$53,060	\$67,938	\$267,933	\$79,424	\$159,447
Capital Markets Underwriting ¹								
Revenue	--	\$47,477	\$72,402	\$39,874	\$59,144	\$218,897	\$65,725	\$134,736
Total transactions	--	25	42	22	25	114	24	48
Average fee (implied)	--	\$1,899	\$1,724	\$1,812	\$2,366	\$1,920	\$2,739	\$2,807
Median fee	--	\$1,478	\$1,527	\$1,300	\$1,924	\$1,477	\$2,309	\$2,206
Capital Markets Advisory ²								
Revenue	--	\$7,100	\$19,956	\$13,186	\$8,794	\$49,036	\$13,699	\$24,711
Total transactions	--	5	4	8	9	26	7	7
Average fee (implied)	--	\$1,420	\$4,989	\$1,648	\$977	\$1,886	\$1,957	\$3,530
Median fee	--	\$700	\$1,500	\$1,173	\$666	\$900	\$1,350	\$1,880
MARKETS REVENUE	\$472,490	\$113,434	\$125,276	\$111,746	\$115,097	\$465,380	\$132,385	\$169,162
Brokerage Revenue ⁷	\$467,117	\$111,872	\$124,044	\$110,180	\$113,047	\$459,143	\$132,672	\$167,067
Institutional brokerage ³	\$327,578	\$78,304	\$89,303	\$75,907	\$80,451	\$323,965	\$97,961	\$119,064
Institutional services	\$139,539	\$33,568	\$34,741	\$34,273	\$32,596	\$135,178	\$34,711	\$48,003
Markets Other Revenue ⁴	\$5,373	\$1,562	\$1,387	\$1,725	\$2,051	\$6,725	-\$287	\$2,095
Markets revenue per trading day	\$1,882	\$1,860	\$1,991	\$1,749	\$1,798	\$1,849	\$2,135	\$2,685
# Trading days	251	61	63	64	64	252	62	63
# Publishing analysts ⁵	51	52	52	53	52	52	53	54
MANAGEMENT FEE	\$43,466	\$9,728	\$9,968	\$10,321	\$13,682	\$43,699	\$14,711	\$14,234
Monthly run rate (trailing 3 months)	\$3,622	\$3,243	\$3,323	\$3,440	\$4,561	\$3,642	\$4,904	\$4,745
INCENTIVE INCOME	\$16,851	\$16,637	\$2,633	\$15,384	\$10,388	\$45,041	-\$2,487	\$45,392
INVESTMENT INCOME⁷	\$38,776	\$9,427	\$(6,513)	\$10,911	\$18,788	\$32,613	\$(19,449)	\$142,379
OTHER REVENUE	\$(1,621)	\$1,121	\$4,304	\$(132)	\$495	\$5,785	\$562	\$(62)
TOTAL REVENUE⁶	\$893,651	\$231,778	\$238,652	\$216,686	\$251,357	\$938,473	\$224,768	\$559,440

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 Other Revenue" includes management fees for Prime Services and miscellaneous fees

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

7) For 2Q'20 and prior periods, investment income/losses related to Brokerage are now reflected in the Brokerage Revenue lines

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

\$ thousands	2019			2020	
	Q2	Q3	Q4	Q1	Q2
SUMMARY ECONOMIC INCOME DATA (\$ thousands)					
Economic income revenue	\$238,652	\$216,686	\$251,357	\$224,768	\$559,440
Economic income (loss)*	\$14,757	\$8,289	\$17,601	\$4,261	\$164,339
Economic operating income (loss)	\$19,702	\$13,362	\$23,048	\$9,689	\$169,996
RETURN ON AVERAGE COMMON EQUITY					
Annualized return on average common equity**	12.1 %	8.0 %	13.6 %	2.6 %	95.7 %
PER COMMON SHARE INFORMATION					
Economic income per share (basic)	\$0.50	\$0.28	\$0.61	\$0.15	\$5.87
Economic Income per share (diluted)	\$0.47	\$0.27	\$0.57	\$0.15	\$5.61
Economic operating income per share (basic)	\$0.66	\$0.45	\$0.79	\$0.34	\$6.07
Economic operating income per share (diluted)	\$0.63	\$0.43	\$0.75	\$0.34	\$5.80
NON-INTEREST EXPENSES (EX. D&A)					
Compensation expenses	\$134,454	\$121,889	\$145,879	\$126,724	\$304,644
Non-compensation expenses	\$76,598	\$73,675	\$72,997	\$81,103	\$75,682
Fixed non-compensation expenses (ex. D&A)	\$37,171	\$36,459	\$36,245	\$37,811	\$34,755
Variable non-compensation expenses	\$39,428	\$37,216	\$36,752	\$43,292	\$40,817
DEPRECIATION & AMORTIZATION					
Depreciation	\$1,686	\$1,827	\$2,101	\$2,234	\$2,383
Amortization	\$3,259	\$3,246	\$3,346	\$3,194	\$3,274
EXPENSE RATIOS					
Compensation to revenue ratio	56 %	56.3 %	58.0 %	56.4 %	54.5 %
Non-compensation expenses to revenue ratio	32 %	34.0 %	29.0 %	36.1 %	13.5 %
Fixed non-compensation expense to revenue ratio (ex. D&A)	16 %	16.8 %	14.4 %	16.8 %	6.2 %
Variable non-compensation expense to revenue ratio	17 %	17.2 %	14.6 %	19.3 %	7.3 %

* 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
<i>\$ thousands</i>								
MANAGEMENT FEE	\$5,709	\$703	\$500	\$586	\$187	\$1,976	\$204	\$168
Monthly run rate (trailing 3 months)	\$476	\$234	\$167	\$195	\$47	\$165	\$68	\$56
INCENTIVE INCOME	\$6,896	\$110	\$1,596	\$(1,007)	\$452	\$1,152	\$(2,402)	\$983
INVESTMENT INCOME	\$2,753	\$842	\$3,626	\$822	\$(2,178)	\$3,111	\$(11,655)	\$(1,893)
OTHER REVENUE	\$451	\$36	\$15	\$6	\$1	\$58	\$0	\$2
TOTAL REVENUE	\$15,809	\$1,691	\$5,737	\$407	\$(1,538)	\$6,297	\$(13,853)	\$(740)

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

	2019			2020	
	Q2	Q3	Q4	Q1	Q2
<i>\$ thousands</i>					
SUMMARY ECONOMIC INCOME DATA (\$ thousands)					
Economic income revenue	\$5,737	\$407	\$(1,538)	\$(13,853)	\$(740)
Economic income (loss)*	\$726	\$(2,742)	\$(5,267)	\$(16,487)	\$(3,074)
Economic operating income (loss)	\$733	\$(2,733)	\$(5,261)	\$(16,481)	\$(3,068)
RETURN ON AVERAGE COMMON EQUITY					
Annualized return on average common equity**	4.8 %	(23.9)%	(56.6)%	(204.2)%	(39.3)%
PER COMMON SHARE INFORMATION					
Economic income per share (basic)	\$0.03	\$(0.09)	\$(0.18)	\$(0.58)	\$(0.11)
Economic Income per share (diluted)	\$0.03	\$(0.09)	\$(0.17)	\$(0.58)	\$(0.10)
Economic operating income per share (basic)	\$0.03	\$(0.09)	\$(0.18)	\$(0.58)	\$(0.11)
Economic operating income per share (diluted)	\$0.03	\$(0.09)	\$(0.17)	\$(0.58)	\$(0.10)
NON-INTEREST EXPENSES (EX. D&A)					
Compensation expenses	\$1,956	\$731	\$687	\$699	\$438
Non-compensation expenses	\$1,283	\$663	\$1,311	\$154	\$110
Fixed non-compensation expenses (ex. D&A)	\$1,244	\$624	\$51	\$146	\$105
Variable non-compensation expenses	\$39	\$39	\$1,260	\$8	\$5
DEPRECIATION & AMORTIZATION					
Depreciation	\$8	\$9	\$6	\$6	\$6
Amortization	\$(1)	\$0	\$0	\$0	\$0
EXPENSE RATIOS					
Compensation to revenue ratio	34.1 %	179.6 %	N/A	N/A	N/A
Non-compensation expenses to revenue ratio	22.4 %	162.9 %	N/A	N/A	N/A
Fixed non-compensation expense to revenue ratio (ex. D&A)	21.7 %	153.3 %	N/A	N/A	N/A
Variable non-compensation expense to revenue ratio	0.7 %	9.6 %	N/A	N/A	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.