

First National Financial Corporation

Interim condensed consolidated financial statements
[Unaudited]
Third quarter 2025

First National Financial Corporation

Interim condensed consolidated statements of financial position

[Unaudited – in thousands of Canadian dollars]

As at

	September 30, 2025	December 31, 2024
	\$	\$
Assets		
Restricted cash <i>[note 3]</i>	831,011	855,809
Cash held as collateral for securitization <i>[note 3]</i>	191,206	172,795
Accounts receivable and sundry	210,429	166,856
Mortgages accumulated for sale or securitization <i>[note 5]</i>	1,855,964	3,441,028
Mortgages pledged under securitization <i>[note 3]</i>	48,426,799	43,976,776
Deferred placement fees receivable <i>[note 4]</i>	66,695	71,176
Mortgage and loan investments <i>[note 6]</i>	193,379	139,907
Securities purchased under resale agreements	1,753,120	2,230,658
Other assets <i>[note 7]</i>	96,435	102,136
Total assets	53,625,038	51,157,141
Liabilities and equity		
Liabilities		
Bank indebtedness <i>[note 9]</i>	1,070,253	1,077,629
Obligations related to securities and mortgages sold under repurchase agreements	899,034	2,375,117
Accounts payable and accrued liabilities	320,161	284,432
Securities sold short	1,746,253	2,233,288
Debt related to securitized mortgages <i>[note 10]</i>	48,046,017	43,677,981
Senior unsecured notes	599,163	598,630
Income taxes payable	15,334	353
Deferred income tax liabilities	170,300	171,500
Total liabilities	52,866,515	50,418,930
Equity attributable to shareholders		
Common shares <i>[note 11]</i>	122,671	122,671
Preferred shares <i>[note 11]</i>	97,394	97,394
Retained earnings	529,783	499,888
Accumulated other comprehensive income	8,675	18,258
Total equity	758,523	738,211
Total liabilities and equity	53,625,038	51,157,141

See accompanying notes

On behalf of the Board:


Robert Mitchell


Steven Ranson

First National Financial Corporation

Interim condensed consolidated statements of income

[Unaudited – in thousands of Canadian dollars]

	Three months ended		Nine months ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
	\$	\$	\$	\$
Revenue				
Interest revenue – securitized mortgages	445,524	418,898	1,279,021	1,180,040
Interest expense – securitized mortgages	(383,355)	(358,712)	(1,107,797)	(1,012,079)
Net interest – securitized mortgages	62,169	60,186	171,224	167,961
Placement fees	99,866	57,127	227,174	147,669
Gains on deferred placement fees <i>[note 4]</i>	3,970	2,877	8,755	12,856
Mortgage investment income	33,864	40,918	105,142	107,887
Mortgage servicing income	70,206	66,131	194,857	192,855
Realized and unrealized losses on financial instruments <i>[note 12]</i>	(6,424)	(25,565)	(17,750)	(24,426)
	263,651	201,674	689,402	604,802
Expenses				
Brokerage fees	65,858	29,874	124,196	64,188
Salaries and benefits	57,587	53,195	182,675	169,565
Interest	40,154	47,494	119,626	119,092
Other operating	22,543	21,422	66,182	60,886
	186,142	151,985	492,679	413,731
Income before income taxes	77,509	49,689	196,723	191,071
Income tax expense	20,520	13,280	51,810	50,700
Net income for the period	56,989	36,409	144,913	140,371
Earnings per share				
Basic <i>[note 11]</i>	0.94	0.59	2.37	2.29

See accompanying notes

First National Financial Corporation

Interim condensed consolidated statements of comprehensive income

[Unaudited – in thousands of Canadian dollars]

	Three months ended		Nine months ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
	\$	\$	\$	\$
Net income for the period	56,989	36,409	144,913	140,371
Other comprehensive income (loss)				
items that may be subsequently				
reclassified to income				
Net losses from change in fair value of cash flow hedges	(9,297)	(54,311)	(15,124)	(33,327)
Reclassification of net losses to income	209	5,192	2,142	1,028
	(9,088)	(49,119)	(12,982)	(32,299)
Income tax recovery	2,400	13,000	3,400	8,500
Total other comprehensive loss	(6,688)	(36,119)	(9,582)	(23,799)
Total comprehensive income for the period	50,301	290	135,331	116,572

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	—	—	144,913	—	144,913
Other comprehensive loss	—	—	—	(9,582)	(9,582)
Dividends paid or declared	—	—	(115,019)	—	(115,019)
Balance as at September 30, 2025	122,671	97,394	529,782	8,676	758,523

	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	—	—	140,371	—	140,371
Other comprehensive loss	—	—	—	(23,799)	(23,799)
Dividends paid or declared	—	—	(113,147)	—	(113,147)
Balance as at September 30, 2024	122,671	97,394	505,023	16,100	741,188

See accompanying notes

First National Financial Corporation

Interim condensed consolidated statements of cash flows

[Unaudited – in thousands of Canadian dollars]

	Three months ended		Nine months ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
	\$	\$	\$	\$
Operating activities				
Net income for the period	56,989	36,409	144,913	140,371
Add (deduct) items				
Provision for deferred income taxes	800	7,400	2,200	23,600
Non-cash portion of gains on deferred placement fees	(3,651)	(2,632)	(8,048)	(12,196)
Decrease (increase) in restricted cash	111,825	(52,748)	24,798	(241,651)
Net investment in mortgages pledged under securitization	(1,887,112)	(2,543,786)	(4,421,778)	(4,894,269)
Net increase in debt related to securitized mortgages	1,784,001	2,559,978	4,339,791	5,033,212
Securities purchased under resale agreements, net	1,470,290	1,188,700	477,538	160,180
Securities sold short, net	(1,500,451)	(1,280,325)	(494,897)	(162,683)
Amortization of deferred placement fees receivable	4,255	4,217	12,529	12,440
Amortization of property, plant and equipment	2,832	4,222	8,496	12,666
Unrealized gains (losses) on financial instruments	9,758	40,116	(7,025)	(25,691)
	49,536	(38,449)	78,517	45,979
Net change in non-cash working capital balances related to operations	1,154,673	1,067,885	1,598,976	403,347
Cash provided by operating activities	1,204,209	1,029,436	1,677,493	449,326
Investing activities				
Additions to property, plant and equipment	(1,229)	(2,086)	(2,795)	(6,382)
Investment in cash held as collateral for securitization	(12,390)	(18,036)	(18,411)	(17,979)
Investment in mortgage and loan investments	(329,677)	(233,202)	(649,943)	(526,874)
Repayment of mortgage and loan investments	296,356	282,731	596,471	652,558
Cash provided by (used in) investing activities	(46,940)	29,407	(74,678)	101,323
Financing activities				
Dividends paid	(38,330)	(37,716)	(115,118)	(113,168)
Obligations related to securities and mortgages sold under repurchase agreements	(985,140)	(699,947)	(1,476,083)	(548,892)
Repayment of lease liabilities	(1,413)	(1,397)	(4,238)	(4,190)
Issuance of senior unsecured notes	—	—	—	199,072
Cash used in financing activities	(1,024,883)	(739,060)	(1,595,439)	(467,178)
Net decrease in bank indebtedness, during the period	132,386	319,783	7,376	83,471
Bank indebtedness, beginning of period	(1,202,639)	(1,319,312)	(1,077,629)	(1,083,000)
Bank indebtedness, end of period	(1,070,253)	(999,529)	(1,070,253)	(999,529)
Supplemental cash flow information				
Interest received	498,460	477,801	1,451,892	1,335,428
Interest paid	349,616	365,097	1,129,126	1,015,306
Income taxes paid	11,067	1,444	34,629	90,537

See accompanying notes

First National Financial Corporation

Notes to interim condensed consolidated financial statements

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

September 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 \$165 billion in mortgages under administration as at September 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.

First National Financial Corporation

Notes to interim condensed consolidated financial statements

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

September 30, 2025

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 October 27, 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.

First National Financial Corporation

Notes to interim condensed consolidated financial statements

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

September 30, 2025

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.

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 September 30, 2025, the cash held as collateral for securitization was \$191,206 [December 31, 2024 – \$172,795].

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

	September 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	48,022,436	(48,267,846)	43,630,368	(43,963,542)
Capitalized amounts related to hedge accounting	131,391	(121,748)	101,572	(93,502)
Capitalized origination costs	272,972	—	244,836	—
Debt discounts	—	343,577	—	379,063
	48,426,799	(48,046,017)	43,976,776	(43,677,981)
Add				
Principal portion of payments held in restricted cash	732,311	—	761,937	—
	49,159,110	(48,046,017)	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.

First National Financial Corporation

Notes to interim condensed consolidated financial statements

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

September 30, 2025

Mortgages pledged under securitization are classified as amortized cost and are carried at par plus adjustment for unamortized origination costs and amounts related to hedge accounting. The changes in capitalized origination costs for the three months ended September 30, 2025 are as follows:

	2025	2024
	\$	\$
Opening balance, June 30	258,834	224,107
Add new origination costs capitalized in the period	44,527	55,279
Less amortization in the period	(30,389)	(27,016)
Ending balance, September 30	272,972	252,370

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

	September 30, 2025	December 31, 2024
	\$	\$
Arrears days		
31 to 60	12,080	14,855
61 to 90	7,881	2,021
Greater than 90	13,584	11,943
	33,545	28,819

Of the mortgages in arrears summarized above, 64 are uninsured and have a principal balance of \$32,944 as at September 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 \$6,715,986 [December 31, 2024 – \$5,698,928], before consideration of the value of underlying collateral. Virtually all of the uninsured mortgages pledged under securitization are single-family mortgages with loan to value ratios of 80% or less.

The Company has provided an allowance for expected credit losses of \$5,999 as of September 30, 2025 [December 31, 2024 – \$6,793] related to mortgages pledged under securitization.

First National Financial Corporation

Notes to interim condensed consolidated financial statements

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

September 30, 2025

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 September 30, 2025			
	Residential	Commercial	Total
	\$	\$	\$
Mortgages placed with institutional investors	—	1,475,874	1,475,874
Gains on deferred placement fees	—	3,970	3,970
Cash receipts on deferred placement fees received	68	5,104	5,172
Three months ended September 30, 2024			
	Residential	Commercial	Total
	\$	\$	\$
Mortgages placed with institutional investors	—	1,366,324	1,366,324
Gains on deferred placement fees	—	2,877	2,877
Cash receipts on deferred placement fees received	76	5,134	5,210

First National Financial Corporation

Notes to interim condensed consolidated financial statements

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

September 30, 2025

5. Mortgages accumulated for sale or securitization

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

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

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

	September 30, 2025	December 31, 2024
	\$	\$
Mortgages accumulated for securitization	1,769,937	3,386,959
Mortgages accumulated for sale	86,027	54,069
	1,855,964	3,441,028

The Company's exposure to credit loss is limited to \$494,608 [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 September 30, 2025, six of these mortgages are in arrears past 31 days, with a total principal balance of \$2,894 [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 \$5,999 described in note 3.

First National Financial Corporation

Notes to interim condensed consolidated financial statements

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September 30, 2025

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 \$163,645 as at September 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 September 30, 2025, and 2024.

As at September 30, 2025, the portfolio contains \$4,911 [December 31, 2024 – \$11,926] of insured mortgages and \$188,468 [December 31, 2024 – \$127,981] of uninsured mortgage and loan investments. Of the uninsured mortgages as at September 30, 2025, approximately \$2,437 [December 31, 2024 – \$1,071] have principal balance in arrears of more than 30 days.

First National Financial Corporation

Notes to interim condensed consolidated financial statements

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

September 30, 2025

7. Other assets

The components of other assets are as follows as at:

	September 30, 2025	December 31, 2024
	\$	\$
Property, plant and equipment, net	27,510	29,997
Right-of-use assets	39,149	42,363
Goodwill	29,776	29,776
	96,435	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 \$44,255 as at September 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.

First National Financial Corporation

Notes to interim condensed consolidated financial statements

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

September 30, 2025

8. Mortgages under administration

As at September 30, 2025, the Company managed mortgages under administration of \$165,266,872 [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 September 30, 2025, the Company administered 336,313 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].

Mortgages under administration are serviced as follows:

	September 30, 2025 \$	December 31, 2024 \$
Institutional investors	114,573,586	105,679,528
Mortgages accumulated for sale or securitization and mortgage and loan investments	2,053,970	3,577,424
Mortgages pledged under securitization	48,022,436	43,630,368
CMBS conduits	616,880	809,689
	165,266,872	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 September 30, 2025 was \$979,729 [December 31, 2024 – \$895,326].

First National Financial Corporation

Notes to interim condensed consolidated financial statements

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

September 30, 2025

9. Bank indebtedness

Bank indebtedness includes a revolving credit facility of \$1,500,000 as at September 30, 2025 [December 31, 2024 – \$1,500,000] maturing in March 2029. As at September 30, 2025, \$1,070,253 [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.

First National Financial Corporation

Notes to interim condensed consolidated financial statements

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

September 30, 2025

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 September 30, 2025, debt related to securitized mortgages was \$48,046,017 [December 31, 2024 – \$43,677,981], net of unamortized discount of \$343,577 [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.

First National Financial Corporation

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

September 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, September 30, 2025 and December 31, 2024	59,967,429	122,671	4,000,000	97,394

[c] Earnings per share

	Three months ended		Nine months ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
	\$	\$	\$	\$
Net income attributable to shareholders	56,989	36,409	144,913	140,371
Less dividends declared on preferred shares	(842)	(983)	(2,580)	(2,957)
Net earnings attributable to common shareholders	56,147	35,426	142,333	137,414
Number of common shares outstanding	59,967,429	59,967,429	59,967,429	59,967,429
Basic earnings per common share	0.94	0.59	2.37	2.29

First National Financial Corporation

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September 30, 2025

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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[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 September 30, 2025, except for mortgages pledged under securitization, which have a carrying value of \$48,426,799 [December 31, 2024 – \$43,976,776] and a fair value of \$49,285,164 [December 31, 2024 – \$43,932,449], debt related to securitized mortgages, which has a carrying value of \$48,046,017 [December 31, 2024 – \$43,677,981] and a fair value of \$47,782,925 [December 31, 2024 – \$45,440,439], and senior unsecured notes, which have a carrying value of \$599,163 [December 31, 2024 – \$598,630] and a fair value of \$619,460 [December 31, 2024 – \$617,780]. 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:

	September 30, 2025			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Mortgages accumulated for sale	—	86,027	—	86,027
Mortgage and loan investments	—	—	139,183	139,183
Total financial assets	—	86,027	139,183	225,210
Financial liabilities				
Securities sold short	—	1,746,253	—	1,746,253
Interest rate swaps	—	59,436	—	59,436
Total financial liabilities	—	1,805,689	—	1,805,689

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	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 September 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 losses of \$6,993 [2024 – gains of \$75,578] of the Company's financial assets and financial liabilities for the three and nine months ended September 30, 2025 and 2024, all of which have been classified as FVTPL:

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
	\$	\$	\$	\$
Securities sold short	6,990	(28,654)	18,561	(26,923)
Interest rate swaps	(566)	3,089	(811)	2,497
	6,424	(25,565)	17,750	(24,426)

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Movement in Level 3 financial instruments measured at fair value

The following tables show the movement in Level 3 financial instruments in the fair value hierarchy for the nine months ended September 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 September 30, 2025 \$
Financial assets					
Mortgage and loan investments	67,379	649,943	—	(578,139)	139,183
	Fair value as at January 1, 2024 \$	Investments \$	Unrealized gains recorded in income \$	Payment and amortization \$	Fair value as at September 30, 2024 \$
Financial assets					
Mortgage and loan investments	189,523	526,874	—	(654,253)	62,144

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13. Senior unsecured notes

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 stood at approximately \$600 million as at September 30, 2025. On October 22, 2025, pursuant to the change in control affected by Arrangement Agreement, the Company redeemed all the outstanding notes at premiums specified in the indentures. On October 14, 2025, the Company issued three new tranches of notes: 250,000 of Series 2025-1 notes were issued at a coupon of 4.288% for a three-year term maturing on October 23, 2028; 300,000 of Series 2025-2 notes were issued at a coupon of 4.891% for a five-year term maturing on October 23, 2030; and 250,000 of Series 2025-3 notes were issued at a coupon of 5.443% for a seven-year term maturing on October 25, 2032. These new tranches settled on October 23, 2025.

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14. Capital management

The Company's objective is to maintain a capital base so as to maintain investor, creditor and market confidence and sustain future development of the business. Management defines capital as the Company's common share capital and retained earnings. FNFLP 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 September 30, 2025, the ratio was 1:83 [December 31, 2024 – 1.92:1]. The Company was in compliance with the bank covenant throughout the period.

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15. Earnings by business segment

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

	Three months ended September 30, 2025			Nine months ended September 30, 2025		
	Residential	Commercial	Total	Residential	Commercial	Total
	\$	\$	\$	\$	\$	\$
Revenue						
Interest revenue – securitized mortgages	296,487	149,037	445,524	851,777	427,244	1,279,021
Interest expense – securitized mortgages	(256,443)	(126,912)	(383,355)	(745,893)	(361,904)	(1,107,797)
Net interest – securitized mortgages	40,044	22,125	62,169	105,884	65,340	171,224
Placement and servicing	145,418	28,624	174,042	331,138	99,648	430,786
Mortgage investment income	26,432	7,432	33,864	79,075	26,067	105,142
Realized and unrealized losses on financial instruments	(6,424)	—	(6,424)	(17,750)	—	(17,750)
	205,470	58,181	263,651	498,347	191,055	689,402
Expenses						
Amortization	2,496	336	2,832	7,486	1,010	8,496
Interest	32,291	7,863	40,154	93,912	25,714	119,626
Other operating	123,308	19,848	143,156	295,245	69,312	364,557
	158,095	28,047	186,142	396,643	96,036	492,679
Income before income taxes	47,375	30,134	77,509	101,704	95,019	196,723
Identifiable assets	34,414,318	19,180,944	53,595,262	34,414,318	19,180,944	53,595,262
Goodwill	—	—	29,776	—	—	29,776
Total assets	34,414,318	19,180,944	53,625,038	34,414,318	19,180,944	53,625,038

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	Three months ended September 30, 2024			Nine months ended September 30, 2024		
	Residential	Commercial	Total	Residential	Commercial	Total
	\$	\$	\$	\$	\$	\$
Revenue						
Interest revenue – securitized mortgages	294,070	124,828	418,898	824,946	355,094	1,180,040
Interest expense – securitized mortgages	(253,468)	(105,244)	(358,712)	(714,092)	(297,987)	(1,012,079)
Net interest – securitized mortgages	40,602	19,584	60,186	110,854	57,107	167,961
Placement and servicing	98,603	27,532	126,135	251,247	102,133	353,380
Mortgage investment income	27,065	13,853	40,918	72,089	35,798	107,887
Realized and unrealized losses on financial instruments	(25,565)	—	(25,565)	(24,426)	—	(24,426)
	140,705	60,969	201,674	409,764	195,038	604,802
Expenses						
Amortization	3,597	625	4,222	10,789	1,877	12,666
Interest	35,431	12,063	47,494	84,879	34,213	119,092
Other operating	80,633	19,636	100,269	215,014	66,959	281,973
	119,661	32,324	151,985	310,682	103,049	413,731
Income before income taxes	21,044	28,645	49,689	99,082	91,989	191,071
Identifiable assets	33,124,574	17,305,936	50,430,510	33,124,574	17,305,936	50,430,510
Goodwill	—	—	29,776	—	—	29,776
Total assets	33,124,574	17,305,936	50,460,286	33,124,574	17,305,936	50,460,286

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16. 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 \$10,000 of new mortgages for the related parties. The related parties also funded several progress draws totaling \$1,934 on existing mortgages originated by the Company. All such mortgages, which are administered by the Company, have a balance of \$202,373 as at September 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 September 30, 2025 was \$915 [2024 – \$2,881], 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 \$1,000 to the financial institution. As at September 30, 2025, the Company administered a \$4,066,356 [December 31, 2024 – \$4,574,671] mortgage portfolio for the financial institution at market rates.

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17. Subsequent event

On October 22, 2025, First National Financial Corporation (the “Company” or “First National”) (TSX:FN.PR.A, TSX:FN.PR.B) was purchased pursuant to 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 acquired 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, sold approximately two-thirds of their shareholdings in the Company for the same cash consideration per Share as other shareholders, and exchanged their remaining Shares (the “Rollover Shares”) for ownership interests in the Purchaser.

On October 24, 2025, the Company was amalgamated with Regal Bidco Inc. and continued as First National Financial Corporation.