

*Statement of Financial Condition (Unaudited)*  
*April 30, 2019*

**NATIONAL BANK OF CANADA  
FINANCIAL INC.**

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

**NATIONAL BANK OF CANADA FINANCIAL INC.**

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# NATIONAL BANK OF CANADA FINANCIAL INC.

## Statement of Financial Condition (Unaudited)

As of April 30, 2019

(In Thousands of U.S. Dollars)

	\$
<b>Assets</b>	
Cash	2,958
Securities borrowed	3,745,900
Deposits with clearing broker-dealers and organizations	55,250
Receivable from broker-dealers and clearing organizations	5,280
Receivable from customers	33,341
Receivable from related parties	12,751
Securities owned, at fair value (\$149,902 pledged under securities lending transactions and \$51,202 pledged to a clearing organization)	710,911
Income taxes receivable	7,088
Deferred income taxes	595
Other assets	9,806
	<b>4,583,880</b>
<b>Liabilities</b>	
Bank loan payable to ultimate parent company	165,820
Securities loaned	3,504,411
Payable to broker-dealers and clearing organizations	39,317
Payable to customers	10
Payable to related parties	1,589
Securities sold, not yet purchased, at fair value	355,950
Income taxes payable to parent company	5,723
Accrued expenses and other liabilities	12,485
	<b>4,085,305</b>
<b>Stockholder's Equity</b>	
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	42,038
	<b>498,575</b>
	<b>4,583,880</b>

The accompanying notes are an integral part of this statement of financial condition.

# NATIONAL BANK OF CANADA FINANCIAL INC.

## Notes to the Statement of Financial Condition (Unaudited)

April 30, 2019

(In Thousands of U.S. Dollars)

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### 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* 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”) and the Company is ultimately wholly-owned by National Bank of Canada (“NBC”).

### 2. Significant Accounting Policies

#### *Basis of Presentation*

The preparation of the statement of financial condition in conformity with 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 statement of financial condition. 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.

#### *Financial Instruments Transactions*

Financial instruments transactions are recorded on a trade date basis. Securities owned and securities sold, not yet purchased are recorded at fair value in accordance with FASB ASC 820, “Fair Value Measurement”.

#### *Income Taxes*

The Company accounts for income taxes in accordance with FASB ASC 740, “Income Taxes”, which requires the recognition of tax benefits or expenses on the temporary differences between the financial reporting and tax bases of assets and liabilities, including the accounting for uncertainty of income tax positions recognized in the statement of financial condition, prescribing a “more-likely-than-not” threshold and measurement attribute for recognition in the statement of financial condition of an asset or liability resulting from a tax position taken or expected to be taken in an income tax return.

# NATIONAL BANK OF CANADA FINANCIAL INC.

## Notes to the Statement of Financial Condition (Unaudited)

April 30, 2019

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### 2. Significant Accounting Policies (continued)

#### *Foreign Currency Translation*

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

#### *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.

#### *New Accounting Developments*

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)". ASU 2016-02 will require organizations that lease assets with lease terms of more than 12 months to recognize assets and liabilities for the rights and obligations created by those leases on their statements of financial condition. The ASU will also require new qualitative and quantitative disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. ASU No. 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. The Company is still evaluating the impact of ASU No. 2016-02 on its statement of financial condition.

# NATIONAL BANK OF CANADA FINANCIAL INC.

## Notes to the Statement of Financial Condition (Unaudited)

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### 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.

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.

# NATIONAL BANK OF CANADA FINANCIAL INC.

## Notes to the Statement of Financial Condition (Unaudited)

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### 3. Fair Value and Financial Instruments (continued)

#### *Fair Value Measurement (continued)*

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) U.S. Treasury Bills

U.S. Treasury Bills are valued using quoted market prices and are categorized in Level 1 of the fair value hierarchy.

(b) 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, these exchange-traded equity securities, funds and trusts are categorized in Level 1 of the fair value hierarchy.

(c) Listed Derivative Contracts

Listed option 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.

Listed futures contracts entered into by the Company, whether they are actively traded or not, are valued primarily based on quoted market prices of the underlying instruments and are categorized in Level 2 of the fair value hierarchy.

(d) Over-the-Counter ("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 the Statement of Financial Condition (Unaudited)

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### 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			Netting	Total
	Level 1	Level 2	Level 3		
	\$	\$	\$	\$	\$
<b>Financial assets</b>					
Receivable from broker-dealers and clearing organizations					
Futures contracts	-	10,753	-	(10,753)	-
<hr/>					
Receivable from related parties					
Total return equity swap contract	-	297	-	-	297
<hr/>					
Securities owned					
Exchange-traded equity securities	572,062	-	-	-	572,062
Exchange-traded funds	122,500	-	-	-	122,500
Exchange-traded options contracts	16,349	-	-	-	16,349
	710,911	-	-	-	710,911
	710,911	11,050	-	(10,753)	711,208
<hr/>					
<b>Financial liabilities</b>					
Payable to broker-dealers and clearing organizations					
Futures contracts	-	16,415	-	(15,085)	1,330
<hr/>					
Securities sold, not yet purchased					
Exchange-traded equity securities	133,708	-	-	-	133,708
Exchange-traded funds	202,415	-	-	-	202,415
Exchange-traded options contracts	19,827	-	-	-	19,827
	355,950	-	-	-	355,950
	355,950	16,415	-	(15,085)	357,280



# NATIONAL BANK OF CANADA FINANCIAL INC.

## Notes to the Statement of Financial Condition (Unaudited)

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### 3. Fair Value and Financial Instruments (continued)

#### *Fair Value Measurement (continued)*

The two following tables present information about the offsetting of fair values of futures contracts and related margin balances recorded in amounts receivable from broker-dealers and clearing organizations in the statement of financial condition:

	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		
				Financial Instruments	Cash Collateral Received	Net Amount
	\$	\$	\$	\$	\$	\$
Equity futures contracts	10,753	(10,753)	-	-	-	-

Gross amounts of recognized assets presented in the table above represent fair values of futures contracts. Fair values of futures contracts are recorded as amounts receivable from broker-dealers and clearing organizations in the statement of financial condition. The gross amounts offsetting gross amounts of recognized assets represent negative fair values of certain futures contracts which are included in the following table as gross amounts of recognized liabilities and which are settled on a net basis with the futures contracts presented in the table above.

	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		
				Financial Instruments	Cash Collateral Pledged	Net Amount
	\$	\$	\$	\$	\$	\$
Equity futures contracts	16,415	(15,085)	1,330	-	-	1,330

Gross amounts of recognized liabilities presented in the table above represent fair values of futures contracts. The gross amounts offsetting gross amounts of recognized liabilities represent the negative fair values of certain futures contracts which are either (1) settled on a net basis with futures contracts presenting positive fair values; or (2) netted against cash held in the Company's commodities trading accounts.

# NATIONAL BANK OF CANADA FINANCIAL INC.

## Notes to the Statement of Financial Condition (Unaudited)

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### 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 Measurements Using			Level 3
		Fair Value	Level 1	Level 2	
	\$	\$	\$	\$	\$
<b>Financial assets</b>					
Cash	2,958	2,958	2,958	-	-
Securities borrowed	3,745,900	3,745,900	-	3,745,900	-
Deposits with clearing broker-dealers and organizations	55,250	55,250	55,250	-	-
Receivable from broker-dealers and clearing organizations	5,280	5,280	-	5,280	-
Receivable from customers	33,341	33,341	-	33,341	-
Receivable from related parties	12,454	12,454	-	12,454	-
Other assets	7,415	7,415	-	7,415	-
	<b>3,862,598</b>	<b>3,862,598</b>	<b>58,208</b>	<b>3,804,390</b>	<b>-</b>
<b>Financial liabilities</b>					
Bank loan payable to ultimate parent company	165,820	165,820	-	165,820	-
Securities loaned	3,504,411	3,504,411	-	3,504,411	-
Payable to broker-dealers and clearing organizations	37,987	37,987	-	37,987	-
Payable to customers	10	10	-	10	-
Payable to related parties	1,589	1,589	-	1,589	-
Accrued expenses and other liabilities	6,574	6,574	-	6,574	-
	<b>3,716,391</b>	<b>3,716,391</b>	<b>-</b>	<b>3,716,391</b>	<b>-</b>

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**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.

As of April 30, 2019, the Company's greatest concentration of credit risk is from amounts totaling \$12,732 that are receivable from National Bank Financial Inc. ("NBFI"), a company ultimately under common control. For further information on related party transactions with NBFI, see Note 7.

*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. Open equity in futures transactions is recorded as a receivable from or payable to broker-dealers and clearing organizations, as applicable.

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 Company's exposure arising from an employee compensation plan linked to the future fluctuation of NBC's stock price.

# NATIONAL BANK OF CANADA FINANCIAL INC.

## Notes to the Statement of Financial Condition (Unaudited)

April 30, 2019

(In Thousands of U.S. Dollars)

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### 3. Fair Value and Financial Instruments (continued)

#### *Derivative Financial Instruments (continued)*

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 as of April 30, 2019, are as follows:

	One Year or Less	One to Five Years	Total Contracts
	\$	\$	\$
<b>Equity derivatives</b>			
OTC contract			
Swap	7,079	-	7,079
Exchange-traded contracts			
Long futures contracts	80,283	-	80,283
Short futures contracts	653,087	-	653,087
Long options contracts	311,903	-	311,903
Short options contracts	310,188	-	310,188
	1,362,540	-	1,362,540

# NATIONAL BANK OF CANADA FINANCIAL INC.

## Notes to the Statement of Financial Condition (Unaudited)

April 30, 2019

(In Thousands of U.S. Dollars)

### 3. Fair Value and Financial Instruments (continued)

#### *Derivative Financial Instruments (continued)*

Fair values of derivative financial instruments as of April 30, 2019, are as follows:

	Assets	Liabilities
	\$	\$
<b>Equity derivatives</b>		
OTC contracts		
Swap	297	-
Exchange-traded contracts		
Futures contracts	10,753	16,415
Options contracts	16,349	19,827
<b>Total derivatives</b>	<b>27,399</b>	<b>36,242</b>
<b>Netting</b>	<b>(10,753)</b>	<b>(15,085)</b>
	<b>16,646</b>	<b>21,157</b>

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.

# NATIONAL BANK OF CANADA FINANCIAL INC.

## Notes to the Statement of Financial Condition (Unaudited)

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### 4. Securities Borrowed and Loaned

Securities borrowed transactions require the Company to deposit cash with the lender. The Company is permitted to sell or re-pledge the securities received. As of April 30, 2019, the fair value of securities received under securities borrowed transactions amounted to \$3,624,026 of which the Company re-pledged \$3,237,793 under securities loaned transactions.

The Company pledges certain of its securities owned for securities lending transactions. With respect to securities loaned, the Company receives collateral in the form of cash in an amount generally in excess of the fair value of securities loaned. The carrying value of pledged securities owned that can be sold or re-pledged by the counterparty was \$149,902, as presented on the face of the statement of financial condition as of April 30, 2019.

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 7.

The following table presents as of April 30, 2019, the gross and net balances of securities borrowed.

	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	Cash Collateral Received	Net Amount
	\$	\$	\$	\$	\$	\$
Securities borrowed	3,745,900	-	3,745,900	(3,624,026)	-	121,874

# NATIONAL BANK OF CANADA FINANCIAL INC.

## Notes to the Statement of Financial Condition (Unaudited)

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### 4. Securities Borrowed and Loaned (continued)

The following table presents as of April 30, 2019, the gross and net balances of securities loaned.

	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	3,504,411	-	3,504,411	(3,387,695)	-	116,716

The following tables present as of April 30, 2019, 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	3,745,900	3,504,411

  

	Overnight and Open	Up to 30 Days	30-90 Days	Greater Than 90 Days	Total
	\$	\$	\$	\$	\$
Securities borrowed	3,745,900	-	-	-	3,745,900
Securities loaned	3,504,411	-	-	-	3,504,411

# NATIONAL BANK OF CANADA FINANCIAL INC.

## Notes to the Statement of Financial Condition (Unaudited)

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### 5. 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. These transactions are cleared by NBF1.

Amounts receivable from and payable to broker-dealers and clearing organizations as of April 30, 2019, consist of the following:

	<u>Receivable</u>	<u>Payable</u>
	\$	\$
Securities failed-to-deliver/receive (Note 7)	2,006	35,333
Receivable from/payable to broker-dealers (Note 7)	278	-
Receivable from/payable to clearing organizations	2,996	3,984
	<u>5,280</u>	<u>39,317</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.

### 6. Receivable from Customers

As of April 30, 2019, amounts receivable from and payable to customers consist of the following:

	<u>Receivable</u>	<u>Payable</u>
	\$	\$
Securities failed-to-deliver/receive	33,341	10



# NATIONAL BANK OF CANADA FINANCIAL INC.

## Notes to the Statement of Financial Condition (Unaudited)

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### 7. Related Party Transactions

The Company is involved in securities lending transactions with NBFi and has service agreements in place with NBFi and 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 April 30, 2019:

	NBFi	NBC	Total
	\$	\$	\$
<b>Assets</b>			
Cash	-	2,957	2,957
Securities borrowed	1,577,954	-	1,577,954
Receivable broker-dealers and clearing organizations			
Receivable from broker-dealers	278	-	278
Receivable from related parties			
Net interest receivable resulting from securities lending transactions due by May 31, 2019	1,297	-	1,297
Receivable bearing no interest with no fixed term of payment	11,157	297	11,454
	12,454	297	12,751
	1,590,686	3,254	1,593,940
<b>Liabilities</b>			
Bank loan payable to ultimate parent company			
Loan bearing interest at the rate of 2.45% per annum, maturing on May 1, 2019	-	165,820	165,820
Securities loaned	895,714	-	895,714
Payable to broker-dealers and clearing organizations			
Securities failed-to-receive	20,321	-	20,321
Payable to related parties			
Payable bearing no interest with no fixed term of payment	-	1,589	1,589
	916,035	167,409	1,083,444

# NATIONAL BANK OF CANADA FINANCIAL INC.

## Notes to the Statement of Financial Condition (Unaudited)

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### 8. 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.

As of April 30, 2019, income taxes receivable amounted to \$7,088 and income taxes payable to parent company amounted to \$5,723.

Deferred income tax assets are recognized for temporary differences that will result in deductible amounts in future periods. Deferred 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 April 30, 2019, the Company had deferred income tax assets totaling \$595 and had no deferred income tax liabilities.

As of April 30, 2019, the Company had no gross unrecognized tax benefits. The Company is currently under examination by the Internal Revenue Service for income tax returns for the years ended October 31, 2012 to 2016 and by New York State for income tax returns for the years ended October 31, 2015 to 2017. The Company remains subject to examination by state, local and foreign tax authorities for income tax returns for the years ended October 31, 2014 to 2018, as well as for its U.S. federal income tax return for the years ended October 31, 2017 and 2018.

# NATIONAL BANK OF CANADA FINANCIAL INC.

## Notes to the Statement of Financial Condition (Unaudited)

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### 9. Commitments and Contingencies

#### *Commitments*

As of April 30, 2019, the Company is committed under an operating lease for office facilities. The Company's future commitments are summarized below by year of expiration.

<u>Year Ending on April 30<sup>st</sup> of:</u>	<u>\$</u>
2019	1,363
2020	1,363
2021	1,363
2022	1,363
2023	1,396
Thereafter	6,784
<b>Total minimum lease payments</b>	<b>13,632</b>

#### *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 the 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.

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## **Notes to the Statement of Financial Condition (Unaudited)**

**April 30, 2019**

**(In Thousands of U.S. Dollars)**

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### **10. 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 \$250.

As of April 30, 2019, the Company had net capital, as defined, of \$457,186, which was \$456,936 in excess of its minimum net capital of \$250.

### **11. 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.