

Life & Banc Split Corp. - Interim Report 2021

STATEMENTS OF FINANCIAL POSITION (Unaudited)

As at	June 30, 2021	December 31, 2020
Assets		
Current assets		
Investments	\$ 582,716,861	\$ 445,658,651
Cash	2,493,296	1,999,605
Income receivable	1,107,530	1,096,640
Prepaid expenses	37,055	54,937
Total assets	586,354,742	448,809,833
Liabilities		
Current liabilities		
Option contracts written, at fair value (note 9)	165,127	58,544
Distributions payable to shareholders (note 6)	7,044,315	6,335,696
Accounts payable and accrued liabilities	325,887	149,827
Class J shares (note 4)	100	100
Preferred shares (note 4)	298,172,080	268,177,580
Preferred share premium (note 4)	280,776	-
Total liabilities (excluding Net Assets attributable to holders of redeemable Class A shares)	305,988,285	274,721,747
Net Assets attributable to holders of redeemable Class A shares	\$ 280,366,457	\$ 174,088,086
Redeemable shares outstanding (note 4)		
Preferred shares	29,817,208	26,817,758
Class A shares	29,817,208	26,817,758
Class J shares	100	100
Net Assets attributable to holders of redeemable shares per share		
Preferred share (\$)	10.00	10.00
Class A share (\$)	9.40	6.49
Class J share (\$)	1.00	1.00

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STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

For the six months ended June 30	2021	2020
Income		
Securities lending income (note 10)	\$ 9,103	\$ 10,520
Net gain (loss) on investments and derivatives:		
Dividend income	10,876,131	10,356,868
Net realized gain (loss) on sale of investments (note 8)	4,431,040	4,627,007
Net change in unrealized gain (loss) on investments	99,311,397	(112,836,251)
Net realized gain (loss) on options (note 8)	(1,975,351)	(373,549)
Net change in unrealized gain (loss) on options	(14,710)	195,890
Total net gain (loss) on investments and derivatives	112,628,507	(98,030,035)
Total income (loss), net	112,637,610	(98,019,515)
Expenses		
Management fees (note 7)	1,814,348	1,358,542
Audit fees	20,125	23,713
Independent Review Committee fees (note 7)	9,917	9,946
Custodial fees	20,808	25,587
Legal fees	811	998
Shareholder reporting costs	24,390	18,597
Other administrative expenses	92,691	91,010
Interest and bank charges	-	16
Agents' fees and issuance costs of Preferred shares, amortized (note 4)	998,151	-
Transaction costs	36,988	20,277
Total expenses	3,018,229	1,548,686
Net investment income (loss) before distributions on Preferred shares	109,619,381	(99,568,201)
Distributions on Preferred shares (note 6)	(8,007,127)	(7,438,203)
Preferred share premium amortization (note 4)	51,080	-
Increase (decrease) in Net Assets attributable to holders of redeemable Class A shares	\$ 101,663,334	\$ (107,006,404)
Increase (decrease) in Net Assets attributable to holders of redeemable Class A shares per share¹	\$ 3.45	\$ (3.92)

¹ Based on the weighted average number of Class A shares outstanding during the period (note 4).

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STATEMENTS OF CASH FLOWS (Unaudited)

For the six months ended June 30	2021	2020
Cash flows from operating activities:		
Increase (decrease) in Net Assets attributable to holders of redeemable Class A shares from operations	\$ 101,663,334	\$ (107,006,404)
Adjustments to reconcile net cash provided by (used in) operations:		
Net realized (gain) loss on sale of investments (note 8)	(4,431,040)	(4,627,007)
Net change in unrealized (gain) loss on investments	(99,311,397)	112,836,251
Net realized (gain) loss on options (note 8)	1,975,351	373,549
Net change in unrealized (gain) loss on options	14,710	(195,890)
Increase (decrease) in distributions payable to Preferred shareholders	408,675	-
Preferred share premium amortization (note 4)	(51,080)	-
Decrease (increase) in income receivable	(10,890)	39,446
Decrease (increase) in prepaid expenses	17,882	(15,036)
Increase (decrease) in accounts payable and accrued liabilities	176,060	(47,364)
Purchase of investments and options (note 8)	(51,615,725)	(11,625,250)
Proceeds from sale of investments and options (note 8)	16,416,474	21,321,160
Cash provided by (used in) operating activities	(34,747,646)	11,053,455
Cash flows from financing activities:		
Proceeds from issuance of redeemable Class A shares (note 4)	23,395,710	-
Proceeds from issuance of redeemable Preferred shares (note 4) ¹	30,326,356	-
Agents' fees and issue costs paid on issuance of redeemable Class A shares (note 4)	(890,348)	-
Distributions paid to holders of redeemable Class A shares (note 6)	(17,590,381)	(8,188,848)
Cash provided by (used in) financing activities	35,241,337	(8,188,848)
Net increase (decrease) in cash	493,691	2,864,607
Cash, beginning of period	1,999,605	1,969,992
Cash, end of period	\$ 2,493,296	\$ 4,834,599
Distributions paid on redeemable Preferred shares (note 6) (\$)	7,598,452	7,438,203
Supplemental information:²		
Dividends received (\$)	10,865,241	10,396,314
Interest paid (\$)	-	16

¹ Gross proceeds from issuance of redeemable Preferred shares \$30,444,418, net of \$118,062 accrued distributions payable.

² Included in cash flows from operating activities.

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STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE CLASS A SHARES
(Unaudited)

For the six months ended June 30	2021	2020
Net Assets attributable to holders of redeemable Class A shares, beginning of period	\$ 174,088,086	\$ 217,034,796
Operations:		
Increase (decrease) in Net Assets attributable to holders of redeemable Class A shares	101,663,334	(107,006,404)
Distributions to holders of redeemable Class A shares (note 6):		
Distributions paid to redeemable Class A shareholders	(17,890,325)	(5,459,232)
Redeemable Class A share transactions:		
Proceeds from issuance of redeemable Class A shares (note 4)	23,395,710	-
Agents' fees and issue costs paid on issuance of redeemable Class A shares	(890,348)	-
Net increase (decrease) from redeemable Class A share transactions	22,505,362	-
Net increase (decrease) in Net Assets attributable to holders of redeemable Class A shares	106,278,371	(112,465,636)
Net Assets attributable to holders of redeemable Class A shares, end of period	\$ 280,366,457	\$ 104,569,160

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SCHEDULE OF INVESTMENT PORTFOLIO (Unaudited)

As at June 30, 2021

	Number of Shares	Cost \$	Carrying Value \$	% of Portfolio
Banks				
Bank of Montreal	498,773	38,857,688	63,374,097	
Bank of Nova Scotia	702,077	44,636,369	56,601,448	
Canadian Imperial Bank of Commerce	435,670	42,650,989	61,473,038	
National Bank of Canada	664,016	29,580,874	61,600,764	
Royal Bank of Canada	476,507	35,553,064	59,820,689	
Toronto-Dominion Bank	674,618	34,061,533	58,590,573	
		225,340,517	361,460,609	62.0
Insurance				
Great-West Lifeco Inc.	1,646,417	51,681,743	60,571,681	
iA Financial Corporation Inc.	819,078	35,891,095	55,279,574	
Manulife Financial Corp.	2,122,418	45,793,549	51,786,999	
Sun Life Financial Inc.	838,961	33,943,140	53,617,998	
		167,309,527	221,256,252	38.0
Embedded Broker Commission		(142,062)		
Total Investments		392,507,982	582,716,861	100.0

1. GENERAL INFORMATION

Life & Banc Split Corp. (the “Fund”) is a mutual fund corporation established under the laws of the Province of Ontario on September 6, 2006. Brompton Funds Limited (the “Manager”) is responsible for managing the affairs of the Fund and manages the Fund’s portfolio and options program. The Fund is listed on the Toronto Stock Exchange and commenced operations on October 17, 2006. CIBC Mellon Trust Company is the custodian of the Fund’s assets and prepares the valuations of the Fund. The address of the Fund’s registered office is Bay Wellington Tower, Brookfield Place, Suite 2930, 181 Bay Street, Toronto, Ontario, M5J 2T3.

The Fund invests in a portfolio comprised of common shares of six major Canadian banks and four major, publicly traded Canadian life insurance companies.

These financial statements were approved by the Board of Directors of Life & Banc Split Corp. on August 9, 2021.

2. BASIS OF PRESENTATION

These interim financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) 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 December 31, 2020, which have been prepared in accordance with IFRS. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied.

a) Financial Instruments

The Fund’s portfolio of investments is managed, and performance is evaluated, on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets’ performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income (“FVOCI”). The contractual cash flows of the Fund’s debt securities that are solely principal and interest are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund’s business model’s objective. Consequently, all investments are measured at fair value through profit or loss (“FVTPL”). Derivative assets and liabilities are also measured at FVTPL.

The Fund’s obligations for Net Assets attributable to holders of redeemable Class A shares, Preferred shares and Class J shares are measured assuming the redemption of shares at Net Asset Value on the valuation date. All other financial assets and liabilities are initially recognized at fair value and subsequently measured at amortized cost. Under this method, financial assets and liabilities reflect the amounts required to be received or paid, discounted when appropriate, at the financial instrument’s effective interest rate. The Fund’s accounting policies for measuring the fair value of its investments and derivatives are the same as those used in measuring its published Net Asset Value. The carrying values of the Fund’s financial assets and liabilities that are not carried at FVTPL approximate their fair values due to their short-term nature.

b) Fair Value Measurement

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 marketable securities) is based on quoted market prices at the close of trading on the measurement date. The Fund uses the last bid price for financial assets and the last ask price for financial liabilities. The Fund’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, including over-the-counter derivatives, is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each measurement date. Valuation techniques include the use of comparable recent arm’s length transactions, reference to other instruments that are substantially the same, and others commonly used by market participants that make the maximum use of observable inputs. Refer to note 12 for further information about the Fund’s fair value measurements.

c) Cash

Cash is comprised of demand deposits with financial institutions.

d) Investment Transactions and Income and Expense Recognition

Investment transactions are accounted for on the trade date. The interest for distribution purposes shown on the Statements of Comprehensive Income represents the coupon interest received by the Fund accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities.

Realized gain (loss) on sale of investments and change in unrealized gain (loss) on investments are determined on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities. Dividend income and dividend expense on securities sold short are recognized on the ex-dividend date.

Option premiums paid or received by the Fund are, so long as the options are outstanding, reflected as an asset or liability, respectively, 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, repurchase or exercise of the options are included in net realized gains or losses on options.

e) Transaction Costs

Transaction costs directly attributable to the acquisition or disposal of an investment are expensed in the period incurred and disclosed as "Transaction costs" in the Statements of Comprehensive Income.

f) Income Taxes

The Fund is a mutual fund corporation as defined in the Income Tax Act (Canada) (the "Act") and is subject to tax in respect of its net realized capital gains. This tax is refundable in certain circumstances. Also, the Fund is generally subject to tax of 38 1/3% under Part IV of the Act on taxable dividends received from Canadian corporations in the year. This tax is fully refundable upon payment of sufficient dividends.

The Fund is also a financial intermediary corporation as defined in the Act and, as such, is not subject to tax under Part IV.1 of the Act on dividends received nor is it generally liable to tax under Part VI.1 on dividends paid by the Fund on taxable preferred shares as defined in the Act.

Given the investment and dividend policy of the Fund and taking into account the deduction of expenses and taxable dividends on shares of taxable Canadian corporations, the Fund does not expect to be subject to any appreciable amount of non-refundable Canadian income tax. Accordingly, no income tax provision has been recorded.

g) Securities Lending

The Fund may enter into securities lending transactions. These transactions involve the temporary exchange of securities as collateral with a commitment to deliver the same securities on a future date. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on securities held as collateral. Income earned from these transactions is recognized on an accrual basis and included in the Statements of Comprehensive Income.

h) Classification of Redeemable Shares by the Fund

As required under International Accounting Standard ("IAS") 32, *Financial Instruments: Presentation*, shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset must be classified as financial liabilities. Under IFRS, the Fund's Preferred shares and Class J shares are classified as liabilities as they are not the most subordinate class of shares. The Class A shares contain multiple redemption features and, therefore are considered to have more than one contraction obligation to its Class A shareholders. As a result, the Fund's Class A shares have been classified as financial liabilities.

4. REDEEMABLE SHARES

Units

A unit means a notional unit consisting of one Preferred share and one Class A share. Net Asset Value per unit is determined by (i) the aggregate value of the assets of the Fund, less (ii) the aggregate value of the liabilities of the Fund (the Preferred shares will not be treated as liabilities), including any distributions declared and not paid that are payable to shareholders, less (iii) the stated capital of Class J shares (\$100).

Class J Shares

The Fund is authorized to issue an unlimited number of Class J shares.

As of June 30, 2021, 100 (December 31, 2020 - 100) Class J shares were outstanding.

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

Redeemable Class A Shares

Authorized

The Fund is authorized to issue an unlimited number of Class A shares.

The Fund intends to pay monthly, non-cumulative distributions to the holders of Class A shares. No distributions will be paid on Class A shares if (i) distributions payable on the Preferred shares are in arrears or (ii) in respect of a cash distribution, after the payment of a cash distribution by the Fund, the Net Asset Value per unit is less than \$15.00.

The Class A shares rank subsequent to the Preferred shares but in priority to the 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. Each Class A share is entitled to one vote on certain shareholder matters.

The current outstanding Class A shares, with a 5-year term, have a maturity date of October 30, 2023. 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 on the Preferred shares, and (ii) nil.

Class A shares may be surrendered for retraction by the Fund at least 10 business days prior to the second last business day of a month ("Retraction Date"). Holders of Class A shares whose Class A shares are surrendered for retraction will be entitled to receive a price per Class A share equal to 96% of the difference between (i) the Net Asset Value per unit determined as of the relevant Retraction Date and (ii) the cost to the Fund of the purchase of a Preferred share for cancellation. The cost of the purchase of a Preferred share includes the purchase price of the Preferred share, commission and such other costs, if any, related to the liquidation of any portion of the Fund's portfolio required to fund such purchase.

A holder of Class A shares may concurrently retract an equal number of Class A and Preferred shares on the second last business day of November of each year ("Annual Retraction Date"), at a price per unit equal to the Net Asset Value per unit on that date, less any costs associated with the retraction, including commissions and other such costs, if any, related to the liquidation of any portion of the portfolio required to fund such retraction. The Class A shares and the Preferred shares must both be surrendered for retraction at least 10 business days prior to the Annual Retraction Date.

The Fund's Class A shares are classified as financial liabilities on the Statements of Financial Position.

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NOTES TO THE FINANCIAL STATEMENTS (Unaudited) (cont'd)

June 30, 2021 and 2020

Issued

	2021 Number of Shares	2020 Number of Shares
Redeemable Class A shares, outstanding at January 1	26,817,758	27,296,158
Issuance of redeemable Class A shares	2,999,450	-
Redeemable Class A shares, outstanding at June 30	29,817,208	27,296,158
Weighted average number of redeemable Class A shares outstanding	29,471,118	27,296,158

On January 27, 2021, the Fund issued 2,999,450 Class A shares at \$7.80 per share for gross proceeds of \$23,395,710. Agents' fees and issue costs amounted to \$890,348.

During the periods ended June 30, 2021, and 2020, no Class A shares were retracted pursuant to monthly retraction option.

On June 30, 2021, the Class A shares' closing market price was \$9.60 per share (December 31, 2020 – \$7.20).

Redeemable Preferred Shares

Authorized

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

Holders of Preferred shares were entitled to receive fixed, cumulative, preferential quarterly cash distributions of \$0.13625 per share. The Preferred shares rank in priority to the Class A shares with respect to the payment of distributions and the repayment of capital on the dissolution, liquidation, or winding-up of the Fund. Each Preferred share is entitled to one vote on certain shareholder matters.

The current outstanding Preferred shares, with a 5-year term, have a maturity date of October 30, 2023. The redemption price payable by the Fund for a Preferred share 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 number of Preferred shares then outstanding.

Preferred shares may be surrendered for retraction by the Fund at least 10 business days prior to the second last business day of a month ("Retraction Date"). Shareholders whose Preferred shares are retracted will be entitled to receive a price per share equal to 96% of the lesser of (i) the Net Asset Value per unit determined as of the relevant Retraction Date, less the cost to the Fund of the purchase of a Class A share for cancellation, and (ii) \$10.00. The cost of the purchase of a Class A share will include the purchase price of the Class A share, commission and other costs, if any, related to the liquidation of any portion of the portfolio required to fund such purchase.

A holder of Preferred shares may also concurrently retract an equal number of Preferred shares and Class A shares on the second last business day of November of each year ("Annual Retraction Date") at a price per unit equal to the Net Asset Value per unit on that date, less any costs associated with the retraction, including commissions and such other costs, if any, related to the liquidation of any portion of the portfolio required to fund such retraction. The Preferred shares and Class A shares must both be surrendered for retraction at least 10 business days prior to the Annual Retraction Date.

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NOTES TO THE FINANCIAL STATEMENTS (Unaudited) (cont'd)

June 30, 2021 and 2020

Issued

	2021 Number of Shares	2020 Number of Shares
Redeemable Preferred shares, outstanding at January 1	26,817,758	27,296,158
Issuance of redeemable Preferred shares	2,999,450	-
Redeemable Preferred shares, outstanding at June 30	29,817,208	27,296,158

On January 27, 2021, the Fund issued 2,999,450 Preferred shares at a price of \$10.15 per share for gross proceeds of \$30,444,418.

The agents' fees and issuance costs from January 27, 2021 offering have amounted to \$998,151, which was presented as an expense on the Statement of Comprehensive Income.

The Fund's preferred shares may be issued at a premium, discount or at par, which is the redemption value. A premium/discount is identified as the difference between the Fund's treasury offering issuance price (excluding the accrued dividends embedded in the price) and its redemption value. When the Fund completes an offering at an issuance price (excluding the accrued dividends embedded in the price) that is more than the redemption value the offering is done at a premium; and when the Fund completes an offering at an issuance price (excluding the accrued dividends embedded in the price) that is less than the redemption value the offering is done at a discount. The Fund completed its January 27, 2021 treasury offering at a premium of \$331,856. This cumulative premium is amortized over the life of the Preferred shares. During the period ended June 30, 2021, \$51,080 (six-month period ended June 30, 2020 – nil) was amortized and the premium balance as at June 30, 2021 is \$280,776 (December 31, 2020 – nil).

During the period ended June 30, 2021, and 2020, no Preferred shares were retracted pursuant to monthly retraction option.

On June 30, 2021, the Preferred shares' closing market price was \$10.25 per share (December 31, 2020 – \$10.35).

5. CAPITAL MANAGEMENT

The Fund's capital is comprised of its Net Assets attributable to holders of redeemable Class A shares. The Fund's objectives in managing its capital are:

- i) to provide holders of Preferred shares with fixed, cumulative, preferential quarterly cash distributions and to return the original issue price to holders of the shares on the maturity date, the terms of which may be extended for a period of up to five years as determined by the Board of Directors or such other date if the term of the Fund is extended, and
- ii) to provide holders of Class A shares with regular monthly cash distributions targeted to be \$0.10 per share and the opportunity for growth in Net Asset Value per share.

The Fund manages its capital taking into consideration the risk characteristics of its holdings. In order to manage its capital structure, the Fund may adjust the amount of distributions paid to shareholders or return capital to shareholders.

6. DISTRIBUTIONS TO SHAREHOLDERS

Distributions are made on a quarterly basis, record date being last business day of March, June, September and December, on the Preferred shares and on a monthly basis on the Class A shares. Distributions are payable no later than the tenth business day of the following month.

For the period ended June 30, 2021, the Fund declared distributions of \$0.60 (six-month period ended June 30, 2020 - \$0.20) per Class A share and recorded distributions of \$0.2725 (six-month period ended June 30, 2020 - \$0.2725) per Preferred share, which amounted to \$17,890,325 (six-month period ended June 30, 2020 - \$5,459,232) and \$8,007,127 (six-month period ended June 30, 2020 - \$7,438,203), respectively.

On July 23, 2021, the Fund declared \$0.10 per Class A share in monthly distributions for record date July 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (Unaudited) (cont'd)

June 30, 2021 and 2020

7. RELATED PARTY TRANSACTIONS**a) Management Fees**

Pursuant to a management agreement, the Manager provides management, administrative and advisory services, including key management personnel, to the Fund. In consideration for these services, the Fund pays a management fee equal to 0.60% per annum of the Net Asset Value of the Fund, plus applicable taxes. 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 Class A and Preferred shares are not considered liabilities of the Fund. These fees are calculated and payable monthly.

For the period ended June 30, 2021, the management fee amounted to \$1,814,348 (six-month period ended June 30, 2020 - \$1,358,542), of which \$325,887 payable as of June 30, 2021 (December 31, 2020 - \$358 prepaid).

b) Independent Review Committee Fees

The total remuneration paid to members of the Independent Review Committee during the period ended June 30, 2021 was \$9,917 (six-month period ended June 30, 2020 - \$9,946) and consisted only of fees. As at June 30, 2021, there was \$1,483 Independent Review Committee fees prepaid (December 31, 2020 – nil).

8. INVESTMENT TRANSACTIONS

Investment transactions, excluding brokerage commissions, for the periods ended June 30 were as follows:

	2021 \$	2020 \$
Proceeds from sale of investments and options	16,416,474	21,321,160
Less cost of investments and options sold:		
Investments and options at cost, beginning of period	354,651,919	367,347,560
Investments purchased and options written during the period	51,615,725	11,625,250
Investments and options at cost, end of period	(392,306,859)	(361,905,108)
Cost of investments sold and options written during the period	13,960,785	17,067,702
Net realized gain (loss) on sale of investments and options	2,455,689	4,253,458

There were no soft dollar commissions paid by the Fund for the period ended June 30, 2021 and 2020.

9. OPTION CONTRACTS

The Fund may write covered call or cash covered put options to generate additional income. The Fund had the following call option contracts outstanding:

As at June 30, 2021:

Underlying Interest	Number of Contracts ¹	Expiration Date	Strike Price per Contract \$	Premium Received \$	Fair Value \$
Bank of Montreal	456	20-Aug-21	130	46,512	(51,984)
Canadian Imperial Bank of Commerce	451	16-Jul-21	145	59,983	(18,491)
National Bank of Canada	648	20-Aug-21	96	43,416	(38,232)
Sun Life Financial Inc.	868	20-Aug-21	66	51,212	(56,420)
				201,123	(165,127)

¹ Each contract was written for 100 shares of the underlying security.

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NOTES TO THE FINANCIAL STATEMENTS (Unaudited) (cont'd)

June 30, 2021 and 2020

As at December 31, 2020:

Underlying Interest	Number of Contracts ¹	Expiration Date	Strike Price per Contract \$	Premium Received \$	Fair Value \$
Bank of Montreal	472	15-Jan-21	100.00	23,128	(12,272)
Bank of Nova Scotia	587	15-Jan-21	69.00	21,719	(14,088)
Manulife Financial Corp.	1,860	15-Jan-21	23.50	40,920	(14,880)
Royal Bank of Canada	412	15-Jan-21	107.00	23,484	(17,304)
				109,251	(58,544)

¹ Each contract was written for 100 shares of the underlying security.

10. SECURITIES LENDING

The Fund has entered into a securities lending program with its custodian, CIBC Mellon Trust Company (and certain of its affiliates). The aggregate market value of all securities loaned by the Fund cannot exceed 50% of the assets of the Fund. The Fund will receive collateral of at least 102% of the value of the securities on loan. Collateral will generally be comprised of cash and obligations of, or guaranteed by, the Government of Canada or a province thereof, or the United States Government or its agencies, or a permitted supranational agency as defined in National Instrument 81-102. The market values of the securities on loan and the related collateral at June 30, 2021 were \$ 30.12 million (December 31, 2020 – \$17.1 million) and \$ 31.62 million (December 31, 2020 – \$18.0 million), respectively.

Securities lending income reported in the Statements of Comprehensive Income is net of a securities lending charge which the Fund's custodian, CIBC Mellon Trust Company (and certain of its affiliates), is entitled to receive.

For the periods ended June 30, securities lending income was as follows:

	2021 \$	2020 \$
Gross securities lending income	13,040	15,028
Securities lending charges	(3,911)	(4,508)
Net securities lending income	9,129	10,520
Withholding taxes on securities lending income	(26)	-
Net securities lending income received by the Fund	9,103	10,520

During the period ended June 30, 2021, securities lending charges represented 30.0% (six-month period ended June 30, 2020 – 30.0%) of the gross securities lending income.

11. FINANCIAL RISK MANAGEMENT

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at June 30, 2021, and groups the securities by market segment. The following comparative summary represents the investment sectors held by the Fund as at December 31, 2020. Significant risks that are relevant to the Fund are discussed below.

As at	December 31, 2020
Investment Sector	% of Portfolio
Banks	60.8
Insurance	39.2
Total	100.0

The Manager attempts to minimize the potential adverse effects of these risks on the Fund's performance by employing regular rebalancing of the investment portfolio within the constraints of the investment objectives. To assist in managing these risks, the Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and restrictions, internal guidelines, and securities regulations.

The investment portfolio is comprised of Canadian-dollar-denominated, exchange-listed equity securities.

a) Other 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), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The Manager attempts to moderate this risk through the careful management of derivatives within the parameters of the investment strategy. Except for options written, the maximum risk of loss resulting from financial instruments is equivalent to their fair value. There were no cash-covered put options outstanding as at June 30, 2021 and December 31, 2020. No additional risk is introduced by covered call options written.

The Fund is exposed to other price risk from its investment in equity securities and option contracts. As at June 30, 2021, had the prices on the respective stock exchanges for these securities increased by 10%, with all other variables held constant, Net Assets attributable to holders of redeemable Class A shares would have increased by approximately \$56.7 million or 20.2% (December 31, 2020 – approximately \$43.3 million or 24.9%). Similarly, had the prices on the respective stock exchanges for these securities decreased by 10%, with all other variables held constant, Net Assets attributable to holders of redeemable Class A shares would have decreased by approximately \$58.1 million or 20.7% (December 31, 2020 – approximately \$44.5 million or 25.6%). In practice, the actual trading results may differ, and the difference could be material.

b) 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. The Fund did not have significant credit risk exposure as at June 30, 2021 and December 31, 2020. The carrying amount of securities on loan, cash and income receivable represents the maximum credit risk exposure as they will be settled in the short term.

All transactions in securities are settled/paid for upon delivery. The risk of default is considered minimal as delivery of securities sold is only made once the Fund has received payment. The trade will fail if either party fails to meet its obligation.

The Fund has entered into a securities lending program with its custodian; see note 10. Credit risk associated with these transactions is considered minimal as all counterparties have a sufficient, approved credit rating and the value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned.

NOTES TO THE FINANCIAL STATEMENTS (Unaudited) (cont'd)

June 30, 2021 and 2020

c) Liquidity Risk

Liquidity risk is the risk that the Fund may not be able to settle or meet its obligations on time or at a reasonable price. The Fund is exposed to liquidity risk through its monthly and annual retractions of Class A shares and Preferred shares. For the monthly and annual retractions of Class A shares and Preferred shares, the Fund receives notice at least 10 business days prior to the retraction dates, which gives the Manager time to sell securities, although there may not be sufficient time to sell the securities at a reasonable price. All Class A shares and Preferred shares outstanding on October 30, 2023 are scheduled to be redeemed by the Fund on that date unless the term of the Fund is extended.

The tables below list the Fund's other financial liabilities into relevant maturity groupings based on the remaining period between the financial statement date and the contractual maturity date.

As at June 30, 2021:

	Less Than 3 Months \$	3 Months to 1 Year \$	Greater Than 1 Year \$	Total \$
Option contracts written, at fair value	165,127	-	-	165,127
Accounts payable and accrued liabilities	325,887	-	-	325,887
Distributions payable to shareholders	7,044,315	-	-	7,044,315
Total	7,535,329	-	-	7,535,329

As at December 31, 2020:

	Less Than 3 Months \$	3 Months to 1 Year \$	Greater Than 1 Year \$	Total \$
Option contracts written, at fair value	58,544	-	-	58,544
Accounts payable and accrued liabilities	149,827	-	-	149,827
Distributions payable to shareholders	6,335,696	-	-	6,335,696
Total	6,544,067	-	-	6,544,067

d) Currency Risk

Currency risk is the risk that financial instruments that are denominated in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. As at June 30, 2021 and December 31, 2020, the Fund had no exposure to currency risk.

e) Interest Rate Risk

Interest rate risk is the risk that the fair value of the Fund's interest bearing investments will fluctuate due to changes in market interest rates. Interest bearing investments are namely, bonds, money market investments, short-term investments, debentures and mortgages or other income-producing securities, whose value of these securities increases if interest rates fall and decreases if interest rates rise. As of June 30, 2021 and December 31, 2020, the Fund had no exposure to interest rate risk.

12. FAIR VALUE MEASUREMENT

The Fund's assets and liabilities recorded at fair value have been categorized within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

The Fund classifies its investments and derivative assets/liabilities into three categories based on the nature of the inputs used to determine their fair value. The categories and the nature of the inputs used in each category are as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities.

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NOTES TO THE FINANCIAL STATEMENTS (Unaudited) (cont'd)

June 30, 2021 and 2020

Level 2: Inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgement or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Assets and liabilities at fair value as at June 30, 2021	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Equities	582,716,861	-	-	582,716,861
Option contracts written	(165,127)	-	-	(165,127)
Total	582,551,734	-	-	582,551,734

Assets and liabilities at fair value as at December 31, 2020	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Equities	445,658,651	-	-	445,658,651
Option contracts written	(58,544)	-	-	(58,544)
Total	445,600,107	-	-	445,600,107

The Preferred shares issued and outstanding as at June 30, 2021 had a retraction price per share of \$10.00 (December 31, 2020 – \$10.00) and a traded price per share of \$10.25 (December 31, 2020 – \$10.35).

There were no transfers of financial assets and liabilities between the levels during the period ended June 30, 2021 and the year ended December 31, 2020.

All fair value measurements above are recurring. The carrying values of cash, income receivable, distributions payable and accounts payable and accrued liabilities approximate their fair values due to their short-term nature. Fair values are classified as level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as level 1 subsequently ceases to be actively traded, it is transferred out of level 1. In such cases, the instrument is reclassified into level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as level 3.

a) Equities

The Fund's equity positions are classified as level 1 as the securities are actively traded and a reliable price is observable. The net realized and net change in unrealized gain from equity securities during the period ended June 30, 2021 was \$103,742,437 (six-month period ended June 30, 2020 - loss of \$108,209,244).

b) Option Contracts

The Fund's option contracts written are classified as level 1 as the options are based on unadjusted quoted prices in active markets. The net realized and net change in unrealized loss from option contracts during the period ended June 30, 2021 was \$1,990,061 (six-month period ended June 30, 2020 – loss of \$177,659).