FIRST NATIONAL

FINANCIAL CORPORATION®

Report to Shareholders

Period Ended June 30, 2025

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www.firstnational.ca

Fellow Shareholders:

A healthy pipeline of new mortgage commitments and the successful conversion of a sizeable cohort of renewing mortgages enabled First National to generate record origination volumes in the second quarter of 2025. In turn, Mortgages Under Administration ("MUA") increased 8% to a record $159.9 billion at June 30, 2025 from $148.2 billion a year ago.

The financial report enclosed provides further details, but at a high level, revenue increased 15% to $621.3 million from $538.4 million a year ago, Pre-FMV Income, a non-IFRS measure, increased 1% to $77.9 million from $77.5 million a year ago and net income was $63.4 million ($1.05 cents per share) compared to $54.1 million ($0.88 cents per share) a year ago.

For shareholders, common share dividends paid or declared in the quarter amounted to $37.5 million compared to $36.7 million a year ago, reflecting an increase in the regular monthly dividend to an annualized rate of $2.50 per common share from $2.45 per effective in December 2024. The common share payout ratio in the second quarter of 2025 was 60%. If gains and losses on financial instruments are excluded, the common share dividend payout ratio would have been 67% in the second quarter of 2025 compared to 66% in the second quarter a year ago. First National also paid $0.9 million of dividends on its preferred shares compared to $1.0 million in the 2024 second quarter.

During the second quarter, mortgage growth was most pronounced in the Company's single-family residential business although the multi-unit/commercial segment had its best-ever quarter with volumes surpassing $5 billion. Profitability reflected the steady expansion of MUA and our portfolio of mortgages pledged under securitization even as we continued to support growth through investments in technology and people.

While the current trade dispute with the U.S. presents a challenge to Canada's economic and housing market outlook, the fact that First National issued over $3 billion of new prime residential mortgage commitments in June alone provides a constructive backdrop for the next two quarters. We encourage you to review our full outlook found in Management's Discussion & Analysis for the second quarter.

Subsequent Event

On July 27, 2025, First National announced that it has agreed to be acquired by Birch Hill Equity Partners and Brookfield Asset Management, with existing shareholders Stephen Smith and Moray Tawse maintaining minority ownership. The purchase price of $48.00 per Share in cash represents a premium of approximately 15.2% and 22.8% to the 30 and 90-trading day volume weighted average trading price, respectively, of the shares on the Toronto Stock Exchange on July 25, 2025, the last trading day prior to the announcement. The transaction is not subject to any financing condition, and is expected to close in the fourth quarter of 2025, subject to obtaining the required shareholder, court and regulatory approvals and the satisfaction of other customary closing conditions.

First National intends to continue paying its regular monthly cash dividend of $0.208334 per common share in the ordinary course through to closing of the transaction and regular quarterly dividends on the Preferred Shares in accordance with their terms.

The Class A Preference Shares, Series 1 and Class A Preference Shares, Series 2 are expected to remain outstanding in accordance with their terms following closing of the transaction. The 2.961% Series 3 Senior Unsecured Notes due November 17, 2025, 7.293% Series 4 Senior Unsecured Notes due September 8, 2026 and the 6.261% Series 5 Senior Unsecured Notes due November 1, 2027 will be redeemed on the closing of the transaction to the extent outstanding at such time. Each holder of Company Notes outstanding at such time will receive a cash amount equal to the applicable redemption price, plus accrued and unpaid interest, as of the closing date in accordance with the terms of such holder's notes.

This transaction represents the start of an exciting new chapter for First National as both Birch Hill and Brookfield bring significant expertise in the Canadian financial services industry to grow First National's platform, drive innovation, and deliver for customers, employees and institutional partners. Details of the transaction are available by way of a press release.

As we move forward, we will remain steadfast in our commitment to good service and leverage the advantages of our business model.

Yours sincerely,

Stephen Smith	Jason Ellis
Co-founder, Executive Chairman of the Board	President and Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of financial condition and results of operations is prepared as of July 29, 2025. This discussion should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes of First National Financial Corporation (the "Company" or "Corporation" or "First National") as at and for the quarter ended June 30, 2025. The unaudited interim condensed consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS").

This MD&A contains forward-looking information. Please see "Forward-Looking Information" for a discussion of the risks, uncertainties and assumptions relating to these statements. The selected financial information and discussion below also refer to certain measures to assist in assessing financial performance. These other measures, such as "Pre-FMV Income" and "After-tax Pre-FMV Dividend Payout Ratio", should not be construed as alternatives to net income or loss or other comparable measures determined in accordance with IFRS as an indicator of performance or as a measure of liquidity and cash flow. These measures do not have standard meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers.

Unless otherwise noted, tabular amounts are in thousands of Canadian dollars.

Additional information relating to the Company is available in First National Financial Corporation's profile on the System for Electronic Data Analysis and Retrieval ("SEDAR") website at www.sedar.com.

General Description of the Company

First National Financial Corporation 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 almost $160 billion in mortgages under administration ("MUA"), First National is one of Canada's largest non-bank originators and underwriters of mortgages and is among the top three lenders in market share in the mortgage broker distribution channel.

Second Quarter 2025 Results Summary

First National's origination volumes in the second quarter of 2025 met management's expectations. Including renewals, total mortgage originations were $13.8 billion, 24% above 2024 levels. Mortgages Under Administration (MUA) surpassed $159 billion, growing by 8% year over year. Core operating profitability, measured by Pre-FMV Income(1), increased by 1% from 2024 reflecting several factors including the impact of higher originations in both segments, increased income from direct securitization and costs incurred to support growth, including employee and technology costs.

The following summarizes the performance of the Company's significant metrics:

- MUA grew to $159.9 billion at June 30, 2025 from $148.2 billion at June 30, 2024, an increase of 8%; growth from March 31, 2025, when MUA was $155.4 billion, was 12% on an annualized basis.
- Total single-family mortgage origination, including renewals, was $8.7 billion in the second quarter of 2025 compared to $6.1 billion in the 2024 comparative quarter, a 42% increase. This reflected steady new origination from the strong commitment pipeline established in the first quarter of 2025 and a strong renewal experience as borrowers who had chosen shorter mortgage maturity terms during the pandemic renewed alongside those with more typical 5-year terms taken in 2020. Commercial segment origination, including renewals, of $5.1 billion was 2% higher than the $5.0 billion originated in the 2024 quarter. The second quarter of 2025 was a record quarter for commercial segment origination at First National.
- Revenue for the second quarter of 2025 increased by approximately 15% to $621.3 million from $538.4 million a year ago reflecting growth in the portfolio of securitized mortgages which produced higher interest revenue. This increase was augmented by higher placement fees on greater volumes placed with institutional investors. Mortgages pledged under securitization currently generate about 68% of the Company's revenue due to the significant size of the related portfolios, which grew by 11% from 2024 to 2025.
- Income before income taxes was $86.2 million in the second quarter of 2025 compared to $73.5 million in second quarter 2024. The increase included the effect of changing capital market conditions in both quarters. Excluding gains and losses related to financial instruments, earnings before income taxes and gains and losses on financial instruments ("Pre-FMV Income" (1)) for the second quarter of 2025 increased by 1% to $77.9 million from $77.5 million in the 2024 second quarter. The change was attributable largely to higher net interest income from securitization which grew with the larger portfolio. Increases in net placement fees were offset by higher operating costs needed to support the Company's growth.

(1) This non-IFRS measure adjusts income before income taxes by eliminating the impact of changes in fair value by adding back losses on the valuation of financial instruments (except those on mortgage investments) and deducting gains on the valuation of financial instruments (except those on mortgage investments). See Key Performance Indicators section in this MD&A.

Selected Quarterly Information

Quarterly Results of First National Financial Corporation

($000s, except per share amounts)

	Revenue	Net Income for the Period	Pre-FMV Income for the Period (1)	Earnings per Common Share	Total Assets
2025					
Second quarter	$621,336	$63,355	$77,911	$1.04	$54,397,933
First quarter	$528,857	$24,569	$52,629	$0.39	$52,174,011
2024					
Fourth quarter	$600,096	$63,019	$74,819	$1.04	$51,157,141
Third quarter	$560,386	$36,409	$75,254	$0.59	$50,460,286
Second quarter	$538,450	$54,070	$77,498	$0.88	$50,093,796
First quarter	$518,045	$49,892	$62,745	$0.82	$45,765,958
2023					
Fourth quarter	$503,441	$44,245	$77,125	$0.72	$45,957,399
Third quarter	$562,861	$83,630	$95,456	$1.38	$45,176,543

Reconciliation of Quarterly Determination of Pre-FMV Income

($000s, except per share amounts)

	Income before income tax for the Period	Add/ deduct Realized and unrealized losses (gains)	Deduct (losses), add gains related to mortgage investments	Pre-FMV Income for the Period (1)
2025				
Second quarter	$86,195	($8,284)	$—	$77,911
First quarter	$33,019	$19,610	$—	$52,629
2024				
Fourth quarter	$85,579	($10,760)	$—	$74,819
Third quarter	$49,689	$25,565	$—	$75,254
Second quarter	$73,490	$4,008	$—	$77,498
First quarter	$67,892	($5,147)	$—	$62,745
2023				
Fourth quarter	$59,895	$16,894	$336	$77,125
Third quarter	$113,830	($18,435)	$61	$95,456

(1) This non-IFRS measure adjusts income before income taxes by eliminating the impact of changes in fair value by adding back losses on the valuation of financial instruments (except those on mortgage investments) and deducting gains on the valuation of financial instruments (except those on mortgage investments). See Key Performance Indicators section in this MD&A.

With First National's large portfolio of mortgages under administration, quarterly revenue is driven primarily by servicing income and gross interest earned on mortgages pledged under securitization. The gross interest on the mortgage portfolio is dependent both on the size of the portfolio of mortgages pledged under securitization, as well as mortgage rates. Recently MUA increased, and revenue followed. Net income is partially dependent on conditions in bond markets, which affect the value of gains and losses on financial instruments arising from the Company's interest rate hedging program. Accordingly, the movement of this measurement between quarters is related to factors external to the Company's core business. By removing this volatility and analyzing Pre-FMV Income(1), management believes a more appropriate measurement of the Company's performance can be assessed.

In the past eight quarters, the Company experienced a changing market in the residential mortgage broker channel. The first three quarters of 2023 were characterized by the relative absence of the largest lender in the channel. The Company was able to capture higher than usual market share during these quarters. The fourth quarter of 2023 was marked by the aggressive return to market of the previously absent lender and a relative decrease in the Company's share of funded mortgages to a more traditional level. The resulting operational efficiency from solid origination levels in the first three quarters and record MUA translated to higher Pre-FMV Income(1) in 2023. In contrast, 2024 began with challenging year-over-year comparisons to the strong first three quarters of 2023. Despite the return to typical market dynamics, the Company remained focused and with a combination of higher housing activity, fourth quarter single family origination surpassed 2023 levels by 44%. The first six months of 2025 began with strong growth in originations in a resilient housing market. After a turbulent economic environment in the first quarter alongside the announcement of US-based tariffs and interest rate movements, the second quarter of 2025 provided a more stable environment such that securitization NIM and administration revenue increased year over year. Generally, earnings were steady and Pre-FMV Income(1) for the second quarter of 2025 grew by1%.

Outstanding Securities of the Corporation

At June 30, 2025 and July 29, 2025, the Corporation had outstanding: 59,967,429 common shares; 2,984,835 Class A preference shares, Series 1; 1,015,165 Class A preference shares, Series 2; 200,000 November 2025 senior unsecured notes; 200,000 September 2026 unsecured notes; and 200,000 November 2027 senior unsecured notes.

Selected Annual Financial Information and Reconciliation to Pre-FMV Income(1)

($000s, except per share amounts)

	2024	2023	2022
For the Year Ended December 31, Income Statement Highlights			
Revenue	2,216,977	2,024,285	1,574,293
Interest expense – securitized mortgages	(1,372,182)	(1,119,475)	(739,295)
Brokerage fees	(95,508)	(139,199)	(173,290)
Salaries, interest and other operating expenses	(472,637)	(421,704)	(392,626)
Add (deduct): realized and unrealized losses (gains) on financial instruments	13,666	(22,121)	(59,610)
Add (deduct): unrealized gains (losses) regarding mortgage investments	—	397	(710)
Pre-FMV Income(1)	290,316	322,183	208,762
Add (deduct): realized and unrealized gains (losses) on financial instruments excluding those on mortgage investments	(13,666)	21,785	60,320
Provision for income taxes	(73,260)	(91,100)	(71,350)
Net income	203,390	252,807	197,732
Common share dividends declared	177,404	189,397	141,423
Per Share Highlights			
Net income per common share	3.33	4.15	3.25
Dividends per common share	2.96	3.16	2.36
At Year End Balance Sheet Highlights Total assets	51,161,425	45,957,399	43,763,672
Total long-term financial liabilities	598,630	598,745	399,222

Note:

(1) Pre-FMV Income is not a recognized earnings measure under IFRS and does not have a standardized meaning prescribed by IFRS. Therefore, Pre-FMV Income may not be comparable to similar measures presented by other issuers. Investors are cautioned that Pre-FMV Income should not be construed as an alternative to net income or loss determined in accordance with IFRS as an indicator of the Company's performance or as an alternative to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows.

Vision and Strategy

The Company provides mortgage financing solutions to residential and commercial mortgage markets in Canada. By offering a full range of mortgage products, with a focus on customer service and superior technology, the Company believes that it is a leading non-bank mortgage lender. The Company intends to continue leveraging these strengths to lead the non-bank mortgage lending industry in Canada, while appropriately managing risk. The Company's strategy is built on four cornerstones: providing a full range of mortgage solutions for Canadian single-family and commercial customers; growing mortgages under administration; employing technology to enhance business processes and service to mortgage brokers and borrowers; and maintaining a conservative risk profile. An important element of the Company's strategy is its direct relationship with mortgage borrowers. The Company is considered by most of its borrowers as the mortgage lender. This is a critical distinction. It allows First National to communicate with each borrower directly throughout the term of the related mortgage. Through this relationship, the Company can negotiate new transactions and pursue marketing initiatives. Management believes this strategy will provide long-term profitability and sustainable brand recognition for the Company.

Key Performance Drivers

The Company's success is driven by the following factors:

- Growth in the portfolio of mortgages under administration;
- Growth in the origination of mortgages;
- Raising capital for operations; and
- Employing innovative securitization transactions to minimize funding costs.

Growth in Portfolio of Mortgages under Administration

Management considers growth in MUA to be a key element of the Company's performance. The portfolio grows in two ways: through mortgages originated by the Company and through third-party mortgage servicing contracts. Mortgage originations not only drive revenues from placement and interest from securitized mortgages, but perhaps more importantly, create longer-term value from servicing rights, renewals and growth in the customer base for marketing initiatives. As at June 30, 2025, MUA totalled $159.9 billion, up from $148.2 billion at June 30, 2024, an increase of 8%. The growth of MUA within the second quarter of 2025 was 12% on an annualized basis.

Growth in Origination of Mortgages

Direct Origination by the Company

The origination of mortgages not only drives the growth of MUA as described above, but it also leverages the Company's origination platform, which has a large fixed-cost component. As more mortgages are originated, the marginal costs of underwriting decrease. Increased origination satisfies demand from institutional customers and produces volume for the Company's own securitization programs. In the second quarter of 2025, the Company's single-family origination increased by 42% compared to 2024. The commercial segment also continued to grow with originations reaching a quarterly record $5.1 billion compared to $5.0 billion in the second quarter of 2024, an increase of 2%. On a combined basis, overall origination in the second quarter of 2025 was up by 24% from the comparative 2024 quarter.

Third-Party Mortgage Underwriting and Fulfilment Processing Services

In 2015, the Company launched its third-party underwriting and fulfilment processing services business with a large Canadian Schedule I bank ("Bank"). This business is designed to adjudicate mortgages originated by the Bank through the single-family residential mortgage broker channel. First National employs a customized software solution based on its industry-leading MERLIN technology to accept mortgage applications from the Bank in the mortgage broker channel and underwrite these mortgages in accordance with the Bank's underwriting guidelines. The Bank funds all the mortgages underwritten under the agreement and retains full responsibility for mortgage servicing and the client relationship. Management considers the agreement a way to leverage the capabilities and strengths of First National in the mortgage broker channel and add some diversity to the Company's service offerings. In late 2019 and 2023, the Company entered into similar agreements with two other Canadian banks.

Excalibur Mortgage Products

The Company originates alternative single-family ("Excalibur") mortgage products. Alternative lending describes single-family residential mortgages that are originated using broader underwriting criteria than those applied in originating prime mortgages. These mortgages generally have higher interest rates than prime mortgages. First National's relationships with mortgage brokers and its underwriting systems allow for cost effective origination of significant volumes. The product is originated primarily for placement with institutional investors, but beginning in April 2019, the Company finalized an agreement with a bank-sponsored securitization conduit to fund a portion of Excalibur origination. In early 2020, an agreement was reached with another bank-sponsored conduit to provide additional funding for this product. Excalibur was rolled out gradually, beginning in Ontario. Currently the program originates the majority of its mortgages in Ontario with a growing presence in Western Canada.

Raising Capital for Operations

Bank Credit Facility

The Company's $1.5 billion revolving line of credit with a syndicate of banks enables it to fund the large amounts of mortgages accumulated for securitization. In the second quarter of 2024, the Company extended the term of the facility by another year to mature in March 2029. The facility bears interest at floating rates. The Company has elected to undertake this debt for a number of reasons: (1) the facility provides the amount of debt required to fund mortgages originated for securitization purposes; (2) the debt is revolving and can be used and repaid as the Company requires, providing more flexibility than senior unsecured notes, which are fully drawn during their term; (3) the remainder of the five-year term gives the Company a committed facility for the medium term; and (4) the cost of borrowing reflects the Company's BBB issuer rating.

Note Issuance

On April 1, 2024, 200,000 new Series 5 notes were issued at a coupon of 6.261% for a three-year, 7-month term maturing November 1, 2027. These notes added to the Company's 2023 issuance of 200,000 7.293% Series 4 senior unsecured notes, and 2020's issuance of 200,000 2.961% Series 3 senior unsecured notes. The net proceeds of these issuances, after broker commissions, were invested in FNFLP. On settlement, the proceeds were used to pay down a portion of the indebtedness under the bank credit facility. The Company's medium-term debt capital now stands at approximately $600 million.

Preferred Share Issuance

Effective April 1, 2021, pursuant to the original prospectus, the Company reset the annual dividend rate on its outstanding Class A Series 1 preference shares to 2.895% for a five-year term to March 31, 2026. After the exercise of shareholder conversion rights in March 2021, there were 2,984,835 Class A Series 1 shares outstanding and 1,015,165 Class A Series 2 outstanding. The Series 2 shares bear a floating rate dividend calculated quarterly based on the 90-day T-Bill rate. Both the Series 1 and Series 2 shares pay quarterly dividends, subject to Board of Directors' approval, and are redeemable at the discretion of the Company such that after each five-year term ending on March 31, the Company can choose to extend the shares for another five-year term at a fixed spread (2.07%) over the relevant index (five-year Government of Canada bond yield for any Series 1 shares or the 90-day T-Bill rate for any Series 2 shares). While investors in these shares have an option on each five-year anniversary to convert their Series 1 preference shares into Series 2 preference shares (and vice versa), there is no provision of redemption rights to these shareholders. As such, the Company considers these shares to represent a permanent source of capital.

Employing Securitization Transactions to Minimize Funding Costs

Approval as Both an Issuer of NHA-MBS and Seller to the Canada Mortgage Bonds Program

In December 2007, the Company was approved by Canada Mortgage and Housing Corporation ("CMHC") as an issuer of NHA-MBS and as a seller into the Canada Mortgage Bonds ("CMB") program. Issuer status provides the Company with direct and independent access to reliable and low-cost funding. Insured mortgage spreads can be illustrated by comparing insured posted five-year fixed single-family mortgage rates to a similar term five-year Government of Canada bond as listed in the table below.

Period	Period end Five-Year Insured Mortgage Spread by Quarter
Q2 2023	1.65%
Q3 2023	1.59%
Q4 2023	2.07%
Q1 2024	1.46%
Q2 2024	1.38%
Q3 2024	1.65%
Q4 2024	1.57%
Q1 2025	1.38%
Q2 2025	1.47%

Generally, when this spread is wider, the Company can earn higher returns from its securitization activities, although credit spreads and program fees observed in mortgage securitization markets also affect profitability. In the second quarter of 2025, the Company originated and renewed approximately $4.8 billion of single-family and multi-unit residential mortgages for securitization purposes.

The Company is subject to various CMHC regulations. These rules include the amount of CMHC guarantees issued which are required to issue a pool. Currently there is a tiered NHA-MBS guarantee fee pricing structure, such that any guarantees issued to one issuer over $9.0 billion of issuance have a higher price. The tiered limit of $9.0 billion remained unchanged in 2024. In July 2022, CMHC issued new rules related to the allocation of NHA-MBS guarantee fees between "lenders" and "aggregators". These rules commenced in the latter part of 2023 through a transition period. CMHC indicated in 2023 that these rules may be subject to further clarification. These rules have not yet impacted the Company's ability to place mortgages with its existing institutional customers. In July 2025, CMHC announced higher premiums related to insurance of multi-unit mortgages. In general, the new rates apply to mortgages with higher loan to value ratios. These changes may have an impact on the amount of CMHC insured mortgages that the Company can originate.

Canada Mortgage Bonds Program

The CMB program is an initiative where Canada Housing Trust ("CHT") issues securities to investors in the form of semi-annual interest-yielding 5 and 10-year bonds. As a seller into the CMB, the Company makes direct sales of NHA MBS into the program. The ability to sell into the CMB has given the Company access to lower costs of funds on both single-family and multi-family mortgage securitizations. Because of the effectiveness of the CMB, many institutions have indicated their desire to participate. As a result, CHT has created guidelines through CMHC that limit the amount that can be sold by each seller into the CMB each quarter. The Company is subject to these limitations. CMHC has indicated there may be modifications which may reduce the amounts which the Company can sell into 10-year CMB. After the federal government reviewed the CMB program in 2023, it announced in September 2023 that the annual limit for Canada Mortgage Bonds was increased to $60 billion from $40 billion. The $20 billion increase is dedicated to multi-unit residential pools. At the same time, CMHC increased available NHA MBS guarantees from $150 billion to $170 billion for 2024 to mirror the additional CMB capacity.

Key Performance Indicators

The principal indicators used to measure the Company's performance are:

- Earnings before income taxes and losses and gains on financial instruments, with the exception of any losses or gains related to mortgage investments ("Pre-FMV Income"[1]); and

- Dividend payout ratio.

Beginning in 2020, the Company presented Pre-FMV Income[1] as a key performance indicator. This non-IFRS measure adjusts the Company's earnings by excluding gains and losses related to the fair value of financial instruments. Pre-FMV Income is not recognized under IFRS. However, management believes that Pre-FMV Income[1] is a useful measure that provides investors with an indication of income normalized for capital-market fluctuations. Pre-FMV Income[1] should not be construed as an alternative to net income determined in accordance with IFRS or to cash flows from operating, investing and financing activities. The Company's method of calculating Pre-FMV Income may differ from other issuers and, accordingly, Pre-FMV Income[1] may not be comparable to measures used by other issuers.

	Quarter ended		Six months ended	
	June 30, 2025	**June 30, 2024**	**June 30, 2025**	**June 30, 2024**
For the Period		($000s)		
Revenue	621,336	538,450	1,150,193	1,056,495
Income before income taxes	86,195	73,490	119,214	141,382
Pre-FMV Income [1]	77,911	77,498	130,540	140,243
At Period End				
Total assets	54,397,933	50,093,796	54,397,933	50,093,796
Mortgages Under Administration	159,859,773	148,185,494	159,859,773	148,185,494

(1) This non-IFRS measure adjusts income before income taxes by eliminating the impact of changes in fair value by adding back losses on the valuation of financial instruments (except those on mortgage investments) and deducting gains on the valuation of financial instruments (except those on mortgage investments).

Since going public in 2006, First National has been considered a high-yielding, dividend-paying company. With a large MUA that generates continuing income and cash flow and a business model that is designed to make efficient use of capital, the Company has been able to pay distributions to its shareholders that represent a relatively large ratio of its earnings. The Company calculates the dividend payout ratio as dividends declared on common shares over net income attributable to common shareholders. This measure is useful to shareholders as it indicates the percentage of earnings paid as dividends. Similar to the performance measurement for earnings, the Company also calculates the dividend payout ratio on a basis using after-tax Pre-FMV Income[1].

Determination of Common Share Dividend Payout Ratio

	Quarter Ended		Six months Ended	
	June 30, 2025	**June 30, 2024**	**June 30, 2025**	**June 30, 2024**
For the Period		**($000s)**		
Net income attributable to common shareholders	62,504	53,085	86,186	101,988
Total dividends paid or declared on common shares	37,480	36,730	74,960	73,460
Total common share dividend payout ratio	60%	69%	87%	72%
After-tax Pre-FMV dividend payout ratio (1)	67%	66%	79%	73%

Note:

(1) This non-IFRS measure adjusts the net income used in the calculation of the "Regular common share dividend payout ratio" to after tax Pre-FMV income so as to eliminate the impact of changes in fair value by adding back losses on the valuation of financial instruments (except those on mortgage investments) and deducting gains on the valuation of financial instruments (except those on mortgage investments). The Company uses its aggregate effective tax rate to tax affect the impact of the valuation of financial instruments on this ratio.

For the quarter ended June 30, 2025, the total common share payout ratio was 60% compared to 69% for the quarter ended June 30, 2024. In both quarters, the Company recorded gains and losses on changes in fair value of financial instruments. Gains and losses are recorded in the period in which the prices on Government of Canada bonds change; however, the offsetting economic impact is generally reflected in narrower or wider spreads in the future once the mortgages have been pledged for securitization. Accordingly, management does not consider such gains and losses to affect its dividend payment policy in the short term. If the gains and losses on financial instruments in the two quarters are excluded from the above calculations, the dividend payout ratio for the second quarter of 2025 would have been 67% compared to 66% in 2024.

The Company also paid $0.9 million of dividends on its preferred shares in the second quarter of 2025 compared to $1.0 million in the 2024 quarter.

Revenues and Funding Sources

Mortgage Origination

The Company derives a significant amount of its revenue from mortgage origination activities. Most mortgages originated are funded either by placement with institutional investors or through securitization conduits, in each case with retained servicing. In general, originations are allocated from one funding source to another depending on different criteria, including type of mortgage and securitization limits, with an overall consideration related to maintaining diversified funding sources. The Company retains servicing rights on virtually all the mortgages it originates. This provides First National with servicing fees to complement revenue earned through originations. For the quarter ended June 30, 2025, origination volume was $13.8 billion compared to $11.1 billion in the 2024 quarter.

Securitization

The Company securitizes a portion of its origination through various vehicles, including NHA-MBS, CMB and asset-backed commercial paper ("ABCP"). Although these transactions legally represent sales of mortgages, for accounting purposes they do not meet the requirements for sale recognition and instead are accounted for as secured financings. These mortgages remain as mortgage assets of the Company for the full term and are funded with securitization-related debt. Of the Company's $13.8 billion of originations in the second quarter of 2025, $4.8 billion was originated for its own securitization programs.

Placement Fees and Gain on Deferred Placement Fees

The Company recognizes revenue at the time that a mortgage is placed with an institutional investor. Cash amounts received in excess of the mortgage principal at the time of placement are recognized in revenue as "placement fees". The present value of additional amounts expected to be received over the remaining life of the mortgage sold (excluding normal market-based servicing fees) is recorded as a "deferred placement fee". A deferred placement fee arises when mortgages with spreads in excess of a base spread are placed. Normally First National would earn an upfront cash placement fee, but investors prefer paying the Company over time, as they earn net interest margin on such transactions. Upon the recognition of a deferred placement fee, the Company establishes a "deferred placement fee receivable" that is amortized as the fees are received by the Company. Of the Company's $13.8 billion of originations in the second quarter of 2025, $8.8 billion was placed with institutional investors.

For all institutional placements, the Company earns placement fees. Revenues based on these originations are equal to either (1) the present value of the excess spread, or (2) an origination fee based on the outstanding principal amount of the mortgage. This revenue is received in cash at the time of placement. In addition, under certain circumstances, additional revenue from institutional placements may be recognized as "gain on deferred placement fees" as described above.

Mortgage Servicing and Administration

The Company services virtually all mortgages generated through its mortgage origination activities on behalf of a wide range of institutional investors. Mortgage servicing and administration is a key component of the Company's overall business strategy and a significant source of continuing income and cash flow. In addition to pure servicing revenues, fees related to mortgage administration are earned by the Company throughout the mortgage term. Another aspect of servicing is the administration of funds held in trust, including borrowers' property tax escrows, reserve escrows and mortgage payments. As acknowledged in the Company's agreements, any interest earned on these funds accrues to the Company as partial compensation for administration services provided. The Company has negotiated favourable interest rates on these funds with the chartered banks that maintain the deposit accounts, which has resulted in significant additional servicing revenue.

In addition to the interest income earned on securitized mortgages and deferred placement fees receivable, the Company also earns interest income on mortgage-related assets, including mortgages accumulated for sale or securitization, mortgage and loan investments and purchased mortgage servicing rights.

The Company provides underwriting and fulfilment processing services to three mortgage originators using the mortgage broker distribution channel. The Company earns a fee based on the dollar value of funded mortgages. These fees are recognized at the time a mortgage funds and are included in "Mortgage servicing income" in the consolidated statement of income.

Results of Operations

The following table shows the volume of mortgages originated by First National and Mortgages Under Administration for the periods indicated:

	Quarter Ended June 30, 2025	Quarter Ended June 30, 2024	Six months Ended June 30, 2025	Six months Ended June 30, 2024
	($ millions)			
Mortgage Originations by Segment				
Single-family residential	8,670	6,124	13,375	9,629
Multi-unit and commercial	5,124	5,022	8.718	8,067
Total origination and renewals	13,794	11,146	22,093	17,696
Mortgage Originations by Funding Source				
Institutional investors	8,789	5,782	13,725	9,837
NHA-MBS/CMB/ABCP securitization	4,786	5,109	8,000	7,476
Internal Company resources	219	255	368	383
Total	13,794	11,146	22,093	17,696
Mortgages Under Administration				
Single-family residential	97,940	94,851	97,940	94,851
Multi-unit residential and commercial	61,920	53,334	61,920	53,334
Total	159,860	148,185	159,860	148,185

Total mortgage origination volume was higher in the second quarter of 2025 compared to 2024. This reflected a 42% increase in single-family volumes and a 2% increase in commercial segment volumes year over year. Management believes the increase in the single-family segment was a follow on of the growth of single-family mortgage commitments in the first quarter of 2025. The housing market across Canada performed well and the Company believes it has increased its market share in the broker channel. The Company's MERLIN technology continued to support its mortgage origination platform allowing First National to underwrite efficiently across the country. In the commercial segment, where the Company's expertise in underwriting insured multi-unit mortgages is a fundamental competency, volumes reflected continuing demand. This success was partially offset by lower conventional mortgage activity. Origination for direct securitization into NHA-MBS, CMB and ABCP programs remained a large part of the Company's strategy, with about $4.8 billion of volume in the second quarter of 2025.

Net Interest – Securitized Mortgages

Comparing the quarter ended June 30, 2025, to the quarter ended June 30, 2024, "net interest – securitized mortgages" ("NII") increased by 4% to $56.0 million from $53.7 million. The portfolio of mortgages pledged under securitization grew 11% from $41.8 billion at June 30, 2024 to $46.5 billion at June 30, 2025. This reflected growth of 19% in the multi-unit residential program portfolio and 7% growth in single-family programs. Commercial segment earnings here were up by $3.4 million, growing 18% with the larger portfolio and the acceleration of value with some large prepayments. Residential segment NII was lower by $1.1 million year over year reflecting the changing interest rate environment. Similar to 2024, second quarter 2025 results were affected by accounting related to the Company's interest rate management program for single-family mortgage commitments. The Company records gains and losses on such hedges in its current earnings while earning wider or narrower securitization margins over the term of the related mortgages. Generally speaking, when the Company records hedge gains, there are narrower securitization margins on the related mortgages. The reverse is true when there are losses. In each of the past three years, the Company recorded gains on these hedging instruments such that the mortgages securitized had comparatively narrower securitization spreads. Effectively, some of the spread otherwise earned on such transactions was recorded as an upfront gain on financial instruments as opposed to securitization NII over the mortgage term. While difficult to calculate precisely, management believes this phenomenon reduced comparative NII in the current quarter by about $3 million. Favorably, the cost of funds related to the Company's ABCP conduits improved in the quarter. In general, longer dated ABCP notes, which were advanced when short-term interest rates were higher, matured and were replaced with new notes at rates reflecting the current environment.

Placement Fees

Placement fee revenue increased by 80% to $81.4 million from $45.3 million in the 2024 quarter. This reflected a 52% increase in placement activity augmented by a shift in the mix of mortgages that makes up placement volume. In the second quarter of 2025, volumes of new mortgages placed more than doubled while renewed volume placed with investors increased by about 21%. Generally, per-unit fees for renewed mortgages are markedly lower than those on new residential origination. With the shift in the composition of placement fees, the overall increase in placement fees was higher than the increase in total institutional placement volume.

Gains on Deferred Placement Fees

Gains on deferred placement fees decreased 30% to $3.2 million from $4.6 million. These gains related primarily to multi-unit residential mortgages originated and sold to institutional investors where volumes increased by 13% from the 2024 quarter. Margins in this business were narrower in 2025 than in 2024.

Mortgage Servicing Income

Mortgage servicing income decreased 1% to $69.4 million from $70.1 million reflecting a lower comparable interest rate environment which meant lower interest revenues earned on escrow funds held. This revenue was about $3.7 million lower in the current quarter. Without this decrease, revenues related to the Company's third-party underwriting business and administration departments grew by about $3.0 million or about 4% on higher MUA.

Mortgage Investment Income

Mortgage investment income decreased 1% to $35.3 million from $35.7 million. The decrease was due to several factors including: differing balances of mortgage accumulated for securitization, lower balances of mortgage and loan investments and mortgage rates which were generally lower year over year commensurate with the overall interest rate environment.

Realized and Unrealized Gains (Losses) on Financial Instruments

This financial statement line item consists of three primary components: (1) gains and losses related to the Company's economic hedging of single-family commitments, (2) gains and losses related to holding a portfolio of mortgage and loan investments at fair value, and (3) gains and losses on interest rate swaps used to mitigate interest rate risk on its CMB activity. The Company has elected to document hedging relationships for virtually all of the multi-residential commitments and mortgages it originates for its own securitization programs. It has also done the same for funded single-family mortgages and the swaps used in its ABCP programs. This has reduced the volatility of gains and losses on financial instruments otherwise recorded in the Company's regular earnings, as gains and losses on hedged items are generally deferred and amortized into income over the term of the related mortgages. The Company does not document a hedging relationship for accounting purposes related to its interest mitigation program on its single-family mortgage commitments. The Company believes, given the optional nature of these commitments, it is difficult to establish a valid hedging relationship. For financial reporting purposes, this means that there will still be gains and losses on financial instruments, but these should be limited to those on the bonds sold short used to mitigate such risk. The following table summarizes these gains and losses by category in the periods indicated:

	Quarter Ended		Six months Ended	
Summary of Realized and Unrealized Gains (Losses) on Financial Instruments	**June 30, 2025**	**June 30, 2024**	**June 30, 2025**	**June 30, 2024**
		($000s)		
Gains (losses) on short bonds used for the economic hedging program	8,620	(3,957)	(11,571)	2,932
Gains (losses) on interest rate swaps	(336)	(51)	245	(1,793)
Net gains (losses) on financial instruments	8,284	(4,008)	(11,326)	1,139

The 2025 second quarter was a period where economic sentiment turned positive and bond yields rose. Higher yields meant the Company recorded gains on the short bonds it used to economically hedge single-family mortgage commitments. In the second quarter of 2024, yields fell, so the Company recorded losses on its short bond position.

Brokerage Fees Expense

Brokerage fees expense increased 177% to $41.3 million in the 2025 second quarter from $14.9 million in the 2024 quarter. This reflected a 178% year-over-year increase in origination volumes of new single-family mortgages for institutional investors.

Salaries and Benefits Expense

Salaries and benefits expense increased 8% to $63.6 million from $58.8 million primarily as a result of growth in headcount between the two quarters. Headcount growth was 5% (1,861 employees at June 30, 2025, compared to 1,772 at June 30, 2024). Some of this growth pertains to staffing for the Company's new third-party underwriting customer. Together with a 3% merit increase for 2025, salaries increased by about 8%. Management salaries were paid to the two senior executives (co-founders) who together control about 71% of the Company's common shares. The current period expense is a result of the compensation arrangement executed on the closing of the initial public offering ("IPO") in 2006.

Interest Expense

Interest expense increased 3% to $40.3 million from $39.0 million. As discussed in the "Liquidity and Capital Resources" section of this analysis, the Company warehouses a portion of the mortgages it originates prior to settlement with the investor or funding with a securitization vehicle. The Company used its $1.5 billion syndicated bank line together with repurchase agreements to fund mortgages during this period. Overall interest expense increased from 2024 for several reasons: changing balances of mortgage accumulated for securitization and higher interest rate costs with the replacement of the November 2024 5-year term note which matured last year, partially offset by lower short term borrowing costs due to Bank of Canada rate cuts. Interest expense also included the cost of carry related to the Company's economic hedging program which increases in 2025 with a steeper yield curve.

Other Operating Expenses

Other operating expenses increased by 15% to $22.1 million from $19.3 million primarily due to higher information technology costs as the Company continues to upgrade its systems including a migration to the "cloud" from onsite servers. Legal and rating agency fees also increased in the quarter.

Income before Income Taxes and Pre-FMV Income(1)

Income before income taxes increased 17% to $86.2 million from $73.5 million in the 2024 quarter due partially to changing capital markets. The Company's results include gains and losses on financial instruments used to economically hedge residential mortgage commitments. As described previously in this MD&A, the Company recorded $8.3 million of gains on financial instruments (excluding gains related to mortgage investments) in the 2025 second quarter. Comparatively, in 2024, the Company recorded $4.0 million of losses on financial instruments (excluding losses related to mortgage investments). The change in these values accounted for a $12.3 million increase in comparative income before income taxes. Pre-FMV Income(1), which excludes these changes, increased by 1% to $77.9 million from $77.5 million. The change was attributable largely to higher net interest income from securitization which grew with the larger portfolio. Increases in net placement fees were offset by higher operating expenses.

Income Tax Expense

The provision for taxes increased by 18% to $22.8 million from $19.4 million. The provision increased proportionately with net income before income taxes.

Other Comprehensive Income

For the commercial segment, the Company hedges the interest rate risk associated with insured multi-residential mortgages. This hedging begins on commitment and ends when the Company either securitizes the mortgage or places the mortgage with an institutional investor. As the Company determined that these cash flow hedges were effective, it recorded $11.5 million of pre-tax net losses on such hedges in OCI in the second quarter of 2025. In the quarter, the Company amortized a portion of the gains and losses in accumulated OCI into regular earnings in the amount of $3.8 million. The remaining OCI amount will be amortized into net income in future periods.

Operating Segment Review

The Company aggregates its business from two segments for financial reporting purposes: (i) Residential (which includes single-family residential mortgages), and (ii) Commercial (which includes multi-unit residential and commercial mortgages), as summarized below:

	Operating Business Segments			
	Residential		**Commercial**	
	($000s except percent amounts)			
For the Quarter Ended	**June 30, 2025**	**June 30, 2024**	**June 30, 2025**	**June 30, 2024**
Originations and renewals	8,669,714	6,123,401	5,123,900	5,021,549
Percentage change	*42%*		*2%*	
Revenue	430,891	370,115	190,445	168,335
Percentage change	*16%*		*13%*	
Income before income taxes	50,836	40,138	34,713	33,352
Percentage change	*27%*		*4%*	
As at	**June 30, 2025**	**December 31, 2024**	**June 30, 2025**	**December 31, 2024**
Identifiable assets	35,012,067	33,218,858	19,356,090	17,908,507
Mortgages under administration	97,940,363	95,796,912	61,919,410	57,900,097

Residential Segment

Residential origination volumes including renewals increased by 42% between the second quarters of 2024 and 2025 while residential revenues increased by 16%. Excluding the impact of gains and losses on financial instruments, revenues increased by 13%. Growth in revenue relies largely on the growth of the Company's securitized portfolio and the weighted average mortgage rates therein. This portfolio grew by about 7% year over year. This increase has been augmented by higher placement fee revenue related to increased origination volume. Net income before tax was also affected by fair value-related revenues. Without the impact of these revenues, net income before tax decreased to $42.6 million in the 2025 quarter from $44.1 million in the 2024 quarter, or 4%. This change was the result of several factors: lower net securitization income on the residential portfolio, lower administration income related to interest on escrow balances, and the shift of renewal volumes from placement to securitization. Income was positively affected by higher origination volumes which increases operating leverage. Identifiable assets increased from December 31, 2024, as mortgages pledged under securitization grew by about $1.5 billion and hedging assets increased by $0.5 billion.

Commercial Segment

2025 commercial revenues were higher compared to those in the 2024 second quarter by 13% while segment income before income taxes increased by 4% year over year. Revenue increased on 19% growth in the Company's securitized mortgage portfolio. Identifiable assets increased from December 31, 2024, as the Company grew its portfolio of securitized mortgages by about $1.0. billion and increased its commercial hedging assets by $0.5 billion.

Liquidity and Capital Resources

The Company's fundamental liquidity strategy has been to originate and invest in prime Canadian mortgages. Management's belief has always been that these mortgages are attractive to investors and should always be well bid and highly liquid. This strategy proved effective during the global financial crisis in 2007 through 2009, and once again at the onset of the Covid-19 pandemic, when capital markets were disrupted and the demand for high-quality assets increased. As the Company's results in those years demonstrated, First

National was able to attract investors to purchase its mortgage origination at profitable margins. Originating prime mortgages also allows the Company to securitize in the capital markets; however, this activity requires significant cash resources to purchase and hold mortgages prior to arranging for term debt through securitization markets. For this purpose, the Company uses the combination of unsecured notes and the Company's revolving bank credit facility. This aggregate indebtedness is typically used to fund: (1) mortgages accumulated for sale or securitization (2) the origination costs associated with securitization and, (3) mortgage and loan investments. The Company has a credit facility with a syndicate of financial institutions for total credit of $1.5 billion. This facility was extended for a year in April 2024 and matures in March 2029. As at June 30, 2025, the Company had entered into repurchase transactions with financial institutions to borrow $1.9 billion related to $1.9 billion of mortgages held in "mortgages accumulated for sale or securitization" on the balance sheet.

At June 30, 2025, outstanding bank indebtedness was $1,202.6 million (December 31, 2024 – $1,077.6 million). This debt was used to fund a portion of mortgages accumulated for sale or securitization totalling $1,070.8 million (December 31, 2024 – $985.9 million). At June 30, 2025, the Company's other interest-yielding assets included: (1) deferred placement fees receivable of $67.3 million (December 31, 2024 – $71.2 million) and (2) mortgage and loan investments of $160.1 million (December 31, 2024 – $139.9 million). The Company considers the portion of bank indebtedness and the senior unsecured notes that fund assets other than mortgages accumulated for sale or securitization a proxy for true leverage. This leverage increased between December 31, 2024, and June 30, 2025, to stand at $730.9 million (December 31, 2024 – $690.3 million). This represents a debt-to-equity ratio of approximately 0.98:1. This ratio increased from 0.89:1 as at December 31, 2024. In general, the increase in this ratio is a result of the Company investing about $71 million in its securitization programs and $20 million in mortgage and loan investments. These activities require an increase in the use of equity within the business.

The Company funds a portion of its mortgage originations for institutional placement on the same day as the advance of the related mortgage. The remaining originations are funded by the Company on behalf of institutional investors or pending securitization by First National. On specified days, the Company aggregates all mortgages warehoused to date for an institutional investor and transacts a settlement with that investor. A similar process occurs prior to arranging for funding through securitization. The Company uses a portion of its committed credit facility with the banking syndicate to fund the mortgages during this warehouse period. The credit facility is designed to be able to fund the highest balance of warehoused mortgages in a month and is normally only partially drawn.

The Company also invests in short-term mortgages, usually for 6- to 18-month terms, to bridge existing borrowers in the interim period before traditional term financing can be provided. The banking syndicate has provided credit facilities to partially fund these investments. The Company's mortgage and loan investments also include a portfolio of single-family mortgages not eligible for securitization. These arise when minor imperfections are discovered on mortgages otherwise originated for securitization. The portfolio comprises largely prime insured mortgages. To the extent these mortgages are financed by bank borrowings, as they repay, the cash will be used to pay down this bank indebtedness. The syndicate has also provided credit to finance a portion of the Company's deferred placement fees receivable and the origination costs associated with securitization, as well as other longer-term assets.

A portion of the Company's capital has been employed to support its ABCP and NHA-MBS programs, primarily to provide credit enhancements as required by rating agencies. The most significant portion of cash collateral is the investment made on behalf of the Company's ABCP programs. As at June 30, 2025, the investment in cash collateral was $178.8 million (December 31, 2024 – $172.8 million).

The Company's Board of Directors has elected to pay dividends, when declared, on a monthly basis on the outstanding common shares and on a quarterly basis on the outstanding preference shares. For purposes of the enhanced dividend tax credit rules contained in the *Income Tax Act* (Canada) and any corresponding provincial and territorial tax legislation, all dividends (and deemed dividends) paid by the Company to Canadian residents on both common and preference shares after June 30, 2010, are designated as "eligible dividends". Unless stated otherwise, all dividends (and deemed dividends) paid by the Company hereafter are designated as "eligible dividends" for the purposes of such rules.

Financial Instruments and Risk Management

The Company records mortgages accumulated for sale and a portion of mortgage and loan investments as financial assets measured at "fair value through profit or loss" such that changes in market value are recorded in the consolidated statement of income. The mortgages accumulated for sale are held for very short periods, and any change in value due to changing interest rates is the obligation of the ultimate institutional investor. Accordingly, the Company believes there will be little, if any, effect on its income related to the change in fair value of these mortgages. The majority of mortgages in mortgage and loan investments are uninsured commercial segment bridge loans. These are primarily floating rate loans that have mortgage terms of 18 months or less. As the mortgages do not conform to conventional mortgage lending, there are few active quoted markets available to determine the fair value of these assets. The Company estimates fair value based upon: benchmark interest rates, credit spreads for similar products, creditworthiness and status of the borrower, valuation of the underlying real property, payment history, and other conditions specific to the rationale for the loan. Any favourable or unfavourable amounts will be recorded in the statement of income each quarter.

The Company believes its hedging policies are suitably designed such that the interest rate risk of holding mortgages prior to securitization is mitigated. The Company designates hedging relationships such that the results of any effective hedging does not affect the Company's statement of income. See previous discussion in this MD&A under "Realized and Unrealized Gains (Losses) on Financial Instruments". As at June 30, 2025, the Company had $1.9 billion of notional forward bond positions related to its single-family programs. For multi-unit residential and commercial mortgages, the Company assumes all mortgages committed will fund and hedges each mortgage individually. This includes mortgages committed for the CMB program as well as mortgages to be sold to the Company's other securitization vehicles. As at June 30, 2025, the Company had $0.4 billion of notional value forward bond sales for this segment. The Company is also a party to two interest rate swaps that economically hedge the interest rate exposure related to certain CMB transactions in which the Company has replacement obligations. As at June 30, 2025, the aggregate value of these swaps, which mature in September 2025 and September 2026, was a $2.1 million liability. During the second quarter of 2025, $0.3 million of losses were recorded related to these swaps.

As described above, the Company employs various strategies to reduce interest rate risk. In the normal course of business, the Company also takes on credit spread risk. This is the risk that the credit spread at which a mortgage is originated changes between the date of commitment of that mortgage and the ultimate date of placement or securitization. If credit spreads widen during this holding period, it is unfavourable for the Company. It means that the Company cannot fund the mortgages originated with a funding source as effectively as originally intended. Despite entering into effective interest rate hedges, the Company's exposure to credit spreads will remain. This risk is inherent in the Company's business model and the Company believes it cannot be economically hedged. As at June 30, 2025, the Company had various exposures to changing credit spreads. In particular, in mortgages accumulated for sale or securitization, there were approximately $2.9 billion of mortgages that were susceptible to some degree of changing credit spreads.

Capital Expenditures

A significant portion of First National's business model is the origination and placement or securitization of financial assets. Generally, placement activities do not require any capital investment. Securitization transactions may require the investment of significant amounts of the Company's own capital. This capital is provided in the form of cash collateral, credit enhancements, and the upfront funding of broker fees and other origination costs. These are described more fully in the "Liquidity and Capital Resources" section above. The business requires capital expenditures on technology (both software and hardware), leasehold improvements, and office furniture. During the quarter, the Company purchased new computer equipment and software and made leasehold improvements. In the long term, the Company expects capital expenditures on fixed assets will be approximately $10 million annually.

Summary of Contractual Obligations

The Company's long-term obligations include leases of premises with remaining terms up to 11 years for its offices across Canada, and its obligations for the ongoing servicing of mortgages sold to securitization conduits and mortgages related to purchased servicing rights. The Company sells its mortgages to securitization conduits on a fully serviced basis and is responsible for the collection of the principal and interest payments on behalf of the conduits, including the management and collection of mortgages in arrears.

Critical Accounting Policies and Estimates

The Company prepares its financial statements in accordance with IFRS, which requires management to make estimates, judgments and assumptions that management believes are reasonable based upon the information available. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates on historical experience and other assumptions that it believes to be reasonable under the circumstances. Management also evaluates its estimates on an ongoing basis. The significant accounting policies of First National are described in Note 2 to the Company's annual consolidated financial statements as at December 31, 2024. The policies that First National believes are the most critical to aid in fully understanding and evaluating its reported financial results include the determination of the gains on deferred placement fees and the impact of fair value accounting on financial instruments.

The Company uses estimates in valuing its gain or loss on the sale of its mortgages placed with institutions earning a deferred placement fee. Under IFRS, valuing a gain on deferred placement fees requires the use of estimates to determine the fair value of the retained interest in the mortgages. These retained interests are reflected on the Company's balance sheet as deferred placement fees receivable. The key assumptions used in the valuation of gains on deferred placement fees are prepayment rates and the discount rate used to present value future expected cash flows. The annual rate of unscheduled principal payments is determined by reviewing portfolio prepayment experience on a monthly basis. The Company assumes there is virtually no prepayment on multi-unit residential fixed-rate mortgages as most prepayments earn the Company a prepayment fee which offsets any impairment to retained interests.

On a quarterly basis, the Company reviews the estimates used to ensure their appropriateness and monitors the performance statistics of the relevant mortgage portfolios to adjust and improve these estimates. The estimates used reflect the expected performance of the mortgage portfolio over the duration of the mortgages. The method of determining the assumptions underlying the estimates used for the quarter ended June 30, 2025, are consistent with those used for the year ended December 31, 2024, and the quarters ended June 30, 2024, and March 31, 2025.

The Company elects to treat certain of its financial assets and liabilities, including mortgages accumulated for sale, a portion of mortgage and loan investments and bonds sold short, at fair value through profit or loss. Essentially, this policy requires the Company to record changes in the fair value of these instruments in the current period's earnings. A portion of the bonds sold short are designated as an effective hedge, and accordingly, a portion of the change in the short bonds' fair value may be recorded in Other Comprehensive Income or deferred on the balance sheet with the related mortgage assets. This accounting has reduced volatility in earnings as changes in the value on short bonds have been matched to the recognition of the change in value of the hedged mortgages. The Company's assets and liabilities are such that the Company must use valuation techniques based on assumptions that are not fully supported by observable market prices or rates in most cases. Much like the valuation of deferred placement fees receivable described above, the Company's method of determining the fair value of the assets listed above is subject to Company estimates. The most significant would be implicit in the valuation of mortgage and loan investments that are recorded at Fair Value Through Profit or Loss ("FVTPL"). These are generally non-homogeneous mortgages where it is difficult to find independent valuation comparatives. The Company uses information in its underwriting files, regional real estate information and other internal measures to determine the fair value of these assets.

As a mortgage lender, the Company invests in uninsured mortgages. When it funds these mortgages through securitization debt, it continues to be liable for any credit losses. The key inputs in the measurement of any expected credit loss ("ECL") include probability of default, loss given default and forecast of future economic conditions, which involves significant judgment. Because of the high proportion of government-insured mortgages in its securitized portfolio and the low historical loss rates on the uninsured mortgages on which the Company lends, credit losses are typically low compared to its securitization portfolio. In the second quarter of 2025, the Company recorded a provision for credit loss of $0.5 million.

Disclosure Controls and Internal Control over Financial Reporting

The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in reports filed under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified under those laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with reporting standards; however, because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis.

No changes were made in the Company's internal controls over financial reporting during the quarter ended March 31, 2025, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ESG

The Company issued its initial Public Accountability Statement in the fall of 2021. In November 2024, it issued an updated report which explores First National's approach to sustainability and provides environmental, social and governance disclosure that has been reviewed and approved by the Board of Directors. The Sustainability Report complements the Management Information Circular, Annual Information Form, Management Discussion and Analysis and Annual Report, all of which offer information about the financial position, priorities, responsibilities and commitments of the consolidated operations of First National.

Risks and Uncertainties Affecting the Business

The business, financial condition and results of operations of the Company are subject to a number of risks and uncertainties and are affected by a number of factors outside the control of management of the Company. In addition to the risks addressed elsewhere in this discussion and the financial statements, these risks include: ability to sustain performance and growth, reliance on sources of funding, concentration of institutional investors including third-party servicing customers, reliance on independent mortgage brokers, changes in interest rates, repurchase obligations and breach of representations and warranties on mortgage sales, risk of servicer termination including the impact of trigger events on cash collateral and retained interests, reliance on multi-unit residential and commercial mortgages, general economic conditions, legislation and government regulation (including regulations imposed by the Department of Finance and CMHC and the policies set by and for mortgage default insurance companies), potential for losses on uninsured mortgages, competition, reliance on mortgage insurers, reliance on key personnel and the ability to attract and retain employees and executives, conduct and compensation of independent mortgage brokers, failure or unavailability of computer and data processing systems and software, insufficient insurance coverage, change in or loss of ratings, impact of natural disasters and other events, unfavourable litigation, and environmental liability. In addition, there are risks associated with the structure of the Company, including: those related to the dependence on FNFLP, leverage and restrictive covenants, dividends that are not guaranteed and could fluctuate with the Company’s performance, restrictions on potential growth, the market price of the Company’s shares, statutory remedies, control of the Company, and contractual restrictions. The Company is subject to Canadian federal and provincial income and commodity tax laws and pays such taxes as it determines are compliant with such legislation. Among the risks of all potential tax matters, there is a risk that tax legislation changes are detrimental to the Company or that Canadian tax authorities interpret tax legislation differently than the Company’s filing positions. Risk and risk exposure are managed through a combination of insurance, a system of internal controls and sound operating practices. The Company’s key business model is to originate primarily prime mortgages and find funding through various channels to earn ongoing servicing or spread income. For the single-family residential segment, the Company relies on independent mortgage brokers for origination and several large institutional investors for sources of funding. These relationships are critical to the Company’s success. The total of one investor’s activities with the Company accounted for approximately 5.7% of the Company’s total revenues in 2024. On February 1, 2025, U.S. President Donald Trump signed three executive orders implementing a new tariff policy, imposing a 25% duty on merchandise imports from Mexico and Canada — impacting nearly US$900 billion in trade. The U.S. administration commenced such tariffs on March 4, 2025. In June 2025, the U.S. announced further tariffs to be imposed starting August 1, 2025. At this time, there is still uncertainty about the impact of these announced tariffs on the Canadian economy, employment and the housing market and the potential reaction by the Canadian government. Management believes these changes may affect Canada negatively and could have an unfavorable impact to the Company, particularly if employment is affected in future periods. Losses related to these risks described above could be material. For a more complete discussion of the risks affecting the Company, reference should be made to the Company’s Annual Information Form.

Forward-Looking Information

Forward-looking information is included in this MD&A. In some cases, forward-looking information can be identified by the use of terms such as "may", "will", '"should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or other similar expressions concerning matters that are not historical facts. Forward-looking information may relate to management's future outlook and anticipated events or results, and may include statements or information regarding the future financial position, business strategy and strategic goals, product development activities, projected costs and capital expenditures, financial results, risk management strategies, hedging activities, geographic expansion, licensing plans, taxes and other plans and objectives of or involving the Company. Particularly, information regarding growth objectives, any increase in Mortgages Under Administration, future use of securitization vehicles, industry trends and future revenues is forward-looking information. Forward-looking information is based on certain factors and assumptions regarding, among other things, interest rate changes and responses to such changes, the demand for institutionally placed and securitized mortgages, the status of the applicable regulatory regime, and the use of mortgage brokers for single-family residential mortgages. This forward-looking information should not be read as providing guarantees of future performance or results and will not necessarily be an accurate indication of whether or not, or the times by which, those results will be achieved. While management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. Forward-looking information is subject to certain factors, including risks and uncertainties, which could cause actual results to differ materially from what management currently expects. These factors include reliance on sources of funding, concentration of institutional investors, reliance on independent mortgage brokers, and changes in interest rates as outlined in the "Risk and Uncertainties Affecting the Business" section. In evaluating this information, the reader should specifically consider various factors, including the risks outlined in the "Risk and Uncertainties Affecting the Business" section, that may cause actual events or results to differ materially from any forward-looking information. The forward-looking information contained in this discussion represents management's expectations as of July 29, 2025, and is subject to change after such date. However, management and the Company disclaim any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required under applicable securities regulations.

Outlook

Origination volumes in the first six months of 2025 were strong compared to the 2024 fiscal year with growth in total origination of 25%. This growth was the result of higher commitment activity in the residential segment which began in late 2024. Residential origination volumes including renewals grew by 39% for the six-month period. In its commercial segment, origination for the first two quarters grew by 8% as the Company continued to lead the industry in the insured mortgage market. At the mid year point, the Company continued to build its MUA and its portfolio of mortgages pledged under securitization. It will benefit from both MUA and its securitized portfolio in the future: earning income from mortgage administration, net securitization margin and improving its position to capture increased renewal opportunities.

In the short term, the Company expects increased year-over-year single-family originations in the next two quarters as continued strength in new commitment activity has resulted in a larger pipeline compared to 2024. With 5-year fixed mortgage rates about 0.65-0.85% lower than a year ago and favorable employment rates, housing activity may prove resilient. This outlook, however, must be considered alongside the uncertain and potential negative impact of U.S. tariffs. Management believes the imposition of U.S. tariffs may have an unfavorable impact to the Canadian economy and, in particular, employment. The impact may also increase the risk of recession in the country.

As indicated above, the Company continued to see year-over-year growth of single-family mortgage commitments in the second quarter of 2025. In June 2025, First National recorded over $3 billion of new prime residential commitments which was more than double for the same month in 2024. Accordingly, management expects third quarter origination volumes to exceed those from the same quarter last year. For its commercial segment, the Company anticipates steady new origination volumes based on a robust pipeline of commitments. The CMB program and its dedicated allocations to apartment financing has created a reliable and stable source of funds for the Company to originate CMHC insured multi-unit mortgages. However, with the increased certainty of these programs, other lenders have entered this market, and spreads are tighter than the levels available in 2024. In both business segments, management is confident that First National will remain a competitive lender in the marketplace.

First National is well prepared to execute its business plan and is confident that the strong relationships it has with mortgage brokers and diverse funding sources are enduring competitive advantages. In 2025, the Company expects to continue to enjoy the value of its goodwill with broker partners earned over the last 35+ years. With diverse institutional investors relationships and solid securitization markets, the Company also has access to consistent and reliable sources of funding.

Going forward, the Company will generate income and cash flow from its now $46 billion portfolio of mortgages pledged under securitization and $111 billion servicing portfolio while focusing on the value inherent in its significant single-family renewal book.

First National Financial Corporation

Interim condensed consolidated financial statements [Unaudited]
Second quarter 2025

First National Financial Corporation

Interim condensed consolidated statements of financial position

[Unaudited – in thousands of Canadian dollars]

As at

	June 30, 2025 $	December 31, 2024 $
Assets		
Restricted cash *[note 3]*	**942,836**	855,809
Cash held as collateral for securitization *[note 3]*	**178,816**	172,795
Accounts receivable and sundry	**194,060**	166,856
Mortgages accumulated for sale or securitization *[note 5]*	**3,002,587**	3,441,028
Mortgages pledged under securitization *[note 3]*	**46,530,829**	43,976,776
Deferred placement fees receivable *[note 4]*	**67,299**	71,176
Mortgage and loan investments *[note 6]*	**160,058**	139,907
Securities purchased under resale agreements	**3,223,410**	2,230,658
Other assets *[note 7]*	**98,038**	102,136
Total assets	**54,397,933**	51,157,141
Liabilities and equity		
Liabilities		
Bank indebtedness *[note 9]*	**1,202,639**	1,077,629
Obligations related to securities and mortgages sold under repurchase agreements	**1,884,174**	2,375,117
Accounts payable and accrued liabilities	**306,561**	284,432
Securities sold short	**3,227,292**	2,233,288
Debt related to securitized mortgages *[note 10]*	**46,253,158**	43,677,981
Senior unsecured notes	**598,985**	598,630
Income taxes payable	**6,681**	353
Deferred income tax liabilities	**171,900**	171,500
Total liabilities	**53,651,390**	50,418,930
Equity attributable to shareholders		
Common shares *[note 11]*	**122,671**	122,671
Preferred shares *[note 11]*	**97,394**	97,394
Retained earnings	**511,114**	499,888
Accumulated other comprehensive income	**15,364**	18,258
Total equity	**746,543**	738,211
Total liabilities and equity	**54,397,933**	51,157,141

See accompanying notes

On behalf of the Board:

Robert Mitchell

Robert Pearce

First National Financial Corporation

Interim condensed consolidated statements of income

[Unaudited – in thousands of Canadian dollars]

	Three months ended	
	June 30, 2025	**June 30, 2024**
	$	$
Revenue		
Interest revenue – securitized mortgages	**423,793**	386,661
Interest expense – securitized mortgages	**(367,839)**	(333,000)
Net interest – securitized mortgages	**55,954**	53,661
Placement fees	**81,417**	45,348
Gains on deferred placement fees *[note 4]*	**3,168**	4,624
Mortgage investment income	**35,265**	35,688
Mortgage servicing income	**69,409**	70,137
Realized and unrealized gains (losses) on financial instruments *[note 12]*	**8,284**	(4,008)
	253,497	205,450
Expenses		
Brokerage fees	**41,331**	14,920
Salaries and benefits	**63,559**	58,755
Interest	**40,341**	39,005
Other operating	**22,071**	19,280
	167,302	131,960
Income before income taxes	**86,195**	73,490
Income tax expense	**22,840**	19,420
Net income for the period	**63,355**	54,070
Earnings per share		
Basic *[note 11]*	**1.04**	0.89

See accompanying notes

First National Financial Corporation

Interim condensed consolidated statements of comprehensive income

[Unaudited – in thousands of Canadian dollars]

	Three months ended	
	June 30, 2025	**June 30, 2024**
	$	$
Net income for the period	**63,355**	54,070
Other comprehensive income (loss) items that may be subsequently may be subsequently reclassified to income		
Net gains (losses) from change in fair value of cash flow hedges	**11,481**	(5,079)
Reclassification of net losses (gains) to income	**(3,823)**	(1,737)
	7,658	(6,816)
Income tax recovery (expense)	**(2,000)**	1,800
Total other comprehensive income (loss)	**5,658**	(5,016)
Total comprehensive income for the period	**69,013**	49,054

See accompanying notes

First National Financial Corporation

Interim condensed consolidated statements of changes in equity

[Unaudited – in thousands of Canadian dollars]

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

	Common shares $	Preferred shares $	Retained earnings $	Accumulated other comprehensive income $	Total equity $
Balance as at January 1, 2024	122,671	97,394	477,799	39,899	737,763
Net income	—	—	103,962	—	103,962
Other comprehensive income	—	—	—	12,320	12,320
Dividends paid or declared	—	—	(75,434)	—	(75,434)
Balance as at June 30, 2024	122,671	97,394	506,327	52,219	778,611

See accompanying notes

First National Financial Corporation

Interim condensed consolidated statements of cash flows

[Unaudited – in thousands of Canadian dollars]

	Three months ended	
	June 30, 2025	**June 30, 2024**
	$	$
Operating activities		
Net income for the period	**63,355**	54,070
Add (deduct) items		
Provision for deferred income taxes	**5,000**	5,000
Non-cash portion of gains on deferred placement fees	**(2,943)**	(4,411)
Increase in restricted cash	**(166,156)**	(193,956)
Net investment in mortgages pledged under securitization	**(1,017,141)**	(959,553)
Net increase in debt related to securitized mortgages	**1,165,306**	1,144,799
Securities purchased under resale agreements, net	**(380,962)**	(1,510,584)
Securities sold short, net	**412,810**	1,510,497
Amortization of deferred placement fees receivable	**4,143**	4,178
Amortization of property, plant and equipment	**2,832**	4,222
Unrealized gains on financial instruments	**(24,609)**	(2,242)
	61,635	52,020
Net change in non-cash working capital balances related to operations	**(619,476)**	(1,652,902)
Cash provided by (used in) operating activities	**(557,841)**	(1,600,882)
Investing activities		
Additions to property, plant and equipment	**(1,043)**	(2,804)
Repayment of (investment in) cash held as collateral for securitization	**15,064**	2,580
Investment in mortgage and loan investments	**(210,361)**	(209,048)
Repayment of mortgage and loan investments	**173,598**	228,453
Cash provided by (used in) investing activities	**(22,742)**	19,181
Financing activities		
Dividends paid	**(38,367)**	(37,720)
Obligations related to securities and mortgages sold under repurchase agreements	**560,581**	1,260,097
Repayment of lease liabilities	**(1,412)**	(1,396)
Issuance of senior unsecured notes	**—**	199,072
Cash provided by (used in) financing activities	**520,802**	1,420,053
Net increase in bank indebtedness, during the period	**(59,781)**	(161,648)
Bank indebtedness, beginning of period	**(1,142,858)**	(1,157,664)
Bank indebtedness, end of period	**(1,202,639)**	(1,319,312)
Supplemental cash flow information		
Interest received	**481,975**	435,472
Interest paid	**410,694**	329,903
Income taxes paid	**10,917**	20,577

See accompanying notes

Notes to interim condensed consolidated financial statements

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

June 30, 2025

1. General organization and business of First National Financial Corporation

First National Financial Corporation [the "Corporation" or "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 $159 billion in mortgages under administration as at June 30, 2025, FNFLP is a significant participant in the mortgage broker distribution channel.

The Corporation 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. The Corporation's common and preferred shares are listed on the Toronto Stock Exchange under the symbols FN, FN.PR.A and FN.PR.B, respectively.

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, 2024.

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, 2025.

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.

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 ABCP, NHA-MBS, and CMB. 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.

Notes to interim condensed consolidated financial statements

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

June 30, 2025

For ABCP securitizations, the Company provides cash collateral and invests in B notes for credit enhancement purposes as required by the rating agencies. Credit exposure to securitized mortgages is generally limited to the cash collateral and B notes. 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, 2025, the cash held as collateral for securitization was $178,816 [December 31, 2024 – $172,795].

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

	June 30, 2025		December 31, 2024	
	Carrying amount of securitized mortgages $	Carrying amount of associated liabilities $	Carrying amount of securitized mortgages $	Carrying amount of associated liabilities $
Securitized mortgages	**46,154,097**	**(46,492,605)**	43,630,368	(43,963,542)
Capitalized amounts related to hedge accounting	**117,898**	**(112,889)**	101,572	(93,502)
Capitalized origination costs	**258,834**	**—**	244,836	—
Debt discounts	**—**	**352,336**	—	379,063
	46,530,829	**(46,253,158)**	43,976,776	(43,677,981)
Add				
Principal portion of payments held in restricted cash	**847,583**	**—**	761,937	—
	47,378,412	**(46,253,158)**	44,738,713	(43,677,981)

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.

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.

Notes to interim condensed consolidated financial statements

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

June 30, 2025

The changes in capitalized origination costs for the three months ended June 30, 2025 are as follows:

	2025 $	2024 $
Opening balance, March 31	**252,863**	209,402
Add new origination costs capitalized in the period	**35,219**	39,071
Less amortization in the period	**(29,248)**	(24,366)
Ending balance, June 30	**258,834**	224,107

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

	June 30, 2025 $	December 31, 2024 $
Arrears days		
31 to 60	**14,321**	14,855
61 to 90	**4,219**	2,021
Greater than 90	**9,439**	11,943
	27,979	28,819

Of the mortgages in arrears summarized above, 58 are uninsured and have a principal balance of $27,498 as at June 30, 2025 [December 31, 2024 – 63 mortgages, $28,476], while the remaining loans are insured.

The Company's exposure to credit loss is limited to uninsured mortgages with principal balances totaling $6,569,153 [December 31, 2024 – $5,698,928], before consideration of the value of underlying collateral. Virtually all of the uninsured mortgages pledge 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 $8,235 as of June 30, 2025 [December 31, 2024 – $6,793] related to mortgages pledged under securitization.

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

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.

These receivables are classified as amortized cost and have been calculated initially based on the present value of the anticipated future stream of cash flows. These calculations assume 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 receivables in the commercial segment as borrowers cannot refinance for financial advantage without paying the investor 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, 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**

	Three months ended June 30, 2024		
	Residential $	**Commercial** $	**Total** $
Mortgages placed with institutional investors	—	1,388,883	1,388,883
Gains on deferred placement fees	—	4,624	4,624
Cash receipts on deferred placement fees received	76	5,084	5,160

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.

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

The following table summarizes the components of mortgages according to their classification:

	June 30, 2025 $	**December 31, 2024** $
Mortgages accumulated for securitization	**2,899,329**	3,386,959
Mortgages accumulated for sale	**103,258**	54,069
	3,002,587	3,441,028

The Company's exposure to credit loss is limited to $494,717 [December 31, 2024 – $809,976] of principal balances of uninsured mortgages within mortgages accumulated for securitization, before consideration of the value of underlying collateral. As at June 30, 2025, three of these mortgages are in arrears past 31 days, with a total principal balance of $1,008 [December 31, 2024 – 14 mortgages with a balance of $9,349]. All the uninsured mortgages within mortgages accumulated for securitization are single-family mortgages with loan to value ratios of 80% or less. Allowance for expected credit losses on such mortgages is incorporated in the allowance total of $8,235 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 $78,956 as at June 30, 2025 [December 31, 2024 – $40,497] 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, 2025, and 2024.

As at June 30, 2025, the portfolio contains $10,482 [December 31, 2024 – $11,926] of insured mortgages and $149,576 [December 31, 2024 – $127,981] of uninsured mortgage and loan investments. Of the uninsured mortgages as at June 30, 2025, approximately $3,420 [December 31, 2024 – $1,071] 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, 2025

7. Other assets

The components of other assets are as follows as at:

	June 30, 2025	December 31, 2024
	$	$
Property, plant and equipment, net	**28,041**	29,997
Right-of-use assets	**40,221**	42,363
Goodwill	**29,776**	29,776
	98,038	102,136

The right-of-use assets pertain to five premises leases for the Company's office space. The leases have remaining terms of one to 12 years. The related lease liability of $45,062 as at June 30, 2025 [December 31, 2024 – $46,675] is grouped with accounts payable and accrued liabilities on the interim condensed consolidated statements of financial position.

The recoverable amount of the Company's goodwill is calculated by reference to the Company's market capitalization, 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, 2025, the Company managed mortgages under administration of $159,859,773 [December 31, 2024 – $153,697,009], 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, 2025, the Company administered 331,859 mortgages [December 31, 2024 – 330,389] for 77 institutions and securitization conduits [December 31, 2024 – 77] with an average remaining term to maturity of 41 months [December 31, 2024 – 41 months].

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

Mortgages under administration are serviced as follows:

	June 30, 2025 $	**December 31, 2024** $
Institutional investors	**109,908,952**	105,679,528
Mortgages accumulated for sale or securitization and mortgage and loan investments	**3,151,635**	3,577,424
Mortgages pledged under securitization	**46,154,097**	43,630,368
CMBS conduits	**645,089**	809,689
	159,859,773	153,697,009

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, 2025 was $890,355 [December 31, 2024 – $895,326].

9. Bank indebtedness

Bank indebtedness includes a revolving credit facility of $1,500,000 as at June 30, 2025 [December 31, 2024 – $1,500,000] maturing in March 2029. As at June 30, 2025, $1,202,639 [December 31, 2024 – $1,077,629] 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.

10. 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, 2025, debt related to securitized mortgages was $46,253,158 [December 31, 2024 – $43,677,981], net of unamortized discount of $352,336 [December 31, 2024 – $379,063]. 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.

Notes to interim condensed consolidated financial statements

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

June 30, 2025

11. Shareholders' equity

[a] Authorized

Unlimited number of common shares
Unlimited number of cumulative 5-year rate reset preferred shares, Class A Series 1
Unlimited number of cumulative 5-year rate reset preferred shares, Class A Series 2

[b] Capital stock activities

	Common shares		Preferred shares	
	#	$	#	$
Balance, June 30, 2025 and December 31, 2024	**59,967,429**	**122,671**	**4,000,000**	**97,394**

[c] Earnings per share

	Three months ended		Six months ended	
	June 30, 2025	**June 30, 2024**	**June 30, 2025**	**June 30, 2024**
	$	$	$	$
Net income attributable to shareholders	**63,355**	54,070	**87,924**	103,962
Less dividends declared on preferred shares	**(851)**	(985)	**(1,738)**	(1,974)
Net earnings attributable to common shareholders	**62,504**	53,085	**86,186**	101,988
Number of common shares outstanding	**59,967,429**	59,967,429	59,967,429	59,967,429
Basic earnings per common share	**1.04**	0.89	**1.44**	1.70

12. 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 since the mortgages were originated. 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, 2025, except for mortgages pledged under securitization, which have a carrying value of $46,530,829 [December 31, 2024 – $43,976,776] and a fair value of $46,811,735 [December 31, 2024 – $43,932,449], debt related to securitized mortgages, which has a carrying value of $46,253,158 [December 31, 2024 – $43,677,981] and a fair value of $45,440,439 [December 31, 2024 – $42,716,317], and senior unsecured notes, which have a carrying value of $598,985 [December 31, 2024 – $598,630] and a fair value of $617,780 [December 31, 2024 – $617,540]. 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, 2025			
	Level 1 $	**Level 2** $	**Level 3** $	**Total** $
Financial assets				
Mortgages accumulated for sale	**—**	**103,258**	**—**	**103,258**
Mortgage and loan investments	**—**	**—**	**80,723**	**80,723**
Total financial assets	**—**	**103,258**	**80,723**	**183,981**
Financial liabilities				
Securities sold short	**—**	**3,227,292**	**—**	**3,227,292**
Interest rate swaps	**—**	**51,144**	**—**	**51,144**
Total financial liabilities	**—**	**3,278,436**	**—**	**3,278,436**

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

	December 31, 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	$	$	$
Financial assets				
Mortgages accumulated for sale	—	54,069	—	54,069
Mortgage and loan investments	—	—	67,379	67,379
Total financial assets	—	54,069	67,379	121,448
Financial liabilities				
Securities sold short	—	2,233,288	—	2,233,288
Interest rate swaps	—	33,096	—	33,096
Total financial liabilities	—	2,266,384	—	2,266,384

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 months ended June 30, 2025 and 2024. 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 $44 [2024 – losses of $18,472] of the Company's financial assets and financial liabilities for the three and six months ended June 30, 2025 and 2024, all of which have been classified as FVTPL:

	Three months ended June 30		Six months ended June 30	
	2025	**2024**	**2025**	**2024**
	$	$	$	$
Securities sold short	**8,620**	(5,158)	**(11,571)**	1,731
Interest rate swaps	**(336)**	1,150	**245**	(592)
	8,284	(4,008)	**(11,326)**	1,139

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

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 nine months ended June 30, 2025 and 2024. 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, 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**

	Fair value as at January 1, 2024 $	Investments $	Unrealized gains recorded in income $	Payment and amortization $	Fair value as at June 30, 2024 $
Financial assets					
Mortgage and loan investments	189,523	209,048	—	(319,705)	78,866

13. 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 has a minimum capital requirement as stipulated by its bank credit facility. The agreement limits the debt under bank indebtedness together with the unsecured notes to four times FNFLP's equity. As at June 30, 2025, the ratio was 2.02:1 [December 31, 2024 – 1.92:1]. The Company was in compliance with the bank covenant throughout the period.

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

June 30, 2025

14. 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, 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						
Amortization	**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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	Three months ended June 30, 2024			Six months ended June 30, 2024		
	Residential $	Commercial $	Total $	Residential $	Commercial $	Total $
Revenue						
Interest revenue – securitized mortgages	269,053	117,608	386,661	530,876	230,266	761,142
Interest expense – securitized mortgages	(234,150)	(98,850)	(333,000)	(460,624)	(192,743)	(653,367)
Net interest – securitized mortgages	34,903	18,758	53,661	70,252	37,523	107,775
Placement and servicing	80,088	40,021	120,109	152,644	74,601	227,245
Mortgage investment income	24,982	10,706	35,688	45,024	21,945	66,969
Realized and unrealized gains (losses) on financial instruments	(4,008)	—	(4,008)	1,139	—	1,139
	135,965	69,485	205,450	269,059	134,069	403,128
Expenses						
Amortization	3,595	626	4,221	7,192	1,252	8,444
Interest	28,754	10,251	39,005	49,448	22,150	71,598
Other operating	63,478	25,256	88,734	134,381	47,323	181,704
	95,827	36,133	131,960	191,021	70,725	261,746
Income before income taxes	40,138	33,352	73,490	78,038	63,344	141,382
Identifiable assets	32,340,315	17,723,705	50,064,020	32,340,315	17,723,705	50,064,020
Goodwill	—	—	29,776	—	—	29,776
Total assets	32,340,315	17,723,705	50,093,796	32,340,315	17,723,705	50,093,796

15. Related party and other transactions

The Company has servicing contracts in connection with commercial bridge and mezzanine mortgages originated by the Company and subsequently placed to various entities controlled by a senior executive and shareholder of the Company. The Company services these mortgages during their terms at market commercial servicing rates. During the quarter, the Company originated $26,226 of new mortgages for the related parties. The related parties also funded several progress draws totaling $5,744 on existing mortgages originated by the Company. All such mortgages, which are administered by the Company, have a balance of $203,816 as at June 30, 2025 [December 31, 2024 – $199,326].

A senior executive and shareholder of the Company has a significant investment in a mortgage default insurance company. In the ordinary course of business, the insurance company provides insurance policies to the Company's borrowers at market rates. In addition, the insurance company has also provided the Company with portfolio insurance at market premiums. The total bulk insurance premium paid by the Company during the three months ended June 30, 2025 was $1,531 [2024 – $2,321], net of third-party investor reimbursement.

A senior executive and shareholder of the Company has a significant investment in a Canadian bank. The Company has an agreement to originate and adjudicate applications for secured credit cards for the bank. These applications are originated through the Company's mortgage broker relationships. The Company receives a market fee for successfully adjudicating such applications.

A senior executive and shareholder of the Company has a significant investment in a Canadian financial institution. The Company has agreements to provide origination and administration services to the financial institution. Mortgages subject to these agreements are transacted at market rates with the financial institution. During the quarter, the Company provided origination and renewal services related to mortgages with a value of $20,749 to the financial institution. As at June 30, 2025, the Company administered a $4,133,200 [December 31, 2024 – $4,574,671] mortgage portfolio for the financial institution at market rates.

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16. Subsequent event

On July 28, 2025, the Company announced that it entered into a definitive arrangement agreement (the "Arrangement Agreement") with Regal Bidco Inc. (the "Purchaser"), a newly-formed acquisition vehicle controlled by private equity funds managed by Birch Hill Equity Partners Management Inc. ("Birch Hill") and private equity funds managed by Brookfield Asset Management ("Brookfield"), whereby the Purchaser will acquire all of the outstanding common shares (the "Shares") of the Company, other than the Rollover Shares (as defined below) (the "Transaction"), for $48.00 per Share in cash (the "Purchase Price"). As part of the Transaction, the Company's founders, Stephen Smith and Moray Tawse (together with their associates and affiliates, the "Rolling Shareholders"), who currently hold approximately 37.4% and 34.0%, respectively, of the outstanding Shares, will each sell approximately two-thirds of their current shareholdings in the Company for the same cash consideration per Share as other shareholders, and have agreed to exchange their remaining Shares (the "Rollover Shares") for ownership interests in the Purchaser. As a result, on closing of the Transaction, Messrs. Smith and Tawse are each expected to maintain an indirect approximate 19% interest in First National, with Birch Hill and Brookfield holding the remaining approximate 62% interest. The Transaction is not subject to any financing condition and is expected to close in the fourth quarter of 2025, subject to obtaining the required shareholder, court and regulatory approvals and the satisfaction of other customary closing conditions.

The Purchase Price represents a premium of approximately 15.2% and 22.8% to the 30 and 90-trading day volume weighted average trading price, respectively, of the Shares on the Toronto Stock Exchange (the "TSX") on July 25, 2025, the last trading day prior to the announcement of the Transaction. The Purchase Price is also above the 52-week high closing price of the Shares as of July 25, 2025 and represents a total shareholder return of approximately 2,149% on the Company's initial public offering Share price, including the Company's historical dividend payments. The Purchase Price implies an aggregate total equity value of approximately $2.9 billion, inclusive of the Rollover Shares, and values the Company at a 16.5x price-to-earnings multiple based on the Company's reported trailing twelve months net income attributable to common shareholders as of March 31, 2025.

The Transaction emerged from a robust strategic review process conducted by the Company, under the oversight of a committee of independent directors (the "Special Committee") advised by independent and highly qualified legal and financial advisors. The review process involved a competitive process in which multiple acquisition proposals were received and reviewed by the Special Committee. The Company entered into the Arrangement Agreement based on the unanimous approval of the Company's board of directors (the "Board") (with conflicted directors abstaining) after receiving the unanimous recommendation of the Special Committee. Both the Board and the Special Committee determined, after receiving financial and legal advice, that the Transaction is in the best interests of the Company and the consideration to be received by the holders of the Shares (the "Shareholders") (other than the Rolling Shareholders) is fair, and recommend that Shareholders vote in favour of the Transaction at the special meeting of Shareholders to be held to approve the Transaction.

In connection with the Transaction, the Rolling Shareholders, who collectively hold approximately 71.4% of the outstanding Shares, have entered into irrevocable voting agreements agreeing to vote their Shares in favour of the Transaction and against any competing acquisition proposals. In addition, each of the other directors and executive officers of the Company, who collectively hold less than 1% of the outstanding Shares, have entered into voting agreements agreeing to vote their Shares in favour of the Transaction.

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Under the terms of the Transaction, the Class A Preference Shares, Series 1 (the “Series 1 Preferred Shares”) and Class A Preference Shares, Series 2 (the “Series 2 Preferred Shares” and, together with the Series 1 Preferred Shares, the “Preferred Shares”) of the Company are expected to remain outstanding in accordance with their terms following closing of the Transaction. The Preferred Shares will continue to be listed on the TSX and, as a result, the Company will continue to be a reporting issuer under applicable Canadian securities laws following closing of the Transaction.

The 2.961% Series 3 Senior Unsecured Notes due November 17, 2025, 7.293% Series 4 Senior Unsecured Notes due September 8, 2026 and the 6.261% Series 5 Senior Unsecured Notes due November 1, 2027 (collectively, the “Company Notes”) will be redeemed on the closing of the Transaction to the extent outstanding at such time. Each holder of Company Notes outstanding at such time will receive a cash amount equal to the applicable redemption price, plus accrued and unpaid interest, as of the closing date in accordance with the terms of such holder’s Company Notes.

First National intends to continue paying its regular monthly cash dividend of $0.208334 per Share in the ordinary course through to closing of the Transaction and regular quarterly dividends on the Preferred Shares in accordance with their terms.

First National Financial Corporation

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