

FINANCIAL SUPPLEMENT

2020 First Quarter

APRIL 29, 2020

TABLE OF CONTENTS

1. **COWEN INC.**
 - REVENUE METRICS (NON-GAAP)
 - SUMMARY OPERATING AND OTHER FINANCIAL INFORMATION (NON-GAAP)
 - RECONCILIATION OF US GAAP AND ECONOMIC INCOME (UNAUDITED)

2. **OPERATING CO**
 - REVENUE METRICS (NON-GAAP)
 - SUMMARY OPERATING AND OTHER FINANCIAL INFORMATION (NON-GAAP)

3. **ASSET CO**
 - REVENUE METRICS (NON-GAAP)
 - SUMMARY OPERATING AND OTHER FINANCIAL INFORMATION (NON-GAAP)

4. **APPENDIX**
 - RETURN ON COMMON EQUITY (ROCE) DEFINITION
 - DEFINITION OF US GAAP TO NON-GAAP MEASURES
 - END NOTES
 - LEGAL NOTICE

1. COWEN INC.

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

\$ thousands	2018	2019				2020	
	FY	Q1	Q2	Q3	Q4	FY	Q1
INVESTMENT BANKING REVENUE	\$329,062	\$82,993	\$104,219	\$70,022	\$94,957	\$352,192	\$98,759
M&A							
Revenue	\$81,733	\$28,416	\$11,861	\$16,962	\$27,019	\$84,258	\$19,335
Total transactions	30	9	10	13	16	48	12
Average fee (implied)	\$2,723	\$3,157	\$1,186	\$1,305	\$1,689	1,752	\$1,611
Median fee	\$1,800	\$734	\$1,117	\$1,059	\$1,188	\$956	\$1,201
Transaction value (in B)	\$10,889	\$6,423	\$773	\$927	\$1,592	\$9,715	\$1,114
Total Capital Markets Revenue	\$247,329	\$54,577	\$92,358	\$53,060	\$67,938	\$267,933	\$79,424
Capital Markets Underwriting ¹							
Revenue	--	\$47,477	\$72,402	\$39,874	\$59,144	\$218,897	\$65,725
Total transactions	--	25	42	22	25	114	24
Average fee (implied)	--	\$1,899	\$1,724	\$1,812	\$2,366	\$1,920	\$2,739
Median fee	--	\$1,478	\$1,527	\$1,300	\$1,924	\$1,477	\$2,309
Capital Markets Advisory ²							
Revenue	--	\$7,100	\$19,956	\$13,186	\$8,794	\$49,036	\$13,699
Total transactions	--	5	4	8	9	26	7
Average fee (implied)	--	\$1,420	\$4,989	\$1,648	\$977	\$1,886	\$1,957
Median fee	--	\$700	\$1,500	\$1,173	\$666	\$900	\$1,350
MARKETS REVENUE	\$472,490	\$113,434	\$125,276	\$111,746	\$115,097	\$465,380	\$132,385
Brokerage Revenue ⁷	\$467,117	\$111,872	\$124,044	\$110,180	\$113,047	\$459,143	\$132,672
Institutional brokerage ³	\$327,578	\$78,304	\$89,303	\$75,907	\$80,451	\$323,965	\$97,961
Institutional services	\$139,539	\$33,568	\$34,741	\$34,273	\$32,596	\$135,178	\$34,711
Markets Other Revenue ⁴	\$5,373	\$1,562	\$1,387	\$1,725	\$2,051	\$6,725	(\$287)
Markets revenue per trading day	\$1,882	\$1,860	\$1,991	\$1,749	\$1,798	\$1,849	\$2,135
# Trading days	251	61	63	64	64	252	62
# Publishing analysts ⁵	51	52	52	53	52	52	53
MANAGEMENT FEE	\$49,176	\$10,431	\$10,468	\$10,907	\$13,869	\$45,674	\$14,915
Monthly run rate (trailing 3 months)	\$4,098	\$3,477	\$3,489	\$3,636	\$4,623	\$3,806	\$4,972
INCENTIVE INCOME	\$23,747	\$16,747	\$4,229	\$14,377	\$10,840	\$46,193	(\$4,889)
INVESTMENT INCOME⁷	\$41,528	\$10,269	\$(2,887)	\$11,733	\$16,610	\$35,725	\$(31,104)
OTHER REVENUE	-\$1,170	\$1,157	\$4,316	-\$126	\$496	\$5,843	\$562
TOTAL REVENUE⁶	\$909,460	\$233,469	\$244,389	\$217,093	\$249,819	\$944,770	\$210,915

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 1Q'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
SUMMARY ECONOMIC INCOME DATA (\$ thousands)							
Economic income revenue	\$909,460	\$233,469	\$244,389	\$217,093	\$249,819	\$944,770	\$210,915
Economic income (loss)*	\$69,342	\$15,274	\$15,487	\$5,547	\$12,334	\$48,642	\$(12,226)
Economic operating income (loss)	\$80,925	\$20,230	\$20,435	\$10,629	\$17,787	\$69,081	\$(6,792)
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)%
PER COMMON SHARE INFORMATION							
Economic income per share (basic)	\$2.35	\$0.51	\$0.58	\$0.19	\$0.42	\$1.65	\$(0.43)
Economic Income per share (diluted)	\$2.26	\$0.48	\$0.55	\$0.18	\$0.40	\$1.55	\$(0.43)
Economic operating income per share (basic)	\$2.74	\$0.68	\$0.74	\$0.36	\$0.61	\$2.34	\$(0.24)
Economic operating income per share (diluted)	\$2.63	\$0.64	\$0.70	\$0.34	\$0.58	\$2.21	\$(0.24)
NON-INTEREST EXPENSES (EX. D&A)							
Compensation expenses	\$509,619	\$131,945	\$136,410	\$122,621	\$146,562	\$537,538	\$125,707
Non-compensation expenses	\$284,156	\$72,010	\$77,882	\$74,338	\$74,308	\$298,538	\$80,784
Fixed non-compensation expenses (ex. D&A)	\$140,510	\$34,877	\$38,416	\$37,083	\$36,296	\$146,672	\$37,484
Variable non-compensation expenses	\$143,646	\$37,133	\$39,466	\$37,255	\$38,012	\$151,866	\$43,300
DEPRECIATION & AMORTIZATION							
Depreciation	\$6,572	\$1,673	\$1,693	\$1,836	\$2,107	\$7,309	\$2,240
Amortization	\$5,011	\$3,273	\$3,258	\$3,246	\$3,346	\$13,130	\$3,194
EXPENSE RATIOS							
Compensation to revenue ratio	56.0 %	56.5 %	55.8 %	56.5 %	58.7 %	56.9 %	59.6 %
Non-compensation expenses to revenue ratio	31.4 %	30.8 %	31.9 %	34.2 %	29.7 %	31.6 %	38.3 %
Fixed non-compensation expense to revenue ratio (ex. D&A)	15.6 %	14.9 %	15.7 %	17.1 %	14.5 %	15.5 %	17.8 %
Variable non-compensation expense to revenue ratio	15.8 %	15.9 %	16.1 %	17.2 %	15.2 %	16.1 %	20.5 %

* 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
INVESTED CAPITAL BREAKDOWN							
Operating Co	\$584,454	\$442,459	\$528,908	\$570,987	\$584,832	\$584,832	\$539,867
Asset Co	\$202,268	\$192,341	\$149,036	\$145,019	\$137,726	\$137,726	\$126,683
Total invested capital	\$786,722	\$634,800	\$677,944	\$716,006	\$722,558	\$722,558	\$666,550
SELECT BALANCE SHEET DATA							
Cowen Inc. stockholders' equity	\$794,407	\$814,782	\$817,424	\$817,055	\$809,855	\$809,855	\$784,803
Common equity	\$693,091	\$713,466	\$716,108	\$715,739	\$708,539	\$708,539	\$683,487
Book value per share	\$24.37	\$24.12	\$24.29	\$24.67	\$24.77	\$24.77	\$24.74
Tangible book value per per share	\$21.36	\$17.84	\$18.24	\$18.63	\$18.72	\$18.72	\$18.60
SUMMARY STOCKHOLDERS' EQUITY INFORMATION							
Stockholders' Equity	\$794,407	\$814,782	\$817,424	\$817,055	\$809,855	\$809,855	\$782,729
Less:							
Preferred Stock	\$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
OTHER DATA							
Common shares outstanding (end of period)	28,438	29,581	29,480	29,013	28,610	28,610	27,628
Common shares outstanding (weighted average)							
Basic	29,545	29,750	29,769	29,529	29,046	29,525	28,598
Diluted	30,735	31,625	31,522	31,264	30,722	30,722	28,598
Employees, end of period	1,134	1,223	1,240	1,299	1,291	1,291	1,313

Reconciliation of US GAAP and Economic Income (Unaudited)

Three Months Ended March 31, 2020

	Adjustments			Economic Income
	US GAAP Net Income	Other Adjustments (1)	Funds Consolidation (2)	
Revenue				
Investment banking	\$ 105,028	\$ (6,269) (a)	\$ —	\$ 98,759
Brokerage	139,362	(6,690) (b)(g)	—	132,672
Management fees	11,604	2,633 (c)	678	14,915
Incentive income	—	(4,889) (c)	—	(4,889)
Investment income	—	(31,104) (d)(g)	—	(31,104)
Interest and dividends	42,077	(42,077) (b)(d)	—	—
Reimbursement from affiliates	261	(286) (e)	(25)	—
Reinsurance premiums	10,471	(10,471) (f)	—	—
Other revenues	1,850	(1,288) (f)	—	562
Consolidated Funds	3,156	—	(3,156)	—
Total revenue	313,809	(100,441)	(2,453)	210,915
Interest expense (Economic Income/(Loss)) / Interest and dividend expense (US GAAP)	38,792	(31,014) (d)	—	7,778
Total net revenues	275,017	(69,427)	(2,453)	203,137
Expenses				
Non interest expense	228,439	(16,514) (a)(e)(h)(i)	—	211,925
Consolidated Funds expenses	2,714	—	(2,714)	—
Total expenses	231,153	(16,514)	(2,714)	211,925
Total other income (loss)	(117,148)	55,094 (c)(d)(i)	62,054	—
Income taxes expense / (benefit)	(1,173)	1,173 (h)	—	—
Income (loss) attributable to non-controlling interests in consolidated subsidiaries and investment funds	(62,188)	1,613	62,315	1,740
Income (loss) attributable to Cowen Inc.	(9,923)	(605)	—	(10,528)
Less: Preferred stock dividends	1,698	—	—	1,698
Economic Income (Loss)/ Income (loss) attributable to Cowen Inc. common stockholders	\$ (11,621)	\$ (605)	\$ —	(12,226)
Add: Depreciation and Amortization				5,434
Economic operating income (loss)				\$ (6,792)

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

	2018	2019				2020	
	FY	Q1	Q2	Q3	Q4	FY	Q1
<i>\$ thousands</i>							
INVESTMENT BANKING REVENUE	\$329,062	\$82,993	\$104,219	\$70,022	\$94,957	\$352,192	\$98,759
M&A							
Revenue	\$81,733	\$28,416	\$11,861	\$16,962	\$27,019	\$84,258	\$19,335
Total transactions	30	9	10	13	16	48	12
Average fee (implied)	\$2,723	\$3,157	\$1,186	\$1,305	\$1,689	\$1,752	\$1,611
Median fee	\$1,800	\$734	\$1,117	\$1,059	\$1,188	\$956	\$1,201
Transaction value (in B)	\$10,889	\$6,423	\$773	\$927	\$1,592	\$9,715	\$1,114
Total Capital Markets Revenue	\$247,329	\$54,577	\$92,358	\$53,060	\$67,938	\$267,933	\$79,424
Capital Markets Underwriting ¹							
Revenue	--	\$47,477	\$72,402	\$39,874	\$59,144	\$218,897	\$65,725
Total transactions	--	25	42	22	25	114	24
Average fee (implied)	--	\$1,899	\$1,724	\$1,812	\$2,366	\$1,920	\$2,739
Median fee	--	\$1,478	\$1,527	\$1,300	\$1,924	\$1,477	\$2,309
Capital Markets Advisory ²							
Revenue	--	\$7,100	\$19,956	\$13,186	\$8,794	\$49,036	\$13,699
Total transactions	--	5	4	8	9	26	7
Average fee (implied)	--	\$1,420	\$4,989	\$1,648	\$977	\$1,886	\$1,957
Median fee	--	\$700	\$1,500	\$1,173	\$666	\$900	\$1,350
MARKETS REVENUE	\$472,490	\$113,434	\$125,276	\$111,746	\$115,097	\$465,380	\$132,385
Brokerage Revenue ⁷	\$467,117	\$111,872	\$124,044	\$110,180	\$113,047	\$459,143	\$132,672
Institutional brokerage ³	\$327,578	\$78,304	\$89,303	\$75,907	\$80,451	\$323,965	\$97,961
Institutional services	\$139,539	\$33,568	\$34,741	\$34,273	\$32,596	\$135,178	\$34,711
Markets Other Revenue ⁴	\$5,373	\$1,562	\$1,387	\$1,725	\$2,051	\$6,725	-\$287
Markets revenue per trading day	\$1,882	\$1,860	\$1,991	\$1,749	\$1,798	\$1,849	\$2,135
# Trading days	251	61	63	64	64	252	62
# Publishing analysts ⁵	51	52	52	53	52	52	53
MANAGEMENT FEE	\$43,466	\$9,728	\$9,968	\$10,321	\$13,682	\$43,699	\$14,711
Monthly run rate (trailing 3 months)	\$3,622	\$3,243	\$3,323	\$3,440	\$4,561	\$3,642	\$4,904
INCENTIVE INCOME	\$16,851	\$16,637	\$2,633	\$15,384	\$10,388	\$45,041	-\$2,487
INVESTMENT INCOME⁷	\$38,776	\$9,427	\$(6,513)	\$10,911	\$18,788	\$32,613	\$(19,449)
OTHER REVENUE	-\$1,621	\$1,121	\$4,301	-\$132	\$495	\$5,785	\$562
TOTAL REVENUE⁶	\$893,651	\$231,778	\$238,652	\$216,686	\$251,357	\$938,473	\$224,768

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 1Q'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
SUMMARY ECONOMIC INCOME DATA (\$ thousands)				
Economic income revenue	\$238,652	\$216,686	\$251,357	\$224,768
Economic income (loss)*	\$14,757	\$8,289	\$17,601	\$4,261
Economic operating income (loss)	\$19,702	\$13,362	\$23,048	\$9,689
RETURN ON AVERAGE COMMON EQUITY				
Annualized return on average common equity**	12.1 %	8.0 %	13.6 %	2.6 %
PER COMMON SHARE INFORMATION				
Economic income per share (basic)	\$0.50	\$0.28	\$0.61	\$0.15
Economic Income per share (diluted)	\$0.50	\$0.27	\$0.57	\$0.15
Economic operating income per share (basic)	\$0.66	\$0.45	\$0.79	\$0.34
Economic operating income per share (diluted)	\$0.63	\$0.43	\$0.75	\$0.34
NON-INTEREST EXPENSES (EX. D&A)				
Compensation expenses	\$134,454	\$121,889	\$145,879	\$126,724
Non-compensation expenses	\$76,598	\$73,675	\$72,997	\$81,103
Fixed non-compensation expenses (ex. D&A)	\$37,171	\$36,459	\$36,245	\$37,811
Variable non-compensation expenses	\$39,427	\$37,216	\$36,752	\$43,292
DEPRECIATION & AMORTIZATION				
Depreciation	\$1,686	\$1,827	\$2,101	\$2,234
Amortization	\$3,259	\$3,246	\$3,346	\$3,194
EXPENSE RATIOS				
Compensation to revenue ratio	56 %	56.3 %	58.0 %	56.4 %
Non-compensation expenses to revenue ratio	32 %	34.0 %	29.0 %	36.1 %
Fixed non-compensation expense to revenue ratio (ex. D&A)	16 %	16.8 %	14.4 %	16.8 %
Variable non-compensation expense to revenue ratio	17 %	17.2 %	14.6 %	19.3 %

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

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

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

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) 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.
- (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.