

---

**First Asset  
CanBanc Split Corp.**

Interim Financial Statements  
for the period  
January 1, 2009 to June 30, 2009

---

**NOTICE TO READER:**

These interim financial statements and related notes for the six month period ended June 30, 2009 have been prepared by Management of First Asset Investment Management Inc. The external auditors of the Fund have not audited or reviewed these interim financial statements.

**FIRST ASSET CANBANC SPLIT CORP.**  
**STATEMENTS OF NET ASSETS (Unaudited)**

As at	June 30, 2009 \$	December 31, 2008 \$
<b>ASSETS</b>		
Investment portfolio, at fair value	37,839,965	27,740,906
Cash and cash equivalents	–	43,716
Due from broker	249,880	–
Interest receivable	11,562	10,791
Dividends receivable	166,811	172,108
Note receivable <i>[note 3]</i>	1,979,216	2,084,000
Prepaid expenses	13,072	13,779
	<b>40,260,506</b>	<b>30,065,300</b>
<b>LIABILITIES</b>		
Bank overdraft	18,903	–
Accounts payable and accrued liabilities	105,548	54,511
Redemptions payable	14,574	–
Payable for shares purchased	39,130	–
Distributions payable <i>[note 8]</i>	209,131	116,582
Preferred Shares <i>[note 6]</i>	12,869,580	13,200,000
	<b>13,256,866</b>	<b>13,371,093</b>
	<b>27,003,640</b>	<b>16,694,207</b>
<b>CAPITAL SHAREHOLDERS' EQUITY</b>		
Class A Shares <i>[note 6]</i>	19,331,084	19,800,000
Class J Shares <i>[note 6]</i>	100	100
Share issue costs <i>[note 6]</i>	(59,637)	–
Retained earnings (deficit)	7,732,093	(3,105,893)
	<b>27,003,640</b>	<b>16,694,207</b>
<b>Number of units outstanding <i>[note 6]</i></b>	<b>1,281,758</b>	<b>1,320,000</b>
<b>Net Asset per Class A Share</b>	<b>\$21.11</b>	<b>\$12.65</b>
<b>Redemption value per Preferred Share <i>[note 6]</i></b>	<b>\$10.00</b>	<b>\$10.00</b>
<b>Net Assets per unit</b>	<b>\$31.11</b>	<b>\$22.65</b>

*See accompanying notes*

**FIRST ASSET CANBANC SPLIT CORP.**  
**STATEMENT OF INVESTMENT OPERATIONS**  
**AND RETAINED EARNINGS (Unaudited)**

For six months ended June 30	2009 \$
<b>INVESTMENT INCOME</b>	
Dividends	929,462
Interest	26,827
	<b>956,289</b>
<b>EXPENSES</b>	
Management fees <i>[note 7]</i>	240,459
Securityholder reporting costs	44,192
Custodial fees	22,424
Goods and Services Tax	16,984
Legal fees	15,028
Audit fees	14,876
Independent review committee and directors' fees	10,321
Other administrative expense	4,256
Interest expense	100
	<b>368,640</b>
<b>Net investment income before the undernoted:</b>	<b>587,649</b>
Interest paid on Preferred Shares <i>[note 8]</i>	(420,520)
Net realized gain on sale of investments	90,701
Transaction costs <i>[note 7]</i>	(360)
Loss on redemption of Preferred Shares	(2,785)
Change in unrealized appreciation of investments	10,583,301
<b>Results of investment operations for the period</b>	<b>10,837,986</b>
<b>Results of investment operations per Class A Share</b>	<b>\$ 8.2927</b>
<b>Deficit, beginning of period</b>	<b>(3,105,893)</b>
Results of investment operations for the period	10,837,986
<b>Retained earnings, end of period</b>	<b>7,732,093</b>

*See accompanying notes*

**FIRST ASSET CANBANC SPLIT CORP.**  
**STATEMENT OF CHANGES IN**  
**SHAREHOLDERS' EQUITY (Unaudited)**

---

For six months ended June 30	2009 \$
<b>Shareholders' equity, beginning of period</b>	<b>16,694,207</b>
<b>Operations</b>	
Increase in net assets from investment operations	10,837,986
<b>Shareholder transactions</b>	
Agents' fees and expenses of issue [note 3]	(73,201)
Issue of Note receivable [note 3]	73,201
Purchase of Class A Shares for cancellation [note 6]	(427,140)
Redemption of Class A Shares [note 6]	(41,776)
Reduction of Note receivable [note 3]	(59,637)
	(528,553)
<b>Net increase in shareholders' equity</b>	<b>10,309,433</b>
<b>Shareholders' equity, end of period</b>	<b>27,003,640</b>

See accompanying notes

**FIRST ASSET CANBANC SPLIT CORP.**  
**STATEMENT OF CASH FLOWS (Unaudited)**

---

<b>For six months ended June 30</b>	<b>2009</b>
	<b>\$</b>
<b>OPERATING ACTIVITIES</b>	
Net investment income	587,649
Adjustments to Reconcile Cash Flows from Operating Activities	
Proceeds from sale of investment portfolio	574,943
Transaction costs	(360)
Due from broker	(249,880)
Change in other assets and liabilities	(172,603)
<b>Cash flows from operating activities</b>	<b>739,749</b>
<b>FINANCING ACTIVITIES</b>	
Agents' fees and expenses of issue	(53,951)
Redemption and purchase for cancellation of Preferred Shares	(330,420)
Redemption and purchase for cancellation of Class A Shares	(417,997)
<b>Cash flows used in financing activities</b>	<b>(802,368)</b>
<b>Net decrease in cash and cash equivalents during the period</b>	<b>(62,619)</b>
Cash and cash equivalents, beginning of period	43,716
<b>Bank overdraft, end of period</b>	<b>(18,903)</b>

*See accompanying notes*

FIRST ASSET CANBANC SPLIT CORP.  
**SCHEDULE OF INVESTMENTS** (Unaudited)

---

As at June 30, 2009

Number of shares	Description	Average cost \$	Fair value \$	% of Portfolio
<b>EQUITIES</b>				
<b>Canadian Dollar</b>				
133,910	Bank of Montreal	5,010,859	6,564,268	
105,358	Canadian Imperial Bank of Commerce	4,989,964	6,126,568	
118,484	National Bank of Canada	4,879,723	6,368,515	
126,073	Royal Bank of Canada	5,149,824	5,987,207	
145,744	The Bank of Nova Scotia	5,091,104	6,328,204	
107,592	The Toronto-Dominion Bank	5,149,339	6,465,203	
<b>Total Equities</b>		30,270,813	37,839,965	100.00%
<b>Total Investments</b>		<b>30,270,813</b>	<b>37,839,965</b>	<b>100.00%</b>

*See accompanying notes*

**FIRST ASSET CANBANC SPLIT CORP.**  
**NOTES TO FINANCIAL STATEMENTS (Unaudited)**

---

June 30, 2009

**1. INCORPORATION**

First Asset CanBanc Split Corp. (the "Fund"), incorporated under the laws of Ontario on September 5, 2008, is a mutual fund corporation whose investment portfolio consists of common shares of the six largest Canadian Banks (the "Portfolio").

On November 12, 2008, the Fund completed an initial public offering of 1,320,000 Preferred Shares and 1,320,000 Class A Shares for gross proceeds of \$13,200,000 in respect of the Preferred Shares and \$19,800,000 in respect of the Class A Shares.

The Manager of the Fund is First Asset Investment Management Inc. (the "Manager").

**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. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

**Adoption of new accounting standard**

On January 1, 2009, the Fund adopted EIC-173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*, issued by the CICA's Emerging Issues Committee. The abstract requires that an entity's own credit risk and the risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities. The abstract did not affect the Fund's financial position or results of operations.

**Investments**

Investments in publicly traded securities are categorized as held for trading and valued at fair value which means the latest bid price. The difference between bid prices and average cost, as recorded in the accounts, is reported as part of Statement of Investment Operations and Retained Earnings as unrealized appreciation (depreciation) of investments. Average cost is used to determine the gain or loss on investments sold. Investment transactions are recorded on the trade date.

**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. Cash and cash equivalents are categorized as held for trading and therefore are carried at fair value. Short-term investments are valued at cost plus accrued interest, which approximates fair value.

**Income recognition**

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

**Transaction costs**

Transaction costs, such as brokerage commissions incurred in the purchase and sale of securities, are expensed and are recognized in the Statement of Investment Operations and Retained Earnings.

**Results of investment operations per Class A Share**

The results of investment operations per Class A Share in the Statement of Investment Operations and Deficit represent the results of investment operations during the period, divided by the average number of Class A Shares outstanding during the period.

**Net Assets per unit**

The Net Assets per unit is calculated as net assets at fair value divided by the number of units outstanding of the Fund. The Preferred Shares are not treated as liabilities for this purpose. A unit is a notional unit comprising of one Preferred Share and one Class A Share.

### Preferred Shares

The Preferred Shares are carried at redemption value and are presented as liabilities in the Statements of Net Assets.

### Other assets and liabilities

Due from broker, interest receivable and dividends receivable are designated as loans and receivables are recorded at cost or amortized cost. Similarly, accounts payable and accrued liabilities, redemptions payable and distributions payable are designated as other liabilities and recorded at cost or amortized cost. Other assets and liabilities are short-term in nature and amortized cost approximates fair value.

The Note receivable is recorded at amortized cost. The fair value of the Note receivable approximates its carrying value as the amount bears interest from the date of issue at the prime rate of interest.

### 3. NOTE RECEIVABLE

The Manager will reimburse the Fund for the expenses of the initial public offering which amounted to \$2,157,201 and consist of agents' fees and other offering expenses. The obligation is evidenced by a Note which was issued on closing, November 12, 2008. The repayment will be made in quarterly installments equal to one quarter of 1.00% of the Fund's net asset value over a period of seven years beginning on March 31, 2009 and ending on January 15, 2016 (the "Due Date"). The Note will bear interest from the date of issue at the prime rate of interest. The Note will be reduced proportionately if Preferred Shares and Class A Shares are purchased for cancellation by the Fund, redeemed or retracted. If any units remain outstanding on the Due Date, then the balance of the principal amount remaining outstanding on the Due Date, if any, shall be repaid on the Due Date.

### 4. NET ASSET VALUE

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. The Net Asset Value per unit calculated using the close or last traded price at June 30, 2009 was \$31.13 and any difference between the Canadian GAAP Net Assets and Net Asset Value is on account of the use of the last bid price for the valuation of investments for Canadian GAAP.

### 5. MANAGEMENT OF FINANCIAL RISKS

In the normal course of business, the Fund is exposed to various financial risks, including credit risk, liquidity risk and market risk (consisting of interest rate risk, currency risk and other price risk). The Fund's overall risk management program seeks to minimize potentially adverse effects of these risks on the Fund's financial performance by employing professional, experienced portfolio advisers, by monitoring daily the Fund's positions and market events and by diversifying the investment portfolio within the constraints of the investment guidelines. To assist in managing risk, the Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy, investment guidelines and securities regulations.

#### Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

As at June 30, 2009, the Fund has credit risk associated with the repayment of the principal value of the Note receivable and the interest thereon by the Manager. The Fund monitors its credit risk management policies continuously to evaluate their effectiveness and feels that the credit worthiness of the Manager is satisfactory at this time. The Fund is ranked equally among all other creditors of the Manager. The carrying amounts for interest receivable and dividend receivable represent minimal credit risk exposure as they will be settled in the short term.

All transactions executed by the Fund in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

#### **Liquidity risk**

Liquidity risk is the risk that the Fund may not be able to settle or meet its obligation on time or at a reasonable price. As at June 30, 2009, the Fund's investment holdings are considered readily realizable as they are actively traded on public exchanges. As well, the Fund's financial liabilities are short-term in nature and there is sufficient cash, or the ability to raise cash, to settle these amounts as they come due.

#### **Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments.

The Fund holds an interest-bearing Note receivable. As such, the Fund is exposed to the risk that the value of this financial instrument will fluctuate due to changes in the prevailing levels of market interest rates. Since the Note bears interest at the prime rate of interest, there is minimal exposure to interest rate risk.

#### **Currency risk**

Currency risk is the risk that the value of investments which are denominated in a currency other than the functional currency of the Fund will fluctuate due to changes in foreign exchange rates. The Fund invests primarily in Canadian dollar securities, which represents the functional currency of the Fund. As at June 30, 2009, the Fund had no exposure to foreign currencies and consequently did not have any exposure to currency risk.

#### **Other price risk**

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

All investments in securities present a risk of loss of capital. The maximum market price risk resulting from these investments is equivalent to their fair value. The value of the portfolio will be influenced by factors which are not within the control of the Fund including the financial performance of the portfolio issuers, the condition of the equity markets generally and other factors. Market price risk is mitigated through the careful selection of portfolio securities within the limits of the Fund's investment objectives and strategy as well as the daily monitoring of the Fund's investment portfolio by the Manager.

By utilizing a split share structure, holders of the Class A Shares receive leveraged exposure such that any capital appreciation or depreciation of the portfolio securities will be borne by the Class A Shares. Accordingly, any increase or decrease in the value of the portfolio securities will result in a greater proportionate increase or decrease in the Net Assets of the Class A Shares.

As at June 30, 2009, 94.9% of the Fund's net assets were traded on global stock exchanges. The impact on net assets of the Fund due to a 10% change in the S&P/TSX Capped Financial Index (the "benchmark"), using a historical correlation between the return of the Fund's units as compared to the return of the benchmark, as at June 30, 2009, with all other variables held constant, would be an increase or decrease of \$3,655,745 respectively. Regression analysis has been utilized to estimate the historical correlation. The analysis uses daily data points for the current period, from November 12, 2008 to June 30, 2009. The historical correlation may not be representative of the future correlation, and accordingly the impact on net assets could be materially different.

**FIRST ASSET CANBANC SPLIT CORP.**  
**NOTES TO FINANCIAL STATEMENTS (Unaudited) continued**

---

**6. SHARE CAPITAL**

The Fund is authorized to issue an unlimited number of Preferred Shares, Class A Shares and Class J Shares. The Fund issued 100 Class J Shares for a cash consideration of \$100.

A unit represents one Class A Share and one Preferred Share. The issued and outstanding units as at June 30, 2009 consists of 1,281,758 Class A Shares and 1,286,958 Preferred Shares. The Fund will ensure that an equal number of Class A Shares and Preferred Shares continue to be outstanding.

A summary of the Fund's issued and outstanding share capital is as follows:

	<b>Class J Shares</b>	<b>Number of Class A Shares</b>	<b>Class A Shares</b>	<b>Number of Preferred Shares</b>	<b>Preferred Shares</b>
Outstanding on December 31, 2008	\$100	1,320,000	\$19,800,000	1,320,000	\$13,200,000
Purchase of units for cancellation	–	(34,700)	(\$427,140)	(30,300)	(\$303,000)
Redemption of units	–	(3,542)	(\$41,776)	(2,742)	(\$27,420)
Outstanding on June 30, 2009	\$100	1,281,758	\$19,331,084	1,286,958	\$12,869,580

**Preferred Shares**

Holder of Preferred Shares are entitled to receive fixed, cumulative preferential quarterly cash distributions of \$0.1625 per Preferred Share or 6.5% per annum based on the \$10 original issue price of a Preferred Share. Such quarterly distributions are paid on or before the 15th business day in the month following the end of the period in respect of which the distribution is payable.

The Preferred Shares will be redeemed by the Fund on January 15, 2016. The redemption price payable by the Fund for a Preferred Share on that date will be equal to the lesser of (i) \$10.00 plus any accrued and unpaid distributions thereon, and (ii) the Net Asset Value of the Fund on that date divided by the total number of Preferred Shares then outstanding. Preferred Shares may be surrendered at any time for retraction by the Fund and will be retracted on a monthly basis on the second last Business Day of each month.

Preferred Shares rank in priority to the Class A Shares and Class J Shares with respect to the payment of distributions and the repayment of capital on the dissolution, liquidation or winding-up of the Fund.

**Class A Shares**

The Class A Shares will be redeemed by the Fund on January 15, 2016. The redemption price payable by the Fund for a Class A Share on that date will be equal to the greater of (i) the Net Asset Value per unit on that date minus the sum of \$10.00 plus any accrued and unpaid distributions per share on the Preferred shares then outstanding, and (ii) nil. The Class A Shares may be surrendered at any time for retraction by the Fund and will be retracted only on the monthly basis on the second last business day of each month.

**Class J Shares**

The holders of Class J Shares are not entitled to receive dividends. The holders of the Class J shares will be entitled to one vote per share. The Class J Shares are redeemable and retractable at a price of \$1.00 per share.

**7. EXPENSES OF THE FUND**

The Manager is entitled to an annual fee of 1.50% based on the Net Asset Value of the Fund. This fee is calculated daily and payable monthly in arrears.

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

**FIRST ASSET CANBANC SPLIT CORP.**

**NOTES TO FINANCIAL STATEMENTS (Unaudited) continued**

---

Total commissions and other transaction costs paid to dealers by the Fund for its portfolio transactions during the period amounted to \$360. In addition to covering brokerage services on security transactions, commissions paid to dealers may also cover research services provided to the Manager. The value of research services included in commissions paid to dealers during the period is \$537.

**8. DISTRIBUTIONS**

An objective of the Fund is to provide fixed, cumulative preferential quarterly cash distributions of \$0.1625 per share to holders of Preferred Shares, as and when declared, to yield 6.5% per annum on the original issue price of the Preferred Shares.

In the event that the Fund realizes capital gains, the Fund may, at its option, pay a special year-end capital gains dividend to holders of Class A Shares in the form of Class A Shares and/or cash. Initially, the Fund does not anticipate paying ordinary dividends in respect of Class A Shares but it may do so in the discretion of the board of directors of the Fund.

The Fund will not pay cash distributions on the Class A Shares if after payment of the distribution the Net Asset Value per unit would be less than \$23.50.

**9. INCOME TAXES**

The Fund 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 Fund are redeemed or capital gains dividends are paid by the Fund to its shareholders.

The Fund 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 Fund upon the payment of taxable dividends to its shareholders at the rate of \$1 of tax for every \$3 of dividends paid.

**10. NET REALIZED GAIN ON SALE OF INVESTMENTS**

The net realized gain on sale of investments for the period ended June 30, 2009 is summarized as follows:

	2009 \$
<b>Proceeds on sale of investments</b>	<b>574,943</b>
<b>Less cost of investments sold</b>	
Investments, beginning of period	30,755,055
Investments purchased during the period	-
Investments, end of period	(30,270,813)
<b>Cost of investments sold</b>	<b>484,242</b>
<b>Net realized gain on sale of investments</b>	<b>90,701</b>

**11. TAX LOSS CARRYFORWARD**

As at June 30, 2009, the Fund had capital loss carryforwards for income tax purposes which may be carried forward indefinitely to be applied against future capital gains. The non-capital losses may be utilized to reduce taxable income of future years and expire in the year indicated.

Capital Losses	Non-Capital Losses	Expiration of Non-Capital Losses 2028
\$21,220	\$103,563	\$103,563

**12. CAPITAL MANAGEMENT**

The Fund considers its capital to consist of Class A, Class J and Preferred Shares.

The Fund's objectives in managing its capital with respect to the Preferred Shares are to provide Preferred Shareholders with fixed cumulative preferential quarterly cash distributions in the amount of \$0.1625 per Preferred Share (\$0.65 per annum representing an annual yield of 6.5% based on the original \$10 issue price of a Preferred Share) and to return the original issue price to Preferred Shareholders at the time of redemption of such shares on or about January 15, 2016.

The Fund's objectives in managing its capital with respect to the Class A Shares are to provide Class A Shareholders with the opportunity to participate in the performance of the Fund's portfolio on a leveraged basis and to benefit from any increase in the dividends from the securities in the Fund's portfolio.

The Fund manages its capital in accordance with its investment objectives and strategies and the risk management practices outlined in Note 5 while maintaining sufficient liquidity to meet distributions and redemptions. In order to manage its capital structure, the Fund may adjust the amount of distributions paid to securityholders.