

## Oppenheimer Holdings Inc. Reports First Quarter 2014 Earnings and Announces Quarterly Dividend

**New York, May 1, 2014** – Oppenheimer Holdings Inc. (NYSE: OPY) today reported net income of \$3.2 million or \$0.24 per share for the first quarter of 2014 compared with net income of \$3.7 million or \$0.27 per share for the first quarter of 2013, a decrease in net income of 12.0%. Revenue for the first quarter of 2014 was \$255.2 million compared with \$239.1 million in the first quarter of 2013, an increase of 6.7%.

| <b>Summary Operating Results (Unaudited)</b>                      |                               |                |            |
|---|-------------------------------|----------------|------------|
| <i>(000s, except Earnings Per Share and Book Value Per Share)</i> |                               |                |            |
|   | <b>For the 3-Months Ended</b> |                |            |
|   | <b>3/31/14</b>                | <b>3/31/13</b> | <b>% Δ</b> |
| Revenue   | \$ 255,168                    | \$ 239,146     | 6.7        |
| Net Income <sup>(1)</sup>   | \$ 3,224                      | \$ 3,663       | (12.0)     |
| <b>Earnings Per Share<sup>(1)</sup></b>                           |                               |                |            |
| Basic   | \$ 0.24                       | \$ 0.27        | (11.1)     |
| Diluted   | \$ 0.23                       | \$ 0.26        | (11.5)     |
| <b>Weighted Average # of Common Shares Outstanding</b>            |                               |                |            |
| Basic   | 13,537                        | 13,608         | (0.5)      |
| Diluted   | 14,115                        | 14,029         | 0.6        |
|   | <b>As of:</b>                 |                |            |
|   | <b>3/31/14</b>                | <b>3/31/13</b> | <b>% Δ</b> |
| Book Value Per Share  | \$ 38.56                      | \$ 37.07       | 4.0        |
| Tangible Book Value Per Share                                     | \$ 26.10                      | \$ 24.61       | 6.1        |

(1) Attributable to Oppenheimer Holdings Inc.

After a minor setback in the early part of the quarter, the U.S. equities markets rebounded with the S&P 500 returning 1.3% for the first quarter of 2014. Concerns in the quarter were due in part to the Federal Reserve's tapering program, the slowdown in China's economy, and volatility in emerging markets. That coupled with geo-political tensions around Russia's annexation of Crimea, continuing upheaval in the Middle East as well as the reduction in the rate of growth of the U.S. economy due to the extreme winter weather across much of the U.S. provided the impetus for increases in bond prices and volatility in the equity markets during the first quarter.

Albert G. Lowenthal, Chairman and CEO, "While we are generally pleased with our operating results for the first quarter, we continue to operate in a difficult regulatory environment. Recent developments in two related regulatory matters based on activities that occurred a number of years ago have caused the Company to set aside reserves that negatively impacted results for the first quarter. We hope to put these matters behind us over the next few quarters so that we can more fully realize the progress we have made in our operating units.

During the quarter, we began to see some of the investments we made last year in the investment banking business starting to pay off. As a result, our fee income from participation in mergers and acquisitions

activity increased and we continued to benefit from the strong demand for equity issuances. In addition to the record revenue during the first quarter in our fee-based business, the Company continues to see improvement in its transaction-based business. The first quarter marked a strong finish in the equity markets which resulted in favorable valuations of our assets under management, which will ultimately lead in the second quarter to the eight consecutive record for our fee-based business. The combination of a favorable operating environment and lower financing costs due to the early redemption and retirement of 25% of our high coupon long-term senior debt on April 15<sup>th</sup> should help our business over the remainder of the year.”

### **Financial Highlights**

- Commission revenue was \$122.1 million for the first quarter of 2014, an increase of 2.1% compared with the first quarter of 2013.
- Principal transactions revenue decreased 43.9% to \$8.8 million during the first quarter of 2014 compared with the first quarter of 2013 due to decreases in both equities and fixed income trading profits during the period.
- Investment banking revenue was up 81.7% to \$33.5 million for the first quarter of 2014 compared with \$18.4 million for the first quarter of 2013 due to increased fees from equity underwritings and from mergers and acquisition activity during the 2014 quarter.
- Advisory fees were \$68.2 million during the first quarter of 2014, an increase of 20.2% compared with the first quarter of 2013 due to increased management fees earned on managed products.

| <b>Business Segment Results (Unaudited)</b> |                               |                 |               |
|---|-------------------------------|-----------------|---------------|
| ('000s)                                     | <b>For the 3-Months Ended</b> |                 |               |
|   | <b>3/31/14</b>                | <b>3/31/13</b>  | <b>% Δ</b>    |
| <b>Revenue</b>                              |                               |                 |               |
| Private Client                              | \$ 147,820                    | \$ 143,369      | 3.1           |
| Asset Management                            | 24,610                        | 20,956          | 17.4          |
| Capital Markets                             | 77,881                        | 65,131          | 19.6          |
| Commercial Mortgage Banking                 | 4,872                         | 8,066           | (39.6)        |
| Corporate/Other                             | (15)                          | 1,624           | *             |
|   | <u>255,168</u>                | <u>239,146</u>  | <u>6.7</u>    |
| <b>Income (Loss) Before Income Taxes</b>    |                               |                 |               |
| Private Client                              | 10,308                        | 17,327          | (40.5)        |
| Asset Management                            | 7,683                         | 6,543           | 17.4          |
| Capital Markets                             | 11,184                        | 3,533           | 216.6         |
| Commercial Mortgage Banking                 | 1,849                         | 2,878           | (35.8)        |
| Corporate/Other                             | (25,915)                      | (23,568)        | (10.0)        |
|   | <u>\$ 5,109</u>               | <u>\$ 6,713</u> | <u>(23.9)</u> |

\* Not comparable

### **Private Client**

Private Client reported revenue of \$147.8 million for the first quarter of 2014, 3.1% higher than the first quarter of 2013 due to an increase in fee-based business during the first quarter of 2014. Income before income taxes was \$10.3 million, a decrease of 40.5% compared with the first quarter of 2013 primarily due to increases in legal and regulatory costs during the first quarter of 2014.

- Client assets under administration were \$87.2 billion at March 31, 2014 compared to \$84.9 billion at March 31, 2013, an increase of 2.7% and a record for the Company.
- Financial Advisor headcount was 1,390 at the end of the first quarter of 2014, down from 1,405 at the end of the first quarter of 2013.
- Retail commissions were \$79.3 million for the first quarter of 2014, a decrease of 3.4% from the prior year quarter.
- Advisory fee revenue on traditional and alternative managed products was \$45.2 million for the first quarter of 2014, an increase of 22.0% over the prior year quarter (see Asset Management below for further information).
- Money market fees were reduced by waivers in the amount of \$7.9 million during the first quarter of 2014 versus waivers of \$7.2 million during the first quarter of 2013.

### **Asset Management**

Asset Management reported revenue of \$24.6 million for the first quarter of 2014, 17.4% higher than the first quarter of 2013. Income before income taxes was \$7.7 million, an increase of 17.4% compared with the first quarter of 2013, as a result of increased fees earned on managed products.

- Advisory fee revenue on traditional and alternative managed products was \$23.0 million for the first quarter of 2014, an increase of 16.9% 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 \$25.3 billion at December 31, 2013 (\$20.9 billion at December 31, 2012) and are allocated to the Private Client and Asset Management Divisions.
- AUM increased 14.3% to \$25.6 billion at March 31, 2014, a record for the Company, compared to \$22.4 billion at March 31, 2013, which is the basis for advisory fee billings for the second quarter of 2014. The increase in AUM was comprised of asset appreciation of \$0.8 billion and net new assets of \$2.4 billion.

### **Capital Markets**

Capital Markets reported revenue of \$77.9 million for the first quarter of 2014, 19.6% higher than the first quarter of 2013 due to increased fees from equity underwritings and from mergers and acquisition activity. Income before income taxes was \$11.2 million for the first quarter of 2014, an increase of 216.6% compared with income before income taxes of \$3.5 million for the first quarter of 2013.

- Institutional equities commissions were \$29.1 million for the first quarter of 2014, an increase of 15.5% compared with the prior year period.
- Advisory fees from investment banking activities increased 133.5% to \$13.5 million in the first quarter of 2014 compared with the prior year period.
- Equity underwriting fees increased 63.0% or \$5.4 million to \$14.0 million for the first quarter of 2014 compared with the prior year period.
- Revenue from Taxable Fixed Income decreased 17.0% to \$17.3 million for the first quarter of 2014 compared with the prior year period.
- Public Finance and Municipal Trading revenue was down 9.7% to \$5.0 million for the first quarter of 2014 compared with the prior year period.

## **Commercial Mortgage Banking**

Commercial Mortgage Banking reported revenue of \$4.9 million for the first quarter of 2014, 39.6% lower than the first quarter of 2013, due to a decrease in the dollar volume of loans originated during the 2014 period. Income before income taxes was \$1.8 million, a decrease of 35.8% compared with the first quarter of 2013.

- Loan origination fees for the first quarter of 2014 were \$683,000, a decrease of 57.3% compared with the prior year period, as the Company originated 5 commercial loans (20 in the first quarter of 2013) with an aggregate principal loan balance of \$62.4 million (\$151 million in the first quarter of 2013).
- Net servicing revenue for the first quarter of 2014 was \$1.3 million compared with \$1.2 million for the comparable period in 2013.
- Principal loan balances related to servicing activities totaled \$3.9 billion at March 31, 2014, up 11.4% from March 31, 2013.

## **Compensation and Benefit Expenses**

Compensation and benefits (including salaries, production and incentive compensation, share-based compensation, deferred compensation, and other benefit-related items) totaled \$172.0 million during the first quarter of 2014, an increase of 8.0% over the first quarter of 2013. An increase in production-related and incentive compensation contributed to much of the increase based on increased revenue during the period. This was offset by decreases in expenses associated with deferred compensation during the period. Compensation as a percentage of revenue was 67.4% during the first quarter of 2014 compared to 66.6% during the first quarter of 2013. The increase in compensation as a percentage of revenue was largely attributable to the increased share-based compensation costs resulting from employee compensation plans where the value is associated with the Company's stock price.

## **Non-Compensation Expenses**

Non-compensation expenses were \$78.1 million during the first quarter of 2014, an increase of 6.7% compared to \$73.2 million during the same period last year due to increases in legal and regulatory costs which were partially offset by decreases in occupancy and equipment and interest costs during the period. The increase in legal and regulatory costs largely reflects an increase in reserves of \$7.7 million during the first quarter of 2014 related to regulatory matters.

## **Provision for Income Taxes**

The effective income tax rate for the first quarter of 2014 was 33.1% compared with 42.0% for the prior year first quarter due to income tax benefits related to the revaluation of deferred tax liabilities recorded in the first quarter of 2014. Such changes were, in large part, due to the enactment of the New York State corporate tax reform and to smaller losses incurred by the foreign subsidiaries in the first quarter of 2014 compared to the corresponding prior year period whose tax effect is accrued at lower statutory rates.

## **Balance Sheet and Liquidity**

- At March 31, 2014, total equity was \$530.6 million compared with \$527.9 million at December 31, 2013.
- At March 31, 2014, book value per share was \$38.56 (compared with \$38.77 at December 31, 2013) and tangible book value per share was \$26.10 (compared with \$26.19 at December 31, 2013).

- The Company's level 3 assets, primarily auction rate securities, were \$96.8 million at March 31, 2014 (compared with \$93.7 million at December 31, 2013).
- On April 15, 2014, the Company early retired a total of \$50 million (25%) of its 8.75% Senior Secured Notes due 2018 (the "Notes"). The Company redeemed \$45 million aggregate principal amount of the outstanding Notes at a redemption price equal to 106.563% of the principal amount of the Notes, plus accrued and unpaid interest. In addition, the Company retired the \$5 million aggregate principal amount of the Notes that it held. Upon completion of the redemption and retirement on April 15, 2014, \$150 million aggregate principal amount of the Notes remains outstanding. The retirement of the Notes will reduce the Company's interest costs by \$3.9 million annually.

### **Dividend Announcement**

The Company today announced a quarterly dividend in the amount of \$0.11 per share payable on May 27, 2014 to holders of Class A non-voting and Class B voting common stock of record on May 15, 2014.

### **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 banking. 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 the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

**Oppenheimer Holdings Inc.**  
**Consolidated Income Statements (unaudited)**

*(000s, except EPS)*

|  | <b>For the 3-Months Ended</b> |                |               |
|--|-------------------------------|----------------|---------------|
|  | <b>3/31/14</b>                | <b>3/31/13</b> | <b>% Δ</b>    |
| <b>REVENUE</b>   |                               |                |               |
| Commissions  | \$122,138                     | \$119,580      | 2.1           |
| Advisory fees  | 68,205                        | 56,720         | 20.2          |
| Investment banking   | 33,524                        | 18,448         | 81.7          |
| Interest   | 12,390                        | 12,371         | 0.2           |
| Principal transactions, net  | 8,817                         | 15,717         | (43.9)        |
| Other  | 10,094                        | 16,310         | (38.1)        |
|  | <u>255,168</u>                | <u>239,146</u> | <u>6.7</u>    |
| <b>EXPENSES</b>  |                               |                |               |
| Compensation and related expenses                                    | 171,950                       | 159,209        | 8.0           |
| Occupancy and equipment costs  | 15,397                        | 17,565         | (12.3)        |
| Communications and technology  | 16,734                        | 15,864         | 5.5           |
| Interest   | 5,164                         | 6,862          | (24.7)        |
| Clearing and exchange fees   | 5,892                         | 6,042          | (2.5)         |
| Other  | 34,922                        | 26,891         | 29.9          |
|  | <u>250,059</u>                | <u>232,433</u> | <u>7.6</u>    |
| Income before income taxes   | 5,109                         | 6,713          | (23.9)        |
| Income tax provision   | 1,689                         | 2,820          | (40.1)        |
| Net income for the period  | 3,420                         | 3,893          | (12.1)        |
| Less net income attributable to non-controlling interest, net of tax | 196                           | 230            | (14.8)        |
| <b>Net income attributable to Oppenheimer Holdings Inc.</b>          | <u>\$3,224</u>                | <u>\$3,663</u> | <u>(12.0)</u> |
| <b>Earnings per share attributable to Oppenheimer Holdings Inc.</b>  |                               |                |               |
| Basic  | \$0.24                        | \$0.27         | (11.1)        |
| Diluted  | \$0.23                        | \$0.26         | (11.5)        |
| <b>Weighted Average Number of Common Shares Outstanding</b>          |                               |                |               |
| Basic  | 13,537                        | 13,608         | (0.5)         |
| Diluted  | 14,115                        | 14,029         | 0.6           |