

# FIRST NATIONAL

FINANCIAL INCOME FUND



## **For Immediate Release**

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### **FIRST NATIONAL REPORTS SOLID FIRST QUARTER RESULTS**

*Consistent growth in mortgages under administration, revenue, net income and EBITDA*

**Toronto, Ontario, April 27, 2010** – First National Financial Income Fund (TSX: FN.UN) (the “Fund”) today announced its financial results for the quarter ended March 31, 2010. The Fund derives all of its earnings from its 21% investment in First National Financial LP (“FNFLP” or “First National”), which reports continued profitability with sustained growth in mortgages under administration, revenue, net income and EBITDA\*.

#### **First National Financial LP’s Q1 2010 Summary:**

- Mortgages under administration up 17% year-over-year to \$48.7 billion
- Revenue was \$75.5 million, up 15% year-over-year
- Mortgage originations declined by 5% from Q1 2009 to \$1.9 billion
- Net income up 18% year-over-year to \$38.2 million
- EBITDA up 17% year-over-year to \$38.6 million
- Distributions declared to unitholders totalled \$4.8 million
- Plan to convert to a traditional corporate structure in 2011 announced

“In a typically slow period for mortgage origination, First National achieved consistently solid results, with sustained growth recorded in the majority of the Company’s key metrics,” said Stephen Smith, Chairman and President. “We continued to benefit from high demand for prime insured mortgages during the quarter, while profitable spreads were earned on much of the Company’s origination.”

“As capital markets continued to improve with the recovering economy, First National’s operating environment stabilized and profitability was achieved despite increased competition,” said Moray Tawse, Vice President, Mortgage Investments. “First National’s steady return to pre-crisis operating stability creates ideal conditions for the Fund’s planned conversion to a traditional corporate structure in 2011, which we announced during the quarter.”

### **Selected Financial Highlights for First National Financial LP**

	Quarter ended	
	March 31, 2010	March 31, 2009
<b>For the Period</b>	(\$ 000’s)	
Revenue	75,541	65,705
Net income	38,212	32,466
EBITDA <sup>(1)</sup>	38,630	32,890
<b>At Period end</b>		
Total assets	1,074,461	905,774
Mortgages under administration	48,726,666	41,597,931

Note:

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

### **Q1 2010 Results**

First National’s mortgages under administration were \$48.7 billion at March 31, 2010, up 17% from \$41.6 billion at March 31, 2009, and up 8%, on an annualized basis, from \$47.8 billion at December 31, 2009. The growth was driven primarily by mortgage originations, which declined by 5% to \$1.9 billion from \$2.0 billion in the same period of 2009. Although total single-family originations were up 17% for the quarter compared to the same period last year, the commercial segment experienced increased competition within a slower market. As a result, origination volumes in this segment were down 38% to \$0.5 billion, compared to \$0.8 billion for the period ended March 31, 2009.

Revenue for the quarter increased 15% to \$75.5 million from \$65.7 million in the same period of 2009 as larger gains on securitization were earned by the Company, driven by wide mortgage spreads and more liquidity in the credit markets.

Net income for the quarter was \$38.2 million, an increase of 18% from \$32.5 million in the same period in 2009. Earnings before income taxes, depreciation and amortization (“EBITDA”\*) for

the quarter was \$38.6 million, an increase of 17% from \$32.9 million in the same period in 2009. The increases are due to higher gains on securitization related to single-family floating rate mortgages, combined with higher residual income from previous securitizations.

### **Distributable Cash**

The Fund's distributable cash\* for the quarter was \$4.5 million or \$0.36 per unit and distributions declared totalled \$4.8 million or \$0.37 per unit. The payout ratio of 103% was down from 113% in the fourth quarter of 2009. Historically, the first quarter of the Fund's fiscal year has recorded payout ratios in excess of 100% due to payment of certain accrued expenses from the previous year end. In the first quarter of 2010, these payments were partially offset by higher earnings than in previous years. In the first quarter of 2009, the payout ratio was 189%. The ratio of distributions to net income, which the Company believes is as important as the payout ratio, was 59% for the quarter.

### **Statement of Distributable Cash**

(in \$000s, except where noted)

	<b>For the quarter ended March 31, 2010</b>	<b>For the quarter ended March 31, 2009</b>	<b>For the year ended December 31, 2009</b>
<b>First National Financial LP</b>			
Distributable Cash of First National Financial LP (1)	21,322	10,594	76,907
<b>First National Financial Income Fund</b>			
Weighted Average Share of Distributable Cash from First National Financial LP (1)	4,510	2,240	16,266
Distributable Cash per Unit (\$/Unit) (1)	0.36	0.18	1.28
Distributions Declared	4,755	4,280	18,388
Distributions Declared per Unit (\$/Unit)	0.37	0.34	1.45
Payout ratio	103%	189%	113%

(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. For FNFLP this measure adjusts cash provided by (used in) operating activities by accounting for changes between periods of mortgages accumulated for sale and deducting capital expenditures.

## **Conference Call and Webcast**

Conference Call and Webcast	April 28, 2010, 10 a.m. ET
Participant Numbers	416-644-3418 or 1-800-814-4861

The audio of the conference call will be webcast live and archived on First National’s website at [www.firstnational.ca](http://www.firstnational.ca). Following management’s presentation, there will be a question and answer session for analysts and institutional investors.

A taped rebroadcast will be available to listeners following the call until 12 a.m. (ET) on May 5, 2010. To access the rebroadcast, please dial 416-640-1917 or 1-877-289-8525 and enter passcode 4281837#.

Complete consolidated financial statements for the Fund and FNFLP as well as management’s discussion and analysis are available at [www.sedar.com](http://www.sedar.com) and at [www.firstnational.ca](http://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 nearly \$49 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](http://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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