

FIRST NATIONAL

FINANCIAL INCOME FUND



For Immediate Release

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FIRST NATIONAL REPORTS THIRD QUARTER RESULTS

Sustained growth in mortgages under administration

Toronto, Ontario, November 4, 2010 – First National Financial Income Fund (TSX: FN.UN) (the “Fund”) today announced its financial results for the quarter ended September 30, 2010. The Fund derives all of its earnings from its 21% investment in First National Financial LP (the “Company” or “FNFLP” or “First National”), which reports continued profitability with sustained growth in mortgages under administration and distributable cash*.

First National Financial LP’s Q3 2010 Summary:

- Mortgages under administration up 13% year-over-year to \$52.0 billion
- Revenue decreased by 9% year-over-year to, from \$96.2 million to \$87.6 million
- Mortgage originations decreased by 21% to \$2.7 billion from \$3.4 billion
- Net income decreased 19% to \$36.0 million from \$44.7 million
- EBITDA* decreased 19% to \$36.4 million from \$45.1 million
- Distributions declared to unitholders totalled \$4.8 million
- Initial annual 2011 dividend rate as a corporation set at \$1.25 per share

“The results recorded in the third quarter of 2010 are in line with our expectations. We continued to grow our mortgages under administration despite increasing competition and relatively tight spreads on new mortgage origination,” said Stephen Smith, Chairman and President. “Although the Company’s net income and revenue decreased from a record-breaking 2009 quarter, First National continues to be well-positioned for growth and success.”

“Mortgage supply fell off in the third quarter as economic pressures slowed down the Canadian real estate market and competition increased from other mortgage lenders,” said Moray Tawse, Vice President, Mortgage Investments. “However, the demand for First National’s prime insured

mortgages continued to be strong and the Company generated near record cash flow from operations.”

Selected Financial Highlights for First National Financial LP

	Quarter ended		Nine months ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
For the Period	(\$ 000's)			
Revenue	87,549	96,161	267,710	253,436
Net income	35,982	44,730	130,583	118,715
EBITDA ⁽¹⁾	36,400	45,153	131,837	119,985
At Period end				
Total assets	982,639	1,122,651	982,639	1,122,651
Mortgages under administration	51,999,850	45,942,714	51,999,850	45,942,714

Note:

- (1) This non-GAAP measure adjusts income before income taxes by adding back expenses for amortization of capital assets.

Q3 2010 Results

First National’s mortgages under administration were \$52.0 billion at September 30, 2010, up 13% from \$45.9 billion at September 30, 2009, and up 12% on an annualized basis, from \$50.5 billion at June 30, 2010. The growth was driven primarily by mortgage originations. Although originations declined by 21% to \$2.7 billion from \$3.4 billion in the same period last year, new mortgage production exceeded mortgages lost to portfolio run-off.

Total single-family originations decreased 19% in the third quarter of 2010 compared to the same period last year due to a very slow housing market, a poor economic environment and low consumer confidence. Multi-unit residential and commercial segment experienced a 32% decrease, to \$0.5 billion, compared to \$0.7 billion for the period ended September 30, 2009. This was due to a slower market and more competition in the 2010 third quarter. Following a record 2009, there were fewer real estate transactions available to finance in 2010.

Revenue for the quarter decreased by 9% year-over-year to \$87.6 million from \$96.2 million. The decline reflects the drop in residential origination and tighter spreads on securitization transactions offset to some extent by higher servicing and residual securitization revenues.

Net income for the quarter was \$36.0 million, a decrease of 19% from \$44.7 million in the same period in 2009. EBITDA for the quarter was \$36.4 million, a decrease of 19% from

\$45.1 million in the same period in 2009. The decrease was a result of a slower housing market in what has typically been a strong quarter for the residential real estate industry. Together with more competitive pressures on pricing, reductions in revenue flowed through to the Company's bottom line.

Distributable Cash

The Fund's distributable cash* for the quarter was \$5.3 million or \$0.42 per unit and distributions declared totalled \$4.8 million or \$0.37 per unit. The payout ratio of 88% was down from 219% in the third quarter of 2009. For the past three quarters, the Fund has produced significant cash flow from previous securitization transactions which has supported the large cash investment required for new securitizations. Because the Company has elected to securitize a smaller portion of its origination in the fourth quarter, management expects free cash flow to increase in that quarter. Accordingly, as in prior years, the Fund anticipates a special distribution will be declared in December. The ratio of distributions to net income, which management believes is also an important measure, was 62% for the quarter.

Statement of Distributable Cash

(in \$000s, except where noted)

	For the quarter ended		For the nine months ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
First National Financial LP				
Distributable Cash of First National Financial LP (1)	24,922	9,686	69,631	46,655
First National Financial Income Fund				
Weighted Average Share of Distributable Cash from First National Financial LP (1)	5,271	2,049	14,727	9,867
Distributable Cash per Unit (\$/Unit) (1)	0.42	0.16	1.16	0.78
Distributions Declared	4,755	4,438	14,266	12,998
Distributions Declared per Unit (\$/Unit)	0.37	0.35	1.12	1.03
Payout Ratio	88%	219%	97%	132%

- (1) Distributable cash and distributable cash per unit are non-GAAP measures generally used by Canadian open-ended trusts as an indicator of financial performance. They are considered key measures as they demonstrate the cash available for distributions to unit holders. See FNFLP section in this MD&A for their determination.

Corporate Conversion and Dividend Policy

In March, 2010, The Fund announced its intention to restructure and become a corporation on or about January 1, 2011. At that time, the Fund disclosed that its initial annual dividend would be set at a minimum of \$1.10 per share which would be payable monthly. The Fund has revisited this calculation recently and, given management's view of increasing cash flows, the Company has set its initial annual dividend as a corporation to \$1.25 per share. Management believes the dividend rate will be sustainable, yet at the same time, will allow the Company to continue to grow.

Conference Call and Webcast

Conference Call and Webcast	November 5, 2010, 10:00 a.m. ET
Participant Numbers	416-644-3414 or 1-800-814-4859

The audio of the conference call will be webcast live and archived on First National's website at www.firstnational.ca. A question and answer session for analysts and institutional investors will be held following management's presentation.

A taped rebroadcast will be available following the call until 12 a.m. (ET) on November 12, 2010. To access the rebroadcast, please dial 416-640-1917 or 1-877-289-8525 and enter passcode 4364562#.

Complete consolidated financial statements for the Fund and FNFLP as well as management's discussion and analysis are available at www.sedar.com and at www.firstnational.ca.

About First National Financial Income Fund

First National Financial Income Fund (TSX: FN.UN) owns a 21% interest in First National Financial LP, a Canadian-based originator, underwriter and servicer of predominantly prime residential (single family and multi-unit) and commercial mortgages. With \$52.0 billion in mortgages under administration, First National is Canada's largest non-bank originator and underwriter of mortgages and is among the top three in market share in the growing mortgage broker distribution channel. For more information, please visit www.firstnational.ca.

***Non-GAAP Measures**

The selected financial information and discussion below also refers to certain measures to assist in assessing financial performance. These "non-GAAP measures" such as "EBITDA",

“Distributable Cash”, and “Distributable Cash per Unit” should not be construed as alternatives to net income or loss or other comparable measures determined in accordance with GAAP as an indicator of performance or as a measure of liquidity and cash flow. Non-GAAP measures do not have standard meanings prescribed by GAAP and therefore may not be comparable to similar measures presented by other issuers.

Forward-Looking Information

Certain information included in this news release may constitute forward-looking information within the meaning of securities laws. 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 future 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, they may prove to be incorrect. Forward looking-information is subject to certain factors, including risks and uncertainties listed under “Risk and Uncertainties Affecting the Business” in the MD&A, that 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 relationships with independent mortgage brokers and changes in interest. This forward-looking information is as of the date of this release, and is subject to change after such date. However, management and the Fund 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.

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