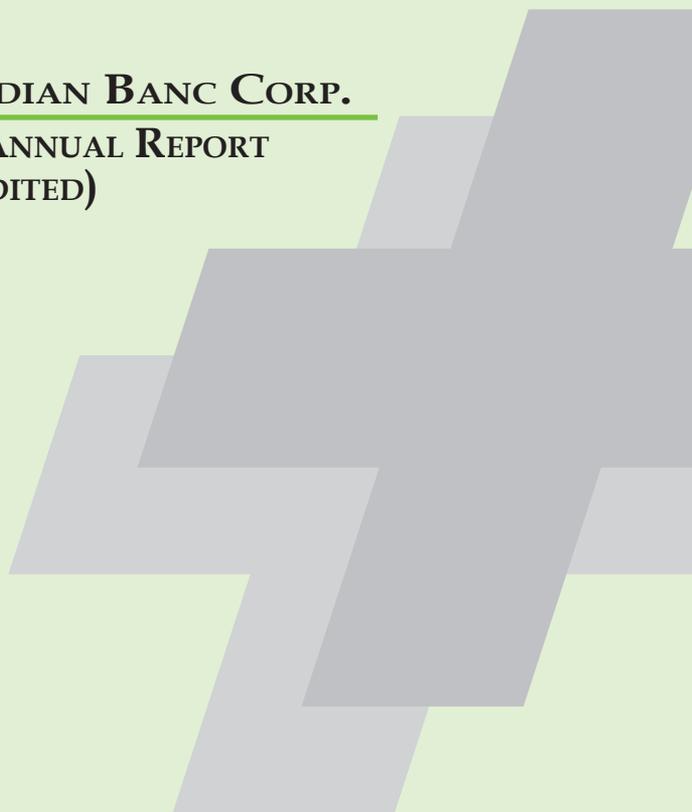


2021

CANADIAN BANC CORP.

SEMI-ANNUAL REPORT  
(UNAUDITED)



This report may contain forward-looking statements about the Company. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates” or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Company action, is also forward-looking. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Company. Any number of important factors could contribute to any divergence between what is anticipated and what actually occurs, including, but not limited to, general economic, political and market factors, interest and foreign exchange rates, global equity and capital markets, business competition, technology change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

The above-mentioned list of important factors is not exhaustive. You should consider these and other factors carefully before making any investment decisions and you should avoid placing undue reliance on forward-looking statements. While the Company currently anticipates that subsequent events and developments may cause the Company’s views to change, the Company does not undertake to update any forward-looking statements.

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**CANADIAN BANC CORP.**  
**SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE**

**MAY 31, 2021**

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This is the semi-annual Management Report of Fund Performance (MRFP) for the period ended May 31, 2021. This MRFP contains financial highlights but does not contain the complete financial statements of the Company. The semi-annual financial statements and accompanying notes are attached to this report.

Investors may also obtain a copy of the Company's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure by visiting our website at [www.canadianbanc.com](http://www.canadianbanc.com) or by writing to the Company at Investor Relations, 200 Front Street West, Suite 2510, Toronto, Ontario M5V 3K2.

These reports are available to view and download at [www.canadianbanc.com](http://www.canadianbanc.com) or [www.sedar.com](http://www.sedar.com).

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## **INVESTMENT OBJECTIVES AND STRATEGIES**

### **Investment objectives**

Canadian Banc Corp. invests primarily in a portfolio of common shares which will include each of the following Canadian chartered banks:

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

The Company may also invest up to 20% of the net asset value in equity securities of Canadian or foreign financial services corporations other than the core holdings listed above. In order to supplement the dividends received on the portfolio and to reduce risk, the Company will from time to time write covered call options in respect of some or all of the common shares in the portfolio.

The Company offers two types of shares:

### **Preferred shares**

The investment objectives with respect to the Preferred shares are as follows:

1. Preferred shareholders are entitled to receive a cumulative preferential floating rate monthly dividend at an annual rate equivalent to the prevailing Canadian prime rate plus 1.5%, with a minimum annual rate of 5% and a maximum annual rate of 8% based on the \$10 repayment value; and
2. On or about the termination date of December 1, 2023 (subject to further 5 year extensions thereafter) to pay holders the \$10 repayment value of those shares.

## **Class A shares**

The investment objectives with respect to the Class A shares are as follows:

1. To provide holders with monthly cash distributions targeted to be at a rate of 10% annualized based on the volume weighted average market price of the Class A shares for the last 3 trading days of the preceding month. The net asset value per unit must remain above the required \$15 per unit threshold for monthly distributions to be declared; and
2. On the termination date to pay holders the original issue price (\$15) of those shares.

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## **RISK**

The risks of investing in the Company remain as discussed in the Annual Information Form dated February 23, 2021. In addition, note 5 of the financial statements (“Management of Risk of Financial Instruments”) contains disclosure on specific types of risks related to the financial investments held by the Company.

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## **RESULTS OF OPERATIONS**

North American equity markets continued to advance during the period ended May 31, 2021, driven by multiple catalysts including the implementation of mass vaccination campaigns, record fiscal and monetary stimulus programs and progress in the opening of the economies, especially in the United States.

The acceleration of the mass vaccination programs during the period in the U.S. and followed by Canada resulted in lower COVID-19 infection rates, allowing market participants to anticipate a broader economic recovery and a return to a more normalized living and economic environment sooner than previously expected. Both the Canadian and U.S. governments continued to support this recovery through record actual and planned spending, including support payments to large parts of the population and businesses, particularly in the U.S. where a record \$1.9 trillion infrastructure program was proposed. The Bank of Canada and the U.S. Federal Reserve remained committed to a very accommodative monetary policy signaling that they were prepared to keep interest rates at or near historic low rates until at least well through 2022. The consumer price index in both the Canada and the U.S. experienced a sharp year over year increase near the end of the period which the Bank of Canada and the U.S. Federal Reserve characterized as transitory. The increase in inflation triggered an increase in longer term interest rates and a steeper interest rate yield curve which improved the outlook for net interest margins for the Canadian and U.S. banks held in the portfolio. In addition, commodity price increases during the period, including a sharp rise in the price of oil, provided a very favourable backdrop for the Canadian equity markets. As a result of these catalysts, the companies held in the portfolio appreciated significantly during the period.

The net assets per unit (consisting of one Preferred share and one Class A share) finished at \$23.10 as at May 31, 2021, after the payment of \$0.74 in combined distributions to both classes of shares at the targeted rates. A combined total of \$25.03 has been paid in distributions since inception.

The Company announced on May 25, 2021 that the TSX accepted its notice of intention to make a Normal Course Issuer Bid (the “NCIB”) to purchase its Preferred shares and Class A shares through the facilities of the TSX and/or alternative Canadian trading systems. The NCIB commenced on May 27, 2021 and will terminate on terminate on May 26, 2022. Pursuant to the NCIB, the Company proposes to purchase, from time to time, if it is considered advisable, up to 1,065,691 Preferred Shares and 1,058,202 Class A Shares of the Company, representing 10% of the public float of the Preferred shares and Class A shares. The Company will not purchase, in any given 30-day period, in the aggregate, more than 213,589 Preferred shares or more than 213,589 Class A shares, being 2% of the issued and outstanding Preferred shares and Class A shares as of May 14, 2021.

The previous NCIB which commenced on May 13, 2020 terminated on May 12, 2021.

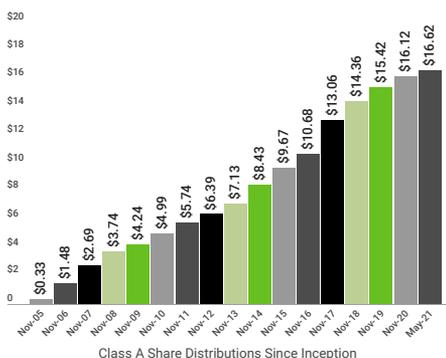
There were no Preferred shares nor Class A shares purchased for cancellation during the period ended May 31, 2021.

Net assets of the Company finished the period at \$246.7 million.

The covered call writing program continued to provide additional income and supplemented the dividend income earned in the portfolio.

### Class A shares – Distributions

Class A shareholders receive monthly cash distributions targeted to be at a rate of 10% annualized based on the volume weighted average market price of the Class A shares for the last 3 trading days of the preceding month. The net asset value per unit must remain above the required \$15 per unit threshold for monthly distributions to be paid. Total monthly cash distributions per Class A share during the period amounted to \$0.4942.

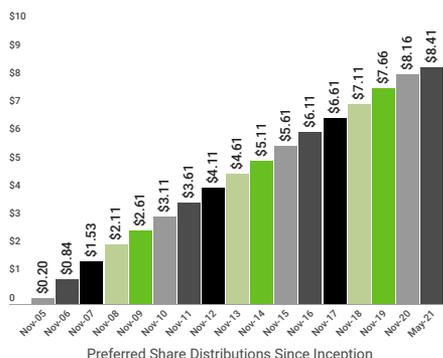


 **\$16.62**  
Cumulative total of distributions paid to Class A share since inception

 **1.12**  
Special distributions paid since inception

### Preferred shares – Distributions

Preferred shareholders are entitled to receive a cumulative preferential floating rate monthly dividend at an annual rate equivalent to the prevailing Canadian prime rate plus 1.5%, with a minimum annual rate of 5% and a maximum annual rate of 8% based on the \$10 repayment value. Total distributions during the period amounted to \$0.250 per Preferred share.



 **\$8.41**  
Cumulative total of distributions paid to Preferred share since inception

## RECENT DEVELOPMENTS

Financial markets and equity markets in particular have experienced significant volatility in response to the COVID-19 pandemic. The investment portfolio of the Company has been subject to these market fluctuations and may continue to experience significant volatility as the situation evolves.

On July 7, 2021, the Company commenced an at-the-market equity program (the “ATM Program”) which allows the Company to issue shares to the public from time to time, at the Company’s discretion. Any Class A shares or Preferred shares sold in the ATM Program will be sold through the TSX or any other marketplace in Canada on which the Class A shares and Preferred shares are listed, quoted or otherwise traded at the prevailing market price at the time of sale.

## RELATED PARTY TRANSACTIONS

Quadravest Capital Management Inc. (“Quadravest”) as investment manager and Manager earns fees from the Company as described below in the Management Fees section.

## FINANCIAL HIGHLIGHTS

The following tables show selected financial information about the Company and are intended to help you understand the Company's financial performance for the past five years. This information is derived from the Company's semi-annual financial statements and previous audited annual financial statements. The information in the following table 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 assets per unit.

### The Company's net assets per unit

	May 31, 2021	Years ended November 30				
		2020	2019	2018	2017	2016
Net assets per unit, beginning of period <sup>(1)</sup>	19.01	21.36	21.02	23.28	22.78	20.89
Increase (decrease) from operations						
Total revenue	0.41	0.84	0.83	0.82	0.82	0.88
Total expenses	(0.16)	(0.24)	(0.29)	(0.32)	(0.34)	(0.30)
Realized gains for the period	(0.37)	(0.32)	0.44	0.31	1.27	0.55
Unrealized gains (losses) for the period	<u>4.94</u>	<u>(1.52)</u>	<u>0.96</u>	<u>(1.30)</u>	<u>1.58</u>	<u>2.24</u>
Total increase (decrease) from operations <sup>(2)</sup>	<u>4.82</u>	<u>(1.24)</u>	<u>1.94</u>	<u>(0.49)</u>	<u>3.33</u>	<u>3.37</u>
Distributions <sup>(3)</sup>						
Canadian dividends	(0.74)	(1.21)	(1.15)	(1.47)	(1.54)	(0.94)
Capital gains dividends	-	-	(0.45)	(0.33)	(1.34)	(0.57)
Total annual distributions	<u>(0.74)</u>	<u>(1.21)</u>	<u>(1.60)</u>	<u>(1.80)</u>	<u>(2.88)</u>	<u>(1.51)</u>
Net assets per unit at end of period	23.10	19.01	21.36	21.02	23.28	22.78
Net assets per Preferred share	10.00	10.00	10.00	10.00	10.00	10.00
Net assets per Class A share	<u>13.10</u>	<u>9.01</u>	<u>11.36</u>	<u>11.02</u>	<u>13.28</u>	<u>12.78</u>
Net assets per unit at end of period	23.10	19.01	21.36	21.02	23.28	22.78

(1) Net assets per unit is the difference between the aggregate amount of the Company's assets and the aggregate amount of its liabilities, excluding Preferred shares and net assets attributable to holders of redeemable Class A shares, at the valuation date, divided by the number of units then outstanding.

(2) Total increase (decrease) from operations is before the payment of Preferred and Class A share distributions and is calculated based on the weighted average number of units outstanding during the period.

(3) Distributions are to Preferred shares and Class A shares are based on the number of Preferred shares and Class A shares outstanding on the record date for each distribution in the period and were paid in cash. Characterization of distributions is based on the tax treatment that is received by investors.

## RATIOS AND SUPPLEMENTAL DATA (BASED ON NET ASSET VALUE)

	May 31, 2021	2020	Years ended November 30			
		2020	2019	2018	2017	2016
Net asset value (millions) <sup>(1)</sup>	\$246.7	\$203.1	\$237.0	\$235.0	\$192.4	\$179.4
Number of units outstanding	10,679,482	10,679,482	11,092,282	11,180,657	8,265,657	7,872,055
Base Management expense ratio <sup>(2)</sup>	1.40%	1.28%	1.35%	1.39%	1.48%	1.41%
Management expense ratio including one time secondary offering expenses <sup>(3)</sup>	1.40%	1.28%	1.35%	2.64%	1.48%	1.41%
Management expense ratio per Class A share <sup>(4)</sup>	7.19%	9.42%	7.70%	8.83%	6.65%	7.21%
Portfolio turnover rate <sup>(5)</sup>	3.38%	14.5%	2.5%	11.8%	18.8%	5.9%
Trading expense ratio <sup>(6)</sup>	0.08%	0.06%	0.02%	0.03%	0.03%	0.02%
Closing market price (TSX): Preferred shares	\$10.87	\$10.31	\$10.67	\$10.12	\$10.25	\$10.50
Closing market price (TSX): Class A shares	\$12.15	\$8.67	\$10.59	\$10.99	\$13.60	\$12.00

(1) This information is provided as at May 31 or November 30.

(2) A separate base management expense ratio has been presented to reflect the normal operating expenses of the Company excluding any one time offering expenses. Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of average net asset value during the period.

(3) Share issue expenses, representing all agents' fees and other offering expenses are one time initial expenses connected with the launch of the Company or any subsequent secondary offering. Any expenses incurred with secondary offerings were offset by the accretion to net asset value per unit of such offerings.

(4) Management expense ratio for Class A shares is based on the requirements of NI 81-106. This instrument requires that all split share companies produce an expense ratio which allocates all operating expenses of the Company, all distributions on Preferred shares and all issuance costs to the Class A shares and expresses this as an annualized percentage of net assets applicable only to the Class A shares during the period. The management expense ratio per Class A share should not be interpreted as the required return necessary for the Company or the Class A shares to cover the operating expenses of the Company. This calculation is based only on a portion of the Company's assets whereas the Company utilizes its entire assets to generate investment returns. Management believes that the base management expense ratio per unit disclosed in the table above is the most representative ratio in assessing the ongoing efficiency of the administration of the Company, making comparisons to the expense ratios of single unit mutual funds or determining the minimum investment returns necessary by the Company to achieve growth in net asset value per unit.

(5) The Company's portfolio turnover rate indicates how actively Quadrainvest manages the portfolio investments. A portfolio turnover rate of 100% is equivalent to the Company buying and selling all of the securities in its portfolio once in the course of the period. The Company employs a covered call writing strategy which can cause the portfolio turnover rate to be higher than conventional mutual funds. The higher the Company's portfolio turnover rate in a period, the greater the trading costs payable by the Company in the period and the greater chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of the Company.

(6) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of average net asset value during the period.

## MANAGEMENT FEES

Pursuant to the terms of the investment management agreement, Quadrainvest is entitled to a base management fee payable in arrears at an annual rate equal to 0.65% of the net asset value of the Company, which includes the outstanding Preferred shares, calculated as at each month end valuation date. In addition, Quadrainvest is entitled to receive a performance fee subject to the achievement of certain pre-established total return thresholds.

Pursuant to the management agreement, Quadrainvest is entitled to an administration fee payable monthly in arrears at an annual rate equal to 0.20% of the net asset value of the Company, which includes the outstanding Preferred shares, calculated as at each month-end valuation date and an amount equal to the service fee payable to dealers on the Class A shares at a rate of 0.50% per annum. No service fee will be paid in any calendar quarter if regular dividends are not paid to holders of Class A shares in respect of each month in such calendar quarter.

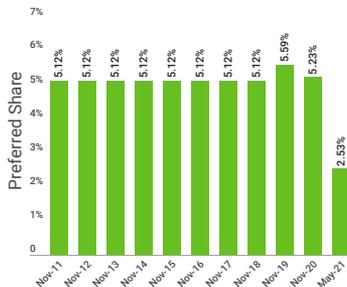
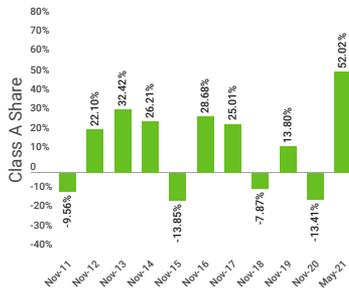
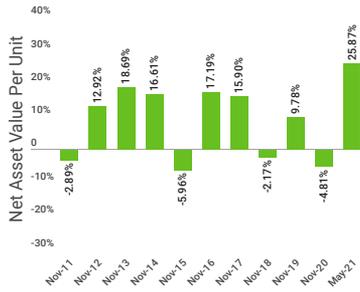
The base management fee was used by Quadrainvest to provide investment analysis, make investment decisions, and make brokerage arrangements for the purchase and sale of securities including the covered call writing program. The administration fee was used to provide or arrange administrative services required by the Company which includes all operational services, financial accounting, shareholder reporting and regulatory reporting.

## PAST PERFORMANCE

### Year-by-Year Returns

The past performance of 1) the net asset value per unit; 2) the Preferred share on a net asset value basis; and 3) the Class A share on a net asset value basis for each of the last 10 years are presented in the bar charts below. Each bar in the chart reflects the change in percentage terms of how a unit, a Preferred share or a Class A share would have increased or decreased during the applicable year. In respect to the charts displayed below, please note the following:

- The performance information shown assumes that all cash distributions made by the Company during the years shown were reinvested in the applicable additional securities of the Company;
- The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance; and
- Past performance of the Company does not necessarily indicate how it will perform in the future.



<sup>(1)</sup> The returns per unit and per Class A share for the year ended November 30, 2012 reflect the subdivision of Class A shares on January 17, 2012.

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## SUMMARY OF INVESTMENT PORTFOLIO

All holdings as at May 31, 2021

Name	Weighting (%)
National Bank of Canada	16.8
Royal Bank of Canada	16.8
Toronto-Dominion Bank	16.3
Bank of Montreal	15.9
Bank of Nova Scotia	14.2
Canadian Imperial Bank of Commerce	13.1
Morgan Stanley	3.0
Goldman Sachs Group Inc.	1.5
J.P. Morgan Chase & Co.	1.5
Bank of America	0.7
<b>Total long positions as a percentage of net assets</b>	<b>99.8</b>
Cash	1.4
Other net assets (liabilities)	-1.2
	100.0

The summary of investment portfolio may change due to ongoing portfolio transactions of the Company. Updates are available quarterly.

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**CANADIAN BANC CORP.**

**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The interim financial statements of Canadian Banc Corp. (the "Company") have been prepared by Quadravest Capital Management Inc. (the "Manager" of the Company) and approved by the Board of Directors of the Company. The Manager is responsible for the information and representations contained in these interim financial statements and the other sections of the semi-annual report.

The Manager maintains appropriate procedures to ensure that relevant and reliable financial information is produced. The interim financial statements have been prepared in accordance with International Financial Reporting Standards, as applicable to the preparation of interim financial statements including International Accounting Standard 34, and may include certain amounts that are based on estimates and judgments. The significant accounting policies applicable to the Company are described in note 3 to the financial statements.

The Board of Directors of the Company is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these interim financial statements.



**WAYNE FINCH**

Chief Executive Officer, President and Director  
Quadravest Capital Management Inc.



**SILVIA GOMES**

Chief Financial Officer  
Quadravest Capital Management Inc.

**CANADIAN BANC CORP.**  
**STATEMENTS OF FINANCIAL POSITION**  
As at May 31, 2021 and November 30, 2020 (UNAUDITED)

	May 31, 2021 (\$)	November 30, 2020 (\$)
<b>ASSETS</b>		
Current Assets		
Investments	246,032,310	200,433,984
Cash	3,426,210	5,774,768
Interest, dividends and other receivables	19,921	5,115
<b>Total Assets</b>	<b><u>249,478,441</u></b>	<b><u>206,213,867</u></b>
<b>LIABILITIES</b>		
Current Liabilities		
Written options	989,553	1,820,941
Fees and other accounts payable	364,647	285,043
Distributions payable	1,450,701	1,046,589
Preferred shares (note 6)	106,794,820	106,794,820
Class B shares	1,000	1,000
	<b><u>109,600,721</u></b>	<b><u>109,948,393</u></b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE CLASS A SHARES</b>		
	<b>139,877,720</b>	<b>96,265,474</b>
Number of redeemable units (1 Preferred share and 1 Class A share) outstanding (note 6)	10,679,482	10,679,482
Net assets per unit	\$23.10	\$19.01
Net assets per Preferred share	\$10.00	\$10.00
Net assets per Class A share	\$13.10	\$9.01

Approved on behalf of the Board of Directors



**WAYNE FINCH**  
Director



**PETER CRUICKSHANK**  
Director

The accompanying notes are an integral part of these financial statements.

**CANADIAN BANC CORP.**  
**STATEMENTS OF COMPREHENSIVE INCOME / (LOSS)**

FOR THE SIX MONTH PERIODS ENDED MAY 31 (UNAUDITED)

	2021 (\$)	2020 (\$)
<b>INCOME</b>		
<b>Net gain (loss) on investments and derivatives (note 5)</b>		
Net realized gain (loss)	(3,843,130)	1,012,679
Net change in unrealized appreciation/depreciation	52,930,973	(52,718,342)
Dividends	4,341,296	4,724,314
Interest for distribution purposes	-	27,047
<b>Net gain (loss) on investments and derivatives</b>	<b>53,429,139</b>	<b>(46,954,302)</b>
<b>Other gain (loss)</b>		
Realized gain (loss) on currency	(57,096)	(16,230)
Change in unrealized gain (loss) in the value of currency	(124,585)	2,359
	<b>53,247,458</b>	<b>(46,968,173)</b>
<b>EXPENSES (note 7)</b>		
Management fees	961,347	863,825
Service fee	318,803	41,650
Audit fees	13,698	14,493
Directors' fees	11,792	11,792
Independent Review Committee fees	1,154	1,154
Custodial fees	30,265	24,359
Legal fees	18,497	33,432
Shareholder reporting costs	16,121	12,627
Other operating expenses	47,184	54,556
Harmonized sales tax	157,514	114,369
Transaction Costs	85,353	49,851
Withholding taxes	25,173	31,614
	<b>1,686,901</b>	<b>1,253,722</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable Class A shares before distributions on Preferred shares</b>		
	<b>51,560,557</b>	<b>(48,221,895)</b>
Distributions on Preferred shares	(2,670,084)	(2,898,081)
<b>Increase (decrease) in net assets attributable to holders of redeemable Class A shares</b>	<b>48,890,473</b>	<b>(51,119,976)</b>
<b>Increase (decrease) in net assets attributable to holders per redeemable Class A share (note 8)</b>		
	<b>4.58</b>	<b>(4.61)</b>

The accompanying notes are an integral part of these financial statements.

**CANADIAN BANC CORP.**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
**ATTRIBUTABLE TO HOLDERS OF REDEEMABLE CLASS A SHARES**  
**FOR THE SIX MONTH PERIODS ENDED MAY 31 (UNAUDITED)**

	2021 (\$)	2020 (\$)
<b>Net Assets attributable to holders of redeemable Class A shares - Beginning of period</b>	<b>96,265,474</b>	<b>126,050,788</b>
Increase (decrease) in net assets attributable to holders of redeemable Class A shares	48,890,473	(51,119,976)
<b>Distributions on Class A shares</b>		
Canadian dividends	(5,278,227)	(2,327,852)
Capital gains dividends	-	(1,736,582)
	<u>(5,278,227)</u>	<u>(4,064,434)</u>
<b>Change in net assets attributable to holders of redeemable Class A shares</b>	<b><u>43,612,246</u></b>	<b><u>(55,184,410)</u></b>
<b>Net Assets attributable to holders of redeemable Class A shares - End of period</b>	<b><u>139,877,720</u></b>	<b><u>70,866,378</u></b>

The accompanying notes are an integral part of these financial statements.

**CANADIAN BANC CORP.**  
**STATEMENTS OF CASH FLOW**

FOR THE SIX MONTH PERIODS ENDED **MAY 31** (UNAUDITED)

	2021 (\$)	2020 (\$)
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable Class A shares	48,890,473	(51,119,976)
Adjustment for:		
Distributions on Preferred shares	2,670,084	2,898,081
Unrealized (gain) loss in the value of currency	124,585	(2,359)
Net realized (gain) loss on investments and derivatives	3,843,130	(1,012,679)
Net change in unrealized appreciation/depreciation of investments and derivatives	(52,930,973)	52,718,342
Purchase of investments, net of option premiums	(7,371,615)	(2,046,608)
Proceeds from sale of investments	10,029,744	1,016,438
(Increase) decrease in interest, dividends and other receivables	(14,806)	(13,797)
Increase (decrease) in fees and other accounts payable	79,604	(174,136)
Cash flows from (used in) operating activities	<u>5,320,226</u>	<u>2,263,306</u>
<b>Cash flows from (used in) financing activities</b>		
Distributions paid on Class A shares	(4,874,115)	(4,399,975)
Distributions paid on Preferred shares	(2,670,084)	(2,939,677)
Cash flows from (used in) financing activities	<u>(7,544,199)</u>	<u>(7,339,652)</u>
Unrealized gain (loss) in the value of currency	<u>(124,585)</u>	<u>2,359</u>
Net increase (decrease) in cash	(2,348,558)	(5,073,987)
Cash at beginning of the period	5,774,768	17,527,907
<b>Cash at end of the period</b>	<b><u>3,426,210</u></b>	<b><u>12,453,920</u></b>
Dividends received, net of withholding taxes*	4,301,317	4,678,903
Interest received*	-	27,047

\* Included as part of Cash Flows from Operating Activities.

The accompanying notes are an integral part of these financial statements.

**CANADIAN BANC CORP.**  
**SCHEDULE OF PORTFOLIO INVESTMENTS**

AS AT MAY 31, 2021 (UNAUDITED)

No. of shares (contracts)	Description	Average Cost (\$) (Premiums received)	Fair Value (\$)
<b>6 Core Holdings</b>			
<b>Canadian Common Equities</b>			
310,400	Bank of Montreal	27,600,770	39,169,376
430,800	Bank of Nova Scotia	29,023,353	34,985,268
229,200	Canadian Imperial Bank of Commerce	22,995,620	32,250,732
435,400	National Bank of Canada	19,653,888	41,367,354
333,878	Royal Bank of Canada	30,318,815	41,470,986
462,300	Toronto-Dominion Bank	24,955,059	40,173,870
<b>Total Canadian Common Equities in Core Holdings (93.6%)</b>		<b>154,547,505</b>	<b>229,417,586</b>
<b>Other U.S. Common Equities</b>			
36,000	Bank of America	1,320,971	1,843,600
8,500	Goldman Sachs Group Inc.	2,618,484	3,820,199
18,200	J.P. Morgan Chase & Co.	2,760,619	3,611,197
66,800	Morgan Stanley	4,242,143	7,339,728
<b>Total Other U.S. Common Equities in Core Holdings (6.8%)</b>		<b>10,942,217</b>	<b>16,614,724</b>
<b>Total Common Equities in Core Holdings (100.4%)</b>		<b>165,489,722</b>	<b>246,032,310</b>
<b>Call Options written (100 shares per contract)</b>			
<b>Canadian call options written</b>			
(1,073)	Bank of Montreal @ \$130 July 2021	(133,525)	(200,115)
(700)	Bank of Nova Scotia @ \$80 June 2021	(54,950)	(117,950)
(230)	Bank of Nova Scotia @ \$82 July 2021	(12,190)	(20,815)
(306)	Canadian Imperial Bank of Commerce @ \$140 July 2021	(31,922)	(86,445)
(275)	National Bank of Canada @ \$96 June 2021	(13,755)	(20,625)
(275)	National Bank of Canada @ \$98 July 2021	(11,605)	(15,675)
(275)	National Bank of Canada @ \$98 June 2021	(6,641)	(6,875)
(660)	Royal Bank of Canada @ \$120 June 2021	(69,960)	(311,850)
(500)	Royal Bank of Canada @ \$128 July 2021	(50,335)	(46,000)
(725)	Toronto-Dominion Bank @ \$86 June 2021	(45,675)	(109,475)
(450)	Toronto-Dominion Bank @ \$90 June 2021	(34,925)	(6,075)
<b>Total Canadian call options written (-0.4%)</b>		<b>(465,483)</b>	<b>(941,900)</b>

The accompanying notes are an integral part of these financial statements.

**CANADIAN BANC CORP.**  
**SCHEDULE OF PORTFOLIO INVESTMENTS (CONTINUED...)**

AS AT MAY 31, 2021 (UNAUDITED)

No. of shares (contracts)	Description	Average Cost (\$) (Premiums received)	Fair Value (\$)
	<b>U.S. call options written (0.0%)</b>		
(45)	Bank of America Corp. @ \$44 July 2021	(4,457)	(4,539)
(10)	Goldman Sachs Group Inc. @ \$380 July 2021	(10,655)	(12,021)
(25)	J.P. Morgan Chase & Co. @ \$170 July 2021	(7,741)	(8,668)
(125)	Morgan Stanley @ \$92 June 2021	(14,548)	(22,425)
	<b>Total U.S. call options written (0.0%)</b>	<u>(37,401)</u>	<u>(47,653)</u>
		<b>164,986,838</b>	<b>245,042,757</b>
	Less adjustments for transaction costs	(57,873)	
	<b>Total Investments (100%)</b>	<u>164,928,965</u>	<u>245,042,757</u>

The accompanying notes are an integral part of these financial statements.

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**CANADIAN BANC CORP.****NOTES TO THE FINANCIAL STATEMENTS**FOR THE SIX MONTH PERIODS ENDED MAY 31, 2021 AND 2020 (UNAUDITED)

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**1. Incorporation**

Canadian Banc Corp. (the “Company”) is a mutual fund corporation established under the laws of the Province of Ontario on May 25, 2005 that began investment operations on July 15, 2005. The manager and the investment manager of the Company is Quadravest Capital Management Inc. (“Quadravest” or “Manager”). The termination date of the Company is December 1, 2023 and may be extended thereafter at the Company’s discretion for additional terms of five years each. Shareholders will be provided with a special retraction right in connection with any such extension. The Company’s principal office is located at 200 Front Street West, Suite 2510, Toronto, Ontario M5V 3K2. The Company invests in an actively managed portfolio of common shares comprised primarily of 6 Canadian chartered banks. The Company employs an active covered call writing program to enhance the income earned from the portfolio.

**2. Basis of presentation**

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”), as applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34, Interim Financial Reporting. These financial statements should be read in conjunction with the annual financial statements for the year ended November 30, 2020, which were prepared in accordance with IFRS.

These financial statements were approved by the Board of Directors of the Company on July 15, 2021.

**3. Summary of significant accounting policies**

The following is a summary of the significant accounting policies followed by the Company.

**Investments and financial instruments**

The Company classifies its investments, including derivatives, based on both the Company’s business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Company is primarily focused on fair value information and uses that information to assess the assets’ performance and to make decisions. The Company has not taken the option to irrevocably designate any equity securities as fair value in other comprehensive income (“FVOCI”). Consequently, all investments, including derivatives are measured at fair value through profit or loss.

The Company’s obligations for net assets attributable to holders of redeemable Class A shares are presented at the annual redemption amount, which approximates their fair value. All other financial assets and liabilities are recognized initially at fair value and subsequently measured at amortized cost, which approximates fair value.

The Company recognizes regular purchases and sales of financial instruments on the trade date, which is the date on which it commits to purchase or sell the instrument. Transaction costs, such as brokerage commissions, related to financial assets and financial liabilities at FVTPL are expensed as incurred and transaction costs related to financial instruments not at FVTPL are included in the carrying amounts thereof. A financial asset is derecognized when the rights to receive cash flows from the investment have expired or have been transferred and when the Company has transferred substantially all the risks and rewards of ownership of the asset. Dividends are recognized as income on the ex-dividend date. Realized gains and losses and unrealized appreciation and depreciation are determined on an average cost basis. The cost of investments is determined using the average cost method.

Written option premiums received by the Company are, so long as the options are outstanding, reflected as a liability, in the Statements of Financial Position and are valued at an amount equal to the current market value of an option that would have the effect of closing the position. Gains or losses realized upon expiration or exercise of the option are included in net realized gain (loss) on investments and derivatives in the Statements of Comprehensive Income/(Loss).

The Preferred shares rank prior to the Class A and Class B shares and are thus not subordinate to all other classes of puttable instruments and therefore, the shares have been classified as financial liabilities. These shares are carried at amortized cost. Amortization of premiums or discounts on the issuance of Preferred shares is included in the Statements of Comprehensive Income/(Loss).

The Class B shares are subordinate to the Preferred shares but rank prior to the Class A shares and are thus not subordinate to all other classes of puttable instruments and therefore, the shares have been classified as financial liabilities. These shares are carried at amortized cost.

The Class A shares may be retracted monthly, annually, or on the termination date of the Company. As a result, the shares contain multiple contractual obligations, and therefore, have been presented as financial liabilities.

The net asset value of the Company is determined in accordance with requirements of law, including National Instrument 81-106, Investment Fund Continuous Disclosure, and is used to process shareholder transactions. For financial reporting purposes, net assets of the Company is determined as the difference between the aggregate amount of the Company's assets and the aggregate amount of its liabilities, excluding Preferred shares and net assets attributable to holders of redeemable Class A shares ("Net Assets of the Company").

### **Valuation of investments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded shares and options) are based on the last traded prices at the close of trading on the reporting date. The Company uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Company's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and others commonly used by market participants and which make the maximum use of observable inputs. Refer to note 5 for further information about the Company's fair value measurements.

### **Cash**

Cash is comprised of demand deposits with a financial institution.

**Translation of foreign currencies**

The Company's functional and presentation currency is Canadian dollars. The fair value of investments and other assets and liabilities in foreign currencies are translated into the Company's functional currency at the rates of exchange prevailing at each measurement date. Purchases and sales of investments, income and expenses are translated at the rates of exchange prevailing on the respective dates of such transactions.

**Management fees, administration fees and performance fees**

Management fees and administration fees are accrued by the Company over time, as services are rendered by QuadraVest. At each measurement date, the Company recognizes an expense and financial liability based on the amount, if any, of performance fees expected to be paid based on the net asset value of the Company. Refer to note 7 for further information about the calculation of management, administration fees and performance fees, if any, of the Company.

**Increase (decrease) in net assets attributable to holders per redeemable Class A share**

Increase (decrease) in net assets attributable to holders per redeemable Class A share is based on the increase or decrease in net assets attributable to holders of redeemable Class A shares divided by the weighted average number of such shares outstanding during the period. Refer to note 8 for the calculation.

**Taxation**

The Company qualifies as a mutual fund corporation under the Income Tax Act (Canada) (the "Tax Act") and it is subject to income tax in each taxation year on the amount of its net income for the taxation year, including net realized taxable capital gains, if any, at the rate applicable to mutual fund corporations. The general income tax rules associated with a public corporation also apply to a mutual fund corporation with the exception that taxes payable on net realized capital gains are refundable on a formula basis when its shares are redeemed or when it pays capital gains dividends out of its capital gains dividend account to its shareholders.

Interest and foreign income are taxed at normal corporate rates applicable to mutual fund corporations and can be reduced by permitted deductions for tax purposes.

All of the Company's expenses including management fees, administration fees and operating expenses will be taken into account in determining its overall tax liability.

As a mutual fund corporation, taxable dividends received from taxable Canadian corporations are subject to a Part IV tax of 38 1/3%. Such taxes are fully refundable upon payment of taxable dividends to its shareholders on a basis of \$1.15 for every \$3 of dividends paid. Any such tax paid is reported as an amount receivable until recovered through the payment to shareholders of dividends out of net investment income. All tax on net taxable realized capital gains is refundable when the gains are distributed to shareholders as capital gains dividends or through redemption of shares at the request of shareholders, while the Company qualifies as a mutual fund corporation. As a result of the capital gains refund mechanism and Part IV tax refunds, the Company recovers any Canadian income taxes paid in respect of its capital gains and taxable Canadian dividends. As a result, the Company has determined that it is in substance not taxable. Consequently, the tax benefit of capital and non-capital losses and other temporary differences have not been reflected in the Statements of Financial Position as deferred income tax assets or liabilities.

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**CANADIAN BANC CORP.****NOTES TO THE FINANCIAL STATEMENTS**FOR THE SIX MONTH PERIODS ENDED **MAY 31, 2021** AND **2020** (UNAUDITED)

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The Company has estimated accumulated non capital losses for tax purposes as at May 31, 2021 of \$20,043,740 (November 30, 2020-\$20,043,740) that are available to lower taxable income in future periods if required and expire after the scheduled termination date of the Company on December 1, 2023. The Company also has estimated accumulated capital losses for tax purposes of \$1,280,570 (November 30, 2020-\$1,280,570) which may be used to lower future capital gains if required and which do not expire.

**4. Critical Accounting Estimates and Judgments**

The preparation of these financial statements include estimates and assumptions by management based on past experiences, present conditions and expectations of future events. Where estimates were made, the reported amounts for assets, liabilities, income and expenses may differ from the amounts that would otherwise be reflected if the ultimate outcome of all uncertainties and future events were known at the time these financial statements were prepared. The Company's most significant estimates involve the measurement of investments and derivatives at fair value as described in note 5.

**5. Management of Risk of Financial Instruments**

The Company classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and lowest priority to unobservable inputs. The three levels of the fair value hierarchy are:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can assess at the measurement date;

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Inputs that are unobservable for the asset or liability.

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at May 31, 2021 and November 30, 2020:

## Financial assets and liabilities at fair value as at May 31, 2021

	Level 1	Level 2	Level 3	Total
Equities	\$246,032,310	-	-	\$246,032,310
Options	<u>(\$989,553)</u>	-	-	<u>(\$989,553)</u>
	<b>\$245,042,757</b>	-	-	<b>\$245,042,757</b>

## Financial assets and liabilities at fair value as at November 30, 2020

	Level 1	Level 2	Level 3	Total
Equities	\$200,433,984	-	-	\$200,433,984
Options	<u>(\$1,820,941)</u>	-	-	<u>(\$1,820,941)</u>
	<b>\$198,613,043</b>	-	-	<b>\$198,613,043</b>

All fair value measurements above are recurring and fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. There were no transfers or reclassifications between levels for the period ended May 31, 2021 or the year ended November 30, 2020.

The Company's investment activities expose it to a variety of financial risks: market risk (including price risk, interest rate risk and currency risk), credit risk and liquidity risk.

Any sensitivity analysis presented below may differ from actual results and the difference could be material.

### **Market Price Risk**

All securities investments present a risk of loss of capital. The 6 core holdings were selected because of their long term history of above average market price appreciation and dividend growth. These portfolio companies were selected from the banking sector of the financial services index of the S&P/TSX 60 index and are among the largest financial services companies in Canada.

The market price risk is affected by three main components: price risk, interest rate risk and foreign currency movements.

#### **Price risk**

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk).

Financial markets and equity markets in particular have experienced significant volatility in response to the COVID-19 pandemic. The investment portfolio of the Company has been subject to these market fluctuations and may continue to experience significant volatility as the situation evolves.

The Company is exposed to other price risk from its investment in equity securities and written options. As at May 31, 2021, had the prices on the respective stock exchanges for these equity securities increased by 10%, with all other variables held constant, Net Assets of the Company would have increased by \$19,943,000 (November 30, 2020-\$15,863,000). Similarly, had the prices on the respective stock exchanges for these equity securities decreased by 10%, with all other variables held constant, Net Assets of the Company would have decreased by \$23,628,000 (November 30, 2020-\$18,323,000).

#### **Interest rate risk**

Interest rate risk is the risk that the fair value of interest bearing financial instruments will fluctuate due to changes in market interest rates. The majority of the Company's financial assets and liabilities are non interest bearing. The Preferred shares have a floating distribution rate policy based on the prevailing Canadian prime rate plus 1.5%, with a minimum annual rate of 5% and a maximum annual rate of 8% based on the \$10 repayment value of the Preferred shares. If the Canadian prime rate increased or decreased by 0.25%, there would be no material impact on the dividends payable to the Preferred shares. As a result, the Company is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates and considers interest rate risk insignificant.

#### **Currency risk**

Currency risk is the risk that financial instruments that are denominated in a currency other than the Canadian dollar, which is the Company's reporting currency, will fluctuate due to changes in exchange rates. Certain portfolio holdings are listed on the New York stock exchange and trade in U.S. dollars. As at May 31, 2021, 7.7% (November 30, 2020-8.0%) of the Net Assets of the Company are invested in U.S. dollar denominated assets which includes U.S. dollar cash held. As a result, the Company's Net Assets will be affected by changes in the U.S. dollar relative to the Canadian dollar. The Company has not entered into currency

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**CANADIAN BANC CORP.****NOTES TO THE FINANCIAL STATEMENTS**FOR THE SIX MONTH PERIODS ENDED **MAY 31, 2021** AND **2020** (UNAUDITED)

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hedging contracts. If the Canadian dollar appreciated/depreciated by 5% against the U.S. dollar, the Net Assets of the Company would decrease/increase by approximately \$947,900 (November 30, 2020-\$809,100).

**Other risks****Credit risk**

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. All of the Company's transactions are in listed securities and options and are settled and paid for using approved brokers. The risk of default is considered minimal as delivery of securities sold is only made once the broker has received payment (consistent with previous period). Payment is made on purchase once the securities have been received by the broker. Credit risk of cash is considered low as it is held at a AA-rated Canadian bank (consistent with prior period).

**Liquidity risk**

Liquidity risk is the risk that the Company may not be able to settle or meet its obligations on time or at a reasonable price. The Company is exposed to liquidity risk primarily through its monthly and annual retractions of Class A shares and Preferred shares. The Company receives adequate notice for all retraction requests. The Company's portfolio is invested in highly liquid large capitalization investments that trade on the Toronto Stock Exchange and the New York Stock Exchange (consistent with previous period). All Class A shares and Preferred shares outstanding are redeemable on a monthly and annual basis but are scheduled to be redeemed upon termination of the Company. All other financial liabilities are payable within three months from the end of the period.

**Concentration risk**

The Company's portfolio is concentrated in the banking sector and as such will be exposed to the specific factors that affect this sector (consistent with previous period). An individual portfolio holding could be as high as 20% of the net asset value of the Company.

**The Company's investment portfolio is concentrated in the following segments as at:**

	May 31, 2021	November 30, 2020
Canadian Common Equities	93.1%	91.1%
U.S. Common Equities	6.7%	7.6%
Canadian Call Options written	-0.4%	-0.9%
U.S. Call Options written	0.0%	0.0%
Other Assets less Liabilities (excluding Preferred shares)	0.6%	2.2%
	<hr/> 100.0%	<hr/> 100.0%

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**CANADIAN BANC CORP.****NOTES TO THE FINANCIAL STATEMENTS**FOR THE SIX MONTH PERIODS ENDED **MAY 31, 2021** AND **2020** (UNAUDITED)

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**6. Redeemable Units****Preferred shares**

The Company is authorized to issue an unlimited number of Preferred shares.

<u>Preferred share transactions</u>	May 31, 2021	May 31, 2020
Beginning of period	10,679,482	11,092,282
Issued during the period	-	-
Redemptions during the period	-	-
End of period	<u>10,679,482</u>	<u>11,092,282</u>

Preferred shareholders are entitled to receive a cumulative preferential floating rate monthly dividend at an annual rate equivalent to the prevailing Canadian prime rate plus 1.5%, with a minimum annual rate of 5% and a maximum annual rate of 8% based on the \$10 repayment value.

All Preferred shares outstanding on the termination date will be redeemed by the Company on that date. The Preferred shares have been presented as liabilities in the financial statements.

Preferred shares trade under the symbol "BK.PR.A" on the TSX. The trading price of Preferred shares on the TSX was \$10.87 as at May 31, 2021 (November 30, 2020-\$10.31). Preferred shares may be surrendered at any time for retraction at specified retraction amounts, but will be retracted only on the last day of each month. Shareholders who concurrently retract a Preferred share and a Class A share (together, a "unit") in the month of July in each year will be entitled to receive an amount equal to the net asset value per unit calculated on the last day of July. Preferred shares retracted in any other month will receive a retraction price based on a discounted specified retraction formula. Under the terms of a recirculation agreement, the Company may, but is not obligated to, require the recirculation agent to use its best efforts to find purchasers for any Preferred shares or Class A shares tendered for retraction.

The Preferred shares rank in priority to the Class A shares and Class B shares with respect to the payment of dividends. Preferred shares rank in priority to the Class A shares upon termination of the Company.

The Company announced on May 25, 2021 that the TSX accepted its notice of intention to make a Normal Course Issuer Bid (the "NCIB") to purchase its Preferred shares and Class A shares through the facilities of the TSX and/or alternative Canadian trading systems. The NCIB commenced on May 27, 2021 and will terminate on terminate on May 26, 2022. Pursuant to the NCIB, the Company proposes to purchase, from time to time, if it is considered advisable, up to 1,065,691 Preferred shares and 1,058,202 Class A shares of the Company, representing 10% of the public float of the Preferred shares and Class A shares. The Company will not purchase, in any given 30-day period, in the aggregate, more than 213,589 Preferred shares or more than 213,589 Class A shares, being 2% of the issued and outstanding Preferred shares and Class A shares as of May 14, 2021.

The previous NCIB which commenced on May 13, 2020 terminated on May 12, 2021.

There were no Preferred shares nor Class A shares purchased for cancellation during the period ended May 31, 2021 or the year ended November 30, 2020.

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**CANADIAN BANC CORP.****NOTES TO THE FINANCIAL STATEMENTS**FOR THE SIX MONTH PERIODS ENDED **MAY 31, 2021** AND **2020** (UNAUDITED)

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**Class A shares and Class B shares**AuthorizedAn unlimited number of Class A shares  
1,000 Class B sharesClass A share transactions

	May 31, 2021	May 31, 2020
Beginning of period	10,679,482	11,092,282
Issued during the period	-	-
Redemptions during the period	-	-
End of period	<u>10,679,482</u>	<u>11,092,282</u>

Class A shares were originally issued at \$15 per share. Class A shareholders receive monthly cash distributions targeted to be at a rate of 10% annualized based on the volume weighted average market price of the Class A shares for the last 3 trading days of the preceding month. The net asset value per unit must remain above the required \$15 per unit threshold for monthly distributions to be declared. All Class A shares outstanding on the termination date will be redeemed by the Company on that date.

Class A shares trade under the symbol "BK" on the TSX. The trading price of Class A shares on the TSX was \$12.15 as at May 31, 2021 (November 30, 2020-\$8.67). Class A shares may be surrendered at any time for retraction at specified retraction amounts, but will be retracted only on the last day of each month. Shareholders who concurrently retract a Class A share and a Preferred share in the month of July in each year will be entitled to receive an amount equal to the net asset value per unit calculated on the last day of July. Class A shares retracted in any other month will receive a retraction price based on a discounted specified retraction formula. Under the terms of a recirculation agreement, the Company may, but is not obligated to, require the recirculation agent to use its best efforts to find purchasers for any Preferred shares or Class A shares tendered for retraction. Gains or losses from the redemption of shares, if any, are recorded in gain (loss) on redemptions on the Statements of Comprehensive Income/(Loss).

The Preferred shares rank in priority to the Class A shares with respect to the payment of dividends. Upon the termination of the Company, Class A shareholders will receive an amount equal to the net asset value per unit less \$10 (the redemption value of the Preferred shares).

The holders of Class B shares are not entitled to receive dividends. The Class B shares are retractable at a price of \$1.00 per share. Class B shareholders are entitled to one vote per share. On July 15, 2005, the Company issued 1,000 Class B shares to Canadian Banc Corp. Holding Trust for cash consideration of \$1,000.

**7. Expenses**

The Company is responsible for all expenses incurred in connection with the operation and administration of the Company, including, but not limited to, ongoing custodian, transfer agent, legal and audit expenses.

Pursuant to the management agreement, Quadravest is entitled to an administration fee payable monthly in arrears at an annual rate of 0.20% of the net asset value of the Company, which includes the outstanding Preferred shares, calculated as at each month-end valuation date and an amount equal to the service fee payable to dealers on the Class A shares at a rate of 0.50% of the net asset value attributable to Class A shares per annum. No service fee will be paid in any calendar quarter if regular dividends are not paid to holders of Class A shares in respect of each month in such calendar quarter.

Pursuant to the terms of the investment management agreement, Quadravest is entitled to a base management fee payable in arrears at an annual rate equal to 0.65% of the net asset value of the

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**CANADIAN BANC CORP.****NOTES TO THE FINANCIAL STATEMENTS**FOR THE SIX MONTH PERIODS ENDED **MAY 31, 2021** AND **2020** (UNAUDITED)

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Company, which includes the outstanding Preferred shares, calculated as at each month-end valuation date. In addition, QuadraVest is entitled to receive a performance fee subject to the achievement of certain pre-established total return thresholds.

Total management fees of \$961,347 (May 31, 2020-\$863,825), incurred during the period, include the administration fee and base management fee. As at May 31, 2021, \$177,487 (November 30, 2020-\$140,388) was payable to the Manager with respect to management and administrative fees. No performance fees were paid in 2021 or 2020.

Total brokerage commission paid during the period by the Company for its portfolio transactions were \$85,353 (May 31, 2020-\$49,851).

**8. Increase (decrease) in net assets attributable to holders per redeemable Class A share**

The increase (decrease) in net assets attributable to holders per redeemable Class A share for the periods ended May 31, 2021 and 2020 is calculated as follows:

	2021	2020
Increase (decrease) in net assets attributable to holders of redeemable Class A shares	48,890,473	(51,119,976)
Weighted average Class A shares outstanding	10,679,482	11,092,282
Increase (decrease) in net assets attributable to holders per redeemable Class A share	4.58	(4.61)

**9. Distributions**

Distributions per share were as follows:

	May 31, 2021	May 31, 2020
Preferred shares	\$0.25	\$0.26
Class A shares	\$0.4942	\$0.3664

**10. Capital Management**

The Company considers its capital to consist of Class A, Class B and Preferred shares.

The Company's objectives in managing its capital are:

- i) To provide holders of Preferred shares with a cumulative preferential floating rate monthly dividend at an annual rate equivalent to the prevailing Canadian prime rate plus 1.5%, with a minimum annual rate of 5% and a maximum annual rate of 8% based on the \$10 repayment value and to pay holders the \$10 repayment value of those shares on the termination of the Company; and
- ii) To provide holders of Class A shares with monthly cash distributions targeted to be at a rate of 10% annualized based on the volume weighted average market price of the Class A shares for the last 3 trading days of the preceding month and return the original issue price of those shares on the termination of the Company. The net asset value per unit must remain above the required \$15 per unit threshold for monthly distributions to be declared.

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**CANADIAN BANC CORP.****NOTES TO THE FINANCIAL STATEMENTS****FOR THE SIX MONTH PERIODS ENDED MAY 31, 2021 AND 2020 (UNAUDITED)**

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In order to manage its capital structure, the Company may adjust the amount of dividends paid to shareholders or return capital to shareholders.

**11. Reconciliation of net asset value per Class A share to net assets attributable to holders per redeemable Class A share**

As at May 31, 2021 and November 30, 2020, there were no differences between net asset value per Class A share used for transactional purposes and net assets attributable to holders per redeemable Class A share for financial reporting purposes.

**12. Subsequent event**

On July 7, 2021, the Company commenced an at-the-market equity program (the “ATM Program”) which allows the Company to issue shares to the public from time to time, at the Company’s discretion. Any Class A shares or Preferred shares sold in the ATM Program will be sold through the TSX or any other marketplace in Canada on which the Class A shares and Preferred shares are listed, quoted or otherwise traded at the prevailing market price at the time of sale.

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## **QUADRAVEST CAPITAL MANAGEMENT INC.**

Quadravest Capital Management Inc. was formed in 1997 and is focused on the creation and management of enhanced yield products for retail investors. The investment strategy combines fundamental based equity investing with covered call writing. Guided by four key principles, Quadravest sets attainable investment objectives that allow the team to stay focused on a long-term investment strategy.

The four principles – innovation in financial products, discipline in investment management, solid results for investors, and excellence in client service – form the foundation of Quadravest. Each member of the firm’s tight-knit team is committed to upholding these principles, ensuring a coherence and dedication that is unique to the Company.

Quadravest has raised over \$2.5 billion in initial public offerings.

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## **BOARD OF DIRECTORS**

Wayne Finch,  
Director, President, Chief Executive  
and Chief Investment Officer,  
Quadravest Capital Management Inc.

Peter Cruickshank,  
Managing Director,  
Quadravest Capital Management Inc.

Laura Johnson,  
Managing Director  
and Portfolio Manager,  
Quadravest Capital Management Inc.

William Thornhill,  
President,  
William C. Thornhill Consulting Inc.

Michael W. Sharp,  
Retired Partner, Blake, Cassels & Graydon LLP

John Steep,  
President, S. Factor Consulting Inc.

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## **CORPORATE DETAILS**

### **Auditor**

PricewaterhouseCoopers LLP  
18 York Street, Suite 2600  
Toronto, Ontario M5J 0B2

### **Transfer Agent**

Computershare Investor Service Inc.  
100 University Avenue  
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