

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 March 3, 2026. This discussion should be read in conjunction with the audited consolidated financial statements and accompanying notes of First National Financial Corporation (the "Company" or "Corporation" or "First National") as at and for the year ended December 31, 2025. The audited 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 more than \$166 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.

On October 22, 2025, First National Financial Corporation (the "Company" or "First National") was purchased pursuant to a definitive arrangement agreement (the "Arrangement Agreement" or "Acquisition 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), for \$48.00 per Share in cash (the "Purchase Price"). As part of this "go private" transaction, the Company's founders, Stephen Smith and Moray Tawse (together with their associates and affiliates, the "Rolling Shareholders"), who then held 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 on as First National Financial Corporation.

2025 Results Summary

First National's origination volumes in 2025 exceeded management's expectations. Including renewals, total mortgage originations were \$47.0 billion, 25% above 2024 levels. Mortgages Under Administration (MUA) surpassed \$166 billion, growing by 8% year over year. Core operating profitability, measured by Pre-FMV Income⁽¹⁾, decreased by 5% from 2024 reflecting several factors but largely the impact of increased leverage and growing operating costs.

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

- MUA grew to \$166.2 billion at December 31, 2025 from \$153.7 billion at December 31, 2024, an increase of 8%.
- Total single-family mortgage origination, including renewals, was \$30.1 billion in 2025 compared to \$22.6 billion in 2024, a 33% increase. This reflected the Company's market share in the broker distribution channel supported by a solid housing market and growing renewals. Commercial segment origination, including renewals, of \$16.9 billion was 13% higher than the \$14.9 billion originated in 2024.
- Revenue for 2025 increased by approximately 9% to \$2.4 billion from \$2.2 billion 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.
- Income before income taxes was \$172.2 million in 2025 compared to \$276.6 million in 2024. The decrease included the effect of the Acquisition Agreement, a consequence of which was to create increased values for tangible assets as well as new intangible assets. This was the result of the purchase consideration of the go-private transaction which exceeded the net book value of common shareholders' equity at the time of the acquisition. The increased carrying value of tangible assets and the new intangible assets will be amortized over their expected useful life. In 2025, this amortization was approximately \$52.1 million which reduced the Company's earnings. Another impact of the acquisition was the incurrence of advisory, structuring and other one-time costs related to the acquisition. These costs totaled about \$35.8 million. Excluding both these costs, and gains and losses related to financial instruments, earnings before income taxes ("Pre-FMV Income" ⁽¹⁾) for 2025 decreased by 5% to \$276.6 million from \$290.3 million in 2024. The change was attributable to higher net interest costs of \$16.6 million and higher operating expenses. The higher interest is largely due to increased leverage on the Company related directly to the acquisition, which added about \$12.5 million to interest expense. Operating expenses, excluding those related to the acquisition, were higher by about \$8.4 million. The higher costs were largely for information technology expenses.

(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) and adjusting for the amortization of increased tangible assets and new intangible assets, and acquisition expenses pursuant to the go private transaction. 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 (loss) for the Period	Pre-FMV Income for the Period ⁽¹⁾	Earnings per Common Share	Total Assets
2025					
Fourth quarter	\$557,882	\$(18,051)	\$61,122	\$0.87	\$56,052,345
Third quarter	\$647,006	\$56,989	\$83,933	\$0.94	\$53,625,038
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

Reconciliation of Quarterly Determination of Pre-FMV Income

(\$000s, except per share amounts)

	Income (loss) before income tax for the Period	Add/ deduct Realized and unrealized losses (gains)	Deduct (losses) add gains related to mortgage investments	Addback amortization of intangible assets and acquisition expenses	Pre-FMV Income for the Period ⁽¹⁾
2025					
Fourth quarter	\$(24,491)	\$(2,380)	\$—	\$87,993	\$61,122
Third quarter	\$77,509	\$6,424	\$—	\$—	\$83,933
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

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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 reported consistent seasonal normalized income supported by its growing MUA and portfolio of securitized mortgages. Strong residential origination in 2025 has increased both MUA and the securitization portfolio which should support future earnings.

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

(\$000s, except per share amounts)

	2025	2024	2023
For the Year Ended December 31, Income Statement Highlights			
Revenue	2,355,081	2,216,977	2,024,285
Interest expense – securitized mortgages	(1,467,448)	(1,372,182)	(1,119,475)
Brokerage fees	(152,108)	(95,508)	(139,199)
Salaries, interest and other operating expenses	(537,625)	(472,637)	(421,704)
Add (deduct): realized and unrealized losses (gains) on financial instruments	15,370	13,666	(22,121)
Add (deduct): unrealized gains (losses) regarding mortgage investments	—	—	397
Add: Amortization in net interest – securitized mortgages	26,477	—	—
Add: Acquisition expenses	35,848	—	—
Pre-FMV Income ⁽¹⁾	275,595	290,316	322,183
Add (deduct): realized and unrealized gains (losses) on financial instruments excluding those on mortgage investments	(15,370)	(13,666)	21,785
Less: Acquisition expenses	(35,849)	—	—
Less: amortization of intangibles and adjustments to tangible assets	(52,144)	—	—
Provision for income taxes	(45,370)	(73,260)	(91,100)
Net income	126,862	203,390	252,807
Common share dividends declared	112,439	177,404	189,397
Per Share Highlights			
Net income per common share	1.72	3.33	4.15
Dividends per common share	0.52	2.96	3.16
At Year End Balance Sheet Highlights			
Total assets	56,052,345	51,157,141	45,957,399
Total long-term financial liabilities	797,466	598,630	598,745

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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 December 31, 2025, MUA totalled \$166.2 billion, up from \$153.7 billion at December 31, 2024, an increase of 8%.

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 2025, the Company's single-family origination increased by 33% compared to 2024. The commercial segment also displayed double digit growth with originations of \$16.9 billion compared to \$14.9 billion in 2024, an increase of 13%. On a combined basis, overall origination in 2025 was up by 25% from 2024.

Raising Capital for Operations

Bank Credit Facility

FNFLP'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. The facility matures 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.

The Company also arranged for a commitment of \$1.85 billion with a syndicate of banks. On October 22, 2025, Bidco borrowed \$1,750 million on this facility as part of the financing to complete the Acquisition Agreement. On October 23, 2025, with the settlement of \$800 million of newly issued senior unsecured notes, the facility was paid down to \$950 million and the commitment reduced to \$1.1 billion. At December 31, 2025, \$911 million of this bank debt was outstanding. This loan bears interest at floating rates and matures on October 22, 2029.

Note Issuance

On October 22, 2025, pursuant to the change in control affected by Arrangement Agreement, the Company redeemed all of the then outstanding notes (\$600 million of notional principal) 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. The issuance of these new notes settled on October 23, 2025.

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. Generally, when spreads are 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 2025, the Company originated and renewed approximately \$15.6 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 2025. 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. In September 2025, CMHC announced changes to the securitization rules related to incentives of Affordability-

Linked Pools. These are NHA-MBS pools that meet certain requirements regarding the inclusion of housing loans with an affordability component (insured under CMHC's MLI Select product). These rules commencing in April 2026, take away some of the pooling benefits previously granted on such pools. These changes may reduce the Issuer's ability to place mortgages with some institutions.

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 indicator used to measure the Company's performance is:

- Earnings before income taxes and losses and gains on financial instruments (excluding any losses or gains related to mortgage investments) and amortization of intangibles and asset adjustments created pursuant to the Arrangement Agreement ("Pre-FMV Income"⁽¹⁾);

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 and, commencing in 2025, adjusting for the amortization of tangible and intangible assets, as well as acquisition costs related to the go private transaction. 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		Year ended	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
For the Period	(\$000s)			
Revenue	557,882	600,096	2,355,081	2,216,977
Income (loss) before income taxes	(24,007)	85,579	172,232	276,650
Pre-FMV Income ⁽¹⁾	61,122	74,819	275,595	290,316
Total assets	56,052,345	51,157,141	56,052,345	51,157,141
Mortgages Under Administration	166,223,749	153,697,009	166,223,749	153,697,009

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The Company also paid \$3.4 million of dividends on its preferred shares in 2025 compared to \$3.9 million in 2024.

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 year ended December 31, 2025, origination volume was \$47.0 billion compared to \$37.5 billion in 2024.

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 \$47.0 billion of originations in 2025, \$15.6 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 \$47.0 billion of originations in 2025, \$30.5 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		Year Ended	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
	(\$ millions)			
Mortgage Originations by Segment				
Single-family residential	6,230	6,276	30,125	22,590
Multi-unit and commercial	5,610	4,099	16,883	14,909
Total origination and renewals	11,840	10,375	47,008	37,499
Mortgage Originations by Funding Source				
Institutional investors	7,665	6,177	30,466	21,411
NHA-MBS/CMB/ABCP securitization	3,994	3,953	15,637	15,192
Internal Company resources	181	245	905	896
Total	11,840	10,375	47,008	37,499
Mortgages Under Administration				
Single-family residential	100,195	95,797	100,195	97,797
Multi-unit residential and commercial	66,029	57,900	66,029	57,900
Total	166,224	153,697	166,224	153,697

Total mortgage origination volume was higher in 2025 compared to 2024. This reflected a 33% increase in single-family volumes and a 13% increase in commercial segment volumes year over year. Management believes the increase in the single-family segment was from a relatively strong housing market across Canada and increased 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 \$15.6 billion of volume in 2025.

Net Interest – Securitized Mortgages

Comparing the year ended December 31, 2025, to the year ended December 31, 2024, “net interest – securitized mortgages” (“NII”) decreased by 12% to \$198.9 million from \$226.4 million. The main reason for the decrease is the amortization of net tangible assets which increased by about \$40 million pursuant to the Acquisition Agreement. This amortization had an impact on the net securitization interest of about \$26 million in post acquisition period. Without this amortization, net interest – securitized mortgages would have been \$225.4 million in 2025, about \$1 million lower than in 2024. The portfolio of mortgages pledged under securitization grew 8% from \$44.0 billion at December 31, 2024 to \$47.4 billion at December 31, 2025. This reflected growth of 11% in the multi-unit residential program portfolio and 6% growth in single-family programs. Commercial segment earnings here were up by \$8.6 million, growing 11% with the larger portfolio and the acceleration of value with fees associated with prepayments. Residential segment NII was lower by \$9.8 million year over year reflecting the changing interest rate environment. Similar to 2024, 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 2022, the Company recorded abnormally large gains on these hedging instruments such that the mortgages securitized that year had comparatively narrower securitization spreads. These spreads from these mortgages are still affecting NII. 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.

Placement Fees

Placement fee revenue increased by 38% to \$289.7 million from \$209.3 million in 2024. This reflected a 42% increase in placement activity augmented by a shift in the mix of mortgages that makes up placement volume. In 2025, volumes of new single-family mortgages placed grew by about 85% while commercial volumes with investors increased by about 21%. Generally, per-unit fees for commercial 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 8% to \$13.8 million from \$15.0 million. These gains related primarily to multi-unit residential mortgages originated and sold to institutional investors where volumes increased by 14% compared to 2024. Margins in this business were narrower in 2025 than in 2024.

Mortgage Servicing Income

Mortgage servicing income increased 2% to \$263.4 million from \$258.1 million reflecting higher MUA offset by lower interest revenues earned on escrow funds held.

Mortgage Investment Income

Mortgage investment income decreased 8% to \$137.2 million from \$149.7 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:

Summary of Realized and Unrealized Gains (Losses) on Financial Instruments	Quarter Ended		Year Ended	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
(\$000s)				
Gains (losses) on short bonds used for the economic hedging program	2,385	11,000	(15,693)	(13,666)
Gains (losses) on interest rate swaps	(4)	(240)	323	—
Net gains (losses) on financial instruments	<u>2,381</u>	<u>10,670</u>	<u>(15,370)</u>	<u>(13,666)</u>

2025 was a period where economic sentiment turned more negative and bond yields fell. Lower yields meant the Company recorded losses on the short bonds it used to economically hedge single-family mortgage commitments. In 2024, yields also fell and the Company incurred losses on holding short bonds.

Brokerage Fees Expense

Brokerage fees expense increased 59% to \$152.1 million in 2025 from \$95.5 million in 2024. This mainly reflected a 76% year-over-year increase in origination volumes of new single-family mortgages for institutional investors. Per unit broker fees were 12% lower than in 2024.

Salaries and Benefits Expense

Salaries and benefits expense increased 8% to \$247.8 million from \$229.6 million primarily as a result of growth in headcount between the two quarters. Headcount growth was 6% (1,873 employees at December 31, 2025, compared to 1,771 at December 31, 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%.

Interest Expense

Interest expense increased 3% to \$167.3 million from \$161.7 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 increased debt service related to the Acquisition Agreement. These higher interest rate costs were 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 increased in 2025 with a steeper yield curve.

Other Operating Expenses

Other operating expenses increased by 51% to \$122.5 million from \$81.3 million primarily due to the Acquisition Agreement which required the incurrence of advisory, structuring and other one-time costs related to the acquisition. These costs totaled about \$35.8 million. Higher information technology costs also increased other operating expense as the Company continues to upgrade its systems including a migration to the "cloud" from onsite servers. Mortgage servicing costs also increased in the year related to higher origination and MUA volumes.

Amortization of Intangibles

This amortization relates to the Acquisition Agreement. As the consideration paid to the shareholders of predecessor company exceeded the net book value of common shareholders' equity at the time of the acquisition, there were increases to the carrying values of tangible assets of about \$40 million as well as new intangible assets recognized of \$910 million. The intangible assets will be amortized over their expected useful life. In 2025, this amortization was approximately \$25.7 million which reduced the Company's earnings.

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

Income before income taxes decreased 38% to \$172.2 million from \$276.6 million in 2024. The decrease was largely the result of the Acquisition Agreement. As described above, a consequence of the acquisition was to create increased values for tangible assets as well as new intangible assets. The increased carrying value of tangible assets and the new intangible assets will be amortized over their expected useful life. In 2025, this amortization was had a negative impact of approximately \$52.1 million which reduced the Company's earnings. Another impact of the acquisition was the incurrence of advisory, structuring and other one-time costs related to the acquisition. These costs totaled about \$35.8 million. Excluding these costs, and gains and losses related to financial instruments, earnings before income taxes ("Pre-FMV Income" ⁽¹⁾) for 2025 decreased by 5% to \$276.6 million from \$290.3 million in 2024. The change was attributable to higher net interest costs of \$16.6 million and higher operating expenses of \$4.2 million. The higher interest is largely due to increased leverage incurred by the Company related directly to the acquisition, which added about \$12.5 million to interest expense. Operating expenses, excluding those related to the acquisition, were higher by about \$8.9 million. The higher costs were largely for information technology expenses.

Income Tax Expense

The provision for taxes decreased by 38% to \$45.4 million from \$73.3 million. The provision decreased proportionately with the lower 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 \$8.7 million of pre-tax net losses on such hedges in OCI in 2025. In the year, the Company amortized a portion of the gains and losses in accumulated OCI into regular earnings in the amount of \$3.1 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 Year Ended	December 31, 2025	December 31, 2024	December 31, 2025	December 30, 2024
Originations and renewals	30,124,635	22,589,614	16,883,212	14,909,306
Percentage change	33%		13%	
Revenue (prior to amortization)	1,660,439	1,547,538	751,176	669,439
Percentage change	7%		12%	
Income before income taxes	70,552	155,808	101,680	120,842
Percentage change	(55%)		(16%)	
As at	December 30, 2025	December 31, 2024	December 30, 2025	December 31, 2024
Identifiable assets	34,968,399	33,218,858	19,863,943	17,908,507
Mortgages under administration	100,194,689	95,796,912	66,029,059	57,900,097

Residential Segment

Residential origination volumes including renewals increased by 33% between 2024 and 2025 while residential revenues increased by 7%. Excluding the impact of gains and losses on financial instruments, revenues increased by 7%. 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 6% 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 expenses related to the Acquisition Agreement. Without the impact of these expenses, net income before tax decreased to \$133.0 million in 2025 from \$155.8 million in 2024, or 15%. This change was the result of several factors, but largely higher interest costs on increased corporate debt and higher operating expenses largely related to information technology. Identifiable assets increased from December 31, 2024, as mortgages pledged under securitization grew by about \$1.8 billion.

Commercial Segment

2025 commercial revenues were higher compared to those in 2024 by 13% while segment income before income taxes decreased by 15% year over year. Revenue increased on growth in origination and the Company's securitized mortgage portfolio. Net income before tax was also affected by expenses related to the Acquisition Agreement. These expenses reduced income by about \$24.0 million. Without these expenses, income would have been about 4% higher than on 2024. Identifiable assets increased from December 31, 2024, as the Company grew its portfolio of securitized mortgages by about \$1.7 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 matures in March 2029. As at December 31, 2025, the Company had entered into repurchase transactions with financial institutions to borrow \$1.7 billion related to \$1.8 billion of mortgages held in "mortgages accumulated for sale or securitization" on the balance sheet.

At December 31, 2025, outstanding bank indebtedness was \$1,135.2 million (December 31, 2024 - \$1,077.6 million). This debt was used to fund a portion of mortgages accumulated for sale or securitization totalling \$1,093.6 million (December 31, 2024 - \$985.9 million). At December 30, 2025, the Company's other interest-yielding assets included: (1) deferred placement fees receivable of \$67.07 million (December 31, 2024 - \$71.2 million) and (2) mortgage and loan investments of \$139.4 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 December 31, 2025, to stand at \$1,750.42 million (December 31, 2024 - \$690.3 million). This represents a debt-to-equity ratio of approximately 0.95:1. This ratio increased from 0.94:1 as at December 31, 2024. In general, the increase in this ratio is a result of the Company investing about \$169 million in its securitization programs. These activities require an increase in the use of equity within the business.

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 December 31, 2025, the investment in cash collateral was \$193.8 million (December 31, 2024 - \$172.8 million).

The Company's Board of Directors has elected to pay dividends, when declared, 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 the 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 December 31, 2025, the Company had \$1.3 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 December 31, 2025, the Company had \$0.3 billion of notional value forward bond sales for this segment. The Company is also a party to an interest rate swap that economically hedges the interest rate exposure related to certain CMB transactions in which the Company has replacement obligations. As at December 31, 2025, the aggregate value of this swap, which matures in September 2026, was a \$1.0 million liability. During 2025, \$0.3 million of gains were recorded related to such 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 December 31, 2025, the Company had various exposures to changing credit spreads. In particular, in mortgages accumulated for sale or securitization, there were approximately \$2.8 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 3 to the Company's annual consolidated financial statements as at December 31, 2025. 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 year ended December 31, 2025, are consistent with those used for the year ended December 31, 2024, and the quarters ended March 31, 2025, June 30, 2025, and September 30, 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 2025, the Company recorded a provision for credit losses of \$0.9 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 December 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 7.6% of the Company's total revenues in 2025. 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. In the interim, there have been more additional announcements concerning tariffs. At this time, there is still uncertainty about the impact of these 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 March 3, 2026, 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 2025 were strong compared to the 2024 fiscal year with growth in total origination of 25%. This growth was the result of higher activity in the residential segment which began in late 2024. Residential origination volumes including renewals grew by 33% in 2025. In its commercial segment, origination for the 2025 grew by 13% as the Company continued to lead the industry in the insured mortgage market. At the end of December 2025, 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 lower year-over-year single-family originations in the next two quarters as new commitment activity has slowed. For its commercial segment, the Company anticipates steady new origination volumes but perhaps lower than in the same period in 2025 based on the 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. In general, 5-year spreads are expected to continue to be stable compared to those in 2025 as lower yields have spurred demand. With relatively higher all-in mortgage rates, ten-year business has slowed and spreads are currently narrow than those in 2025. In both business segments, management is confident that First National will remain a competitive lender in the marketplace. 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.

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 \$48 billion portfolio of mortgages pledged under securitization and \$115 billion servicing portfolio while focusing on the value inherent in its significant single-family renewal book.