

FIRST NATIONAL

FINANCIAL CORPORATION



INVESTOR PRESENTATION

March 2, 2016



FORWARD LOOKING STATEMENTS

Certain statements in this presentation may contain “forward looking” statements that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or industry to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. This presentation should be viewed in conjunction with the latest Management Discussion and Analysis and other regulatory filings, copies of which can be obtained electronically at SEDAR.



FIRST NATIONAL FINANCIAL CORPORATION

- **Leading Canadian mortgage originator, underwriter and servicer**
 - Prime single family residential
 - Multi-unit residential and commercial
- **Strong nationwide presence with operations across the country**
 - 900 employees
 - BBB counterparty rating

First National's Regional Offices



All figures are expressed in Canadian dollars unless otherwise stated

(1) IFRS Earnings Before Taxes, Depreciation and Amortization, and gains and losses on account of financial instruments for the year ended December 31, 2015

Company Snapshot – FY 2015

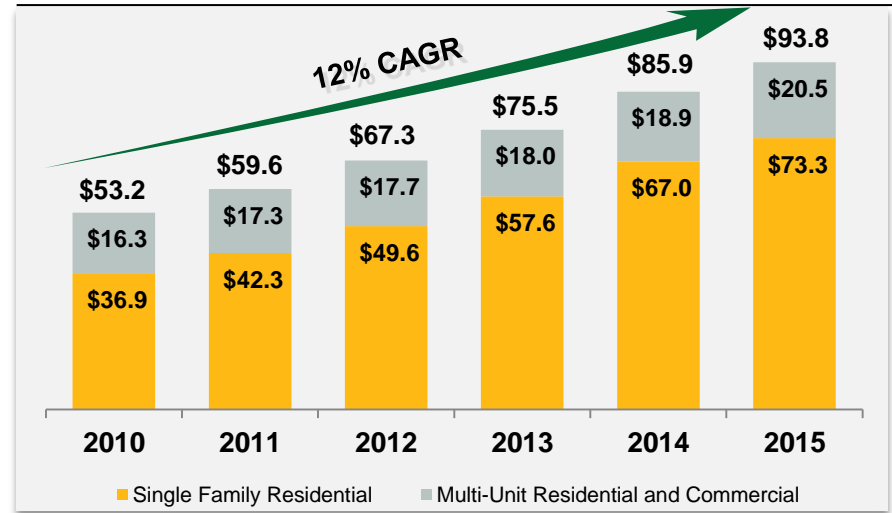
Listing	TSX: FN, FN.PR.A
Market Capitalization	\$1.3 billion
Mortgages Under Administration (“MUA”)	\$93.8 billion
Annual Originations	\$17.3 billion
Revenue	\$915.3 million
Pre-FMV EBITDA	\$209.9 million ⁽¹⁾
Residual Credit Risk	<1%

Largest non-bank originator and underwriter of mortgages in Canada

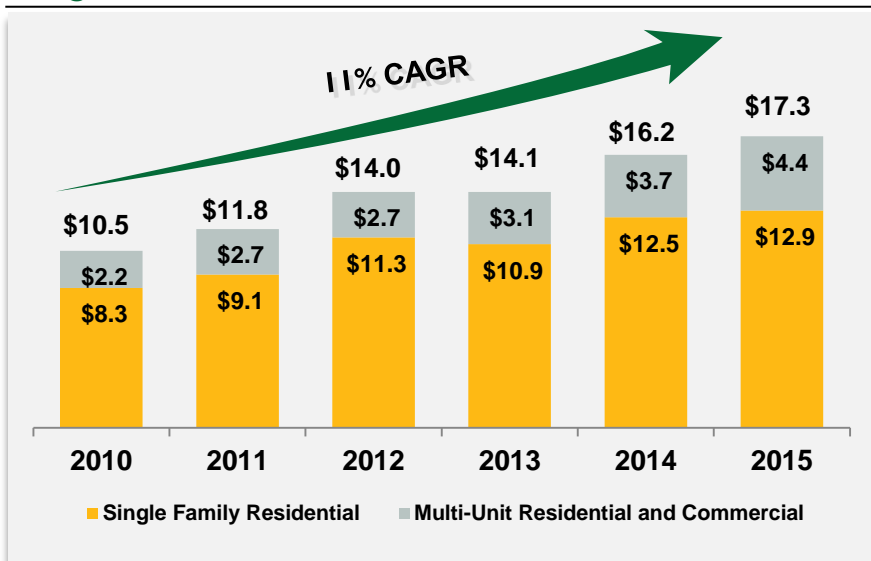
FIRST NATIONAL AT A GLANCE

- Largest non-bank originator and underwriter and servicer of predominately prime residential and commercial mortgages
 - Top three market share in mortgage broker distribution channel
- Compelling MUA, originations and revenue growth since 2010

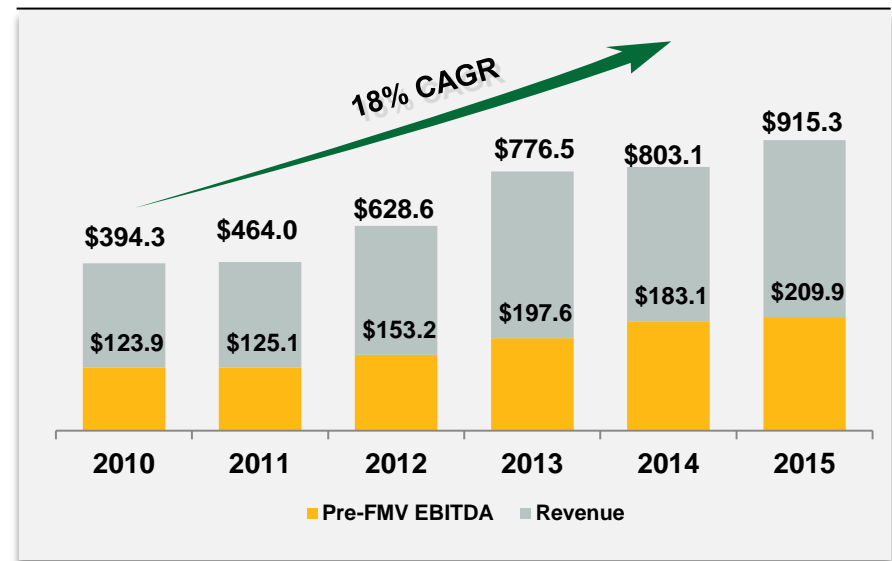
Mortgages Under Administration



Originations



Revenue and Pre-FMV EBITDA



INDUSTRY OVERVIEW

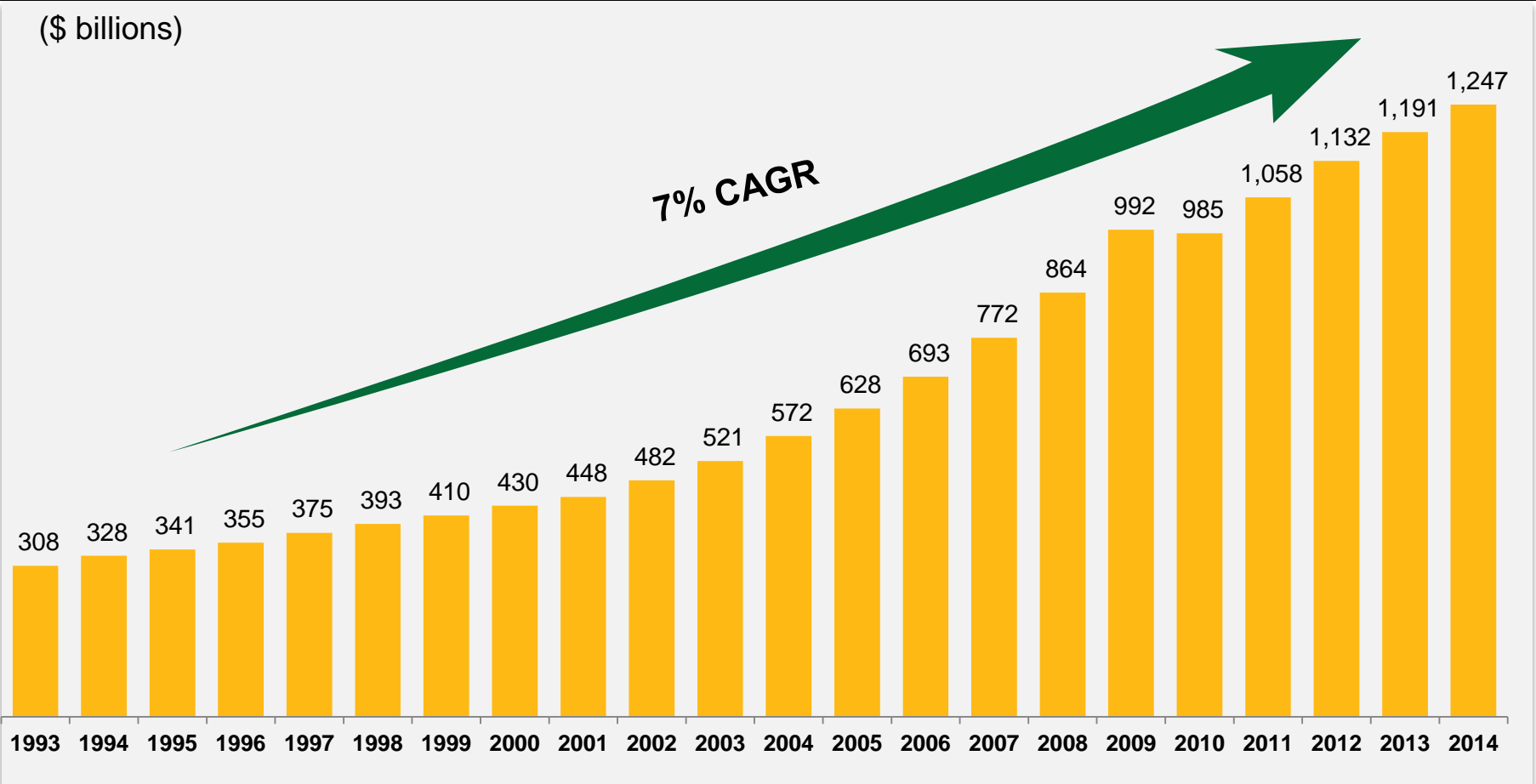
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RESIDENTIAL MORTGAGE MARKET

Average Canadian Residential Mortgage Credit Outstanding



Source: Statistics Canada

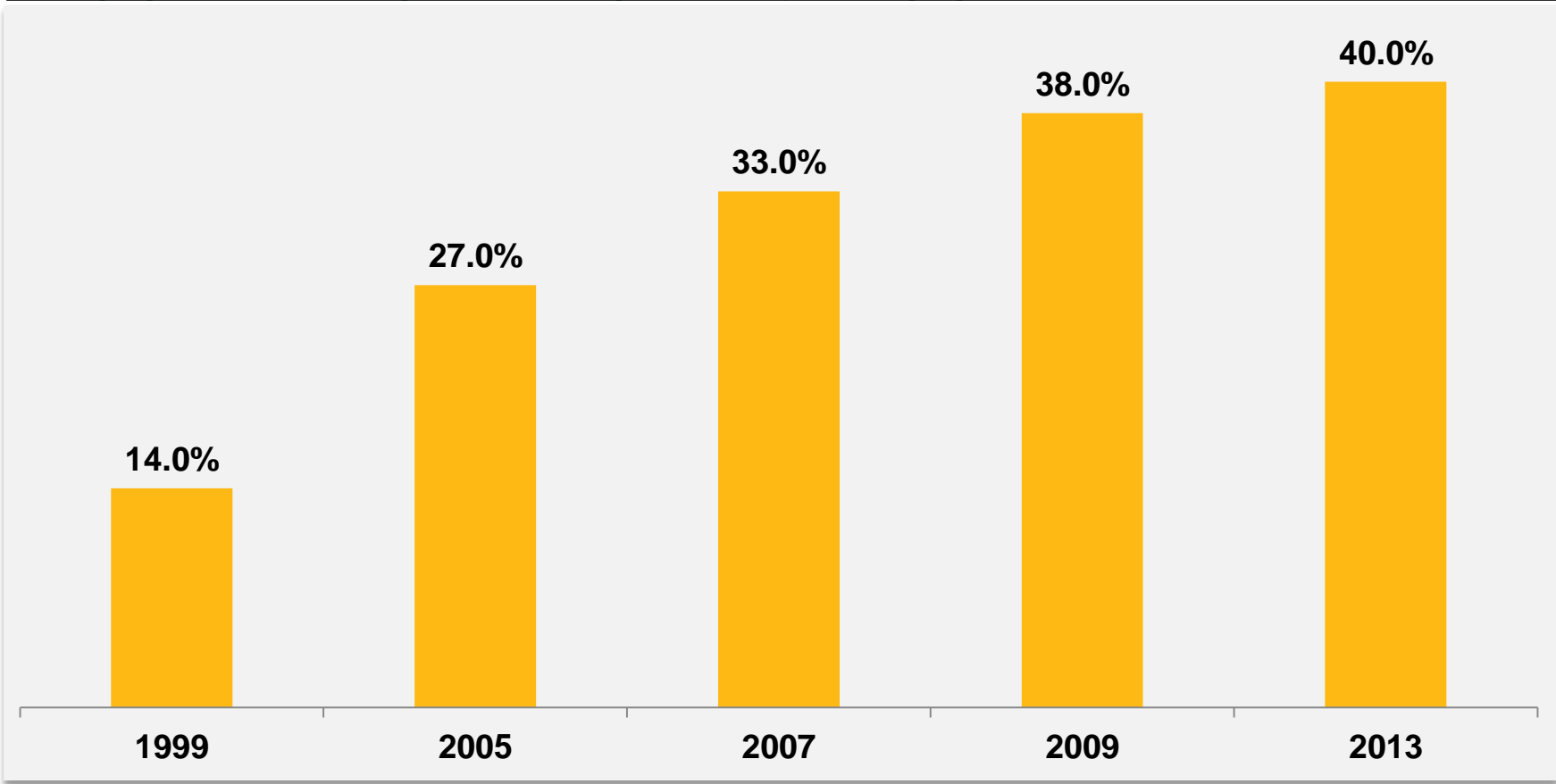
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GROWING MORTGAGE BROKER MARKET

Mortgage Broker Originated Single Family Mortgages



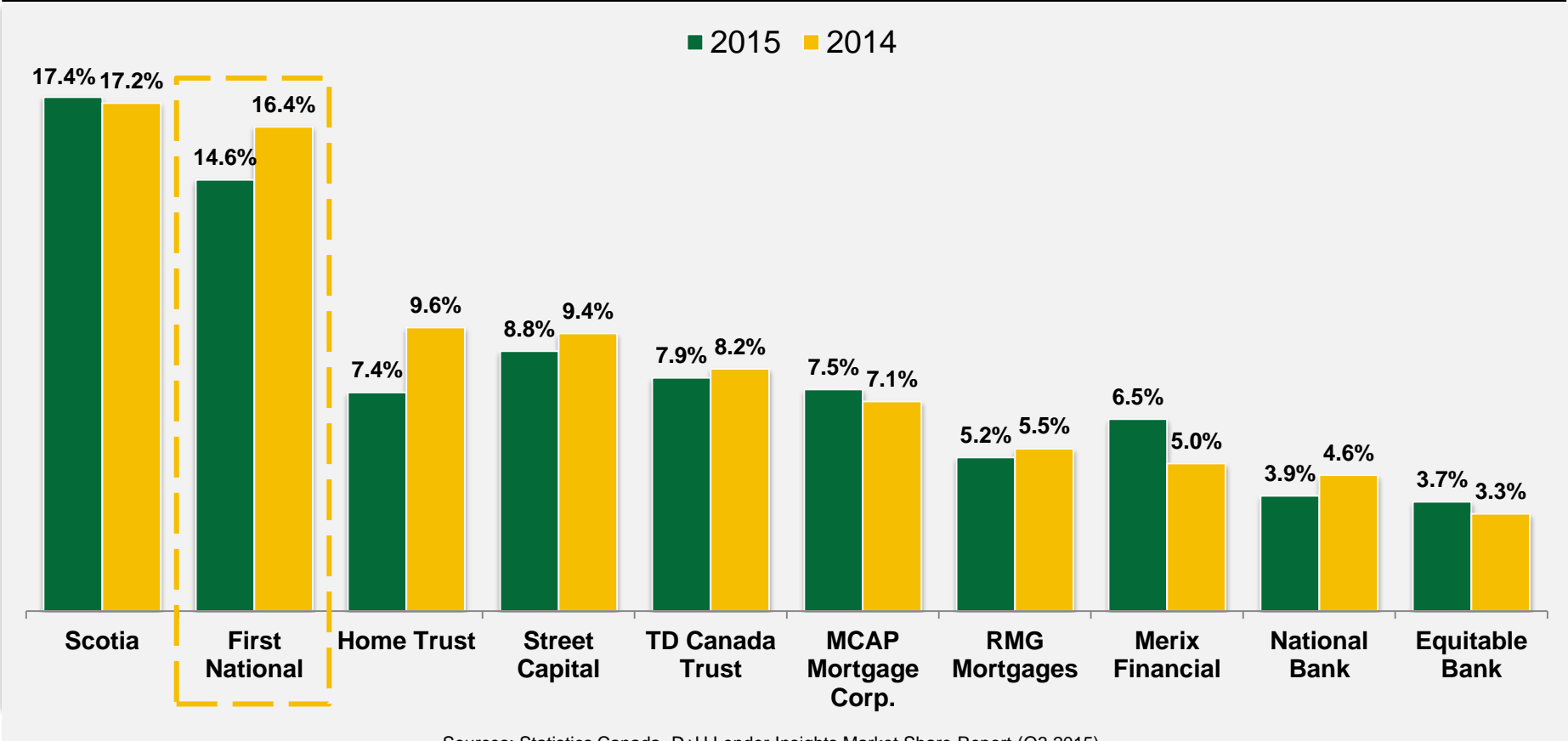
Source: CMHC Consumer Survey

Significant mortgage origination channel

BROKER ORIGINATION – MARKET SHARE

- Canada’s largest non-bank originator and underwriter of residential mortgages
- One of Canada’s largest commercial lenders

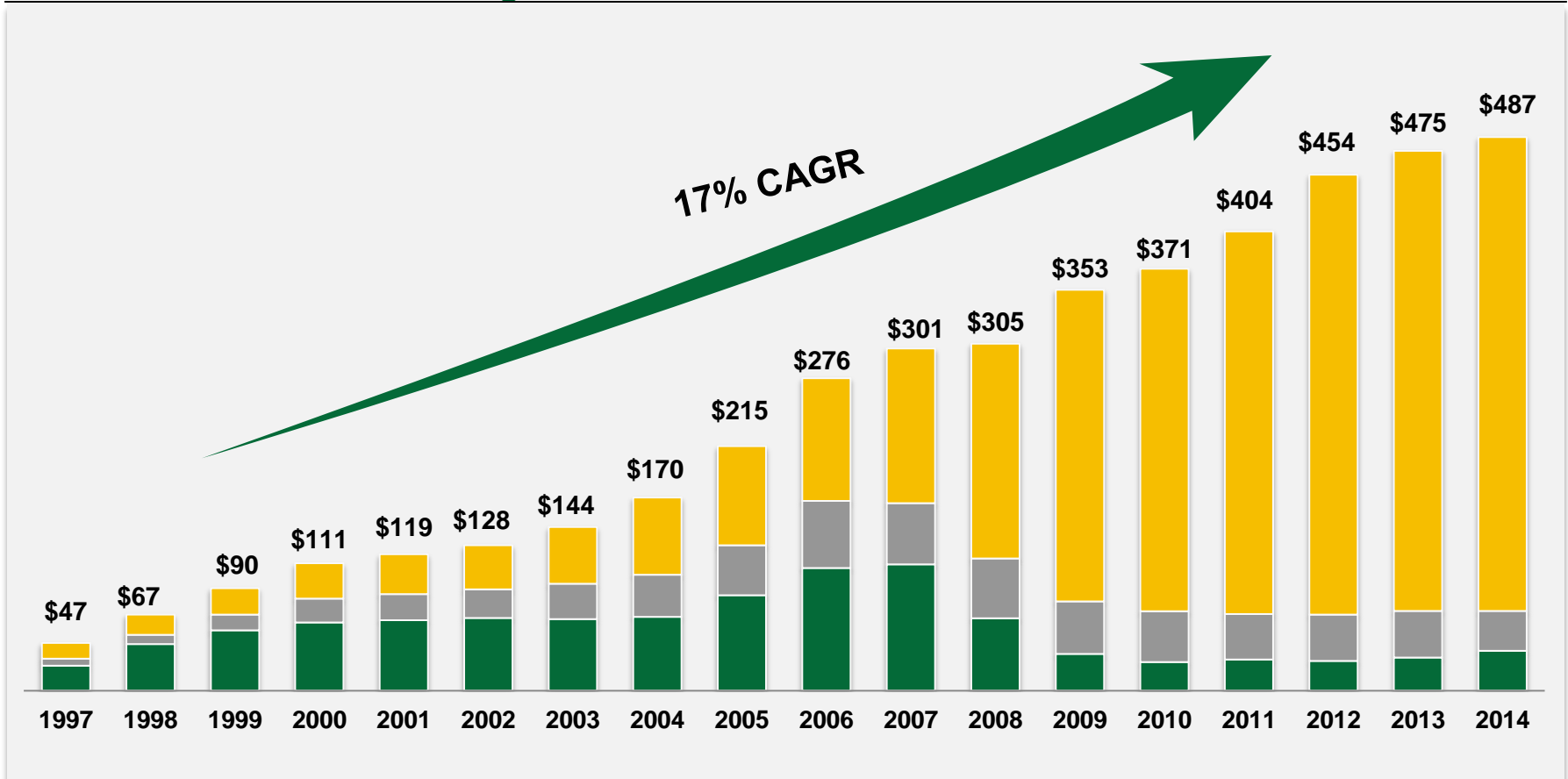
First National’s Broker Origination Market Share



Sources: Statistics Canada, D+H Lender Insights Market Share Report (Q3 2015)

SECURITIZATION MARKET

Securitizations Outstanding



Source: Statistics Canada & DBRS

■ ABCP ■ Term Debt ■ NHA-MBS

Continued availability of cost effective funding

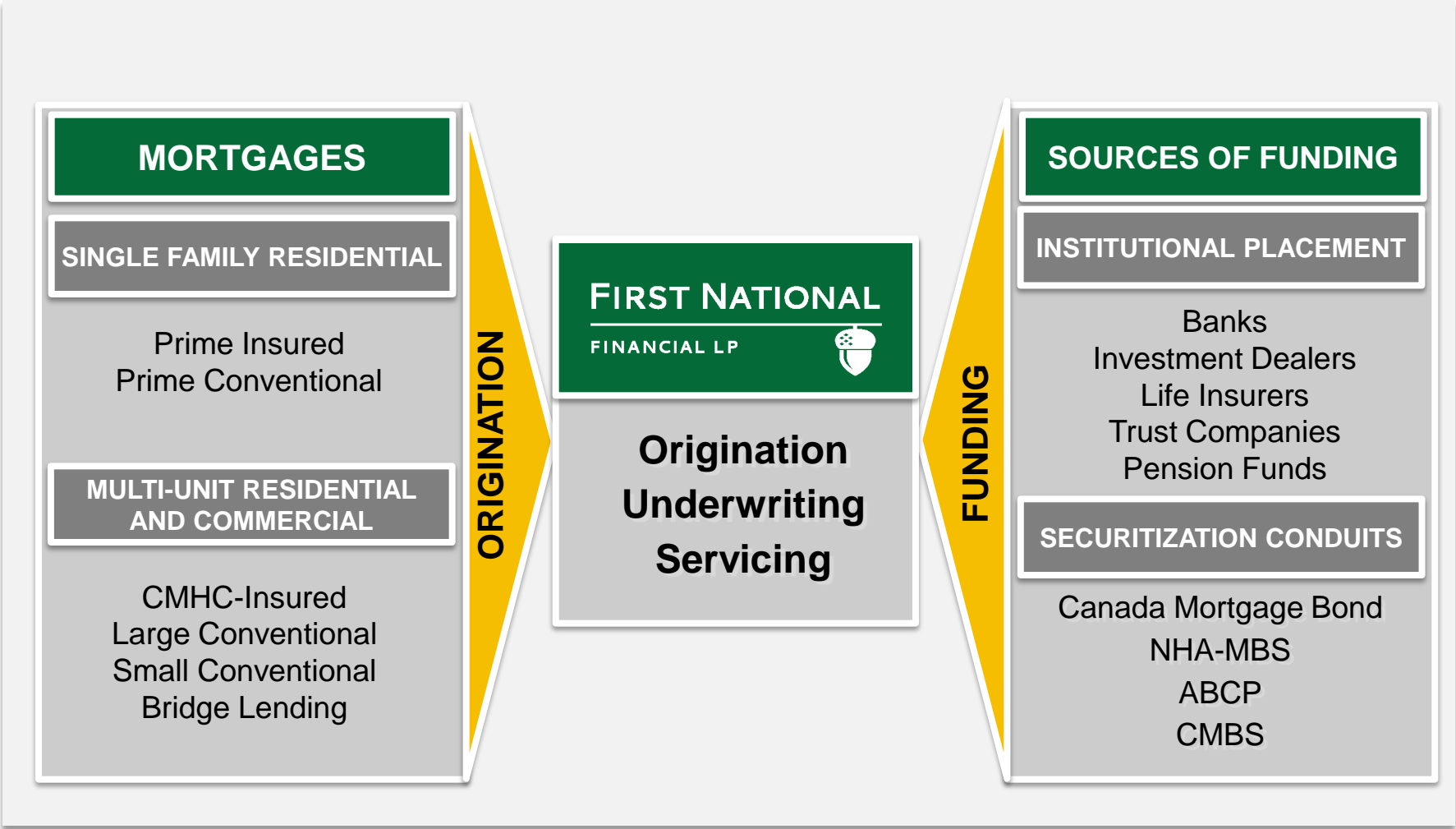
COMPANY OVERVIEW

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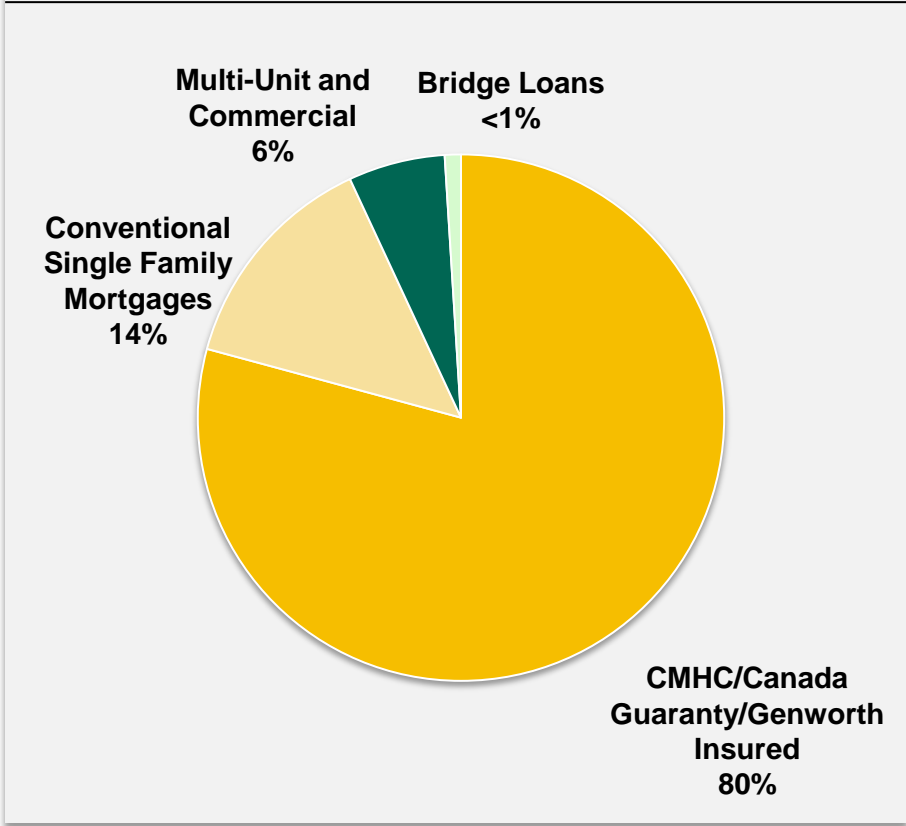
STABLE BUSINESS MODEL



Diversified origination and funding sources

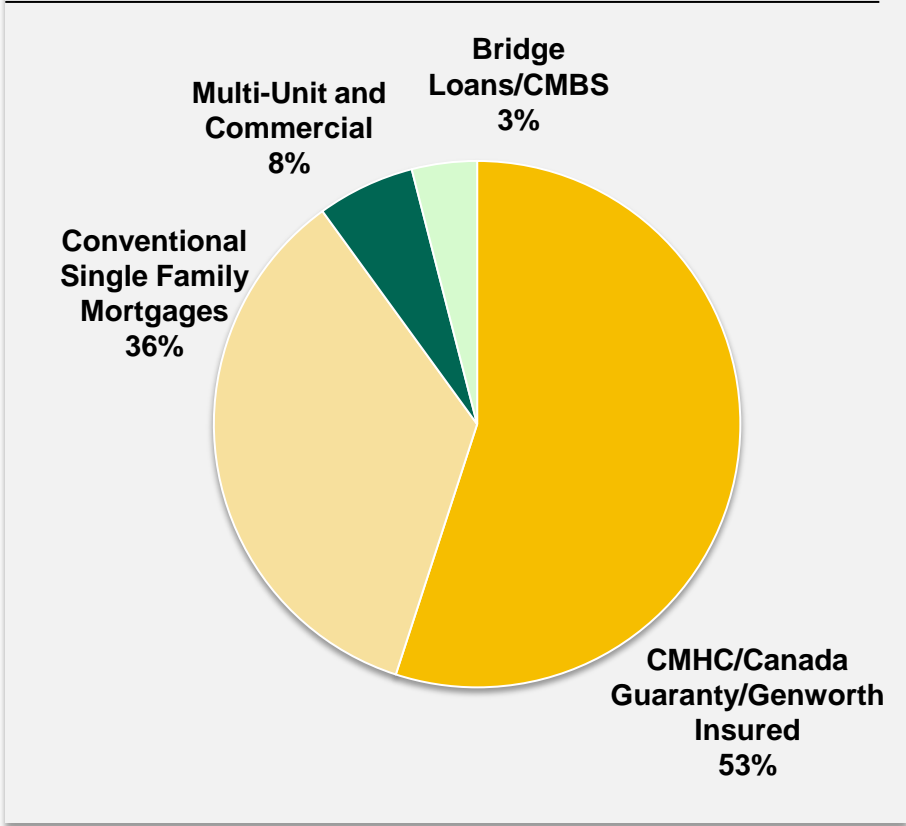
HIGH QUALITY MORTGAGES

Mortgages Under Administration (as at Dec 2015)



**94% Insured or
Conventional Single Family Residential**

Originations (for the year ended Dec 31 2015)



**89% Insured or
Conventional Single Family Residential**

Conservative portfolio focused on originating prime mortgages

ONLY CANADIAN SERVICER RATED BY ALL FOUR RATING AGENCIES
CANADA'S LARGEST INDEPENDENT MORTGAGE SERVICER



Insight beyond the rating.



Moody's Corporation

**STANDARD
& POOR'S**

FitchRatings



- Economies of Scale
- Real-time Investor Portal
- Complete NHA MBS Reporting

Over \$90 billion of serviced mortgages

PREMIER ORIENTATION AND UNDERWRITING SOFTWARE



Canada's Only Web-Based Real Time Broker Information System

BROKER BENEFITS

- Faster Mortgage Approvals
- 24/7 Mortgage Commitment Status
- Better Client Service
- Enhanced Efficiency

COMPANY BENEFITS

- Lower Operating Costs
- Faster Turn-around
- Enhanced Efficiency
- Scalability

**Recently began processing and underwriting
all mortgages originated through TD's broker distribution channel**

FINANCIAL REVIEW

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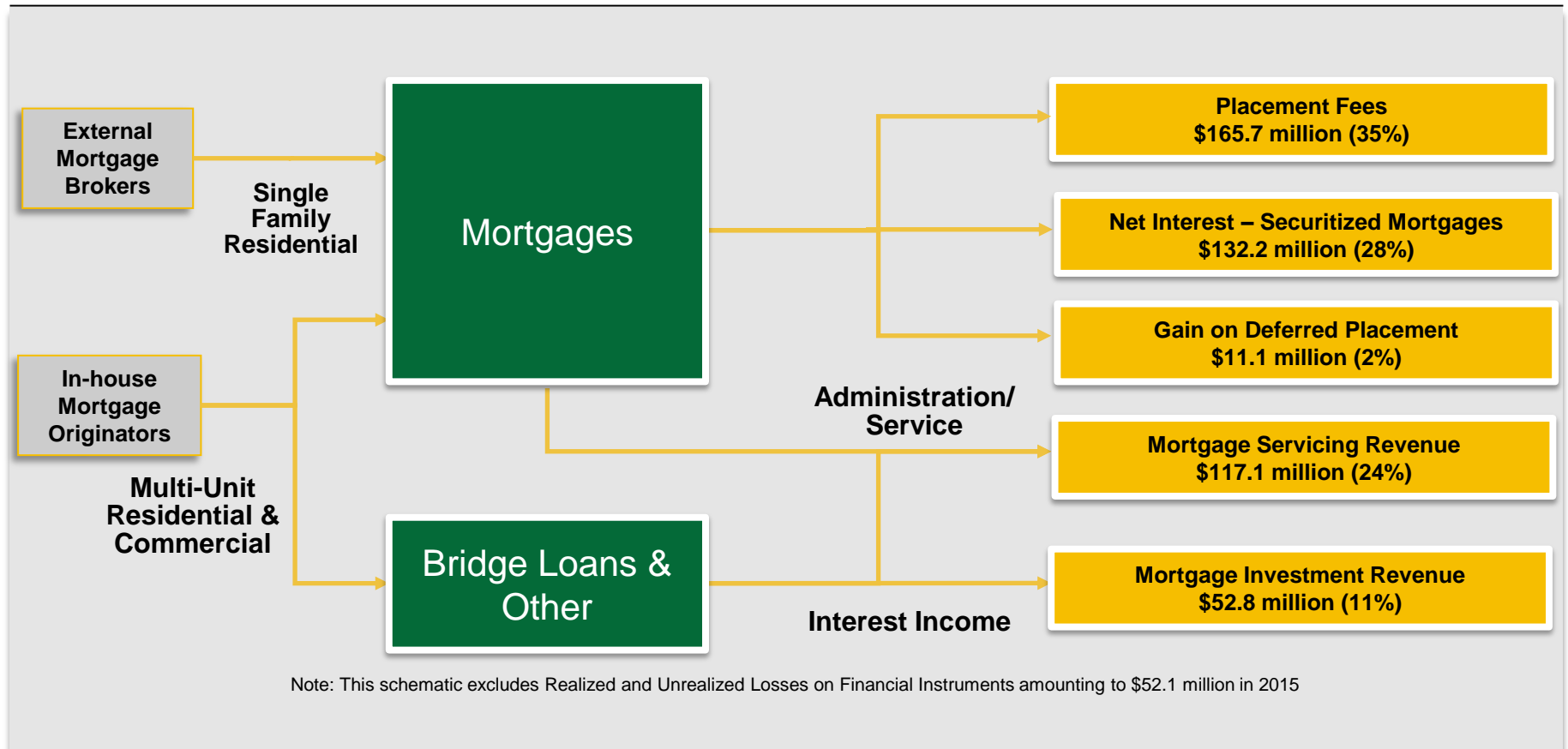
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MULTIPLE REVENUE SOURCES

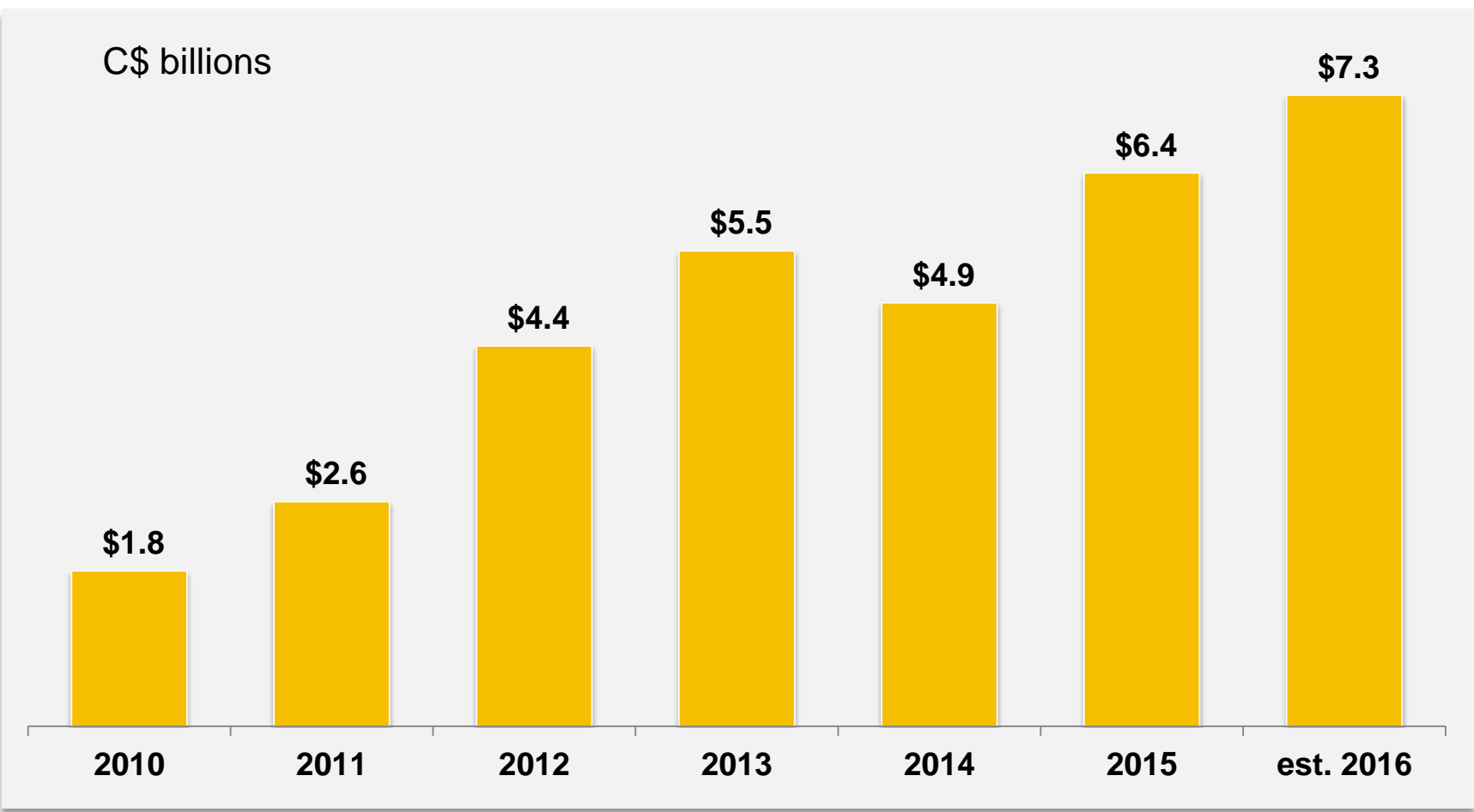
- Diversified revenue streams comprised largely of:
 - Monthly servicing income
 - Net Interest – securitized mortgages
 - Origination/placement fees

Sources of Revenue – 2015



GROWING ORIGINATION FROM RENEWALS

Single-Family Renewal Opportunities

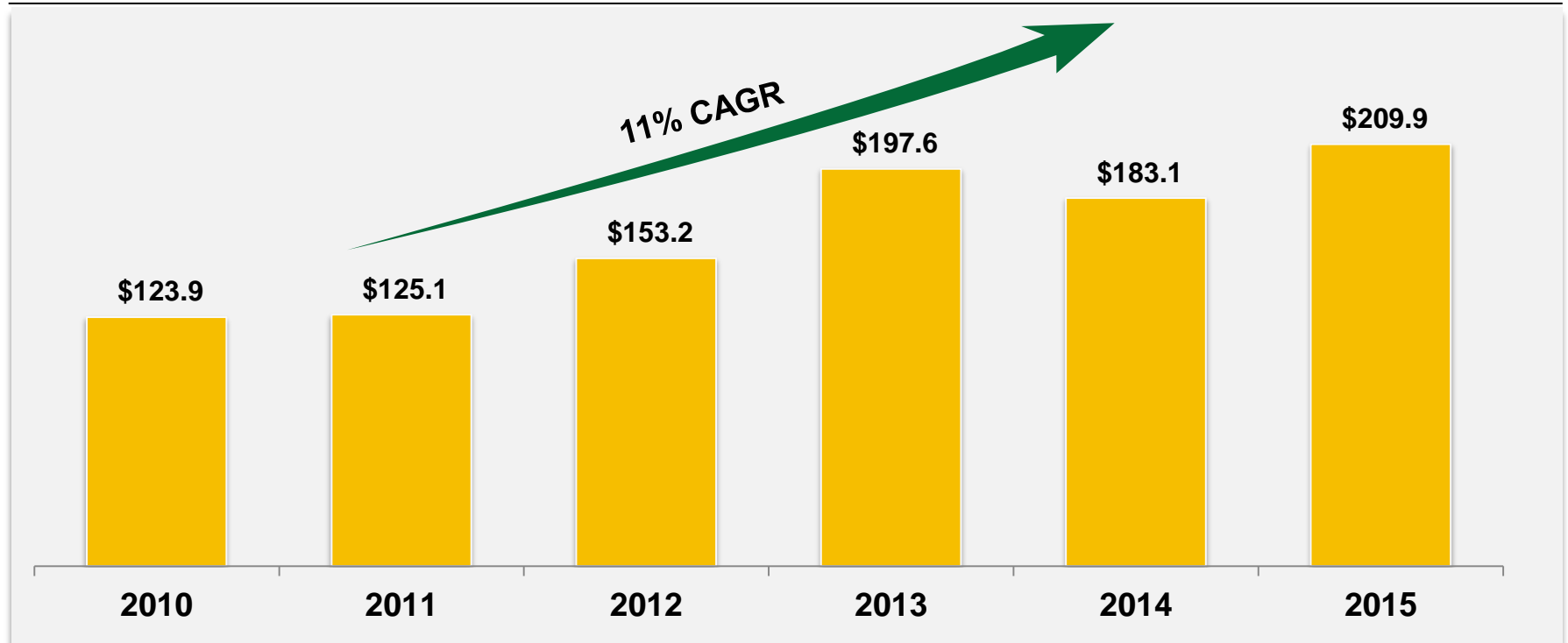


Increased profitability

GROWTH IN PRE-FMV EBITDA

- First National has a proven track record of growing Pre-FMV EBITDA since 2010
 - 2015 Pre-FMV EBITDA was \$209.9 million which represented a CAGR of over 11% since 2010
 - Growth in Pre-FMV EBITDA has been driven by steady growth of the company's core business, including net margins on securitized mortgages and mortgage investment income

Pre-FMV EBITDA



Consistent growth in pre-FMV EBITDA

FUNDING AND RISK MANAGEMENT

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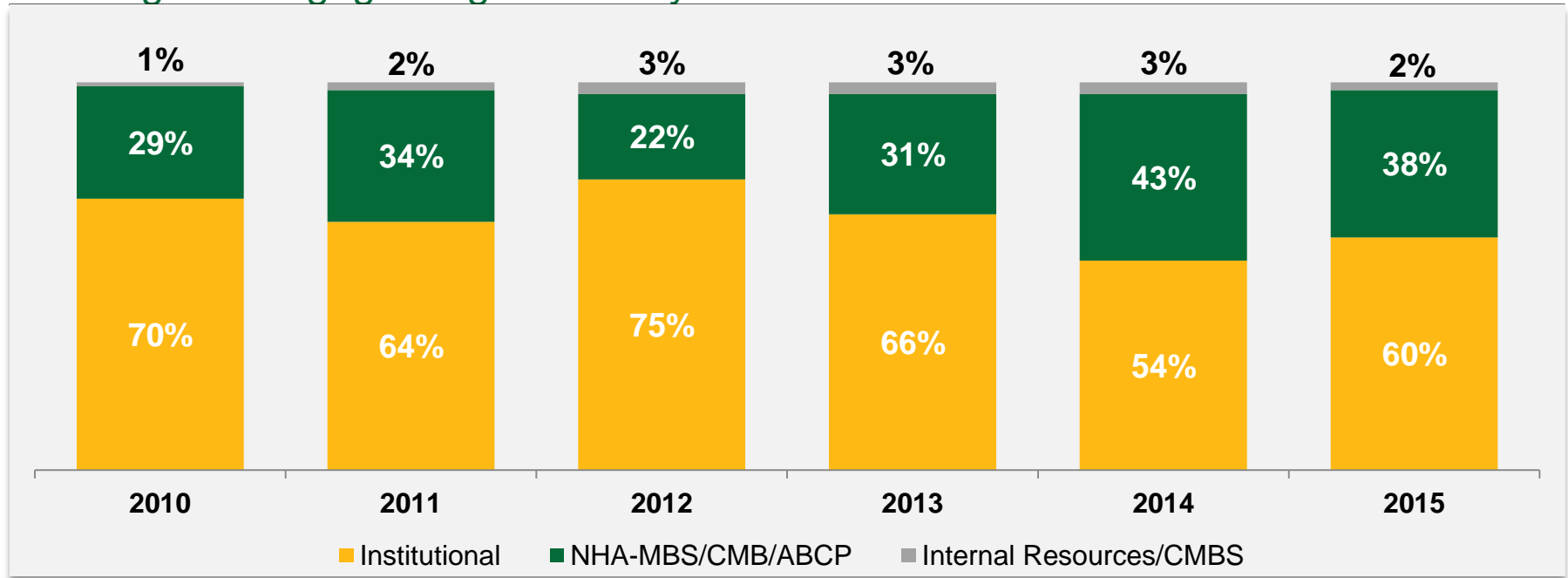
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DIVERSIFIED FUNDING SOURCES

- First National has access to diverse and reliable funding sources that help to support mortgage originations
- Diverse funding allows First National to reduce its reliance on a single funding source
- Over the years First National has taken advantage of securitization funding

Funding of Mortgage Originations by Source



Diverse and reliable funding sources help to support mortgage originations

PRUDENT RISK MANAGEMENT

Robust Enterprise Risk Management

- First National originates prime mortgages – the highest quality in Canada
- While not an OSFI regulated entity, First National has adopted a Residential Mortgage Underwriting Policy which complies with B-20 and requires the highest underwriting standards in Canada
- Low residential arrears rates consistent with those of the Canadian Bankers Association
- First National's underwriting expertise evidenced by 2014 agreement with TD Bank to process TD mortgage applications sourced through the broker channel

Minimal Credit Risk

- As of December 31, 2015, **over** 99% of First National's mortgages under administration have no residual credit risk to the company – the mortgages are either insured or the credit risk has been transferred to the institutional investor

Risk management is central to First National's business model

LIQUIDITY AND CAPITAL RESOURCES

- Liquidity strategy has been to use bank syndicate, debenture and whole loan repo obligations to fund working capital requirements (i.e., mortgage warehouse facility) and to use primarily equity to fund longer-term assets
- First National has a credit facility with a syndicate of 11 financial institutions providing for a total credit availability of \$1.0 billion and a whole loan repo facility for a further \$1.15 billion, for combined availability of \$2.15 billion
- The Company compares this aggregate debt to mortgages accumulated for sale as a proxy for true leverage⁽¹⁾

Total borrowings	\$1,563 million
Less: Mortgages Accumulated for Sale	\$1,497 million
Net debt capital used by the Company	\$ 66 million

- The notes issued in April 2015 replaced the matured debenture and did not increase the leverage of the Company

(1) As at December 31, 2015. Borrowings include: 'Bank Indebtedness', 'Obligations related to securities and mortgages sold under repurchase agreements' and 'Senior unsecured notes'



2015 HIGHLIGHTS

- Mortgages under Administration up 9% to \$93.8 B
- Origination volume up 7% year over year, single-family up 3% (despite an 11% drop in western Canada) and multi/commercial up 19%
- Normalized revenue up 15%, pre-FMV EBITDA up 15%
- Pledged mortgages under securitization up 10%, now over \$24 billion of spread producing mortgages



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THANK-YOU

March 2, 2016

