



Press Release

NYSE – OPY

Oppenheimer Holdings Inc.

Third Quarter 2011 Earnings and Dividend Announcement

October 28, 2011
New York, NY

<i>Expressed in thousands of dollars, except per share amounts</i>	Three Months ended		Nine Months ended	
	2011	2010	2011	2010
<i>(unaudited)</i>				
Revenue	\$231,619	\$235,141	\$729,554	\$738,312
Expenses	\$227,355	\$227,655	\$713,757	\$698,820
Profit before income taxes	\$4,264	\$7,486	\$15,797	\$39,492
Net profit attributable to Oppenheimer Holdings Inc.	\$2,106	\$3,421	\$6,883	\$21,791
Basic earnings per share	\$0.15	\$0.26	\$0.51	\$1.63
Diluted earnings per share	\$0.15	\$0.25	\$0.49	\$1.57
Book value per share at September 30	\$36.27	\$35.70	\$36.27	\$35.70

Business Review

Oppenheimer Holdings Inc. reported net profit of \$2.1 million or \$0.15 per share for the third quarter of 2011 compared to \$3.4 million or \$0.26 per share in the third quarter of 2010. Revenue for the third quarter of 2011 was \$231.6 million compared to revenue of \$235.1 million in the third quarter of 2010, a decrease of 1.5%. Client assets entrusted to the Company and under management totaled approximately \$77.3 billion while client assets under fee-based programs offered by the asset management groups totaled approximately \$17.7 billion at September 30, 2011 (\$71.5 billion and \$17.9 billion, respectively, at September 30, 2010).

Net profit for the nine months ended September 30, 2011 was \$6.9 million or \$0.51 per share compared to \$21.8 million or \$1.63 per share in the same period of 2010. Revenue for the nine months ended September 30, 2011 was \$729.6 million, a decrease of 1.2% compared to \$738.3 million in the same period of 2010.

After topping out in April, stock markets around the world continued to decline throughout the third quarter. While commodity prices declined during the third quarter, this positive influence was significantly overwhelmed by declining consumer and business confidence due to lack of progress in Washington dealing with the federal debt limit as well as the long term effects of a rising federal deficit

and continuing elevated levels of domestic unemployment. The slowing growth in the domestic economy was further and negatively impacted by the sovereign debt issues facing the Euro-zone and Europe's failure to move towards resolving the risks facing the European banks. By the end of the third quarter, share prices had declined almost 20% from their April high and credit spreads had widened considerably with U.S Treasury Yields at all time lows and other forms of debt under heightened pressure.

Oppenheimer's results were 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, high volatility and the fallout from Europe as issues of counter-party risks reached heightened levels by quarter-end. Investment banking income improved as merger activity begun in earlier periods closed. However, conditions prevalent during the quarter brought corporate issuance to a standstill. Fee based programs related to clients' asset management accounts continued to show favorable comparisons as total assets under management were near highs at the beginning of the quarter. Earnings continue to be significantly and adversely affected by low interest rates which severely limit the Company's ability to earn positive spreads from this source.

Commenting on the quarter's results Albert Lowenthal, Chairman and CEO, said "While we are disappointed with the Company's performance during the period, considering the external environment and our commitment to limiting risk, we believe that the Company performed adequately during the third quarter. Earnings continue to be adversely affected by ongoing legal costs related to the 2008 failure of the auction rate securities market.

We were gratified to see the markets rally in recent days off their September lows and perhaps that is an indication of a resolution to the problems emanating from the European sovereign debt crisis. We see increased opportunity for Oppenheimer arising from the impact on larger banks of the Volcker Rule and other regulatory initiatives that should not affect Oppenheimer. We continue to attract clients and new assets in this environment as well as experienced professionals to our business."

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

Revenue and Expenses

Revenue - Third Quarter 2011

- Commission revenue was \$123.3 million for the third quarter of 2011, an increase of 1.9% compared to \$120.9 million in the third quarter of 2010. Volatile markets in the 2011 period contributed to the increase.
- Principal transactions revenue was \$8.2 million in the third quarter of 2011 compared to \$22.6 million in the third quarter of 2010, a decrease of 63.6%. The decrease stems from lower income from firm investments (a net loss of \$5.5 million for the third quarter of 2011 compared to a net gain of \$483,000 for the third quarter of 2010) and lower fixed income trading revenue (\$14.6 million in the third quarter of 2011 compared to \$21.3 million in the third quarter of 2010).
- Interest revenue was \$15.2 million in the third quarter of 2011, an increase of 35.1% compared to \$11.2 million in the third quarter of 2010. The increase is primarily attributable to increased interest earned by the government trading desk of \$1.2 million as a result of higher inventory balances as well as an increase in other interest revenue earned on a disputed fee of \$2.0 million related to a 2008 investment banking transaction.
- Investment banking revenue was \$29.2 million in the third quarter of 2011, an increase of 34.0% compared to \$21.8 million in the third quarter of 2010 with increased fee income related to the collection of a fee of \$8.0 million related to the investment banking transaction referred to above in interest revenue.
- Advisory fees were \$50.7 million in the third quarter of 2011, an increase of 16.9% compared to \$43.4 million in the third quarter of 2010. Asset management fees increased by \$8.5 million in the third quarter of 2011 compared to the same period in 2010 as a result of an increase in the value of assets under management of 19.4% during the period. Asset management fees are calculated based on client assets under management at the end of the prior quarter which totaled

\$19.7 billion at June 30, 2011 (\$16.5 billion at June 30, 2010). The increase in asset management fees was offset by a decrease in fees earned on money market products of \$1.1 million as the Company continues to waive money market fee income. The Company waived \$6.9 million in money market fees during the third quarter of 2011 (\$5.4 million in the third quarter of 2010).

- Other revenue was \$5.1 million in the third quarter of 2011, a decrease of 66.7% compared to \$15.2 million in the third quarter of 2010 primarily as a result of a \$8.1 million decrease 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 a decrease in employee compensation liabilities and expense). In addition, fees generated from Oppenheimer Multifamily Housing & Healthcare Finance, Inc. (“OMHHF”) (formerly called Evanston Financial Corporation) decreased by \$1.3 million in the third quarter of 2011 compared to the third quarter of 2010.

Revenue – Year-to-date 2011

- Commission revenue was \$380.9 million for the nine months ended September 30, 2011, a decrease of 4.5% compared to \$398.7 million in the same period of 2010.
- Principal transactions revenue was \$32.5 million in the nine months ended September 30, 2011 compared to \$59.6 million in the same period of 2010, a decrease of 45.4%. The decrease stems from lower income from firm investments (a net loss of \$6.8 million for the nine months ended September 30, 2011 compared to a net gain of \$70,000 for the same period of 2010) and lower fixed income trading revenue (\$40.0 million in the nine months ended September 30, 2011 compared to \$57.4 million in the same period of 2010) partially as a result of loss of personnel in the loan trading department.
- Interest revenue was \$43.6 million in the nine months ended September 30, 2011, an increase of 36.3% compared to \$32.0 million in the same period of 2010. The increase is primarily attributable to interest earned by the government trading desk of \$5.6 million as a result of higher inventory balances as well as an increase in other interest revenue earned on a disputed fee of \$2.0 million related to a 2008 investment banking transaction.
- Investment banking revenue was \$91.4 million in the nine months ended September 30, 2011, an increase of 9.7% compared to \$83.3 million in the same period of 2010 related to the collection of a fee of \$8.0 million related to the investment banking transaction referred to above in interest revenue.
- Advisory fees were \$149.2 million in the nine months ended September 30, 2011, an increase of 14.7% compared to \$130.1 million in the same period of 2010. Asset management fees increased by \$21.1 million in the nine months ended September 30, 2011 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 \$2.0 as the Company continues to waive money market fee income. The Company waived \$19.1 million in money market fees during the nine months ended September 30, 2011 (\$17.2 million in the same period of 2010).
- Other revenue was \$31.9 million in the nine months ended September 30, 2011, a decrease of 7.5% compared to \$34.6 million in the same period of 2010 primarily as a result of a \$5.4 million decrease 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 a decrease in employee compensation liabilities and expense).

Expenses – Third Quarter 2011

- Compensation and related expenses decreased 6.6% in the third quarter of 2011 to \$149.0 million compared to \$159.5 million in the third quarter of 2010. Share-based compensation expense decreased by \$7.0 million in response to the decline in the Company’s stock price in the third quarter of 2011 and deferred compensation expense decreased by \$8.2 million compared to the third quarter of 2010. These decreases were partially offset by somewhat higher compensation costs related to the increase in commission revenue in the third quarter of 2011 compared to the same period in 2010.

- Clearing and exchange fees increased 17.9% to \$6.5 million in the third quarter of 2011 from \$5.5 million in the same period of 2010 based on reduced pricing on share volumes on institutional equities business.
- Communications and technology expenses decreased 4.4% to \$15.1 million in the third quarter of 2011 from \$15.8 million in the same period of 2010 with savings in IT costs in the third quarter of 2011 compared to the same period in 2010.
- Occupancy and equipment costs of \$19.0 million in the third quarter of 2011 increased 4.5% compared to \$18.2 million in the third quarter of 2010 due primarily to higher lease costs in the third quarter of 2011 compared to the third quarter of 2010.
- Interest expense increased 57.0% to \$10.2 million in the third quarter of 2010 from \$6.5 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
- Other expenses increased 24.5% to \$27.5 million in the third quarter of 2011 from \$22.1 million in the same period in 2010 primarily due to increased legal costs of \$4.5 million relating to client litigation and arbitration activity and legal costs to resolve regulatory matters.

Expenses – Year-to-date 2011

- Compensation and related expenses were flat in the nine months ended September 30, 2011 at \$479.8 million compared to \$482.0 million in the same period of 2010. The decreases in share-based compensation expense and deferred compensation expense of \$3.9 million and \$5.5 million, respectively, in the nine months ended September 30, 2011 compared to the same period in 2010 were offset by increases in producer payroll costs.
- Clearing and exchange fees decreased 3.9% to \$19.1 million in the nine months ended September 30, 2011 compared to \$19.9 million in the same period of 2010 due to lower trade execution costs and floor brokerage fees.
- Communications and technology expenses decreased 3.0% to \$47.1 million in the nine months ended September 30, 2011 from \$48.6 million in the same period of 2010 due to lower telecommunications costs in the nine months ended September 30, 2011 compared to the same period in 2010.
- Occupancy and equipment costs of \$56.0 million in the nine months ended September 30, 2011 increased by 2.1% compared to \$54.9 million in the same period of 2010.
- Interest expense increased 57.5% to \$28.7 million in the nine months ended September 30, 2011 from \$18.2 million in the same period in 2010 primarily due to increased debt service costs of \$6.2 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 10.2% to \$83.0 million in the nine months ended September 30, 2011 from \$75.3 million in the same period in 2010 primarily due to increased legal costs of \$5.3 million relating to client litigation and arbitration activity and legal costs to resolve regulatory matters and increased costs of external portfolio management of \$3.7 million in the nine months ended September 30, 2011 compared to the same period in 2010.

Stockholders' Equity and Dividend Declaration

- At September 30, 2011, total equity was \$500.6 million compared to \$497.6 million at December 31, 2010.
- At September 30, 2011, book value per share was \$36.27 (compared to \$35.70 at September 30, 2010) and tangible book value per share was \$23.89 (compared to 22.64 at September 30, 2010).
- The Company announced today a quarterly cash dividend in the amount of \$0.11 per share, payable on November 25, 2011 to holders of Class A non-voting and Class B voting common stock of record on November 11, 2011.

OPPENHEIMER HOLDINGS INC.						
SUMMARY STATEMENT OF OPERATIONS (UNAUDITED)						
<i>\$ in thousands, except share and per share amounts</i>						
	Three Months Ended			Nine Months Ended		
	09/30/11	09/30/10	% Δ	09/30/11	09/30/10	% Δ
REVENUE						
Commissions	\$123,267	\$120,940	1.9%	\$380,912	\$398,719	-4.5%
Principal transactions, net	8,233	22,645	-63.6%	32,537	59,602	-45.4%
Interest	15,161	11,220	35.1%	43,599	31,996	36.3%
Investment banking	29,199	21,791	34.0%	91,357	83,311	9.7%
Advisory fees	50,696	43,356	16.9%	149,200	130,134	14.7%
Other	5,063	15,189	-66.7%	31,949	34,550	-7.5%
	<u>231,619</u>	<u>235,141</u>	<u>-1.5%</u>	<u>729,554</u>	<u>738,312</u>	<u>-1.2%</u>
EXPENSES						
Compensation & related expenses	148,951	159,485	-6.6%	479,802	481,968	-0.5%
Clearing & exchange fees	6,514	5,525	17.9%	19,127	19,910	-3.9%
Communications & technology	15,138	15,838	-4.4%	47,146	48,578	-3.0%
Occupancy & equipment costs	18,977	18,162	4.5%	56,047	54,884	2.1%
Interest	10,230	6,518	57.0%	28,673	18,208	57.5%
Other	27,545	22,127	24.5%	82,962	75,272	10.2%
	<u>227,355</u>	<u>227,655</u>	<u>-0.1%</u>	<u>713,757</u>	<u>698,820</u>	<u>2.1%</u>
Profit before income taxes	4,264	7,486	-43.0%	15,797	39,492	-60.0%
Income tax provision	1,805	3,469	-48.0%	7,139	16,249	-56.1%
Net profit for the period	2,459	4,017	-38.8%	8,658	23,243	-62.8%
Less net profit attributable to non-controlling interest, net of tax	353	596	-40.8%	1,775	1,452	22.3%
Net profit attributable to Oppenheimer Holdings Inc.	<u>\$2,106</u>	<u>\$3,421</u>	<u>-38.4%</u>	<u>\$6,883</u>	<u>\$21,791</u>	<u>-68.4%</u>
Profit per share attributable to Oppenheimer Holdings Inc.						
Basic	\$0.15	\$0.26		\$0.51	\$1.63	
Diluted	\$0.15	\$0.25		\$0.49	\$1.57	
Weighted avg. shares outstanding	13,670,604	13,355,468		13,627,122	13,334,214	
Actual shares outstanding	13,670,625	13,359,202		13,670,625	13,359,202	

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 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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