

Financial Statements of

**National Trust Company**

Year ended October 31, 2025



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## INDEPENDENT AUDITOR'S REPORT

To the Shareholder of National Trust Company

### ***Opinion***

We have audited the financial statements of National Trust Company (the Entity), which comprise:

- the statement of financial position as at October 31, 2025;
- the statement of income and comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- notes to the financial statements, including a summary of material accounting policy information.

(Hereinafter referred to as the “financial statements”)

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at October 31, 2025 and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada  
December 9, 2025

# National Trust Company

## Statement of Financial Position

As at October 31 (\$000's)	Note	2025	2024
<b>Assets</b>			
Deposits with Bank	15a	6,379,327	7,088,654
Derivative financial instruments	6	33,011	24,344
Other assets	7	25,275	32,006
		<b>6,437,613</b>	<b>7,145,004</b>
<b>Liabilities</b>			
Deposits	9	5,908,154	6,660,305
Other liabilities	10	121,179	167,367
		<b>6,029,333</b>	<b>6,827,672</b>
<b>Equity</b>			
Common equity			
Common shares	12	290,000	220,000
Retained earnings		106,780	85,832
Other reserves		11,500	11,500
<b>Total common equity</b>		<b>408,280</b>	<b>317,332</b>
		<b>6,437,613</b>	<b>7,145,004</b>

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

On behalf of the Board of Directors:



Director



Director

# National Trust Company

## Statement of Income and Comprehensive Income

For the year ended October 31 (\$000's)	Note	2025	2024
<b>Revenue</b>			
<b>Interest income<sup>(1)</sup></b>			
Deposits with Bank	15a	301,442	334,220
<b>Interest expense</b>			
Deposits		263,964	298,564
Other		32	47
		<b>263,996</b>	<b>298,611</b>
<b>Net interest income</b>		<b>37,446</b>	<b>35,609</b>
<b>Non-interest income</b>			
Rental income	15c	2,008	2,008
Net gain on sale of property and equipment		-	352
Other		(293)	(698)
		<b>1,715</b>	<b>1,662</b>
<b>Total revenue</b>		<b>39,161</b>	<b>37,271</b>
<b>Non-interest expenses</b>			
Business and capital taxes		5,061	4,227
Management and other fees	15b	4,470	4,473
Depreciation	8	126	135
Other		451	510
		<b>10,108</b>	<b>9,345</b>
<b>Income before taxes</b>		<b>29,053</b>	<b>27,926</b>
Income tax expense	14		
Current		7,220	7,699
Deferred		885	39
		<b>8,105</b>	<b>7,738</b>
<b>Net income and comprehensive income attributable to common shareholder</b>		<b>20,948</b>	<b>20,188</b>

<sup>(1)</sup> Represents interest income on financial assets measured at amortized cost, calculated using the effective interest rate method.

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

## National Trust Company

### Statement of Changes in Equity

(\$000's)	Common shares (Note 12)	Retained earnings	Other reserves <sup>(1)</sup>	Total
<b>Balance as at November 1, 2024</b>	<b>220,000</b>	<b>85,832</b>	<b>11,500</b>	<b>317,332</b>
Net income	-	20,948	-	20,948
Shares issued	70,000	-	-	70,000
<b>Balance as at October 31, 2025</b>	<b>290,000</b>	<b>106,780</b>	<b>11,500</b>	<b>408,280</b>
Balance as at November 1, 2023	220,000	65,644	11,500	297,144
Net income	-	20,188	-	20,188
Balance as at October 31, 2024	220,000	85,832	11,500	317,332

<sup>(1)</sup> Represents capital injections from National Trustco Inc., the former Parent.

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

# National Trust Company

## Statement of Cash Flows

Sources (uses) of cash flows for the year ended October 31 (\$000's)	2025	2024
<b>Cash flows from operating activities</b>		
Net income	20,948	20,188
Adjustments for:		
Net interest income	(37,446)	(35,609)
Depreciation	126	135
Net gain on sale of property and equipment	-	(352)
Income tax expense	8,105	7,738
Changes in operating assets and liabilities:		
Other assets	(431)	(64)
Deposits	(760,720)	810,048
Other liabilities	(3,162)	115
Net derivative financial instruments	1,121	(941)
Interest received	307,870	330,227
Interest paid	(305,620)	(256,102)
Income tax paid	(10,118)	(9,022)
<b>Net cash from (used in) operating activities</b>	<b>(779,327)</b>	<b>866,361</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property and equipment	-	431
<b>Net cash from investing activities</b>	<b>-</b>	<b>431</b>
<b>Cash flows from financing activities</b>		
Proceeds from common shares issued	70,000	-
<b>Net cash from financing activities</b>	<b>70,000</b>	<b>-</b>
<b>Net change in cash and cash equivalents</b>	<b>(709,327)</b>	<b>866,792</b>
Cash and cash equivalents at beginning of year <sup>(1)</sup>	7,088,654	6,221,862
<b>Cash and cash equivalents at end of year<sup>(1)</sup></b>	<b>6,379,327</b>	<b>7,088,654</b>

<sup>(1)</sup> Represents cash and demand deposits with the Bank.

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

# National Trust Company

## Notes to the Financial Statements

### For the year ended October 31, 2025

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#### Table of Contents

<b>Note</b>		<b>Page</b>
1	Reporting entity	6
2	Basis of preparation	6
3	Material accounting policies	7
4	Future accounting developments	10
5	Fair value of financial instruments	11
6	Derivative financial instruments	13
7	Other assets	14
8	Property and equipment	15
9	Deposits	15
10	Other liabilities	15
11	Provisions	15
12	Common and preferred shares	16
13	Capital management	16
14	Corporate income taxes	17
15	Related party transactions	18
16	Financial instruments - risk management	19

# National Trust Company

## Notes to the Financial Statements

### For the year ended October 31, 2025

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#### **1. Reporting entity**

National Trust Company (the Company) is a deposit-taking institution incorporated under the Trust and Loan Companies Act (the Act) and is regulated by the Office of the Superintendent of Financial Institutions (OSFI). The Company is a wholly owned subsidiary of The Bank of Nova Scotia (the Bank). The registered office of the Company is located at 1 Ontario Street, Stratford, Ontario, Canada.

#### **2. Basis of preparation**

##### **Statement of compliance**

These financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and accounting requirements of OSFI in accordance with Section 313 of the Act. Section 313 states that, except as otherwise specified by OSFI, the financial statements are to be prepared in accordance with IFRS.

The financial statements for the year ended October 31, 2025 have been approved by the Board of Directors on December 9, 2025.

Certain comparative amounts have been restated to conform with the basis of presentation in the current year.

##### **Basis of measurement**

The financial statements have been prepared on the historical cost basis, except for derivative financial instruments and embedded derivatives that are measured at fair value in the Statement of Financial Position.

##### ***Functional and presentation currency***

These financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand unless otherwise stated.

##### ***Management's use of estimates, assumptions and judgments***

The Company's accounting policies require estimates, assumptions and judgments that relate to matters that are inherently uncertain. The Company has established procedures to ensure that accounting policies are applied consistently. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised.

##### **Use of estimates and assumptions**

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, and income and expenses during the reporting period. Estimates made by management are based on historical experience and other factors and assumptions that are believed to be reasonable. Key areas of estimation uncertainty include those relating to the fair value of financial instruments (including derivatives) and provisions. The Company has utilized estimates, assumptions and judgments that reflect this uncertainty. While management makes its best estimates and assumptions, actual results could differ from these and other estimates.

##### **Significant judgments**

In the preparation of these financial statements, management is required to make significant judgments in the classification and presentation of transactions and instruments.

Significant estimates, assumptions and judgments have been made in the following areas and are discussed as noted in the financial statements:

Fair value of financial instruments	Notes 3 and 5
Provisions	Notes 3 and 11

# National Trust Company

## Notes to the Financial Statements

### For the year ended October 31, 2025

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### 3. Material accounting policies

The material accounting policies used in the preparation of these financial statements, including any additional accounting requirements of OSFI, as set out below, have been applied consistently to all periods presented in these financial statements.

#### **Financial assets and liabilities**

##### ***Recognition and initial measurement***

The Company, on the date of origination or purchase, recognizes derivative financial instruments and deposits at the fair value of the consideration paid or received. Regular-way purchases and sales of financial assets are recognized on the settlement date. All other financial assets and liabilities, including derivatives, are initially recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The initial measurement of a financial asset or liability is at fair value plus transaction costs that are directly attributable to its purchase or issuance. For instruments measured at fair value through profit or loss, transaction costs are recognized immediately in profit or loss.

##### ***Classification and measurement of financial assets***

Financial assets are classified into one of the following measurement categories:

- Amortized cost; or
- Fair value through profit or loss (FVTPL).

Financial assets include deposits with Bank and derivative financial instruments.

Classification is determined based on:

- i) The business model under which the asset is held; and
- ii) The contractual cash flow characteristics of the instrument.

##### **Business model assessment**

A business model assessment involves determining how financial assets are managed to generate cash flows. The Company's business model assessment is based on the following categories:

- Held-to-collect: The objective of this business model is to hold assets and collect contractual cash flows. Any sales of the asset are incidental to the objective of the model.
- Held-to-collect and for sale: Both collecting contractual cash flows and sales are integral to achieving the objectives of the business model.
- Other business model: The business model is neither held-to-collect nor held-to-collect and for sale.

##### **Contractual cash flow characteristics assessment**

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instrument due to repayments or amortization of premium/discount.

Interest is defined as the consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs (liquidity risk and administrative costs), and a profit margin.

##### **Financial assets measured at amortized cost**

Deposits with Bank are carried at amortized cost. Interest income on deposits with Bank is recognized in interest income using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset.

Impairment on financial assets measured at amortized cost is calculated using the expected credit loss approach.

# National Trust Company

## Notes to the Financial Statements

### For the year ended October 31, 2025

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#### **Financial assets measured at FVTPL**

Derivative financial instruments are measured at fair value in the Statement of Financial Position, with transaction costs recognized immediately in the Statement of Income and Comprehensive Income as part of non-interest income. Realized and unrealized gains and losses are recognized as part of non-interest income in the Statement of Income and Comprehensive Income.

#### ***Classification and measurement of financial liabilities***

Financial liabilities are classified into one of the following measurement categories:

- Amortized cost; or
- Fair value through profit or loss (FVTPL).

Financial liabilities include deposits and derivatives embedded in deposit liabilities.

#### **Financial liabilities measured at amortized cost**

Deposits are accounted for at amortized cost. Interest on deposits, calculated using the effective interest rate method, is recognized as interest expense.

#### **Financial liabilities measured at FVTPL**

Embedded derivatives are recognized on a trade date basis and accounted for at fair value, with changes in fair value and any gains or losses recognized in the Statement of Income and Comprehensive Income as part of non-interest income. Transaction costs are expensed as incurred.

#### ***Determination of fair value***

The fair value of a financial asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal, or in its absence, the most advantageous market to which the Company has access at the measurement date.

The Company values instruments carried at fair value using quoted market prices, where available. Fair value based on unadjusted quoted market prices for identical instruments in active markets represents a Level 1 valuation. When quoted market prices are not available, the Company maximizes the use of observable inputs within valuation models. When a fair value is based on all significant market observable inputs, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3.

Inception gains and losses are only recognized where the valuation is dependent on observable market data; otherwise, they are deferred and amortized over the life of the related contract or until the valuation inputs become observable.

#### ***Derecognition of financial assets and liabilities***

##### **Derecognition of financial assets**

A financial asset is derecognized when the contractual rights to the cash flows from the asset have expired; or the Company transfers the contractual rights to receive the cash flows from the financial asset; or has assumed an obligation to pay those cash flows to an independent third-party; or the Company has transferred substantially all the risks and rewards of ownership of that asset to an independent third-party. Management determines whether substantially all the risks and rewards of ownership have been transferred by quantitatively comparing the variability in cash flows before and after the transfer. If the variability in cash flows remains significantly similar subsequent to the transfer, the Company has retained substantially all of the risks and rewards of ownership.

Where substantially all the risks and rewards of ownership of the financial asset are neither retained nor transferred, the Company derecognizes the transferred asset only if it has lost control over that asset. Control over the asset is represented by the practical ability to sell the transferred asset. If the Company retains control over the asset, it will continue to recognize the asset to the extent of its continuing involvement.

On derecognition of a financial asset, the difference between the carrying amount and the consideration received (including any new asset obtained less any new liability assumed) is recognized in non-interest income in the Statement of Income and Comprehensive Income.

# National Trust Company

## Notes to the Financial Statements

### For the year ended October 31, 2025

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#### **Derecognition of financial liabilities**

A financial liability is derecognized when the obligation under the liability is discharged, canceled or expires. If an existing financial liability is replaced by another from the same counterparty on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability at fair value. The difference in the respective carrying amount of the existing liability and the new liability is recognized as a gain/loss in non-interest income in the Statement of Income and Comprehensive Income.

#### ***Deposits with Bank***

Deposits with Bank comprise cash and demand deposits with the Bank.

#### ***Derivative financial instruments***

Derivative financial instruments are contracts whose value is derived from interest rates, foreign exchange rates, commodity prices, equity prices or other financial variables. Derivative instruments can be characterized as interest rate contracts or equity contracts. Derivative instruments are either exchange-traded contracts or negotiated over-the-counter contracts. Negotiated over-the-counter contracts include swaps, forwards and options.

The Company enters into these derivative contracts to manage its risk exposures associated with certain deposit liabilities. However, these derivatives are not designated as hedging instruments for accounting purposes.

Derivatives embedded in deposit liabilities or host contracts are treated as separate stand-alone derivatives since the following conditions are met:

- their economic characteristics and risks are not closely related to those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the combined contract is not held for trading or designated at fair value through profit or loss.

Embedded derivatives that are separable from the host contracts are measured at fair value on the Statement of Financial Position. Embedded derivatives are presented on a combined basis with the host contracts on the Statement of Financial Position although they are separated for measurement purposes.

All derivatives, including embedded derivatives that are separately accounted for, are recorded at fair value on the Statement of Financial Position. The determination of the fair value of derivatives includes consideration of credit risk, estimated funding costs and ongoing direct costs over the life of the instruments.

Changes in the fair value of derivatives and embedded derivatives are recorded in the Statement of Income and Comprehensive Income in non-interest income - other.

#### **Property and equipment**

##### ***Land and buildings***

Land is carried at cost. Buildings (including building fittings) and leasehold improvements are carried at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. Depreciation is calculated using the straight-line method over the estimated useful life of the related asset less any residual value as follows: buildings – up to 40 years, building fittings – up to 15 years, and leasehold improvements – lease term determined by the Company. Depreciation expense is included in the Statement of Income and Comprehensive Income under non-interest expenses – depreciation. Depreciation methods, useful lives and residual values are reassessed at each financial year-end and adjusted as appropriate.

When major components of buildings have different useful lives, they are accounted for separately and depreciated over each component's estimated useful life.

Net gains and losses on disposal are included in non-interest income in the Statement of Income and Comprehensive Income in the year of disposal.

##### ***Investment property***

Investment property is property held either for rental income or for capital appreciation or for both. The Company holds certain investment properties which are presented in property and equipment on the Statement of Financial Position.

# National Trust Company

## Notes to the Financial Statements

### For the year ended October 31, 2025

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Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated using the straight-line method over the estimated useful life of up to 40 years. Depreciation methods, useful lives and residual values are reassessed at each financial year-end and adjusted as appropriate.

#### **Corporate income taxes**

The Company follows the balance sheet liability method for corporate income taxes. Under this method, deferred tax assets and liabilities represent the cumulative amount of tax applicable to temporary differences which are the differences between the carrying amount of the assets and liabilities, and their values for tax purposes. Deferred tax assets are recognized only to the extent it is probable that sufficient taxable profits will be available against which the benefit of these deferred tax assets can be utilized.

Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Deferred and current tax assets and liabilities are only offset where the Company has both the legal right and the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income tax is recognized in the Statement of Income and Comprehensive Income, except where it relates to items recognized directly in equity, in which case income tax is recognized in the same line as the related item.

#### **Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognized as a provision is the Company's best estimate of the consideration required to settle the present obligation, taking into account the risks and uncertainties surrounding the obligation.

#### **Interest and similar income and expenses**

For all interest-bearing financial instruments, interest income or expense is recorded in net interest income using the effective interest rate. This is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or financial liability. The calculation takes into account all the contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

The carrying amount of interest-bearing financial instruments, measured at amortized cost, is adjusted if the Company revises its estimates of receipts or payments. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as non-interest income in the Statement of Income and Comprehensive Income.

Transaction costs incurred on deposits are deferred, netted against deposits in the Statement of Financial Position, and amortized into interest expense in the Statement of Income and Comprehensive Income over the term of the related deposit.

#### **Fee expenses**

Fee expenses relate to management and other service fees which are expensed as the services are received.

## **4. Future accounting developments**

The Company actively monitors developments and changes in accounting standards from the IASB, as well as requirements from OSFI. The Company is currently assessing the impact of adoption of new standards issued by the IASB on its financial statements and also evaluating the alternative elections available on transition.

# National Trust Company

## Notes to the Financial Statements

### For the year ended October 31, 2025

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#### **Effective November 1, 2026**

##### ***IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures – Amendments***

On May 30, 2024, the IASB issued “Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)” to address post-implementation review findings of IFRS 9 *Financial Instruments*.

The amendments introduce an accounting policy choice to derecognize financial liabilities settled through an electronic payment system before the settlement date upon meeting certain conditions. The amendments clarify the assessment of contractual cash flow characteristics of financial assets based on contingent events, such as interest rates linked to environmental, social and governance (ESG) targets, the treatment of non-recourse assets, and contractually linked instruments. The amendments introduce new disclosure requirements for financial instruments with contractual terms that can change cash flows due to events not directly related to changes in basic lending risks, such as certain loans subject to ESG targets. Additionally, the amendments change some of the disclosure requirements for equity instruments designated at fair value through other comprehensive income.

The amendments are effective for the Company on November 1, 2026, and early adoption is permitted. The Company is required to apply the amendments retrospectively but is not required to restate prior periods. The Company is currently assessing the impact of these amendments.

#### **Effective November 1, 2027**

##### ***IFRS 18 Presentation and Disclosure in Financial Statements***

The IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* on April 9, 2024, to replace IAS 1 *Presentation of Financial Statements* and is effective for annual periods beginning on or after January 1, 2027. IFRS 18 introduces a defined structure for the presentation of the statement of income, including required totals and subtotals, as well as aggregating and disaggregating principles to categorize financial information. The standard also requires all management-defined performance measures to be disclosed in the notes to the financial statements.

IFRS 18 will be effective for the Company on November 1, 2027, with early adoption permitted. The Company is currently assessing the impact of this new standard.

## **5. Fair value of financial instruments**

### **Determination of fair value**

The calculation of fair value is based on market conditions at a specific point in time and therefore may not be reflective of future fair values. The Company has controls and processes in place to ensure that the valuation of financial instruments is appropriately determined.

The Company discloses the classification of all financial instruments carried at fair value in a hierarchy based on the determination of fair value. The best evidence of fair value for a financial instrument is the quoted price in an active market. Fair value based on unadjusted quoted market prices for identical instruments in active markets represents a Level 1 valuation. Where possible, valuations are based on quoted prices or observable inputs obtained from active markets.

Independent Price Verification (IPV) is undertaken to assess the accuracy of prices and inputs used in the determination of fair value. The IPV process is performed by price verification groups that are independent of the business. The Company maintains a list of approved pricing sources that are used in the IPV process. These sources include, but are not limited to, brokers, exchanges and pricing services. The valuation policies relating to the IPV process require that all pricing or rate sources used be external to the Company. At least annually, an independent assessment of pricing or rate sources is performed to determine the market presence and reliability of market levels.

Quoted prices are not always available for over-the-counter (OTC) transactions, as well as for transactions in inactive or illiquid markets. OTC transactions are valued using internal models that maximize the use of observable inputs to estimate fair value. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction. When fair value is based on all significant market observable inputs, the valuation is classified as Level 2. Financial instruments traded in a less active market can be valued using indicative market prices, the present value of cash flows or other valuation techniques. Fair value estimates normally do not consider forced or liquidation sales.

# National Trust Company

## Notes to the Financial Statements

### For the year ended October 31, 2025

Where financial instruments trade in inactive markets or when using models where observable parameters do not exist, significant management judgment is required for valuation methodologies and model inputs. Valuations that require the significant use of unobservable inputs are considered Level 3.

The specific inputs and valuation techniques used in determining the fair value of financial instruments are noted below.

The fair values of deposits with Bank, other assets and other liabilities are assumed to approximate their carrying values, either due to their short-term nature or because they are frequently repriced to current market rates.

#### Derivatives

Fair values of exchange-traded derivatives are based on unadjusted quoted market prices from an active market. Fair values of OTC derivatives or inactive exchange-traded derivatives are determined using pricing models, which take into account observable valuation inputs, such as current market and contractual prices of the underlying instruments, as well as time value and yield curve or volatility factors underlying the positions. The determination of the fair value of derivatives includes consideration of credit risk, estimated funding costs and ongoing direct costs over the life of the instruments.

#### Deposits

The fair values of deposits payable on demand or after notice or floating rate deposits payable on a fixed date are assumed to equal carrying value.

The estimated fair values of personal fixed rate deposits payable on a fixed date are fair valued by discounting the expected future contractual cash outflows, using management's best estimate of average market interest rates currently offered for deposits with similar remaining terms.

For all other fixed rate deposits, fair value is determined by discounting the expected future contractual cash flows of these deposits at interest rates currently offered for deposits with similar terms.

For deposits containing embedded features that are bifurcated, the fair value of the embedded derivatives is determined using option pricing models with observable inputs similar to other interest rate or equity derivative contracts.

#### Fair value of financial instruments

The following table sets out the fair values of financial instruments of the Company using the valuation methods and assumptions described above. The fair values disclosed do not include non-financial assets and liabilities, such as property and equipment, and unamortized commissions paid.

As at October 31 (\$000's)	2025			2024		
	Total fair value	Total carrying value	Favourable / (Unfavourable)	Total fair value	Total carrying value	Favourable / (Unfavourable)
<b>Assets:</b>						
Deposits with Bank	6,379,327	6,379,327	-	7,088,654	7,088,654	-
Derivative financial instruments	33,011	33,011	-	24,344	24,344	-
Other financial assets	22,372	22,372	-	28,309	28,309	-
<b>Liabilities:</b>						
Deposits	5,940,303	5,910,282	(30,021)	6,707,352	6,663,034	(44,318)
Other financial liabilities	121,179	121,179	-	164,777	164,777	-

Changes in interest rates are the main cause of changes in the fair value of the Company's financial instruments resulting in a favourable or unfavourable variance compared to carrying value. For the Company's financial instruments carried at cost or amortized cost, the carrying value is not adjusted to reflect increases or decreases in fair value due to market fluctuations, including those due to interest rate changes.

# National Trust Company

## Notes to the Financial Statements

### For the year ended October 31, 2025

#### **Fair value hierarchy**

The following table outlines the fair value hierarchy of instruments carried at fair value on a recurring basis and of instruments not carried at fair value.

As at October 31, 2025 (\$000's)	Level 1	Level 2	Level 3	Total
<b>Instruments carried at fair value on a recurring basis:</b>				
<b>Assets:</b>				
Derivative financial instruments	-	33,011	-	33,011
<b>Liabilities:</b>				
Deposits <sup>(1)</sup>	-	33,011	-	33,011
<b>Instruments not carried at fair value<sup>(2)</sup>:</b>				
<b>Liabilities:</b>				
Deposits	-	5,907,292	-	5,907,292

As at October 31, 2024 (\$000's)	Level 1	Level 2	Level 3	Total
<b>Instruments carried at fair value on a recurring basis:</b>				
<b>Assets:</b>				
Derivative financial instruments	-	24,344	-	24,344
<b>Liabilities:</b>				
Deposits <sup>(1)</sup>	-	23,223	-	23,223
<b>Instruments not carried at fair value<sup>(2)</sup>:</b>				
<b>Liabilities:</b>				
Deposits	-	6,684,129	-	6,684,129

<sup>(1)</sup> Represents embedded derivatives bifurcated from deposit liabilities measured at amortized cost.

<sup>(2)</sup> Represents the fair value of financial liabilities where the carrying amount is not a reasonable approximation of fair value.

## 6. Derivative financial instruments

### (a) Notional amounts<sup>(1)</sup> and remaining term to maturity

The following table provides the aggregate notional amounts of derivative financial instruments outstanding by type and the remaining term to maturity. The notional amounts of these contracts represent the derivatives volume outstanding and do not represent the potential gain or loss associated with the market risk or credit risk of such instruments.

As at October 31 (\$000's)	2025			2024		
	Within one year	One to five years	Total	Within one year	One to five years	Total
Interest rate options purchased	669,246	57,308	726,554	558,798	-	558,798
Equity options purchased	92,508	167,591	260,099	117,534	195,040	312,574
<b>Total</b>	<b>761,754</b>	<b>224,899</b>	<b>986,653</b>	<b>676,332</b>	<b>195,040</b>	<b>871,372</b>

<sup>(1)</sup> The notional amounts represent the amount to which a rate or price is applied to determine the amount of cash flows to be exchanged.

# National Trust Company

## Notes to the Financial Statements

### For the year ended October 31, 2025

#### (b) Credit risk

As with other financial assets, derivative instruments are subject to credit risk. Credit risk arises from the possibility that counterparties may default on their obligations to the Company. However, whereas the credit risk of other financial assets is represented by the principal amount net of any applicable allowance for credit losses, the credit risk associated with derivatives is normally a small fraction of the notional amount of the derivative instrument.

The following table summarizes the credit exposure of the Company's derivative financial instruments. The credit risk amount (CRA) represents the estimated replacement cost or positive fair value. CRA does not reflect actual or expected losses.

The credit equivalent amount (CEA) is the exposure at default (EAD) prescribed in the Capital Adequacy Requirements (CAR) Guidelines of OSFI. The risk-weighted assets are calculated by multiplying the CEA by the capital requirement (K) times 12.5, where K is a function of the probability of default (PD), loss given default (LGD), maturity and prescribed correlation factors.

As at October 31 (\$000's)	2025			
	Notional amount	Credit risk amount (CRA)	Credit equivalent amount (CEA)	Risk-Weighted Assets
Interest rate options purchased	726,554	543	760	152
Equity options purchased	260,099	32,468	146,545	29,309
Total	986,653	33,011	147,305	29,461

  

As at October 31 (\$000's)	2024			
	Notional amount	Credit risk amount (CRA)	Credit equivalent amount (CEA)	Risk-Weighted Assets
Interest rate options purchased	558,798	359	503	101
Equity options purchased	312,574	23,985	152,780	30,556
Total	871,372	24,344	153,283	30,657

The credit equivalent amount for both 2025 and 2024 was with the Bank as the counterparty.

#### (c) Fair value

The fair value of the derivative financial instruments as at October 31, 2025 was \$33.0 million (2024 - \$24.3 million) and is included in the Statement of Financial Position.

#### 7. Other assets

As at October 31 (\$000's)	2025	2024
Accrued interest (Note 15a)	21,798	28,226
Property and equipment (Note 8)	1,799	1,924
Deferred tax assets (Note (14c))	813	1,698
Current tax assets	238	-
Other	627	158
Total	25,275	32,006

**National Trust Company**  
Notes to the Financial Statements  
For the year ended October 31, 2025

**8. Property and equipment**

(\$000's)	Land and buildings	Leasehold improvements	Total
<b>Cost</b>			
Balance as at October 31, 2024	8,572	10,673	19,245
Other	1	-	1
<b>Balance as at October 31, 2025</b>	<b>8,573</b>	<b>10,673</b>	<b>19,246</b>
<b>Accumulated depreciation</b>			
Balance as at October 31, 2024	6,648	10,673	17,321
Depreciation	126	-	126
<b>Balance as at October 31, 2025</b>	<b>6,774</b>	<b>10,673</b>	<b>17,447</b>
<b>Net book value</b>			
<b>Balance as at October 31, 2025<sup>(1)</sup></b>	<b>1,799</b>	<b>-</b>	<b>1,799</b>
Balance as at October 31, 2024 <sup>(1)</sup>	1,924	-	1,924

<sup>(1)</sup> Represents investment property.

**9. Deposits**

As at October 31 (\$000's)	2025	2024
Personal	5,432,901	6,065,927
Business and government	475,253	594,378
<b>Total</b>	<b>5,908,154</b>	<b>6,660,305</b>

Included in deposits are embedded derivatives carried at fair value of \$33.0 million (2024 - \$23.2 million).

Refer to Note 16(c) for contractual repricing or maturity structure for deposits which provides maturities within one year, one to five years, and over five years.

**10. Other liabilities**

As at October 31 (\$000's)	2025	2024
Accrued interest	103,455	146,999
Accounts payable and other liabilities	14,028	17,315
Due to Bank	3,696	463
Current tax liabilities	-	2,590
<b>Total</b>	<b>121,179</b>	<b>167,367</b>

**11. Provisions**

In the ordinary course of business, the Company may have legal proceedings brought against it. In view of the inherent difficulty of predicting the outcome of such matters, the Company cannot state what the eventual outcome of such matters will be. However, based on current knowledge, management does not believe that liabilities, if any, arising from pending litigation will have a material adverse effect on the Statement of Financial Position or results of operations of the Company. The Company has no legal provision in the current and prior year.

**National Trust Company**  
Notes to the Financial Statements  
For the year ended October 31, 2025

**12. Common and preferred shares**

As at October 31 (\$000's)	2025		2024	
	Number of shares	Amount	Number of shares	Amount
<b>Authorized</b>				
Common shares	<b>Unlimited</b>		Unlimited	
Preference shares	<b>Unlimited</b>		Unlimited	
<b>Common shares issued and fully paid</b>				
Outstanding at beginning of year	<b>300,000</b>	<b>220,000</b>	300,000	220,000
Shares issued	<b>70,000,000</b>	<b>70,000</b>	-	-
Outstanding at end of year	<b>70,300,000</b>	<b>290,000</b>	300,000	220,000

On November 1, 2024, the Company issued 70,000,000 common shares to the Bank for aggregate consideration of \$70.0 million

***Restrictions on payment of dividends***

Under the Act, the Company is prohibited from declaring or paying any dividends on its common shares when the Company is, or would be placed by such a declaration, in contravention of the capital adequacy, liquidity or any other regulatory directives issued under the Act. Currently, these limitations do not restrict the payment of dividends on common shares.

**13. Capital management**

The primary regulator over the Company's capital adequacy is OSFI. The capital adequacy regulations in Canada are largely consistent with international standards set by the Basel Committee on Banking Supervision (BCBS). OSFI requires Canadian deposit-taking institutions to fully implement the Basel III reforms, and achieve minimums of 7%, 8.5% and 10.5% for Common Equity Tier 1 (CET1), Tier 1 and Total Capital, respectively.

In addition to risk-based capital requirements, the Basel III reforms introduced a simpler, non risk-based Leverage ratio requirement to act as a supplementary measure to its risk-based capital requirements. Institutions are expected to maintain an operating buffer above the 3% minimum.

# National Trust Company

## Notes to the Financial Statements

### For the year ended October 31, 2025

The Company's regulatory capital ratios are as follows:

As at October 31 (\$000's)	2025	2024
<b>Capital<sup>(1)</sup></b>		
Common Equity Tier 1 capital	408,280	317,332
Net Tier 1 capital	408,280	317,332
Total regulatory capital	408,280	317,332
<b>Risk-weighted assets/exposures used in calculation of capital ratios</b>		
Risk-weighted assets <sup>(1)</sup>	1,395,796	1,532,491
Leverage exposures <sup>(2)</sup>	6,551,907	7,273,943
<b>Regulatory ratios<sup>(1)</sup></b>		
Common Equity Tier 1 capital ratio	29.3%	20.7%
Tier 1 capital ratio	29.3%	20.7%
Total capital ratio	29.3%	20.7%
Leverage ratio <sup>(2)</sup>	6.2%	4.4%

<sup>(1)</sup> The regulatory capital ratios are based on Basel III requirements as determined in accordance with OSFI Guideline – Capital Adequacy Requirements (November 2023).

<sup>(2)</sup> The leverage ratios are based on Basel III requirements as determined in accordance with OSFI Guideline – Leverage Requirements (February 2023).

The Company exceeded the OSFI regulatory minimum capital ratios as at October 31, 2025.

## 14. Corporate income taxes

Corporate income taxes recorded in the Company's financial statements are as follows:

### (a) Components of income tax provision

For the year ended October 31 (\$000's)	2025	2024
<b>Provision for income taxes in the Statement of Income and Comprehensive Income:</b>		
<i>Current income taxes:</i>		
Federal	4,275	4,593
Provincial	2,939	3,159
Adjustments related to prior periods	6	(53)
	7,220	7,699
<i>Deferred income taxes:</i>		
Federal	525	23
Provincial	360	16
	885	39
Total provision for income taxes in the Statement of Income and Comprehensive Income	8,105	7,738

# National Trust Company

## Notes to the Financial Statements

### For the year ended October 31, 2025

#### (b) Reconciliation to statutory rate

Income taxes in the Statement of Income and Comprehensive Income vary from the amounts that would be computed by applying the composite federal and provincial statutory income tax rate for the following reasons:

For the year ended October 31 (\$000's)	2025		2024	
	Amount	Percent of pre-tax income (%)	Amount	Percent of pre-tax income (%)
Income taxes at statutory rate	8,088	27.8	7,777	27.9
Increase (decrease) in income taxes resulting from:				
Other	17	0.1	(39)	(0.2)
<b>Total income taxes and effective tax rate</b>	<b>8,105</b>	<b>27.9</b>	<b>7,738</b>	<b>27.7</b>

#### (c) Deferred taxes

Significant components of the Company's deferred tax assets are as follows:

	Statement of Income and Comprehensive Income		Statement of Financial Position	
	<i>For the year ended</i>		<i>As at</i>	
	2025	2024	2025	2024
October 31 (\$000's)				
Property and equipment	(34)	36	(226)	(260)
Reserves	919	3	1,039	1,958
<b>Net deferred tax assets</b>	<b>885</b>	<b>39</b>	<b>813</b>	<b>1,698</b>

## 15. Related party transactions

In the ordinary course of business, the Company enters into transactions with the Bank and companies under common control on terms similar to those offered to non-related parties. The details are as follows:

- The Company had \$6.4 billion of deposits with the Bank as at October 31, 2025 (2024 - \$7.1 billion) and earned interest of \$301.4 million (2024 - \$334.2 million), which is included in interest income - deposits with Bank. As at October 31, 2025, the Company had \$21.8 million (2024 - \$28.2 million) in accrued interest receivable from the Bank which is included in other assets.
- The Bank provided the Company in the ordinary course of business, with administrative services, including deposit guarantees, for which the Company paid fees which are included in management and other fees as follows:

For the year ended October 31 (\$000's)	2025	2024
Deposit guarantee	4,062	4,064
Management fee and other operational charges	408	409
<b>Total</b>	<b>4,470</b>	<b>4,473</b>

- During the year, the Company received \$2.0 million (2024 - \$2.0 million) from the Bank for the rental of property and equipment which is included in non-interest income.
- Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and comprise the directors of the Company, the President and Chief Executive Officer and the Chief Financial Officer. The Bank charges the Company a management fee (included in Note 15(b)) to provide all management services, including services of key management personnel.

# National Trust Company

## Notes to the Financial Statements

### For the year ended October 31, 2025

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#### 16. Financial instruments – risk management

The Company’s principal business activities result in a balance sheet that consists primarily of financial instruments. In addition, the Company uses derivative financial instruments for hedging purposes. The principal financial risks that arise from transacting financial instruments include credit risk, liquidity risk and market risk. The Company’s framework to monitor, evaluate and manage these risks is consistent with the Bank’s risk management framework.

Further details on the fair value of financial instruments and how these amounts were determined are provided in Note 5. Note 6 provides details on the terms and conditions of the Company’s derivative financial instruments, including notional amounts, remaining term to maturity, credit risk and fair values.

##### (a) Credit risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Company. The Bank manages credit risk on a consolidated basis within a framework of policies and limits approved by the Bank’s Board.

Credit risk is managed by dealing with counterparties the Company believes to be creditworthy, primarily the Bank.

##### (b) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations in a timely manner at reasonable prices. The Bank manages liquidity risk on a consolidated basis within a framework of policies and limits approved by the Bank’s Board. The Bank guarantees all deposits issued by the Company to customers.

Liquid assets consist of the following:

As at October 31 (\$000’s)	2025	2024
Deposits with Bank <sup>(1)</sup>	6,379,327	7,088,654
Liquid assets as a percentage of total assets	99.1%	99.2%

<sup>(1)</sup> Represents cash and demand deposits with the Bank.

##### (c) Market risk

Market risk arises from changes in market prices and rates (including interest rates, credit spreads, and equity prices), the correlations between them, and their levels of volatility.

##### *Interest rate risk*

Interest rate risk is the risk of loss due to changes in the level and/or the volatility of interest rates. Interest rate risk is managed by the Bank in accordance with Board-approved policies and global limits, which are designed to control the risk to net interest income and economic value of shareholder’s equity.

**National Trust Company**  
Notes to the Financial Statements  
For the year ended October 31, 2025

The following table summarizes the carrying amounts of selected assets and liabilities based on the earlier of contractual repricing or maturity dates.

<b>As at October 31, 2025 (\$000's)</b>	<b>Within 1 year</b>	<b>One to 5 years</b>	<b>Over 5 years</b>	<b>No specific maturity <sup>(1)</sup></b>	<b>Total</b>
Deposits with Bank	6,379,327	-	-	-	6,379,327
<b>Total</b>	<b>6,379,327</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,379,327</b>
Deposits	3,734,575	2,165,167	10,540	(2,128)	5,908,154
<b>Total</b>	<b>3,734,575</b>	<b>2,165,167</b>	<b>10,540</b>	<b>(2,128)</b>	<b>5,908,154</b>

  

<b>As at October 31, 2024 (\$000's)</b>	<b>Within 1 year</b>	<b>One to 5 years</b>	<b>Over 5 years</b>	<b>No specific maturity <sup>(1)</sup></b>	<b>Total</b>
Deposits with Bank	7,088,654	-	-	-	7,088,654
<b>Total</b>	<b>7,088,654</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,088,654</b>
Deposits	4,417,111	2,236,233	9,690	(2,729)	6,660,305
<b>Total</b>	<b>4,417,111</b>	<b>2,236,233</b>	<b>9,690</b>	<b>(2,729)</b>	<b>6,660,305</b>

<sup>(1)</sup> Represents unamortized commissions paid.