PREMIUM INCOME CORPORATION

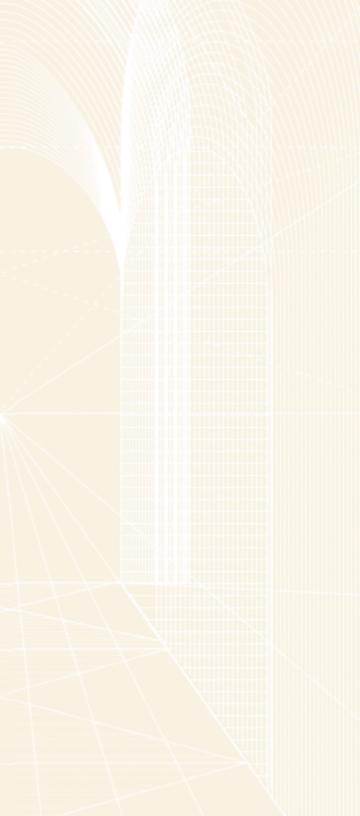
SEMI-ANNUAL REPORT 1997

For the six months ended April 30, 1997



To Shareholders of the Premium Income Corporation:

Favourable price movement and increased price volatility in bank shares enabled the Corporation to achieve results of \$10.3 million for the six months ended April 30, 1997. Net assets increased 6.9% to \$102.2 million. In addition, distributions to Unitholders amounted \$3.7 million. A Unit consists of the combination of one Preferred share and one Class A share. Preferred shareholders receive dividends at a rate of 5.75% of their par value of \$15.00. The Corporation's dividend policy on the Class A shares has been initially set at a rate of \$0.80 per share equivalent to 8% based on the Class A shares initial offering price of \$10.00. In addition, the board of directors declared a special dividend to Class A shareholders of \$0.10 per share which was paid on April 30, 1997.



PREMIUM INCOME CORPORATION

Interim Statement of Operation for the six months ended April 30, 1997 (Unaudited)

Income	
Interest	\$ 586,925
Dividends	1,709,130
	2,296,055
Expenses	
Custodian fees	26,145
Management fees	452,300
GST	33,400
	511,845
Net investment income	1,784,210
Gain on sale of investments	6,128,412
Unrealized appreciation of investments	2,406,545
Net gain on investments	8,534,957
Total results from financial operation	\$10,319,167
Total results from financial operations per Unit	\$ 2.58

Interim Statement of Changes in Net Assets for the six months ended April 30, 1997 (Unaudited)

Net assets, beginning of period	\$ 9 5	5 588 ,598
Total results from financial operations	1(,319,167
Distributions to Unitholders		
From net investment income	(1	,784,210)
From net realized gain on sale of investment	(1	,959,890)
0	(3	,744,100)
Increase in net assets for the period	6,575,067	
Net assets, end of period	\$ 102,163,665	
Net Asset Value per Unit	\$	25.54
Distribution per Unit		
From net investment income	\$	0.45
From net realized gain on sale of investment	\$	0.49
Total Distribution per Unit	\$	0.94

Semi-Annual Report 1997

Statement of Investments As at April 30, 1997 (Unaudited)

	No. of Shares	Cost	Market Value
Bank of Nova Scotia	147,400	7,634,411	7,819,570
Canadian Imperial Bank of Commerce	600,000	19,305,996	19,290,000
Royal Bank of Canada	425,000	22,994,502	23,736,250
Toronto Dominion	425,000	16,114,066	16,787,500
Contracts Covered Call Options	9,500	(907,250)	(1,072,500)
Short Term Notes	Par Value		
3.2%, May 1, 1997	13,748,767	13,748,767	13,748,767
Total Investments		\$101,451,037	\$103,857,587

Statement of Portfolio Transactions

A copy of the Statement of Portfolio Transactions (unaudited) for Premium Income Corporation for the period ended April 30, 1997 may be obtained without charge by writing to:

> Premium Income Corporation Investor Relations 121 King Street West, Suite 2600 Toronto, Ontario M5H 3T9

PREMIUM INCOME CORPORATION





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