

**CHARTER OF THE AUDIT COMMITTEE
OF THE DIRECTORS
OF FIRST NATIONAL FINANCIAL CORPORATION**

1. PURPOSE

The Audit Committee (the “**Committee**”) is a committee of independent directors of First National Financial Corporation (the “**Directors**”). The Committee and the chair of the Committee (the “**Chair**”) are appointed by the Directors for the purpose of assisting the Directors in fulfilling their oversight responsibilities. The Committee will primarily fulfill this role by carrying out the activities enumerated in this Charter. The Committee is, however, independent of the Directors and the Corporation, and in carrying out its role of assisting the Directors in fulfilling their oversight responsibilities, the Committee shall have the ability to determine its own agenda and any additional activities that the Committee shall carry out.

2. COMPOSITION

The Committee is comprised of not less than three directors of First National Financial Corporation, each of whom is and must at all times be independent and financially literate within the meaning of applicable Canadian securities laws. The members of the Committee, and its Chair, shall be appointed by the Directors on an annual basis or until their successors are duly appointed. A majority of the members of the Committee must be resident Canadians.

3. LIMITATIONS ON COMMITTEE’S DUTIES

In contributing to the Committee's discharge of its duties under this Charter, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended or may be construed as imposing on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which the Directors are subject.

It is not the duty of the Committee to prepare financial statements or ensure their accuracy or absence of errors and omissions, to plan or conduct audits, to determine that the financial statements are complete and accurate and in accordance with Canadian generally accepted accounting principles, to conduct investigations, or to assure compliance with laws and regulations or the Corporation’s internal policies, procedures and controls, as these are the responsibility of management and in certain cases the external auditor.

Members of the Committee are entitled to rely, absent actual knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, (iii) representations made by management as to the non-audit services provided to the Corporation by the external auditor, (iv) financial statements of the Corporation represented to them by a member of management or in a written report of the external auditors to present fairly the financial position of the Corporation in accordance with generally accepted accounting principles, and (v) any report of a

lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

4. **MEETINGS**

The Committee shall meet not less than four times annually. The Committee shall meet within 45 days following the end of the first three financial quarters of the Corporation and shall meet within 90 days following the end of the fiscal year of the Corporation. A quorum for the transaction of business at any meeting of the Committee shall be a majority of the number of members of the Committee or such greater number as the Committee shall by resolution determine, provided that at least two-thirds of the members then present are resident Canadians and provided further that the Chair is present.

The Committee shall keep minutes of each meeting of the Committee. A copy of the minutes shall be provided to each member of the Committee and to each Director.

Meetings of the Committee shall be held from time to time and at such place within Canada as any member of the Committee shall determine upon 7 days prior notice to each of the other Committee members. The members of the Committee may waive the requirement for notice. In addition, each of the Chair, the President and the Chief Financial Officer of the Corporation, and the external auditor shall be entitled to request that the Chair call a meeting.

The Committee may ask members of the Corporation's management, employees or others (including the external auditor) to attend meetings and provide such information as the Committee requests. Members of the Committee shall have full access to all information of the Corporation (including, for greater certainty, its affiliates, subsidiaries and their respective operations) and shall be permitted to discuss such information and any other matters relating to the results of operations and financial position of the Corporation with management, employees, the external auditor and others as they consider appropriate.

The Committee or its Chair will meet at least once per year with management and the external auditor in separate sessions to discuss any matters that the Committee or each of these groups desires to discuss privately. In addition, the Committee or its Chair will meet with the Corporation's management quarterly in connection with the Corporation's interim financial statements.

5. **COMMITTEE ACTIVITIES**

As part of its function in assisting the Directors in fulfilling their oversight responsibilities (and without limiting the generality of the Committee's role), the Committee will:

A. Financial Disclosure

- (1) Review and recommend to the Directors for approval the Corporation's annual financial statements and interim financial reports, including any certification, report, opinion or review rendered by the external auditor and the related Management's Discussion & Analysis, as well as such

other financial information, including press releases, of the Corporation provided to the public or any governmental body as the Committee or the Directors require.

- (2) Satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and the related Management's Discussion & Analysis, and periodically assess the adequacy of those procedures.

B. Relationship with the External Auditor

- (1) Recommend to the Directors the selection of the external auditor and the fees and other compensation to be paid to the external auditor.
- (2) Have the authority to communicate directly with the external auditor.
- (3) Advise the external auditor that it is required to report to the Committee, and not to management of the Corporation.
- (4) Monitor the relationship between management and the external auditor, including reviewing any management letters or other reports of the external auditor, discussing any material differences of opinion between management and the external auditor and resolving disagreements between the external auditor and management.
- (5) Review and discuss on an annual basis with the external auditor all significant relationships they have with the Corporation, its management or employees that might interfere with the independence of the external auditor.
- (6) Pre-approve all audit, audit-related and non-audit services (or delegate such pre-approval, as the Committee may determine and as permitted by applicable Canadian securities laws) to be provided by the external auditor.
- (7) Annually review the performance of the external auditor in connection with an appointment recommendation to the Directors and periodically perform a comprehensive review of the external auditor when the Committee determines that circumstances warrant but at a minimum at least once every 5 years.

- (8) Periodically consult with the external auditor out of the presence of management about:
 - (a) any significant risks or exposures facing the Corporation;
 - (b) internal controls and other steps that management has taken to control such risks; and
 - (c) the fullness and accuracy of the financial statements of the Corporation, including the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper
- (9) Review and approve any proposed hiring of current or former partners or employees of the current (and any former) external auditor of the Corporation.

C. Audit Process

- (1) Review the scope, plan and results of the external auditor's audit and reviews, including the auditor's engagement letter, the post-audit management letter, if any, and the form of the audit report. The Committee may authorize the external auditor to perform supplemental reviews, audits or other work as deemed desirable.
- (2) Following completion of the annual audit and quarterly reviews if any, review separately with each of management and the external auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and, if applicable, reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditor received during the course of the audit and, if applicable, reviews.
- (3) Review any significant disagreements among management and the external auditor in connection with the preparation of the financial statements.
- (4) Where there are significant unsettled issues between management and the external auditor that do not affect the audited financial statements, the Committee shall seek to ensure that there is an agreed course of action leading to the resolution of such matters.
- (5) Review with the external auditor and management significant findings and the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented.
- (6) Review the system in place to seek to ensure that the financial statements, Management's Discussion & Analysis and other financial information

disseminated to governmental organizations and the public satisfy applicable requirements.

D. Financial Reporting Processes

- (1) Review the integrity of the Corporation's financial reporting processes, both internal and external, in consultation with the external auditor.
- (2) Review all material financial statement issues, material contingent obligations and material related party transactions.
- (3) Review with management and the external auditor the Corporation's accounting policies and any changes that are proposed to be made thereto, including all critical accounting policies and practices used, any alternative treatments of financial information that have been discussed with management, the ramification of their use and the external auditor's preferred treatment and any other material communications with management with respect thereto. Review the disclosure and impact of contingencies and the reasonableness of the provisions, reserves and estimates that may have a material impact on financing reporting.

E. Internal Audit Function

- (1) Review the activities of the internal audit department through quarterly reporting by the Director, Audit Services.
- (2) Review annually the internal audit department's plan for the upcoming fiscal year.
- (3) Approve any reliance by the external auditors on the internal audit department.
- (4) Discuss any unresolved matters reported by the internal audit department with the Corporation's management.
- (5) Discuss the findings of the internal audit department out of the presence of management.

F. Risk Identification and Oversight

- (1) Review of the principal risks of the Corporation's business and operations, and any other circumstances and events that could have a significant impact on the Corporation's assets and stakeholders. Discussing with management potential risks to the Corporation's business and operations, their likelihood and magnitude and the interrelationships and potential compounding effects of such risks. Assessing the steps management has taken to manage such risks in the light of the Corporation's risk tolerance.

- (2) Assess the Corporation's risk tolerance, the overall process for identifying the Corporation's principal business and operational risks and the implementation of appropriate measures to manage and disclose such risks.
- (3) Review disclosure respecting the oversight of management of the Corporation's principal business and operational risks.
- (4) Review the Corporation's privacy, data security and cybersecurity risk exposures and measures taken to protect the security and integrity of its management information systems and company data.

G. General

- (1) The Committee may at its discretion retain independent counsel, accountants and other professionals to assist it in the conduct of its activities and to set and pay (as an expense of the Corporation) the compensation for any such advisors.
- (2) Respond to requests by the Directors with respect to the functions and activities that the Directors may request the Committee to perform.
- (3) Periodically review this Charter and, if the Committee deems appropriate, recommend to the Directors changes to this Charter.
- (4) Review the public disclosure regarding the Committee required from time to time by applicable Canadian securities laws, including:
 - (i) the Charter of the Committee;
 - (ii) the composition of the Committee;
 - (iii) the relevant education and experience of each member of the Committee;
 - (iv) the external auditor services and fees; and
 - (v) such other matters as the Corporation is required to disclose concerning the Committee.

- (5) Review in advance, and approve, the hiring and appointment of the Corporation's senior financial executives.
- (6) Review any complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters and any submissions from employees regarding questionable accounting or auditing matters.
- (7) Perform any other activities as the Committee or the Directors deems necessary or appropriate.