



Press Release

NYSE – OPY

Oppenheimer Holdings Inc.

Fourth Quarter 2011 Earnings and Dividend Announcement

January 27, 2012
New York, NY

<i>Expressed in thousands of dollars, except per share amounts</i>	Three Months ended		Year ended	
	December 31, 2011	2010	December 31, 2011	2010
<i>(unaudited)</i>				
Revenue	\$229,438	\$296,760	\$958,992	\$1,036,273
Expenses	\$227,387	\$265,514	\$941,144	\$968,282
Profit before income taxes	\$2,051	\$31,246	\$17,848	\$67,991
Income tax provision (benefit)	\$(1,908)	\$12,336	\$5,231	\$27,207
Net profit attributable to Oppenheimer Holdings Inc.	\$3,433	\$18,114	\$10,316	\$38,483
Basic earnings per share	\$0.25	\$1.36	\$0.76	\$2.88
Diluted earnings per share	\$0.25	\$1.30	\$0.74	\$2.77
Book value per share at December 31	\$37.08	\$37.65	\$37.08	\$37.65

Business Review

Oppenheimer Holdings Inc. reported net profit of \$3.4 million or \$0.25 per share for the fourth quarter of 2011 compared to a net profit of \$18.1 million or \$1.36 per share in the fourth quarter of 2010. Revenue for the fourth quarter of 2011 was \$229.4 million, compared to revenue of \$296.8 million in the fourth quarter of 2010, a decrease of 22.7%. Client assets under administration totaled approximately \$76.0 billion while client assets under management in fee-based programs totaled approximately \$18.6 billion at December 31, 2011 (\$73.2 billion and \$18.8 billion, respectively, at December 31, 2010). Results for the period were positively impacted by income tax benefits totaling \$2.3 million (see below for further details).

Net profit for the year ended December 31, 2011 was \$10.3 million or \$0.76 per share compared to \$38.5 million or \$2.88 per share in the same period of 2010, a decrease of 73.2%. Revenue for the year ended December 31, 2011 was \$959.0 million, a decrease of 7.5% compared to \$1.0 billion in the same period of 2010.

The U.S. economy and the financial markets were significantly impacted in the fourth quarter of 2011 by concerns around international issues that largely threatened the progress achieved over the past four years. Issues involving the solvency of European banks, the weakness of European sovereign credits combined

with a slowing of the economies of China and other emerging countries significantly reduced activity levels in the financial markets and significantly affected asset prices in November only partly offset by a recovery in December. While the U.S. economy continued its slow recovery, markets were little influenced given the overhang of political concerns and lingering unemployment. The labor market is finally showing improvement with gains in full-time jobs in the private sector accounting for the majority of the increase. Recent announcements and joint efforts by the stronger European nations as well as international organizations make it highly probable that a crisis will be avoided. In addition, the housing market seems to be stabilizing, and corporate earnings should continue to encourage investors as we move into 2012.

In commenting on the Company's results, Albert Lowenthal, Chairman said, "Oppenheimer's results were significantly and negatively impacted by the environment described above, as well as factors unique to the Company including our intended headquarters relocation and its immediate impact on earnings (see below) as well as the ongoing costs associated with the failure of the ARS market in 2007/2008. The failure of MF Global during the quarter will continue to have repercussions for our industry for years to come. Our careful oversight of our business and of our balance sheet will continue to benefit our Company during uncertain times and as conditions improve. It is probable that the Volcker Rule and other new rulemaking that affect larger financial institutions will provide dislocations for others and opportunities for Oppenheimer, particularly as markets recover and expand. We are disappointed with our earnings this quarter and for the full year of 2011 but we believe that our strong franchise will permit significant improvement as we move into the second half of 2012."

As previously announced, the Company has signed a lease to occupy approximately 270,000 square feet on seven floors at 85 Broad Street in New York City for a term of 15 years. The result of the consolidation of the Company's primary business units and employees into this space will generate approximately \$62.1 million in savings over the life of the lease. However, during the fourth quarter of 2011, the Company incurred \$2.4 million in expenses with respect to this real estate consolidation stemming from overlapping rent costs and write-offs. The Company expects to incur accelerated non-cash GAAP charges associated with the real estate consolidation of \$9.1 million (\$5.9 million in the first quarter of 2012) and \$1 million in fiscal 2012 and 2013, respectively. From 2014 to the end of the lease term, the Company will realize benefits of approximately \$74.4 million due to rent savings and various incentives. See Appendix A hereto.

Highlights of the Company's results for the three and twelve months ended December 31, 2011 follow:

Revenue and Expenses

Revenue – Fourth Quarter 2011

- Commission revenue was \$111.3 million in the fourth quarter of 2011, a decrease of 19.9% compared to \$139.0 million in the fourth quarter of 2010. Volatile markets amid concerns about the European debt crisis negatively impacted investor confidence and participation in the markets in the fourth quarter of 2011 compared to the same period of 2010.
- Principal transactions revenue was \$15.1 million in the fourth quarter of 2011 compared to \$17.6 million in the fourth quarter of 2010, a decrease of 14.0%. The decrease was primarily attributable to lower fixed income trading revenue (\$13.0 million in the fourth quarter of 2011 compared to \$14.6 million in the fourth quarter of 2010) and tighter spreads in the bond markets compared to the same period in the prior year.
- Interest revenue was \$13.2 million in the fourth quarter of 2011, a decrease of 5.0% compared to \$13.9 million in the fourth quarter of 2010. Interest earned on reverse repurchase agreements held by the government trading desk was \$2.1 million in the fourth quarter of 2011 compared to \$2.7 million in the same period in 2010.
- Investment banking revenue was \$27.8 million in the fourth quarter of 2011, a decrease of 46.0% compared to \$51.6 million in the fourth quarter of 2010 primarily due to a dearth of business on both the equities and fixed income fronts as a result of turmoil in the markets both domestically and internationally.

- Advisory fees were \$47.9 million in the fourth quarter of 2011, a decrease of 17.1% compared to \$57.8 million in the fourth quarter of 2010. Asset management fees decreased by \$9.5 million in the fourth quarter of 2011 compared to the same period in 2010 as a result of a decrease in the value of assets under management. Asset management fees are calculated based on client assets under management at the end of the prior quarter which totaled \$17.7 billion at September 30, 2011 (\$17.9 billion at September 30, 2010). Incentive fee income from the Company's general partner participation in hedge funds decreased by \$5.9 million in the fourth quarter of 2011 compared to the same period in 2010. Incentive fee income is based on the period-end mark-to-market value of the funds.
- Other revenue was \$14.1 million in the fourth quarter of 2011, a decrease of 16.9% compared to \$16.9 million in the fourth quarter of 2010 primarily as a result of declines in revenue at the Company's subsidiary, Oppenheimer Multifamily Housing and Healthcare Finance Inc., of \$2.1 million in the fourth quarter of 2011 compared to the same period in 2010. In addition, there was a decrease in fees from FDIC insured deposits of \$1.1 million in the fourth quarter of 2011. These decreases were partially offset by benefits of \$1.4 million received on Company-owned life insurance policies underlying the deferred compensation plans in the fourth quarter of 2011 compared to the same period in 2010.

Revenue – Year-to-date 2011

- Commission revenue was \$492.2 million in the year ended December 31, 2011, a decrease of 8.5% compared to \$537.7 million in 2010.
- Principal transactions revenue was \$47.7 million in the year ended December 31, 2011 compared to \$78.4 million in 2010, a decrease of 39.2%. The decrease primarily stems from lower fixed income trading revenue (\$52.4 million for the year ended December 31, 2011 compared to \$66.9 million in 2010).
- Interest revenue was \$56.8 million in the year ended December 31, 2011, an increase of 23.8% compared to \$45.9 million in 2010. The increase is primarily attributable to interest earned by the government trading desk.
- Investment banking revenue was \$119.2 million in the year ended December 31, 2011, a decrease of 11.6% compared to \$134.9 million in 2010 primarily due to a drop in business in the third and fourth quarters of 2011 arising from uncertainty relating to credit issues in Europe.
- Advisory fees were \$197.1 million in the year ended December 31, 2011, an increase of 4.9% compared to \$187.9 million in 2010. Asset management fees increased by \$11.6 million for the year ended December 31, 2011 compared to 2010 as a result of an increase in the value of assets under management during the period. Incentive fee income decreased by \$4.9 million in the year ended December 31, 2011 compared to 2010. In addition, fees from money market funds decreased by \$2.4 million for the year ended December 31, 2011 compared to 2010 as a result of waivers of \$25.6 million in the year ended December 31, 2011 on fees that otherwise would have been due from money market funds (\$22.7 million during the year ended December 31, 2010).
- Other revenue was \$46.0 million in the year ended December 31, 2011, a decrease of 10.6% compared to \$51.5 million in 2010 primarily due to a decrease of \$6.9 million in the fair value of our Company-owned life insurance policies that support our deferred compensation plans. In addition, there was a decrease in fees from FDIC insured deposits of \$2.8 million. These decreases were partially offset by an increase of \$2.1 million in fees generated by Oppenheimer Multifamily Housing & Healthcare Finance, Inc. in the year ended December 31, 2011 compared to 2010.

Expenses – Fourth Quarter 2011

- Compensation and related expenses were \$147.0 million in the fourth quarter of 2011, a decrease of 22.8% compared to \$190.3 million in the fourth quarter of 2010 primarily due to lower commission revenue resulting in a corresponding decrease in brokers' commission-based compensation as well as a decrease in incentive compensation in line with the decline in operating results of the Company in the fourth quarter of 2011 compared to the same period in 2010.

- Clearing and exchange fees were \$5.9 million in the fourth quarter of 2011, essentially flat compared to \$5.8 million in the same period of 2010.
- Communications and technology expenses were \$15.5 million in the fourth quarter of 2011, a decrease of 3.7% compared to \$16.1 million in the fourth quarter of 2010 due primarily to a savings of \$740,000 in IT-related expenses in the fourth quarter of 2011 compared to the same quarter of 2010.
- Occupancy and equipment costs were \$20.5 million in the fourth quarter of 2011, an increase of 4.9% compared to \$19.5 million in the fourth quarter of 2010 primarily due to duplicative rent expense and write-offs of \$2.4 million related to the move of our corporate headquarters as described above and in Appendix A.
- Interest expense was \$9.4 million in the fourth quarter of 2011, an increase of 20.9% compared to \$7.7 million in the same period in 2010 primarily due to interest expense incurred on the Company's senior secured note.
- Other expenses were \$29.2 million in the fourth quarter of 2011, an increase of 12.2% compared to \$26.0 million in the same period in 2010 primarily due to a \$1.5 million increase in legal and professional fees and a further \$1.5 million increase in external portfolio manager fees.
- Results for the fourth quarter were positively impacted by income tax benefits totaling \$2.3 million (credit) which related to non-taxable income earned on life insurance policies resulting in tax benefits of \$572,000, income tax provision to tax return true-ups of \$557,000 recorded after filing the 2010 corporate tax returns, and tax rate changes of \$1.2 million.

Expenses – Year-to-date 2011

- Compensation and related expenses were \$626.8 million in the year ended December 31, 2011, a decrease of 7.3% compared to \$676.0 million in 2010 primarily due to lower commission revenue resulting in a corresponding decrease in brokers' commission-based compensation as well as a decrease in incentive compensation in line with the decline in operating results of the Company in 2011 compared to 2010.
- Clearing and exchange fees were \$25.0 million in the year ended December 31, 2011, a decrease of 3.0% compared to \$25.8 million in 2010.
- Communications and technology expenses were \$62.7 million for the year ended December 31, 2011, a decrease of 3.1% compared to \$64.7 million in 2010 due primarily to a reduction of \$1.4 million in IT-related expenses in the year ended December 31, 2011 compared to 2010.
- Occupancy and equipment costs were \$76.5 million for the year ended December 31, 2011, an increase of 2.9% compared to \$74.4 million in 2010 primarily due to duplicative rent expense and write-offs of \$2.4 million related to the move of our corporate headquarters as described above and in Appendix A.
- Interest expense was \$38.0 million in the year ended December 31, 2011, an increase of 47.7% compared to \$25.8 million in 2010 primarily due to higher interest costs of \$8.5 million on the senior secured note which was used to refinance the senior secured credit note and the subordinated note on April 12, 2011. In addition, interest expense incurred on positions and repurchase agreements held by the government trading desk increased by \$3.2 million for the year ended December 31, 2011 compared to 2010.
- Other expenses were \$112.2 for the year ended December 31, 2011, an increase of 10.4% compared to \$101.6 million in 2010 primarily due to an increase in legal costs of approximately \$6.2 million as a result of increased client litigation and arbitration activity as well as increased external portfolio manager fees of \$5.7 million.

Stockholders' Equity and Dividend Declaration

- At December 31, 2011, total equity was \$512.3 million compared to \$506.3 million at December 31, 2010.
- At December 31, 2011, book value per share was \$37.08 (compared to \$37.65 at December 31, 2010) and tangible book value per share was \$24.46 (compared to \$24.32 at December 31, 2010).

- During the fourth quarter of 2011, the Company recorded an out-of-period adjustment of \$1.1 million credit to stockholders' equity resulting from the reconciliation of an amount due from a local tax jurisdiction.
- The Company announced today a quarterly cash dividend in the amount of \$0.11 per share, payable on February 24, 2012 to holders of Class A non-voting and Class B voting common stock of record on February 10, 2012.

OPPENHEIMER HOLDINGS INC.
SUMMARY STATEMENT OF OPERATIONS (UNAUDITED)

*\$ in thousands, except share and
per share amounts*

	Three Months Ended			Year Ended		
	12/31/11	12/31/10	% Δ	12/31/11	12/31/10	% Δ
REVENUE						
Commissions	\$111,316	\$139,011	-19.9%	\$492,228	\$537,730	-8.5%
Principal transactions, net	15,123	17,581	-14.0%	47,660	78,384	-39.2%
Interest	13,180	13,875	-5.0%	56,779	45,871	23.8%
Investment banking	27,845	51,595	-46.0%	119,202	134,906	-11.6%
Advisory fees	47,897	57,754	-17.1%	197,097	187,888	4.9%
Other	14,077	16,944	-16.9%	46,026	51,494	-10.6%
	<u>229,438</u>	<u>296,760</u>	<u>-22.7%</u>	<u>958,992</u>	<u>1,036,273</u>	<u>-7.5%</u>
EXPENSES						
Compensation and related expenses	146,965	190,276	-22.8%	626,767	676,041	-7.3%
Clearing and exchange fees	5,864	5,844	0.3%	24,991	25,754	-3.0%
Communications & technology	15,527	16,122	-3.7%	62,673	64,700	-3.1%
Occupancy & equipment costs	20,462	19,505	4.9%	76,509	74,389	2.9%
Interest	9,353	7,735	20.9%	38,026	25,750	47.7%
Other	29,216	26,032	12.2%	112,178	101,648	10.4%
	<u>227,387</u>	<u>265,514</u>	<u>-14.4%</u>	<u>941,144</u>	<u>968,282</u>	<u>-2.8%</u>
Profit before income taxes	2,051	31,246	-93.4%	17,848	67,991	-73.8%
Income tax provision (benefit)	<u>(1,908)</u>	<u>12,336</u>	<u>n/a</u>	<u>5,231</u>	<u>27,207</u>	<u>-80.8%</u>
Net profit for the period	3,959	18,910	-79.1%	12,617	40,784	-69.1%
Net profit attributable to non-controlling interest, net of tax	<u>(526)</u>	<u>(796)</u>	<u>-33.9%</u>	<u>(2,301)</u>	<u>(2,301)</u>	<u>--</u>
Net profit attributable to Oppenheimer Holdings Inc.	<u>\$3,433</u>	<u>\$18,114</u>	<u>-81.0%</u>	<u>\$10,316</u>	<u>\$38,483</u>	<u>-73.2%</u>
Profit per share attributable to Oppenheimer Holdings Inc.						
Basic	\$0.25	\$1.36		\$0.76	\$2.88	
Diluted	\$0.25	\$1.30		\$0.74	\$2.77	
Weighted avg. shares outstanding	13,671,917	13,364,137		13,638,087	13,340,846	
Actual shares outstanding	13,671,945	13,368,202		13,671,945	13,368,202	

Company Information

Oppenheimer, through its principal subsidiaries, Oppenheimer & Co. Inc. (a U.S. broker-dealer) and Oppenheimer Asset Management Inc., offers a wide range of investment banking, securities, investment management and wealth management services from 94 offices in 26 states and through local broker-dealers in 4 foreign jurisdictions. Oppenheimer employs over 3,500 people. The Company offers trust and estate services through Oppenheimer Trust Company. OPY Credit Corp. offers syndication as well as trading of issued corporate loans. Oppenheimer Multifamily Housing & Healthcare Finance, Inc. (formerly called Evanston Financial Corporation) is engaged in mortgage brokerage and servicing. In addition, through Freedom Investments, Inc. and the BUYandHOLD division of Freedom, Oppenheimer offers online discount brokerage and dollar-based investing services.

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, 2010.

For further information, please contact:

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**Discussion of the impact of consolidating the Company's Headquarters at
85 Broad Street, New York, NY**

On July 15, 2011, the Company signed a lease to occupy seven floors at 85 Broad Street in New York City for a term of 15 years. The Company will occupy approximately 270,000 rentable square feet in the building. The lease represents a commitment of approximately \$185 million over the 15 year term.

Owned by a MetLife subsidiary, 85 Broad Street is a 30-story, 1.1 million square foot Class A office property in downtown Manhattan, formerly occupied entirely by Goldman Sachs. The space will house the Company's corporate headquarters and will consolidate in one location the Capital Markets divisions (Investment Banking and Institutional Equities and Fixed Income Sales, Trading, and Research), Asset Management, as well as support functions such as Operations, Finance & Accounting, Information Technology, and Legal & Compliance. Occupancy began in the fourth quarter of 2011 and is expected to be completed by mid to late summer 2012.

The Company believes that this consolidation of Oppenheimer's primary business units and employees in one space will help foster collaboration and synergy among these areas, with the goal of producing new ideas, greater efficiency and enhanced benefits for our clients. In addition to these benefits, the firm's cost of occupancy will be materially reduced in the aggregate over the life of the lease. Despite some overlapping rent expenses in the early years of the lease and write offs, the Company currently estimates savings of approximately \$62 million in occupancy and equipment costs over the 15-year life of the lease, net of charges reflected in the table below. The Company will also receive various allowances and incentives related to this move. The following table summarizes the current estimates of costs and benefits on the consolidated statement of operations associated with this relocation over the life of the lease based on U.S. generally accepted accounting principles. The timing of certain costs and benefits could change if certain events including the timing of movement into the new space, the cost of needed improvements in the new space, and the achievement of certain targets to obtain incentives change.

<i>Expressed in thousands of dollars</i>	4Q-11	2012	2013	2014	2015	2016 & After	Total
Rent Expense:							
- Overlapping Rent Expense ⁽¹⁾	\$ (1,299)	\$ (6,927)	\$ -	\$ -	\$ -	\$ -	\$ (8,226)
- Rent Savings ⁽²⁾	\$ -	\$ -	\$ 2,220	\$ 5,106	\$ 5,106	\$ 56,168	\$ 68,600
Tenant Improvements:							
- Office Facilities Depreciation/Amortization ⁽³⁾	\$ -	\$ (4,607)	\$ (4,607)	\$ (4,607)	\$ (4,607)	\$ (4,607)	\$ (23,035)
- Deferred Benefit ⁽⁴⁾		\$ 1,256	\$ 1,256	\$ 1,256	\$ 1,256	\$ 13,814	\$ 18,838
Write-Offs:							
- Below Market Lease Intangible ⁽⁵⁾	\$ (1,065)	\$ 1,065	\$ -	\$ -	\$ -	\$ -	\$ -
- Leasehold Improvements ⁽⁶⁾	\$ (40)	\$ (120)	\$ -	\$ -	\$ -	\$ -	\$ (160)
Various Incentives⁽⁷⁾	\$ 24	\$ 244	\$ 244	\$ 244	\$ 244	\$ 5,073	\$ 6,072
Total Profit/(Loss) Impact	\$ (2,380)	\$ (9,089)	\$ (888)	\$ 1,998	\$ 1,998	\$ 70,448	\$ 62,088