
NB Split Corp.

**Management Report
of Fund Performance and Financial Statements
for the period from
February 22, 2007 to June 30, 2007**

NB Split Corp.

2007 SEMI-ANNUAL REPORT

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Unaudited Semi-Annual Report Statement

The accompanying interim financial statements have not been reviewed by the external auditors of the Company. The external auditors will be auditing the annual financial statements of the Company in accordance with Canadian generally accepted auditing standards.

Forward-looking Statements

This report may contain forward-looking statements. Forward-looking statements involve risks and uncertainties and are predictive in nature and actual results could differ materially from those contemplated by the forward-looking statements.

Semi-Annual Management Report of Fund Performance

This semi-annual management report of fund performance contains financial highlights along with the unaudited semi-annual financial statements of NB Split Corp. (the “Company”). The Canadian Securities Administrators released a nationally harmonized set of continuous disclosure requirements for investment funds. Set out in *National Instrument 81-106 Investment Fund Continuous Disclosure* are the requirements for a number of reporting matters including financial statements, management report of fund performance, delivery obligations and proxy voting disclosure. Unitholders can request a copy of the Company’s proxy voting policies and procedures or proxy voting disclosure by calling 1-877-642-1289, by writing to FA Administration Services Inc. (the “Administrator”) at 95 Wellington St. West, Suite 1400, Toronto, ON, M5J 2N7, or by visiting our website at www.nbsplit.com or on SEDAR at www.sedar.com.

Results of Operations

The Company completed its initial public offering on February 22, 2007, and its over-allotment option on March 12, 2007. In aggregate, the Company issued 3,043,376 Capital Shares and 1,521,688 Preferred Shares for aggregate gross proceeds of approximately \$106 million.

The Company’s net asset value per Capital Share decreased over the period to \$15.46 from its opening net asset value of \$17.23 as at February 22, 2007. The Company distributed \$0.03 per Capital Share during the period. As a result, total return for the Capital Shares was -10.1% over the period. The Company also distributed \$0.45 per Preferred Share during the period.

The Company holds common shares of National Bank of Canada (the “National Bank Shares”) in order to generate quarterly fixed cumulative preferential distributions of \$0.3886 for the holders of Preferred Shares representing a yield of 4.75% per annum based on the \$32.72 issue price. Holders of Capital Shares are provided with a leveraged investment, the value of which is based on the value of the National Bank Shares. Holders of Capital Shares will also benefit from any increase in the dividends paid on the National Bank Shares and will be entitled to receive dividends as and when declared by the Board of Directors.

Recent Developments

There are no recent developments to report.

Related Party Transactions

In connection with its initial public offering, the Company engaged National Bank Financial Inc. (“NBF”), Scotia Capital Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., TD Securities Inc., HSBC Securities (Canada) Inc., Canaccord Capital Corp., Raymond James Ltd., Desjardins Securities Inc., Blackmont Capital Inc. and Wellington West Capital Inc. (collectively, the “Agents”) as its agents to offer for sale to the public the Capital Shares and the Preferred

Shares pursuant to a prospectus dated January 30, 2007 (the "Offering"). In connection with their services, the Agents received \$0.982 per Preferred Share and \$1.107 per Capital Share. In connection with the Offering NBF was also the promoter.

The Company has established a revolving credit facility dated May 11, 2007 in the aggregate amount of \$5,000,000 which may be used to fund the payment of a portion of the fixed distributions on the Preferred Shares on a temporary basis, if necessary. The lender under the credit facility is National Bank of Canada, an affiliate of NBF. The terms, conditions, interest rates and expenses are typical for a loan of this nature. As at June 30, 2007, the loan had not yet been drawn on.

FA Administration Services Inc. ("FA"), which has been retained by the Company to provide certain administrative services to it, is also considered a related party.

The Independent Review Committee

On May 1, 2007, the Company appointed Messrs. Douglas A. S. Mills, Carl M. Solomon and Henry J. Knowles as the members of its Independent Review Committee ("IRC") in accordance with National Instrument 81-107 - *Independent Review Committee for Investment Funds* (the "Instrument").

The Instrument, which came into force on November 1, 2006, requires all publicly offered investment funds, such as the Company, to establish an independent review committee to whom the Manager must refer conflict of interest matters for review or approval. The Instrument also imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters, maintain records in respect of these matters and provide assistance to the independent review committee in carrying out its functions. The IRC will be required to conduct regular assessments and provide reports to the Manager and to Unitholders in respect of its functions. Full compliance with NI 81-107 is not required until November 1, 2007.

The members of the Company's IRC are:

Douglas A.S. Mills, C.A. - Mr. Mills brings over 30 years of experience in the finance and wealth management industry. He is currently the Chairman of The Glencreggan Limited, a consulting firm engaged in corporate advisory and change implementation. Mr. Mills has played several leading roles in the financial services industry including Chief Executive of a major Chartered Bank's Investment Management subsidiary, Vice-President of Barclays Bank Canada and Barclays PLC. Mr. Mills is a Chartered Accountant, sits on several boards and is an Executive-in-Residence at the Ivey School of Business.

Carl M. Solomon, LLB. – Mr. Solomon brings over 35 years of experience in the legal profession having been a partner and subsequently counsel to the law firm now known as Gowling Lafleur Henderson LLP until his retirement in 1999. More recently, Mr. Solomon has been involved in assisting numerous small and mid-sized companies to raise capital for their on-going business or buy-out needs.

Henry Knowles, Q.C., H.B.A., LL.B., LL.M., M.B.A. – Mr. Knowles brings over 45 years of experience in both the legal and financial services industries. Mr. Knowles is currently a consultant to Sheldon Huxtable Professional Corporation. Between 1980 and 1983, Mr. Knowles was the Chairman of the Ontario Securities Commission and was responsible for introducing the new Ontario Securities Act to the business, government and professional communities. Mr. Knowles has played prominent roles with many publicly-listed companies, and has also served in a senior position with a major Canadian mutual fund management company. Mr. Knowles sits on several boards.

Financial Highlights

The following tables show selected key financial information about the Company and are intended to help explain the Company's financial performance since inception. This information is derived from the Company's unaudited semi-annual financial statements.

The Company's Net Asset Value (NAV) per Unit

	2007 ⁽¹⁾
Net Asset Value, beginning of period ⁽²⁾	\$67.19
Increase (decrease) from operations	
Total revenue	1.18
Total expenses	(0.18)
Realized gains (losses) for the period	0.00
Unrealized losses for the period	(4.06)
Total increase (decrease) from operations ⁽³⁾	(3.06)
Distributions per Preferred Share:	
From income (excluding dividends)	0.00
From dividends	(0.45)
From capital gains	0.00
Return of capital	0.00
Total Annual Preferred Share Distributions ⁽⁴⁾	(0.45)
Distributions per Capital Share:	
From income (excluding dividends)	0.00
From dividends	(0.03)
From capital gains	0.00
Return of capital	0.00
Total Annual Capital Distributions ⁽⁴⁾	(0.03)
Net asset value, end of period ⁽⁵⁾	\$63.65

(1) Results for the period from December 15, 2006 (inception date) to June 30, 2007.

(2) The net asset value reflects the issue price of \$18.45 per Capital Share and \$32.72 per Preferred Share less share issue expenses. A unit represents one Preferred Security and two Capital Shares.

(3) Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(4) Distributions were paid in cash.

(5) This is not a reconciliation of the beginning and ending net asset value per unit.

Ratios and Supplementary Data

	2007 ⁽¹⁾
Net assets ⁽¹⁾	\$96,852,874
Number of units outstanding ⁽¹⁾	1,521,688
Management expense ratio before share issue expenses ⁽²⁾	0.44%
Management expense ratio ⁽²⁾	4.33%
Management expense ratio before waivers or absorptions	4.33%
Portfolio turnover rate ⁽³⁾	0.00%
Trading expense ratio ⁽⁴⁾	0.00%
Closing market price - Preferred Shares	\$33.00
Closing market price - Capital Shares	\$17.00

- (1) This information is provided as at June 30, 2007. A Unit represents one Preferred Security and two Capital Shares. Net Asset Value is equal to Net Asset Value per unit multiplied by the number of Units outstanding.
- (2) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period. The MER for the period ending June 30, 2007 annualizes expenses incurred from inception date to the end of the period and it also includes all Agents' fees and other offering expenses, which are one time expenses and therefore are not annualized.
- (3) The Company's portfolio turnover rate indicates how actively the Company's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Company buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.
- (4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of monthly average net assets during the period.

Management Fees

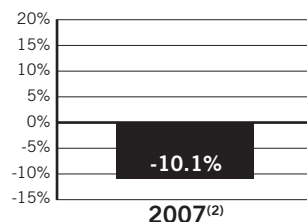
The Company pays FA a monthly fee of 1/12 of 0.25% of the market value of National Bank Shares held by the Company for the services it provides.

Past Performance

The following chart indicates the performance of the Company by showing annual returns by fiscal year assuming all the distributions made by the Company in the periods shown were reinvested. Past performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns on performance. Past performance is not necessarily indicative of future performance.

Year-by-Year Returns ⁽¹⁾

The following chart shows the Company's annual performance for the periods shown. The bar chart shows, in percentage terms, how much an investment made on the first trading day of the financial period would have grown or decreased by the last day of the financial period.



- (1) Calculation of year-by-year returns is determined using the pricing NAV as described in Note 2 of the accompanying financial statements.
- (2) Total return for the period February 22, 2007 to June 30, 2007.

Summary of Investment Portfolio

Below is a summary of the Company's investment portfolio as at June 30, 2007. This is a summary only and subject to change due to ongoing portfolio activity in the Company. An updated summary is available quarterly at www.nbsplit.com.

TOP HOLDINGS as at June 30, 2007

DESCRIPTION	MARKET VALUE (\$)	% OF NAV
National Bank of Canada	94,329,372	97.39
Cash and Cash Equivalents	77,255	0.08

SECTOR ALLOCATION as at June 30, 2007

INDUSTRY	MARKET VALUE (\$)	% OF NAV
Financials	94,329,372	97.39
Cash and Cash Equivalents	77,255	0.08
Other Assets, Net of Liabilities	94,406,627	97.47
Total Net Assets	2,446,247	2.53
	96,852,874	100.00

STATEMENT OF NET ASSETS (Unaudited)

As at June 30	2007 \$
ASSETS	
Investments at market value	94,329,372
Cash and cash equivalents	77,255
Dividends receivable	922,236
Deferred issue cost <i>[note 2]</i>	1,661,230
	<hr/> 96,990,093
LIABILITIES	
Accounts payable and accrued liabilities	137,219
Preferred Shares <i>[note 3]</i>	49,789,631
	<hr/> 49,926,850
	<hr/> 47,063,243
CAPITAL SHAREHOLDERS' EQUITY	
Capital Shares <i>[note 3]</i>	52,452,156
Class J Shares <i>[note 3]</i>	150
Deficit	(5,389,063)
	<hr/> 47,063,243
Number of units outstanding <i>[note 3]</i>	<hr/> 1,521,688
Net asset value per unit	<hr/> \$63.65
Redemption value per Preferred Share	<hr/> \$32.72
Net asset value per two Capital Shares	<hr/> \$30.93

See accompanying notes

STATEMENT OF INVESTMENT OPERATIONS AND RETAINED EARNINGS (DEFICIT) (Unaudited)

For six months ended June 30	2007 \$
INVESTMENT INCOME	
Dividends	1,752,248
Interest	25,439
	1,777,687
EXPENSES	
Preferred Shares issue costs amortization	124,900
Administration fee <i>[note 4]</i>	81,188
Securityholder reporting costs	31,660
Custodial fees	15,080
Audit fees	10,520
Goods and Services Tax	8,605
Legal fees	5,261
	277,214
Net investment income before the undernoted:	1,500,473
Dividends paid on Preferred Shares <i>[note 5]</i>	(680,347)
Change in unrealized depreciation of investment	(6,105,714)
Investment operations for the period	(5,285,588)
Results of investment operations per Capital Share	\$ (1.7376)
Retained earnings, beginning of period	-
Results of investment operations for the period	(5,285,588)
Dividends paid on Capital Shares <i>[note 5]</i>	(103,475)
Deficit, end of period	(5,389,063)
Dividends paid per Preferred Share	\$ 0.4471
Dividends paid per Capital Share	\$ 0.0340

See accompanying notes

NB SPLIT CORP.

**STATEMENT OF CHANGES IN
SHAREHOLDERS' EQUITY** (Unaudited)

For six months ended June 30	2007 \$
Shareholders' equity, beginning of period	–
Operations	
Decrease in net assets from investment operations	(5,285,588)
Shareholder transactions	
Proceeds from issuance of Capital Shares	56,150,287
Proceeds from issuance of Class J Shares	150
Issue costs on Capital Shares	(3,698,131)
	52,452,306
Distribution to Capital Shareholders	
Dividends paid on Capital Shares	(103,475)
Net increase in shareholders' equity	47,063,243
Shareholders' equity, end of period	47,063,243

See accompanying notes

STATEMENT OF CASH FLOWS (Unaudited)

For six months ended June 30	2007 \$
OPERATING ACTIVITIES	
Investment operations for the period	(5,285,588)
Items not affecting cash	
Change in unrealized depreciation of investments	6,105,714
Preferred Shares issue costs amortization	124,900
	<hr/> 945,026
Net change in non-cash items	
Change in other assets and liabilities	(870,992)
Cash flows from operating activities	<hr/> 74,034
FINANCING ACTIVITIES	
Issuance of Preferred Shares	49,789,631
Issuance of Capital Shares	56,150,287
Issuance of Class J Shares	150
Issue costs on Preferred Shares	(1,786,130)
Issue costs on Capital Shares	(3,612,157)
Dividends paid on Capital Shares	(103,475)
Cash flows from financing activities	<hr/> 100,438,307
INVESTING ACTIVITIES	
Purchase of investment portfolio	(100,435,086)
Cash flows used in investing activities	<hr/> (100,435,086)
Net increase in cash and cash equivalents during the period	77,255
Cash and cash equivalents, beginning of period	–
Cash and cash equivalents, end of period	<hr/> 77,255

See accompanying notes

SCHEDULE OF INVESTMENTS (Unaudited)

As at June 30, 2007

Number of shares	Description	Average cost \$	Market value \$
	Canadian Equities [100%]		
1,537,060	National Bank of Canada	100,435,086	94,329,372
	Total Canadian Equities	100,435,086	94,329,372
	Total Investments	100,435,086	94,329,372

See accompanying notes

NOTES TO FINANCIAL STATEMENTS (Unaudited)

June 30, 2007

1. INCORPORATION

NB Split Corp. (the "Company"), incorporated under the laws of Ontario on December 15, 2006, is a mutual fund corporation whose investment portfolio consists of common shares of the National Bank of Canada ("National Bank Shares"). On February 22, 2007, 1,436,369 Preferred Shares and 2,872,738 Capital Shares were issued by the Company for gross proceeds of \$46,997,994 in respect of the Preferred Shares and \$53,002,016 in respect of the Capital Shares.

On March 12, 2007, an over-allotment option was exercised for 85,319 Preferred Shares and 170,638 Capital Shares for gross proceeds of \$2,791,638 in respect of the Preferred Shares and \$3,148,271 in respect of the Capital Shares.

The Administrator of the Company is FA Administration Services Inc. (the "Administrator").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). In applying Canadian GAAP, management may make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting period. The following is a summary of significant accounting policies followed by the Company in the preparation of its financial statements.

Investments

Investment in the National Bank Shares is valued at its bid price. The difference between the bid price and average cost, as recorded in the accounts, is reported as part of Capital Shareholders' Equity as unrealized appreciation (depreciation) of investments. Average cost is used to determine the gain or loss on investments sold.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash and short-term investments with a term to maturity of less than three months from date of purchase. Short-term investments are valued at cost plus accrued interest, which approximates market value.

Income recognition

The accrual method of recording income and expenses is followed with dividend income being recorded on the ex-dividend date.

Results of investment operations per Capital Share

The results of investment operations per unit in the statement of investment operations and retained earnings (deficit) represents the results of investment operations during the period, divided by the average number of Capital Shares outstanding during the period.

Net asset value per unit

The net asset value per unit is calculated as net assets at market value divided by the number of units outstanding of the Company. The Preferred Shares are not treated as liabilities for this purpose. A unit is a notional unit comprising of one Preferred Share and two Capital Shares.

Preferred Share issue costs

The costs incurred to issue Preferred Shares are amortized over the term of the Preferred Shares. On redemption or early retraction of the Preferred Shares, any unamortized balance relating to these shares will be written off.

3. SHARE CAPITAL

The Company is authorized to issue an unlimited number of Capital Shares (the "Capital Shares"), Preferred Shares (the "Preferred Shares"), Class B, C, D and E capital shares, issuable in series and Class B, C, D and E preferred shares, issuable in series and Class J Shares. The Company issued 150 Class J Shares for a cash consideration of \$150.

NOTES TO FINANCIAL STATEMENTS (Unaudited) Continued

A summary of the Company's issued and outstanding share capital and related share issue costs is as follows:

	Class J Shares	Number of Units	Capital Shares	Capital Share Issue Costs	Preferred Shares	Preferred Share Issue Costs
Issued, beginning of period	–	–	–	–	–	–
Issuance of shares	\$150	3,043,376	\$56,150,287	(\$3,698,131)	\$49,789,631	(\$1,786,130)
Outstanding, end of period	\$150	3,043,376	\$52,452,156	(\$3,698,131)	\$49,789,631	(\$1,786,130)

Preferred Shares

Holder of Preferred Shares are entitled to receive quarterly fixed cumulative preferential distributions of \$0.3886 per Preferred Share. Such quarterly distributions are paid on or before the 15th day of March, June, September and December in each year commencing June, 2007.

The Preferred Shares outstanding on February 15, 2012 will be redeemed by the Company on such date for a redemption price per share equal to the lesser of \$32.72 and the net asset value per unit of the Company on that date. The Preferred Shares may be surrendered at any time for retraction.

Holder of Preferred Shares are not entitled to vote any of the National Bank Shares and are not entitled to vote at any meeting of shareholders of the Company, except as set forth in the Company's articles and as provided by law.

The Preferred Shares rank in priority to the Capital Shares and Class J Shares with respect to the payment of dividends, distributions upon a redemption, retraction or reduction of capital and distributions upon a dissolution, liquidation or winding-up of the Company.

Capital Shares

The Capital Shares outstanding on February 15, 2012 will be redeemed by the Company on such date for an amount per share equal to the excess of the net asset value per unit of the Company less \$32.72 for each two Capital Shares redeemed. If the net asset value per unit is less than or equal to \$32.72 on February 15, 2012, the Capital Shares will have no value on redemption. The Capital Shares may be surrendered at any time for retraction.

Holder of Capital Shares are not entitled to vote any of the National Bank Shares and are not entitled to vote at any meeting of shareholders of the Company, except as set forth in the Company's articles and as provided by law.

Holder of Capital Shares are entitled to receive dividends as and when declared by the Company's board of directors (the "Board of Directors"). It will be the policy of the Board of Directors to declare and pay quarterly dividends in an amount equal to the dividends received by the Company on the National Bank Shares minus the distributions payable on the Preferred Shares and all administrative and operating expenses.

The Capital Shares will rank subsequent to the preferred Shares and prior to the Class J Shares with respect to the payment of dividends, distributions upon redemption, retraction or reduction of capital and distribution upon a dissolution, liquidation or winding-up of the Company.

Class J Shares

The Class J Shares of the Company are retractable at any time. For retractions occurring at a time when any Capital Shares or Preferred Shares are outstanding, the retraction price will be \$1.00 per share; for other retractions the retraction price will be based on the net asset value of the Company. The Class J Shares are redeemable at any time for \$1.00 per share.

Holder of Class J Shares are entitled to one vote per share.

The holder of Class J Shares are entitled to receive dividends, if, as and when declared by the Company's Board of Directors. However, holders of Class J Shares are not entitled to receive any dividends at any time when there are any Capital Shares or Preferred Shares outstanding unless approved by all of the independent directors of the Company.

NOTES TO FINANCIAL STATEMENTS (Unaudited) continued

4. EXPENSES OF THE COMPANY

The Administrator is entitled to a monthly fee of 1/12 of 0.25% of the market value of the National Bank Shares.

The Company is responsible for all costs relating to its administration.

No commissions or other transaction costs were paid by the company for its portfolio transactions during the period.

5. DISTRIBUTIONS

An objective of the Company is to provide quarterly fixed cumulative preferential distributions equal to of \$0.3866 per share to holders of Preferred Shares, as and when declared, to yield 4.75% per annum on the original issue price of the Preferred Shares.

The fixed distributions on the Preferred Shares will be funded from the dividends received on the National Bank Shares. If necessary, any shortfall in the distributions on the Preferred Shares will be funded by proceeds from the sale of National Bank Shares. In the event that the dividends paid on the National Bank Shares exceed the amount of the fixed Preferred Share distributions and all expenses of the Company, the excess amount will be paid as dividends on the Capital Shares, as determined by the Company's Board of Directors.

6. INCOME TAXES

The Company qualifies and intends to continue to qualify as a mutual fund corporation under the Income Tax Act (Canada). Mutual fund corporations are generally subject to tax in the same manner as other public corporations except that income taxes payable on realized capital gains are refundable on a formula basis when shares of the Company are redeemed or capital gains dividends are paid by the Company to its shareholders.

The Company is subject to a special tax at the rate of 33 1/3% on taxable dividends received from taxable Canadian corporations. This tax is refundable to the Company upon the payment of taxable dividends to its shareholders at the rate of \$1 of tax for every \$3 of dividends paid.

Corporate Information

CORPORATE ADDRESSES

NB Split Corp.

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Toll Free: 1-877-642-1289
Fax: 416-362-2199
Email: info@nbsplit.com
Website: www.nbsplit.com

LISTED

The Toronto Stock Exchange

Preferred Shares: **NBF.PR.A**
Capital Shares: **NBF**

THE ADMINISTRATOR

FA Administration Services Inc.

Same address as above.

AUDITORS

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