OPPENHEIMER

Press Release

NYSE – OPY

Oppenheimer Holdings Inc.

Second Quarter 2012 Earnings and Dividend Announcement

July 27, 2012
New York, NY

Expressed in thousands of dollars, except per share amounts	Three Months ended June 30, 2012	2011	Six Months ended June 30, 2012	2011
(unaudited)				
Revenue	$233,145	$244,518	$471,359	$497,935
Expenses	$225,306	$242,814	$470,009	$486,402
Profit before income taxes *	$7,839	$1,704	$1,350	$11,533
Net profit (loss) attributable to Oppenheimer Holdings Inc.	$2,422	$(309)	$(2,235)	$4,777
Basic earnings (loss) per share	$0.18	($0.02)	($0.16)	$0.35
Diluted earnings (loss) per share	$0.17	($0.02)	($0.16)	$0.34
Book value per share at June 30	$37.52	$37.31	$37.52	$37.31

* Includes non-controlling interest

Business Review

Oppenheimer Holdings Inc. reported a net profit of $2.4 million or $0.18 per share for the second quarter of 2012 compared to a net loss of $309,000 or ($0.02) per share in the second quarter of 2011. Revenue for the second quarter of 2012 was $233.1 million compared to revenue of $244.5 million in the second quarter of 2011, a decrease of 4.7%. Results for the period were negatively impacted by an adjustment of $1.3 million to establish additional reserves for taxes.

The Company reported a net loss for the six months ended June 30, 2012 of $2.2 million or ($0.16) per share compared to a net profit of $4.8 million or $0.35 per share in the same period of 2011. Revenue for the six months ended June 30, 2012 was $471.4 million, a decrease of 5.3% compared to $497.9 million in the same period of 2011. The results for the first half of 2012 were negatively impacted by costs associated with auction rate securities (litigation costs and valuation adjustments to auction rate securities the Company has purchased or committed to purchase at a future date) of $8.1 million and the New York City real estate consolidation of $6.6 million.

Client assets entrusted to the Company and under management totaled approximately $81.8 billion while client assets under fee-based programs offered by the asset management groups totaled approximately $20.1 billion at June 30, 2012 ($73.9 billion and $19.7 billion, respectively, at June 30, 2011). Client assets under administration increased 10.7% while assets under fee-based programs increased 2% at June 30, 2012 compared to June 30, 2011.

In commenting on the Company's results Albert Lowenthal, Chairman and CEO, said "The ongoing European crisis and economic downturn as well as a slowdown in China's economy impacted the broad investment landscape. U.S. monetary policy remains focused on encouraging economic growth through low interest rates which the Federal Reserve has committed itself to through the end of 2013. The U.S. economy, while still growing, has slowed during the most recent periods with ongoing high unemployment and low levels of consumer spending. The results for the second quarter largely reflect the uncertain low interest rate environment in which the Company has been operating. Significant problems with the Sovereign and bank debt problems in Europe have not only pushed the European economy into recession (other than Germany) but also have begun to affect the U.S. and the rest of the World. The U.S. economy has definitely slowed and this has affected new hiring, consumer confidence and investor appetite for making longer term commitments. These conditions impacted Oppenheimer's revenues during the quarter and this combined with ongoing costs associated with litigation and the adjustment to income tax expense is reflected in the low operating results during the quarter." Lowenthal went on to say, "We expect difficult markets to persist through the U.S. elections and then be heavily impacted by its outcome and Washington's willingness to deal with the "fiscal cliff" that is fast approaching."

Highlights of the Company's results for the three and six months ended June 30, 2012 follow:

Revenue and Expenses

Revenue - Second Quarter 2012

- Commission revenue was $112.4 million for the second quarter of 2012, a decrease of 6.9% compared to $120.8 million in the second quarter of 2011. Weak investor sentiment and volatile markets in the 2012 period contributed to the decline.
- Principal transactions revenue was $13.5 million in the second quarter of 2012 compared to $13.3 million in the second quarter of 2011, an increase of 1.1%.
- Interest revenue was $14.2 million in the second quarter of 2012, an increase of 4.4% compared to $13.6 million in the second quarter of 2011. The increase is primarily attributable to increased interest income of $1.6 million from fixed income positions which was partially offset by declines in interest earned on client debit balances.
- Investment banking revenue was $25.0 million in the second quarter of 2012, a decrease of 25.9% compared to $33.7 million in the second quarter of 2011 attributable to a marked decline in income from equity issuances in the second quarter of 2012 compared to the same period in 2011 as the markets were largely closed to equity issuers during the 2012 period.
- Advisory fees were $53.7 million in the second quarter of 2012, an increase of 7.3% compared to $50.1 million in the second quarter of 2011. Asset management fees increased by $3.2 million in the second quarter of 2012 compared to the same period in 2011 as a result of an increase in the value and composition (equity vs. fixed income) of assets under management of 1.0% during the 2012 period. Asset management fees are calculated based on client assets under management at the end of the prior quarter which totaled $20.1 billion at March 31, 2012 ($19.9 billion at March 31, 2011).
- Other revenue was $14.3 million in the second quarter of 2012, an increase of 10.3% compared to $13.0 million in the second quarter of 2011 primarily as a result of a $2.6 million increase in fees generated from Oppenheimer Multifamily Housing & Healthcare Finance, Inc. ("OMHHF") in the second quarter of 2012 compared to the second quarter of 2011. This increase was partially offset by a $1.3 million decline 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).

Revenue – Year-to-date 2012

- Commission revenue was $238.1 million for the six months ended June 30, 2012, a decrease of 7.6% compared to $257.6 million in the same period of 2011. Low volumes and volatile markets in the 2012 period contributed to the decline.
- Principal transactions revenue was $26.0 million in the six months ended June 30, 2012 compared to $24.3 million in the same period of 2011, an increase of 7.0%. The net increase was the result of mixed results from the firm's proprietary trading departments and investments.
- Interest revenue was $27.6 million in the six months ended June 30, 2012, a decrease of 2.8% compared to $28.4 million in the same period of 2011. The decrease was a result of lower interest from client debit balances, and municipal, corporate and other positions and was offset by an increase of $1.3 million in interest earned on government and agency positions.
- Investment banking revenue was $45.1 million in the six months ended June 30, 2012, a decrease of 27.5% compared to $62.2 million in the same period of 2011 attributable to a marked decline in income from equity issuances in the first half of 2012 compared to the same period in 2011 as the markets were largely closed to equity issuers during the 2012 period.
- Advisory fees were $103.8 million in the six months ended June 30, 2012, an increase of 5.4% compared to $98.5 million in the same period of 2011. Asset management fees increased by $4.7 million in the six months ended June 30, 2012 compared to the same period in 2011 as a result of an increase in the value of assets under management during the 2012 period.
- Other revenue was $30.8 million in the six months ended June 30, 2012, an increase of 14.6% compared to $26.9 million in the same period of 2011 primarily as a result of a $3.4 million increase in fees generated from OMHHF in the six months ended June 30, 2012 compared to the same period in 2011.

Expenses – Second Quarter 2012

- Compensation and related expenses decreased 5.9% in the second quarter of 2012 to $150.9 million compared to $160.4 million in the second quarter of 2011. Variable compensation relating to revenue has decreased with the decrease in revenue.
- Clearing and exchange fees decreased 4.9% to $6.0 million in the second quarter of 2012 compared to $6.3 million in the same period of 2011 due to lower trade execution costs and floor brokerage fees.
- Communications and technology expenses decreased 4.6% to $15.3 million in the second quarter of 2012 from $16.1 million in the same period of 2011 due to lower telecommunications costs in the second quarter of 2012 compared to the same period in 2011.
- Occupancy and equipment costs of $17.4 million in the second quarter of 2012 decreased 6.0% compared to $18.5 million in the second quarter of 2011 due primarily to lower intangible asset amortization costs in the second quarter of 2012 compared to the same period in 2011.
- Interest expense decreased 22.9% to $8.2 million in the second quarter of 2012 from $10.7 million in the same period in 2011 primarily due to a loss of $1.6 million on the Company's interest rate cap which had hedged a subordinated loan and was reclassified from other comprehensive income (loss) into interest expense in the second quarter of 2011.
- Other expenses decreased 10.9% to $27.5 million in the second quarter of 2012 from $30.8 million in the same period in 2011 primarily due to a decrease of $3.0 million in legal and settlement costs in the second quarter of 2012 compared to the same period in 2011.
- During the second quarter of 2012, the Company recorded adjustments of $1.3 million, net of taxes, related to prior periods to establish additional reserves for taxes and adjust related interest.

Expenses – Year-to-date 2012

- Compensation and related expenses decreased 6.4% in the six months ended June 30, 2012 to $309.5 million compared to $330.9 million in the same period of 2011. Variable compensation relating to revenue has decreased with the decrease in revenue.
- Clearing and exchange fees decreased 4.7% to $12.0 million in the six months ended June 30, 2012 compared to $12.6 million in the same period of 2011 due to lower trade execution costs and floor brokerage fees.
- Communications and technology expenses decreased 1.7% to $31.5 million in the six months ended June 30, 2012 from $32.0 million in the same period of 2011 due to lower telecommunications costs in the six months ended June 30, 2012 compared to the same period in 2011.
- Occupancy and equipment costs increased 12.6% to $41.8 million in the six months ended June 30, 2012 compared to $37.1 million in the same period of 2011. The Company's New York City real estate consolidation resulted in additional costs of $6.6 million during the first half of 2012 from overlapping rent, accelerated amortization of fixed and intangible assets and relocation costs. The Company expects a further $1.4 million in overlapping rent costs to be incurred during the balance of 2012. These costs have largely been reimbursed by the new landlord through a "free rent" period which expires in February 2013, which reimbursement will be recognized over the life of the lease as required by U.S. GAAP. The Company expects to realize approximately $62.1 million in savings over the fifteen year life of the lease at its new New York City headquarters.
- Interest expense decreased 7.7% to $17.0 million in the six months ended June 30, 2012 from $18.4 million in the same period in 2011 primarily due to a loss of $1.6 million on the Company's interest rate cap which had hedged a subordinated loan and was reclassified from other comprehensive income (loss) into interest expense in the second quarter of 2011.
- Other expenses increased 5.0% to $58.2 million in the six months ended June 30, 2012 from $55.4 million in the same period in 2011 primarily due to an increase in fees paid to third party portfolio managers of $4.7 million in the first half of 2012 compared to the same period in 2011.
- During the second quarter of 2012, the Company recorded adjustments of $1.3 million, net of taxes, related to prior periods to establish additional reserves for taxes and adjust related interest.

Stockholders' Equity and Dividend Declaration

- At June 30, 2012, total equity was $509.8 million compared to $513.4 million at December 31, 2011.
- At June 30, 2012, book value per share was $37.52 (compared to $37.31 at June 30, 2011) and tangible book value per share was $24.46 (compared to $23.61 at June 30, 2011).
- The Company announced today a quarterly cash dividend in the amount of $0.11 per share, payable on August 24, 2012 to holders of Class A non-voting and Class B voting common stock of record on August 10, 2012.

OPPENHEIMER HOLDINGS INC.
SUMMARY STATEMENT OF OPERATIONS (UNAUDITED)

$ in thousands, except share and per share amounts

	Three Months Ended			Six Months Ended		
	06/30/12	**06/30/11**	**% Δ**	**06/30/12**	**06/30/11**	**% Δ**
REVENUE						
Commissions	$112,429	$120,790	-6.9%	$238,063	$257,645	-7.6%
Principal transactions, net	13,460	13,313	1.1%	26,015	24,304	7.0%
Interest	14,246	13,649	4.4%	27,639	28,438	-2.8%
Investment banking	24,971	33,717	-25.9%	45,058	62,158	-27.5%
Advisory fees	53,704	50,055	7.3%	103,781	98,504	5.4%
Other	14,335	12,994	10.3%	30,803	26,886	14.6%
	233,145	244,518	-4.7%	471,359	497,935	-5.3%
EXPENSES						
Compensation & related expenses	150,896	160,436	-5.9%	309,547	330,851	-6.4%
Clearing & exchange fees	5,989	6,300	-4.9%	12,020	12,613	-4.7%
Communications & technology	15,328	16,069	-4.6%	31,466	32,008	-1.7%
Occupancy & equipment costs	17,409	18,524	-6.0%	41,753	37,070	12.6%
Interest	8,230	10,669	-22.9%	17,022	18,443	-7.7%
Other	27,454	30,816	-10.9%	58,201	55,417	5.0%
	225,306	242,814	-7.2%	470,009	486,402	-3.4%
Profit before income taxes *	7,839	1,704	360.0%	1,350	11,533	-88.3%
Income tax provision	4,464	1,266	252.6%	1,858	5,334	-65.2%
Net profit (loss) for the period	3,375	438	670.5%	(508)	6,199	n/a
Less net profit attributable to non-controlling interest, net of tax	953	747	27.6%	1,727	1,422	21.4%
Net profit (loss) attributable to Oppenheimer Holdings Inc.	$2,422	($309)	n/a	$(2,235)	$4,777	n/a
Profit (loss) per share attributable to Oppenheimer Holdings Inc.						
Basic	$0.18	($0.02)		($0.16)	$0.35	
Diluted	$0.17	($0.02)		($0.16)	$0.34	
Weighted avg. shares outstanding	13,588,842	13,658,720		13,593,496	13,605,020	
Actual shares outstanding	13,588,842	13,668,625		13,588,842	13,668,625	

* Includes 100% of profit before income taxes attributable to the non-controlling interest.

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 3,500 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 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, 2011.

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