First National Financial Corporation

Interim condensed consolidated financial statements

[Unaudited]

Second quarter 2026

First National Financial Corporation

Consolidated statements of financial position

[in thousands of Canadian dollars]

As at

	June 30 2026	December 31 2025 *[note 2]*
	$	$
Assets		
Restricted cash *[note 3]*	**1,219,430**	881,747
Cash held as collateral for securitization *[note 3]*	**161,861**	193,826
Accounts receivable and sundry	**240,449**	221,282
Mortgages accumulated for sale or securitization *[note 5]*	**3,667,405**	2,869,277
Mortgages pledged under securitization *[note 3]*	**47,733,112**	47,527,302
Deferred placement fees receivable *[note 4]*	**65,245**	67,011
Mortgage and loan investments *[note 6]*	**134,445**	139,449
Securities purchased under resale agreements	**2,399,499**	1,830,749
Other assets *[note 7]*	**2,255,745**	2,321,702
Total assets	**57,877,191**	56,052,345
Liabilities and equity		
Liabilities		
Bank indebtedness *[note 9]*	**1,176,705**	1,135,193
Unsecured bank debt *[note 10]*	**972,000**	911,000
Obligations related to securities and mortgages sold under repurchase agreements	**2,542,433**	1,728,012
Accounts payable and accrued liabilities	**292,347**	304,094
Securities sold short	**2,395,184**	1,824,905
Debt related to securitized mortgages *[note 11]*	**47,824,066**	47,254,867
Senior unsecured notes *[note 10]*	**797,743**	797,466
Income taxes payable	**7,490**	14,696
Deferred income tax liabilities	**203,870**	240,480
Total liabilities	**56,211,838**	54,210,713
Common shares *[note 12]*	**1,782,525**	1,782,525
Preferred shares *[note 12]*	**—**	87,600
Accumulated deficit	**(120,334)**	(35,548)
Accumulated other comprehensive income	**3,162**	7,055
Total equity	**1,665,353**	1,841,632
Total liabilities and equity	**57,877,191**	56,052,345

See accompanying notes

On behalf of the Board:

Robert Mitchell   Steven Ranson

First National Financial Corporation

Consolidated statements of income

[in thousands of Canadian dollars, except earnings per share]

Periods ended

	Three months ended		Six months ended	
	June 30 2026	June 30 2025 *[note 2]*	**June 30 2026**	June 30 2025 *[note 2]*
	$	$	**$**	$
Revenue				
Interest revenue – securitized mortgages	**403,167**	423,793	**777,877**	833,497
Interest expense – securitized mortgages	**(357,952)**	(367,839)	**(684,421)**	(724,442)
Net interest – securitized mortgages *[note 3]*	**45,215**	55,954	**93,456**	109,055
Placement fees	**51,887**	81,417	**101,980**	127,308
Gains on deferred placement fees *[note 4]*	**2,034**	3,168	**6,881**	4,785
Mortgage investment income *[note 6]*	**34,776**	35,265	**61,203**	71,278
Mortgage servicing income	**73,719**	69,409	**134,331**	124,651
Realized and unrealized gains (losses) on financial instruments [note 13]	**(381)**	8,284	**2,101**	(11,326)
	207,250	253,497	**399,952**	425,751
Expenses				
Brokerage fees	**21,009**	41,331	**44,312**	58,338
Salaries and benefits	**69,288**	63,559	**134,467**	125,088
Interest	**55,524**	40,341	**100,257**	79,472
Other operating	**24,598**	22,071	**48,511**	43,639
Amortization of intangible assets *[note 7]*	**32,371**	—	**63,406**	—
	202,790	167,302	**390,953**	306,537
Income before income taxes	**4,460**	86,195	**8,999**	119,214
Income tax expense	**887**	22,840	**2,577**	31,290
Net income for the period	**3,573**	63,355	**6,422**	87,924
Earnings per share				
Basic *[note 12]*	**0.10**	1.04	**0.15**	1.44

See accompanying notes

First National Financial Corporation

Consolidated statements of comprehensive income

[in thousands of Canadian dollars]

Periods ended

	Three months ended		Six months ended	
	June 30 2026	June 30 2025 *[note 2]*	**June 30 2026**	June 30 2025 *[note 2]*
	$	$	$	$
Net income for the period	**3,573**	63,355	**6,422**	87,924
Other comprehensive income items that may be subsequently reclassified to income				
Net gains (losses) from change in fair value of cash flow hedges	**(8,322)**	11,481	**(4,040)**	(5,827)
Reclassification of net losses to income	**(1,850)**	(3,823)	**(1,253)**	1,933
	(10,172)	7,658	**(5,293)**	(3,894)
Income tax (expense) recovery	**2,700**	(2,000)	**1,400**	1,000
Total other comprehensive gains (losses)	**(7,472)**	5,658	**(3,893)**	(2,894)
Total comprehensive income (loss)	**(3,899)**	69,013	**2,529**	85,030

See accompanying notes

First National Financial Corporation

Consolidated statements of changes in equity

[in thousands of Canadian dollars]

Periods ended

	Common shares	Preferred shares	Accumulated deficit	Accumulated other comprehensive income (loss)	Total equity
	$	$	$	$	$
Balance as at January 1, 2026	**1,782,525**	**87,600**	**(35,548)**	**7,055**	**1,841,632**
Net income for the year	**—**	**—**	**6,422**	**—**	**6,422**
Other comprehensive income (loss)	**—**	**—**	**—**	**(3,893)**	**(3,893)**
Dividends paid or declared	**—**	**—**	**(78,808)**	**—**	**(78,808)**
Redemption of preferred shares	**—**	**(87,600)**	**(12,400)**	**—**	**(100,000)**
Balance as at June 30, 2026	**1,782,525**	**—**	**(120,334)**	**3,162**	**1,665,353**

	Common shares	Preferred shares	Retained earnings	Accumulated other comprehensive income (loss)	Total equity
	$	$	$	$	$
Balance as at January 1, 2025	122,671	97,394	499,888	18,258	738,211
Net income for the period	—	—	87,924	—	87,924
Other comprehensive income (loss)	—	—	—	(2,894)	(2,894)
Dividends paid or declared	—	—	(76,698)	—	(76,698)
Balance as at June 30, 2025 *[note 2]*	122,671	97,394	511,114	15,364	746,543

See accompanying notes

First National Financial Corporation

Consolidated statements of cash flows

[in thousands of Canadian dollars]

Periods ended

	Three months ended		Six months ended	
	June 30 2026	June 30 2025 *[note 2]*	**June 30 2026**	June 30 2025 *[note 2]*
	$	$	**$**	$
Operating activities				
Net income for the period	**3,573**	63,355	**6,422**	87,924
Add (deduct) items				
Provision for deferred income taxes	**(19,600)**	5,000	**(35,210)**	1,400
Non-cash portion of gains on deferred placement fees	**(1,850)**	(5,851)	**(6,355)**	(7,305)
Amortization of deferred placement fees receivable	**4,075**	7,051	**8,121**	11,182
Amortization of property, plant and equipment	**2,937**	2,832	**5,874**	5,664
Amortization of tangible and intangible assets	**42,485**	—	**82,464**	—
Amortization of debt discount	**140**	—	**277**	—
Increase in restricted cash	**(218,291)**	(166,156)	**(337,683)**	(87,027)
Net changes in mortgages pledged under securitization	**360,597**	(1,017,141)	**(322,439)**	(2,534,666)
Net changes in debt related to securitized mortgages	**(117,205)**	1,165,306	**665,660**	2,555,790
Securities purchased under resale agreements, net	**(224,941)**	(380,962)	**(568,750)**	(992,752)
Securities sold short, net	**206,835**	412,810	**565,647**	1,005,554
Mortgages accumulated for sale or securitization	**(1,568,701)**	(631,425)	**(796,730)**	438,441
Unrealized gains (losses) on financial instruments	**19,507**	(24,609)	**11,611**	(16,783)
	(1,510,439)	(569,790)	**(721,091)**	467,422
Net change in non-cash working capital balances related to operations	**(48,824)**	11,949	**(48,703)**	5,862
Cash provided by (used in) operating activities	**(1,559,263)**	(557,841)	**(769,794)**	473,284
Investing activities				
Additions to property, plant and equipment	**(1,041)**	(1,043)	**(3,323)**	(1,566)
Net changes in cash held as collateral for securitization	**(7,768)**	15,064	**31,965**	(6,021)
Investment in mortgage and loan investments	**(86,279)**	(210,361)	**(168,423)**	(320,266)
Repayment of mortgage and loan investments	**89,529**	173,598	**173,427**	300,115
Cash provided by (used in) investing activities	**(5,559)**	(22,742)	**33,646**	(27,738)
Financing activities				
Dividends paid	**(50,000)**	(38,367)	**(78,808)**	(76,788)
Redemption of Preferred shares	**—**	—	**(100,000)**	—
Unsecured bank indebtedness	**(50,000)**	—	**61,000**	—
Obligations related to securities and mortgages sold under repurchase agreements	**1,738,521**	560,581	**814,421**	(490,943)
Repayment of lease liabilities	**(988)**	(1,412)	**(1,977)**	(2,825)
Cash provided by (used in) financing activities	**1,637,533**	520,802	**694,636**	(570,556)
Net decrease (increase) in bank indebtedness during the period	**72,711**	(59,781)	**(41,512)**	(125,010)
Bank indebtedness, beginning of period	**(1,249,416)**	(1,142,858)	**(1,135,193)**	(1,077,629)
Bank indebtedness, end of period	**(1,176,705)**	(1,202,639)	**(1,176,705)**	(1,202,639)
Supplemental cash flow information				
Interest received	**501,529**	481,975	**996,852**	953,432
Interest paid	**409,196**	410,694	**805,443**	779,510
Income taxes paid	**15,135**	10,917	**45,238**	23,562

See accompanying notes

First National Financial Corporation

Notes to interim condensed consolidated financial statements

[Unaudited – in thousands of Canadian dollars, except per share amounts or unless otherwise noted]

June 30, 2026

1. General organization and business of First National Financial Corporation

First National Financial Corporation [the "Company"] is the parent company of First National Financial LP ["FNFLP"], a Canadian-based originator, underwriter and servicer of predominantly prime residential [single family and multi-unit] and commercial mortgages. With over $169 billion in mortgages under administration as at June 30, 2026, FNFLP is a significant participant in the mortgage broker distribution channel.

The Company is incorporated under the laws of the Province of Ontario, Canada and has its registered office and principal place of business located at 16 York Street, Toronto, Ontario.

On October 22, 2025, Regal Bidco Inc ["Bidco"], a company incorporated for the purpose of acquiring the Company, pursuant to a definitive arrangement agreement [the "Arrangement Agreement"] acquired all of the outstanding common shares of the Company, with certain shareholders electing to exchange a portion of their shares for equity interests in the ultimate purchaser as part of the transaction, for $48.00 per Share in cash. On October 24, 2025, Bidco amalgamated with the Company under the Business Corporations Act (Ontario). The amalgamated company continued to carry on business as First National Financial Corporation. The Company's publicly traded common shares under the symbol FN were delisted at the close of trading on October 22, 2025 pursuant to the Arrangement Agreement. On March 31, 2026, the Company redeemed all of its publicly traded preferred shares, which were listed on the Toronto Stock Exchange under the symbols FN.PR.A and FN.PR.B.

2. Material accounting policy information

Basis of preparation

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34 – *Interim Financial Reporting* under International Financial Reporting Standards ["IFRS"], as issued by the International Accounting Standards Board. The interim condensed consolidated financial statements have been prepared using the same accounting policies used in the preparation of the audited annual consolidated financial statements for the year ended December 31, 2025.

Note that these financial statements do not distinguish the Company's operations from the period prior to October 22, 2025, and the subsequent periods. All figures reported in the three- and six-month periods ended June 30 2025 pertain to the period of operations prior to the acquisition and those reported for the three- and six-month periods ended June 30, 2026 pertain to the operations of the Company subsequent to the acquisition described in Note 1. Accordingly, the results of operations and cash flows for the three- and six-months ended June 30, 2025 are not directly comparable to those for the three- six-months ended June 30, 2026.

These interim condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and are presented in Canadian dollars with all values rounded to the nearest thousand, except when otherwise indicated. The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on July 29, 2026.

Estimates and use of judgement

Management has exercised judgement in the process of applying the Company's accounting policies. Some of the Company's accounting policies require subjective, complex judgements and estimates relating to matters that are inherently uncertain. The preparation of these interim condensed consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the interim condensed consolidated statements of financial position dates and the reported amounts of revenue and expenses during the reporting periods.

Notes to interim condensed consolidated financial statements

[Unaudited – in thousands of Canadian dollars, except per share amounts or unless otherwise noted]

June 30, 2026

3. Mortgages pledged under securitization

The Company securitizes residential and commercial mortgages in order to raise debt to fund these mortgages. Most of these securitizations consist of the transfer of fixed and floating rate mortgages into securitization programs, such as NHA-MBS, Canada Mortgage Bonds ("CMB") and Asset-Backed Commercial Paper ("ABCP"). In these securitizations, the Company transfers the assets to structured entities for cash, and incurs interest-bearing obligations typically matched to the term of the mortgages. These securitizations do not qualify for derecognition, although the structured entities and other securitization vehicles have no recourse to the Company's other assets for failure of the mortgages to make payments when due.

As part of the ABCP funded transactions, the Company provides cash collateral for credit enhancement purposes as required by the rating agencies. Credit exposure to securitized mortgages is generally limited to this cash collateral. The principal and interest payments on the securitized mortgages are paid to the Company by the structured entities monthly over the term of the mortgages. The full amount of the cash collateral is recorded as an asset and the Company anticipates full recovery of these amounts. NHA-MBS securitizations may also require cash collateral in some circumstances. As at June 30, 2026, the cash held as collateral for securitization was $161,861 [December 31, 2025 – $193,826].

The following table compares the carrying amount of mortgages pledged for securitization and the associated debt:

	June 30, 2026		**December 31, 2025**	
	Carrying amount of securitized mortgages $	**Carrying amount of associated liabilities** $	**Carrying amount of securitized mortgages** $	**Carrying amount of associated liabilities** $
Securitized mortgages	**47,549,602**	**(48,169,405)**	47,180,312	(47,514,867)
Capitalized amounts related to hedge accounting	**20,507**	**(15,860)**	43,292	(33,610)
Capitalized origination costs	**239,641**	**—**	256,247	—
Debt discounts	**—**	**294,623**	—	323,495
Fair value adjustment related to the purchase	**(76,638)**	**66,576**	47,451	(29,885)
	47,733,112	**(47,824,066)**	47,527,302	(47,254,867)
Add				
Principal portion of payments held in restricted cash	**1,126,660**	**—**	785,525	—
	48,859,772	**(47,824,066)**	48,312,827	(47,254,867)

The principal portion of payments held in restricted cash represents payments on account of mortgages pledged under securitization which have been received at period end but have not been applied to reduce the associated debt. This cash is applied to pay down the debt in the month subsequent to collection. In order to compare the components of mortgages pledged under securitization-to-securitization debt, this amount is added to the carrying value of mortgages pledged under securitization in the above table.

[Unaudited – in thousands of Canadian dollars, except per share amounts or unless otherwise noted]

Mortgages pledged under securitization are classified as amortized cost and are carried at par plus adjustment for unamortized origination costs and amounts related to hedge accounting.

The changes in capitalized origination costs for the three months ended June 30, 2026 are as follows:

	2026	**2025**
	$	$
Opening balance, April 1,	**246,834**	252,863
Add new origination costs capitalized in the period	**21,477**	35,219
Less amortization in the period	**(28,670)**	(29,248)
Ending balance, June 30	**239,641**	258,834

The following table summarizes the mortgages pledged under securitization that are past due:

	June 30, 2026	**December 31, 2025**
	$	$
Arrears days		
31 to 60	**20,591**	17,494
61 to 90	**8,752**	5,187
Greater than 90	**24,074**	22,277
	53,417	44,958

Of the mortgages in arrears summarized above, 103 are uninsured and have a principal balance of $52,679 as at June 30, 2026 [December 31, 2025 – 88 mortgages, $44,298], while the remaining loans are insured. The Company's exposure to credit loss is limited to uninsured mortgages with principal balances totaling $7,161,659 [December 31, 2025 – $6,782,956], before consideration of the value of underlying collateral. Virtually all of the uninsured mortgages pledged under securitization are single-family mortgages with loan to value ratios of 80% or less.

The Company has provided an allowance for expected credit losses of $8,600 as of June 30, 2026 [December 31, 2025 – $6,600] related to mortgages pledged under securitization.

Pursuant to Bidco's acquisition of the Company and subsequent amalgamation in October 2025, the Company recorded a net increase of $40,282 to the carrying value of its net tangible assets and liabilities. The assets and liabilities pertain largely to the securitization business of the Company. The carrying value in excess of the previous carrying value of these net assets is being amortized over the expected life of those assets and liabilities. In the six months ended June 30, 2026, this amortization reduced Net interest – securitized mortgages by $19,058.

Notes to interim condensed consolidated financial statements

[Unaudited – in thousands of Canadian dollars, except per share amounts or unless otherwise noted]

June 30, 2026

The following table summarizes Net interest – securitized mortgages into its component parts:

	Six months ended June 30, 2026 $
Interest revenue – securitized mortgages, pre-fair value amortization	**893,396**
Amortization of fair value adjustments	**(115,519)**
Interest expense – securitized mortgages, pre-fair value amortization	**(780,882)**
Amortization of fair value adjustments	**96,461**
	93,456

Notes to interim condensed consolidated financial statements

[Unaudited – in thousands of Canadian dollars, except per share amounts or unless otherwise noted]

June 30, 2026

4. Deferred placement fees receivable

The Company enters into transactions with institutional investors to sell primarily fixed rate mortgages in which placement fees are received over time as well as at the time of the mortgage placement. These mortgages are derecognized when substantially all of the risks and rewards of ownership are transferred and the Company has minimal exposure to the variability of future cash flows from these mortgages. The investors have no recourse to the Company's other assets for failure of mortgagors to make payments when due.

Deferred placement fees receivable is classified as amortized cost and has been calculated initially based on the present value of the anticipated future stream of cash flows. This determination assumes there will be no credit losses, commensurate with the credit quality of the investors. It is also assumed that there will be no prepayment for the commercial segment as borrowers cannot refinance for financial advantage without paying the Company a fee commensurate with the value of its investment in the mortgage. The effect of variations, if any, between actual experience and assumptions will be recorded in future consolidated statements of income but is expected to be minimal.

	Three months ended June 30, 2026		
	Residential	**Commercial**	**Total**
	$	$	$
Mortgages placed with institutional investors	**—**	**1,146,885**	**1,146,885**
Gains on deferred placement fees	**—**	**2,034**	**2,034**
Cash receipts on deferred placement fees received	**51**	**4,958**	**5,009**

	Three months ended June 30, 2025		
	Residential	**Commercial**	**Total**
	$	$	$
Mortgages placed with institutional investors	—	1,526,629	1,526,629
Gains on deferred placement fees	—	3,168	3,168
Cash receipts on deferred placement fees received	70	4,997	5,067

Notes to interim condensed consolidated financial statements

[Unaudited – in thousands of Canadian dollars, except per share amounts or unless otherwise noted]

June 30, 2026

5. Mortgages accumulated for sale or securitization

Mortgages accumulated for sale or securitization consist of mortgages the Company has originated for its own securitization programs together with mortgages funded in advance of settlement with institutional investors.

Mortgages originated for the Company's own securitization programs are classified as amortized cost and are recorded at par plus adjustment for unamortized origination costs. Mortgages funded for placement with institutional investors are designated as FVTPL and are recorded at fair value. The fair values of mortgages classified as FVTPL approximate their carrying values as the time period between origination and sale is short. The following table summarizes the components of mortgages according to their classification:

	June 30, 2026 $	**December 31, 2025** $
Mortgages accumulated for securitization	**3,581,830**	2,805,500
Mortgages accumulated for sale	**85,575**	63,777
	3,667,405	2,869,277

The Company's exposure to credit loss is limited to $671,377 [December 31, 2025 – $984,398] of principal balances of uninsured mortgages within mortgages accumulated for securitization, before consideration of the value of underlying collateral. As at June 30, 2026, 13 of these mortgages are in arrears past 31 days, with a total principal balance of $5,605 [December 31, 2025 – 13 mortgages with a balance of $5,318]. All the above uninsured mortgages are single-family mortgages, with loan to value ratios of 80% or less, similar to the mortgages described in note 3. The expected credit loss related to these mortgages is determined together with the uninsured mortgages described in note 3.

6. Mortgage and loan investments

Mortgage and loan investments consist of two portfolios: commercial first and second mortgages held for various terms, the majority of which mature within one year; and residential first mortgages which are held to maturity.

Except for a portion of the residential loan portfolio that is classified as amortized cost, mortgage and loans are measured at FVTPL with any change in fair value being immediately recognized in income. The portion of the residential loan portfolio that is classified at amortized cost has a total balance of $110,935 as at June 30, 2026 [December 31, 2025 – $33,471] which is subject to expected credit loss. The Company did not record any losses of fair value related to the commercial segment investments during the quarters ended June 30, 2026 and 2025.

As at June 30, 2026, the portfolio contains $9,286 [December 31, 2025 – $5,935] of insured mortgages and $125,159 [December 31, 2025 – $133,515] of uninsured mortgage and loan investments. Of the uninsured mortgages as at June 30, 2026, approximately $1,504 [December 31, 2025 – $3,326] have principal balance in arrears of more than 30 days.

Notes to interim condensed consolidated financial statements

[Unaudited – in thousands of Canadian dollars, except per share amounts or unless otherwise noted]

June 30, 2026

7. Other assets

The components of other assets are as follows as at:

	June 30, 2026	December 31, 2025
	$	$
Property, plant and equipment, net	**27,417**	27,574
Right-of-use assets	**42,075**	44,469
Goodwill and intangible assets	**2,186,253**	2,249,659
	2,255,745	2,321,702

The right-of-use assets pertain to five premises leases for the Company's office space. The leases have remaining terms of one to 11 years. The related lease liability of $43,052 as at June 30, 2026 [December 31, 2025 – $44,741] is grouped with accounts payable and accrued liabilities on the interim condensed consolidated statements of financial position.

	Goodwill	Intangible assets	Total Goodwill and Intangible assets
	$	$	$
Balance, December 31, 2025	1,365,644	884,015	2,249,659
Amortization	—	63,406	63,406
Balance, June 30, 2026	**1,365,644**	**820,609**	**2,186,253**

As a result of the Arrangement Agreement and the change of control, goodwill and intangible assets were recognized based on the excess of the consideration transferred over the fair value of the net identifiable tangible assets. Intangible assets are primarily attributable to the broker relationships, mortgage servicing rights, borrower relationships in the commercial segment, the First National brand and Merlin and Avalon technologies.

The recoverable amount of the Company's goodwill is calculated by reference to the Company's mortgages under administration, origination volume, and profitability. These factors indicate that the Corporation's recoverable amount exceeds the carrying value of its net assets and accordingly, goodwill is not impaired.

8. Mortgages under administration

As at June 30, 2026, the Company managed mortgages under administration of $169,784,619 [December 31, 2025 – $166,223,749], including mortgages held on the Company's interim condensed consolidated statements of financial position. Mortgages under administration are serviced for financial institutions such as banks, insurance companies, pension funds, mutual funds, trust companies, credit unions and securitization vehicles. As at June 30, 2026, the Company administered 323,817 mortgages [December 31, 2025 – 331,691] for 116 institutional

Notes to interim condensed consolidated financial statements

[Unaudited – in thousands of Canadian dollars, except per share amounts or unless otherwise noted]

June 30, 2026

customers [December 31, 2025 – 106] with an average remaining term to maturity of 41 months [December 31, 2025 – 41 months].

Mortgages under administration are serviced as follows:

	June 30, 2026 $	**December 31, 2025** $
Institutional investors	**118,195,747**	115,499,237
Mortgages accumulated for sale or securitization and mortgage and loan investments	**3,579,955**	3,036,736
Mortgages pledged under securitization	**47,549,602**	47,180,312
CMBS conduits	**459,315**	507,464
	169,784,619	166,223,749

The Company's exposure to credit loss is limited to mortgage and loan investments as described in note 6, securitized mortgages as described in note 3 and uninsured mortgages held in mortgages accumulated for securitization as described in note 5.

The Company maintains trust accounts on behalf of the investors it represents. The Company also holds municipal tax funds in escrow for mortgagors. Since the Company does not hold a beneficial interest in these funds, they are not presented on the interim condensed consolidated statements of financial position. The aggregate of these accounts as at June 30, 2026 was $1,365,115 [December 31, 2025 – $1,096,094].

9. Bank indebtedness

Bank indebtedness includes a revolving credit facility of $1,750,000 as at June 30, 2026 [December 31, 2025 – $1,500,000] maturing in May 2031. At June 30, 2026, $1,176,705 [December 31, 2025 – $1,135,193] was drawn, of which the following have been pledged as collateral:

[a] A general security agreement over all assets, other than real property, of the Company; and
[b] A general assignment of all mortgages owned by the Company.

The credit facility bears a variable rate of interest based on Prime and CORRA rates.

Notes to interim condensed consolidated financial statements

[Unaudited – in thousands of Canadian dollars, except per share amounts or unless otherwise noted]

June 30, 2026

10. Unsecured bank debt and Senior Unsecured notes

Prior to the acquisition of the Company, on October 22, 2025, Bidco entered into a credit agreement with a syndicate of banks for a total commitment of $1.85 billion including a $400 million term facility and a $1.45 billion variable (prime and CORRA) based facility. Pursuant to the settlement of $800 million of senior unsecured notes on October 23, 2025, described below, the facility's commitment level was reduced to $1.1 billion.

As at June 30, 2026, $972 million of this bank indebtedness is outstanding [December 31, 2025 - $911 million]. The facility is subject to financial covenants, including a maximum leverage ratio for debt to Adjusted EBITDA, minimum interest coverage and minimum shareholders equity. The Company was in compliance with all these covenants at both June 30, 2026 and December 31, 2025. For this indebtedness to remain unsecured, the Company is required to maintain an investment grade rating. If this rating is not kept up, the Company must provide security in all its assets including the unit capital of First National Financial LP. In the event of such circumstances, the Company will enter into a collateral agency agreement so as to share such security amongst the lenders in the credit facility and the noteholders of $800 million of senior unsecured notes.

On October 23, 2025, the Company issued a total of $800,000 of new senior unsecured notes.

The unsecured notes are summarized as follows:

- $250 million 4.288% Notes due October 2028
- $300 million 4.891% Notes due October 2030
- $250 million 5.443% Notes due October 2032

The notes are subject to indentures that require the maintenance of at least one rating and springing security if there is a rating downgrade as described for the unsecured bank syndicate above.

11. Debt related to securitized mortgages

Debt related to securitized mortgages represents the funding for mortgages pledged under the NHA-MBS, CMB and ABCP programs. As at June 30, 2026, debt related to securitized mortgages was $47,824,066 [December 31, 2025 – $47,254,867], net of unamortized discount of $294,623 [December 31, 2025 – $323,495]. A comparison of the carrying amounts of the pledged mortgages and the related debt is summarized in note 3.

Debt related to securitized mortgages is reduced on a monthly basis when the principal payments received from the mortgages are applied. Debt discounts and premiums are amortized over the term of each debt on an effective yield basis. Debt related to securitization mortgages had a similar contractual maturity profile as the associated mortgages in mortgages pledged under securitization.

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12. Shareholders' equity

[a] Authorized

Unlimited number of common shares
Unlimited number of cumulative five-year rate reset preferred shares, Class A Series 1
Unlimited number of cumulative five-year rate reset preferred shares, Class A Series 2

[b] Capital stock activities

	Common shares		Preferred shares	
	#	$	#	$
Balance, June 30, 2026	**37,136,026**	**1,782,525**	**—**	**—**

	Common shares		Preferred shares	
	#	$	#	$
Balance, December 31, 2025	**37,136,026**	**1,782,525**	**4,000,000**	**87,600**

On March 31, 2026, the Company redeemed for cash all of its outstanding Class A Preference Shares, Series 1 and outstanding Class A Preferences Shares, Series 2, at a redemption price equal to $25.00 per share, together with all accrued and unpaid dividends up to but excluding the date of redemption.

[c] Earnings per share

	Three months ended		Six months ended	
	June 30, 2026	**June 30, 2025**	**June 30, 2026**	**June 30, 2025**
	$	$	$	$
Net income attributable to shareholders	**3,573**	63,355	**6,422**	87,924
Less dividends declared on preferred shares	**—**	(851)	**(808)**	(1,738)
Net earnings attributable to common shareholders	**3,573**	62,504	**5,614**	86,186
Number of common shares outstanding	**37,136,026**	59,967,429	**37,136,026**	59,967,429
Basic earnings per common share	**0.10**	1.04	**0.15**	1.44

13. Financial instruments and risk management

Fair value measurement

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments recorded at fair value in the interim condensed consolidated statements of financial position:

Level 1 – quoted market price observed in active markets for identical instruments;
Level 2 – quoted market price observed in active markets for similar instruments or other valuation techniques for which all significant inputs are based on observable market data; and
Level 3 – valuation techniques in which one or more significant inputs are unobservable.

Valuation methods and assumptions

The Company uses valuation techniques to estimate fair values, including reference to third-party valuation service providers using proprietary pricing models and internal valuation models such as discounted cash flow analysis. The valuation methods and key assumptions used in determining fair values for the financial assets and financial liabilities are as follows:

[a] Mortgage and loan investments

Commercial segment mortgages and certain residential loans are measured at FVTPL. The fair value of these mortgages is based on non-observable inputs and is measured at management’s best estimate of the fair value.

[b] Deferred placement fees receivable

The fair value of deferred placement fees receivable at inception is determined by internal valuation models using market data inputs, where possible. The fair value is determined by discounting the expected future cash flows related to the placed mortgages at market interest rates. The expected future cash flows are estimated based on certain assumptions which are not supported by observable market data.

[c] Securities owned and sold short

The fair values of securities owned and sold short used by the Company to hedge its interest rate exposure are determined by quoted prices on a secondary market.

[d] Servicing liability

The fair value of the servicing liability at inception is determined by internal valuation models using market data inputs, where possible. The fair value is determined by discounting the expected future cost related to the servicing of explicit mortgages at market interest rates. The expected future cash flows are estimated based on certain assumptions which are not supported by observable market data.

[e] Other financial assets and financial liabilities

The fair value of mortgages accumulated for sale, cash held as collateral for securitization, restricted cash and bank indebtedness correspond to the respective outstanding amounts due to their short-term maturity profiles.

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[Unaudited – in thousands of Canadian dollars, except per share amounts or unless otherwise noted]

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[f] Fair value of financial instruments not carried at fair value

The fair values of these financial instruments are determined by discounting projected cash flows using market industry pricing practices, including the rate of unscheduled prepayment. Discount rates used are determined by comparison to similar term loans made to borrowers with similar credit. This methodology will reflect changes in interest rates which have occurred subsequent to mortgage origination. These fair values are estimated using valuation techniques in which one or more significant inputs are unobservable [Level 3] and are calculated for disclosure purposes only.

Carrying value and fair value of selected financial instruments

The fair value of the financial assets and financial liabilities of the Company approximates its carrying value as at June 30, 2026, except for mortgages pledged under securitization, which have a carrying value of $47,733,112 [December 31, 2025 – $47,527,302] and a fair value of $47,330,916 [December 31, 2025 – $47,043,211], debt related to securitized mortgages, which has a carrying value of $47,824,066 [December 31, 2025 – $47,254,867] and a fair value of $47,590,178 [December 31, 2025 – $46,863,726], and senior unsecured notes, which have a carrying value of $797,743 [December 31, 2025 – $797,466] and a fair value of $815,995 [December 31, 2025 – $808,390]. These fair values are estimated using valuation techniques in which one or more significant inputs are unobservable [Level 3].

The following tables represent the Company's financial instruments measured at fair value on a recurring basis:

	June 30, 2026			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	$	$	$
Financial assets				
Mortgages accumulated for sale	**—**	**85,575**	**—**	**85,575**
Mortgage and loan investments	**—**	**—**	**88,602**	**88,602**
Total financial assets	**—**	**85,575**	**88,602**	**174,177**
Financial liabilities				
Securities sold short	**—**	**2,395,184**	**—**	**2,395,184**
Interest rate swaps	**—**	**16,198**	**—**	**16,198**
Total financial liabilities	**—**	**2,411,382**	**—**	**2,411,382**

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	December 31, 2025			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial assets				
Mortgages accumulated for sale	—	63,777	—	63,777
Mortgage and loan investments	—		105,435	105,435
Total financial assets	—	63,777	105,435	169,212
Financial liabilities				
Securities sold short	—	1,824,905	—	1,824,905
Interest rate swaps	—	34,610	—	34,610
Total financial liabilities	—	1,859,515	—	1,859,515

In estimating the fair value of financial assets and financial liabilities using valuation techniques or pricing models, certain assumptions are used including those that are not fully supported by observable market prices or rates [Level 3]. There were no amounts related to the change in fair value included in the Company's net income that were estimated using a valuation technique based on assumptions that are not fully supported by observable market prices or rates for the three- and six-months ended June 30, 2026 and 2025. Although the Company's management believes that the estimated fair values are appropriate as at the date of the interim condensed consolidated statements of financial position, those fair values may differ if other reasonably possible alternative assumptions are used.

Transfers between levels in the fair value hierarchy are deemed to have occurred at the beginning of the period in which the transfer is made. Transfers between levels can occur as a result of additional or new information regarding valuation inputs and changes in their observability. During the quarter, there were no transfers between levels.

The following table presents changes in the fair values including realized gains of $5,767 [2025 – gains of $44] of the Company's financial assets and financial liabilities for the three- and six- months ended June 30, 2026 and 2025, all of which have been classified as FVTPL:

	Three months ended June 30		Six months ended June 30	
	2026	2025	2026	2025
	$	$	$	$
Securities sold short	**(396)**	8,620	**2,108**	(11,571)
Interest rate swaps	**15**	(336)	**(7)**	245
	(381)	8,284	**2,101**	(11,326)

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Movement in Level 3 financial instruments measured at fair value

The following tables show the movement in Level 3 financial instruments in the fair value hierarchy for the six months ended June 30, 2026 and 2025. The Company classifies financial instruments as Level 3 when there is reliance on at least one significant unobservable input in the valuation models.

	Fair value as at January 1, 2026 $	Investments $	Unrealized gains recorded in income $	Payment and amortization $	Fair value as at June 30, 2026 $
Financial assets					
Mortgage and loan investments	**105,435**	**168,423**	**—**	**(185,256)**	**88,602**

	Fair value as at January 1, 2025 $	Investments $	Unrealized gains recorded in income $	Payment and amortization $	Fair value as at June 30, 2025 $
Financial assets					
Mortgage and loan investments	**67,379**	**320,266**	**—**	**(306,922)**	**80,723**

14. Capital management

The Company's objective is to maintain a capital base so as to maintain investor, creditor and market confidence and sustain future development of the business. Management defines capital as the Company's common share capital and retained earnings. FNFLP's $1.75 billon revolving line of credit with a syndicate of banks has a minimum capital requirement that limits the debt to four times FNFLP's equity. As at June 30, 2026, the ratio was 0.95:1 [December 31, 2025 – 0.86:1].

The Company's credit agreement with a syndicate bank includes standard financial covenants, including a maximum leverage ratio, minimum interest coverage ratio, and minimum shareholders' equity requirements.

The Company was in compliance with the bank covenants throughout the period.

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15. Earnings by business segment

The Company operates principally in two business segments, Residential and Commercial. These segments are organized by mortgage type and contain revenue and expenses related to origination, underwriting, securitization and servicing activities. Identifiable assets are those used in the operations of the segments.

	Three months ended June 30, 2026			Six months ended June 30, 2026		
	Residential	Commercial	Total	Residential	Commercial	Total
	$	$	$	$	$	$
Revenue						
Interest revenue – securitized mortgages	**261,652**	**141,515**	**403,167**	**506,865**	**271,012**	**777,877**
Interest expense – securitized mortgages	**(234,234)**	**(123,718)**	**(357,952)**	**(450,213)**	**(234,208)**	**(684,421)**
Net interest – securitized mortgages	**27,418**	**17,797**	**45,215**	**56,652**	**36,804**	**93,456**
Placement and servicing	**95,091**	**32,549**	**127,640**	**178,955**	**64,237**	**243,192**
Mortgage investment income	**24,106**	**10,670**	**34,776**	**43,827**	**17,376**	**61,203**
Realized and unrealized gains (losses) on financial instruments	**(381)**	**—**	**(381)**	**2,101**	**—**	**2,101**
	146,234	**61,016**	**207,250**	**281,535**	**118,417**	**399,952**
Expenses						
Depreciation	**2,556**	**381**	**2,937**	**5,111**	**763**	**5,874**
Amortization on intangibles	**21,858**	**10,513**	**32,371**	**43,131**	**20,275**	**63,406**
Interest	**45,630**	**9,894**	**55,524**	**84,296**	**15,961**	**100,257**
Other operating	**86,608**	**25,350**	**111,958**	**172,286**	**49,130**	**221,416**
	146,693	**56,097**	**202,790**	**285,144**	**105,809**	**390,953**
Income before income taxes	**(10,418)**	**14,878**	**4,460**	**(23,289)**	**32,288**	**8,999**
Identifiable assets	**35,236,058**	**21,275,489**	**56,511,547**	**35,236,058**	**21,275,489**	**56,511,547**
Goodwill	**—**	**—**	**1,365,644**	**—**	**—**	**1,365,644**
Total assets	**35,236,058**	**21,275,489**	**57,877,191**	**35,236,058**	**21,275,489**	**57,877,191**

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	Three months ended June 30, 2025			Six months ended June 30, 2025		
	Residential $	Commercial $	Total $	Residential $	Commercial $	Total $
Revenue						
Interest revenue – securitized mortgages	**281,311**	**142,482**	**423,793**	**555,290**	**278,207**	**833,497**
Interest expense – securitized mortgages	**(247,466)**	**(120,373)**	**(367,839)**	**(489,450)**	**(234,992)**	**(724,442)**
Net interest – securitized mortgages	**33,845**	**22,109**	**55,954**	**65,840**	**43,215**	**109,055**
Placement and servicing	**115,194**	**38,800**	**153,994**	**185,720**	**71,024**	**256,744**
Mortgage investment income	**26,102**	**9,163**	**35,265**	**52,643**	**18,635**	**71,278**
Realized and unrealized gains (losses) on financial instruments	**8,284**	**—**	**8,284**	**(11,326)**	**—**	**(11,326)**
	183,425	**70,072**	**253,497**	**292,877**	**132,874**	**425,751**
Expenses						
Depreciation	**2,495**	**337**	**2,832**	**4,990**	**674**	**5,664**
Interest	**31,225**	**9,116**	**40,341**	**61,621**	**17,851**	**79,472**
Other operating	**98,869**	**25,260**	**124,129**	**171,937**	**49,464**	**221,401**
	132,589	**34,713**	**167,302**	**238,548**	**67,989**	**306,537**
Income before income taxes	**50,836**	**35,359**	**86,195**	**54,329**	**64,885**	**119,214**
Identifiable assets	**35,012,067**	**19,356,090**	**54,368,157**	**35,012,067**	**19,356,090**	**54,368,157**
Goodwill	**—**	**—**	**29,776**	**—**	**—**	**29,776**
Total assets	**35,012,067**	**19,356,090**	**54,397,933**	**35,012,067**	**19,356,090**	**54,397,933**

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16. Related party and other transactions

Brookfield Business Partners L.P., a shareholder of the Company, controls a residential mortgage insurer. In the normal course of business, the residential mortgage insurer provides insurance policies to the Company's borrowers at market rates. In addition, the residential mortgage insurer also provides portfolio insurance to the Company at market rates.