



Investor Presentation

FORWARD LOOKING STATEMENTS

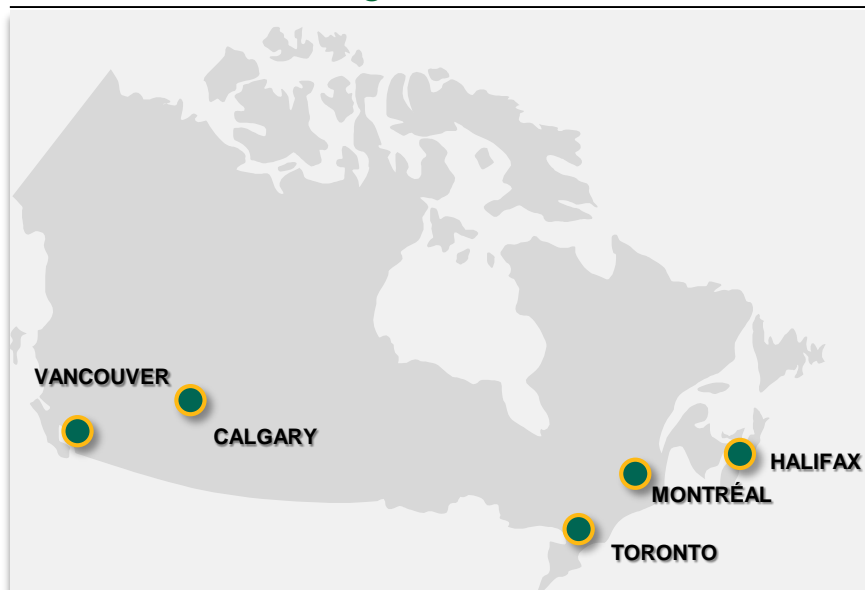
Certain statements in this presentation may contain “forward looking” statements that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or industry to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. This presentation should be viewed in conjunction with the latest Management Discussion and Analysis and other regulatory filings, copies of which can be obtained electronically at SEDAR.



FIRST NATIONAL FINANCIAL CORPORATION

- **Leading Canadian mortgage originator, underwriter and servicer**
 - Prime single family residential
 - Multi-unit residential and commercial
- **Strong nationwide presence with operations across the country**
 - 950 employees
 - BBB counterparty rating

First National's Regional Offices



All figures are expressed in Canadian dollars unless otherwise stated

(1) IFRS Earnings Before Taxes, Depreciation and Amortization, and gains and losses on account of financial instruments for the year ended December 31, 2017

Company Snapshot – December 2017

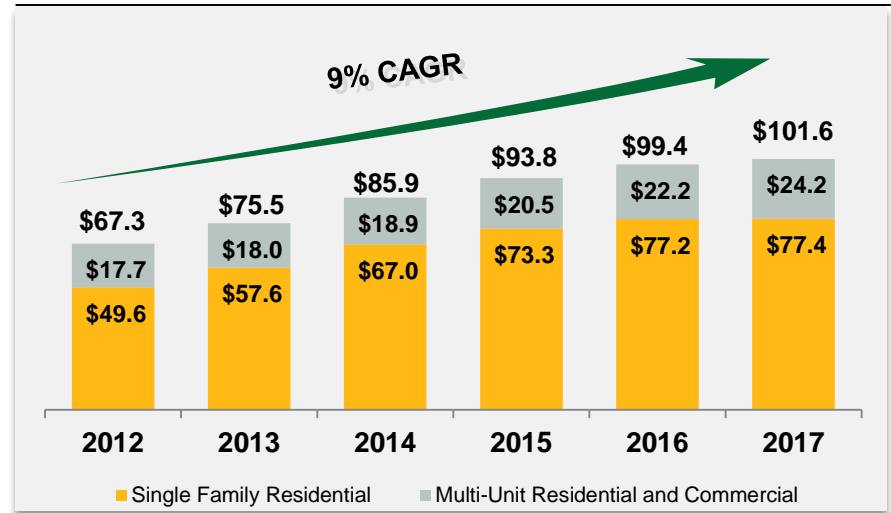
Listing	TSX: FN, FN.PR.A, FN.PR.B
Market Capitalization	\$1.6 billion
Mortgages Under Administration ("MUA")	\$101.6 billion
Annual Originations	\$16.9 billion
Revenue	\$1 billion
Pre-FMV EBITDA	\$234 million ⁽¹⁾
Residual Credit Risk	1.3%

Largest non-bank originator and underwriter of mortgages in Canada

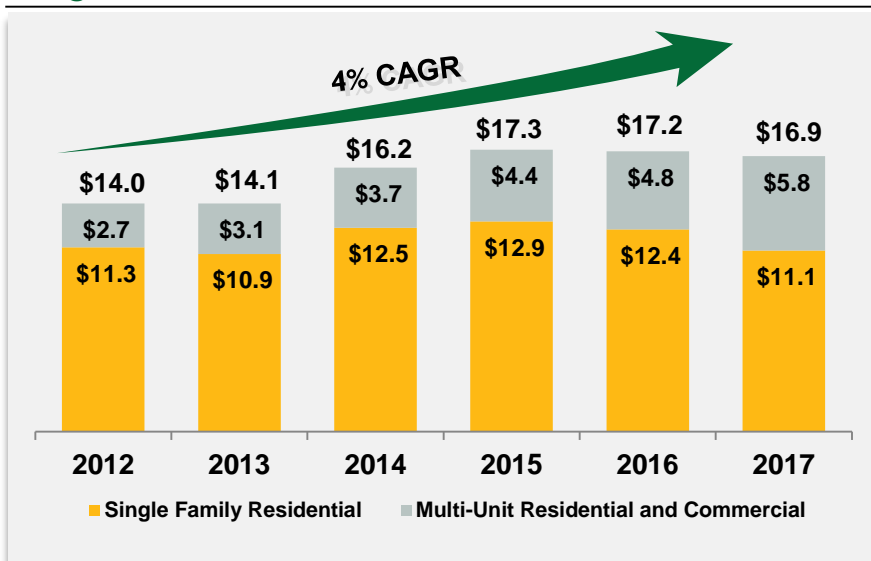
FIRST NATIONAL AT A GLANCE

- Largest non-bank originator and underwriter and servicer of predominately prime residential and commercial mortgages
 - Top three market share in mortgage broker distribution channel
- Steady MUA, originations and revenue growth since 2012

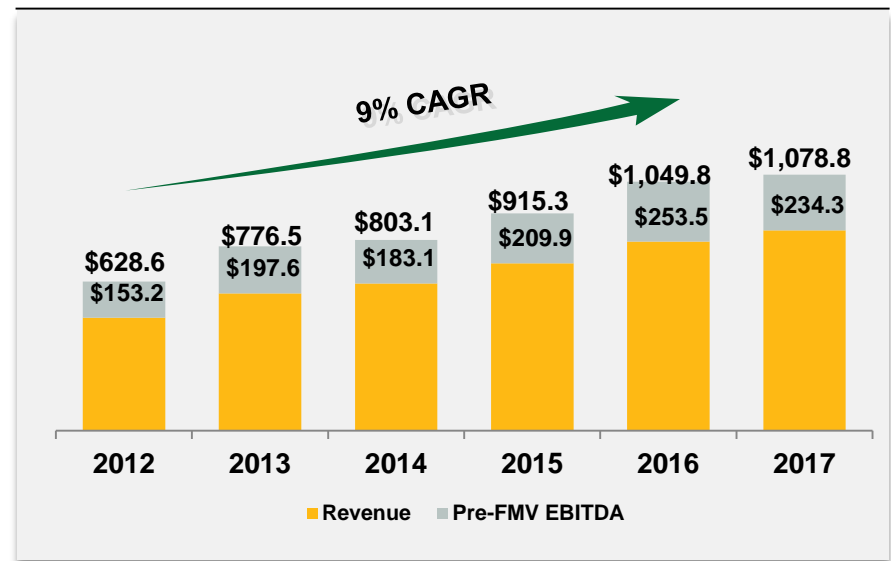
Mortgages Under Administration



Originations



Revenue and Pre-FMV EBITDA



INDUSTRY OVERVIEW

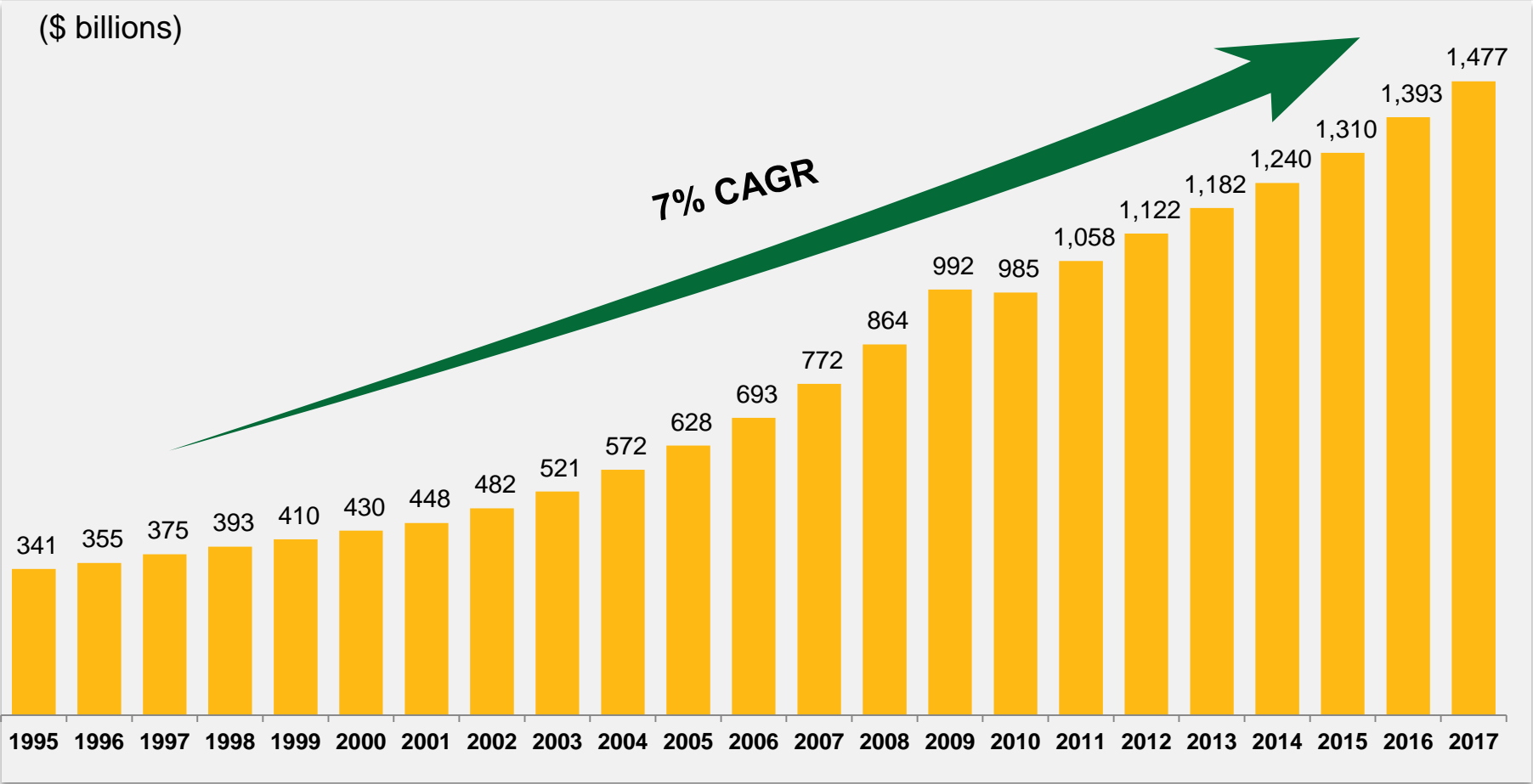
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FINANCIAL CORPORATION



RESIDENTIAL MORTGAGE MARKET

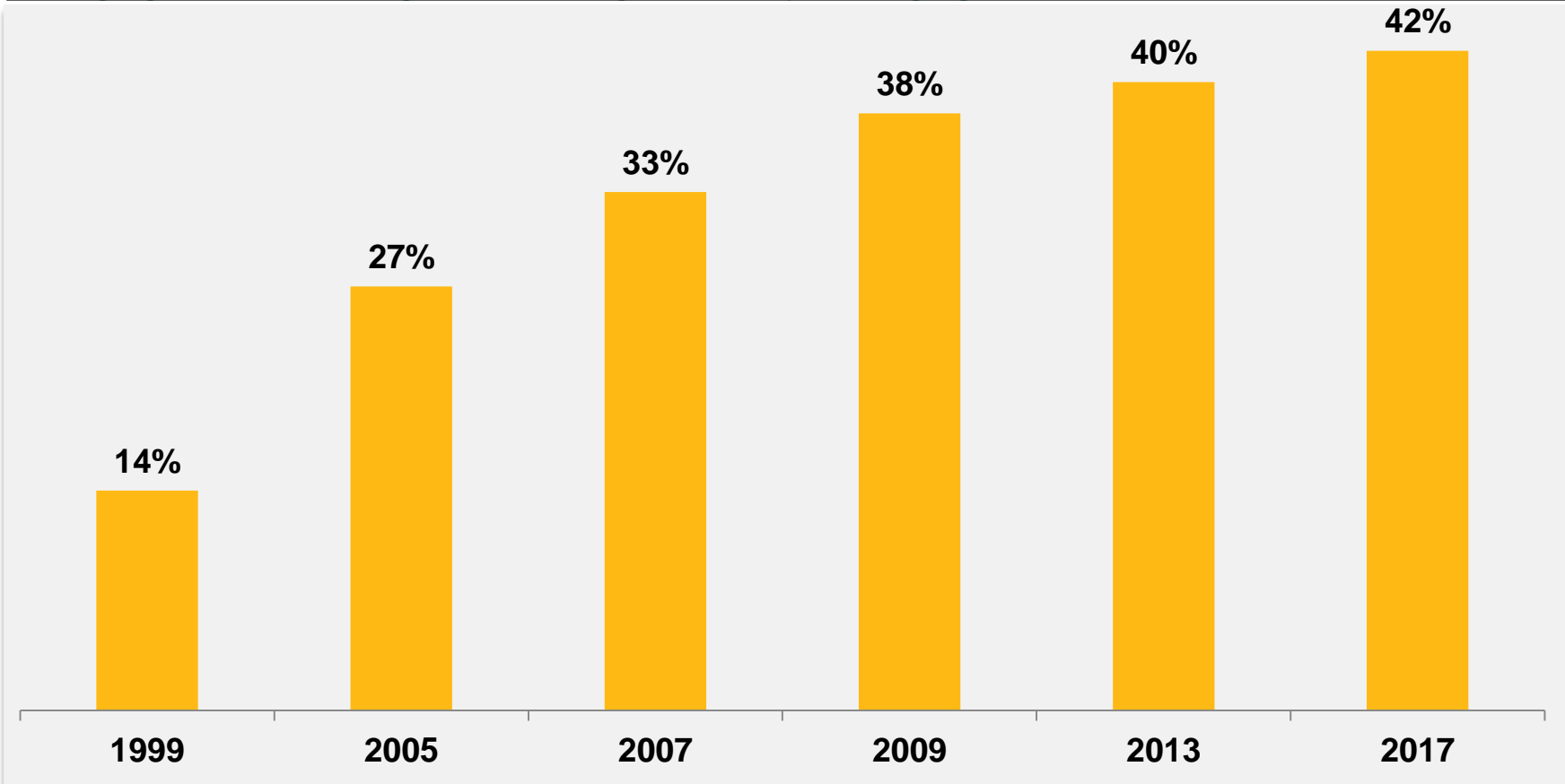
Average Canadian Residential Mortgage Credit Outstanding



Source: Statistics Canada

GROWING MORTGAGE BROKER MARKET

Mortgage Broker Originated Single Family Mortgages



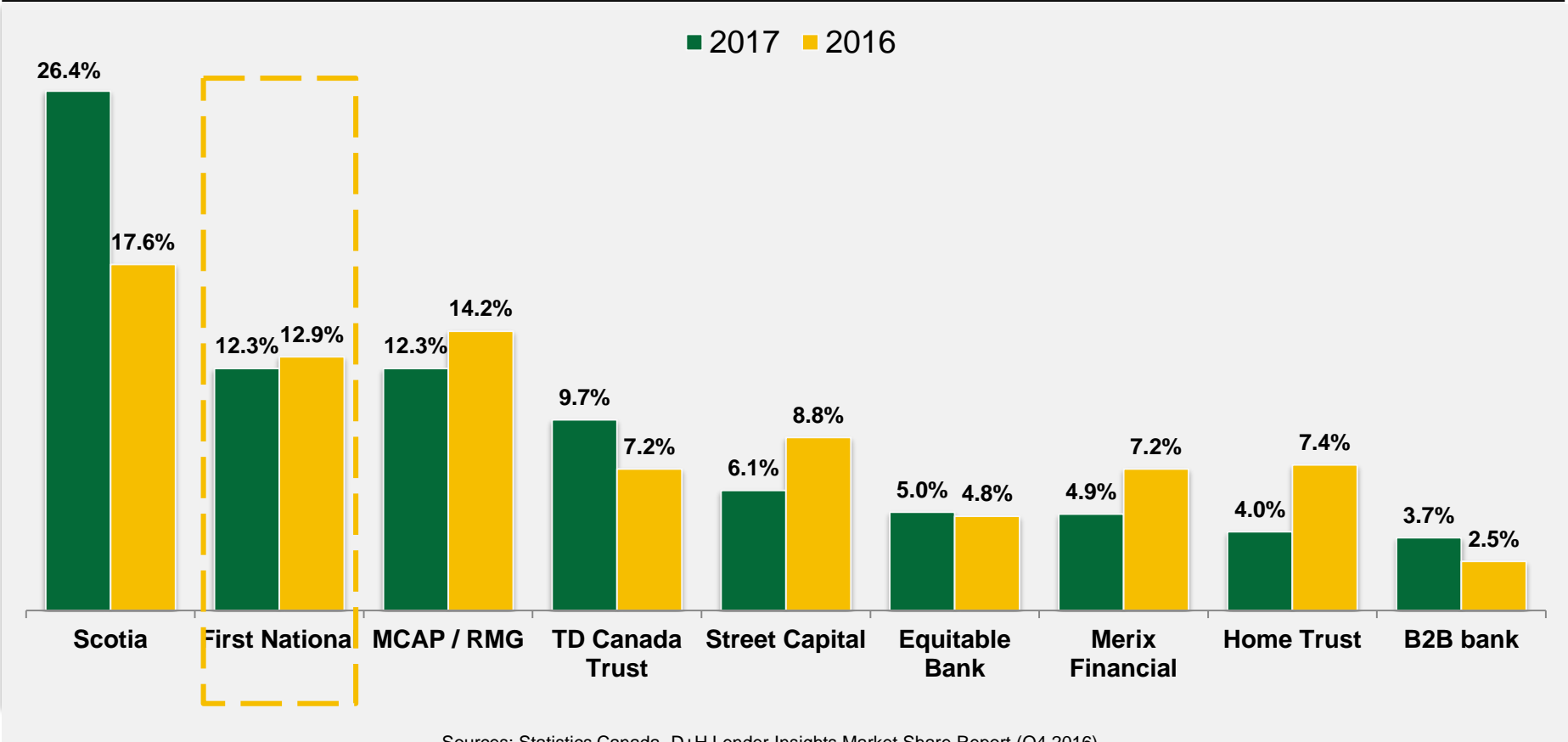
Source: CMHC Consumer Survey

Significant mortgage origination channel

BROKER ORIGINATION – MARKET SHARE

- Canada’s largest non-bank originator and underwriter of residential mortgages
- One of Canada’s largest commercial lenders

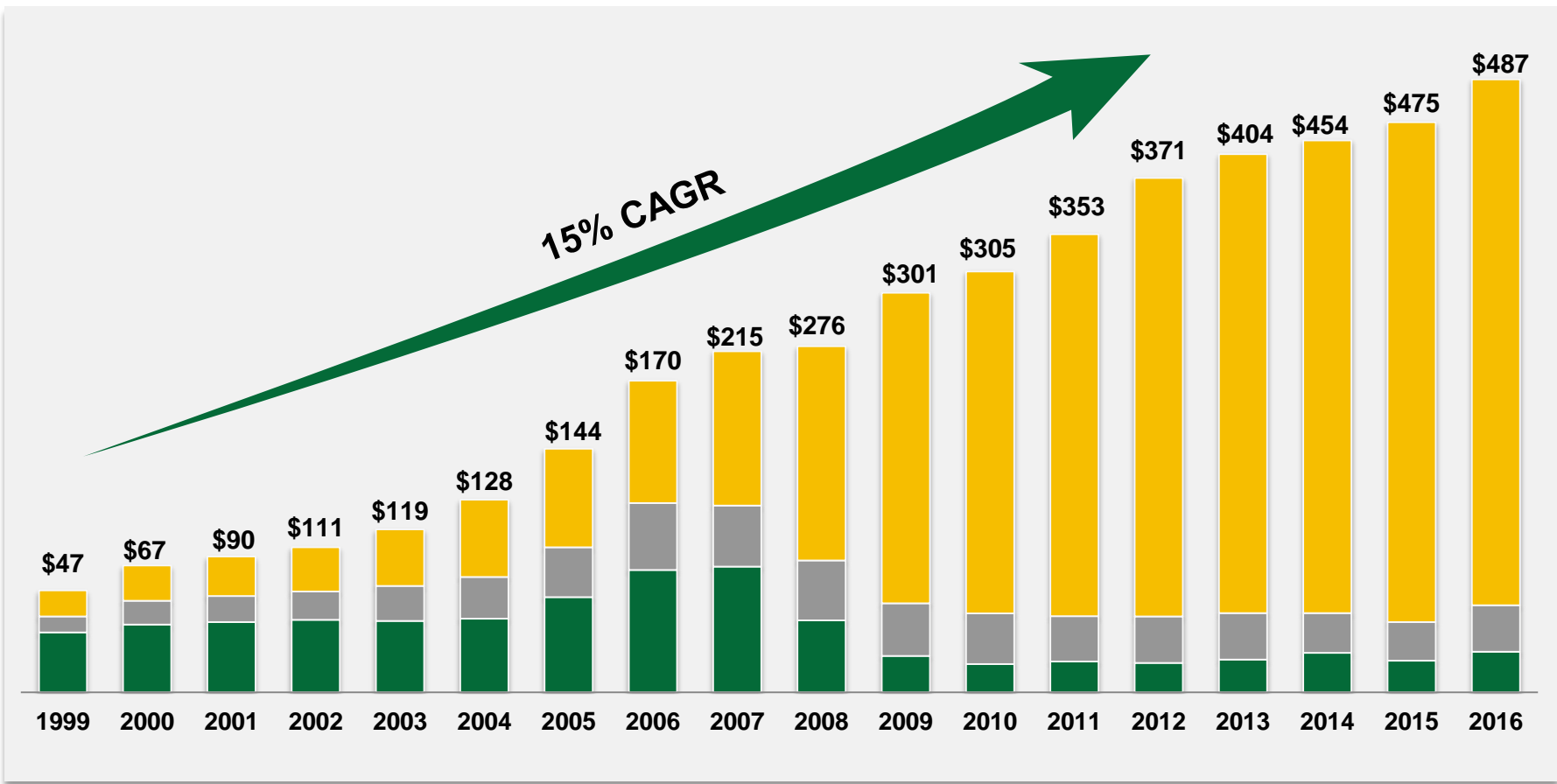
First National’s Broker Origination Market Share



Sources: Statistics Canada, D+H Lender Insights Market Share Report (Q4 2016)

SECURITIZATION MARKET

Securizations Outstanding



Source: Statistics Canada & DBRS

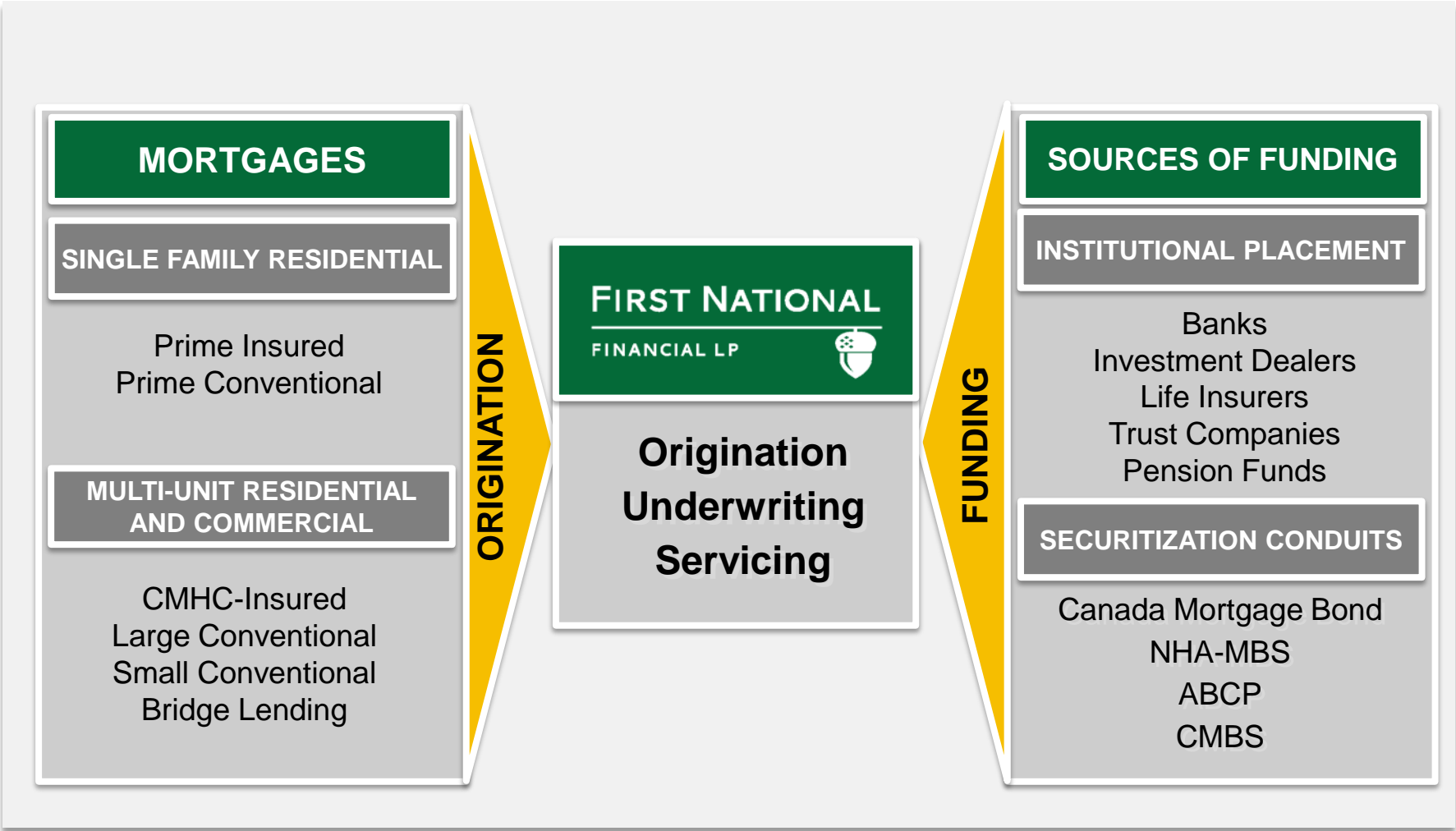
■ ABCP ■ Term Debt ■ NHA-MBS

Continued availability of cost effective funding

COMPANY OVERVIEW



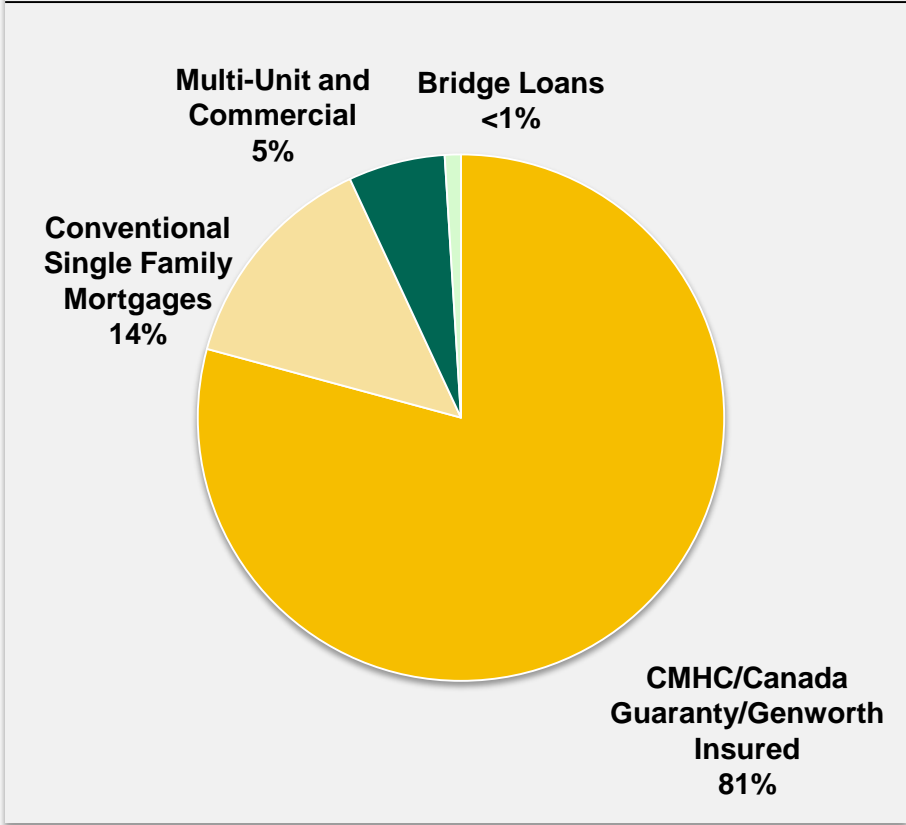
STABLE BUSINESS MODEL



Diversified origination and funding sources

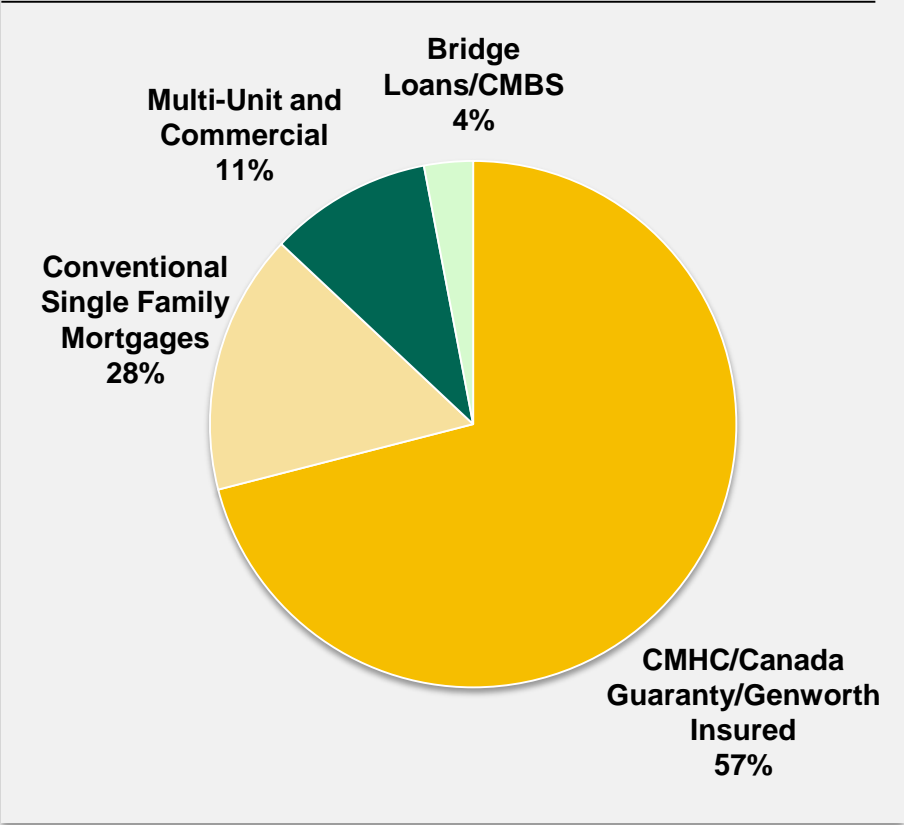
HIGH QUALITY MORTGAGES

Mortgages Under Administration (as at Dec 2017)



**95% Insured or
Conventional Single Family Residential**

Originations (for the year December 2017)



**85% Insured or
Conventional Single Family Residential**

Conservative portfolio focused on originating prime mortgages

ONLY CANADIAN SERVICER RATED BY ALL FOUR RATING AGENCIES

CANADA'S LARGEST INDEPENDENT MORTGAGE SERVICER



Insight beyond the rating.



Moody's Corporation

**STANDARD
& POOR'S**

FitchRatings

- Economies of Scale
- Real-time Investor Portal
- Complete NHA MBS Reporting



Over \$100 billion of serviced mortgages

PREMIER ORIENTATION AND UNDERWRITING SOFTWARE



Canada's Only Web-Based Real Time Broker Information System

BROKER BENEFITS

- Faster Mortgage Approvals
- 24/7 Mortgage Commitment Status
- Better Client Service
- Enhanced Efficiency

COMPANY BENEFITS

- Lower Operating Costs
- Faster Turn-around
- Enhanced Efficiency
- Scalability

**Recently began processing and underwriting
all mortgages originated through TD's broker distribution channel**

FINANCIAL REVIEW

FIRST NATIONAL

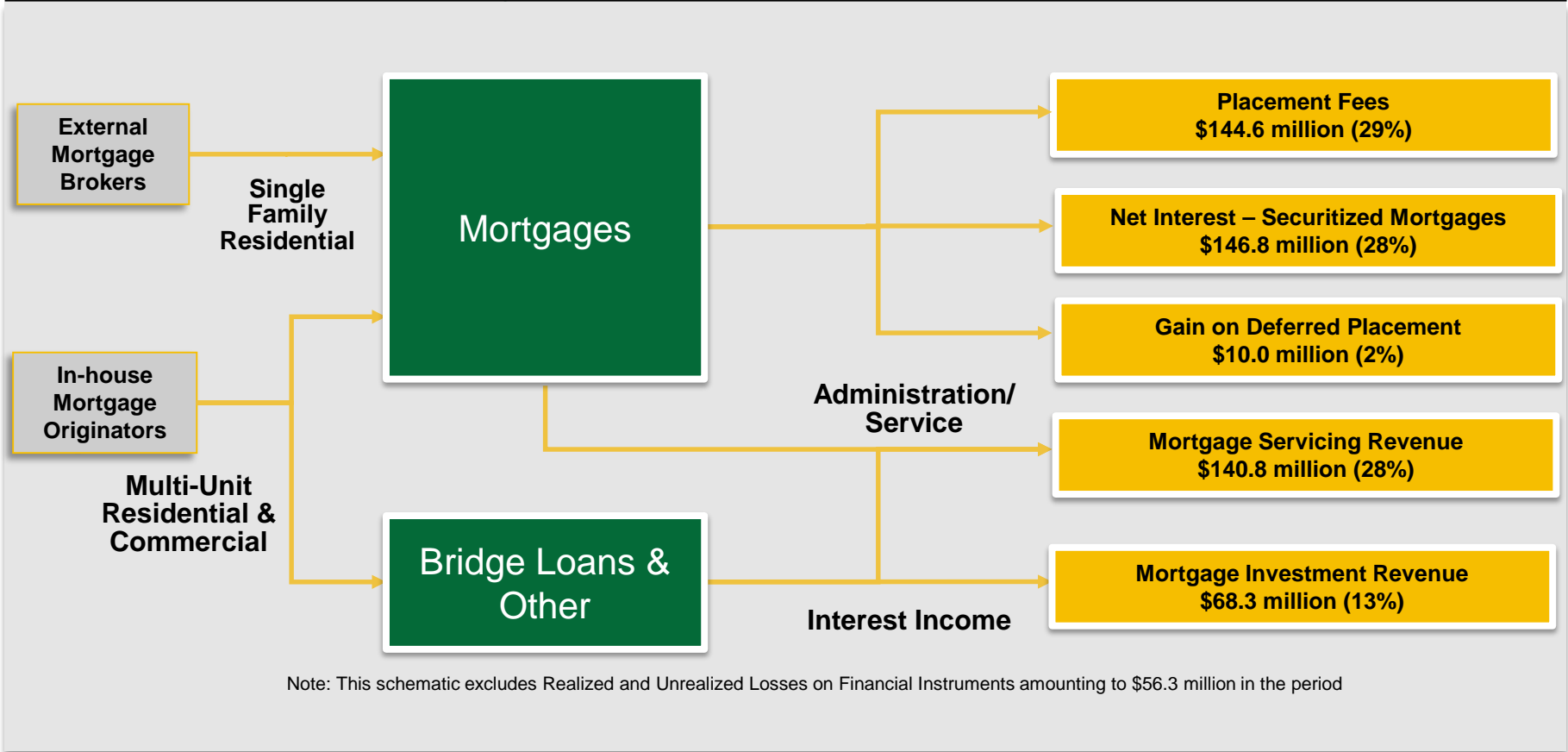
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MULTIPLE REVENUE SOURCES

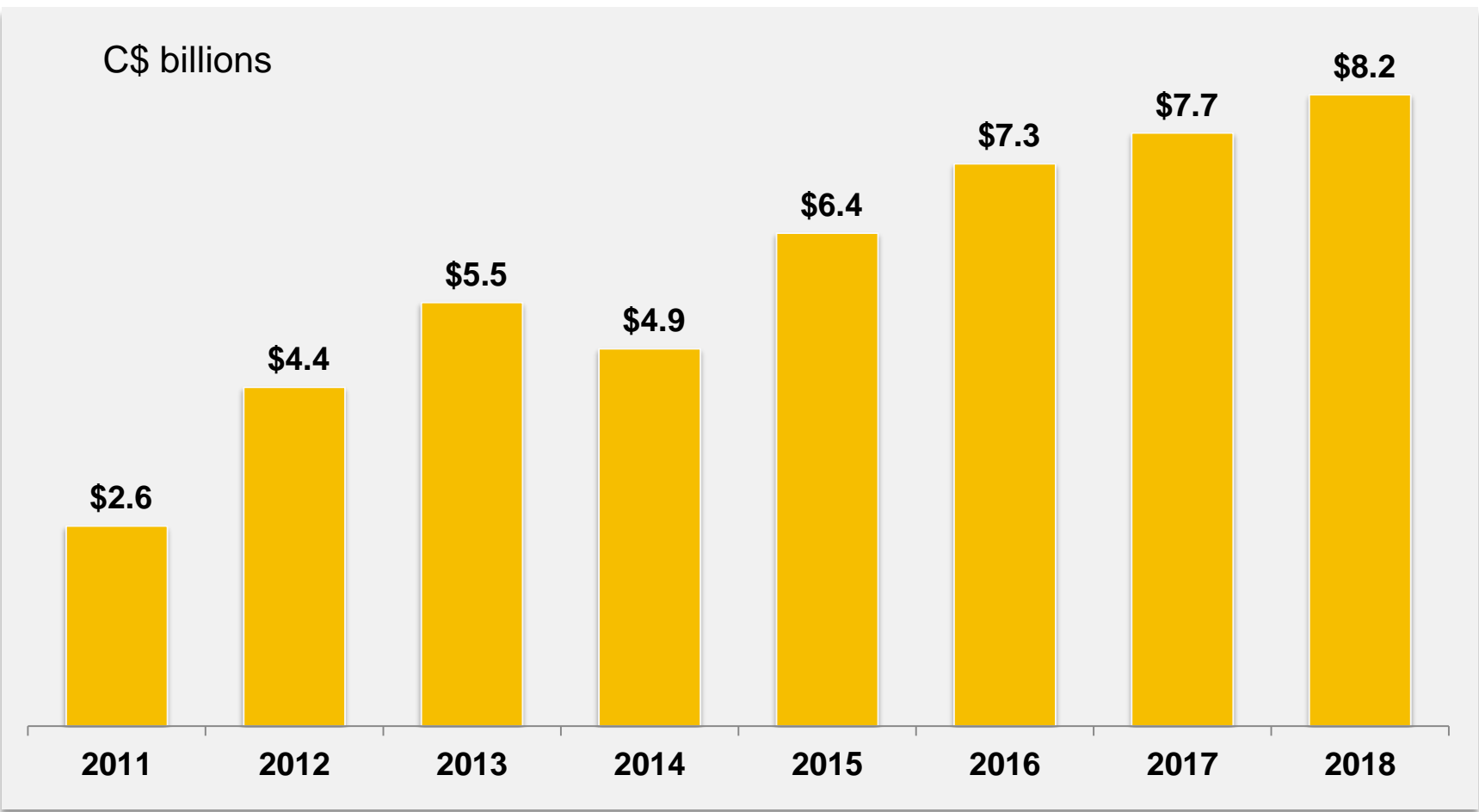
- Diversified revenue streams comprised largely of:
 - Monthly servicing income
 - Net Interest – securitized mortgages
 - Origination/placement fees

Sources of Net Revenue – year ended December 2017



GROWING ORIGINATION FROM RENEWALS

Single-Family Renewal Opportunities

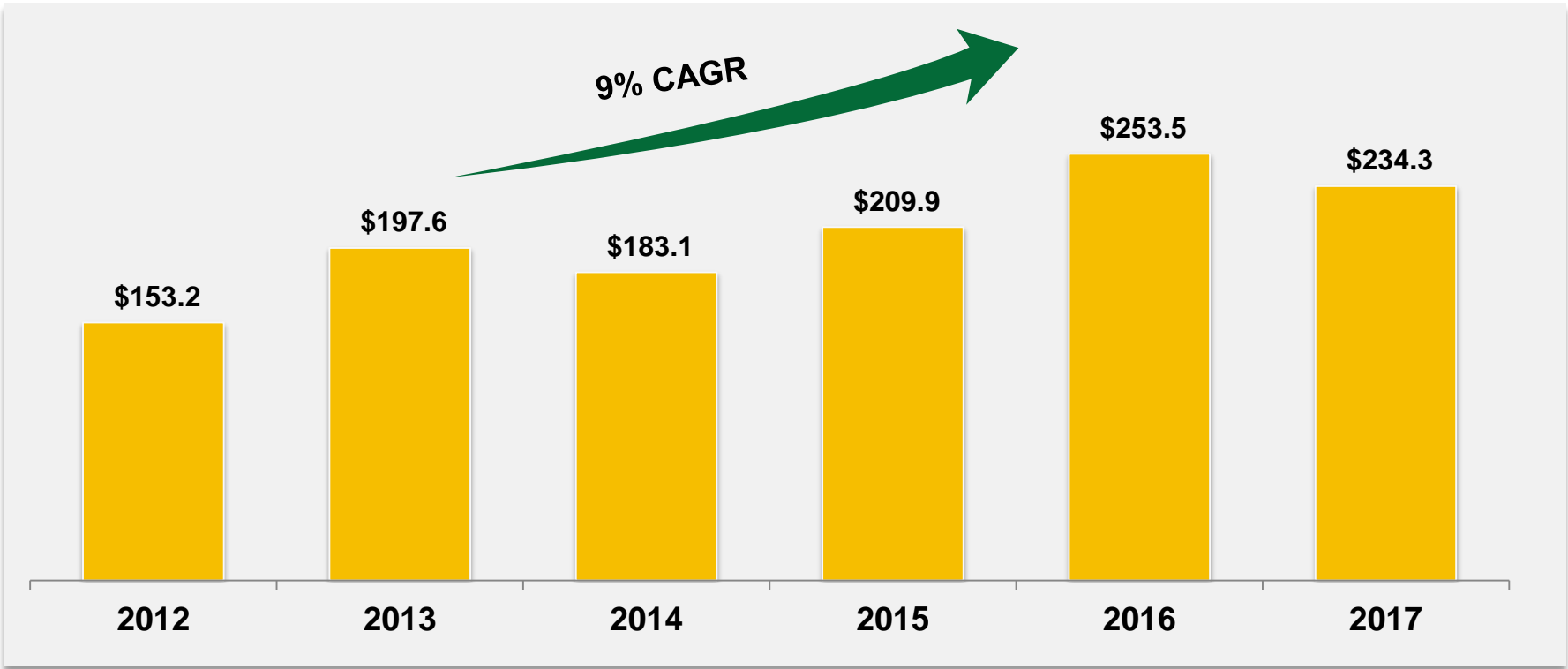


Increased profitability

GROWTH IN PRE-FMV EBITDA

- First National has a proven track record of profitability in Pre-FMV EBITDA
 - 2017 Pre-FMV EBITDA was \$234.3 million for the year ended Dec 31, 2017 which represents a CAGR of over 13% since 2012
 - Growth in Pre-FMV EBITDA has been driven by steady growth of the company's core business, including net margins on securitized mortgages and mortgage investment income

Pre-FMV EBITDA



Consistent growth in pre-FMV EBITDA

FUNDING AND RISK MANAGEMENT

FIRST NATIONAL

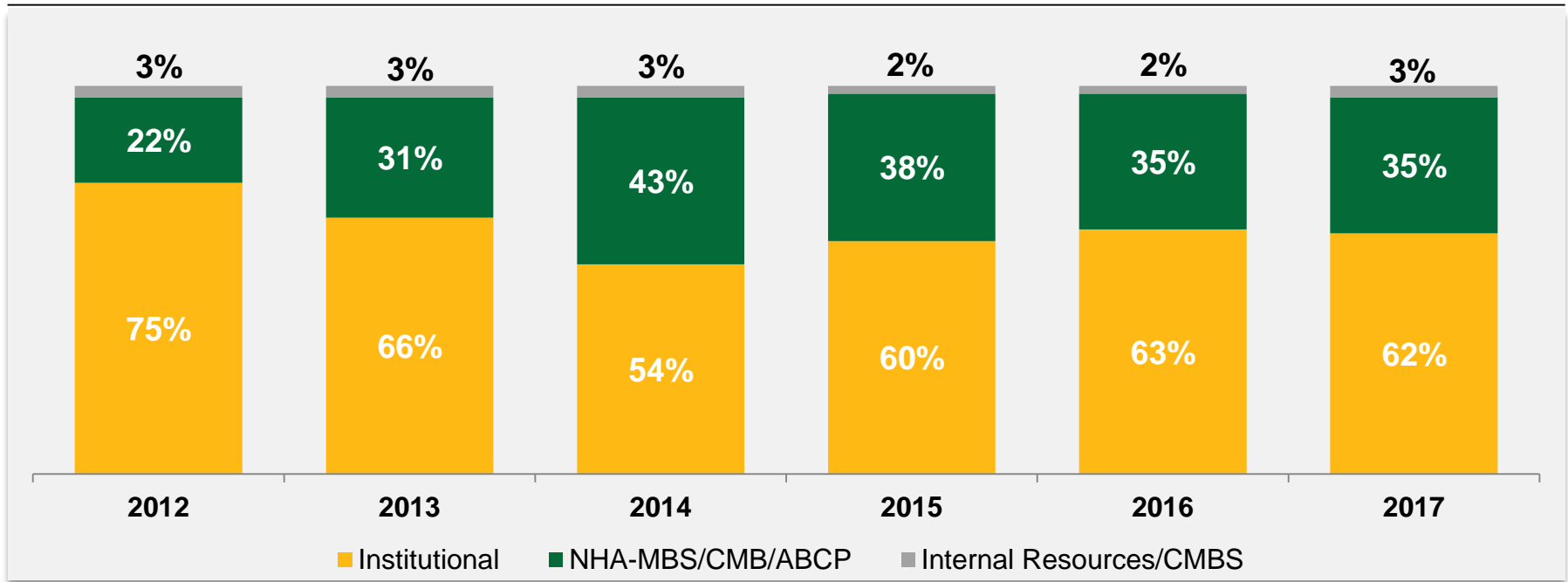
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DIVERSIFIED FUNDING SOURCES

- First National has access to diverse and reliable funding sources that help to support mortgage originations
- Diverse funding allows First National to reduce its reliance on a single funding source
- Over the years First National has taken advantage of securitization funding

Funding of Mortgage Originations by Source



Diverse and reliable funding sources help to support mortgage originations

PRUDENT RISK MANAGEMENT

Robust Enterprise Risk Management

- First National originates prime mortgages – the highest quality in Canada
- While not an OSFI regulated entity, First National has adopted a Residential Mortgage Underwriting Policy which complies with B-20 and requires the highest underwriting standards in Canada
- Low residential arrears rates consistent with those of the Canadian Bankers Association
- First National's underwriting expertise evidenced by 2014 agreement with TD Bank to process TD mortgage applications sourced through the broker channel

Minimal Credit Risk

- As of December 31, 2017, almost 99% of First National's mortgages under administration have no residual credit risk to the company – the mortgages are either insured or the credit risk has been transferred to the institutional investor

Risk management is central to First National's business model

LIQUIDITY AND CAPITAL RESOURCES

- Liquidity strategy has been to use bank syndicate, unsecured notes and whole loan repo obligations to fund working capital requirements (i.e., mortgage warehouse facility) and to use primarily equity to fund longer-term assets
- The Company compares this aggregate debt to mortgages accumulated for sale as a proxy for true leverage⁽¹⁾

Total borrowings	\$2,019 million
Less: Mortgages Accumulated for Sale	\$1,790 million
Net debt capital used by the Company	\$ 229 million

- The Company has always used these borrowings primarily to fund mortgages originated awaiting sale to institutions and securitization conduits. For the last 4 years “Net debt capital used by the Company” has varied between 0% and 11% of the total borrowings. Increased syndicate borrowings have been requested to fund a growing mortgage warehouse requirement as opposed to other business needs.

(1) As at December 31, 2017. Borrowings include: ‘Bank Indebtedness’, ‘Obligations related to securities and mortgages sold under repurchase agreements’ and ‘Senior unsecured notes’



2017 HIGHLIGHTS

- Mortgages under Administration up 2% to \$101.6 B
- Origination volume down 2% year over year, single-family down 10% (the result of new mortgage insurance rules contracting the insured mortgage market and increased competition). Multi/commercial up 20% on increase in market share.
- Normalized revenue up <1%, pre-FMV EBITDA lower by 8% but down 2% if \$14.4 million of same year FMV gains are added to placement fees
- At year end, over \$32 billion of assets





Investor Presentation

