FINANCIAL SUMMARY


CLOSED
THE MOSLER SAFE CO
HAMILTON OHIO

REVENUE AND EXPENSES

Revenue from Investments

Total revenue from investments in 2005 was $2 billion, an increase of 3 per cent over 2004. The main source of revenues is interest earned on holdings of federal government securities. After expenses, the net revenue paid to the Receiver General for Canada in 2005 was $1.7 billion, similar to the amount paid in 2004.

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. For this reason, the level of operating expenses is a better indicator of the Bank's stewardship of public resources.

Operating Expenses

The Bank's operating expenses are allocated across four main functions: monetary policy, currency, financial system, and funds management. Expenses for retail debt operations are fully recovered from the Government of Canada.

The Bank's medium-term plan, which covers the four years from 2003 to 2006, established a number of strategic priorities. These priorities involved investments in the Bank's research and analytic capabilities, bank note security, and clear communication within the Bank and with Canadians. Expenditures in 2005 were again directed towards achieving these medium-term goals and delivering on the Bank's functional responsibilities.

For the Bank's main functions, total operating expenses in 2005 were $245.9 million, an increase of $18 million from 2004. The main factor accounting for this change was higher employee future benefit costs.

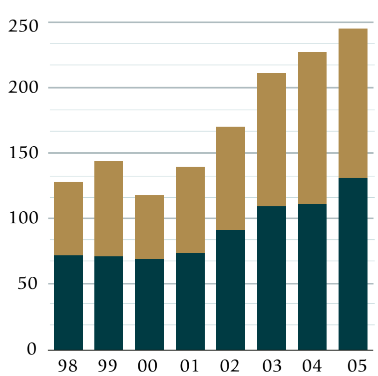
Compensation

The Bank's compensation strategy offers a market-competitive total compensation package aimed at attracting and retaining staff.

Operating Expenses

Monetary policy, currency, financial system, and funds management*

$ millions



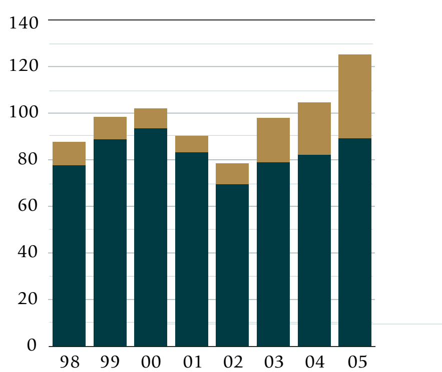
* Including retail debt services

Currency
Other

Salaries and Benefits

Monetary policy, currency, financial system, and funds management*

$ millions



* Including retail debt services

Benefits
Salaries

Salaries

For 2005, the Bank's salary expense rose by $7 million as a result of an annual salary increase of 2.25 per cent, additional requirements for technological staff to support the redevelopment of the Bank's critical operating systems, and a shift towards skilled resources in support of the Bank's medium-term plan for research and analysis in the areas of monetary policy and financial stability.

Employee future benefits

Employee future benefit costs increased by $12 million in 2005, representing two-thirds of the increase in total operating expenses. Updates to demographic and economic actuarial assumptions, as well as a lower discount rate used to calculate the present value of the future obligations, account for the increase in the provision for employee future benefit costs. These expenses are expected to increase by an additional $9 million in 2006 as a result of a further decline in the discount rate.

Bank notes

In response to concerns about bank note security, the Bank's medium-term plan included significant investments for the design, upgrade, and launch of new bank notes. In 2004, the Bank successfully launched the three high-denomination notes ($100, $50, and $20). During 2005, an upgraded $10 note was launched. The launch of only one note in 2005 resulted in a decrease of approximately $3 million in the cost of bank notes. An upgraded $5 note will be introduced in the autumn of 2006.

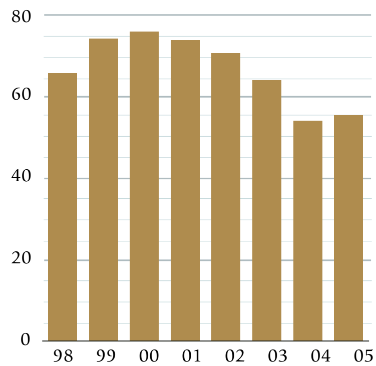
Retail debt services

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.

Operating Expenses

Retail debt services

$ millions



In 2005, expenses for retail debt operations were slightly higher than in 2004, because of increased spending related to information technology upgrades required to maintain status quo operations. Expenses for the retail debt program, including amounts invoiced by EDS Canada, are recovered from the Government of Canada.

Capital Expenditures

In late 2004, the Bank initiated a major infrastructure project to replace the exterior windows and frames of the Bank's head office building in Ottawa. The majority of the work associated with this $16 million capital project was completed in 2005, resulting in an ongoing annual depreciation expense of approximately $1 million. The project is expected to be completed in the first half of 2006.