

BROMPTON SPLIT BANC CORP.



2006
ANNUAL
REPORT

Equal weight portfolio of
the equity securities
of Canadian banks using
a split share structure.

The preferred shares are
rated Pfd-2 by DBRS.

Management Report of Fund Performance

March 8, 2007

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

Shareholders 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 Brompton Funds, Suite 2930, P.O. Box 793, Bay Wellington Tower, BCE Place, 181 Bay Street, Toronto, Ontario, M5J 2T3.

The Fund

Brompton Split Banc Corp. is a mutual fund corporation managed by Brompton Funds Management Limited (the "Manager"). The Fund has Class A and Preferred shares outstanding which trade on the Toronto Stock Exchange (the "TSX") under the symbols SBC and SBC.PR.A, respectively. The Class A and Preferred shares are RRSP, DPSP, RRIF and RESP eligible. The Preferred shares are rated Pfd-2 by Dominion Bond Rating Service Limited. The Class A and Preferred shares are scheduled to be redeemed by the Fund on November 30, 2012.

Investment Objectives and Strategies

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 share and to return the original issue price to holders of the 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 share and with the opportunity for growth in net asset value per share.

To achieve these objectives, the Fund invests in a common share portfolio of the following six Canadian banks on an equally weighted basis at the time of investment and on rebalancing:

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.

Brompton Capital Advisors Inc. is the Fund's advisor and is responsible for investing the common share portfolio. 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. ("Highstreet") 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.

Risks

Changes to the Fund over the financial year ended December 31, 2006 affected the overall risk associated with an investment in the Fund in the following ways:

- (i) Units of a closed-end fund like the Fund may trade on the TSX at a discount to their net asset value. Over the year, the Class A shares and the Preferred shares of the Fund generally have traded at a premium to their net asset value per unit, which reduced the liquidity risk of receiving less than the intrinsic value of the shares when traded on the TSX. In addition, the Class A shares and Preferred shares may be tendered as a unit for retraction in December of each year based on net asset value per unit, which reduces the likelihood that such securities of the Fund will trade at a substantial discount to net asset value.
- (ii) In December 2006, 696,637 units of the Class A and Preferred shares were retracted for proceeds of \$19.2 million, representing 8.6% of the Fund's net assets. This reduction in units was more than offset by the 2,006,907 units that were issued by the Fund pursuant to a rights offering in April 2006 for net proceeds of \$51.6 million. As a result, the potential trading liquidity of the Fund's shares was increased over the year and the management expense ratio ("MER") decreased by virtue of the fixed costs of the Fund being spread over a larger amount of assets. The MER was also aided by the appreciation in value of the Fund's portfolio securities over the year.
- (iii) The appreciation of the net asset value of the Class A shares over the year also reduced the implied leverage of the Preferred shares. The greater the leverage, the more the net asset value per Class A share will appreciate during a rising market for the Fund's portfolio securities and depreciate during a declining market. Preferred shares, as a percentage of total assets of the Fund, decreased over the year from 40.2% to 32.4%.
- (iv) Many of the portfolio holdings increased their dividends in 2006. This improved the dividend coverage of the Preferred share dividends over the year from 142% to 176%.

Risks associated with an investment in the shares of the Fund are discussed in detail in the Fund's annual information form, which is available on the Fund's website at www.bromptongroup.com or on SEDAR at www.sedar.com.

Recent Developments

Implementation of Accounting Standards

In the management report of fund performance prepared for the six months ended June 30, 2006, it was reported that starting January 1, 2007, the Fund would adopt the new accounting standard, Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855: Financial Instruments – Recognition and Measurement. This standard would cause the Fund to change the way it determines the value of securities it holds in its portfolio. In particular, securities traded in an active market are valued using the last available bid price rather than the closing price for exchange-traded securities or at the average of the latest bid and ask prices for securities traded over-the-counter. This change in determining net asset value would affect the following: (i) the valuation of the Fund's investments for its financial statements; (ii) the weekly posted net asset value per Class A and Preferred share of the Fund; and (iii) pricing of the retraction amounts for the Class A and Preferred shares.

Pursuant to requests from the investment fund industry, the Canadian Securities Administrators ("CSA") exempted investment funds, including the Fund, from applying CICA Section 3855 in the calculation of the weekly net asset values and the amount of whether the calculation and use of net asset value in accordance with the Canadian GAAP are appropriate for purposes other than financial statements.

Results of Operations

Distributions

During the year ended December 31, 2006, the Fund distributed \$1.20 per Class A share and \$0.525 per Preferred share. Both of these amounts met with the Fund's investment objectives. All distributions in 2006 on the Class A shares were a return of capital and all distributions on the Preferred shares were dividend income. The amount of any payment received by shareholders as a return of capital will not be required to be included in their income. Instead, such amount will reduce the adjusted cost base of such share, assuming it is held as capital property by the shareholder. A breakdown of the tax characteristics of all the 2006 distributions paid is provided later in this report under "2006 Tax Information."

Net Asset Value

In addition to the distributions paid out to shareholders that are described above, the strong performance of the Fund's investment portfolio returned an increase in the net asset value per Class A share over the year of \$2.71 per share, or 18.5%, from \$14.61 to \$17.32. The net asset value of the Fund is determined by taking the total assets of the Fund and deducting the Fund's liabilities. For these purposes, the Preferred shares are not considered a liability of the Fund. The net asset value of the Fund increased from \$150.9 million at the end of 2005 to \$203.4 million at December 31, 2006, primarily as a result of a rights offering, which raised \$51.6 million in April 2006, and the growth in value of the investment portfolio.

Investment Portfolio

As of December 31, 2006, 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. During the year, the option advisor did not write any options on the Fund's portfolio securities because it did not believe the premiums that were available on options throughout the year adequately compensated for the upside that the Fund would have to forego. The Fund recorded net unrealized gains of \$29.0 million during the year, with Canadian Imperial Bank of Commerce providing the greatest contribution of \$8.4 million.

Liquidity and Capital Resources

As of December 31, 2006, the Fund had total borrowings outstanding of \$5.4 million under its 364-day revolving credit facility, which represented 2.3% of total assets or 2.6% of net assets. The revolving credit facility is used for working capital purposes and is repaid at the time the portfolio is rebalanced.

The liabilities of the Fund included \$19.2 million of redemptions payable to shareholders at year-end. This liability was also paid from net proceeds received from the sale of securities which occurred from the rebalancing that took place in January 2007.

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. Over the year, Class A shares and Preferred shares traded at an average premium to their combined net asset value per share of 5.2%. Investors may also retract their shares in accordance with their retraction provisions.

In 2006, each Class A shareholder as of March 13, 2006 received one right for each Class A share held. One right entitled 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 was 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 right was accretive to Class A shareholders on a net asset value per share basis. The Fund closed its rights offering on April 10, 2006 and 2,006,907 Class A shares and 2,006,907 Preferred shares were issued for net proceeds of \$51.6 million.

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 of Brompton Capital Advisors Inc., the advisor, and Highstreet, 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 2006, management and service fees amounted to \$1.1 million and \$0.5 million, 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 periods 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 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

	2006	2005
Net asset value, beginning of year/period ⁽²⁾	\$ 14.61	\$ 13.68
Increase (decrease) from operations: ⁽¹⁾⁽³⁾		
Total revenue	0.80	0.14
Total expenses	(0.26)	(0.04)
Preferred share distributions	(0.52)	(0.07)
Realized gain for the year/period	—	—
Unrealized gain for the year/period	3.82	1.06
Total increase in net assets from operations	\$ 3.84	\$ 1.09
Distributions to Class A shareholders: ⁽¹⁾⁽²⁾		
Return of capital	\$ 1.20	\$ 0.15
Total distributions	\$ 1.20	\$ 0.15
Net asset value, end of year/period	\$ 17.32	\$ 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

	2006	2005
Net assets (in 000s) – including Preferred shares	\$ 203,388	\$ 150,960
Number of Class A shares outstanding (in 000s)	7,445	6,135
Management expense ratio (“MER”) ⁽¹⁾⁽²⁾	3.09%	8.73%
MER excluding distributions on Preferred shares and issuance costs ⁽¹⁾⁽³⁾	0.96%	1.04%
Portfolio turnover rate ⁽⁴⁾	—	N/A
Trading expense ratio ⁽⁵⁾	0.02%	0.05%
Closing market price – Preferred shares	\$ 10.52	\$ 10.76
Closing market price – Class A shares	\$ 16.19	\$ 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 requirements of NI 81-106 and includes 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⁾ MER, excluding interest expense and issuance costs, has been presented separately as it expresses only the ongoing management and administrative expenses of the Fund as a percentage of average net assets.

⁽⁴⁾ 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 the 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.

⁽⁵⁾ The trading expense ratio represents total commissions expressed as an annualized percentage of daily average net assets of the Fund during the period.

Expense Ratio

The MER of the Fund declined significantly in 2006 to 3.09% from 8.73% in 2005. In each year, the ratio was exaggerated by the inclusion of distributions paid on the Preferred shares and the costs of issuance of both the Class A and the Preferred shares. Issue costs were incurred in respect of the initial public offering of shares in 2005 and the rights offering in 2006. The MER, excluding these items, declined from 1.04% in 2005 to 0.96% in 2006. This latter ratio is more representative of the ongoing efficiency of the administration of the Fund.

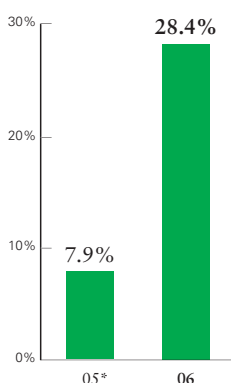
The Fund’s first full rebalancing did not occur until January 2007. As a result, the Fund did not have any turnover in the portfolio in 2006. This also affected the trading expense ratio, which was a low 0.02% and increased only from the investing of the proceeds from the rights offering discussed previously.

Past Performance

The following chart and table show the past performance of the Fund. Past performance does 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 distributions on the Class A shares made by the Fund in the periods shown were reinvested (at net asset value per Class A share) in additional Class A shares of the Fund.

The bar chart shows the Fund’s annual return in each year since inception to December 31, 2006. 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.

Year-by-Year Returns



* For the period from November 16, 2005 to December 31, 2005.

The following table shows the Fund's annual compound return on a Class A share for each period indicated, 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"). The Financials Index is calculated without the burden of management fees and fund expenses whereas the performance of the Fund is calculated after deducting such fees and expenses.

Annual Compound Returns

	1 Year	Since Inception ⁽¹⁾
Brompton Split Banc Corp. – Class A shares ⁽²⁾	28.4%	33.7%
S&P/TSX Capped Financials Index	18.3%	21.6%

⁽¹⁾ Period from November 16, 2005 (commencement of operations) to December 31, 2006.

⁽²⁾ Based on the net asset value per Class A share and assuming that distributions on the Class A shares made by the Fund in the periods shown were reinvested (at net asset value per Class A share) in additional shares of the Fund.

The Fund's Class A shares generated compound annual returns of 28.4% and 33.7%, in 2006 and since inception, respectively. In 2006, the Class A shares outperformed the Financials Index by 10.1%, largely due to the benefit of leverage provided by the Preferred shares. In 2006, the portfolio of six banks held by the Fund also outperformed the Financials Index.

Summary of Investment Portfolio

As at December 31, 2006

Total net asset value of the Fund ⁽¹⁾	\$ 203,388,333
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Portfolio Composition	% of Portfolio	% of NAV
Financials	100.0%	112.6%
Total investment portfolio	100.0%	112.6%
Other net liabilities ⁽²⁾		(12.6%)
Total net asset value		100.0%

Holdings	% of Portfolio	% of NAV
Canadian Imperial Bank of Commerce	17.5%	19.8%
Royal Bank of Canada	17.4%	19.6%
Bank of Nova Scotia	17.1%	19.2%
Toronto-Dominion Bank	16.5%	18.6%
Bank of Montreal	15.9%	17.9%
National Bank of Canada	15.7%	17.6%

⁽¹⁾ Net asset value of the Fund deducts the liabilities of the Fund excluding its Preferred shares.

⁽²⁾ Excluding 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.

2006 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.

T5 supplementary slips will indicate Capital Gains Dividends in Box 18 and Actual Amount of Eligible Dividends in Box 24. Dividend income is subject to the standard gross-up and federal dividend tax credit rules.

The return of capital component is a non-taxable amount that serves to reduce the adjusted cost base of the Fund units.

The following table outlines the breakdown of the Fund's distributions on Class A shares and Preferred shares in 2006 on a per share basis.

Class A Shares

Record Date	Payment Date	Return of Capital	Total Distribution
Dec. 30, 2005	Jan. 16, 2006	\$ 0.10	\$ 0.10
Jan. 31, 2006	Feb. 14, 2006	0.10	0.10
Feb. 28, 2006	Mar. 14, 2006	0.10	0.10
Mar. 31, 2006	Apr. 17, 2006	0.10	0.10
Apr. 28, 2006	May 12, 2006	0.10	0.10
May 31, 2006	June 14, 2006	0.10	0.10
June 30, 2006	July 17, 2006	0.10	0.10
July 31, 2006	Aug. 15, 2006	0.10	0.10
Aug. 31, 2006	Sep. 15, 2006	0.10	0.10
Sep. 29, 2006	Oct. 16, 2006	0.10	0.10
Oct. 31, 2006	Nov. 14, 2006	0.10	0.10
Nov. 30, 2006	Dec. 14, 2006	0.10	0.10
Total		\$ 1.20	\$ 1.20

Preferred Shares

Record Date	Payment Date	Dividend Income	Total Distribution
Dec. 30, 2005	Jan. 16, 2006	\$ 0.06563	\$ 0.06563
Mar. 31, 2006	Apr. 17, 2006	0.13125	0.13125
June 30, 2006	July 17, 2006	0.13125	0.13125
Sept. 29, 2006	Oct. 16, 2006	0.13125	0.13125
Total		\$ 0.45938	\$ 0.45938

This information is of a general nature only and does not constitute legal or tax advice to any particular investor. Accordingly, investors are advised to consult their own tax advisors with respect to their individual circumstances.

Option Advisor**Highstreet Asset Management Inc.**

Highstreet Asset Management is a quantitatively oriented investment manager with over \$5 billion in assets under management. Highstreet has significant experience in the derivatives and options markets. Highstreet uses its quantitative approach to selectively write covered call and put options from time to time to enhance potential returns.

Forward-Looking Statements

Some of the statements contained herein including, without limitation, financial and business prospects and financial outlooks 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.