FINANCIAL
SUMMARY

REVENUE AND EXPENSES

Revenue from Investments

Total revenue from investments was $2.1 billion in 2001, an increase of 1.8 per cent over 2000. The main source of revenue is interest earned on holdings of federal government securities, financed primarily by the bank notes issued by the Bank. Net revenue paid to the Government of Canada in 2001 was $2.0 billion.

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.

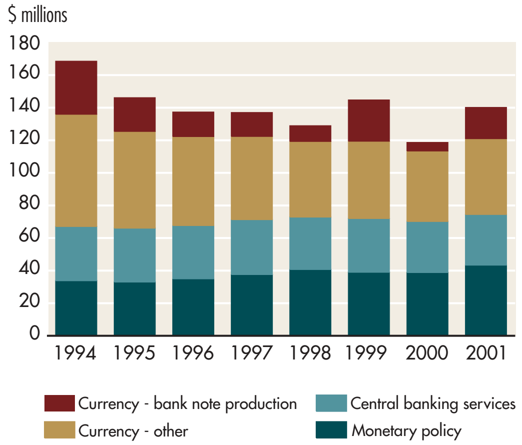
Operating Expenses

Monetary Policy, Currency, and Central Banking Services

Over the past several years, activities involving the Bank's main functions—monetary policy, currency, and central banking services—have been reviewed to focus more sharply on the Bank's role as a public policy organization, the needs of its clients, and the efficiency and effectiveness of its operations. From 1994 to 2000, operating expenses in each of these areas were successively reduced, with the exception of 1999, when additional expenditures were incurred in preparation for the year-2000 changeover. The overall downward trend for this period was reversed in 2001 in response to new demands.

Operating expenses in monetary policy rose by $4.6 million to $43.4 million in 2001 as more resources were assigned to support new initiatives in formulating, implementing, and communicating monetary policy.

Operating Expenses
Monetary policy, currency, and central banking services



Expenses in currency operations reached $65.6 million in 2001, an increase of $17.1 million over 2000. This increase mainly reflects a gradual return to a more normal level of bank note production following the year-2000 inventory buildup in 1999 and the resulting low level of bank note production in 2000.

Expenses in central banking services remained fairly constant in 2001 at $31.1 million. Cost reductions in the area of wholesale debt management have offset the increases in other programs.

In 2002, operating expenses for the Bank's three main functions are expected to increase. The continued return to normal levels of bank note production, higher production costs for the new, more secure, series of bank notes, additional staff to undertake new work on strategic priorities, the implementation of a comprehensive disaster-recovery plan for the Bank's mainframe, and various other automation initiatives will account for most of the increase.

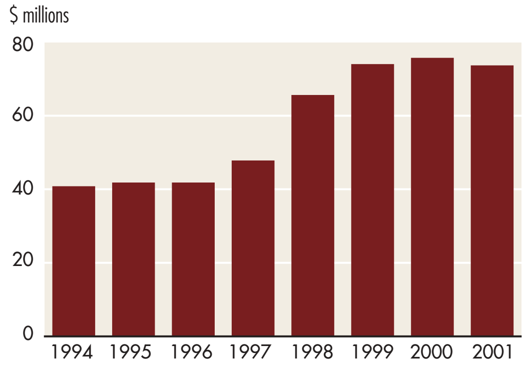
Retail Debt

The Bank has provided "back-office" services to Canada Investment and Savings—the agency of the Department of Finance responsible for the government's retail debt program—since the agency's inception in 1996. After reaching a level of $75.6 million in 2000, expenses decreased by $2.0 million in 2001 to $73.6 million. This reduction results from the streamlining of retail debt operations in preparation for the outsourcing in September 2001.

Intensive preparations for the transfer of retail debt operations to EDS Canada Inc. (EDS) took place from mid-2000 to the end of the third quarter of 2001 and resulted in a one-time cost of $23.2 million. This non-recurring expense will be more than offset by the savings that will be realized over future years.

All the expenditures required to support the retail debt program as well as those incurred for the outsourcing of operations to EDS are recovered from the federal government.

Operating Expenses
Retail debt services



Corporate Services Restructuring

The restructuring of corporate services, which is currently underway, is aimed at creating an integrated approach to corporate services in order to deliver these services cost-effectively and efficiently to a smaller Bank. Various restructuring options were analyzed in 2001, and the restructuring program is scheduled for completion in 2003. Total outlays are expected to amount to approximately $27 million.

Salaries

The objective of the Bank's compensation strategy is to offer a market-competitive total compensation program. The program includes base pay, re-earnable performance pay, flexible benefits, and recognition awards.

The Bank's total salary expenses in 2001 decreased by over 11 per cent from 2000 levels. The outsourcing of retail debt operations in the last quarter of 2001 resulted in the transfer of about 430 employees to EDS. In addition, fewer contract resources were required in 2001 to support the Bank's business lines, since low-priority initiatives within corporate services were delayed or postponed during the outsourcing process.

Salary expenditures are expected to decrease further in 2002, as the full impact of the outsourcing of retail debt operations and the restructuring of corporate services are felt.

Salary Expenses
Monetary policy, currency, central banking services, and retail debt services