

BROMPTON SPLIT BANC CORP.



VALUE INTEGRITY PERFORMANCE

2005 ANNUAL REPORT

Management Report of Fund Performance

February 6, 2006

This annual management report of fund performance for Brompton Split Banc Corp. (the "Fund") contains financial highlights but does not contain the complete audited annual financial statements. The complete audited annual financial statements are appended to this report.

Unitholders may obtain a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure, at no cost by calling 866-642-6001, or by sending a request to Suite 2930, P.O. Box 793, Bay Wellington Tower, BCE Place, 181 Bay Street, Toronto, Ontario, M5J 2T3.

Investment Objectives and Strategies

Brompton Split Banc Corp. is a mutual fund corporation with its Class A and Preferred shares listed on the Toronto Stock Exchange, under the symbols SBC and SBC.PR.A, respectively. The Preferred shares are rated Pfd-2 by Dominion Bond Rating Service Limited. The Fund is managed by Brompton SBC Management Limited (the "Manager") and commenced operations on November 16, 2005 upon completion of the initial public offering of Class A and Preferred shares. The Fund's investment objectives are:

- (i) to provide holders of Preferred shares with fixed, cumulative preferential quarterly cash distributions in the amount of \$0.13125 per Preferred share and to return the original issue price to holders of Preferred shares on November 30, 2012; and
- (ii) to provide holders of Class A shares with regular monthly cash distributions targeted to be \$0.10 per Class A share and to provide holders of Class A shares with the opportunity for growth in net asset value per Class A share.

All Class A and Preferred shares outstanding on November 30, 2012 will be redeemed by the Fund on that date.

Brompton Capital Advisors Inc., the Fund's advisor, is responsible for investing in a common share portfolio of the following six Canadian banks on an equally weighted basis:

Bank of Montreal	Royal Bank of Canada
Canadian Imperial Bank of Commerce	The Bank of Nova Scotia
National Bank of Canada	The Toronto-Dominion Bank

These banks have a history of strong earnings growth, which has resulted in increases in their dividend rates and capital appreciation.

The portfolio is rebalanced at least annually to adjust for changes in the market value of investments and to reflect the impact of a merger or acquisition affecting one or more of the banks. In addition, the Fund may sell investments for working capital purposes or replace investments with proceeds from the exercise of covered call options previously written. Highstreet Asset Management Inc. is the Option Advisor to the Fund and has the discretion to write covered call options and cash covered put options in respect of the portfolio in order to generate additional distributable income for the Fund.

The Preferred and Class A shares are RRSP, DPSP, RRIF and RESP eligible.

Risks

There are risks associated with an investment in shares of the Fund. The prospectus that was issued in connection with the initial public offering of the Fund's shares, as well as the Fund's annual information form, contain a discussion of these risks. These documents are available on the Fund's website at www.bromptongroup.com on SEDAR at www.sedar.com. Below is a discussion of some of the more significant risks affecting the Fund in 2005.

Leverage

The Preferred shares, by virtue of their fixed redemption amount, leverage the net asset value of the Fund attributable to the Class A shareholders. Leverage can impact net asset value of the Fund as it will enhance the net asset value during a period when the Fund's investments have appreciated and exacerbate the decline of net asset value during a falling market. The greater the amount of leverage, the greater the impact on net asset value of a rise or decline in market prices of the Fund's investments. Leverage had a positive impact on the net asset value of the Fund and in particular the Class A shares, as the value of the underlying portfolio increased during the short period the Fund operated in 2005.

Concentration Risk

The Fund is invested in six issuers in one industry – the Banks. As a result, the Fund's holdings are more concentrated and the net asset value per unit may be more volatile than that of a more broadly diversified portfolio. While in an extreme situation this risk could affect the value of the Preferred share, it is more likely to have an impact on the value of the Class A shares. Concentration had a positive impact on the value of the Class A shares in 2005, as factors affecting the Banks and their performance tended to be positive.

Change in Law

On November 23, 2005, the Minister of Finance for the Government of Canada announced that it would lower, over time, the effective tax rate on dividends of Canadian public corporations. This announcement had a positive impact on the trading value of both the Class A and Preferred shares of the Fund.

Recent Developments

Completion of the Initial Public Offering

On November 16, 2005, the Fund closed its initial public offering of Class A and Preferred shares and commenced operations. A total of 5,800,000 Class A and Preferred shares were issued for gross proceeds of \$145 million. A further 335,000 Class A and Preferred shares were issued pursuant to the exercise of an over-allotment option granted to the underwriters of the offering on November 28, 2005, which raised an additional \$8.4 million for the Fund. The proceeds were invested prior to the end of November 2005.

Tax Treatment of Dividend Income

On November 23, 2005, the Minister of Finance decided to reduce the tax rate on certain dividends over time. For 2006, the proposal would reduce the top federal marginal income tax rate on eligible dividends by 5.1% to 14.5%. This would be beneficial to shareholders of the Fund should any of the distributions be considered dividends for tax purposes. However, enactment of the proposals remains outstanding and it is not certain that the provinces will follow suit in lowering this tax on dividends.

Rights Offering

On March 1, 2006, the Fund filed a prospectus relating to a Rights offering available to all Class A shareholders. Each Class A shareholder as of the date of record on March 13, 2006, is entitled to receive one Right for each Class A share held. One Right entitles the holder to purchase a unit, consisting of one Class A share and one Preferred share at a price of \$26.10 per unit on or before April 10, 2006. The exercise price is set at a discount to the market price of a unit and at a premium to the February 23, 2006 net asset value per unit. On this basis, the exercise of the Rights would be accretive to existing Class A shareholders on a net asset value per share basis.

The Class A and Preferred shares of Brompton Split Banc Corp. began trading on November 16, 2005 and as of February 10, 2006 were trading at a premium to their February 9, 2006 net asset values. The net asset value of the Class A shares has risen since inception during which period the Class A shareholders have received the benefit of a distribution at a rate of \$1.20 per share per annum. Successful completion of the Rights offering is expected to increase the trading liquidity of the shares and reduce the management expense ratio of the Fund.

Results of Operations

Distributions

During the period ended December 31, 2005, the Fund declared a distribution of \$0.05 per Class A share for the partial period from November 16, 2005 to November 30, 2005 and \$0.10 per share to Class A shareholders at the end of December. The Fund declared a distribution of \$0.06563 per Preferred share for the partial period from November 16, 2005 to December 31, 2005. The November distribution on the Class A shares was characterized as a return of capital and was not required to be included in a shareholder's income. Instead, such amount will reduce the adjusted cost base of such share, assuming it is held as capital property. The tax characteristics of the distributions declared for December will be determined in 2006 and included in income for that year.

Net Asset Value

As a result of the strong performance of the Fund's investment portfolio, the net asset value per Class A share increased by \$0.93 per share or 6.8%, from \$13.68 to \$14.61 since the commencement of the Fund's operations on November 16, 2005 to fiscal year-end. The aggregate total assets of the Fund were \$152.6 million at December 31, 2005 or \$24.87 per unit.

Investment Portfolio

As of December 31, 2005, the Fund's investments included Bank of Montreal, Canadian Imperial Bank of Commerce, National Bank of Canada, Royal Bank of Canada, The Bank of Nova Scotia, and The Toronto-Dominion Bank.

The Fund recorded net unrealized gains of \$6.4 million during the year. The portfolio was not rebalanced in 2005 so there were no realized gains or losses.

Liquidity and Capital Resources

To provide liquidity, the Class A shares and Preferred shares of the Fund are listed on the TSX under the symbols SBC and SBC.PR.A, respectively.

Commencing in 2006, Preferred shares and Class A shares of the Fund may be retracted concurrently in December of each year at the net asset value per unit on the second last business day of December. The shares must be tendered for retraction at least ten business days prior to the second last business day in December. A unit is comprised of one Class A share and one Preferred share. Preferred shares and Class A shares may also be retracted in any other month on the second last business day of that month, provided the shares were tendered for retraction at least ten business days prior to the second last business day of that month. Preferred shares retracted in any month other than December will have a retraction price equal to 96% of the lesser of (i) the net asset value per unit less the cost to the Fund of the purchase of a Class A share for cancellation, including commissions and such other costs related to the liquidation of any portion of the portfolio to fund the purchase of the Class A share, and (ii) \$10.00. Class A shares retracted in any month other than December will have a retraction price equal to 96% of the difference between (i) the net asset per unit and (ii) the cost to the Fund of the purchase of a Preferred share for cancellation, including commissions and such other costs related to the liquidation of any portion of the portfolio to fund the purchase of the Preferred share.

The purpose of the monthly and annual retraction rights is to reduce the likelihood that the Class A shares of the Fund trade at a substantial discount to net asset value per share, and the December retraction right provides shareholders with the right to realize their investment once per year at net asset value per unit less costs associated with the retraction.

Related Party Transactions

Pursuant to a management agreement, the Manager provides management and administrative services to the Fund, for which it is paid a management fee equal to 0.55% per annum of the net asset value of the Fund. The Manager is responsible for paying the fees to Brompton Capital Advisors Inc., the advisor, and Highstreet Asset Management Inc., the option advisor. The Fund also pays to the Manager a service fee equal to 0.40% per annum of the net asset value of the Class A shares. The service fee is in turn paid by the Manager to the investment dealers based on the proportionate number of Class A shares held by clients of such dealers at the end of each calendar quarter. In 2005, management and service fees amounted to \$107,429 and \$44,867, respectively.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help readers understand the Fund's financial performance for the fiscal period indicated. This information is derived from the Fund's audited annual financial statements. The information in the following tables is presented in accordance with National Instrument (NI) 81-106 and, as a result, does not act as a continuity of opening and closing net asset value per Class A share. The increase (decrease) in net assets from operations is based on average shares outstanding during the period and all other numbers are based on actual shares outstanding at the relevant point in time.

Net Asset Value per Class A Share

	2005 ⁽¹⁾	
Net asset value, beginning of period ⁽²⁾	\$	13.68
Increase (decrease) from operations: ⁽³⁾		
Total revenue		0.14
Total expenses including Preferred share distributions		(0.11)
Realized gain for the period		—
Unrealized gain for the period		1.06
Total increase (decrease) in net assets from operations	\$	1.09
Distributions to Class A shareholders: ⁽²⁾		
Return of capital	\$	0.15
Total distributions		0.15
Net asset value, end of period	\$	14.61

⁽¹⁾ Period from November 16, 2005 (commencement of operations) to December 31, 2005.

⁽²⁾ Net asset value per Class A share and distributions per Class A share are based on the actual number of Class A shares outstanding at the relevant time.

⁽³⁾ The increase (decrease) in net assets from operations per Class A share is based on the weighted average number of Class A shares outstanding over the fiscal period.

Ratios and Supplemental Data

	2005
Net assets (in 000s) – including Preferred shares	\$ 152,586
Number of Class A shares outstanding (in 000s)	6,135
Management expense ratio (MER) ⁽¹⁾⁽²⁾	8.73%
MER excluding distributions on Preferred shares and issuance costs ⁽¹⁾	1.04%
Portfolio turnover rate ⁽³⁾	N/A
Trading expense ratio ⁽⁴⁾	0.05%
Closing market price – Preferred shares	\$ 10.76
Closing market price – Class A shares	\$ 15.50

⁽¹⁾ Annualized for the period from November 16, 2005 (commencement of operations) to December 31, 2005.

⁽²⁾ Management expense ratio is based on the total expenses of the Fund for the stated period including distributions on Preferred shares and issuance costs and is expressed as an annualized percentage of the average net assets of the Fund (includes Class A and Preferred shares) over the period.

⁽³⁾ The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor 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. The portfolio turnover rate is not provided when a fund is less than one year old. Portfolio turnover rate is calculated by dividing the lesser of the cost of purchases and the proceeds of sales of portfolio securities for the period, excluding cash and short-term investments maturing in less than one year, by the average market value of investments during the period.

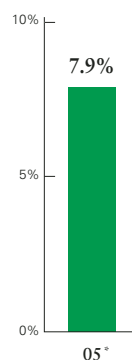
⁽⁴⁾ The trading expense ratio represents total commissions expressed as an annualized percentage of daily average net assets of the Fund (includes Class A and Preferred shares) during the period. This disclosure is a new requirement under NI 81-106 and is not applied retroactively.

Past Performance

The following chart and table shows the past performance of the Fund and will not necessarily indicate how the Fund will perform in the future. The information shown is based on the net asset value per Class A share and assumes that Class A distributions made by the Fund in the period shown were reinvested (at net asset value per Class A share at the time) in additional Class A shares of the Fund.

Return Since Inception

The bar chart shows the Fund's return (based on net asset value per Class A share) since inception to December 31, 2005. The chart shows, in percentage terms, how an investment held in a Class A share at inception would have increased or decreased by the last day of the fiscal year.



* For the period from November 16, 2005 (commencement of operations) to December 31, 2005.

Compound Return

The following table shows the Fund's compound return on a Class A share since inception, compared with the S&P/TSX Capped Financials Index ("Financials Index"). The Financials Index is derived from the S&P/TSX Composite Index based on the financials sector of the Global Industry Classifications Standards (GICs).

	Since Inception ⁽¹⁾
Brompton Split Banc Corp. – Class A shares	7.9%
S&P/TSX Capped Financials Index	5.3%

⁽¹⁾ For the period from November 16, 2005 (commencement of operations) to December 31, 2005.

The Fund has generated a compound return of 7.9% on the Class A shares since inception. The Class A shares have outperformed the Financials Index as a result of the strong performance of the banks and leverage from the Preferred shares.

Summary of Investment Portfolio

As at December 31, 2005

Total net asset value of the Fund ⁽¹⁾	\$ 150,960,597
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Portfolio Composition	% of NAV
Financials	99.6%
Cash and short-term investments	0.9%
Total investment portfolio	100.5%
Other net liabilities	(0.5%)
Total net asset value	100.0%

Holdings	% of NAV
Bank of Montreal	17.7%
Royal Bank of Canada	16.7%
The Toronto-Dominion Bank	16.7%
The Bank of Nova Scotia	16.4%
Canadian Imperial Bank of Commerce	16.2%
National Bank of Canada	15.9%
Cash and short-term investments	0.9%

⁽¹⁾ Net asset value ("NAV") of the Fund includes the value of the Preferred shares.

The investment portfolio may change due to ongoing portfolio transactions of the investment fund. Quarterly updates are available within 60 days of each quarter end.

2005 Tax Information

The following information is applicable to holders who, for the purpose of the Income Tax Act (Canada), are resident in Canada and hold shares as capital property outside of an RRSP, RRIF or DPSP. Shareholders should receive a T5 slip from their investment dealer providing this information.

The following table outlines the breakdown of the Fund's distributions on Class A shares in 2005 on a per share basis.

Class A Shares

Record Date	Payment Date	Return of Capital	Total Distribution
Nov. 30, 2005	Dec. 14, 2005	\$ 0.05	\$ 0.05
Total		\$ 0.05	\$ 0.05

Portfolio Manager

Highstreet Asset Management Inc.

Highstreet Asset Management Inc., a top Canadian equity manager, is the portfolio manager for Brompton Equity Split Corp., YEARS Financial Trust and is the option advisor for Brompton Split Banc Corp. Highstreet uses its proprietary GVQ&R™ investment strategy to seek out equity investments that offer more attractive growth, value and quality characteristics as compared to the S&P/TSX Capped Composite Index while maintaining market-like risk. Highstreet uses a quantitative investment methodology and rigorous buy and sell discipline to achieve superior long-term returns for its investors.

Forward-looking Statements

Some of the statements contained herein including, without limitation, financial and business prospects and financial outlook may be forward-looking statements which reflect management's expectations regarding future plans and intentions, growth, results of operations, performance and business prospects and opportunities. Words such as "may," "will," "should," "could," "anticipate," "believe," "expect," "intend," "plan," "potential," "continue" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, changes in general economic and market conditions and other risk factors. Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, we cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and we assume no obligation to update or revise them to reflect new events or circumstances.