
NB Split Corp.

Annual Management Report of Fund Performance
for the year ended December 31, 2008

Fund: NB Split Corp.

Securities: Preferred Shares – Listed TSX: NBF.PR.A
Capital Shares – Listed TSX: NBF
A “unit” is considered to consist of two Capital Shares and one Preferred Share.

Period: January 1, 2008 to December 31, 2008

Administrator: FA Administration Services Inc.
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Notes:

1. This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Fund. You can get a copy of the annual financial statements at your request, and at no cost, by contacting us (contact information above) or on SEDAR at www.sedar.com. Securityholders may also contact us to request a free copy of the Fund’s proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.
2. 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.
3. Unless otherwise indicated all information is as at December 31, 2008. For more current information please see www.nbsplit.com.
4. None of the websites that are referred to in this Annual Management Report of Fund Performance, nor any of the information on any such websites, are incorporated by reference in this Annual Management Report of Fund Performance.

Investment Objectives and Strategy

The Fund holds common shares (the “**National Bank Shares**”) of National Bank of Canada (“**National Bank**”) 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.

Risk

There were no changes to the Fund over the period of this report that affected the overall level of risk associated with an investment in the Fund. Securityholders should still refer to the annual information form (“**AIF**”) for the Fund for the year-ended December 31, 2008 as it contains a detailed discussion of risk and other considerations relating to an investment in the Fund. The AIF is available free of charge from First Asset Investment Management Inc. (contact information above), on the Fund’s website www.nbsplit.com and on SEDAR www.sedar.com. Readers are also directed to Note 4 of the Fund’s 2008 Annual Financial Statements which discusses management of financial risks.

Results of Operations

For the fiscal year ended December 31, 2008, the net assets per unit of the Fund was \$33.03 after payment of distributions to securityholders compared to \$54.38 per unit on December 31, 2007. Net Assets per unit (each unit consists of one Preferred Share and two Capital Units) is the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities excluding the liability for Preferred Shares of the Fund on that date divided by the number of units then outstanding. The Fund distributed \$0.14 per Capital Share and \$1.55 per Preferred Share during the year. As a result, total return for the Fund was -36.9% over the year.

The Fund’s net assets were \$41.2 million as at December 31, 2008, a decrease from \$82.7 million as at December 31, 2007. The largest factors contributing to this decrease were the increased unrealized loss position of the National Bank Shares held by the Fund of \$22.7 million, redemptions of \$11.3 million, realized loss on the sale of National Bank Shares of \$7.5 million and distributions to holders of \$2.8 million offset by net investment income earned during the year of \$3.2 million. There were no significant variances in investment income or expenses as compared to the prior period.

The Fund was created to acquire and hold shares of National Bank Shares and only dispose of them in limited circumstances as described in the Prospectus and AIF. As a result, the Fund’s only portfolio holding, other than cash and cash equivalents, are the National Bank Shares. The National Bank Shares held by the Fund are not actively traded and the Fund can be considered a passive investment vehicle that has economic exposure to a static basket comprised of the National Bank Shares. As such, the performance of the Fund’s portfolio is directly related to the performance of National Bank. National Bank, as well as the global banking sector, experienced a very difficult year, marked by various challenges, most notably problems associated with the global credit crisis and a deteriorating economy. Banking shares in general suffered declines and the National Bank Shares were no exception.

Recent Developments

The National Bank Shares are influenced by factors that are not within the control of the Fund, including the financial performance of National Bank and market conditions affecting the financial sector generally. Readers may wish to consult the continuous disclosure documents of National Bank for further information concerning recent developments pertaining to National Bank available on the Internet at www.sedar.com. For greater certainty, such documents are not incorporated by reference herein.

Other developments relating to the Fund which were announced or which occurred during the year include:

March 19, 2008: The Fund announced that it had been advised by DBRS Limited that the rating of certain structured preferred shares with significant exposure to the financial sector, including the Fund's Preferred Shares, had been placed "Under Review with Developing Implications".

December 23, 2008: The Fund announced that DBRS Limited had lowered the rating of the Fund's Preferred Shares from Pfd-2 (low) to Pfd-4 (low) with a Stable trend.

February 18, 2009: The Board of Directors (the "Board") of the Fund announced that it had determined that it will not declare a dividend on the Capital Shares for the quarter ended February 28, 2009. The Board will review on a quarterly basis whether the Fund will declare a dividend on the Capital Shares. Any excess of dividends received by the Fund over that required to fund the Preferred Share distributions and operating expenses will be held in cash or cash equivalents by the Fund.

Regulatory Changes

For financial statement reporting purposes, the fair value of the Fund's investments are measured in accordance with CICA Handbook Section 3855: *Financial Instruments – Recognition and Measurement*, which for publicly listed securities is based on the closing bid price on the recognized stock exchange on which the investments are listed or principally traded. Pursuant to National Instrument 81-106 *Investment Fund Continuous Disclosure* ("NI 81-106"), investment funds are required to calculate their net asset value in accordance with Canadian GAAP. The Canadian securities regulatory authorities have published amendments to NI 81-106 that remove the requirement that net asset value for redemptions and subscriptions ("**Net Asset Value**") be calculated in accordance with Canadian GAAP effective September 8, 2008. As a result of the amendments, the Net Asset Value of investment funds will continue to be calculated based on the fair value of investments using the close or last trade price. The Net Assets per unit for financial reporting purposes and Net Asset Value per unit for pricing purposes could be different due to the use of different valuation techniques.

International Financial Reporting Standards

On February 13, 2008 the Canadian Accounting Standards Board of the CICA confirmed that the use of International Financial Reporting Standards ("**IFRS**") will be required for all publicly accountable profit oriented enterprises (including investment funds) effective January 1, 2011. At December 31, 2008, the Fund has developed a changeover plan to meet the timeline published by the CICA for the changeover to IFRS. The key

elements of the plan include the disclosures of the qualitative impact in the 2009 and 2010 financial statements, disclosures of the quantitative impact, if any, in the 2010 financial statements and the preparation of the 2011 financial statements in accordance with IFRS. Currently, the Fund believes that the changeover to IFRS will not impact the reported results or net asset value per unit. The main impact of IFRS on accounting policies and implementation decisions is expected to relate to additional disclosures in the financial statements of the Fund.

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 Fund 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. Amounts borrowed under the facility are collateralized by a security interest in the assets and undertakings of the Fund. The lender under the credit facility is National Bank, an affiliate of NBF. The terms, conditions, interest rates and expenses are typical for a loan of this nature. As at December 31, 2008, the loan had not yet been drawn on.

The Administrator, which has been retained by the Fund to provide certain administrative services to it, is also considered a related party.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance since inception.

The Fund's Net Assets per two Capital Shares ⁽¹⁾

	2008	2007 ⁽²⁾
Net Assets, beginning of year ⁽³⁾	\$21.66	\$34.47
Increase (decrease) from operations		
Total revenue	1.15	1.20
Total expenses	(0.15)	(0.16)
Realized gains (losses) for the period	(2.35)	0.00
Unrealized gains (losses) for the period	(7.14)	(6.66)
Total increase (decrease) from operations ⁽⁴⁾	(8.49)	(5.62)
Distributions:		
From income (excluding dividends)	0.00	0.00
From dividends	(0.14)	(0.09)
From capital gains	0.00	0.00
Return of capital	0.00	0.00
Total Annual Distributions ⁽⁵⁾	(0.14)	(0.09)
Net Assets at December 31⁽⁶⁾	\$0.31	\$21.66

The Fund's Net Assets per Preferred Share ⁽¹⁾

	2008	2007 ⁽²⁾
Net Assets, beginning of year ⁽³⁾	\$32.72	\$32.72
Increase (decrease) from operations		
Total revenue	0.13	0.00
Total expenses	(0.02)	0.00
Realized gains (losses) for the period	(0.26)	0.00
Unrealized gains (losses) for the period	(0.78)	0.00
Total increase (decrease) from operations ⁽⁴⁾	(0.93)	0.00
Distributions:		
From income (excluding dividends)	0.00	0.00
From dividends	(1.55)	(1.22)
From capital gains	0.00	0.00
Return of capital	0.00	0.00
Total Annual Distributions ⁽⁵⁾	(1.55)	(1.22)
Net Assets at December 31 ⁽⁶⁾	\$32.72	\$32.72

Notes:

⁽¹⁾ This information is derived from the Fund's audited annual financial statements. The Net Assets per unit presented in the financial statements differs from the Net Asset Value per unit calculated for fund pricing purposes due to the provisions of CICA Handbook Section 3855. An explanation of the differences can be found in the notes to the financial statements.

⁽²⁾ Results for the period from February 22, 2007 (first day of trading) to December 31, 2007.

(3) For 2007, the Net Assets reflect the issue price of \$18.45 per Capital Share less total share issue expenses and \$32.72 per Preferred Share.

(4) Net Assets and distributions are based on the actual number of Preferred Shares and Capital Shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. As long as the Net Assets per unit of the Fund is above \$32.72 per unit, then the expenses of the Fund are borne by the Capital Shares. If the Net Assets per unit of the Fund falls to or below \$32.72 per unit, then the expenses of the Fund are borne by the Preferred Shares until such time as the Net Assets per unit of the Fund returns to \$32.72 per unit or more.

(5) Distributions were paid in cash.

(6) This is not a reconciliation of the beginning and ending Net Assets per share principally because it does not include all shareholder transactions as shown in the annual audited financial statements. Columns may therefore not add.

Ratios and Supplemental Data - Capital Share

	2008	2007
Net Asset Value (000's) ⁽¹⁾	\$404	\$33,137
Number of units outstanding ⁽¹⁾	2,493	3,043
Management expense ratio before share issue expense and interest on Preferred Shares ⁽²⁾	1.77%	1.14%
Management expense ratio ⁽²⁾	10.27%	18.33%
Management expense ratio before waivers or absorptions ⁽²⁾	10.27%	18.33%
Portfolio turnover rate ⁽³⁾	0.00%	0.00%
Trading expense ratio ⁽⁴⁾	0.00%	0.00%
Net Asset Value per Capital Share	\$0.16	\$10.89
Closing market price - Capital Share	\$2.19	\$10.25

Ratios and Supplemental Data - Preferred Share

	2008	2007
Net Asset Value (000's) ⁽¹⁾	\$40,783	\$49,790
Number of units outstanding ⁽¹⁾	1,246	1,522
Management expense ratio before share issue expense and interest on Preferred Shares ⁽²⁾	0.05%	0.00%
Management expense ratio ⁽²⁾	0.05%	0.00%
Management expense ratio before waivers or absorptions ⁽²⁾	0.05%	0.00%
Portfolio turnover rate ⁽³⁾	0.00%	0.00%
Trading expense ratio ⁽⁴⁾	0.00%	0.00%
Net Asset Value per Preferred Share	\$32.72	\$32.72
Closing market price - Preferred Share	\$25.11	\$30.00

Notes:

(1) This information is provided as at December 31 of the year shown.

(2) Management expense ratio of a particular series is based on total expenses (excluding commissions and other portfolio transaction costs) attributable to that series for the stated period and is expressed as an annualized percentage of daily average net asset value of that series during the period. Total expenses include interest on the Fund's Preferred Shares. The Preferred Shares form part of the Fund's dual security capital structure. The MER for the period ending December 31, 2007 annualizes expenses incurred from inception date to the end of the period and it also includes Agents' fees and other offering expenses, which are one-time expenses and therefore are not annualized. Annualized expenses before share issue expenses and interest on Preferred Shares as a percentage of the combined daily average net assets of both Capital and Preferred Shares is 0.52% for 2007 and 0.65% for 2008. As long as the Net Assets per unit of the Fund is above \$32.72 per unit, then the expenses of the Fund are borne by the Capital Shares. If the Net Assets per

unit of the Fund falls to or below \$32.72 per unit, then the expenses of the Fund are borne by the Preferred Shares until such time as the Net Assets per unit of the Fund returns to \$32.72 per unit or more.

(3) The Fund's portfolio turnover rate indicates how actively the Fund's investment adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund 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 daily average net asset value during the period.

Management Fees

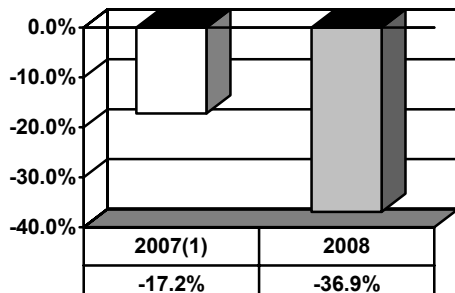
The Administrator is responsible for the operational and administrative functions of the Fund. The Fund pays the Administrator a monthly fee of 1/12 of 0.25% of the fair value of National Bank Shares held by the Fund for the services it provides.

Past Performance

Please note that the performance information shown in this section assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund. Also note that the performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns on performance. The performance of the Fund in the past does not necessarily indicate how it will perform in the future.

Year-by-Year Returns

The following bar chart shows the Fund's annual performance for the financial years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year.



(1) Results for the period from February 22, 2007 to December 31, 2007.

Annual Compound Returns

The table below summarizes the Fund's annual compound total returns for the periods ended December 31 as indicated. As a basis for comparison we have provided the performance of the S&P/TSX Capped Financial Index ("**Index**"). The Index is a modified capitalization-weighted index of companies in the financial services industry whose equity weights are capped at 25%. The Index constituents are derived from a subset stock pool of the S&P/TSX Composite Index. As the criterion for determining the constituents of the Fund and the Index differ, it is not expected that the Fund's performance will mirror that of the Index. Further, the return of the Index is calculated without the deduction of management fees and fund expenses whereas the performance of the Fund is calculated after deducting such fees and expenses.

Period	Fund	Index
1 Year	-36.9%	-38.3%
Since Inception	-28.7%	-23.7%

Over the past year, which has been very difficult for the financial services industry and the banking sector in particular, the Fund marginally outperformed the Index by 1.4%. The Fund's performance compared to the Index can be attributed to the performance of the National Bank Shares over that same period.

Summary of Investment Portfolio

The following is a summary of the Fund's investment portfolio as at December 31, 2008. This is a summary only and will change due to ongoing portfolio transactions of the Fund. A quarterly update is available on www.nbsplit.com.

Holdings as at December 31, 2008

DESCRIPTION	% of Net Asset Value
National Bank of Canada	95.80
Cash and Cash Equivalents	0.18
Total Net Asset Value ⁽¹⁾	\$41,186,397

Sector Allocation as at December 31, 2008

INDUSTRY	% of Net Asset Value
Financials	95.80
Cash and Cash Equivalents	0.18
	95.98
Other Assets, Net of Liabilities	4.02
Total Net Asset Value	100.00

⁽¹⁾ Excludes Preferred Shares as liabilities.