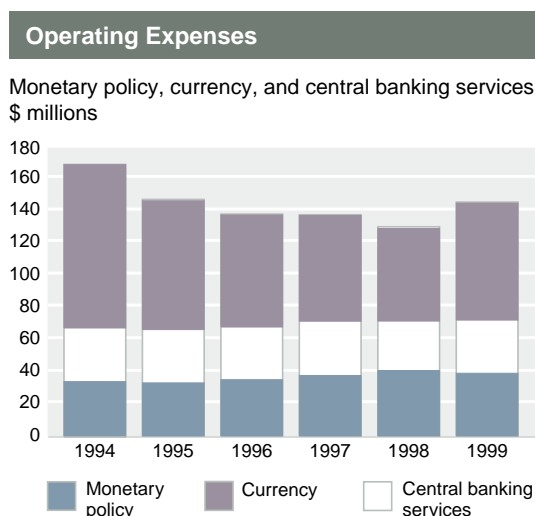


FINANCIAL SUMMARY

Operating Expenses

Monetary Policy, Currency, and Central Banking Services

Over the past five years, the activities of the Bank's core functions—monetary policy, currency, and central banking services—have been reviewed to focus more sharply on the Bank's public policy objectives, the needs of its clients, and efficiency and effectiveness. This resulted in a net reduction in operating expenses of \$39 million by 1998 to a level of \$129 million.



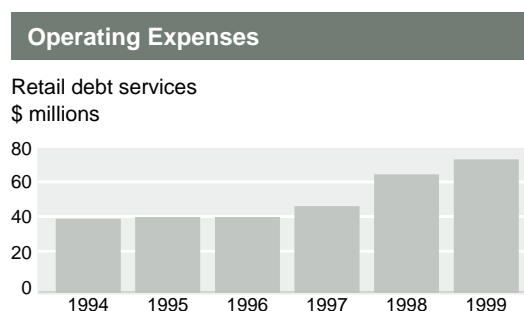
In 1999, expenditures rose to almost \$145 million, with the increase almost entirely attributable to the advance of the bank note order from 2000 and 2001 as a contingency for a possible increase in demand for notes arising from year-2000 concerns. Excluding this special expenditure, the total costs for these three core functions remained at the previous year's level. The increase in expenditures for year-2000-related systems compliance and contingency planning, as well as investments in automated systems, was

offset by lower premises costs from the previous years' sale of a number of the Bank's buildings and by revenue generated from the commercial sales of optical security material.

Next year, operating expenses for the Bank's three core functions are expected to decrease overall by 7 to 10 per cent from the 1999 level of \$145 million because of reduced note-printing requirements. In 2000, central banking services will focus on investing in improvements to the effectiveness of its operations. Monetary policy will enhance its communications and regional-presence programs.

Retail Debt Services

The Bank has been providing services for Canada Investment and Savings—the agency of the Department of Finance responsible for the retail debt program—since the agency's inception in 1996. Expenses have grown considerably over this period from \$42 million in 1996 to \$74 million in 1999. This growth reflects changes to major computing systems and the number of staff required to support a broader range of customer services and government debt products. Expenditures include changes necessary to ensure year-2000 compliance of computing systems and the development of contingency plans.





For 2000, retail debt services will continue efforts to complete the significant business changes initiated over the past several years. Any expenditures required to support the retail debt program will be recovered from the federal government, as has been the case since legislation was changed in mid-1997 to allow the Bank to charge for these services.

Net revenue is not a good indicator of the Bank's management performance. The Bank deals in financial markets to achieve policy goals, not to maximize its revenues, and these revenues are highly dependent on interest rates. For these reasons, the level of operating expenses is a better indicator of the Bank's stewardship of public resources.

Revenue from Investments

Total revenue from investments was \$1.9 billion in 1999, an increase of 6 per cent from 1998. The main source of revenue is interest earned on holdings of federal government securities, financed primarily by the bank notes that are issued by the Bank. Net revenue paid to the Government of Canada in 1999 was \$1.8 billion.

