

First National Financial Corporation

Letter to Shareholders and Company Noteholders

August 27, 2025

Dear Shareholders and Company Noteholders:

The board of directors of First National Financial Corporation (the “**Company**”) would like to inform you that a special meeting of holders (the “**Shareholders**”) of common shares (the “**Common Shares**”) in the capital of the Company will be held virtually on September 30, 2025 at 10:30 a.m. (Toronto time) (the “**Meeting**”) at <https://meetnow.global/MSWP6AX>.

The Arrangement

At the Meeting, the Shareholders will be asked to consider and, if deemed advisable, to pass, with or without variation, a special resolution (the “**Arrangement Resolution**”), the full text of which is set out in Appendix “A” of the accompanying management information circular (the “**Circular**”), approving a statutory plan of arrangement under section 182 of the *Business Corporations Act* (Ontario) (the “**Arrangement**”) involving, among others, the Company and 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**”), pursuant to which the Purchaser will acquire all of the issued and outstanding Common Shares (other than the Rollover Shares (as such term is defined below)) at a price of \$48.00 in cash per Common Share (the “**Consideration**”), subject to the terms and conditions of the arrangement agreement dated as of July 27, 2025 between the Purchaser and the Company (the “**Arrangement Agreement**”).

As part of the Arrangement, the Company’s founders, Stephen Smith and Moray Tawse (the “**Founders**” and, together with their associates and affiliates, the “**Rollover Shareholders**”), who currently hold approximately 37.4% and 34.0%, respectively, of the outstanding Common Shares, have agreed to sell approximately two-thirds of their current shareholdings in the Company for the same cash Consideration as other Shareholders, and have agreed to exchange their remaining Common Shares (the “**Rollover Shares**”) for indirect ownership interests in the Purchaser at the same value per Rollover Share as the Consideration payable under the Arrangement. As a result, on closing of the Arrangement, Messrs. Smith and Tawse are each expected to maintain an indirect approximate 19% interest in the Company, with Birch Hill and Brookfield holding the remaining approximate 62% interest.

In addition, the Company’s 2.961% Series 3 Senior Unsecured Notes due November 17, 2025, 7.293% Series 4 Senior Unsecured Notes due September 8, 2026 and 6.261% Series 5 Senior Unsecured Notes due November 1, 2027 (collectively, the “**Company Notes**”) will be redeemed on the closing of the Arrangement 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 Effective Date (as such term is defined in the Circular) in accordance with the terms of such holder’s Company Notes.

The Company's Class A Preference Shares, Series 1 and Class A Preference Shares, Series 2 (together, the "**Preferred Shares**") are not being arranged in connection with the Arrangement and will remain outstanding obligations of the Company following closing of the Arrangement in accordance with their terms. 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 Arrangement.

Special Committee and Board Recommendation

The Arrangement is the result of a robust strategic review process and extensive arm's length negotiations among representatives of the Company, the Founders, Birch Hill and Brookfield with the oversight and participation of a special committee of the board of directors of the Company (the "**Board**") comprised solely of independent directors of the Company, being Robert Mitchell, Martine Irman and Duncan N.R. Jackman (the "**Special Committee**"), advised by independent and highly qualified legal and financial advisors. The strategic review process involved a competitive process in which multiple acquisition proposals were received and reviewed by the Special Committee. The Special Committee reviewed and considered the terms of the Arrangement and received independent financial and legal advice, including obtaining a fairness opinion and an independent valuation of the Common Shares. Following this process, and after careful consideration, the Special Committee unanimously recommended that the Board approve the Arrangement and recommend that the Shareholders vote **IN FAVOUR** of the Arrangement Resolution at the Meeting.

The Board, with Stephen Smith and Moray Tawse having recused themselves (the "**Unconflicted Company Board**"), after receiving legal and financial advice and the unanimous recommendation of the Special Committee, unanimously determined that the Arrangement is in the best interests of the Company and that the Consideration to be received by the Shareholders (other than the Rollover Shareholders) is fair to such Shareholders.

Accordingly, the Unconflicted Company Board unanimously recommends that the Shareholders vote IN FAVOUR of the Arrangement Resolution at the Meeting.

Reasons for the Recommendation

In reaching their conclusion that the Arrangement is in the best interests of the Company and that the Consideration to be received by the Shareholders (other than the Rollover Shareholders) is fair to such Shareholders, the Special Committee, with the assistance of its independent financial and legal advisors, and the Unconflicted Company Board, with the assistance of its financial and legal advisors, carefully reviewed and relied on a number of factors in making their determinations and recommendations, including, among others, the following:

- *All Cash Consideration, Compelling Value and Immediate Liquidity to Shareholders.* The Consideration is all cash, which will provide Shareholders (other than the Rollover Shareholders in respect of the Rollover Shares) with certainty of value and immediate liquidity that enables them to realize significant value for their interest in the Company without having to assume long-term business and execution risk (and without incurring brokerage and other costs typically associated with market sales). The Consideration represents a premium of approximately 15.2% and 22.8% to the 30 and 90-trading day volume weighted average trading price, respectively, per Common Share as of July 25, 2025. The Consideration is also above the 52-week high closing price of the Common Shares as of that date.
- *Market Check.* The Arrangement is the result of a comprehensive and robust strategic review process led by the Company's financial advisor, RBC, which included outreach to a broad pool of potential buyers and resulted in multiple acquisition proposals, of which the proposal submitted by the Purchaser offered the highest value to Shareholders.
- *Formal Valuation.* BMO Capital Markets, the independent valuator retained by the Special Committee, delivered a formal valuation of the Common Shares in accordance with Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”), concluding that, as of July 27, 2025, and based upon BMO Capital Markets’ analysis and subject to the assumptions, limitations and qualifications set forth in BMO Capital Markets’ written valuation (the full text of which is included in Appendix “E” of the Circular), the fair market value of the Common Shares is in the range of \$44.00 to \$50.00 per Common Share. The Consideration being offered to Shareholders (other than the Rollover Shareholders in respect of the Rollover Shares) under the Arrangement is in the upper half of BMO Capital Markets’ valuation range.
- *Fairness Opinion.* The Special Committee and the Unconflicted Company Board received an opinion from BMO Capital Markets (the full text of which is included in Appendix “E” of the Circular) that, as of July 27, 2025, and subject to the assumptions, limitations and qualifications set forth therein, the Consideration to be received by Shareholders (other than the Rollover Shareholders) pursuant to the Arrangement is fair, from a financial point of view, to such Shareholders.

A full description of the information and factors considered by the Special Committee and the Unconflicted Company Board is located in the Circular under the heading “*The Arrangement – Reasons for the Recommendation*”.

Voting Agreements

Each of the Founders entered into an irrevocable voting agreement dated July 27, 2025 (each, a “**Founder Voting Agreement**”) with the Purchaser to vote all of the Common Shares owned, directly or indirectly, or controlled by, such Founder in favour of the Arrangement and against any competing acquisition proposals. The Founder Voting Agreements restrict the ability of the Founders to vote for, support or participate in a competing transaction for as long as the Arrangement Agreement is in force and for a period of four months following the termination of the Arrangement Agreement in certain circumstances, including as a result of the failure to obtain

the required Shareholder approval. In aggregate, as of the Record Date (as defined below), 42,813,710 Common Shares are subject to the Founder Voting Agreements, representing approximately 71.4% of the issued and outstanding Common Shares.

In addition, each of the directors and executive officers of the Company (other than Messrs. Smith and Tawse), who collectively hold less than 1% of the Common Shares, have entered into customary voting agreements pursuant to which they have agreed, subject to the terms thereof, to vote all of their Common Shares in favour of the Arrangement at the Meeting.

Approval Requirements

The Board has set the close of business on August 21, 2025 (the “**Record Date**”) as the record date for determining the Shareholders who are entitled to receive notice of, and to vote at, the Meeting. Only persons shown on the register of Shareholders at the close of business on the Record Date, or their duly appointed proxyholders, will be entitled to attend the Meeting and vote on the Arrangement Resolution.

Pursuant to the interim order of the Ontario Superior Court of Justice (Commercial List) dated August 27, 2025, as the same may be amended, modified or varied, and MI 61-101, the Arrangement Resolution will require the affirmative vote of:

- at least two-thirds (66 $\frac{2}{3}\%$) of the votes cast by Shareholders (including the Rollover Shareholders) present or represented by proxy and entitled to vote at the Meeting; and
- a simple majority (more than 50%) of the votes cast by Shareholders present or represented by proxy and entitled to vote at the Meeting, other than the Rollover Shareholders and any other person required to be excluded from such vote in the context of a “business combination” under MI 61-101.

Holders of Company Notes (“**Company Noteholders**”) are not being asked to vote on the Arrangement, but the accompanying Circular contains important information about the Arrangement, including the treatment of the Company Notes and the consideration Company Noteholders will receive pursuant to the Arrangement. Further details regarding the treatment of the Company Notes can be found in the Circular under the heading “*The Arrangement – Treatment of the Company Notes*”.

The Arrangement is subject to customary closing conditions for a transaction of this nature, including court and Shareholder approval and approval under the *Competition Act* (Canada). If the necessary approvals are obtained and the other conditions to closing are satisfied or waived, it is anticipated that the Arrangement will be completed in the fourth quarter of 2025, and that Shareholders (other than the Rollover Shareholders in respect of the Rollover Shares) will receive payment for their Common Shares shortly after closing of the Arrangement, provided that Computershare Investor Services Inc. (the “**Depositary**”) receives a duly completed letter of transmittal, together with any other documents reasonably required by the Depositary.

Shareholders should review the accompanying notice of special meeting and the Circular, which describes, among other things, the background to the Arrangement as well as the reasons for the determinations and recommendations of the Special Committee and the Unconflicted Company

Board. The Circular contains a detailed description of the Arrangement and additional information to assist you in considering how to vote at the Meeting. **You are urged to read this information carefully and, if you require assistance, you are urged to consult your financial, legal, tax or other professional advisors.**

Shareholders are encouraged to vote in advance of the Meeting. If you are a registered holder of Common Shares (a “**Registered Shareholder**”), whether or not you plan to attend the Meeting, to vote your Common Shares at the Meeting, you can either return a duly completed and executed form of proxy to Computershare Investor Services Inc. (“**Computershare**”) by mail to 320 Bay Street, 14th Floor, Toronto, Ontario, M5H 4A6, or vote by internet or phone in accordance with the enclosed instructions or the instructions included with the form of proxy, in each case by no later than 10:30 a.m. (Toronto time) on September 26, 2025, or, in the case of any adjournment(s) or postponement(s) of the Meeting, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays in the Province of Ontario) prior to the commencement of such meeting. If you hold your Common Shares through a broker, investment dealer, bank, trust company or other intermediary (a “**Beneficial Shareholder**”), you should follow the instructions provided by your intermediary to ensure your vote is counted at the Meeting.

If the Arrangement is approved and completed, before you can be paid for your Common Shares or Company Notes, the Depository will need to receive a letter of transmittal completed by you, if you are a Registered Shareholder or registered Company Noteholder (a “**Registered Noteholder**”), or your intermediary, if you are a Beneficial Shareholder or you hold Company Notes beneficially through an intermediary (a “**Beneficial Noteholder**”). Registered Shareholders and Registered Noteholders must complete, sign, date and return the enclosed letter of transmittal. Beneficial Shareholders and Beneficial Noteholders must ensure that the applicable intermediary completes the necessary transmittal documents to ensure that they receive payment for their Common Shares or Company Notes, as applicable, if the Arrangement is completed.

**TO BE COUNTED PROXIES MUST BE RECEIVED BY COMPUTERSHARE NO
LATER THAN
10:30 A.M. (TORONTO TIME) ON SEPTEMBER 26, 2025.**

The time limit for the deposit of proxies may be waived or extended by the Chair of the Meeting at the Chair’s discretion without notice.

If you have any questions about the information contained in the Circular or require assistance in completing your proxy, please contact Laurel Hill Advisory Group at 1-877-452-7184 (toll-free in North America) or at 1-416-304-0211 (outside of North America) or by e-mail at assistance@laurelhill.com.

Your vote is important regardless of the number of Common Shares you own. If you are unable to attend the Meeting virtually, we encourage you to take the time now to complete, sign, date and return the enclosed proxy or voting instruction form, as applicable, so that your Common Shares can be voted at the Meeting in accordance with your instructions.

If you are a Registered Shareholder or Registered Noteholder, we also encourage you to complete, sign, date and return the enclosed letter of transmittal together with the certificates representing

your Common Shares or Company Notes, as applicable, which will help the Company arrange for the prompt payment if the Arrangement is completed.

On behalf of the Board, we would like to take this opportunity to thank you for the support that you have shown as securityholders of the Company.

(Signed) “Robert Mitchell”

Robert Mitchell
Lead Independent Director & Chair of the
Special Committee