



Press Release

Oppenheimer Holdings Inc. Reports Second Quarter 2014 Net Loss of \$1.6 Million, or (\$0.11) Loss per Share; \$0.50 Earnings per Share Excluding the Impact of Legal and Regulatory Charges

New York, August 1, 2014 – Oppenheimer Holdings Inc. (NYSE: OPY) today reported a net loss of \$1.6 million or \$(0.11) per share for the second quarter of 2014 compared with net income of \$2.8 million or \$0.21 per share for the second quarter of 2013. Second quarter 2014 operating results were significantly impacted by a charge in the amount of \$12.0 million (\$8.4 million after-tax or \$0.61 per share) related to two regulatory matters emanating from transactions in low-priced securities. Revenue for the second quarter of 2014 was \$249.7 million compared with \$243.8 million in the second quarter of 2013, an increase of 2.4%.

Summary Operating Results (Unaudited)						
<i>('000s, except Earnings Per Share and Book Value Per Share)</i>						
	For the 3-Months Ended			For the 6-Months Ended		
	6/30/14	6/30/13	% Δ	6/30/14	6/30/13	% Δ
Revenue	\$ 249,689	\$ 243,830	2.4	\$ 504,857	\$ 482,976	4.5
Net Income (Loss) ⁽¹⁾	\$ (1,554)	\$ 2,848	*	\$ 1,670	\$ 6,511	(74.4)
Earnings (Loss) Per Share ⁽¹⁾						
Basic	\$ (0.11)	\$ 0.21	*	\$ 0.12	\$ 0.48	(75.0)
Diluted	\$ (0.11)	\$ 0.20	*	\$ 0.12	\$ 0.46	(73.9)
Weighted Average # of Common Shares Outstanding						
Basic	13,618	13,607	0.1	13,578	13,608	(0.2)
Diluted	13,618	14,068	(3.2)	14,184	14,069	0.8
	As of:			As of:		
	6/30/14	6/30/13	% Δ	6/30/14	12/31/13	% Δ
Book Value Per Share	\$ 38.46	\$ 37.29	3.1	\$ 38.46	\$ 38.77	(0.8)
Tangible Book Value Per Share	\$ 26.01	\$ 24.82	4.8	\$ 26.01	\$ 26.19	(0.7)

(1) Attributable to Oppenheimer Holdings Inc.

* Not Comparable

Investment returns were strong across most asset classes during the second quarter of 2014. The U.S. equity markets continued to perform well as the S&P 500 returned 4.7% during the period. Market volatility remained at extremely low levels reflecting continued low interest rates, high liquidity levels coming from Federal Reserve intervention and investor apathy awaiting signs of a stronger recovery. Despite this, the U.S. economy continued to improve during the period and finally regained all of the jobs lost since the financial crisis began in 2008. The housing market showed improvement during the period recovering from the winter slowdown. Inflation remained in check despite recent increases in the Consumer Price Index. The Federal Reserve continued its tapering program which it now expects to end in October 2014. Geopolitical tensions continued in areas such as the Ukraine and Syria and emerged in other areas such as Iraq and Israel.

Albert G. Lowenthal, Chairman and CEO commented, “Top-line business results continued to improve during the period across many of the Company’s business lines bolstered by resilient equity markets and a continuing improvement in the economy. It is extremely disappointing that the strong performance in the business has been more than offset by increased legal and regulatory costs. The financial cost of reaching resolution of open matters has been extraordinarily high, which is a reflection of the regulatory environment. Charges associated with the aforementioned regulatory matters, which arose prior to 2011 and were fully reserved by the Company at June 30, 2014, significantly impacted the operating results for both the first and second quarters of 2014. These matters have been a huge distraction for management and have come at a considerable cost to shareholders. We are putting in place the necessary safeguards to mitigate future significant regulatory issues which we believe will result in a culture of compliance that will better serve our clients, our company, and our shareholders in the future.

While these charges to earnings are significant, we do not expect them to impact the Company’s liquidity or its ability to conduct business in the ordinary course. Net income before the regulatory charges would have been \$6.9 million or \$0.50 per share for the second quarter of 2014 and \$14.9 million or \$1.10 per share for the six month period ended June 30, 2014, a considerable improvement over the prior year comparable periods. We are continuing to see meaningful improvements in investment banking and our Wealth Management business shows continued growth as we reached record levels in both client assets under administration and client assets under management in fee-based programs.”

Financial Highlights

- Commission revenue was \$116.1 million for the second quarter of 2014, a decrease of 6.7% compared with the second quarter of 2013 due to the low volumes experienced during the current year quarter.
- Advisory fees were \$70.4 million during the second quarter of 2014, an increase of 16.3% compared with the second quarter of 2013 due to increased advisory fees earned on managed products.
- Investment banking revenue was up 18.8% to \$26.8 million for the second quarter of 2014 compared with \$22.6 million for the second quarter of 2013 due to increased fees from equity underwritings and from mergers and acquisition activity during the second quarter of 2014.
- Principal transactions revenue increased 56.6% to \$11.8 million during the second quarter of 2014 compared with the second quarter of 2013 due to higher equities trading during the period and the issuance of new loan commitments in the Commercial Mortgage Banking business this period compared to the prior year period.
- Second quarter 2014 operating results included a significant charge, most of which is non-deductible for income tax purposes, associated with the low-priced securities regulatory matters discussed above in the amount of \$12.0 million (\$8.4 million after-tax or \$0.61 per share).

Business Segment Results (Unaudited)						
('000s)	For the 3-Months Ended			For the 6-Months Ended		
	6/30/14	6/30/13	% Δ	6/30/14	6/30/13	% Δ
Revenue						
Private Client	\$ 145,344	\$ 143,278	1.4	\$ 293,164	\$ 286,647	2.3
Asset Management	25,032	22,006	13.8	49,642	42,962	15.5
Capital Markets	72,217	67,904	6.4	150,098	133,035	12.8
Commercial Mortgage Banking	6,958	9,477	(26.6)	11,830	17,543	(32.6)
Corporate/Other	138	1,165	(88.2)	123	2,789	(95.6)
	249,689	243,830	2.4	504,857	482,976	4.5
Income (Loss) Before Income Taxes						
Private Client	7,560	15,698	(51.8)	17,868	33,025	(45.9)
Asset Management	8,353	7,402	12.8	16,036	13,945	15.0
Capital Markets	7,082	972	628.6	18,266	4,505	305.5
Commercial Mortgage Banking	3,605	2,276	58.4	5,454	5,154	5.8
Corporate/Other	(26,464)	(20,674)	(28.0)	(52,379)	(44,242)	(18.4)
	\$ 136	\$ 5,674	(97.6)	\$ 5,245	\$ 12,387	(57.7)

Private Client

Private Client reported revenue of \$145.3 million for the second quarter of 2014, 1.4% higher than the second quarter of 2013 due to an increase in the Company's fee-based business offset by lower transaction-based business. Income before income taxes was \$7.6 million, a decrease of 51.8% compared with the second quarter of 2013, primarily due to increases in legal and regulatory costs during the second quarter of 2014 as discussed above.

- Client assets under administration were \$89.1 billion at June 30, 2014 compared to \$80.1 billion at June 30, 2013, an increase of 11.2% and a record for the Company.
- Financial Advisor headcount was 1,370 at the end of the second quarter of 2014, down from 1,402 at the end of the second quarter of 2013 reflecting the Company's increased focus on financial advisor productivity.
- Retail commissions were \$73.8 million for the second quarter of 2014, a decrease of 9.8% from the prior year quarter.
- Advisory fee revenue on traditional and alternative managed products was \$46.5 million for the second quarter of 2014, an increase of 19.3% over the prior year quarter (see Asset Management below for further information).
- Money market fees were reduced by waivers in the amount of \$7.6 million during the second quarter of 2014 versus waivers of \$7.2 million during the second quarter of 2013.

Asset Management

Asset Management reported revenue of \$25.0 million for the second quarter of 2014, 13.8% higher than the second quarter of 2013. Income before income taxes was \$8.4 million, an increase of 12.8% compared with the second quarter of 2013, as a result of increased fees earned on managed products.

- Advisory fee revenue on traditional and alternative managed products was \$23.4 million for the second quarter of 2014, an increase of 13.3% 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 \$25.6 billion at March 31, 2014 (\$22.4 billion at March 31, 2013) and are allocated to the Private Client and Asset Management Divisions.

- AUM increased 17.8% to \$26.5 billion at June 30, 2014, a record for the Company, compared to \$22.5 billion at June 30, 2013, which is the basis for advisory fee billings for the third quarter of 2014. The increase in AUM was comprised of asset appreciation of \$3.0 billion and net new assets of \$1.0 billion.

Capital Markets

Capital Markets reported revenue of \$72.2 million for the second quarter of 2014, 6.4% higher than the second quarter of 2013 due to increased fees from equity underwritings and from mergers and acquisitions activity. Income before income taxes was \$7.1 million for the second quarter of 2014, an increase of 628.6% compared with income before income taxes of \$972,000 for the second quarter of 2013.

- Institutional equities commissions were \$28.3 million for the second quarter of 2014, an increase of 7.3% compared with the prior year period.
- Advisory fees from investment banking activities increased 13.6% to \$9.0 million in the second quarter of 2014 compared with the prior year period.
- Equity underwriting fees increased 13.1% or \$1.3 million to \$11.0 million for the second quarter of 2014 compared with the prior year period.
- Revenue from Taxable Fixed Income decreased 15.1% to \$18.1 million for the second quarter of 2014 compared with the prior year period.
- Public Finance and Municipal Trading revenue was flat at \$6.1 million for the second quarter of 2014 compared with the prior year period.

Commercial Mortgage Banking

Commercial Mortgage Banking reported revenue of \$7.0 million for the second quarter of 2014, 26.6% lower than the second quarter of 2013, due to a decrease in the dollar volume of loans originated during the 2014 period. Income before income taxes was \$3.6 million, an increase of 58.4% compared with the second quarter of 2013, due to write-offs of mortgage servicing rights related to loan refinancings that took place during the second quarter of 2013.

- Loan origination fees for the second quarter of 2014 were \$870,000, a decrease of 58.6% compared with the prior year period, as the Company originated 9 commercial loans (18 in the second quarter of 2013) with an aggregate principal loan balance of \$44.9 million (\$165.9 million in the second quarter of 2013).
- Net servicing revenue for the second quarter of 2014 was \$1.4 million compared with \$1.2 million for the comparable period in 2013.
- Principal loan balances related to servicing activities totaled \$4.0 billion at June 30, 2014, up 9.8% from June 30, 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 \$159.9 million during the second quarter of 2014, roughly flat when compared to the second quarter of 2013. Increases in salary expense offset decreases in deferred and incentive compensation obligations during the second quarter of

2014. Compensation as a percentage of revenue was 64.0% during the second quarter of 2014 compared to 65.6% during the second quarter of 2013. The decrease in compensation as a percentage of revenue was largely attributable to increased revenues during the 2014 period.

Non-Compensation Expenses

Non-compensation expenses were \$89.7 million during the second quarter of 2014, an increase of 14.8% compared to \$78.2 million during the same period last year due to increases in legal and regulatory costs. The increase in legal and regulatory costs largely reflects an increase in reserves of \$12.0 million during the second quarter of 2014 related to two regulatory matters. The second quarter of 2014 was also negatively impacted by the costs associated with the early retirement of the Company's Senior Secured Notes in April 2014 (call premium and write-off of debt issuance costs) totaling \$3.5 million (see Balance Sheet and Liquidity section below for more information).

Provision for Income Taxes

The effective income tax rate for the second quarter of 2014 was significantly impacted by the non-deductible nature of the charges associated with the low-priced securities regulatory matters discussed above and their size relative to income before taxes.

Balance Sheet and Liquidity

- At June 30, 2014, total equity was \$529.6 million compared with \$527.9 million at December 31, 2013.
- At June 30, 2014, book value per share was \$38.46 (compared with \$38.77 at December 31, 2013) and tangible book value per share was \$26.01 (compared with \$26.19 at December 31, 2013).
- The Company's level 3 assets, primarily auction rate securities, were \$111.9 million at June 30, 2014 (compared with \$93.7 million at December 31, 2013).
- On April 15, 2014, the Company retired early 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 redemption and retirement of the Notes will reduce the Company's interest costs by \$3.9 million annually beginning in the second quarter of 2014.

Dividend Announcement

The Company today announced a quarterly dividend in the amount of \$0.11 per share payable on August 29, 2014 to holders of Class A non-voting and Class B voting common stock of record on August 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 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 the Company’s Annual Report on Form 10-K for the year ended December 31, 2013.

Oppenheimer Holdings Inc.
Quarterly Consolidated Income Statement (unaudited)

(*'000s, except EPS*)

	For the 3-Months Ended			For the 6-Months Ended		
	6/30/14	6/30/13	% Δ	6/30/14	6/30/13	% Δ
REVENUE						
Commissions	\$ 116,062	\$ 124,440	(6.7)	\$ 238,200	\$ 244,020	(2.4)
Advisory fees	70,430	60,580	16.3	138,635	117,300	18.2
Investment banking	26,799	22,567	18.8	60,323	41,015	47.1
Interest	12,548	13,106	(4.3)	24,938	25,477	(2.1)
Principal transactions, net	11,794	7,532	56.6	20,611	23,249	(11.3)
Other	12,056	15,605	(22.7)	22,150	31,915	(30.6)
	249,689	243,830	2.4	504,857	482,976	4.5
EXPENSES						
Compensation and related expenses	159,851	160,006	(0.1)	331,801	319,215	3.9
Occupancy and equipment costs	15,907	17,141	(7.2)	31,304	34,706	(9.8)
Communications and technology	17,536	16,018	9.5	34,270	31,882	7.5
Interest	4,412	7,143	(38.2)	9,576	14,005	(31.6)
Clearing and exchange fees	6,024	6,293	(4.3)	11,916	12,335	(3.4)
Other	45,823	31,555	45.2	80,745	58,446	38.2
	249,553	238,156	4.8	499,612	470,589	6.2
Income before income taxes	136	5,674	(97.6)	5,245	12,387	(57.7)
Income tax provision	1,389	2,608	(46.7)	3,078	5,428	(43.3)
Net income (loss) for the period	(1,253)	3,066	*	2,167	6,959	(68.9)
Less net income attributable to non-controlling interest, net of tax	301	218	38.1	497	448	10.9
Net income (loss) attributable to Oppenheimer Holdings Inc.	\$ (1,554)	\$ 2,848	*	\$ 1,670	\$ 6,511	(74.4)
Earnings (loss) per share attributable to Oppenheimer Holdings Inc.						
Basic	\$ (0.11)	\$ 0.21	*	\$ 0.12	\$ 0.48	(75.0)
Diluted	\$ (0.11)	\$ 0.20	*	\$ 0.12	\$ 0.46	(73.9)
Weighted Average Number of Common Shares Outstanding						
Basic	13,618	13,607	0.1	13,578	13,608	(0.2)
Diluted	13,618	14,068	(3.2)	14,184	14,069	0.8

* Not Comparable