

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

New York, October 25, 2013 – Oppenheimer Holdings Inc. (NYSE: OPY) today reported net income of \$5.2 million or \$0.38 per share for the third quarter of 2013 compared with net income of \$2.3 million or \$0.17 per share for the third quarter of 2012, an increase of 125.5%. Revenue for the third quarter of 2013 was \$243.4 million compared with \$231.8 million in the third quarter of 2012, an increase of 5.0%.

Summary Operating Results (Unaudited)						
<i>(‘000s, except Earnings Per Share and Book Value Per Share)</i>						
	For the 3-Months Ended			For the 9-Months Ended		
	9/30/13	9/30/12	% Δ	9/30/13	9/30/12	% Δ
Revenue	\$ 243,376	\$ 231,838	5.0	\$ 726,352	\$ 703,197	3.3
Net Income ⁽¹⁾	\$ 5,237	\$ 2,322	125.5	\$ 11,748	\$ 87	13,403.4
Earnings Per Share ⁽¹⁾						
Basic	\$ 0.38	\$ 0.17	123.5	\$ 0.86	\$ 0.01	8,500.0
Diluted	\$ 0.37	\$ 0.16	131.3	\$ 0.83	\$ 0.01	8,200.0
Weighted Average # of Common Shares Outstanding						
Basic	13,604	13,611	(0.1)	13,607	13,599	0.1
Diluted	14,172	14,161	0.1	14,110	13,937	1.2
	As of:			As of:		
	9/30/13	9/30/12	% Δ	9/30/13	12/31/12	% Δ
Book Value Per Share	\$ 37.68	\$ 37.10	1.6	\$ 37.68	\$ 36.80	2.4
Tangible Book Value Per Share	\$ 25.16	\$ 24.60	2.3	\$ 25.16	\$ 24.34	3.4

(1) Attributable to Oppenheimer Holdings Inc.

The economy continued to improve during the third quarter of 2013. While the ongoing purchases of bonds by the Federal Reserve during the period continued to improve liquidity, the uncertainty surrounding the timing of the reduction in the central bank’s bond purchasing program held down volumes during the quarter. The Federal Reserve’s decision at the end of the quarter to continue its bond purchases drove U.S. equity markets back towards historic highs. The quarter ended with the S&P 500 Index up 4.7% on lower trading volumes and volatility. At the end of the third quarter, fixed income yields declined as a result of the Federal Reserve decision against “tapering” combined with a flight to safety near quarter end in anticipation of a government shutdown due to lack of a budget and concerns over the near term debt ceiling negotiations.

Albert G. Lowenthal, Chairman and CEO, said “We are pleased with the continued improvement in our operating results. Higher equity valuations and client investment flows helped produce another record period for our asset management fee-based programs. An increase in equity issuance led to a solid quarter for our equity capital markets business. The commercial mortgage banking business continued its strong performance as loan origination volumes increased. However, the decrease in corporate finance fees from investment banking activities during the period negatively affected operating results.

The recent government shutdown and threat of default by the federal government sowed considerable market volatility both as it began and as it was resolved, at least for the short term. The continued growth of the economy may lead the Federal Reserve to begin tapering by year end. It seems unlikely that this action will disrupt markets given the increase in interest rates since May. We continue to be 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 \$120.3 million for the third quarter of 2013, an increase of 6.0% compared with the third quarter of 2012.
- Principal transactions revenue decreased 28.0% to \$10.3 million during the third quarter of 2013 compared with the third quarter of 2012 due to a reduction of trading profits associated with corporate and municipal bonds, resulting from concerns of market participants over tapering and, as a result, their reluctance to transact during the period.
- Investment banking revenue was down 1.1% to \$21.4 million for the third quarter of 2013 compared with \$21.6 million during the third quarter of 2012 due to lower corporate finance activity in the 2013 quarter.
- Advisory fees were \$60.1 million during the third quarter of 2013, an increase of 13.4% compared with the third quarter of 2012.

Business Segment Results (Unaudited)						
('000s)	For the 3-Months Ended			For the 9-Months Ended		
	9/30/13	9/30/12	% Δ	9/30/13	9/30/12	% Δ
Revenue						
Private Client	\$ 144,316	\$ 133,798	7.9	\$ 430,963	\$ 406,530	6.0
Asset Management	21,488	19,812	8.5	64,450	58,848	9.5
Capital Markets	68,460	68,587	(0.2)	201,495	209,477	(3.8)
Commercial Mortgage Banking	9,314	8,738	6.6	26,857	27,726	(3.1)
Corporate/Other	(202)	903	*	2,587	616	320.1
	243,376	231,838	5.0	726,352	703,197	3.3
Income Before Income Taxes						
Private Client	15,088	11,825	27.6	48,113	39,557	21.6
Asset Management	6,387	4,129	54.7	20,332	13,225	53.7
Capital Markets	4,301	3,474	23.8	8,806	4,479	96.6
Commercial Mortgage Banking	2,823	3,155	(10.5)	7,977	11,985	(33.4)
Corporate/Other	(20,436)	(17,325)	18.0	(64,678)	(62,638)	3.3
	\$ 8,163	\$ 5,258	55.2	\$ 20,550	\$ 6,608	211.0

* Not comparable

Private Client

Private Client reported revenue of \$144.3 million for the third quarter of 2013, 7.9% higher than the third quarter of 2012. Income before income taxes was \$15.1 million, an increase of 27.6% compared with the third quarter of 2012, driven by increases in both transactional and fee-based business during the third quarter of 2013 compared with the same period of 2012. Operating results for Private Client were negatively impacted by litigation expenses of \$2.3 million during the third quarter of 2013.

- Client assets under administration were \$81.8 billion at September 30, 2013.
- Financial Advisor headcount was 1,400 at the end of the quarter, down from 1,423 from the prior year period.
- Retail commissions were \$80.2 million for the quarter, an increase of 1.5% over the prior year quarter.
- Advisory fee revenue on traditional and alternative managed products was \$39.3 million for the third quarter of 2013, an increase of 18.5% over the prior year quarter (see Asset Management below for further information).
- The impact of money market fee waivers reduced revenue by \$7.9 million during the third quarter of 2013 versus \$6.3 million during the third quarter of 2012.

Asset Management

Asset Management reported revenue of \$21.5 million for the third quarter of 2013, 8.5% higher than the third quarter of 2012. Income before income taxes was \$6.4 million, an increase of 54.7% compared with the third 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 \$19.8 million for the third quarter of 2013, an increase of 11.0% 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 \$22.5 billion at June 30, 2013 (\$20.1 billion at June 30, 2012) and are allocated to the Private Client and Asset Management Divisions.
- AUM increased 12.8% to \$23.8 billion at September 30, 2013, a record for the Company, compared to \$21.1 billion at September 30, 2012, which is the basis for advisory fee billings for the fourth quarter of 2013. The increase in AUM was comprised of asset appreciation of \$1.6 billion and net new assets of \$1.1 billion.

Capital Markets

Capital Markets reported revenue of \$68.5 million for the third quarter of 2013, 0.2% lower than the third quarter of 2012. Income before income taxes was \$4.3 million during the third quarter of 2013 compared with \$3.5 million during the third quarter of 2012, as higher compensation costs were offset by a reduction in occupancy and interest costs.

- Institutional equities commissions were \$26.8 million for the third quarter of 2013, an increase of 8.6% compared with the prior year period.
- Advisory fees from investment banking activities decreased 72.5% to \$3.2 million in the third quarter of 2013 compared with the prior year period.
- Equity underwriting fees increased \$7.7 million to \$13.6 million for the third quarter of 2013 compared with the prior year period.
- Revenue from Taxable Fixed Income increased 5.3% to \$19.8 million for the third quarter of 2013 compared with the prior year period.
- Public Finance and Municipal Trading revenue was down 34.6% to \$5.3 million for the third quarter of 2013 compared with the prior year period primarily due to a reduction of municipal bond trading profits.

Commercial Mortgage Banking

Commercial Mortgage Banking reported revenue of \$9.3 million for the third quarter of 2013, 6.6% higher than the third quarter of 2012, due to an increase in the dollar volume of loans originated during the current period. Income before income taxes was \$2.8 million, a decrease of 10.5% compared with the third quarter of 2012.

- Loan origination fees for the third quarter of 2013 were \$2.7 million as the Company originated 18 commercial loans with an aggregate principal loan balance of \$193.0 million.
- Net servicing revenue for the third quarter of 2013 was \$1.3 million compared with \$1.1 million for the comparable period in 2012.
- Principal loan balances related to servicing activities totaled \$3.9 billion at September 30, 2013, up 12.5% from September 30, 2012.

Compensation and Benefit Expenses

Compensation and benefits (including salaries, production and incentive compensation, share-based compensation, deferred compensation, and other benefit-related items) totaled \$161.1 million during the third quarter of 2013, an increase of 6.0% over the third quarter of 2012. Compensation as a percentage of revenue was 66.2% during the third quarter of 2013 compared to 65.6% during the third quarter of 2012. Higher salary expense and production-related compensation contributed to the increase as well as an increase in deferred compensation costs. Deferred compensation expense was partially offset by increases in the value of assets underlying the deferred compensation plans. These increased compensation costs during the period were offset by lower current incentive compensation costs.

Non-Compensation Expenses

Non-compensation expenses were \$74.1 million during the third quarter of 2013, relatively flat compared to \$74.6 million during the same period last year. Higher communications and technology costs were largely offset by lower occupancy and equipment costs during the third quarter of 2013 compared to the same period last year.

Provision for Income Taxes

The effective income tax rate for the third quarter of 2013 was 32.5% compared with 42.5% for the prior year third quarter primarily due to higher nontaxable benefits received during the third quarter of 2013 with respect to life insurance on certain employees of which the Company is the beneficiary.

Balance Sheet and Liquidity

- At September 30, 2013, total equity was \$515.3 million compared with \$505.0 million at December 31, 2012.
- At September 30, 2013, book value per share was \$37.68 (compared with \$36.80 at December 31, 2012) and tangible book value per share was \$25.16 (compared with \$24.34 at December 31, 2012).
- The Company's level 3 assets were \$86.8 million at September 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 November 22, 2013 to holders of Class A non-voting and Class B voting common stock of record on November 8, 2013.

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 96 offices in 25 states and 5 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.

Oppenheimer Holdings Inc.
Quarterly Consolidated Income Statement (unaudited)

(*'000s, except EPS*)

	For the 3-Months Ended			For the 9-Months Ended		
	9/30/13	9/30/12	% Δ	9/30/13	9/30/12	% Δ
REVENUE						
Commissions	\$120,252	\$113,424	6.0	\$364,272	\$351,487	3.6
Principal transactions, net	10,347	14,372	(28.0)	33,596	40,387	(16.8)
Interest	14,439	14,823	(2.6)	39,916	42,462	(6.0)
Investment banking	21,362	21,589	(1.1)	62,377	66,647	(6.4)
Advisory fees	60,117	53,015	13.4	177,417	156,796	13.2
Other	16,859	14,615	15.4	48,774	45,418	7.4
	243,376	231,838	5.0	726,352	703,197	3.3
EXPENSES						
Compensation and related expenses	161,081	151,969	6.0	480,296	461,516	4.1
Clearing and exchange fees	6,099	6,026	1.2	18,434	18,046	2.2
Communications and technology	16,999	15,880	7.0	48,881	47,346	3.2
Occupancy and equipment costs	16,405	17,526	(6.4)	51,111	59,279	(13.8)
Interest	6,164	8,842	(30.3)	20,169	25,864	(22.0)
Other	28,465	26,337	8.1	86,911	84,538	2.8
	235,213	226,580	3.8	705,802	696,589	1.3
Income before income taxes	8,163	5,258	55.2	20,550	6,608	211.0
Income tax provision	2,655	2,234	18.8	8,083	4,092	97.5
Net income for the period	5,508	3,024	82.1	12,467	2,516	395.5
Less net income attributable to non-controlling interest, net of tax	271	702	(61.4)	719	2,429	(70.4)
Net income attributable to Oppenheimer Holdings Inc.	\$5,237	\$2,322	125.5	\$11,748	\$87	13,403.4
Earnings per share attributable to Oppenheimer Holdings Inc.						
Basic	\$0.38	\$0.17	123.5	\$0.86	\$0.01	8,500.0
Diluted	\$0.37	\$0.16	131.3	\$0.83	\$0.01	8,200.0
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