



NATIONAL HOLDING CORPORATION ANNOUNCES FISCAL FIRST QUARTER 2016 FINANCIAL RESULTS

Management to Host Conference Call on February 17, 2016 at 9:00 a.m. ET

NEW YORK, NY, February 17, 2016 – National Holding Corporation (NASDAQ:NHLD) (“National” or the “Company”), a leading full service independent brokerage, investment banking and asset management firm providing diverse services including tax preparation, today announced its financial results for the fiscal first quarter 2016 ended December 31, 2015.

First Quarter Fiscal 2016 Financial Highlights

- Revenue of \$39.6 million, versus \$41.2 million for the first quarter of fiscal 2015 and \$36.7 million for the fourth quarter of fiscal 2015
- Investment banking revenue increased 19% to \$6.1 million
- Cash and equivalents of \$25.7 million, or \$2.07 per share, and no debt at 12/31/15
- Equity of \$44.8 million, or \$3.60 per share, at 12/31/15

Management Commentary

“Although most of our businesses performed reasonably well in our first quarter and our diversification strategy generally worked to our benefit, overall results showed that we are not immune to the challenging market conditions that continue to negatively impact the brokerage industry. Increased market volatility and general economic uncertainty, both here and abroad, are driving client reticence in terms of investing and trading,” said Mark Goldwasser, President of National.

“On the plus side, we did see an upturn in our alternative investment business as investors expand their search for non-traditional investments that are not directly correlated to equity markets to spread their risk and reduce portfolio volatility. Additionally, we continue to experience good deal flow in our Investment Banking business, stability in our Investment Advisory business, and some signs of stabilization in our Trading business. The collective impact of these factors, however, was not sufficient to overcome the continuation of weak trading volumes and margins in our key brokerage business.”

“Looking forward, nonetheless, there are positives in place that lead us to believe that we are well positioned to achieve sequential operating improvement,” added Robert Fagenson, Executive Chairman and Chief Executive Officer of National. “We are seeing increasing interest from our clients in non-market correlated alternative investments, as well as certain private placements, initial public offerings, and secondary offerings. We are also entering a seasonally strong period for Tax Preparation and Accounting revenue generation. Finally, we will remain focused on our strategy of further diversifying our revenue base and scaling our business through the addition of quality registered representatives and investment advisors in the ongoing expansion of our brokerage system, while working to lower the cost base of our various business lines.”

Fiscal First Quarter 2016 Financial Results

National Holdings reported fiscal first quarter 2016 revenue of \$39.6 million, a decline of 4% versus \$41.2 million in the fiscal first quarter 2015. The Company experienced a 6% decrease in commission revenues to \$23.0 million in the first quarter as improved sales of alternative investment products were more than offset by lower overall retail sales. The decline in overall sales was the result of a choppy and volatile market buffeted by steep oil price declines, growth concerns regarding China and the first Federal Reserve interest rate hike in almost 10 years. Investment banking revenue in the first quarter of 2016 increased 19% to \$6.1 million driven by a strong deal pipeline with solid offerings and executions. Investment advisory revenue decreased slightly to \$3.7 million on lower securities market values. Revenues from the Company's tax and accounting business also increased 19% in the first quarter to \$0.9 million. Net Dealer Inventory Gains dropped 26% to \$2.5 million as fixed income trading continues to be hurt by continuing low interest rates and Fed rate hike uncertainty.

Total expenses decreased 1% to \$40.3 million for the quarter ended December 31, 2015, compared with \$40.7 million in the quarter ended December 31, 2014. The decrease in total expenses was primarily due to a decline in commissions, compensation and fees, which fell 2% to \$34.7 million and was directly attributable to the decrease in revenues. Communications expenses declined 16% as a result of ongoing contract evaluations and renegotiations.

The loss from operations for the three months ended December 31, 2015 was \$0.6 million, compared with income of \$0.5 million for the three months ended December 31, 2014. The net loss for the three months ended December 31, 2015 was \$0.5 million, or \$0.04 per basic and diluted share, compared with net income of \$0.3 million, or \$0.02 per basic and diluted share in 2014. Adjusted EBITDA, a non-GAAP measure, was a loss of \$0.2 million in the quarter ended December 31, 2015, compared with \$1.0 million in the quarter ended December 31, 2014.

Balance Sheet

As of December 31, 2015, National Holdings had \$25.7 million in cash and equivalents, receivables from broker dealers and clearing organizations, and marketable securities, or \$2.07 per share, and no debt, versus \$28.6 million, or \$2.29 per share, and no debt as of September 30, 2015. The company reported total stockholder's equity of approximately \$44.8 million, or \$3.60 per share, which represents a \$0.5 million decrease from September 30, 2015.

Fiscal First Quarter 2016 Financial Results Conference Call

Management will host a conference call to discuss the operating and financial results at 9:00am ET on Wednesday, February 17, 2016. To participate in the conference call, please dial (888) 329-8893 or (719) 325-2491 approximately 10 minutes prior to the call. Please reference conference ID #3471959.

A live webcast of the conference call will be available at <http://www.visualwebcaster.com/event.asp?id=102720> Please access the website 15 minutes prior to the start of the call to download and install any necessary audio software.

A replay of the conference call will be available through March 9, 2016 and can be accessed by dialing (888) 203-1112 or (719) 457-0820, conference ID #3471959. A webcast replay of the conference call will also be available in the Investors section of the Company's website following the call.

About National Holdings Corporation

National Holdings Corporation is a full-service investment banking and asset management firm that provides a range of services, including independent retail brokerage and advisory services, investment banking, institutional sales and trading and equity research, financial planning, market making, tax preparation, insurance and annuities, to corporations, institutional investors and high net-worth clients. With over 1,100 independent advisors, brokers, traders and sales associates, the Company is a leading

Independent Advisor and Broker services company. National Holdings operates through five subsidiaries: National Securities Corporation, vFinance Investments, Inc., National Insurance Corporation, National Asset Management, Inc. and Gilman Ciocia, Inc. The Company's National Securities subsidiary was founded in 1947. National Holdings was organized in 1999 and is headquartered in New York and Florida. For more information, visit www.nhldcorp.com.

FORWARD-LOOKING STATEMENTS

This press release may contain certain forward-looking statements. Any such statements, other than statements of historical fact, are based on management's current expectations, estimates, projections, beliefs and assumptions about the Company, its current and prospective portfolio investments, and its industry. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond the Company's control, difficult to predict and could cause actual results to differ materially from those expected or forecasted in such forward-looking statements. Actual developments and results are likely to vary materially from these estimates and projections as a result of a number of factors, including those described from time to time in National Holding Corporation's filings with the Securities and Exchange Commission. Such statements speak only as of the time when made, and National Holding Corporation undertakes no obligation to update any such forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

NATIONAL HOLDINGS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	December 31, 2015 (Unaudited)	September 30, 2015
ASSETS		
Cash	\$ 22,260,000	\$ 24,642,000
Restricted cash	218,000	218,000
Cash deposits with clearing organizations	1,005,000	1,005,000
Securities owned, at fair value	708,000	887,000
Receivables from broker-dealers and clearing organizations	2,742,000	3,078,000
Forgivable loans receivable	1,363,000	1,368,000
Other receivables, net	4,531,000	3,709,000
Prepaid expenses	2,179,000	1,727,000
Fixed assets, net	756,000	712,000
Intangible assets, net	7,138,000	7,331,000
Goodwill	6,531,000	6,531,000
Deferred tax asset, net	11,873,000	11,662,000
Other assets, principally refundable deposits	501,000	512,000
Total Assets	\$ 61,805,000	\$ 63,382,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Securities sold, not yet purchased, at fair value	\$ 5,000	\$ 32,000
Accrued commissions and payroll payable	10,346,000	10,244,000
Accounts payable and accrued expense	5,496,000	6,602,000
Deferred clearing and marketing credits	1,152,000	1,205,000
Other	46,000	37,000
Total Liabilities	17,045,000	18,120,000
Stockholders' Equity		
Preferred stock, \$0.01 par value, 10,000,000 shares authorized; none outstanding		
Common stock \$0.02 par value, 150,000,000 shares authorized; 12,440,035 and 12,473,968 issued and outstanding at December 31, 2015 and at September 30, 2015, respectively	249,000	249,000
Additional paid-in-capital	80,233,000	80,282,000
Accumulated deficit	(35,737,000)	(35,284,000)
Total National Holdings Corporation Stockholders' Equity	44,745,000	45,247,000
Non-Controlling interest	15,000	15,000
Total Stockholders' Equity	44,760,000	45,262,000
Total Liabilities and Stockholders' Equity	\$ 61,805,000	\$ 63,382,000

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Month Period Ended December 31,	
	2015	2014
Revenues		
Commissions	\$ 22,995,000	\$ 24,416,000
Net Dealer Inventory Gains	2,544,000	3,439,000
Investment banking	6,117,000	5,122,000
Investment advisory	3,660,000	3,825,000
Interest and dividends	918,000	831,000
Transfer fees and clearing services	2,372,000	2,715,000
Tax preparation and accounting	900,000	759,000
Other	116,000	94,000
Total Revenues	39,622,000	41,201,000
Operating Expenses		
Commissions, compensation and fees	34,710,000	35,288,000
Clearing fees	763,000	601,000
Communications	833,000	996,000
Occupancy	935,000	985,000
License and registration	357,000	318,000
Professional fees	799,000	841,000
Interest	1,000	4,000
Depreciation and amortization	300,000	274,000
Other administrative expenses	1,568,000	1,379,000
Total Operating Expenses	40,266,000	40,686,000
Income before Income Tax Expense	(644,000)	515,000
Income tax expense/(Benefit)	(191,000)	221,000
Net Income	(453,000)	294,000
Net income/(loss) per share of common stock - Basic	\$ (0.04)	\$ 0.02
Net income/(loss) per share of common stock - Diluted	\$ (0.04)	\$ 0.02
Weighted number of shares outstanding - Basic	12,440,035	12,445,479
Weighted number of shares outstanding - Diluted	12,440,035	12,491,610

Non-GAAP Financial Measures

To provide investors with greater insight, promote transparency and allow for a more comprehensive understanding of the information used by management in its financial and operational decision-making, the Company supplements its consolidated statements of income presented on a GAAP basis with non-GAAP financial measures of earnings. Please refer to the schedule in this release for a reconciliation of non-GAAP financial measures to GAAP measures.

Management uses Earnings before Interest, Income Taxes, Depreciation and Amortization (“EBITDA”) and adjusted EBITDA as financial measures to evaluate the profitability and efficiency of the Company’s business model. EBITDA and adjusted EBITDA are not presented in accordance with GAAP.

Investors should consider the non-GAAP measures in addition to, and not as a substitute for, financial measures prepared in accordance with GAAP. Additionally, the Company’s non-GAAP measures may differ from similar measures used by other companies, even if similar terms are used to identify such measures.

National Holdings Corporation Reconciliation of Non-GAAP Financial Measures to GAAP Measures

	Three Month Period Ended December 31,	
	2015	2014
Net (loss) income, as reported	(453,000)	294,000
Interest expense	1,000	4,000
Income tax (benefit) expense	(191,000)	221,000
Depreciation	107,000	77,000
Amortization	193,000	197,000
EBITDA	(343,000)	793,000
Non-cash compensation expense	37,000	168,000
Forgivable loan amortization	141,000	66,000
EBITDA, as adjusted	<u>(165,000)</u>	<u>1,027,000</u>

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