
NB Split Corp.

Annual Management Report of Fund Performance
for the year ended December 31, 2010

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, 2010 to December 31, 2010

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, 2010. 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, 2010 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 the Administrator (contact information above), on the Fund’s website www.nbsplit.com or on SEDAR www.sedar.com. Readers are also directed to Note 11 of the Fund’s 2010 Annual Financial Statements which discusses management of financial risks.

Results of Operations

For the year ended December 31, 2010, the net assets per unit of the Fund were \$69.63 after payment of distributions to securityholders compared to \$61.46 per unit on December 31, 2009. Net Assets per unit (each unit consists of one Preferred Share and two Capital Shares) 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 period. This contributed to a total return for the Fund of 16.0% over the period.

The Fund’s net assets were \$36.4 million as at December 31, 2010, a decrease from \$49.8 million as at December 31, 2009. The largest factors contributing to this decrease include redemptions of Capital and Preferred shares totaling \$20.4 million and distributions totaling \$1.5 million which was offset by an increase in the unrealized value of the National Bank Shares held by the Fund of \$6.0 million, net investment income of \$1.5 million and a realized gain on the sale of National Bank Shares of \$1.2 million. Investment income has decreased as compared to the prior period due to the reduction in the number of National Bank Shares held by the Fund. There were no significant variances in operating expenses as compared to the prior year.

During the reporting period, the Fund experienced annual and monthly redemptions or retractions totaling \$20.4 million or 36% of the net asset value of the Fund. These redemptions required the Fund to sell portfolio assets in order to fund the payment of the redemption proceeds, thereby decreasing the assets available for investment.

The Fund was created to acquire and hold National Bank Shares and only dispose of them in limited circumstances as described in the Prospectus and Annual Information Form. 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 basket of National Bank Shares. As such, the performance of the Fund's portfolio is directly related to the performance of National Bank.

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.

International Financial Reporting Standards

On January 12, 2011, the Canadian Accounting Standards Board made a decision to extend the deferral of the adoption of International Financial Reporting Standards ("IFRS") by investment companies for an additional year to January 1, 2013. This results in a two-year deferral of IFRS adoption by investment companies compared to other publicly accountable entities. The Fund will not have to adopt IFRS as the Fund's targeted termination date is February 15, 2012.

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 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, 2010, 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⁾

| | 2010 | 2009 | 2008 | 2007 ⁽²⁾ |
|--|----------------|----------------|---------------|---------------------|
| Net Assets, beginning of year⁽³⁾ | \$28.74 | \$0.31 | \$21.66 | \$34.47 |
| Increase (decrease) from operations | | | | |
| Total revenue | 1.18 | 1.18 | 1.15 | 1.20 |
| Total expenses | (0.25) | (0.20) | (0.15) | (0.16) |
| Realized gains (losses) for the period | 0.77 | (0.40) | (2.35) | 0.00 |
| Unrealized gains (losses) for the period | 3.74 | 15.68 | (7.14) | (6.66) |
| Total increase (decrease) from operations⁽⁴⁾ | 5.44 | 16.26 | (8.49) | (5.62) |
| Distributions: | | | | |
| From income (excluding dividends) | 0.00 | 0.00 | 0.00 | 0.00 |
| From dividends | (0.14) | (0.10) | (0.14) | (0.09) |
| From capital gains | 0.00 | 0.00 | 0.00 | 0.00 |
| Return of capital | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Distributions⁽⁵⁾ | (0.14) | (0.10) | (0.14) | (0.09) |
| Net Assets as at December 31⁽⁶⁾ | \$36.91 | \$28.74 | \$0.31 | \$21.66 |

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

| | 2010 | 2009 | 2008 | 2007 ⁽²⁾ |
|--|----------------|----------------|----------------|---------------------|
| Net Assets, beginning of year⁽³⁾ | \$32.72 | \$32.72 | \$32.72 | \$32.72 |
| Increase (decrease) from operations | | | | |
| Total revenue | 0.00 | 0.01 | 0.13 | 0.00 |
| Total expenses | 0.00 | 0.00 | (0.02) | 0.00 |
| Realized gains (losses) for the period | 0.00 | 0.00 | (0.26) | 0.00 |
| Unrealized gains (losses) for the period | 0.00 | 0.09 | (0.78) | 0.00 |
| Total increase (decrease) from operations⁽⁴⁾ | 0.00 | 0.10 | (0.93) | 0.00 |
| Distributions: | | | | |
| From income (excluding dividends) | 0.00 | 0.00 | 0.00 | 0.00 |
| From dividends | (1.55) | (1.55) | (1.55) | (1.22) |
| From capital gains | 0.00 | 0.00 | 0.00 | 0.00 |
| Return of capital | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Distributions⁽⁵⁾ | (1.55) | (1.55) | (1.55) | (1.22) |
| Net Assets as at December 31⁽⁶⁾ | \$32.72 | \$32.72 | \$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 asset value 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 asset value 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 asset value per unit of the Fund exceeds \$32.72 per unit.

(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 audited annual financial statements. As well, in the tables above, the calculated figures are on a per Capital Share or a Preferred Share basis. Columns may therefore not add.

Ratios and Supplemental Data - Capital Share

| | 2010 | 2009 | 2008 | 2007 |
|---|-----------|-----------|-----------|-----------|
| Net Asset Value (000's) ⁽¹⁾ | \$19,344 | \$23,528 | \$404 | \$33,137 |
| Number of units outstanding ⁽¹⁾ | 1,044,248 | 1,621,490 | 2,492,830 | 3,043,376 |
| Management expense ratio before share issue expense ⁽²⁾ | 6.93% | 10.07% | 10.26% | 5.38% |
| Management expense ratio ⁽²⁾ | 6.93 % | 10.07% | 10.27% | 18.33% |
| Management expense ratio before waivers or absorptions ⁽²⁾ | 6.93% | 10.07% | 10.27% | 18.33% |
| Portfolio turnover rate ⁽³⁾ | 0.00% | 0.00% | 0.00% | 0.00% |
| Trading expense ratio ⁽⁴⁾ | 0.00% | 0.00% | 0.00% | 0.00% |
| Net Asset Value per Capital Share | \$18.52 | \$14.51 | \$0.16 | \$10.89 |
| Closing market price - Capital Share | \$17.05 | \$13.71 | \$2.19 | \$10.25 |

Ratios and Supplemental Data - Preferred Share

| | 2010 | 2009 | 2008 | 2007 |
|---|----------|----------|-----------|-----------|
| Net Asset Value (000's) ⁽¹⁾ | \$17,084 | \$26,528 | \$40,783 | \$49,790 |
| Number of units outstanding ⁽¹⁾ | 522,124 | 810,745 | 1,246,416 | 1,521,688 |
| Management expense ratio ⁽²⁾ | 0.00% | 0.01% | 0.05% | 0.00% |
| Management expense ratio before waivers or absorptions ⁽²⁾ | 0.00% | 0.01% | 0.05% | 0.00% |
| Portfolio turnover rate ⁽³⁾ | 0.00% | 0.00% | 0.00% | 0.00% |
| Trading expense ratio ⁽⁴⁾ | 0.00% | 0.00% | 0.00% | 0.00% |
| Net Asset Value per Preferred Share | \$32.72 | \$32.72 | \$32.72 | \$32.72 |
| Closing market price - Preferred Share | \$33.18 | \$32.80 | \$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, 0.65% for 2008 and 0.75% for 2009 and 0.81% for 2010. As long as the net asset value 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 asset value 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 asset value per unit of the Fund exceeds \$32.72 per unit.

⁽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

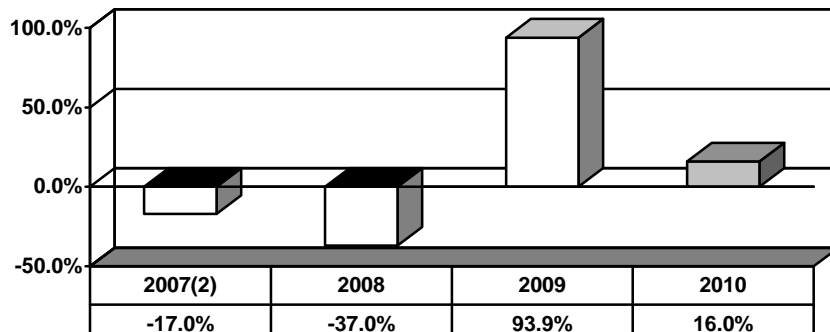
The Administrator is responsible for the operational and administrative functions of the Fund. The Fund pays the Administrator a monthly fee of 1/12 of 0.25% of the fair value of National Bank Shares held by the Fund for the services it provides.

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 units of the Fund at the net asset value of those units as at each dividend payment date. 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 ⁽¹⁾

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.



⁽²⁾ Total Return for the period 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 criteria 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 ⁽¹⁾ | Index |
|-----------------|----------------------------|--------------|
| 1 Year | 16.0% | 4.4% |
| 3 Year | 12.1% | -3.7% |
| Since Inception | 4.1% | -3.8% |

⁽¹⁾ Returns based on Net Asset Value per unit.

Summary of Investment Portfolio

The following is a summary of the Fund's investment portfolio as at December 31, 2010. 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, 2010

| DESCRIPTION | % of Net Asset Value |
|---|-----------------------------|
| National Bank of Canada | 98.63 |
| Cash and Cash Equivalents | 0.19 |
| Total Net Asset Value ⁽¹⁾ | \$36,428,046 |

Sector Allocation as at December 31, 2010

| INDUSTRY | % of Net Asset Value |
|---|-----------------------------|
| Financials | 98.63 |
| Cash and Cash Equivalents | 0.19 |
| | 98.82 |
| Other Assets, Net of Liabilities | 1.18 |
| Total Net Asset Value | 100.00 |

⁽¹⁾ Excludes Preferred Shares as liabilities.