

## Oppenheimer Holdings Inc. Reports Second Quarter 2013 Earnings and Announces Quarterly Dividend

**New York, July 26, 2013** – Oppenheimer Holdings Inc. (NYSE: OPY) today reported net income of \$2.8 million or \$0.21 per share for the second quarter of 2013 compared with net income of \$2.4 million or \$0.18 per share for the second quarter of 2012, an increase of 17.6%. Revenue for the second quarter of 2013 was \$243.8 million compared with \$233.1 million in the second quarter of 2012, an increase of 4.6%.

Summary Operating Results (Unaudited)						
('000s, except EPS)	For the 3-Months Ended			For the 6-Months Ended		
	6/30/13	6/30/12	% Δ	6/30/13	6/30/12	% Δ
Revenue	\$ 243,830	\$ 233,145	4.6	\$ 482,976	\$ 471,359	2.5
Net Income (Loss) <sup>(1)</sup>	\$ 2,848	\$ 2,422	17.6	\$ 6,511	\$ (2,235)	*
<b>Earnings (Loss) Per Share<sup>(1)</sup></b>						
Basic	\$0.21	\$ 0.18	16.7	\$0.48	\$ (0.16)	*
Diluted	\$0.20	\$ 0.17	17.6	\$0.46	\$ (0.16)	*
<b>Weighted Average # of Common Shares Outstanding</b>						
Basic	13,607	13,589	0.1	13,608	13,593	0.1
Diluted	14,068	14,010	0.4	14,069	13,593	3.5

(1) Attributable to Oppenheimer Holdings Inc.

\* Not comparable

The U.S. equity markets showed significant strength during the first half of the year with the S&P increasing 13.8%. Volatility in the equity markets increased during the quarter and was exacerbated by the Federal Reserve Board's announcement that the economy was improving and that it had begun considering the circumstances under which it would slow the pace of the central bank's bond purchasing program. With this announcement, bond yields rose significantly, negatively impacting both the debt and the equity markets in the latter part of the second quarter. Part of what drove the Federal Reserve's announcement was the improvement in the economy as economic indicators improved across the board led by the housing market and a modest increase in employment.

Albert G. Lowenthal, Chairman and CEO, said "We are gratified to see improving results during the most recent period compared to last year. Higher equity valuations and client investment flows helped our fee-based programs produce record revenue in the second quarter of 2013. Our fixed income revenue and profits remained quite good despite increased volatility at the end of the quarter. Revenue from other areas including institutional equities and investment banking continue to be quite restrained reflecting low levels of activity from our clients. We expect that an improving economy and higher consumer confidence will be reflected in higher levels of activity over the balance of the year. Reported earnings continue to be negatively impacted by elevated legal costs offsetting our improved results from current operations.

While the announcement by the Federal Reserve that they may reduce bond buying over coming months created a significant move higher in longer term interest rates, the equity markets have shown a marked move higher over the first half of July reflecting investor perception that such restraint by the Federal Reserve reflects better fundamentals for the economy and the possibility of higher equity valuations. We remain optimistic about the business environment and believe that we are extremely well positioned to participate in the upside of a sustained economic recovery.”

### **Financial Highlights**

- Commission revenue was \$124.4 million for the second quarter of 2013, an increase of 10.7% compared with the second quarter of 2012.
- Principal transactions revenue decreased 44.0% to \$7.5 million during the second quarter of 2013 compared with the second quarter of 2012 due to a \$3 million reduction in the valuation adjustment related to auction rate securities recorded in the second quarter of 2012 as well as a reduction of trading profits associated with municipal and agency securities in the second quarter of 2013.
- Investment banking revenue was down 9.6% to \$22.6 million for the second quarter of 2013 compared with \$25.0 million during the second quarter of 2012.
- Advisory fees were \$60.6 million during the second quarter of 2013, an increase of 12.8% compared with the second quarter of 2012.

<b>Business Segment Results (Unaudited)</b>						
('000s)	<b>For the 3-Months Ended</b>			<b>For the 6-Months Ended</b>		
	<b>6/30/13</b>	<b>6/30/12</b>	<b>% Δ</b>	<b>6/30/13</b>	<b>6/30/12</b>	<b>% Δ</b>
<b>Revenue</b>						
Private Client	\$ 143,278	\$ 128,469	11.5	\$ 286,647	\$ 272,732	5.1
Asset Management	22,006	19,992	10.1	42,962	39,036	10.1
Capital Markets	67,904	71,561	(5.1)	133,035	140,890	(5.6)
Commercial Mortgage Banking	9,477	10,934	(13.3)	17,543	18,988	(7.6)
Corporate/Other	1,165	2,189	(46.8)	2,789	(287)	*
	<u>243,830</u>	<u>233,145</u>	<u>4.6</u>	<u>482,976</u>	<u>471,359</u>	<u>2.5</u>
<b>Income (Loss) Before Income Taxes</b>						
Private Client	15,698	12,770	22.9	33,025	27,732	19.1
Asset Management	7,402	4,106	80.3	13,945	9,096	53.3
Capital Markets	972	2,660	(63.5)	4,505	1,005	348.4
Commercial Mortgage Banking	2,276	5,000	(54.5)	5,154	8,830	(41.6)
Corporate/Other	(20,674)	(16,697)	(23.8)	(44,242)	(45,313)	2.4
	<u>\$ 5,674</u>	<u>\$ 7,839</u>	<u>(27.6)</u>	<u>\$ 12,387</u>	<u>\$ 1,350</u>	<u>817.6</u>

\* Not comparable

### **Private Client**

Private Client reported revenue of \$143.3 million for the second quarter of 2013, 11.5% higher than the second quarter of 2012. Pre-tax income was \$15.7 million, an increase of 22.9% compared with the second quarter of 2012, driven by increases in both transactional and fee-based business during the second quarter of 2013 compared with the same period of 2012.

- Client assets under administration were \$80.1 billion at June 30, 2013.

- Financial Advisor headcount was 1,402 at the end of the quarter, down from 1,435 from the prior year period.
- Retail commissions were \$81.8 million for the quarter, an increase of 8.0% over the prior year quarter.
- Advisory fee revenue on traditional and alternative managed products was \$38.9 million for the second quarter of 2013, an increase of 16.0% over the prior year quarter (see Asset Management below for further information).
- Money market fee waivers were \$7.2 million during the second quarter of 2013 versus \$5.9 million during the second quarter of 2012.

### **Asset Management**

Asset Management reported revenue of \$22.0 million for the second quarter of 2013, 10.1% higher than the second quarter of 2012. Pre-tax income was \$7.4 million, an increase of 80.3% compared with the second quarter of 2012, as a result of increased fees earned on managed products as well as lower legal costs.

- Advisory fee revenue on traditional and alternative managed products was \$19.7 million for the second quarter of 2013, an increase of 10.0% over the prior year quarter. Asset management fees are calculated based on client assets under management (“AUM”) at the end of the prior quarter which totaled \$22.4 billion at March 31, 2013 (\$20.1 billion at March 31, 2012) and are allocated to the Private Client and Asset Management Divisions.
- AUM increased 11.9% to \$22.5 billion at June 30, 2013, a record for the Company, from \$20.1 billion at June 30, 2012, which is the basis for advisory fee billings for the third quarter of 2013. The increase in AUM was comprised of asset appreciation of \$1.4 billion and net new assets of \$1.0 billion.

### **Capital Markets**

Capital Markets reported revenue of \$67.9 million for the second quarter of 2013, 5.1% lower than the second quarter of 2012. Pre-tax income was \$972 thousand during the second quarter of 2013 compared with \$2.7 million during the second quarter of 2012, due primarily to higher legal costs during the current period.

- Institutional equities commissions were \$26.4 million for the second quarter of 2013, an increase of 1.1% compared with the prior year period.
- Advisory fees from investment banking activities decreased 34.2% to \$8.0 million in the second quarter of 2013.
- Equity underwriting fees increased \$374 thousand to \$9.7 million for the second quarter of 2013.
- Revenue from Taxable Fixed Income increased 1.2% to \$21.3 million for the second quarter of 2013.
- Public Finance and Municipal Trading revenue was down 6.8% to \$6.1 million for the second quarter of 2013.

### **Commercial Mortgage Banking**

Commercial Mortgage Banking reported revenue of \$9.5 million for the second quarter of 2013, 13.3% lower than the second quarter of 2012 as a result of a reduced dollar amount of originated loans and the corresponding net revenue. Pre-tax income was \$2.3 million, a decrease of 54.5% compared with the

second quarter of 2012, due to a combination of lower origination revenue and an increase in write-offs of mortgage servicing rights related to loan refinancings during the current period.

- Loan origination fees for the second quarter of 2013 were \$2.1 million as the Company originated 18 commercial loans with principal loan balances of \$165.9 million.
- Net servicing revenue for the second quarter of 2013 was \$1.2 million compared with \$1.0 million for the comparable period in 2012.
- Principal loan balances related to servicing activities totaled \$3.6 billion at June 30, 2013, up 17.7% from June 30, 2012.
- A gain of \$604 thousand was recorded during the second quarter of 2013 related to loan modifications.

### **Compensation and Benefit Expenses**

Compensation and benefits (including salaries, production and incentive compensation, share-based compensation, deferred compensation, and other benefit-related items) totaled \$160.0 million during the second quarter of 2013, an increase of 6.0% over the second quarter of 2012. Compensation as a percentage of revenue was 65.6% during the second quarter of 2013 compared to 64.7% during the second quarter of 2012. Higher incentive and deferred compensation and healthcare costs were largely responsible for the increase. Deferred compensation expense was partially offset by increases in the value of assets underlying the deferred compensation plans.

### **Non-Compensation Expenses**

Non-compensation expenses increased to \$78.2 million during the second quarter of 2013 from \$74.4 million during the same period last year, an increase of \$3.8 million or 5.0%, primarily due to an increase in write-offs of mortgage servicing rights related to loan refinancings during the current period.

### **Provision for Income Taxes**

The effective income tax rate for the second quarter of 2013 was 46.0% compared with 57.0% for the prior year second quarter. During the second quarter of 2012, the Company recorded adjustments of \$1.3 million, net of taxes, related to prior periods to establish additional reserves for taxes and adjust related interest.

### **Balance Sheet and Liquidity**

- At June 30, 2013, total equity was \$511.8 million compared with \$505.0 million at December 31, 2012.
- At June 30, 2013, book value per share was \$37.29 (compared with \$36.80 at December 31, 2012) and tangible book value per share was \$24.82 (compared with \$24.34 at December 31, 2012).
- The Company's level 3 assets were \$91.4 million at June 30, 2013 (compared with \$85.4 million at December 31, 2012).

### **Dividend Announcement**

- The Company today announced a quarterly dividend in the amount of \$0.11 per share, payable on August 23, 2013 to holders of Class A non-voting and Class B voting common stock of record on August 9, 2013.

**Oppenheimer Holdings Inc.**  
**Quarterly Consolidated Income Statement (unaudited)**

(*'000s, except EPS*)

	For the 3-Months Ended			For the 6-Months Ended		
	6/30/13	6/30/12	% Δ	6/30/13	6/30/12	% Δ
<b>REVENUE</b>						
Commissions	\$124,440	\$112,429	10.7	\$244,020	\$238,063	2.5
Principal transactions, net	7,532	13,460	(44.0)	23,249	26,015	(10.6)
Interest	13,106	14,246	(8.0)	25,477	27,639	(7.8)
Investment banking	22,567	24,971	(9.6)	41,015	45,058	(9.0)
Advisory fees	60,580	53,704	12.8	117,300	103,781	13.0
Other	15,605	14,335	8.9	31,915	30,803	3.6
	243,830	233,145	4.6	482,976	471,359	2.5
<b>EXPENSES</b>						
Compensation and related expenses	160,006	150,896	6.0	319,215	309,547	3.1
Clearing and exchange fees	6,293	5,989	5.1	12,335	12,020	2.6
Communications and technology	16,018	15,328	4.5	31,882	31,466	1.3
Occupancy and equipment costs	17,141	17,409	(1.5)	34,706	41,753	(16.9)
Interest	7,143	8,230	(13.2)	14,005	17,022	(17.7)
Other	31,555	27,454	14.9	58,446	58,201	0.4
	238,156	225,306	5.7	470,589	470,009	0.1
Income before income taxes	5,674	7,839	(27.6)	12,387	1,350	817.6
Income tax provision	2,608	4,464	(41.6)	5,428	1,858	192.1
Net income (loss) for the period	3,066	3,375	(9.2)	6,959	(508)	*
Less net income attributable to non-controlling interest, net of tax	218	953	(77.1)	448	1,727	(74.1)
<b>Net income (loss) attributable to Oppenheimer Holdings Inc.</b>	<u>\$2,848</u>	<u>\$2,422</u>	<u>17.6</u>	<u>\$6,511</u>	<u>(\$2,235)</u>	<u>*</u>
<b>Earnings (loss) per share attributable to Oppenheimer Holdings Inc.</b>						
Basic	\$0.21	\$0.18	16.7	\$0.48	(\$0.16)	*
Diluted	\$0.20	\$0.17	17.6	\$0.46	(\$0.16)	*
<b>Weighted Average Number of Common Shares Outstanding</b>						
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## **Company Information**

Oppenheimer Holdings Inc., through its operating subsidiaries, is a leading middle market investment bank and full service broker-dealer that provides a wide range of financial services including retail securities brokerage, institutional sales and trading, investment banking (both corporate and public finance), research, market-making, trust, investment management, and commercial mortgage. With roots tracing back to 1881, the firm is headquartered in New York and has 94 offices in 26 states and 6 foreign jurisdictions.

## **Forward-Looking Statements**

This press release includes certain “forward-looking statements” relating to anticipated future performance. For a discussion of the factors that could cause future performance to be different than anticipated, reference is made to Factors Affecting “Forward-Looking Statements” and Part 1A – Risk Factors in Oppenheimer’s Annual Report on Form 10-K for the year ended December 31, 2012.