



**Oppenheimer
Holdings Inc.**

**Third Quarter
September 30, 2003**

Oppenheimer Holdings Inc.

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All amounts herein are expressed in U.S. dollars.

To the Shareholders:

As previously announced, on September 2, 2003, the Company began a new era as it changed its name to Oppenheimer Holdings Inc. from Fahnstock Viner Holdings Inc. Its principal operating subsidiary became Oppenheimer & Co. Inc., as it retired the name of Fahnstock & Co. Inc. in North America.

Oppenheimer Holdings Inc. reported net profit of U.S. \$6,616,000 or \$0.52 per share for the third quarter of 2003, an increase of 281% in net profit when compared to U.S. \$1,735,000 or \$0.14 per share in the third quarter of 2002. Revenue for the third quarter of 2003 was U.S. \$176,404,000, an increase of 157% compared to revenue of U.S. \$68,522,000 in the third quarter of 2002. At September 30, 2003, book value per share was U.S. \$21.24 compared to book value per share of U.S. \$19.62 at September 30, 2002, an increase of 8%. Oppenheimer reported strong quarterly results in an environment that remains challenging. Earnings grew substantially from the comparable quarter in 2002, demonstrating the capability of Oppenheimer's enhanced platform with a business model that generates revenues from multiple lines of business, client segments and geographic regions. The Company continues to invest in the expansion of its business with focused initiatives that are expected to have both short and long term payoffs, while maintaining a commitment to the disciplined control of expenses.

Net profit for the nine months ended September 30, 2003 was U.S. \$22,022,000 or \$1.74 per share compared to U.S. \$4,250,000 or \$0.34 per share in the comparable period of 2002, an increase of 418% in net profit. Revenue for the nine months ended September 30, 2003 was U.S. \$501,652,000 compared to U.S. \$207,183,000 in the comparable period of 2002, an increase of 142%.

Oppenheimer Asset Management Inc. ("OAM") has continued to attract assets, with managed assets in OAM accounts reaching \$8.5 billion at September 30, 2003. The OAM products are designed to meet client demand for managed account and fee-based services, and should be well-positioned to deliver improved revenues, both from new business and asset appreciation.

The Company's results, when compared to the prior year, have been significantly impacted by its acquisition in January 2003 of 18 branch offices with approximately 630 financial consultants (formerly the U.S. private client division of CIBC World Markets) and the acquisition of OAM in June 2003. On May 27, 2003, the Company assumed clearing and execution of the business of the newly acquired branches, which substantially changed the Company's balance sheet through increased client balances, related broker-dealer receivables and payables, an increase in bank loans, as well as an increase in inventories carried by the Company to accommodate the increased size of the business. Client service issues, which arose as a result of the conversion, have been rectified, and the Company continues to address its commitment to improved service and technology.

Compensation and benefits expenses remain at high levels relative to revenue but it is believed that these numbers will move closer to historic norms as the acquisition is digested.

The U.S. economy has continued to pick up momentum, with investors showing increasing optimism about higher corporate earnings related to improving economic growth. This growth, in response to favorable interest rates, tax cuts, and a lower dollar (in relation to other currencies) has resulted in an improved stock market. The S&P 500 Index has increased 4.96% in the third quarter of 2003 and 18.81% year to date.

The weighted average number of Class A non-voting and Class B shares outstanding for the quarter ended September 30, 2003 was 12,835,795 compared to 12,501,709 outstanding for the quarter ended September 30, 2002, a net increase of 3% due to the exercise of employee stock options.

On October 24, 2003, the Company announced a quarterly dividend in the amount of U.S. \$0.09 per share, payable on November 21, 2003 to holders of Class A non-voting and Class B shares of record on November 7, 2003.

The Company, through its principal subsidiary, Oppenheimer & Co. Inc., is a U.S. financial services company offering a full range of financial products and services from 100 offices in 22 states and 2 foreign jurisdictions. In addition, through its subsidiary, Freedom Investments, Inc. and the BUYandHOLD division of Freedom, the Company offers online discount brokerage and dollar-based investing services.

This letter 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 the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

On behalf of the Board,



E.K. Roberts,
President

Toronto, Canada
October 24, 2003

Oppenheimer Holdings Inc.

Condensed Consolidated Balance Sheets

(unaudited)

September 30, 2003 December 31, 2002

(Expressed in thousands of U.S. dollars)

ASSETS		
Current assets		
Cash and cash equivalents	\$ 56,718	\$ 16,115
Restricted deposits	48,534	7,440
Deposits with clearing organizations	12,870	3,606
Receivable from brokers and clearing organizations	311,650	492,094
Receivable from customers	938,275	392,929
Securities owned including amounts pledged of \$1,401 (\$1,078 in 2002), at market value	84,547	50,173
Notes receivable	105,765	17,011
Other	49,461	28,419
	<u>1,607,820</u>	<u>1,007,787</u>
Other assets		
Stock exchange seats (approximate market value \$6,433; \$6,716 in 2002)	2,994	2,994
Fixed assets, net of accumulated depreciation of \$29,831; \$23,367 in 2002	22,786	8,488
Intangible assets, net of amortization	36,038	—
Goodwill	137,889	11,957
	<u>199,707</u>	<u>23,439</u>
	<u>\$ 1,807,527</u>	<u>\$ 1,031,226</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Drafts payable	\$ 38,501	\$ 21,653
Bank call loans	180,219	16,200
Payable to brokers and clearing organizations	401,815	520,743
Payable to customers	529,652	162,343
Securities sold, but not yet purchased, at market value	15,016	9,606
Accounts payable and other liabilities	110,377	50,745
Income taxes payable	5,730	2,057
Current portion of long term debt	14,690	—
	<u>1,296,000</u>	<u>783,347</u>
Long term liabilities		
Bank loans payable	33,635	—
Long term debt	39,863	—
Exchangeable debentures	160,822	—
Deferred income taxes	3,589	243
	<u>237,909</u>	<u>243</u>
	<u>1,533,909</u>	<u>783,590</u>
Shareholders' equity		
Share capital		
12,780,340 Class A non-voting shares (2002 — 12,397,007 shares)	41,184	34,674
99,680 Class B voting shares	133	133
	<u>41,317</u>	<u>34,807</u>
Contributed capital	5,933	5,028
Retained earnings	226,368	207,801
	<u>273,618</u>	<u>247,636</u>
	<u>\$ 1,807,527</u>	<u>\$ 1,031,226</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

Oppenheimer Holdings Inc.

Condensed Consolidated Statements of Operations (unaudited)

	Three Months ended September 30,		Nine Months ended September 30,	
	2003	2002	2003	2002
(Expressed in thousands of U.S. dollars, except per share amounts)				
REVENUE:				
Commissions	\$85,762	\$32,900	\$232,916	\$101,790
Principal transactions, net	35,822	13,403	102,029	38,943
Interest	10,570	6,876	31,736	20,471
Underwriting fees	12,948	6,531	40,343	17,066
Advisory fees	25,211	5,976	54,971	19,430
Arbitration award	—	—	21,750	—
Other	6,091	2,836	17,907	9,483
	<u>176,404</u>	<u>68,522</u>	<u>501,652</u>	<u>207,183</u>
EXPENSES:				
Compensation and related expenses	114,499	40,738	313,462	125,128
Clearing and exchange fees	3,544	2,442	16,266	6,715
Communications	12,713	8,029	40,495	24,938
Occupancy costs	12,717	5,511	33,986	17,330
Interest	3,973	2,167	11,465	5,984
Other	17,660	6,850	48,182	19,785
	<u>165,106</u>	<u>65,737</u>	<u>463,856</u>	<u>199,880</u>
Profit before income taxes	11,298	2,785	37,796	7,303
Income tax provision . . .	4,682	1,050	15,774	3,053
NET PROFIT FOR PERIOD	<u>\$ 6,616</u>	<u>\$ 1,735</u>	<u>\$ 22,022</u>	<u>\$ 4,250</u>
Basic earnings per share (note 3)	\$ 0.52	\$ 0.14	\$ 1.74	\$ 0.34
Diluted earnings per share	\$ 0.36	\$ 0.14	\$ 1.21	\$ 0.33
Dividends declared per share	\$ 0.09	\$ 0.09	\$ 0.27	\$ 0.27

The accompanying notes are an integral part of these condensed consolidated financial statements.

Oppenheimer Holdings Inc.

Condensed Consolidated Statements of Cash Flows (unaudited)

	Three Months ended		Nine Months ended	
	September 30,		September 30,	
	2003	2002	2003	2002
(Expressed in thousands of U.S. dollars)				
Cash flows from operating activities:				
Net profit for the period	\$ 6,616	\$ 1,735	\$ 22,022	\$ 4,250
Adjustments to reconcile net profit to net cash provided by (used in) operating activities:				
Non-cash items included in net profit:				
Depreciation and amortization	2,686	1,185	7,027	3,707
Deferred tax liability	882	—	3,346	—
Tax benefit from employee stock options exercised	150	26	905	634
Decrease (increase) in operating assets, net of the effect of acquisitions:				
Restricted deposits	(37,756)	(94)	(41,094)	(82)
Deposits with clearing organizations	(2,219)	1,860	(9,264)	4,382
Receivable from brokers and clearing organizations	334,627	(346,336)	180,444	(440,810)
Receivable from customers	5,497	83,772	(545,346)	108,068
Securities owned	7,896	(2,603)	(21,591)	1,715
Notes receivable	(11,647)	(1,265)	(23,241)	(4,787)
Other assets	5,191	2,815	(13,769)	573
Increase (decrease) in operating liabilities, net of the effect of acquisitions:				
Drafts payable	(21,316)	(5,256)	16,848	(4,301)
Payable to brokers and clearing organizations	(242,388)	294,731	(118,928)	402,575
Payable to customers	(53,870)	(33)	367,309	(52,179)
Securities sold, but not yet purchased	2,132	1,432	5,410	406
Accounts payable and other liabilities	9,226	3,935	42,900	(4,391)
Income taxes payable	285	(1,303)	3,673	(1,492)
Cash (used in) provided by operating activities	<u>5,992</u>	<u>34,601</u>	<u>(123,349)</u>	<u>18,268</u>
Cash flows from investing activities:				
Purchase of the business of Oppenheimer & Co.	—	—	(16,690)	—
Purchase of the business of BUYandHOLD	—	—	—	(2,297)
Purchase of fixed assets	(3,993)	(673)	(9,106)	(1,580)
Cash used in investing activities	<u>(3,993)</u>	<u>(673)</u>	<u>(25,796)</u>	<u>(3,877)</u>

Oppenheimer Holdings Inc.

Condensed Consolidated Statements of Cash Flows — (Continued)

	Three Months ended September 30,		Nine Months ended September 30,	
	2003	2002	2003	2002
Cash flows from financing activities:				
Cash dividends paid on Class A non-voting and Class B shares	(1,155)	(1,126)	(3,455)	(3,387)
Issuance of Class A non-voting shares	870	333	7,095	2,978
Repurchase of Class A non-voting shares for cancellation	—	(1,427)	(585)	(3,261)
Zero coupon promissory note repayments	(3,616)	—	(10,961)	—
Proceeds from issuance of bank loans	25,000	—	50,000	—
Bank loan repayments	(3,389)	—	(6,246)	—
Increase in bank call loans ...	2,025	(31,770)	153,900	(11,762)
Cash provided by (used in) financing activities	<u>19,735</u>	<u>(33,990)</u>	<u>189,748</u>	<u>(15,432)</u>
Net increase (decrease) in cash and cash equivalents	21,734	(62)	40,603	(1,041)
Cash and cash equivalents, beginning of period	<u>34,984</u>	<u>23,238</u>	<u>16,115</u>	<u>24,217</u>
Cash and cash equivalents, end of period	<u>\$ 56,718</u>	<u>\$ 23,176</u>	<u>\$ 56,718</u>	<u>\$ 23,176</u>
Supplemental Disclosure of cash flow information:				
Cash paid for:				
Interest	\$ 2,610	\$ 1,279	\$ 6,117	\$ 5,208
Income taxes	\$ 2,853	\$ 162	\$ 5,191	\$ 4,686
Non-cash acquisition activity (see note 11)				

The accompanying notes are an integral part of these condensed consolidated financial statements.

Oppenheimer Holdings Inc.

Condensed Consolidated Statements of Changes in Shareholders' Equity (unaudited)

	Three Months ended September 30,		Nine Months ended September 30,	
	2003	2002	2003	2002
(Expressed in thousands of U.S. dollars)				
Share capital				
Balance at beginning of period	\$ 40,447	\$ 35,404	\$ 34,807	\$ 34,593
Issue of Class A non-voting shares	870	333	7,095	2,978
Repurchase of Class A non-voting shares for cancellation	—	(1,427)	(585)	(3,261)
Balance at end of period	<u>\$ 41,317</u>	<u>\$ 34,310</u>	<u>\$ 41,317</u>	<u>\$ 34,310</u>
Contributed capital				
Balance at beginning of period	\$ 5,783	\$ 4,721	\$ 5,028	\$ 4,113
Tax benefit from employee stock options exercised	150	26	905	634
Balance at end of period	<u>\$ 5,933</u>	<u>\$ 4,747</u>	<u>\$ 5,933</u>	<u>\$ 4,747</u>
Retained earnings				
Balance at beginning of period	\$220,907	\$205,017	\$207,801	\$202,989
Cumulative effect of a change in accounting principle	—	—	—	1,774
Net profit for the period	6,616	1,735	22,022	4,250
Dividends	(1,155)	(1,126)	(3,455)	(3,387)
Balance at end of period	<u>\$226,368</u>	<u>\$205,626</u>	<u>\$226,368</u>	<u>\$205,626</u>
TOTAL SHAREHOLDERS' EQUITY	<u>\$273,618</u>	<u>\$244,683</u>	<u>\$273,618</u>	<u>\$244,683</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

Oppenheimer Holdings Inc.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Summary of significant accounting policies

The condensed consolidated financial statements include the accounts of Oppenheimer Holdings Inc. (formerly Fahnestock Viner Holdings Inc.) (“OPY”) and its subsidiaries (together, the “Company”). The principal subsidiaries of OPY are Oppenheimer & Co. Inc. (formerly Fahnestock & Co. Inc.) (“Oppenheimer”), a registered broker-dealer in securities and Oppenheimer Asset Management Inc. (“OAM”), a registered investment advisor under the Investment Advisors Act of 1940. Oppenheimer operates as Fahnestock & Co. Inc. in South America. Oppenheimer owns Freedom Investments, Inc., a registered broker dealer in securities, which operates its BUYandHOLD division, offering online discount brokerage and dollar-based investing services. The Company engages in a broad range of activities in the securities industry, including retail securities brokerage, institutional sales and trading, investment banking (both corporate and public finance), research, market-making, and investment advisory and asset management services.

The Company’s condensed consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and in all material respects conform with United States of America GAAP, except as described below. These accounting principles are set out in the notes to the Company’s consolidated financial statements for the year ended December 31, 2002 included in its 2002 Annual Report. Disclosures reflected in these condensed consolidated financial statements comply in all material respects with those required pursuant to the rules and regulations of the United States Securities and Exchange Commission (“SEC”) with respect to quarterly financial reporting.

The financial statements include all adjustments, which in the opinion of management are normal and recurring and necessary for a fair statement of the results of operations, financial position and cash flows for the interim periods presented. The nature of the Company’s business is such that the results of operations for the interim periods are not necessarily indicative of the results to be expected for a full year.

Certain prior period amounts have been reclassified to conform to the current year presentation.

These condensed consolidated financial statements are presented in U.S. dollars.

The following is a summary of significant accounting policies followed in the preparation of these consolidated financial statements:

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and all subsidiaries. The major subsidiaries, wholly-owned and operated in the United States of America, are as follows:

Oppenheimer & Co. Inc.	-broker/dealer in securities
Oppenheimer Asset Management Inc.	-investment advisory services
Freedom Investments, Inc.	-discount broker in securities

Significant intercompany balances and transactions have been eliminated in the preparation of the consolidated financial statements.

(b) Brokerage operations

Transactions in proprietary securities and related revenues and expenses are recorded on a trade date basis. Customers' securities and commodities transactions are reported on a settlement date basis, which is generally three business days after trade date. Related commission income and expense is recorded on a trade date basis. Securities owned and securities sold, but not yet purchased, are reported at market value generally based upon quoted prices. Realized and unrealized changes in market value are recognized in net trading revenues in the period in which the change occurs. Other financial instruments are carried at fair value or amounts that approximate fair value.

(c) Asset management operations

Asset management fees are generally recognized over the period the related service is provided based on the account value at the valuation date per the respective asset management agreements. In certain circumstances, the firm is entitled to receive incentive fees when the return on assets under management exceeds certain benchmark returns or other performance targets. Incentive fees are generally based on investment performance over a 12-month period and are not subject to adjustment once the measurement period ends. Accordingly, incentive fees are recognized in the consolidated statements of earnings when the measurement period ends. Asset management fees and incentive fees are included in "Advisory fees" in the consolidated statements of earnings.

(d) Cash and cash equivalents

The Company defines cash equivalents as highly liquid investments with original maturities of less than 90 days that are not held for sale in the ordinary course of business.

(e) Drafts payable

Drafts payable represent amounts drawn by the Company against a bank.

(f) Goodwill

Goodwill arose upon the acquisitions of Oppenheimer, First of Michigan Capital Corporation, Josephthal & Co. Inc., Grand Charter Group Incorporated and the Oppenheimer divisions. Goodwill is subject to an annual test for impairment to determine if the fair value of goodwill of a reporting unit is less than its carrying amount. Goodwill recorded as at December 31, 2002 has been tested for impairment and no such impairment was recorded.

(g) Intangible Assets

Intangible assets are comprised of customer relationships and trademarks and trade names arising upon the acquisition of the Oppenheimer divisions. Amortization of customer relationships is provided on a straight-line basis over 80 months. The amortization expense relating to intangible assets for each of the five succeeding years approximates \$750,000. Trademarks and trade names, which are not amortized, are subject to an annual test for impairment to determine if the fair value is less than its carrying amount.

(h) Property, plant and equipment

Furniture, fixtures, proprietary software and leasehold improvements and stock exchange seats are stated at cost. Depreciation of furniture, fixtures and proprietary software is provided on a straight-line basis generally over three to seven years. Leasehold improvements are amortized on a straight-line basis over the shorter of the life of the asset or the life of the lease.

(i) Foreign currency translations

Canadian currency balances have been translated into U.S. dollars as follows: monetary assets and liabilities at exchange rates prevailing at period end; revenue and expenses at average rates for the period; and non-monetary assets and share capital at historical rates.

(j) Income taxes

Future income tax assets and liabilities arise from "temporary differences" between the tax basis of an asset or liability and its reported amount in the consolidated financial statements. Future tax balances are determined by applying the enacted tax rates.

(k) Securities lending activities

Securities borrowed and securities loaned are carried at the amounts of cash collateral advanced or received.

Securities borrowed transactions require the Company to deposit cash or other collateral with the lender. The Company receives cash or collateral in an amount generally in excess of the market value of securities loaned.

The Company monitors the market value of securities borrowed and loaned on a daily basis and may require counterparties to

deposit additional collateral or return collateral pledged, when appropriate.

Included in receivable from brokers and clearing organizations are deposits paid for securities borrowed of \$233,985,000 (as at December 31, 2002 — \$480,938,000). Included in payable to brokers and clearing organizations are deposits received for securities loaned of \$352,652,000 (as at December 31, 2002 — \$514,213,000).

(l) Resale and repurchase agreements

Transactions involving purchases of securities under agreements to resell (“reverse repurchase agreements”) or sales of securities under agreements to repurchase (“repurchase agreements”) are treated as collateralized financing transactions and recorded at their contractual resale or repurchase amounts plus accrued interest.

The Company obtains possession of collateral with a market value equal to or in excess of the principal amount loaned under reverse repurchase agreements. Collateral is valued daily and adjusted when appropriate.

(m) Investment banking revenues

Investment banking fees are recorded on offering date, sales concessions on settlement date and underwriting fees at the time the transaction is substantially completed and income is reasonably determinable.

(n) Interest expense

Included in interest expense is interest on bank loans, debt, payments in lieu of interest on securities loaned and interest paid with respect to repurchase agreements.

(o) Stock-based compensation plans

The Company has a stock-based compensation plan. No compensation expense is recognized for this plan when stock options are issued to employees as the options are exercisable at the fair value at the date of grant. Any consideration paid by employees on the exercise of stock options or purchase of stock is credited to share capital.

2. Differences between U.S. and Canadian GAAP

Under U.S. GAAP, FAS 142 required that the write-off of negative goodwill be recorded as the effect of a change in accounting principle and recorded in the statement of operations on January 1, 2002. In contrast, under Canadian GAAP, this amount was booked as an adjustment to opening retained earnings on January 1, 2002. In its filing with the U.S. Securities and Exchange Commission on Form 10-Q for the quarterly period ended September 30, 2002, prepared in accordance with SEC rules and regulations and following U.S. GAAP, the Company reported a gain from the cumulative effect of a change in accounting principle of \$1,774,000 (\$0.14 per share) resulting in net profit for the nine months ended

September 30, 2002 of \$6,024,000 (\$0.48 per share basic and \$0.47 per share diluted). The book value per share under both U.S. and Canadian GAAP was the same.

Recent U.S. Accounting Pronouncements

The Financial Accounting Standards Board issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others", FIN No. 46, "Consolidation of Variable Interest Entities", SFAS No 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities", and SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". The Company has reviewed these statements and these interpretations and does not expect their adoption to have a material impact on its financial results. The Company has reviewed SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure" and has adopted the disclosure provisions, but does not intend to adopt the other provisions of this standard in fiscal 2003.

3. Earnings per share

Earnings per share was computed by dividing net profit by the weighted average number of Class A non-voting shares ("Class A Shares") and Class B voting shares ("Class B Shares") outstanding. Diluted earnings per share includes the weighted average Class A and Class B Shares outstanding and the effects of exchangeable debentures using the if converted method and Class A Share options using the treasury stock method.

Earnings per share has been calculated as follows:

	Three Months ended September 30,		Nine Months ended September 30,	
	2003	2002	2003	2002
Basic weighted average number of shares outstanding	12,835,795	12,501,709	12,690,313	12,540,088
Net effect, if converted method	6,932,000	—	6,932,000	—
Net effect, treasury method	<u>333,199</u>	<u>167,690</u>	<u>262,338</u>	<u>306,252</u>
Diluted common shares (1)	<u>20,100,994</u>	<u>12,669,399</u>	<u>19,884,651</u>	<u>12,846,340</u>
Net profit for the period, as reported	\$6,616,000	\$1,735,000	\$22,022,000	\$4,250,000
Effect of dilutive exchangeable debentures	<u>680,000</u>	<u>—</u>	<u>2,040,000</u>	<u>—</u>
Net profit, available to shareholders and assumed conversions...	<u>\$7,296,000</u>	<u>\$1,735,000</u>	<u>\$24,062,000</u>	<u>\$4,250,000</u>
Basic earnings per share ..	\$ 0.52	\$ 0.14	\$ 1.74	\$ 0.34
Diluted earnings per share	\$ 0.36	\$ 0.14	\$ 1.21	\$ 0.33

(1) The diluted EPS computations do not include the antidilutive effect of the following options:

	Three Months ended September 30, 2003		Nine Months ended September 30, 2003	
	2003	2002	2003	2002
Number of antidilutive options, end of period	298,000	975,000	333,000	481,000

Stock based compensation

The following presents pro forma income and earnings per share impact, using a fair-value-based calculation, of the Company's stock-based compensation. Amounts are expressed in thousands of U.S. dollars except per share amounts.

	Three Months ended September 30, 2003		Nine Months ended September 30, 2003	
	2003	2002	2003	2002
Net profit, as reported ...	\$6,616,000	\$1,735,000	\$22,022,000	\$4,250,000
Stock-based employee compensation expense included in reported net income	—	—	—	—
Additional compensation expense	455,000	477,000	1,352,000	1,416,000
Pro forma net profit	<u>\$6,161,000</u>	<u>\$1,258,000</u>	<u>\$20,670,000</u>	<u>\$2,834,000</u>
Basic profit per share, as reported	\$ 0.52	\$ 0.14	\$ 1.74	\$ 0.34
Diluted profit per share, as reported	\$ 0.36	\$ 0.14	\$ 1.21	\$ 0.33
Pro forma basic profit per share	\$ 0.48	\$ 0.10	\$ 1.63	\$ 0.23
Pro forma diluted profit per share	\$ 0.34	\$ 0.10	\$ 1.14	\$ 0.22

For purposes of the pro forma presentation, the Company determined fair value using the Black-Scholes option pricing model. The weighted average fair value of options granted during the three and nine months ended September 30, 2003 and 2002 was \$121,000 and \$1,239,000, and \$182,000 and \$1,615,000, respectively. The fair value is being amortized over five years on an after-tax basis, where applicable, for purposes of pro forma presentation. Stock options generally expire five years after the date of grant or three months after the date of retirement, if earlier. Stock options generally vest over a five year period with 0% vesting in year one, 25% of the shares becoming exercisable on each of the next three anniversaries of the grant date and the balance vesting in the last six months of the option life. The vesting period is at the discretion of the Compensation and Stock Option Committee and is determined at the time of grant.

The calculation of fair value in this pro forma presentation is not indicative of future amounts because it does not take into consideration future grants, or any difference between actual and assumed forfeitures.

4. Securities owned and securities sold, but not yet purchased (at fair market value)

	September 30, 2003	December 31, 2002
Securities owned consist of:		
Corporate equities	\$ 29,872,000	\$ 11,467,000
Corporate and sovereign debt	23,911,000	16,522,000
U.S. government and agency and state and municipal government obligations	28,607,000	22,103,000
Money market funds	2,145,000	—
Options and other	12,000	81,000
	<u>\$ 84,547,000</u>	<u>\$ 50,173,000</u>
Securities sold, but not yet purchased consist of:		
Corporate equities	\$ 4,844,000	\$ 5,049,000
Corporate debt	5,039,000	3,935,000
U.S. government and agency and state and municipal government obligations and other	5,133,000	622,000
	<u>\$ 15,016,000</u>	<u>\$ 9,606,000</u>

Securities owned and securities sold, but not yet purchased, consist of trading securities at fair market values. Included in securities owned at September 30, 2003 are corporate equities with fair market values of approximately \$14,832,000, which are correlated to deferred compensation liabilities to certain employees. At September 30, 2003, the Company has pledged securities owned of approximately \$1,401,000 (\$1,078,000 at December 31, 2002) as collateral to counterparties for stock loan transactions, which can be sold or repledged.

5. Long term debt and exchangeable debentures

Issued	Maturity Date	Interest Rate	September 30, 2003
Zero Coupon Promissory Note, issued January 2, 2003 (a) ..	—	0%	\$ 54,553,000
Less current portion			<u>14,690,000</u>
Long term portion of long-term debt			<u>\$ 39,863,000</u>
First Variable Rate Exchangeable Debenture, issued January 6, 2003 (b) ..	January 2, 2013	3%	\$ 69,981,000
Second Variable Rate Exchangeable Debenture, issued May 12, 2003 (c)	January 2, 2013	3%	90,841,000
Total exchangeable debentures			<u>\$ 160,822,000</u>

(a) The Zero Coupon Promissory Note is repayable as related employee notes receivable, which are assigned to Oppenheimer, become due and are forgiven. Such payments are to be made notwithstanding whether any of the employees' loans default.

- (b) The First Variable Rate Exchangeable Debenture is exchangeable for approximately 3.1 million Class A Shares of the Company at the rate of \$23.20 per share. The annual interest rate is 3% in the first year, 4% in years two through four, and 5% in years five through maturity. The First Variable Rate Exchangeable Debenture, which matures on January 2, 2013, contains a retraction clause, which may be activated by the holder for a period of 120 days at the end of year seven. Interest is payable semi-annually in June and December.
- (c) The Second Variable Rate Exchangeable Debenture was issued upon the conversion of a U.S. \$90,841,000 Convertible Debenture due 2006 following the approval of the holders of the Class A and Class B Shares of the Company of such conversion on May 12, 2003. The Second Variable Rate Exchangeable Debenture is exchangeable for approximately 3.8 million Class A Shares of the Company, on the same terms as the First Variable Rate Exchangeable Debenture described in (b) above.

6. Net Capital Requirements

The Company's major subsidiaries, Oppenheimer and Freedom, are subject to the uniform net capital requirements of the SEC under Rule 15c3-1 (the "Rule"). Oppenheimer computes its net capital requirements under the alternative method provided for in the Rule which requires that Oppenheimer maintain net capital equal to two percent of aggregate customer-related debit items, as defined in SEC Rule 15c3-3. At September 30, 2003, the net capital of Oppenheimer as calculated under the Rule was \$127,190,000 or 11% of Oppenheimer's aggregate debit items. This was \$104,235,000 in excess of the minimum required net capital. Freedom computes its net capital requirement under the basic method provided for in the Rule, which requires that Freedom maintain net capital equal to the greater of \$250,000 or 6 $\frac{2}{3}$ % of aggregate indebtedness, as defined. At September 30, 2003, Freedom had net capital of \$4,420,000, which was \$4,170,000 in excess of the \$250,000 required to be maintained at that date.

7. Commitments and contingencies

The Company and its subsidiaries have operating leases for office space and capital leases for equipment expiring at various dates through 2013. Future minimum rental commitments under such office and equipment leases as at September 30, 2003 are as follows:

Balance of 2003	\$ 6,319,000
2004	22,881,000
2005	20,517,000
2006	18,985,000
2007	17,290,000
2008 and thereafter	66,120,000
Total	<u>\$152,112,000</u>

Certain of the leases contain provisions for rent escalation based on increases in costs incurred by the lessor.

The Company's rent expense for the three and nine months ended September 30, 2003 was \$8,388,000 and \$24,359,000, respectively, and for the three and nine months ended September 30, 2002 was \$3,712,000 and \$10,671,000, respectively.

8. Financial instruments with off-balance sheet risk and concentration of credit risk

In the normal course of business, the Company's securities activities involve execution, settlement and financing of various securities transactions for customers. These activities may expose the Company to risk in the event customers, other brokers and dealers, banks, depositories or clearing organizations are unable to fulfill their contractual obligations.

The Company is exposed to off-balance sheet risk of loss on unsettled transactions in the event customers and other counterparties are unable to fulfill their contractual obligations. It is the Company's policy to periodically review, as necessary, the credit standing of each counterparty with which it conducts business.

Securities sold, but not yet purchased, represent obligations of the Company to deliver the specified security at the contracted price and thereby create a liability to repurchase the security in the market at prevailing prices. Accordingly, these transactions result in off-balance-sheet risk, as the Company's ultimate obligation to satisfy the sale of securities sold, but not yet purchased, may exceed the amount recognized on the balance sheet. Securities positions are monitored on a daily basis.

The Company's customer financing and securities lending activities require the Company to pledge customer securities as collateral for various financing sources such as bank loans and securities lending. At September 30, 2003, the Company had approximately \$1.3 billion of customer securities under customer margin loans that are available to be pledged, of which the Company has repledged approximately \$235,075,000 under securities loan agreements. In addition, the Company has received collateral of approximately \$223,923,000 under securities borrow agreements, of which the Company has repledged approximately \$113,960,000 as collateral under securities loan agreements. Included in receivable from brokers and clearing organizations are receivables from four major U.S. broker-dealers totaling \$130,051,000.

The Company monitors the market value of collateral held and the market value of securities receivable from others. It is the Company's policy to request and obtain additional collateral when exposure to loss exists. In the event the counterparty is unable to meet its contractual obligation to return the securities, the Company may be exposed to off-balance sheet risk of acquiring securities at prevailing market prices.

At September 30, 2003 the Company had outstanding commitments to buy and sell of \$1,548,000 and \$2,663,000, respectively, of mortgage-backed securities on a when issued

basis. These commitments have off-balance sheet risks similar to those described above.

The Company has a clearing arrangement with Pershing LLC to clear certain transactions in foreign securities. Accordingly, the Company has credit exposures with this clearing broker. The clearing broker can rehypothecate the securities held on behalf of the Company. The clearing broker has the right to charge the Company for losses that result from a client's failure to fulfill its contractual obligations. As the right to charge the Company has no maximum amount and applies to all trades executed through the clearing broker, the Company believes there is no maximum amount assignable to this right. At September 30, 2003, the Company has recorded no liabilities with regard to this right. The Company's policy is to monitor the credit standing of this clearing broker, all counterparties and all clients with which it conducts business.

9. Related Party Transactions

The Company has notes and accounts receivable from employees, net, of approximately \$105,765,000 at September 30, 2003, which are recorded at face value net of accumulated amortization. These amounts will be forgiven over a service period from the initial date of the loan or based on productivity levels of employees with respect to certain of these notes receivable and are contingent on the employee's continued employment with the Company. The unforgiven portion of the notes become due and payable on demand in the event the employee departs during the service period.

10. Segment Information

The table below presents information about the reported operating income of the Company for the periods noted, in accordance with the method described in the Company's Annual Report on Form 10-K for the year ended December 31, 2002. The Company's business is conducted primarily in the United States. Asset information by reportable segment is not reported, since the Company does not produce such information for internal use.

Expressed in thousands of dollars	Three Months ended September 30,		Nine Months ended September 30,	
	2003	2002	2003	2002
Revenue:				
Private Client	\$133,530	\$47,919	\$386,000	\$151,237
Capital Markets	27,707	18,374	96,472	49,587
Asset Management ...	13,923	1,076	15,965	3,850
Other	<u>1,244</u>	<u>1,153</u>	<u>3,215</u>	<u>2,509</u>
Total	<u>\$176,404</u>	<u>\$68,522</u>	<u>\$501,652</u>	<u>\$207,183</u>
Operating Income:				
Private Client*	3,707	\$ (423)	\$ 1,259	\$ (473)
Capital Markets	5,388	2,857	16,992	6,916
Asset Management ...	2,028	131	2,404	537
Other	<u>175</u>	<u>220</u>	<u>17,141</u>	<u>323</u>
Total	<u>\$ 11,298</u>	<u>\$ 2,785</u>	<u>\$ 37,796</u>	<u>\$ 7,303</u>

* Losses in the Private Client segment in 2002 are the result of operating losses and acquisition costs relating to Josephthal, Prime Charter and BUYandHOLD, and include litigation settlement costs arising from periods prior to acquisition, retention and severance costs and the costs of under-utilized facilities.

11. Acquisitions

On January 3, 2003, the Company acquired the U.S. Private Client Division of CIBC World Markets Corp. ("World Markets"), a wholly-owned subsidiary of Canadian Imperial Bank of Commerce ("CIBC"), and agreed to complete the acquisition of the U.S. Asset Management Division of World Markets. The U.S. Private Client Division, also referred to as the Oppenheimer division, is part of Oppenheimer & Co. Inc. and employed approximately 620 brokers in 18 branch offices located across the United States at the time of acquisition. Client assets at December 31, 2002 were approximately \$30 billion. The acquisition more than doubles the Company's private client presence in terms of client assets and provides managerial expertise to the organization. On June 4, 2003, the Company completed the acquisition of the U.S. Asset Management Division of World Markets, now operating as OAM. OAM includes Oppenheimer Investment Advisers, three investment management consulting programs (Investment Advisory Service, Strategic Asset Review and Portfolio Advisory Service), a broker-managed wrap program (OMEGA) and Advantage Advisors (which includes publicly listed closed end funds and alternative investment offerings). The acquisition was accounted for by the purchase method. The Company engaged an independent evaluator to identify and value intangible assets acquired. The fair value of assets acquired, included in the table below, is based on preliminary estimates. The Company does not expect these values to materially change when the final report is issued.

The following table summarizes the estimated fair value of assets acquired, in thousands of dollars.

Prepaid expenses	\$ 1,206
Marketable securities	12,783
Seed capital investments	3,987
Property, plant and equipment	11,657
Notes receivable	65,513
Other assets	2,081
Intangible assets	36,600
Goodwill	125,932
Less:	
Deferred compensation liabilities	(12,783)
Accrued expenses and accounts payable	(3,950)
Purchase price paid	<u>\$243,026</u>

The aggregate purchase price of approximately \$243,026,000 was paid as follows:

\$16,690,000	was paid by the Company in cash from cash on hand
\$65,514,000	was paid with the proceeds of the issuance by Viner Finance Inc., a wholly-owned subsidiary of the Company, to World Markets, of a zero coupon promissory note (i)
\$160,822,000	was paid with the proceeds of debentures issued by E.A. Viner International Co., a wholly-owned subsidiary of the Company, to CIBC (ii)

- (i) The Zero Coupon Promissory Note is repayable as related employee notes receivable, which are assigned to Oppenheimer, become due and are forgiven. Such payments are to be made notwithstanding whether any of the employees' loans default.
- (ii) Two debentures were issued. The first variable rate exchangeable debenture, in the principal amount of approximately \$70 million, is exchangeable for approximately 3.1 million Class A Shares of the Company at the rate of \$23.20 per share. The second variable rate exchangeable debenture, in the principal amount of approximately \$91 million, is exchangeable for approximately 3.8 million Class A Shares of the Company at the rate of \$23.20 per share. The first and second variable rate exchangeable debentures mature in ten years, and bear interest at an annual rate of interest of 3% in the first year, 4% in years two through four, and 5% in years five through maturity. The first and second variable rate exchangeable debentures will be exchangeable for an aggregate of 6,932,000 Class A Shares (approximately 35% of the Class A Shares on a fully diluted basis) plus a potential additional issuance of up to approximately 208,000 Class A Shares if the debentures are exchanged, the holders exercise their rights to have the resulting Class A Shares sold and the holders realize a price of less than \$23.20 per share.

In addition, the Company has arranged a credit facility in the amount of \$50 million with CIBC. In January 2003, the Company borrowed \$25 million under this facility and borrowed the balance in July 2003. The borrowings are being used to finance broker notes and are repayable, together with interest at the CIBC U.S. base rate plus 2%, over five years or earlier if any broker notes become due earlier.

Presented below are pro forma consolidated results of operations. Amounts presented give effect to the acquisitions of the U.S. Private Client and Asset Management Divisions of World Markets as if the transactions were consummated as at January 1, 2002. The Company's actual results for the three and nine months ended September 30, 2003 include the results of the Oppenheimer division and OAM from January 3, 2003 and June 4, 2003, respectively.

The pro forma information is for comparative purposes only and is not indicative either of the actual results that would have occurred if the acquisition had been consummated at the beginning of the periods presented, or of future operations of the combined companies. CIBC has an October 31st year-end, and therefore, the 2002 financial information for the acquired divisions relates to the three and nine months ended July 31, 2002. Expenses included in the pro forma presentation for the three and nine months ended September 30, 2002 include certain corporate expense allocations, reflecting the manner in which this division was managed within CIBC. In the period ended July 31, 2003, the Company incurred certain transition costs relating to continued management and clerical support and clearing services provided by World Markets. The Company realized cost savings after the conversion of the client accounts of the acquired division to the Company's clearing platform. The conversion took place on May 27, 2003.

Expressed in thousands of dollars, except per share amounts	Three months ended September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
Revenue	\$176,404	\$181,204	\$546,935	\$561,832
Profit (loss) before tax from operations	\$ 11,298	\$(24,295)	\$ 44,434	\$(43,564)
Net profit (loss)	\$ 6,616	\$(14,091)	\$ 25,772	\$(25,267)
Basic earnings (loss) per share	\$ 0.52	\$ (1.13)	\$ 2.03	\$ (2.01)
Diluted earnings (loss) per share ...	\$ 0.36	\$ (0.69)	\$ 1.40	\$ (1.18)

Management's Discussion and Analysis of Financial Condition and Results of Operations

The Company's financial statements have been prepared in accordance with Canadian generally accepted accounting principles and conform in all material respects with United States generally accepted accounting principles, except as discussed in note 2 of the attached condensed consolidated financial statements. Reference is also made to the Company's consolidated financial statements and notes thereto found in its Annual Report to the shareholders for fiscal 2002.

The Company engages in a broad range of activities in the securities industry, including retail securities brokerage, institutional sales and trading, investment banking (both corporate and public finance), research, market-making, and investment advisory and asset management services. The Company provides its services from 100 offices in 22 states located throughout the United States. The Company conducts business in South America through local broker-dealers. Client assets entrusted to the Company as at September 30, 2003 totalled approximately \$45.8 billion. The Company provides investment advisory services through Oppenheimer Asset Management Inc. and Fahnstock Asset Management, operating as a division of Oppenheimer. The Company provides trust services and products through Oppenheimer Trust Company. At September 30, 2003 client assets under management by the asset management groups totalled \$9.3 billion. At September 30, 2003, the Company employed approximately 3,030 people, of whom 1,724 were financial consultants.

Critical Accounting Policies

The Company's accounting policies are essential to understanding and interpreting the financial results reported in the condensed consolidated financial statements. The significant accounting policies used in the preparation of the Company's condensed consolidated financial statements are summarized in note 1 to those statements. Certain of those policies are considered to be particularly important to the presentation of the Company's financial results because they require management to make difficult, complex or subjective judgments, often as a result of matters that are inherently uncertain. The following is a discussion of these policies.

Valuation of Financial Instruments

Substantially all financial instruments are reflected in the consolidated financial statements at fair value or amounts that approximate fair value. These include cash equivalents; deposits with clearing organizations; securities owned; and securities sold, but not yet purchased. Where available, the Company uses prices from independent sources, such as listed market prices, or broker or dealer price quotations. In addition, even where the value of a security is derived from an independent market price or broker or dealer quote, certain assumptions may be required to determine the fair value. For instance, the Company generally assumes that the size of positions in securities that the Company holds would not be large enough to affect the quoted price of the securities if the

Company were to sell them, and that any such sale would happen in an orderly manner. However, these assumptions may be incorrect and the actual value realized upon disposition could be different from the current carrying value.

Intangible Assets and Goodwill

Goodwill represents the excess cost of a business acquisition over the fair value of the net assets acquired. SFAS No. 142, "Goodwill and Other Intangible Assets," provides that goodwill is no longer amortized and the value of identifiable intangible assets must be amortized over their useful lives, unless the asset is determined to have an indefinite useful life. Goodwill relates to the acquisitions of Oppenheimer, First of Michigan Capital Corporation, Grand Charter Group Incorporated, Josephthal & Co. Inc. and the Oppenheimer division and has been allocated to the private client reporting unit pursuant to SFAS No. 142. The Company obtained an independent valuation of assets acquired and liabilities assumed with respect to the acquisition of the Oppenheimer division in 2003. This valuation involved significant estimates, which were based on historical data, revenue projections and industry experience. The Company has identified intangible assets relating to customer relationships, which it is amortizing over their useful lives, and trademarks and trade names, which are being evaluated for impairment on at least an annual basis. The excess cost of the Oppenheimer division is being allocated to goodwill.

The Company reviews its goodwill on at least an annual basis in order to determine whether its value is impaired. Goodwill is impaired when the carrying amount of the reporting unit exceeds the implied fair value of the reporting unit. In estimating the fair value of the reporting unit, the Company uses valuation techniques based on multiples of revenues, earnings, book value and discounted cash flows similar to models employed in analyzing the purchase price of an acquisition target. If the value of the goodwill is impaired, the difference between the value of the goodwill reflected on the financial statements and its current fair value is recognized as an expense in the period in which the impairment occurs.

Reserves

The Company records reserves related to legal proceedings in "other payables and accrued expenses". The determination of the amounts of these reserves requires significant judgment on the part of management. Management considers many factors including, but not limited to: the amount of the claim; the amount of the loss, if any, in the client's account; the basis and validity of the claim; the possibility of wrong doing on the part of an employee of the Company; previous results in similar cases; and legal precedents and case law as well as the timing of the resolution of such matters. Each legal proceeding is reviewed with counsel in each accounting period and the reserve is adjusted as deemed appropriate by management. Any change in the reserve amount is recorded as a charge to results in that period. The assumptions of management in determining the estimates of reserves may be incorrect and the actual disposition of a legal proceeding could be greater or less than the reserve amount.

The Company also records reserves or allowances for doubtful accounts related to receivables from clients and financial

consultants. Client loans are collateralized by securities; however, if there is a decline in the value of the collateral and the Company cannot obtain additional collateral or collect on the loan, a reserve is established. The Company also makes loans or pays advances to financial consultants. Reserves are established on these receivables if the financial consultant is no longer associated with the Company and the receivable has not been promptly repaid or if it is determined that it is probable the amount will not be collected.

The Company also estimates taxes payable and records income tax reserves. These reserves are based on historical experience and may not reflect the ultimate liability. The Company monitors and adjusts these reserves as necessary.

Business Environment

The securities industry is directly affected by general economic and market conditions, including fluctuations in volume and price levels of securities and changes in interest rates, all of which have an impact on commissions and firm trading and investment income as well as on liquidity. Substantial fluctuations can occur in revenues and net income due to these and other factors.

Results of Operations

Net profit for the third quarter of 2003 was \$6,616,000 or \$0.52 per share, an increase of approximately 281% in net profit when compared to net profit of \$1,735,000 or \$0.14 per share in the third quarter of 2002. Revenue for the third quarter of 2003 was \$176,404,000, an increase of over 157% compared to revenue of \$68,522,000 in the third quarter of 2002. At September 30, 2003, shareholders' equity was approximately \$273,618,000 and book value per share was \$21.24 compared to shareholders' equity of \$244,683,000 and book value per share of \$19.62 at September 30, 2002.

Net profit for the nine months ended September 30, 2003 was \$22,022,000 or \$1.74 per share compared to \$4,250,000 or \$0.34 per share in the comparable period of 2002, an increase of 418% in net profit. Revenue for the nine months ended September 30, 2003 was \$501,652,000 compared to \$207,183,000 for the same period in 2002, an increase of 142%.

The results of the three and nine months ended September 30, 2003, compared to the same periods of 2002, reflect the changed face of the Company after the acquisition by the Company on January 3, 2003 of the U.S. private client business of CIBC World Markets and the subsequent acquisition of the U.S. asset management business of CIBC World Markets (together, the Oppenheimer divisions). This acquisition more than doubled the Company's private client presence, adding approximately 620 financial consultants in 18 offices, at closing. The aggregate purchase price was approximately U.S. \$243 million. The Company began self-clearing substantially all of the private client business at the end of May 2003. Until that time, CIBC provided operational and administrative services to the Company on a transition basis. That arrangement precluded the attainment of certain operating efficiencies and cost savings that became available to the Company post-conversion of the client accounts to the Company's clearing platform.

The Company closed on its purchase of Oppenheimer Asset Management Inc. on June 4, 2003. Oppenheimer Asset Management Inc. currently manages client assets totaling over U.S. \$8.5 billion. The business includes internally managed funds, alternative investments (including hedge funds) and third party managed high net worth accounts.

Oppenheimer's results were significantly impacted by the recent integration of its acquisition of the Oppenheimer private client division and the closing of the purchase of Oppenheimer Asset Management Inc. In 2003, expenses were impacted by payments to CIBC through May 2003 for various transition services which the Company utilized during the period. The costs of integration and retention also significantly impacted the 2003 results. On May 27, 2003, Oppenheimer assumed clearing and execution of the business of the Oppenheimer divisions. There were client service issues and internal operational difficulties encountered as a result of the largest conversion of client accounts in the Company's history, which were largely rectified by the end of the second quarter. The Company continues to monitor its systems requirements and remains committed to make improvements in service and technology.

The assumption of the clearing functions substantially changed the Company's balance sheet through increased client receivables and payables, related broker-dealer stock loans and borrows and bank loans, as well as some increase in inventories carried by the Company to accommodate the increased size of the business. The Company continues to believe that this recent acquisition will transform the Company and the Company remains confident that operating margins will improve over coming quarters as overlapping services are eliminated, and integration is completed.

The U.S economy has continued to pick up momentum, with investors showing increasing optimism about higher corporate earnings related to improving economic growth. This growth, in response to favorable interest rates, tax cuts, and a lower dollar (in relation to other currencies) has resulted in an improved stock market. The S&P 500 Index has increased 4.96% in the third quarter of 2003 and 18.81% year to date.

Commission income and, to a large extent, income from principal transactions depend on investor participation in the markets. Commission revenue increased by 161% and 129% in the three and nine months ended September 30, 2003, respectively, compared to the comparable periods of 2002 primarily as a result of the acquisition of the Oppenheimer divisions. In addition, in the latter part of the second quarter of 2003, market volumes picked up. Net revenue from principal transactions increased by 167% and 162% in the three and nine months ended September 30, 2003, respectively, compared to the comparable periods of 2002 due to business generated by the Oppenheimer divisions, improved markets for trading securities, higher trading profits from fixed income securities as a result of lower interest rates and higher bond prices in the three and nine months ended September 30, 2003 compared to the same periods in 2002. Investment banking revenues increased by 98% and 136% in the three and nine months ended September 30, 2003, respectively, compared with the comparable periods of 2002, related to increased participation in the issuance of closed-end funds and debt securities

including the impact of the Oppenheimer divisions acquisitions. Advisory fees increased by 322% and 183% in the three and nine months ended September 30, 2003, respectively, compared to the comparable periods of 2002, primarily as a result of the acquisition of the Oppenheimer private client division on January 3, 2003 and Oppenheimer Asset Management Inc. on June 4, 2003.

Net interest revenue (interest revenue less interest expense) increased by 40% in both the three and nine months ended September 30, 2003, respectively, compared to the comparable periods of 2002 primarily as a result of interest earned on the Oppenheimer private client division client balances carried by CIBC World Markets through May 27, 2003 and by the Company post-conversion, despite lower interest rates in the comparable periods.

Expenses increased by 151% and 132% in the three and nine months ended September 30, 2003, respectively, compared to the comparable periods of 2002. The increase in expenses can be attributed to the acquisition of the Oppenheimer private client division on January 3, 2003. Compensation expense increased by 181% and 151% in the three and nine months ended September 30, 2003, respectively, compared to the comparable periods of 2002. Compensation expense has volume-related components and, therefore, increased with the increased level of commission business conducted in the three and nine months ended September 30, 2003 compared to the comparable periods of 2002. In addition, the fixed component of compensation expense increased with the increase in staff in newly acquired offices to handle the business of the larger entity. The amortization of forgivable loans to brokers is included in compensation expense and contributed to the increase in compensation expense in the three and nine months ended September 30, 2003 periods compared to the comparable periods in 2002. The cost of clearing and exchange fees increased 45% and 142% in the three and nine months ended September 30, 2003, respectively, compared to the comparable periods of 2002 due to the costs associated with the clearing of Oppenheimer private client division client accounts by CIBC World Markets during the transition period through May 27, 2003. The cost of communications and technology increased 58% and 62% in the three and nine months ended September 30, 2003, respectively, compared to comparable periods of 2002 due to the costs associated with connecting approximately 56% more financial consultants and 18 more branch offices in 2003 compared to 2002. Occupancy costs increased by 131% and 96% in three and nine months ended September 30, 2003, respectively, compared to the comparable periods of 2002 due to the additional costs of 18 branch locations in 2003 compared to 2002. Occupancy costs have been aggressively addressed and previously underutilized space has been refitted and occupied. Other expenses continue to be affected by litigation settlement costs. The Company may face additional unfavorable judgments in future quarters. The Company has used its best estimate to provide adequate reserves to cover litigation losses.

Liquidity and Capital Resources

Total assets at September 30, 2003 increased by approximately 75% from December 31, 2002 due primarily to the acquisition of the Oppenheimer divisions and the conversion of the Oppenheimer private client division client accounts to the Oppenheimer clearing platform on May 27, 2003. Liquid assets accounted for 89% of total assets, compared to 98% at year-end. The Oppenheimer divisions acquisitions resulted in the addition of fixed assets, intangibles and goodwill, all considered long-term in nature. Current assets at September 30, 2003 increased by 59% compared to the previous year-end because of increases in all aspects of the Company's business with the self-clearing of the Oppenheimer divisions business. The new business impacted broker and customer receivables, stock borrow/stock loan balances, deposits with clearing organizations, restricted cash and notes receivable. The Company satisfies its need for funds from its own cash resources, internally generated funds, collateralized and uncollateralized borrowings, consisting primarily of bank loans, and uncommitted lines of credit. The amount of Oppenheimer's bank borrowings fluctuates in response to changes in the level of the Company's securities inventories and customer margin debt, changes in stock loan balances and changes in notes receivable from employees. Oppenheimer has arrangements with banks for borrowings on an unsecured and on a fully collateralized basis. At September 30, 2003, \$213,854,000 of such borrowings were outstanding, an increase of over 1000% compared to outstanding borrowings at December 31, 2002. At September 30, 2003, the Company had available collateralized and uncollateralized letters of credit of \$130,400,000.

In connection with the acquisition of the Oppenheimer division, the Company issued debentures in the amount of approximately \$161 million and a zero coupon promissory note in the amount of approximately \$66 million. The notes to the financial statements contain a description of these instruments. The interest due on the debentures is payable semi-annually and is being financed from internally-generated funds. The principal payments on the zero coupon promissory note is also being financed from internally-generated funds. The Company believes that the necessary internally-generated funds will be available to service these obligations from funds generated by normal operations, including funds generated by the acquired business.

In connection with the acquisition of the Oppenheimer division, the Company has arranged a credit facility in the amount of \$50 million with CIBC. In January 2003, the Company borrowed \$25 million under this facility and borrowed the balance in July 2003. The borrowings are being used to finance broker notes and are repayable, together with interest at the CIBC U.S. base rate plus 2%, over five years or earlier if any broker notes become due earlier. The interest and principal repayments are being made out of internally-generated funds and the Company believes that the cash flow from funds generated by normal operations, including funds

generated by the acquired business, will be adequate to enable the Company to meet its obligations.

Management believes that funds from operations, combined with the Company's capital base and available credit facilities, are sufficient for the Company's liquidity needs in the foreseeable future.

The Company has not made any purchases in the third quarter of 2003 pursuant to a Normal Course Issuer Bid (which commenced on July 10, 2003 and terminates on July 9, 2004).

On August 22, 2003, the Company paid cash dividends of U.S.\$0.09 per Class A Share and Class B Share totaling \$1,155,000 from available cash on hand.

On October 23, 2003, the Board of Directors declared a regular quarterly cash dividend of U.S. \$0.09 per Class A and Class B Share payable on November 21, 2003 to shareholders of record on November 7, 2003.

The book value of the Company's Class A and Class B Shares was \$21.24 at September 30, 2003 compared to \$19.62 at September 30, 2002, an increase of approximately 8%, based on total outstanding shares of 12,880,020 and 12,469,497, respectively.

Contractual and Contingent Obligations

The Company has contractual obligations to make future payments in connection with non-cancelable lease obligations, certain retirement plans and debt assumed upon the acquisition of Josephthal. Additional disclosure relating to the Company's commitments appears in note 7 to the consolidated financial statements.

The following table sets forth these contractual and contingent commitments as at September 30, 2003.

Contractual Obligations (In millions of dollars)

	2003	2004	2005	2006	2007	Thereafter	Total
Minimum rentals.....	\$ 6	\$23	\$21	\$19	\$17	\$66	\$152
Supplemental Executive Retirement Plan	—	—	—	—	—	1	1
Assumed Josephthal notes	1	4	—	—	—	—	5
Total	<u>\$ 7</u>	<u>\$27</u>	<u>\$21</u>	<u>\$19</u>	<u>\$17</u>	<u>\$67</u>	<u>\$158</u>

Risk Management

The Company's principal business activities by their nature involve significant market, credit and other risks. The Company's effectiveness in managing these risks is critical to its success and stability.

As part of its normal business operations, the Company engages in the trading of both fixed income and equity securities in both a proprietary and market-making capacity. The Company makes markets in over-the-counter equities in order to facilitate order flow and accommodate its institutional and retail customers. The Company also makes markets in municipal bonds, mortgage-backed securities, government bonds and high yield bonds.

Market Risk

Market risk generally means the risk of loss that may result from the potential change in the value of a financial instrument as a result of fluctuations in interest and currency exchange rates and in equity and commodity prices. Market risk is inherent in all types of financial instruments, including both derivatives and non-derivatives. The Company's exposure to market risk arises from its role as a financial intermediary for its customers' transactions and from its proprietary trading and arbitrage activities.

Operational Risk

Operational risk generally means the risk of loss resulting from improper processing of transactions or deficiencies in the Company's operating systems or internal controls. With respect to its trading activities, the Company has procedures designed to ensure that all transactions are accurately recorded and properly reflected on the Company's books on a timely basis. With respect to client activities, the Company operates a system of internal controls designed to ensure that transactions and other account activity (new account solicitation, transaction authorization, transaction processing, billing and collection) are properly approved, processed, recorded and reconciled. The Company has procedures designed to assess and monitor counterparty risk. For a discussion of funding risk, see "Liquidity and Capital Resources", above.

Credit Risk

Credit risk arises from non-performance by trading counterparties, customers and issuers of debt securities held in the Company's inventory. The Company manages this risk by imposing and monitoring position limits, regularly reviewing trading counterparties, monitoring and limiting securities concentrations, marking positions to market on a daily basis to evaluate and establish the adequacy of collateral, and, with respect to trading counterparties, conducting business through clearing corporations which guarantee performance.

Legal and Regulatory Risk

Legal and regulatory risk includes the risk of non-compliance with applicable legal and regulatory requirements. The Company is subject to extensive regulation in the different jurisdictions in which it conducts its activities. The Company has comprehensive procedures for addressing issues such as regulatory capital requirements, sales and trading practices, use of and safekeeping of customer funds and securities, granting of credit, collection activities, money laundering, and record keeping.

The Company has a discussion of legal proceedings in Part II of its Form 10-Q for the quarterly period ended September 30, 2003.

Value-at-Risk

The Company's report on Form 10-Q for the quarterly period ended September 30, 2003 contains further discussion about risk, including the Value-at-Risk calculation.

Newly Issued Accounting Standards

The Financial Accounting Standards Board issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others", FIN No. 46, "Consolidation of Variable Interest Entities", SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities", and SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". The Company has reviewed these statements and interpretations and does not expect their adoption to have a material impact on its financial results. The Company has reviewed SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure" and has adopted the disclosure provisions, but does not intend to adopt the other provisions of this standard in fiscal 2003.

Factors Affecting "Forward-Looking Statements"

This report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements relate to anticipated financial performance, future revenues or earnings, the results of litigation, business prospects and anticipated market performance of the Company. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, the Company cautions readers that a variety of factors could cause the Company's actual results to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements. These risks and uncertainties, many of which are beyond the Company's control, include, but are not limited to: (i) transaction volume in the securities markets, (ii) the volatility of the securities markets, (iii) fluctuations in interest rates, (iv) changes in regulatory requirements which could affect the cost and manner of doing business, (v) fluctuations in currency rates, (vi) general economic conditions, both domestic and international, (vii) changes in the rate of inflation and the related impact on the securities markets, (viii) competition from existing financial institutions and other new participants in the securities markets, (ix) legal or economic developments affecting the litigation experience of the securities industry or the Company, (x) changes in federal and state tax laws which could affect the popularity of products and services sold by the Company, (xi) the effectiveness of efforts to reduce costs and eliminate overlap, (xii) war and nuclear confrontation and (xiii) corporate governance issues. There can be no assurance that the Company has correctly or completely identified and assessed all of the factors affecting the Company's business. The Company does not undertake any obligation to publicly update or revise any forward-looking statements.

Additional Information

CHANGE OF NAME

On September 2, 2003, the name of Fahnestock Viner Holdings Inc. was changed to Oppenheimer Holdings Inc.

On September 2, 2003, the name of the Company's principle operating subsidiary, Fahnestock & Co. Inc. was changed to Oppenheimer & Co. Inc.

CHANGE OF TRADING SYMBOL

Also effective on September 2, 2003, the trading symbol for the Company's Class A non-voting shares on both the New York and Toronto Stock Exchanges was changed to OPY.

CHANGE OF TRANSFER AGENT AND REGISTRAR

Effective September 1, 2003, CIBC Mellon Trust Company of Toronto and Mellon Investor Services, LLC of New York replaced Computershare Investor Services Inc. as Transfer Agent and Registrar for the Company's shares.

OFFICES

Oppenheimer Holdings Inc.
P.O. Box 2015, Suite 1110
20 Eglinton Avenue West
Toronto Canada M4R 1K8
Tel: (416) 322-1515
Fax: (416) 322-7007

Oppenheimer & Co. Inc.
125 Broad Street
New York, NY 10004
U.S.A.
Tel: (212) 668-8000
Fax: (212) 943-8728

WEBSITE

The Company's public financial filings and press releases are posted on its website — www.opco.com

STOCK LISTING

The Class A non-voting shares of Oppenheimer Holdings Inc. are listed on the New York and Toronto Stock Exchanges under the symbol OPY.

FORM 10-Q

A copy of the Company's Quarterly Report filed on Form 10-Q with the SEC is available upon request from either of the offices listed above or by email to the Investor Relations Contact — investorrelations@opy.ca.