Axos Clearing LLC

Statement of Financial Condition as of December 31, 2024
(Unaudited)

STATEMENT OF FINANCIAL CONDITION
AS OF DECEMBER 31, 2024

(Dollars in Thousands)

ASSETS		
Cash and cash equivalents	$	36,475
Cash segregated in compliance with federal and other regulations		126,821
Deposits with clearing organizations		27,616
Securities owned ($267 at fair value)		4,941
Receivable from brokers, dealers, and clearing organizations, net		11,360
Receivable from customers, net		281,812
Receivable from registered investment advisors (RIA)		5,714
Securities borrowed		114,672
Property and equipment, net		9,172
Goodwill and intangible assets, net		88,852
Deferred tax asset, net		10,618
Other assets		15,309
Total assets	$	733,362
LIABILITIES MEMBER'S EQUITY		
Payable to banks		45,000
Payable to customers		288,956
Securities loaned		135,258
Payable to brokers, dealers, and clearing organizations		20,640
Accounts payable and accrued liabilities		21,713
Total liabilities		511,567
Commitments and Contingencies		—
Members equity		221,795
Total liabilities and member's equity	$	733,362

See notes to Statement of Financial Condition.

NOTES TO FINANCIAL STATEMENTS AS OF DECEMBER 31, 2024

1. ORGANIZATION AND NATURE OF OPERATIONS

Organization — Axos Clearing LLC (the "Company") is a wholly-owned subsidiary of Axos Securities, LLC, a wholly owned subsidiary company of Axos Nevada Holding, LLC, a wholly owned subsidiary company of Axos Financial, Inc. (the "Parent") and is headquartered in Omaha, Nebraska. The Company is a Delaware Limited Liability Company formed on January 21, 2004.

Nature of Operations — The Company is a securities broker-dealer and provides clearing services to other broker-dealers on a fully disclosed basis throughout the United States and provides custodial and trading services for registered investment advisors. The Company is required to comply with all applicable rules and regulations of the Securities and Exchange Commission ("SEC"), Financial Industry Regulatory Authority, Inc. ("FINRA"), and the various securities exchanges in which it maintains a membership.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Use of Estimates — The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of financial condition. Actual results could significantly differ from those estimates.

Cash and Cash Equivalents — The Company defines cash and cash equivalents as all cash balances and highly liquid investments with original maturities of three months or less at the time of purchase, that are not segregated and deposited for regulatory purposes. While the Company's cash and cash equivalents are on deposit with high-quality institutions, such deposits may exceed Federal Deposit Insurance Corporation insured limits.

Cash Segregated in Compliance with Federal and Other Regulations — Cash segregated in compliance with federal and other regulations consist of qualified deposits in special reserve bank accounts for the exclusive benefit of customers in accordance with Rule 15c3-3 of the Securities Exchange Act of 1934 (the "Exchange Act") and other regulations.

Deposits with Clearing Organizations — The Company maintains a minimum deposit with certain clearing organizations in the event the clearing organization incurs losses if customers are unable to fulfill their contractual commitments and margin requirements are not sufficient to fully cover losses incurred.

Securities Owned —Securities owned are recorded on a trade-date basis and are comprised of equities, municipal obligations classified as trading securities with maturities greater than ten years, preferred and common stock of the Depository Trust Clearing Corporation ("DTCC") and other various securities. Additional detail of securities owned as of December 31, 2024, is provided within Note 6.

Receivables from and Payables to Brokers or Dealers and Clearing Organizations — Receivables from/payables to brokers, dealers and clearing organizations represent amounts due in connection with the Company's normal transactions involving trading and clearing of securities. In addition, the net receivable or payable arising from unsettled trades is reflected in either the receivable or payable line item on the Statement of Financial Position. A portion of the Company's trades and contracts are cleared through a clearing organization and settled daily between the clearing organization and the Company. Due to this daily settlement, the amount of unsettled credit exposures is limited to the amount owed to the Company for a very short period of time. The Company continually reviews the credit quality of its counterparties.

Receivables from Registered Investment Advisors ("RIAs") — Receivables from RIAs represent amounts due in connection with the Company's asset custody services. Management routinely monitors the credit quality of these counterparties and assesses such receivables for any necessary allowance for credit losses.

Customer Transactions — Receivables from and payables to customers include amounts due on cash and margin transactions. Securities owned by customers, including those that collateralize margin or other similar transactions, are not reflected in the Statement of Financial Condition. Customer securities transactions are recorded on a settlement date basis in the Statement of Financial Condition. Receivables from customers are generally fully secured by securities held in the customer accounts. To the extent that margin loans and other receivables from customers are not fully collateralized by customer securities, management estimates and records the amount of expected credit losses as an allowance for credit losses. When establishing this allowance, management considers a number of factors, including its ability to collect from the customer or the customer's advisor and the Company's historical experience in collecting on such transactions. The Company applies the practical expedient based on collateral maintenance provisions in estimating an allowance for credit losses for margin loans.

Securities Borrowed and Securities Loaned — Securities borrowed and securities loaned transactions are reported as collateralized financings and recorded at the amount of cash collateral advanced or received. Securities borrowed transactions require the Company to deposit cash with the lender. With respect to securities loaned, the Company receives collateral in the form of cash in an amount 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. The Company applies the practical expedient based on collateral maintenance provisions in estimating an allowance for credit losses for securities borrowed receivables. The Company has established policies and procedures for mitigating credit risk on securities borrowed transactions, including reviewing and establishing limits for credit exposure, maintaining collateral, and continually assessing the creditworthiness of counterparties. The Company minimizes credit risk associated with these activities by monitoring collateral values and requiring additional collateral to be deposited with the Company as permitted under contractual provisions.

Allowance for Credit Losses — The Company accounts for estimated credit losses on financial assets measured at amortized cost and certain off-balance sheet credit exposures in accordance with FASB ASC 326-20, Financial Instruments – Credit Losses. FASB ASC 326-20 requires the Company to estimate expected credit losses over the life of its financial assets and certain off-balance sheet exposures as of the reporting date based on relevant information about past events, current conditions, and reasonable and supportable forecasts. As of December 31, 2024, the Company did not have any off-balance sheet credit exposures that required an allowance for credit losses.

The Company records the estimate of expected credit losses as an allowance for credit losses. For financial assets measured at amortized cost basis, the allowance for credit losses is reported as a valuation account on the balance sheet that is deducted from the asset's amortized cost basis.

Property and Equipment — Property and equipment is recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the remaining useful lives of the assets, ranging from 3 to 7 years.

Impairment of Long-Lived Assets —The Company reviews long-lived assets for impairment annually and whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. If the Company determines an impairment of a long-lived asset has occurred, the asset will be written down to its estimated fair value, which is based primarily on expected discounted future cash flows. No impairment charges were recorded as of December 31, 2024.

Income Taxes —Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred income tax assets and liabilities are determined using the asset and liability method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of the various assets and liabilities on the Statement of Financial Condition and gives current recognition to changes in tax rates and laws. The Company records a valuation allowance when management believes it is more likely than not that deferred tax assets will not be realized. The U.S. Federal jurisdiction and Nebraska, New York, and California are the major tax jurisdictions where the Company files income tax returns. As a result of this election the Company, which is a C corporation, for tax purposes, is subject to U.S. Federal and State examinations by tax authorities. An income tax position will be recognized as a benefit only if it is more likely than not that it will be sustained upon examination by the Internal Revenue Service, based upon its technical merits, Once that status is met, the amount recorded will be the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. The Company has analyzed the positions for all open tax years and the positions to be taken for the tax year ended December 31, 2024, in its major jurisdictions, and has analyzed whether there are uncertain tax positions (UTP) that require statement of financial condition recognition. Based on this review, the Company has reserved for a UTP in non-filing states for the period ended December 31, 2024. However, the Company's conclusions regarding this policy may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analyses of and changes to tax laws, regulations and interpretations thereof. Furthermore, upon audit by a taxing authority, the Company may be liable for additional taxes. The open tax years under potential examination vary by jurisdiction.

In December 2023, the FASB issued ASU 2023-09 which requires further granularity on the disclosure of income taxes, including:

- Certain prescribed line items in the income tax rate reconciliation presented both in dollar and percentage terms;
- Income taxes paid, income before income taxes and income taxes disaggregated by federal, state and foreign taxes; and
- Further disaggregation of income taxes paid by any individual jurisdiction equal to or exceeding five percent of total income taxes paid.

This standard is effective for fiscal years beginning after December 15, 2024. The Company does not expect any impact on its financial condition, results of operations or financial statement disclosures upon adoption. While changes to the disclosure will be required to comply with the new standards, the company is in the process of evaluating the specific effects and adjustment necessary to meet the updated requirements.

Goodwill and Intangibles Assets — Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Intangible assets represent purchased assets that lack physical substance but can be distinguished from goodwill because of contractual or other legal rights. Intangible assets that have finite lives, such as customer relationship intangibles, are amortized over their estimated useful lives.

The Company performs annual impairment tests of its goodwill as of March 31. The Company performed a qualitative assessment and determined it was not more likely than not that the fair value of the reporting unit was less than its carrying amount.

At December 31, 2024, goodwill of $60.0 million was included within Goodwill and intangible assets, net on the Statement of Financial Condition. As of December 31, 2024, the Company concluded that goodwill was not impaired.

Finite-lived intangible assets are tested for impairment periodically at the asset group level if events or circumstances indicate the carrying amount of the asset group may not be recoverable. If there are indicators that the asset group is not recoverable then an impairment loss shall be recognized if the carrying amount of an intangible asset is not recoverable and its carrying amount exceeds its fair value. Intangible assets (other than goodwill) are amortized to amortization expense on the Statement of Income, using straight-line methods over their respective estimated useful lives. As of December 31, 2024, there was no impairment recorded. Amortization of intangible assets as of December 31, 2024 was $18.3 million.

The Company maintains customer relationship intangibles which are being amortized over a period of 9 or 15 years depending on the size of the relationship. The Company reviews intangibles for impairment annually and whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. No impairment charges were recorded as of December 31, 2024.

The Company's intangible assets as of December 31, 2024 are summarized as follows:

(Dollars in Thousands)		
Intangible Assets:		
Customer relationships	$	35,770
Acquired technology		10,990
Trade name		290
Non-Solicitation rights		130
Total intangible assets gross	$	47,180
Accumulated Amortization:		
Customer relationships	$	12,628
Acquired technology		5,233
Trade name		290
Non-Solicitation rights		130
Total amortization		18,281
Net Carrying Amount	$	28,899

3. CASH AND CASH EQUIVALENTS AND CASH SEGREGATED IN COMPLIANCE WITH FEDERAL AND OTHER REGULATIONS

The following table provides a reconciliation of cash and cash equivalents and cash segregated in compliance with federal and other regulations reported within the Statement of Financial Condition as of December 31, 2024:

(Dollars in Thousands)		
Cash and cash equivalents	$	36,475
Cash segregated in compliance with federal and other regulations		126,821
Total cash and cash equivalents and cash segregated in compliance with federal and other regulations	$	163,296

Cash segregated in compliance with federal and other regulations on the Statement of Financial Condition represents cash segregated or set aside to satisfy requirements under Rule 15c3-3 of the Exchange Act. This cash is held within special reserve bank accounts for the benefit of customers.

4. RECEIVABLE FROM AND PAYABLE TO BROKERS, DEALERS, AND CLEARING ORGANIZATIONS

Receivable from and payable to brokers, dealers, and clearing organizations are comprised of the following as of December 31, 2024:

(Dollars in Thousands)		
Receivable, net:		
Brokers and dealers	$	5,360
Securities failed to deliver		2,018
Clearing organizations		3,982
Total Receivable, net	$	11,360
Payable:		
Brokers and dealers	$	18,804
Securities failed to receive		1,205
Clearing organizations		631
Total Payable	$	20,640

Receivables related to securities are collateralized by the underlying securities held at the Company prior to settlement.

The total amount of broker-dealer allowance for credit losses recorded as of December 31, 2024, is $18.4 million. The allowance for credit losses recorded is primarily due to a single receivable of $15.5 million.

5. BENEFIT PLANS

The parent, Axos Financial, Inc., offered a 401(k) plan as of December 31, 2024. Substantially all of the Company's employees are able to participate in the plan. Employees may contribute up to 100% of their compensation subject to certain limits based on federal tax laws. The Company provided an employer matching contribution to the 401(k) plan based on an employee’s designated deferral of their eligible compensation.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company’s assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is categorized into three levels based on the inputs as follows:

Level 1 — Quoted prices in active markets for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 — Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.

Level 3 —Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models such as discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors, including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. 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. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined by the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company’s own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Company uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the availability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

At December 31, 2024, the Company’s assets measured at fair value on a recurring basis consist of the following:

(Dollars in Thousands)

Assets:	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	$ 267	$ —	$ —	$ 267
State and Municipal obligations	—	—	—	—
Securities owned - at fair value	$ 267	$ —	$ —	$ 267

The fair value of all other financial instruments reflected in the Statement of Financial Condition consisting of primarily receivables from and payables to brokers, dealers and clearing organizations and customers, securities borrowed and loaned, payable to banks, and notes receivable approximates the carrying value due to the short-term nature and pricing characteristics of the financial instruments.

DTCC members are required to own a certain amount of DTCC stock based on clearing levels and certain other factors. DTCC stock of $4.7 million at December 31, 2024 is valued based on information provided by the DTCC, classified as a restricted security and periodically evaluated for impairment based on ultimate recovery of the carrying amount.

7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2024:

(Dollars in Thousands)

Furniture and equipment	$ 6,005
Software	16,917
	22,922
Less accumulated depreciation	(13,750)
Property and equipment, net	$ 9,172

8. REGULATORY REQUIREMENTS

The Company is subject to the SEC Uniform Net Capital (Rule 15c3-1 of the Exchange Act). Under this rule, the Company has elected to operate under the alternate method and is required to maintain minimum net capital of $1.5 million or 2% of aggregate debit balances arising from client transactions, as defined. On December 31, 2024, the Company had net capital of $83.9 million which was $78.3 million in excess of the required net capital requirement of $5.6 million. The Company's percentage of net capital to aggregate debit items was 29.7%. Under the alternate method, the Company may not repay subordinated debt, pay cash distributions, or make any unsecured advances or loans to its parent or employees if such payment would result in net capital of less than 5% of aggregate debit balances or less than 120% of its minimum dollar requirement.

The Company, as a clearing broker, is subject to SEC Customer Protection Rule (Rule 15c3-3 of the Exchange Act) which requires segregation of funds in a special reserve account for the exclusive benefit of customers ("Customer Reserve Bank Account") and proprietary accounts of brokers ("PAB Reserve Account"). As of December 31, 2024, the company calculated a Customer Reserve deposit requirement of $59.0 million and maintained a deposit of $90.2 million. On January 3, 2025, the Company made a withdrawal of $12 million. As of December 31, 2024, the Company calculated a PAB Reserve deposit requirement of $23.6 million and maintained a deposit of $36.7 million. On January 2, 2025, the Company made a deposit of $2 million.

9. OFFSETTING OF SECURITIES FINANCING AGREEMENTS

The Company enters into securities borrowed and securities loaned transactions. The Company executes these transactions to facilitate customer match-book activity, to cover short positions, and for customer securities lending. The Company manages credit exposure from certain transactions by entering into master securities lending agreements. The relevant agreements allow for the efficient closeout of transactions, liquidation and set-off of collateral against the net amount owed by the counterparty following a default. Default events generally include, among other things, failure to pay, insolvency or bankruptcy of a counterparty.

The following table presents information about the offsetting of these instruments and related collateral amounts as of December 31, 2024:

(Dollars in Thousands)

	Gross Assets / Liabilities	Amounts Offset	Net Balance Sheet Amount	Financial Collateral	Net Assets / Liabilities
Assets:					
Securities borrowed	$ 114,672	$ —	$ 114,672	$ —	$ 114,672
Liabilities:					
Securities loaned	$ 135,258	$ —	$ 135,258	$ —	$ 135,258

The securities loaned transactions represent equities with an overnight and open maturity classification.

10. RECEIVABLE FROM AND PAYABLE TO CUSTOMERS

Accounts receivable from and payable to customers include amounts due on cash and margin transactions. Securities owned by customers are held as collateral for receivables. The customer receivables are recorded net of an allowance for credit losses of $257 thousand. The amounts are as follows as of December 31, 2024:

(Dollars in Thousands)

Receivable from customers - net	$ 281,812	$ —
Payable to customers	—	288,956
	$ 281,812	$ 288,956

11. PAYABLE TO BANKS AND PARENT

The Company has $150 million uncommitted secured lines of credit available for borrowing as needed. As of December 31, 2024, no borrowings were outstanding. This credit facility bears interest at rates based on the Federal Funds rate and any borrowings are due upon demand. As of December 31, 2024, the rate was 5.75%. The credit facilities have no expiration date. The Company was in compliance with all covenants at December 31, 2024.

The Company has a $110 million committed unsecured line of credit available for limited purpose borrowing. As of December 31, 2024, the company had $45M borrowed. This credit facility expires in October 2025. The committed credit facilities contain financial and other covenants. The Company was in compliance with all applicable covenants at December 31, 2024. As of December 31, 2024, the rate was 7.0%.

The Company has a $100 million uncommitted unsecured line of credit available from the Parent. As of December 31, 2024, no borrowings were outstanding. These credit facilities bear interest at rates based on the Federal Funds rate and are due upon demand. As of December 31, 2024, the rate was 7.0%. The credit facilities have no expiration date. The Company was in compliance with all covenants at December 31, 2024.

12. INCOME TAXES

The components of the net deferred tax asset as of December 31, 2024 are presented in the following table.

(Dollars in Thousands)		
Deferred tax assets:		
Intangible assets	$	6,813
Allowance for credit losses		5,289
Accrued compensation		1,095
Stock-based compensation expense		450
Other		(24)
Total deferred tax asset		13,623
Deferred tax liabilities:		
Depreciation and amortization		(2,607)
State taxes		(424)
Other		26
Total deferred tax liability		(3,005)
Net deferred tax asset	$	10,618

The Company is included in the consolidated tax return of the Parent and its subsidiaries. The provision for income taxes is calculated by using a “separate return” method. Under this method, it is assumed to file a separate return with the tax authority, thereby reporting taxable income or loss and paying the applicable tax to or receiving the appropriate refund from ultimate Parent. The current tax provision is the amount of the tax payable or refundable based on a hypothetical, current-year separate return. The Company provides deferred taxes on temporary differences and on any carryforwards that could be claimed on our hypothetical return and assesses the need for a valuation allowance on the basis of the projected separate return results.

The reconciliation of the gross beginning and ending amount of uncertain tax positions are as follows:

(Dollars in Thousands)	December 31, 2024	
Balance—beginning of period	$	113
Additions—current year tax positions		11
Additions—prior year tax positions		—
Reductions—prior year tax positions		(37)
Total liability for uncertain tax positions—end of period	$	87

As of December 31, 2024, uncertain tax benefits totaled $87 thousand that, if recognized, would favorably impact the effective tax rate. The Company does not anticipate resolution of any unrecognized tax benefits within the next 12 months. The Company accounts for interest and penalties related to income tax liabilities as a component of income tax expense.

13. COMMITMENTS AND CONTINGENCIES

The Company may be subject to lawsuits, arbitration, claims, and other legal proceedings in connection with its business. A substantial adverse judgment or other unfavorable resolution of these matters could have a material adverse effect on the Company's statement of financial condition. Management is of the opinion that the Company has adequate legal defenses with respect to the legal proceedings to which it is a defendant or respondent and the outcome of these pending proceedings is not likely to have a material adverse effect on the statement of financial condition of the Company.

The Company discusses matters with its regulators raised during regulatory examinations or otherwise subject to their inquiry. These matters could result in censures, fines, or other sanctions. Management believes the outcome of any resulting actions will not be material to the Company's statement of financial condition. However, the Company is unable to predict the ultimate outcome of these matters.

14. SUBORDINATED BORROWINGS FROM PARENT

As of December 31, 2024, the Company had no borrowings under a subordinated loan facility from the Parent. The subordinated debt matured and was paid back to the Parent on November 22, 2024. The interest rate was 5.5% and matured on November 22, 2024. There were no covenants.

The borrowing was approved by FINRA as subordinated debt available in computing net capital under Rule 15c3-1. The debt facility was subordinated to the claims of general creditors and to the extent that the debt facility was required for the Company's continued compliance with minimum net capital requirements, it may not be repaid. FINRA requires more than three months advance notification of intent not to extend the maturity of a subordinated loan agreement. On February 16, 2024, the Parent notified the Company that the Subordinated Borrowing Agreement would not be extended past its current maturity date of November 22, 2024.

15. RELATED PARTIES

The Company has an FDIC cash sorting program deposit account with Axos Bank, an affiliated company.

While the deposit account is not an asset of the Company and is held for the exclusive benefit of the Company's customers, the Company does earn income fees from the deposit account with Axos Bank.

At December 31, 2024, there was a payable to related parties in the amount of $1.5 million. The Company held net cash in the amount of $5.3 in related company bank accounts as of December 31, 2024. During the course of the year, the Company provided clearing services for an affiliate, Axos Invest, LLC. The Company sponsors a fully paid lending program whereby customers provide securities for securities lending. The Company receives cash as collateral from broker dealers and deposits this cash in a restricted deposit account at Axos Bank. As of December 31, 2024, $3.7 million of such collateral was held by Axos Bank.

16. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

In the normal course of business, the Company's customer activities involve the execution, settlement, and financing of various customer securities transactions. These activities may expose the Company to off-balance-sheet risk in the event the customer or other broker is unable to fulfill its contracted obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss. The Company's clearing agreements with broker-dealers for which it provides clearing services indemnify the Company if customers fail to satisfy their contractual obligation.

The Company's customer securities activities are transacted on either a cash or margin basis. In margin transactions, the Company extends credit to its customers, subject to various regulatory and internal margin requirements, collateralized by cash and securities in the customer's accounts. In connection with these activities, the Company executes and clears customer transactions involving the sale of securities not yet purchased, substantially all of which are transacted on a margin basis subject to individual exchange regulations. Such transactions may expose the Company to significant off-balance-sheet risk in the event margin requirements are not sufficient to fully cover losses that customers may incur. In the event the customer fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices to fulfill the customer's obligations. The Company seeks to control the risks associated with its customer activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. The Company monitors required margin levels daily, and pursuant to such guidelines, requires the customer to deposit additional collateral or to reduce positions when necessary.

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the policy to review, as necessary, the credit standing of each counterparty.

The Company temporarily loans securities to other broker-dealers in connection with its business. The Company receives cash as collateral for the securities loaned. Increases in securities prices may cause the market value of the securities loaned to exceed the amount of cash received as collateral. In the event the counterparty to these transactions does not return the loaned securities, the Company may be exposed to the risk of acquiring the securities at prevailing market prices in order to satisfy its customer obligations. The Company controls this risk by requiring credit approvals for counterparties, by monitoring the market value of securities loaned on a daily basis, and by requiring additional cash as collateral when necessary.

The Company temporarily borrows securities from other broker-dealers in connection with its business. The Company deposits cash as collateral for the securities borrowed. Decreases in securities prices may cause the fair value of the securities borrowed to fall below the amount of cash deposited as collateral. In the event the counterparty to these transactions does not return the cash deposited, the Company may be exposed to the risk of selling the securities at prevailing market prices. The Company controls this risk by requiring credit approvals for counterparties, by monitoring the collateral values on a daily basis, and by requiring collateral to be returned by the counterparties when necessary.

As of December 31, 2024, non-customer and customer margin securities were available to the Company to utilize as collateral on various borrowings or for other purposes. The Company utilized $74.2 million of these available securities as collateral for securities loaned, $122.1 million for bank loans, and $34.9 million to meet OCC margin requirements of $16.3 million.

The Company provides guarantees to securities clearing houses and exchanges. Under related agreements, the Company is generally required to guarantee the performance of other members. Under the agreements, if a member becomes unable to satisfy its obligations to the clearinghouse, other members would be required to meet shortfalls. The Company’s liability under these arrangements is not quantifiable and could exceed the cash and securities it has posted as collateral. However, the potential for the Company to be required to make payments under these agreements is remote. Accordingly, no contingent liability is carried on the Statement of Financial Condition for these transactions.

17. SUBSEQUENT EVENTS

Management has evaluated subsequent events after the balance sheet date through March 4, 2025, the date these financial statements were issued. The Company paid a $7 million dividend on February 4, 2025.