



Press Release

NYSE – OPY

Oppenheimer Holdings Inc.

Second Quarter 2011 Earnings and Dividend Announcement

July 29, 2011
New York, NY

<i>Expressed in thousands of dollars, except per share amounts</i>	Three Months ended		Six Months ended	
	June 30, 2011	2010	June 30, 2011	2010
<i>(unaudited)</i>				
Revenue	\$244,518	\$256,996	\$497,935	\$503,171
Expenses	\$242,814	\$240,850	\$486,402	\$471,165
Profit before income taxes	\$1,704	\$16,146	\$11,533	\$32,006
Net profit (loss) attributable to Oppenheimer Holdings Inc.	\$(309)	\$9,202	\$4,777	\$18,370
Basic earnings (loss) per share	\$(0.02)	\$0.69	\$0.35	\$1.38
Diluted earnings (loss) per share	\$(0.02)	\$0.66	\$0.34	\$1.32
Book value per share at June 30	\$36.30	\$35.34	-	-

Business Review

Oppenheimer Holdings Inc. reported a net loss of \$309,000 or (\$0.02) per share for the second quarter of 2011 compared to a net profit of \$9.2 million or \$0.69 per share in the second quarter of 2010. Revenue for the second quarter of 2011 was \$244.5 million compared to revenue of \$257.0 million in the second quarter of 2010, a decrease of 4.9%. Client assets entrusted to the Company and under management totaled approximately \$73.9 billion while client assets under fee-based programs offered by the asset management groups totaled approximately \$19.7 billion at June 30, 2011 (\$66.9 billion and \$14.7 billion, respectively, at June 30, 2010). Second quarter results were negatively impacted by costs of \$4.6 million associated with refinancing our long-term debt as well as significant continuing costs associated with auction rate securities matters.

Net profit for the six months ended June 30, 2011 was \$4.8 million or \$0.35 per share compared to \$18.4 million or \$1.38 per share in the same period of 2010. Revenue for the six months ended June 30, 2011 was \$497.9 million, a decrease of 1.0% compared to \$503.2 million in the same period of 2010.

Repercussions from the tsunami in Japan, volatile commodity prices, and uncertainty around sovereign debt quality both in Europe and the U.S. has led to a slowing of economic growth amid protracted high

levels of unemployment. Amid these conditions, the U.S. equity and debt markets were volatile but with extremely low volume levels and low levels of investor participation. While corporate earnings are likely to continue to show improvement over the near term, the confidence of consumers remains low and the protracted decline in housing prices continues to restrict job growth and consumer spending. The lack of agreement on the U.S. debt ceiling adds a significant element of uncertainty as do the long-term budget issues facing the U.S. These issues, coupled with the threat of a downgrading in the U.S. credit rating, create a lack of confidence that will be a drag on the economy and the willingness of businesses to create new jobs.

Oppenheimer's results were significantly affected by the conditions described above as well as by matters more closely tied to the Company. The Company's institutional business, both equity and fixed income, was adversely affected by low volume levels, volatility and client reluctance to try to decipher the markets' future direction amid the volatility of price action during the second quarter of 2011. Investment banking income declined for the period mostly due to the comparison to 2010 when that quarter's income was favorably impacted by a large fee earned on a single transaction. Fee based programs within our asset management business continued to show favorable comparisons as the equity markets were near their highs at the time these fee amounts were determined. The effective tax rate for the three-month period ended June 30, 2011 was negatively impacted by remeasurements of deferred tax assets arising from net operating losses related to the Company's Israeli subsidiary, resulting in tax expense of \$466,000, and from state net operating losses and gross timing differences, resulting in net tax expense of \$188,000.

Commenting on the quarter's results Albert Lowenthal, Chairman and CEO, said "We are disappointed with our results for the second quarter of 2011 as well as the first half of the year. We have found that current market conditions, coupled with the protracted period of low interest rates, provide little opportunity to significantly and positively impact our results without substantially increasing the levels of risk-taking, which has not been the Company's model. The costs associated with dealing with our clients' holdings of auction rate securities (ARS) continues to be a burden on the business, although we continue to see progress on the redemption by issuers, albeit slower than we would like.

As previously reported, we issued \$200 million of high-yield debt during the second quarter of 2011 to pay down existing debt and to fund future growth. We believe that our timing was good, although the costs associated with the issuance and the ongoing debt service costs (which are fixed compared to variable) negatively impacted the results for the period.

We remain optimistic for the remainder of the year, as we continue to expect renewed growth in the economy and some resolution to issues facing the economy and the banking system."

Highlights of the Company's results for the three and six months ended June 30, 2011 follow:

Revenue and Expenses

Revenue - Second Quarter 2011

- Commission revenue was \$120.8 million for the second quarter of 2011, a decrease of 13.5% compared to \$139.6 million in the second quarter of 2010. Weak investor sentiment and volatile markets in the 2011 period contributed to the decline.
- Principal transactions revenue was \$13.3 million in the second quarter of 2011 compared to \$16.8 million in the second quarter of 2010, a decrease of 20.6%. The decrease stems from lower income from firm investments (a net loss of \$2.0 million for the second quarter of 2011 compared to a net loss of \$144,000 for the second quarter of 2010) and lower fixed income trading revenue (\$15.4 million in the second quarter of 2011 compared to \$17.4 million in the second quarter of 2010).
- Interest revenue was \$13.6 million in the second quarter of 2011, an increase of 21.9% compared to \$11.2 million in the second quarter of 2010. The increase is primarily attributable to increased interest earned by the government trading desk of \$515,000 as a result of higher inventory balances as well as an increase in margin revenue of \$757,000 as a result of higher margin debit balances.

- Investment banking revenue was \$33.7 million in the second quarter of 2011, a decrease of 7.2% compared to \$36.3 million in the second quarter of 2010 with decreased fee income related to private placements of \$10.4 million, offset by an increase of \$6.3 million in advisory services and an increase of \$1.5 million in fees relating to equity issuances.
- Advisory fees were \$50.1 million in the second quarter of 2011, an increase of 13.8% compared to \$44.0 million in the second quarter of 2010. Asset management fees increased by \$6.7 million in the second quarter of 2011 compared to the same period in 2010 as a result of an increase in the value of assets under management of 17.1% during the period. Asset management fees are calculated based on client assets under management at the end of the prior quarter which totaled \$19.9 billion at March 31, 2011 (\$17.0 billion at March 31, 2010). The increase in asset management fees was offset by a decrease in fees earned on money market products of \$581,000 as the Company continues to waive money market fee income. The Company waived \$6.3 million in money market fees during the period (\$5.7 million in the second quarter of 2010).
- Other revenue was \$13.0 million in the second quarter of 2011, an increase of 42.5% compared to \$9.1 million in the second quarter of 2010 primarily as a result of a \$2.5 million increase in the mark-to-market value of Company-owned life insurance policies that relate to our employee deferred compensation programs (which are largely offset by an increase in employee compensation liabilities and expense). In addition, fees generated from Oppenheimer Multifamily Housing & Healthcare Finance, Inc. (“OMHMF”) (formerly called Evanston Financial Corporation) increased by \$2.0 million in the second quarter of 2011 compared to the second quarter of 2010.

Revenue – Year-to-date 2011

- Commission revenue was \$257.6 million for the six months ended June 30, 2011, a decrease of 7.3% compared to \$277.8 million in the same period of 2010.
- Principal transactions revenue was \$24.3 million in the six months ended June 30, 2011 compared to \$37.0 million in the same period of 2010, a decrease of 34.2%. The decrease stems from lower income from loan trading and sales (\$484,000 for the six months ended June 30, 2011 compared to \$4.7 million in the same period of 2010) as a result of the loss of personnel and lower fixed income trading revenue (\$24.9 million in the six months ended June 30, 2011 compared to \$31.4 million in the same period of 2010).
- Interest revenue was \$28.4 million in the six months ended June 30, 2011, an increase of 36.9% compared to \$20.8 million in the same period of 2010. The increase is primarily attributable to interest earned by the government trading desk of \$4.4 million as a result of higher inventory balances as well as an increase in margin revenue of \$1.3 million as a result of higher margin debit balances.
- Investment banking revenue was \$62.2 million in the six months ended June 30, 2011, an increase of 1.0% compared to \$61.5 million in the same period of 2010.
- Advisory fees were \$98.5 million in the six months ended June 30, 2011, an increase of 13.5% compared to \$86.8 million in the same period of 2010. Asset management fees increased by \$11.9 million in the six months ended June 30, 2010 compared to the same period in 2010 as a result of an increase in the value of assets under management during the period. The increase in asset management fees was offset by a decrease in fees earned on money market products of \$892,000 as the Company continues to waive money market fee income. The Company waived \$12.2 million in money market fees during the period (\$11.8 million in the second quarter of 2010).
- Other revenue was \$26.9 million in the six months ended June 30, 2011, an increase of 38.9% compared to \$19.4 million in the same period of 2010 primarily as a result of a \$2.7 million increase in the mark-to-market value of Company-owned life insurance policies that relate to our employee deferred compensation programs as well as a \$5.5 million increase in fees generated from OMHMF in the six months ended June 30, 2011 compared to the same period in 2010.

Expenses – Second Quarter 2011

- Compensation and related expenses decreased 2.4% in the second quarter of 2011 to \$160.4 million compared to \$164.3 million in the second quarter of 2010. Decreases in production-related compensation expense of \$2.7 million tracked the decrease in revenue in the second quarter of 2011 compared to the second quarter of 2010. In addition, share-based compensation expense decreased by \$3.5 million in response to the decline in the Company's stock price in the second quarter of 2011, partially offset by an increase in deferred compensation expense of \$2.1 million compared to the second quarter of 2010.
- Clearing and exchange fees decreased 19.5% to \$6.3 million in the second quarter of 2011 compared to \$7.8 million in the same period of 2010 due to lower trade execution costs and floor brokerage fees.
- Communications and technology expenses decreased 1.4% to \$16.1 million in the second quarter of 2011 from \$16.3 million in the same period of 2010.
- Occupancy and equipment costs of \$18.5 million in the second quarter of 2011 increased 1.4% compared to \$18.3 million in the second quarter of 2010 due primarily to higher equipment rental costs in the second quarter of 2011 compared to the second quarter of 2010.
- Interest expense increased 67.0% to \$10.7 million in the second quarter of 2011 from \$6.4 million in the same period in 2010 primarily due to increased debt service costs of \$2.2 million incurred on the \$200 million senior secured note which was issued to refinance and retire the Company's senior secured credit note (\$22.4 million) and subordinated note (\$100 million) in April 2011. In addition, the loss of \$1.6 million on the Company's interest rate cap which hedged the subordinated note was reclassified from other comprehensive income into interest expense in the second quarter of 2011.
- Other expenses increased 11.0% to \$30.8 million in the second quarter of 2011 from \$27.8 million in the same period in 2010 primarily due to increased legal costs of \$1.4 million relating to client litigation and arbitration activity and legal costs to resolve regulatory matters and professional consulting fees of \$1.0 million.

Expenses – Year-to-date 2011

- Compensation and related expenses increased 2.6% in the six months ended June 30, 2011 to \$330.9 million compared to \$322.5 million in the same period of 2010. The increase was primarily due to increases in share-based compensation expense and deferred compensation expense of \$3.1 million and \$2.8 million, respectively, in the six months ended June 30, 2011 compared to the same period in 2010.
- Clearing and exchange fees decreased 12.3% to \$12.6 million in the six months ended June 30, 2011 compared to \$14.4 million in the same period of 2010 due to lower trade execution costs and floor brokerage fees.
- Communications and technology expenses decreased 2.2% to \$32.0 million in the six months ended June 30, 2011 from \$32.7 million in the same period of 2010 due to lower telecommunications costs in the six months ended June 30, 2011 compared to the same period in 2010.
- Occupancy and equipment costs of \$37.1 million in the six months ended June 30, 2011 increased by 0.9% compared to \$36.7 million in the same period of 2010.
- Interest expense increased 57.8% to \$18.4 million in the six months ended June 30, 2011 from \$11.7 million in the same period in 2010 primarily due to increased debt service costs of \$2.1 million incurred on the \$200 million senior secured note which was issued to refinance and retire the Company's senior secured credit note (\$22.4 million) and subordinated note (\$100 million) in April 2011. In addition, the loss of \$1.6 million on the Company's interest rate cap which hedged the subordinated note was reclassified from other comprehensive income into interest expense in the second quarter of 2011.
- Other expenses increased 4.3% to \$55.4 million in the six months ended June 30, 2011 from \$53.1 million in the same period in 2010 primarily due to increased legal costs of \$832,000 relating to client litigation and arbitration activity and legal costs to resolve regulatory matters and professional consulting fees of \$1.4 million.

Stockholders' Equity and Dividend Declaration

- At June 30, 2011, total equity was \$500.7 million compared to \$497.6 million at December 31, 2010.
- At June 30, 2011, book value per share was \$36.30 (compared to \$35.34 at June 30, 2010) and tangible book value per share was \$23.85 (compared to \$22.18 at June 30, 2010).
- The Company announced today a quarterly cash dividend in the amount of \$0.11 per share, payable on August 26, 2011 to holders of Class A non-voting and Class B voting common stock of record on August 12, 2011.

OPPENHEIMER HOLDINGS INC.						
SUMMARY STATEMENT OF OPERATIONS (UNAUDITED)						
<i>\$ in thousands, except share and per share amounts</i>						
	Three Months Ended			Six Months Ended		
	06/30/11	06/30/10	% Δ	06/30/11	06/30/10	% Δ
REVENUE						
Commissions	\$120,790	\$139,582	-13%	\$257,645	\$277,779	-7%
Principal transactions, net	13,313	16,778	-21%	24,304	36,957	-34%
Interest	13,649	11,198	22%	28,438	20,776	37%
Investment banking	33,717	36,336	-7%	62,158	61,520	1%
Advisory fees	50,055	43,984	14%	98,504	86,778	14%
Other	12,994	9,118	43%	26,886	19,361	39%
	<u>244,518</u>	<u>256,996</u>	<u>-5%</u>	<u>497,935</u>	<u>503,171</u>	<u>-1%</u>
EXPENSES						
Compensation & related expenses	160,436	164,304	-2%	330,851	322,483	3%
Clearing & exchange fees	6,300	7,823	-19%	12,613	14,385	-12%
Communications & technology	16,069	16,300	-1%	32,008	32,740	-2%
Occupancy & equipment costs	18,524	18,262	1%	37,070	36,722	1%
Interest	10,669	6,389	67%	18,443	11,690	58%
Other	30,816	27,772	11%	55,417	53,145	4%
	<u>242,814</u>	<u>240,850</u>	<u>1%</u>	<u>486,402</u>	<u>471,165</u>	<u>3%</u>
Profit before income taxes	1,704	16,146	-89%	11,533	32,006	-64%
Income tax provision	1,266	6,284	-80%	5,334	12,780	-58%
Net profit for the period	438	9,862	-96%	6,199	19,226	-68%
Less net profit attributable to non-controlling interest, net of tax	747	660	13%	1,422	856	66%
Net profit (loss) attributable to Oppenheimer Holdings Inc.	<u>(\$309)</u>	<u>\$9,202</u>	<u>N/A</u>	<u>\$4,777</u>	<u>\$18,370</u>	<u>-74%</u>
Profit (loss) per share attributable to Oppenheimer Holdings Inc.						
Basic	(\$0.02)	\$0.69		\$0.35	\$1.38	
Diluted	(\$0.02)	\$0.66		\$0.34	\$1.32	
Weighted avg. shares outstanding	13,658,720	13,069,014		13,605,020	13,323,410	
Actual shares outstanding	13,668,625	13,172,669		13,668,625	13,172,669	

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 over 94 offices in 26 states and through local broker-dealers in 4 foreign jurisdictions. Oppenheimer employs over 3,600 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 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 events or performance. For a discussion of the factors that could cause future events or 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.

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