



Press Release

NYSE – OPY

Oppenheimer Holdings Inc.

Third Quarter 2012 Earnings and Dividend Announcement

October 26, 2012
New York, NY

<i>Expressed in thousands of dollars, except per share amounts</i>	Three Months ended September 30,		Nine Months ended September 30,	
	2012	2011	2012	2011
<i>(unaudited)</i>				
Revenue	\$231,838	\$231,619	\$703,197	\$729,554
Expenses	\$226,580	\$227,355	\$696,589	\$713,757
Profit before income taxes *	\$5,258	\$4,264	\$6,608	\$15,797
Net profit attributable to Oppenheimer Holdings Inc.	\$2,322	\$2,106	\$87	\$6,883
Basic earnings per share	\$0.17	\$0.15	\$0.01	\$0.51
Diluted earnings per share	\$0.16	\$0.15	\$0.01	\$0.49
Book value per share at September 30	\$37.10	\$36.98	\$37.10	\$36.98
Tangible book value per share at September 30	\$24.60	\$24.13	\$24.60	\$24.13

* Includes non-controlling interest

Business Review

Oppenheimer Holdings Inc. reported a net profit of \$2.3 million or \$0.17 per share for the third quarter of 2012 compared to a net profit of \$2.1 million or \$0.15 per share in the third quarter of 2011. Revenue for the third quarter of 2012 was \$231.8 million compared to revenue of \$231.6 million in the third quarter of 2011.

The Company reported a net profit for the nine months ended September 30, 2012 of \$87,000 or \$0.01 per share compared to a net profit of \$6.9 million or \$0.51 per share in the same period of 2011. Revenue for the nine months ended September 30, 2012 was \$703.2 million, a decrease of 3.6% compared to \$729.6 million in the same period of 2011. The results for the nine months ended September, 30 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 \$10.2 million and the New York City real estate consolidation of \$6.6 million.

Client assets entrusted to the Company and under management totaled approximately \$77.4 billion while client assets under fee-based programs offered by the asset management groups totaled approximately

\$21.1 billion at September 30, 2012 (\$77.3 billion and \$17.7 billion, respectively, at September 30, 2011). Client assets under administration increased by less than 0.1% while assets under fee-based programs increased 19.2% at September 30, 2012 compared to September 30, 2011.

In commenting on the Company's results Albert Lowenthal, Chairman and CEO, said "While uncertainty about the economy persists, including concerns about the looming "fiscal cliff", the likelihood of increased taxes and continued sovereign debt issues in Europe, the U.S. equity markets continue to perform remarkably well with most barometers hitting their 2007 levels for the first time in five years. High levels of unemployment and the slow recovery in housing has put pressure on consumer confidence and consumer spending. Credit concerns and concerns about a slow-down in the Euro-zone and in China have kept U.S. treasury interest rates at or near their record lows, and while the European Central Bank has committed to save the Euro and to take all necessary action, the lack of concrete plans continues to impact investor sentiment and forced the U.S. Federal Reserve to launch its third campaign of quantitative easing, and to extend the period of record low short term interest rates well into 2015. This consistent drumbeat of news held down investor activity and held down Oppenheimer's revenues during the third quarter and this impact on revenue, combined with ongoing costs associated with litigation is reflected in the low operating results during the third quarter."

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

Revenue and Expenses

Revenue - Third Quarter 2012

- Commission revenue was \$113.4 million for the third quarter of 2012, a decrease of 8.0% compared to \$123.3 million in the third quarter of 2011. Weak investor confidence contributed to the decline.
- Principal transactions revenue was \$14.4 million in the third quarter of 2012, an increase of 74.6% compared to \$8.2 million in the third quarter of 2011 primarily due to an increase of \$5.6 million in the value of the Company's investments in the third quarter of 2012 compared to the same period in 2011.
- Interest revenue was \$14.8 million in the third quarter of 2012, a decrease of 2.2% compared to \$15.2 million in the third quarter of 2011. The decrease is primarily attributable to a \$2.0 million increase in other interest revenue earned in the third quarter of 2011 on a disputed fee related to a 2008 investment banking transaction.
- Investment banking revenue was \$21.6 million in the third quarter of 2012, a decrease of 26.1% compared to \$29.2 million in the third quarter of 2011 attributable to a marked decline in income from equity issuances in the third 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 \$53.0 million in the third quarter of 2012, an increase of 4.6% compared to \$50.7 million in the third quarter of 2011. Asset management fees increased by \$1.7 million in the third quarter of 2012 compared to the same period in 2011 as a result of an increase in the value of assets under management of 2% during the six months ended June 30, 2012 compared to the same period in 2011. Asset management fees are calculated based on client assets under management at the end of the prior quarter which totaled \$20.1 billion at June 30, 2012 (\$19.7 billion at June 30, 2011).
- Other revenue was \$14.6 million in the third quarter of 2012, an increase of 188.7% compared to \$5.1 million in the third quarter of 2011 partly as a result of a \$2.9 million increase in fees generated from Oppenheimer Multifamily Housing & Healthcare Finance, Inc. ("OMHHF") in the third quarter of 2012 compared to the same period in 2011. This increase was augmented by a \$6.1 million increase in the mark-to-market value of Company-owned life insurance policies that relate to our employee deferred compensation programs (which was largely offset by an increase in employee compensation liabilities and expense).

Revenue – Year-to-date 2012

- Commission revenue was \$351.5 million for the nine months ended September 30, 2012, a decrease of 7.7% compared to \$380.9 million in the same period of 2011. Low transaction volumes in the 2012 period contributed to the decline.
- Principal transactions revenue was \$40.4 million in the nine months ended September 30, 2012, an increase of 24.1% compared to \$32.5 million in the same period of 2011 primarily due to an increase of \$6.5 million in the value of the Company's investments in the third quarter of 2012 compared to the same period in 2011.
- Interest revenue was \$42.5 million in the nine months ended September 30, 2012, a decrease of 2.6% compared to \$43.6 million in the same period of 2011. The decrease was a result of lower interest of \$1.1 million from client debit balances as well as a \$2.0 million increase in other interest revenue earned in the third quarter of 2011 on a disputed fee related to a 2008 investment banking transaction which was offset by an increase of \$2.7 million in interest earned on government and agency positions.
- Investment banking revenue was \$66.6 million in the nine months ended September 30, 2012, a decrease of 27.0% compared to \$91.4 million in the same period of 2011 attributable to a marked decline in income from equity issuances in the nine months ended September 30, 2012 compared to the same period in 2011 as the markets were largely closed to equity issuers during the 2012 period.
- Advisory fees were \$156.8 million in the nine months ended September 30, 2012, an increase of 5.1% compared to \$149.2 million in the same period of 2011. Asset management fees increased by \$6.4 million in the nine months ended September 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 \$45.4 million in the nine months ended September 30, 2012, an increase of 42.2% compared to \$31.9 million in the same period of 2011 partly as a result of a \$6.3 million increase in fees generated from OMHHF in the nine months ended September 30, 2012 compared to the same period in 2011. This increase was augmented by a \$6.9 million increase in the market-to-market value of Company-owned life insurance policies that relate to our employee deferred compensation programs (which was largely offset by an increase in employee compensation liabilities and expense).

Expenses – Third Quarter 2012

- Compensation and related expenses were \$152.0 million in the third quarter of 2012, an increase of 2.0% compared to \$149.0 million in the same period of 2011. Stock-based compensation increased \$3.4 million in the third quarter of 2012 compared to the third quarter of 2011, primarily due to that portion of stock-based compensation that tracks the Company's stock price. The significant decline in the Company's stock price for the three months ended September 30, 2011 resulted in a credit to stock-based compensation expense of \$3.5 million. The modest decline in the Company's stock price for the three months ended September 30, 2012 resulted in a credit to stock-based compensation expense of \$149,000.
- Clearing and exchange fees were \$6.0 million in the third quarter of 2012, a decrease of 7.5% compared to \$6.5 million in the same period of 2011 due to lower trade execution costs and floor brokerage fees.
- Communications and technology expenses were \$15.9 million in the third quarter of 2012, an increase of 4.9% compared to \$15.1 million in the same period of 2011 due to higher costs of information technology which were partially offset by lower telecommunications costs in the third quarter of 2012 compared to the same period in 2011.
- Occupancy and equipment costs were \$17.5 million in the third quarter of 2012, a decrease of 7.6% compared to \$19.0 million in the same period of 2011 due primarily to the acceleration of amortization in conjunction with the move to the Company's new headquarters in 2011.
- Interest expense was \$8.8 million in the third quarter of 2012, a decrease of 13.6% compared to \$10.2 million in the same period in 2011 primarily due to a \$1.0 million decrease in interest expense relating to the Company's government trading activities.

- Other expenses were \$26.3 million in the third quarter of 2012, a decrease of 4.4% compared to \$27.5 million in the same period in 2011 primarily due to a decrease of \$1.2 million in legal and settlement costs as well as savings on travel and entertainment costs in the third quarter of 2012 compared to the same period in 2011.

Expenses – Year-to-date 2012

- Compensation and related expenses were \$461.5 in the nine months ended September 30, 2012, a decrease of 3.8% compared \$479.8 million in the same period of 2011. Variable compensation relating to revenue has decreased with the decrease in revenue.
- Clearing and exchange fees were \$18.0 million in the nine months ended September 30, 2012, a decrease of 5.7% compared to \$19.1 million in the same period of 2011 due to lower trade execution costs and floor brokerage fees.
- Communications and technology expenses were \$47.3 million in the nine months ended September 30, 2012, an increase of 0.4% compared to \$47.1 million in the same period of 2011.
- Occupancy and equipment costs were \$59.3 million in the nine months ended September 30, 2012, an increase of 5.8% compared to \$56.0 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 nine months ended September 30, 2012 from overlapping rent, accelerated amortization of fixed and intangible assets and relocation costs.
- Interest expense was \$25.9 million in the nine months ended September 30, 2012, a decrease of 9.8% compared to \$28.7 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 into interest expense in the nine months ended September 30, 2011 as well as a \$1.5 million decrease in interest expense relating to the Company's government trading activities in the nine months ended September 30, 2012 compared to the same period in 2011.
- Other expenses were \$84.5 million in the nine months ended September 30, 2012, an increase of 1.9% compared to \$83.0 million in the same period in 2011 primarily due to an increase in fees paid to third party portfolio managers of \$5.4 million in the nine months ended September 30, 2012 compared to the same period in 2011 and offset by a decrease of \$1.1 million in legal and settlement costs.
- 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 September 30, 2012, total equity was \$509.0 million compared to \$513.4 million at December 31, 2011.
- At September 30, 2012, book value per share was \$37.10 (compared to \$36.98 at September 30, 2011) and tangible book value per share was \$24.60 (compared to \$24.13 at September 30, 2011).
- The Company announced today a quarterly cash dividend in the amount of \$0.11 per share, payable on November 23, 2012 to holders of Class A non-voting and Class B voting common stock of record on November 9, 2012.

OPPENHEIMER HOLDINGS INC.
SUMMARY STATEMENT OF OPERATIONS (UNAUDITED)

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

	Three Months Ended			Nine Months Ended		
	09/30/12	09/30/11	% Δ	09/30/12	09/30/11	% Δ
REVENUE						
Commissions	\$113,424	\$123,267	-8.0%	\$351,487	\$380,912	-7.7%
Principal transactions, net	14,372	8,233	74.6%	40,387	32,537	24.1%
Interest	14,823	15,161	-2.2%	42,462	43,599	-2.6%
Investment banking	21,589	29,199	-26.1%	66,647	91,357	-27.0%
Advisory fees	53,015	50,696	4.6%	156,796	149,200	5.1%
Other	14,615	5,063	188.7%	45,418	31,949	42.2%
	<u>231,838</u>	<u>231,619</u>	<u>0.1%</u>	<u>703,197</u>	<u>729,554</u>	<u>-3.6%</u>
EXPENSES						
Compensation & related expenses	151,969	148,951	2.0%	461,516	479,802	-3.8%
Clearing & exchange fees	6,026	6,514	-7.5%	18,046	19,127	-5.7%
Communications & technology	15,880	15,138	4.9%	47,346	47,146	0.4%
Occupancy & equipment costs	17,526	18,977	-7.6%	59,279	56,047	5.8%
Interest	8,842	10,230	-13.6%	25,864	28,673	-9.8%
Other	26,337	27,545	-4.4%	84,538	82,962	1.9%
	<u>226,580</u>	<u>227,355</u>	<u>-0.3%</u>	<u>696,589</u>	<u>713,757</u>	<u>-2.4%</u>
Profit before income taxes *	5,258	4,264	23.3%	6,608	15,797	-58.2%
Income tax provision	<u>2,234</u>	<u>1,805</u>	<u>23.8%</u>	<u>4,092</u>	<u>7,139</u>	<u>-42.7%</u>
Net profit for the period	3,024	2,459	23.0%	2,516	8,658	-70.9%
Less net profit attributable to non-controlling interest, net of tax	<u>702</u>	<u>353</u>	<u>98.9%</u>	<u>2,429</u>	<u>1,775</u>	<u>36.8%</u>
Net profit attributable to Oppenheimer Holdings Inc.	<u>\$2,322</u>	<u>\$2,106</u>	<u>10.3%</u>	<u>\$87</u>	<u>\$6,883</u>	<u>-98.7%</u>
Profit per share attributable to Oppenheimer Holdings Inc.						
Basic	\$0.17	\$0.15		\$0.01	\$0.51	
Diluted	\$0.16	\$0.15		\$0.01	\$0.49	
Weighted avg. shares outstanding	13,610,991	13,670,604		13,599,431	13,627,122	
Actual shares outstanding	13,614,692	13,670,625		13,614,692	13,670,625	

* 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.

For further information, please contact:

A.G. Lowenthal 212 668-8000 or E.K. Roberts 416 322-1515