

*Statement of Financial Condition
as of October 31, 2025*

NATIONAL BANK OF CANADA FINANCIAL INC.

(SEC I.D. No. 8-39947)

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Securities Exchange Act of 1934 as a public document

NATIONAL BANK OF CANADA FINANCIAL INC.

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Crowe LLP
Independent Member Crowe Global

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholder of
National Bank of Canada Financial Inc.
New York, New York

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of National Bank of Canada Financial Inc. (the "Company") as of October 31, 2025, and the related notes (collectively referred to as the "financial statement"). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of October 31, 2025, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audit of the financial statement provides a reasonable basis for our opinion.

Crowe LLP

Crowe LLP

We have served as Company's auditor since 2023.

New York, New York
December 19, 2025

NATIONAL BANK OF CANADA FINANCIAL INC.

Statement of Financial Condition

As of October 31, 2025

(In Thousands of U.S. Dollars)

Assets	\$
Cash	9,740
Securities borrowed	1,828,062
Securities received as collateral	1,309,471
Securities owned and derivatives, at fair value (Note 5)	1,376,420
Securities segregated under federal and other regulations	30,269
Deposits with clearing organizations	59,444
Receivable from broker-dealers and clearing organizations	22,321
Receivable from customers	64,651
Receivable from related parties	898
Income taxes receivable	1,252
Deferred income taxes	6,937
Operating lease right-of-use assets	3,866
Other assets	15,684
	4,729,015
<hr/>	
Liabilities	
Bank loan payable	804,731
Securities loaned	1,182,876
Obligation to return securities received as collateral	1,309,471
Securities sold, not yet purchased and derivatives, at fair value	271,801
Securities sold under repurchase agreements	350,000
Compensation related liability	32,688
Payable to broker-dealers and clearing organizations	75,614
Payable to customers	3,935
Payable to related parties	1,564
Lease liability	4,440
Accrued expenses and other liabilities	10,080
	4,047,200
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Stockholder's Equity	
Common stock, par value of one cent per share:	
3,000 shares authorized	-
1,000 shares issued and outstanding	-
Additional paid-in capital	456,537
Retained earnings	225,278
	681,815
	4,729,015

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

NATIONAL BANK OF CANADA FINANCIAL INC.

Notes to Financial Statements

October 31, 2025

(In Thousands of U.S. Dollars)

1. Description of the Business

National Bank of Canada Financial Inc. (the “Company”) is a Delaware corporation, a registered broker-dealer under the *Securities Exchange Act of 1934* (“SEA”) as well as a member of the Financial Industry Regulatory Authority (“FINRA”) and a member of the Securities Investor Protection Corporation. The Company is also a member of the Depository Trust Company, the National Securities Clearing Corporation and the Options Clearing Corporation and is registered with the Municipal Securities Rulemaking Board.

The parent company of the Company is National Bank of Canada Financial Group Inc. (“Parent Company” or “Parent”) and the Company is ultimately wholly-owned by National Bank of Canada (“NBC”).

2. Significant Accounting Policies

Basis of Presentation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements. These estimates and the underlying assumptions affect the amounts of assets, liabilities and reported disclosures about contingent assets and liabilities. Such estimates, including the fair value of financial instruments and valuation of deferred tax assets, are, by their nature, based on judgment and available information and, therefore, may vary from actual results. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. The Company adjusts such estimates and assumptions when facts and circumstances dictate. Actual results could differ from those estimates.

Securities segregated under federal regulations

The company is required to segregate cash or qualified securities for the benefit of customers pursuant to the reserve formula requirements of Securities and Exchange Commission (“SEC”) Rule 15c3-3. On October 31, 2025, qualified securities segregated for regulatory purposes consisted of United States Treasuries of \$30,269, which represents fair value. These qualified securities are included in Securities segregated under federal and other regulations the Statement of Financial Condition.

Securities owned and derivatives, at fair value

Financial instruments transactions are recorded on a trade date basis. Securities owned and securities sold, not yet purchased as well as derivatives are recorded at fair value in accordance with the Financial Accounting Standard Board (“FASB”)’s *Accounting Standard Codification* (“ASC”) 820, “Fair Value Measurement”.

NATIONAL BANK OF CANADA FINANCIAL INC.

Notes to Financial Statements

October 31, 2025

(In Thousands of U.S. Dollars)

2. Significant Accounting Policies (continued)

Derivative Financial Instruments

The Company enters into various transactions involving derivative financial instruments, including swap, option and futures contracts. These financial instruments are used to manage market risks. If quoted market prices are not available, then fair values are estimated on the basis of pricing models, quoted prices of instruments with similar characteristics or discounted cash flows.

Receivables from and Payables to Customers, Brokers, Dealers and Clearing Organizations

Receivables from customers, brokers, dealers and clearing organizations consist primarily of securities not delivered by the Company to a purchaser by the settlement date (fails to deliver), and receivables from clearing brokers. Payables to customers, brokers, dealers, and clearing organizations primarily include amounts payable for securities not received by the Company from a seller by the settlement date (fails to receive). Brokers and dealers receivables and payables also include net receivables or net payables arising from unsettled trades, including the net mark to market gains or losses due from or due to others resulting from transactions in when issued. Due to their short-term nature, the amounts recognized for customers, brokers and dealers receivables and payables approximate fair value. See Note 6 and 7 for additional information on receivables from and payables to customers, brokers, dealers and clearing organizations.

Securities borrowed and loaned

Securities borrowed and securities loaned are collateralized financing arrangements that are recorded at the amount of cash or securities collateral advanced plus accrued interest. Securities borrowed transactions require the Company to deposit cash or other collateral with the lender of the securities. Securities loaned transactions require the counterparties to deposit cash or other collateral with the Company as lender of the securities. The Company also enters into securities borrowed transactions where the collateral plus accrued interest delivered or received, is other securities (security-for-security transactions). The Company's accounting policy is to record a balance sheet gross-up entry for security-for-security finance transactions, when the Company is legally the "lender", included within securities received as collateral and obligation to return securities on the Statement of Financial Condition. The Company monitors the market value of securities borrowed and loaned on a daily basis, with additional collateral obtained or refunded as necessary. Counterparties are principally other brokers and dealers and financial institutions. The Company applies the practical expedient based on collateral maintenance provisions in estimating the allowance for credit losses for collateralized financing agreements. The allowance for credit losses was not material for the period presented. See Note 2 - allowances for credit losses for additional information on accounting for credit losses.

NATIONAL BANK OF CANADA FINANCIAL INC.

Notes to Financial Statements

October 31, 2025

(In Thousands of U.S. Dollars)

2. Significant Accounting Policies (continued)

Securities sold under repurchase agreements

Securities sold under agreements to repurchase (“repurchase agreements”) are accounted for as collateralized financing transactions in accordance with ASC 860, *Transfers and Servicing*. Under these arrangements, the Company receives cash and pledges securities as collateral, with an agreement to repurchase the same or substantially the same securities at a specified price on a specified date. Because the Company maintains effective control over the pledged securities, the transactions are recorded as repurchase agreements rather than sales, and the pledged securities remain recorded as assets on the Company’s Statement of Financial Condition.

At October 31, 2025, the Company had \$350,000 outstanding under repurchase agreements, which is reflected in “Securities sold under repurchase agreements” on the Statement of Financial Condition.

Lease Accounting

The Company conducts its operations from leased office facilities. In accordance with ASC 842, the Company recognizes a right-of-use (ROU) asset and a corresponding lease liability on its statement of financial condition for its lease arrangements. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of remaining minimum lease payments, discounted using the Company’s incremental borrowing rate. See Note 10 for further information regarding the Company’s leases accounted for under ASC 842.

NATIONAL BANK OF CANADA FINANCIAL INC.

Notes to Financial Statements

October 31, 2025

(In Thousands of U.S. Dollars)

2. Significant Accounting Policies (continued)

Income Taxes

The Company is included in the consolidated federal income tax return filed by the Parent. Federal income taxes are calculated as if the companies filed on a separate return basis, and the amount of current tax or benefit calculated is either remitted to or received from the Parent.

The amount of current and deferred taxes payable or refundable is recognized as of the date of the financial statements, utilizing currently enacted tax laws and rates. Deferred tax expenses or benefits are recognized in the financial statements for the changes in deferred tax liabilities or assets between years.

The Company recognizes and measures its unrecognized tax benefits in accordance with FASB ASC 740, *Income Taxes*. Under that guidance the Company assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the period-end exchange rates.

Share-Based Payments

NBCFI participates in the Parent's Restricted Stock Unit (RSU) Plan.

The obligation arising from the issuance of RSU awards is recognized as a liability and recorded within Other liabilities on the Statement of Financial Condition. Upon redemption, the Parent settles the award in cash equal to the value of the common shares on the redemption date. Accordingly, the Company classifies these awards as liability-classified awards.

Segment Reporting

Operating segments are defined as components of an entity engaged in business activities generating revenue and incurring expenses, for which discrete financial information is available and reviewed by the Chief Operating Decision Maker ("CODM") to allocate resources and assess performance. The Company operates and reports in one reporting segment. Our CODM, Chief Executive Officer (CEO) of the Company, utilizes net income to allocate resources, budget and drive the performance of the business with companywide goals and objectives

NATIONAL BANK OF CANADA FINANCIAL INC.

Notes to Financial Statements

October 31, 2025

(In Thousands of U.S. Dollars)

3. Fair Value and Financial Instruments

Fair Value Measurement

FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the use of observable inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB ASC 820, are used to measure fair value.

The fair value hierarchy prioritizes the use of observable inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company have the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability and are significant to the overall fair value measurement.

NATIONAL BANK OF CANADA FINANCIAL INC.

Notes to Financial Statements

October 31, 2025

(In Thousands of U.S. Dollars)

3. Fair Value and Financial Instruments (continued)

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

A description of the valuation techniques applied to the Company's major categories of assets and liabilities measured at fair value on a recurring basis follows.

(a) Exchange-Traded Equity Securities, Exchange-Traded Funds and Exchange-Traded Real Estate Investment Trusts

Exchange-traded equity securities, exchange-traded funds and exchange-traded real estate investment trusts are valued using quoted market prices. Accordingly, all of these exchange-traded securities are categorized in Level 1 of the fair value hierarchy.

(b) Listed Derivative Contracts

Listed derivatives contracts entered into by the Company are actively traded, are valued based on quoted market prices and are categorized in Level 1 of the fair value hierarchy.

(c) Over-the-Counter ("OTC") Interest Rate Swap Contracts

OTC interest rate swap contracts are valued based on the income approach. This approach is based on a discounted cash flow analysis whereby the value of the security is equal to the net present value of its future cash inflows or outflows. These swap contracts are categorized in Level 2 of the fair value hierarchy.

(d) OTC Total Return Equity Swap Contracts

OTC total return equity swap contracts are valued using the accrual pricing methodology which prices each leg of the swap based on its accrued value. The value of the interest leg is simply the accrued interest, and the value of the equity leg is the difference between the last price of the underlying equity security and its fixing price, times the nominal amount of the shares, plus dividends paid. These swap contracts are categorized in Level 2 of the fair value hierarchy.

NATIONAL BANK OF CANADA FINANCIAL INC.

Notes to Financial Statements

October 31, 2025

(In Thousands of U.S. Dollars)

3. Fair Value and Financial Instruments (continued)

Fair Value Measurement (continued)

The following table presents the Company's fair value hierarchy for those financial assets and financial liabilities measured at fair value on a recurring basis:

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets				
Securities owned and derivatives				
U.S. Treasury securities	30,269	-	-	30,269
Exchange-traded equity securities	1,196,559	-	-	1,196,559
Exchange-traded funds	372	-	-	372
Exchange-traded options contracts	179,378	-	-	179,378
Total return equity swap contracts	-	111	-	111
	1,406,578	111	-	1,406,689
Securities received as collateral	1,309,471	-	-	1,309,471
	2,716,049	111	-	2,716,160
Financial liabilities				
Securities sold, not yet purchased and derivatives				
Exchange-traded options contracts	271,797	-	-	271,797
Interest rate swap contracts	-	4	-	4
	271,797	4	-	271,801
Obligation to return				
securities received as collateral	1,309,471	-	-	1,309,471
	1,581,268	4	-	1,581,272

There were no transfers between all levels of the fair value hierarchy during the year.

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Notes to Financial Statements

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(In Thousands of U.S. Dollars)

3. Fair Value and Financial Instruments (continued)

Financial Instruments Not Measured at Fair Value

The table below presents the carrying value, fair value and fair value hierarchy category of certain financial instruments that are not measured at fair value in the Company's statement of financial condition.

The carrying value of financial instruments not measured at fair value categorized in the fair value hierarchy as Level 1 or Level 2 (e.g., cash and securities borrowed) approximates fair value because of the relatively short period of time between their origination and expected maturity.

	Carrying Value	Fair Value	Fair Value Measurements Using		
			Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$
Financial assets					
Cash	9,740	9,740	9,740	-	-
Securities borrowed	1,828,062	1,828,062	1,724,272	103,790	-
Deposits with clearing organizations	59,444	59,444	59,444	-	-
Receivable from broker-dealers and clearing organizations	22,321	22,321	-	22,321	-
Receivable from customers	64,651	64,651	-	64,651	-
Receivable from related parties	898	898	-	898	-
Other assets	14,161	14,161	-	14,161	-
	1,999,277	1,999,277	1,793,456	205,821	-
Financial liabilities					
Bank loan payable	804,731	804,731	-	804,731	-
Securities loaned	1,182,876	1,182,876	1,079,185	103,691	-
Securities sold under repurchase agreement	350,000	350,000	350,000	-	-
Payable to broker-dealers and clearing organizations	75,614	75,614	-	75,614	-
Payable to customers	3,935	3,935	-	3,935	-
Payable to related parties	1,564	1,564	-	1,564	-
Accrued expenses and other liabilities	3,821	3,821	-	3,821	-
	2,422,541	2,422,541	1,429,185	993,356	-

NATIONAL BANK OF CANADA FINANCIAL INC.

Notes to Financial Statements

October 31, 2025

(In Thousands of U.S. Dollars)

3. Fair Value and Financial Instruments (continued)

Risk Management

(a) Position Risk and Interest Rate Risk

The position risk of the Company corresponds to the risk that fluctuation in the prices of securities and in interest rates result in losses. The risk related to the fluctuation in the prices of securities represents the loss the Company might incur due to changes in the fair value of a given instrument. Interest rate risk corresponds to the possible effect of fluctuations in interest rates on the Company's income and the return on stockholder's equity. The Company protects itself against these risks through hedging techniques and market exposure limits.

(b) Credit Risk and Credit Risk Concentration

Credit risk is the risk of financial loss as a result of default by a counterparty with respect to its obligations towards the Company. The Company attempts to limit credit risk by dealing with counterparties it deems creditworthy and by ensuring compliance with agreements. Credit risk concentration also arises when the Company grants loans to a single debtor or group of debtors with similar characteristics such that a change in economic or other circumstances could have the same impact on their ability to honor their obligations. The Company's greatest concentration of counterparty risk is with related parties. This concentration arises in the normal course of the Company's business and management does not believe it to be unusual.

NATIONAL BANK OF CANADA FINANCIAL INC.

Notes to Financial Statements

October 31, 2025

(In Thousands of U.S. Dollars)

3. Fair Value and Financial Instruments (continued)

Derivative Financial Instruments

Derivative financial instruments are financial contracts whose value is derived from an underlying interest rate, exchange rate, equity, commodity, credit instrument or index. Derivatives include swap, futures, forward or option contracts, or other financial instruments with similar characteristics.

Derivative financial instruments used for trading purposes, including economic hedges of trading instruments, are carried at fair value.

Derivative financial instruments used for purposes other than trading are carried at fair value. The Company has entered into total return equity swaps with NBC to economically hedge the risk of changes in future cash flows related to the restricted stock unit plan (see Note 14).

Notional amounts of derivative financial instruments are not presented in assets and liabilities in the statement of financial condition. They represent the set underlying principal of a derivative financial instrument and serve as a point of reference in applying an exchange rate, interest rate, stock market price or other variable in order to determine the amount of cash flows to be exchanged.

Notional amounts of derivative financial instruments by remaining maturity as of October 31, 2025, are as follows:

	One Year or Less	One to Five Years	Total Contracts
	\$	\$	\$
Equity derivatives			
OTC contracts			
Total return equity swap contracts	17,876	-	17,876
Exchange-traded contracts			
Long options contracts	3,083,419	-	3,083,419
Short options contracts	3,083,413	-	3,083,413
	6,184,708	-	6,184,708
Interest rate derivatives			
OTC contracts			
Interest rate swap contracts	736,100	-	736,100
	6,920,808	-	6,920,808

NATIONAL BANK OF CANADA FINANCIAL INC.

Notes to Financial Statements

October 31, 2025

(In Thousands of U.S. Dollars)

3. Fair Value and Financial Instruments (continued)

Derivative Financial Instruments (continued)

During the year ended October 31, 2025, the month-end notional amounts of derivative financial instrument contracts entered into by the Company have fluctuated in the range of \$2,809,000 to \$20,512,000.

Fair values of derivative financial instruments as of October 31, 2025, are as follows:

	Assets	Liabilities
	\$	\$
Equity derivatives		
OTC contracts		
Total return equity swap contracts	111	-
Exchange-traded contracts		
Options contracts	179,378	271,797
	179,489	271,797
Interest rate derivatives		
OTC contracts		
Interest rate swap contracts	76	80
	76	80
Total derivatives	179,565	271,877
Netting	(76)	(76)
	179,489	271,801

Derivative financial instruments present credit risk. This is the risk of financial loss that the Company will have to assume if the counterparty fails to honor its contractual obligations.

In case of exchange-traded contracts, exposure to credit risk is limited because these transactions are standardized contracts executed on established exchanges, each of which is associated with a well-capitalized clearing house that assumes the obligations of both counterparties and guarantees their performance obligations. All exchange-traded contracts are subject to initial margins and daily settlement.

Interest rate swap contracts entered into with NBC are subject to daily variation margin cash settlements.

NATIONAL BANK OF CANADA FINANCIAL INC.

Notes to Financial Statements

October 31, 2025

(In Thousands of U.S. Dollars)

4. Securities Financing

Securities borrowed and securities loaned transactions are presented on the statement of financial condition except where other securities are used as collateral. Securities borrowed transactions require the Company to deposit cash or securities with the lender. With respect to securities loaned, the Company receives collateral in the form of cash or securities in an amount generally in excess of the fair value of securities loaned.

The Company monitors the fair value of securities borrowed and loaned on a daily basis, with additional collateral obtained or refunded as necessary. Securities borrowed and securities loaned transactions are recorded at the amount of cash collateral advanced or received, adjusted for additional collateral obtained or received. Interest on such transactions when conducted with unrelated parties is accrued and is included on the statement of financial condition in other assets and in accrued expenses and other liabilities. Interest on such transactions when conducted with related parties is accrued and is included on the statement of financial condition in amounts receivable from and payable to related parties. For further information on securities borrowed and loaned transactions with related parties, see Note 8.

The following table presents as of October 31, 2025, the gross and net balances of securities borrowed and loaned.

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Financial Condition	Net Amounts of Assets Presented in the Statement of Financial Condition	Gross Amounts Not Offset in the Statement of Financial Condition		Net Amount
				Financial Instruments	Cash Collateral Received	
Securities borrowed	1,828,062	-	1,828,062	(1,817,556)	-	10,506

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Condition	Net Amounts of Liabilities Presented in the Statement of Financial Condition	Gross Amounts Not Offset in the Statement of Financial Condition		Net Amount
				Financial Instruments	Cash Collateral Pledged	
Securities loaned	1,182,876	-	1,182,876	(1,132,656)	-	50,220

NATIONAL BANK OF CANADA FINANCIAL INC.

Notes to Financial Statements

October 31, 2025

(In Thousands of U.S. Dollars)

4. Securities Financing (continued)

The following tables present as of October 31, 2025, security class information related to the gross asset for securities borrowed and the gross liability for securities loaned as well as the remaining maturity of the agreements.

	Securities Borrowed	Securities Loaned
	\$	\$
Exchange-traded equity securities, funds and real estate investment trusts	1,724,272	1,079,185
Corporate bonds	92,738	92,603
Canadian provincial bonds	502	503
Foreign government agency bonds	10,443	10,478
Other	107	107
	1,828,062	1,182,876

	Overnight and Open	Up to 30 Days	30-90 Days	Greater than 90 Days	Total
Securities borrowed	1,828,062	-	-	-	1,828,062
Securities loaned	1,182,876	-	-	-	1,182,876

5. Pledged Securities Owned and Collateral

The Company pledges certain of its securities owned to collateralize securities financings as well as to meet certain obligations under an agreement with a clearing organization. Pledged securities that can be sold or repledged by the secured party are identified in the statement of financial condition.

As of October 31, 2025, the carrying value of pledged securities owned that can be sold or repledged by the counterparty was as follows:

	\$
Securities owned pledged under securities financing transactions	422,578
Securities owned pledged to a clearing organization	318,007
Securities owned pledged under repurchase agreement	394,160
	1,134,745

Under its securities borrowed agreements, the Company is permitted to sell or repledge the securities received. As of October 31, 2025, the fair value of securities received under securities borrowed transactions amounted to \$1,817,556 of which the Company repledged \$1,013,643 under securities loaned transactions.

NATIONAL BANK OF CANADA FINANCIAL INC.

Notes to Financial Statements

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(In Thousands of U.S. Dollars)

5. Pledged Securities Owned and Collateral (continued)

The Company received collateral in connection with certain securities for securities transactions in which the Company is the lender. In instances where the Company is permitted to sell or repledge these securities, the Company reports the fair value of collateral received and the related obligation to return the collateral in the statement of financial condition. As of October 31, 2025, securities received as collateral of \$1,309,471 and an obligation to return securities received as collateral of \$1,309,471 were reported in the statement of financial condition. Collateral received in connection with these transactions that was subsequently repledged was \$1,309,471 (see Note 8) as of October 31, 2025.

6. Receivable from and Payable to Broker-Dealers and Clearing Organizations

The Company's institutional client security transactions are settled in cash against delivery or receipt of securities. A portion of these transactions are cleared by NBF, and the remainder are cleared by the Company.

Amounts receivable from and payable to broker-dealers and clearing organizations as of October 31, 2025, consist of the following:

	<u>Receivable</u>	<u>Payable</u>
	\$	\$
Securities failed-to-deliver/receive	14,899	75,614
Receivable from/payable to broker-dealers	5,453	-
Receivable from clearing organizations	1,969	-
	<u>22,321</u>	<u>75,614</u>

Securities failed-to-deliver represent the contract value of securities which have not been delivered by the Company on settlement date. Securities failed-to-receive represent the contract value of securities which have not been received by the Company on settlement date.

7. Receivable from and Payable to Customers

As of October 31, 2025, amounts receivable from and payable to customers consist of the following:

	<u>Receivable</u>	<u>Payable</u>
	\$	\$
Securities failed-to-deliver/receive	64,651	3,935

NATIONAL BANK OF CANADA FINANCIAL INC.

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(In Thousands of U.S. Dollars)

8. Related Party Transactions

The Company is involved in securities lending transactions with NBFi and has service agreements in place with NBFi, NBC, and NBC's U.S. branch. The service agreements describe certain services, expense sharing arrangements and other assistance the Company provides to its affiliates as well as describing services and functions provided by those affiliates to the Company.

The following table sets forth the Company's related party assets and liabilities as of October 31, 2025:

	Parent Company	NBFi	NBC	Total
	\$	\$	\$	\$
Assets				
Cash	-	-	9,736	9,736
Securities owned and derivatives				
Total return equity swap contracts	-	-	111	111
Securities borrowed	-	696,713	80,078	776,791
Receivable from related parties	-	779	119	898
Income taxes receivable	1,516	-	-	1,516
	1,516	697,492	90,044	789,052
Liabilities				
Bank loan payable	60,218	-	744,513	804,731
Securities sold, not yet purchased, and derivatives				
Interest rate swap contracts	-	-	4	4
Payable from broker-dealers and clearing organizations	-	57,974	-	57,974
Securities loaned	-	151,938	322	152,260
Payable to related parties	-	331	1,233	1,564
	60,218	210,243	746,072	1,016,533

As of October 31, 2025, securities received as collateral in the amounts of \$1,309,471 were repledged to NBFi under securities for securities financing transactions.

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(In Thousands of U.S. Dollars)

9. Income Taxes

The Company files its U.S. federal income tax return on a consolidated basis with its parent company and certain other subsidiaries of the parent company. Similarly, the Company is included in the combined state and local income tax returns filed by the parent company and certain other subsidiaries of the parent company. The Company's income tax provision is computed based on the U.S. federal statutory rate and the average state and local statutory rates, net of the related federal benefit.

The Company's effective tax rate differs from the U.S. federal statutory tax rate primarily as a result of current year permanent difference which is mainly transfer pricing adjustment recorded in current year but related to prior year, the prior year true-up mainly relates to the true-up of prior year transfer pricing adjustment, and state and local income taxes.

The composition of the net deferred tax assets as of October 31, 2025 is as follows:

Deferred tax assets :	\$
Premises & equipment	11
Lease obligation	1,047
Accrued compensation	6,535
Other provision	256
Foreign tax credit	7,246
Total deferred tax assets	<u>15,095</u>
Deferred tax liabilities	
Right of use asset	(912)
Total deferred tax liabilities	(912)
Valuation allowance	(7,246)
Deferred tax assets - net	<u>6,937</u>

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9. Income Taxes (Continued)

Deferred income tax assets are recognized for temporary differences that will result in deductible amounts in future periods. Deferred income tax liabilities are recognized for temporary differences that will result in taxable amounts in future periods. Recorded in the deferred tax balances are differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income.

As of October 31, 2025, the Company had deferred income tax assets totaling \$6,937, net of deferred income tax liabilities. The Company's deferred income tax assets included an asset, resulting from a foreign tax credit generated by its Canadian branch, of \$7,246 which will expire through 2035 if not utilized prior to that date. Management concluded that it is more likely than not that the entire amount of the foreign tax credit carry forward will not be realized in the future carry forward periods. As a result, the Company continues to maintain a valuation allowance against its deferred income tax asset related to the foreign tax credit. The change to the valuation allowance was an increase of \$20 during the year ended October 31, 2025.

As of October 31, 2025, the Company had no gross unrecognized tax benefits other than the foreign tax credit.

The Company remains subject to examination for its U.S. federal income tax returns for the years ended October 31, 2022 to 2024 and by New York State for income tax returns for the years ended October 31, 2022 to 2024.

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10. Operating Lease Right-of-Use Assets and Liabilities

The Company enters into operating leases for office facilities and equipment. FASB ASC 842, "Leases", requires the Company to recognize, for leases longer than one year, a right-of-use asset representing the right to use the underlying asset for the lease term, and a lease liability representing the liability to make payments. The lease term is generally determined based on the contractual maturity of the lease. For leases where the Company has the option to terminate or extend the lease, an assessment of the likelihood of exercising the option is incorporated into the determination of the lease term. Such assessment is initially performed at the inception of the lease and is updated if events occur that impact the original assessment.

An operating lease right-of-use asset is initially determined based on the operating lease liability, adjusted for initial direct costs, lease incentives and amounts paid at or prior to lease commencement. This amount is then amortized over the lease term.

The following table presents lease related amounts reflected in the statement of financial condition as of October 31, 2025:

	\$
<u>Other assets – Operating lease right-of-use assets</u>	<u>3,866</u>
<u>Accrued expenses and other liabilities – Operating lease liabilities</u>	<u>4,440</u>

The following table presents information about operating lease liabilities as of October 31, 2025:

<u>Year Ending on October 31st of:</u>	\$
2026	1,454
2027	1,454
2028	1,454
2029	242
<u>Total undiscounted lease payments</u>	<u>4,604</u>
<u>Imputed interest</u>	<u>(164)</u>
<u>Total operating lease liabilities</u>	<u>4,440</u>
Weighted average remaining lease term	3.2 years
<u>Weighted average discount rate</u>	<u>2.39%</u>

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11. Contingencies

The Company believes, based on current knowledge and after consultation with counsel, that it is not currently party to any material pending legal proceedings, individually or in aggregate, the resolution of which would have a material effect on the Company. Provisions for losses are established in accordance with FASB ASC 450 "Accounting for Contingencies", when warranted. Once established, such provisions are adjusted when there is more information available or when an event occurs requiring a change.

In the normal course of business, the Company is or may be subject to regulatory proceedings, including examinations, arising in connection with the conduct of its operations. These matters could result in censures, fines, or other sanctions. The Company is currently subject to regulatory proceedings. The Company, after consultation with legal counsel, would vigorously defend itself in the event of any action stemming from such proceedings. Given the inherent difficulty of predicting the outcome of regulatory proceedings, particularly in cases or proceedings in which substantial or indeterminate damages or fines may be sought, the Company cannot estimate losses or ranges of losses because of the outcome of these proceedings. Matters arising from regulatory proceedings could have a material adverse effect on the Company's financial condition, results of operations, or cash flows.

12. Net Capital Requirement

The Company is subject to the Uniform Net Capital Rule (Rule 15c3-1) under the *Securities Exchange Act of 1934*, which requires the maintenance of minimum net capital. A broker-dealer that fails to comply with Rule 15c3-1 may be subject to disciplinary actions by the SEC and self-regulatory organizations, such as the FINRA, including censures, fines, suspension, or expulsion.

The Company has elected to use the alternative method permitted by Rule 15c3-1, which requires that the Company maintain minimum net capital, as defined, equal to 2% of aggregate debit items as calculated in the reserve formula pursuant to Rule 15c3-3 or \$1,500.

As of October 31, 2025, the Company had net capital, as defined, of \$537,032, which was \$535,532 in excess of its minimum net capital of \$1,500.

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13. Customer Reserve

The Company is subject to the Customer Protection Rule (Rule 15c3-3) under the Securities Exchange Act of 1934, which requires segregation of cash or qualified securities for the benefit of customers (Customer Reserve). The Customer Reserve is calculated using Formula for Determination of Customer Reserve as promulgated by the Rule. A broker-dealer that fails to comply with Rule 15c3-3 may be subject to disciplinary actions by the SEC and self-regulatory organizations, such as FINRA, including censures, fines, suspension, or expulsion.

As of October 31, 2025, the Company had segregated \$30,269 in US Treasuries for the exclusive benefit of customers. Based on the October 31, 2025 reserve calculation, no reserve was required.

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14. Share-Based Compensation

Restricted Stock Unit Plan

The Company provides compensation to certain employees in the form of share-based awards. The Parent's share-based compensation plan consists of a restricted stock unit ("RSU") plan. An RSU represents a right that has a value equal to the average closing price of NBC's common share, as published by the Toronto Stock Exchange, over the ten trading days preceding the sixth business day in December. RSUs generally vest evenly over three years, although some RSUs vest on the sixth business day of December of the third year following the award date, i.e., the date on which all RSUs expire. Additional RSUs are credited to the accounts of participants in an amount equal to the dividends declared on NBC's common shares and vest over the same period as the reference RSUs. The RSU plan contains provisions for retiring employees whereby participants may continue vesting units in accordance with the stated terms of the award agreement.

As of October 31, 2025, the liability related to the RSU plan was \$13,912 and was recorded under Compensation related liability on the Statement of Financial Condition.

15. 401(k) Plan

The Company's 401(k) Plan (the "Plan") allows employees to participate after satisfying the requirements of being 21 years of age or older and completing one month of employment. The Company makes matching contributions to the Plan in the amount of 50% of the participant's contribution up to 6% of the participant's compensation.

16. Bank Loan Payable

The Company entered into a term loan agreement with the Parent in the amount of \$60 million. The company may borrow the total facility amount in one or more borrowings, with a maturity of 20 years from the date the borrowing occurred, which results in a final maturity date of 2044. The company will pay interest at the daily SOFR, payable monthly and on the final date of repayment of the loan. At October 31, 2025, the total amount outstanding, including accrued interest is \$60,218.

The Company also has an overnight loan with National Bank of Canada, the ultimate parent, which bears interest at 4.04% per annum with a maturity date of November 12, 2025. This loan auto renews daily and can be terminated by either party. At October 31, 2025, the total amount outstanding, including accrued interest is \$744,429.