

● 2001



you're on solid ground.

● 2000

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Mandate of Canada Investment and Savings

THIS ANNUAL REPORT COVERS FISCAL YEAR 2000-01

As a Special Operating Agency of the Department of Finance Government of Canada, Canada Investment and Savings (CI&S) has a clearly defined role in managing the retail portion of the national debt.

CI&S has a mandate to deliver a vibrant, creative, and cost effective Retail Debt Program that provides value to Canadians and contributes to a diversified investor base. As well, it aims to ensure that Canadians are aware of and have easy access to Government of Canada securities.

CI&S, the Bank of Canada and the Department of Finance, concluded a Memorandum of Understanding in 2000 that clarified each organization's roles and responsibilities in managing the Retail Debt Program.

Report of the President and Chief Executive Officer

The financial services marketplace continues to evolve at an unprecedented pace, which presents a very challenging environment for the management of the government's Retail Debt Program. Today, the traditional four pillars that have characterized our industry for the past century would be unrecognized by an entrant in 2001. Successful organizations in this new marketplace are changing from high cost bureaucracies to operations that know technology, embrace change and operate on thin margins. Canada Investment and Savings (CI&S) recognized the need to transform to meet these realities early on. The direction has been clear and progress steady.

During 2000-01, we continued to build the operational capabilities to achieve both the necessary efficiencies for cost effectiveness and deliver the major products and services on new electronic platforms. We are embracing e-business opportunities – from e-commerce to e-orders from our sales agents – as we look at ways to use technology to make us more efficient and effective.

OUR ACHIEVEMENTS

Management of our Canada Savings Bonds (CSBs) and Canada Premium Bonds (CPBs) portfolio in 2000-01 was in line with expectations as we pursued our broad strategy of increasing access while being efficient. Overall, the non-marketable portfolio declined from \$27.1-billion to \$26.6-billion at March 31, 2001. The modest decline in the stock was consistent with the declining federal debt and borrowing needs. Gross sales of CSBs and CPBs were \$3.3-billion for the year, slightly higher than the results of the previous year. A notable contributor to this performance lies in the fully redesigned Payroll Savings Program, with sales in this channel continuing to strengthen after almost a decade of decline.

Throughout the period, we were engaged in improving service delivery to Canadians. With the introduction of a six-month sales period in 1998, CSBs and CPBs were again on sale between October 2000 and April 1, 2001. This simple change, perhaps more than any other key measure, underscores the shift taking place within the 55-year-old program. As Canadians embraced a longer sales period, they started to demand different ways of making enquiries and buying as well. Research showed the telephone as one of the preferred modes



JACQUELINE C. ORANGE

of service delivery for many clients, hence, we introduced direct purchasing by telephone in 1999. This past year the option was enhanced, providing valuable insights as we continue to expand our direct options and better meet the needs of our customers.

For those Canadians buying bonds by payroll deduction through their workplace, an online application form was successfully piloted, enabling employees to sign up or make changes from their desktops. Employers offering the Payroll Savings Program were introduced to a Web site transmission option that allows small- and medium-sized enterprises (SMEs) an easy and secure option for transmitting employee payroll deduction data to the Bank of Canada. Both of these initiatives reinforce the Payroll Savings Program as a leading-edge e-service provider.

We increased efforts to convert sponsors of the original Payroll Savings Program as we concluded the second to last year of conversion activities to the new program. A total of 3,000 employers were converted and approximately \$1.1-billion (85 per cent) in annual sales are now on the new program. Gross sales directly in the payroll channel were further helped by the talents of Mr. Eric Newell, Chairman and Chief Executive Officer of Syncrude, who served as 2000 National Campaign Chair, and together with our cross-Canada sales team, led us to another milestone in this channel.

I am particularly proud of our efforts to promote communications of our products and services to Canadians. During the year, our success was underscored by several honours: a 2000 Canadian Marketing Association RSVP Award in the Financial Services Wealth Management Category, an International Association of Business Communicators Gold Quill Award in the PR/Marketing category and a Golden Marble Promotion Award in the category of Best "Other" Consumer Products.

Taking CI&S' many activities, annual sales and the evolution of the retail debt portfolio into account, actual spending of \$137 million came in below budget and below the prior year's expenditures of \$140 million. This outcome is an important part of maintaining program cost-effectiveness and keeping unit costs down in a declining debt environment.

TRANSFORMATION

The business transformation affecting the CI&S team and partners must continue in order for the Agency to be successful in the marketplace. Many changes are invisible investments to our customers but bear hugely on our long-term ability to continue to offer the services and products expected of us in the future. A key element, highlighted in this year's report, was the Bank of Canada's initiation of a Request For Proposal for the outsourcing of back-office services that is expected to provide ongoing major cost efficiencies.

OUR PEOPLE

Our success, of course, relies to a great extent on the talent, expertise and dedication of our employees. They have consistently demonstrated an extraordinary willingness to innovate and find the solutions we need to sustain CI&S as a leading edge organization. This past year was no exception. Our employees, together with our partners at the Bank of Canada and the Department of Finance, provide our millions of customers with high quality products and services. To these Canadians we owe a sincere thank you. There is a tangible sense within our organization that we all have a stake in a common future and the future, thanks to our people, is one that will continue to provide Canadians with retail savings products they can count on.

Jacqueline C. Orange

PRESIDENT AND CHIEF EXECUTIVE OFFICER
CANADA INVESTMENT AND SAVINGS

During 2000-01 we continued to build the operational capabilities to achieve both the necessary efficiencies for cost effectiveness and deliver the major products and services on new electronic platforms.

Performance Highlights: Meeting 2000-01 Plans and Priorities

As a Special Operating Agency of the Department of Finance, Canada Investment and Savings (CI&S) is fully accountable for its performance to the Minister of Finance. As part of this accountability, a three-year business plan and report on its performance against the agreed to plan is delivered. Highlights of the plan are publicly announced early in the fiscal year.

CONTINUING BOTH THE SIX-MONTH SALES PILOT FOR CANADA SAVINGS BONDS (CSBS) AND CANADA PREMIUM BONDS (CPBS)

1998-99 marked the first time in more than 50 years that two products were on sale at the same time: the CSB and the new CPB. Canadians were again able to purchase CSBs and CPBs for six months between October 2000 and April 1, 2001.

DIRECT TELEPHONE SALES

Beginning in February 2000, Canadians were offered the ability to buy CSBs and CPBs, including a registered retirement savings plan (RRSP) option, over the telephone directly from the Government. This pilot was continued through the 2000-01 sales period.

IMPROVED FOCUS ON YOUTH PROGRAMMING

CI&S launched "The Great Canadians Save" national youth promotion in the fall of 1999 with the objective of reaffirming New Canada Savings Bonds as savings and gifting vehicles for youth and their parents. The specific focus of the initiative was dedicated to helping youth and their parents better understand the importance of saving and motivating them to take charge of their future as a way to build financial security. A popular online-only promotion was developed with partners YTV Canada Inc. and Groupe TVA inc. on the solid foundation of the inaugural campaign.

The "Show Me The Money" contest attracted more than 14,000 entries with its unique Canadian creative. Thirteen prize winners from each province and territory were awarded a \$500 CSB and their allowance for one year from contest sponsors. A complementary Web site geared to youth at www.kidscansave.gc.ca supported the promotion with a series of games and challenges in the mythical Land of Toog.

WEB SITE PAYROLL OPTION FOR SMALL- AND MEDIUM-SIZED ENTERPRISES

With a successful pilot last year, the new Payroll Savings Program Web site option was offered to about 8,000 employers. This option allows organizations sponsoring the new Payroll Savings Program to provide their employees' CSB payroll deductions purchase data to a secure Web site at a low cost.

ELECTRONIC SIGN-UP FOR INDIVIDUALS ON THE NEW PAYROLL SAVINGS PROGRAM

A new online application form was piloted, enabling individuals on the new Payroll Savings Program to sign-up from their desktops. This initiative marks the first step towards offering integrated online services to Canadians in their workplaces.

EXPLORING ALTERNATIVE BACK OFFICE OPERATIONS SUPPORT

As the fiscal agent and registrar for the Retail Debt Program, the Bank of Canada examined more efficient and manageable means of meeting its responsibilities for delivering back office operational support to the Retail Debt Program. A result of this effort was the issuance of a Request For Proposal in summer 2000 for the delivery of these services.

Setting 2001-02 Plans and Priorities

A number of plans and priorities have been established for this fiscal year as outlined in our 2001-02 Retail Debt Plan, released in July 2001. This year the focus is on developing or extending initiatives that improve service delivery for customers while being cost effective for the Government:

INTRODUCING INTERNET SALES

Beginning in October 2001, Canadians will be able to buy Canada Savings Bonds (CSBs) and Canada Premium Bonds (CPBs) directly from the Government over the Internet by accessing www.csb.gc.ca

ONLINE PAYROLL DEDUCTIONS

The online application form, successfully piloted in 2000, will be enhanced and introduced to additional sponsoring employers, enabling tens of thousands more Canadians to sign up and make changes to their CSBs payroll deductions from their desktops.

These initiatives mark further progress toward offering fully integrated online services to Canadians.

SIX-MONTH SALES CAMPAIGN

As a pilot project beginning in 1998, Canadians have been able to purchase both CSBs and CPBs during a six-month period between October and April 1 each year. Aimed at providing Canadians better access to the bonds, the extended six-month sales period will become a permanent feature of the annual sales campaign this year.

CONTINUED TELEPHONE SALES

Last year Canadians were offered the option of buying CSBs and CPBs directly from the Government over the telephone. This telephone direct sales pilot will be continued this year.

CONTINUED FOCUS ON YOUTH

We will again build on the success of our youth Web site with a refreshed site and new promotion this fall to ensure the promotional initiatives remain relevant to youth.

IMPROVED EFFICIENCY IN BACK OFFICE OPERATIONS SUPPORT

The Bank of Canada followed up on a review of more cost effective and flexible means of meeting its responsibilities for delivering system and operations support services for the Retail Debt Program by launching a Request For Proposal in the summer of 2000. Following a review of proposals, the Bank of Canada signed a letter of intent, and subsequently a contract, with EDS Canada Inc. effective September 1, 2001. The Bank of Canada continues to maintain its overall responsibilities as fiscal agent for the program.

2000-01 in Review

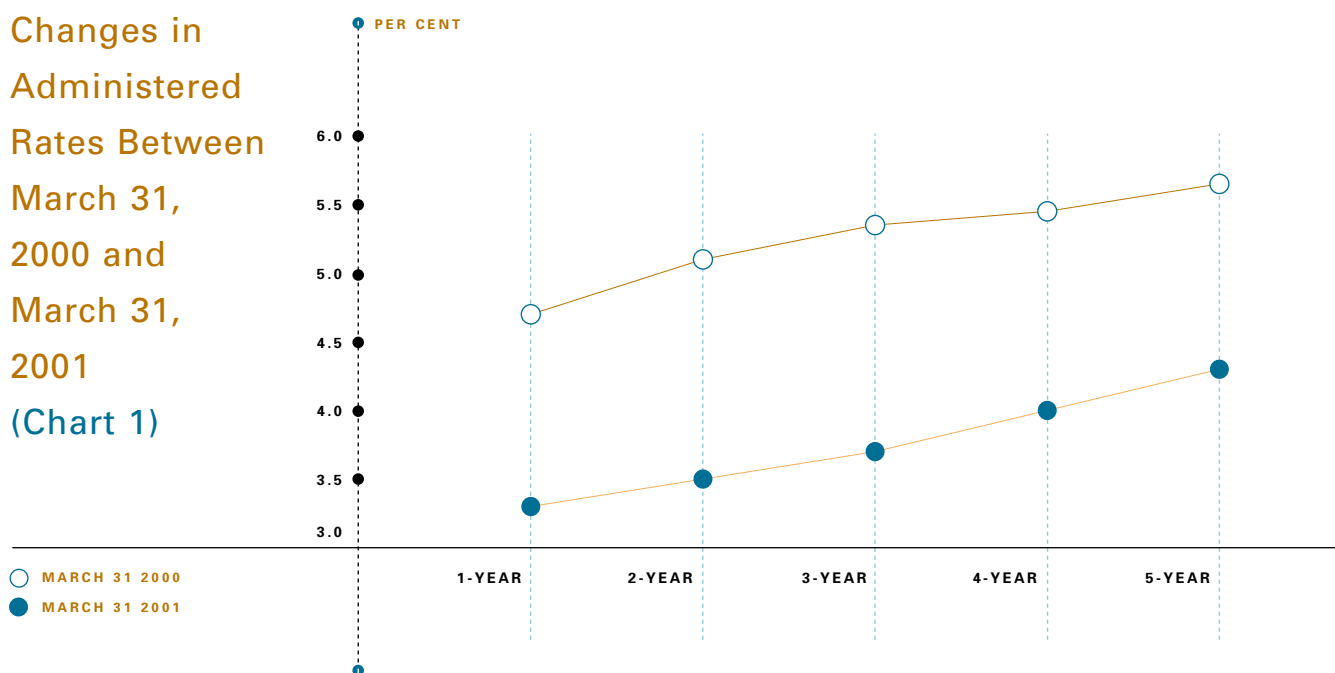
Financial Markets and Portfolio Management

For most of the year consumer demand remained buoyant, supported by rising housing prices, strong retail sales, low unemployment and rising real incomes. By late 2000 and early 2001, however, an unexpected slowdown in world economic activity led the US Federal Reserve to reduce the discount rates, with Canadian benchmark rates following shortly thereafter. As March 2001 closed, administered rates had fallen about one per cent across the curve (Chart 1) compared to the previous year. The first three months of 2001 were consequently challenging for our product management team as they sought to price our Canada Savings Bond (CSB) and Canada Premium Bond (CPB) products a month in advance of the

issue dates, while being cost effective. At the same time, 2000-01 saw the equity markets begin early stages of what has become a bear market, led by the high technology sector before becoming more pervasive across broad industrial groups. This was in sharp contrast to the 40 per cent plus gains of the prior year. Faced with bear equity markets and falling rates, consumers increasingly put savings flows into liquid instruments as they took a wait-and-see attitude in the deployment of funds.

Because the level of debt remains significant it needs to be well managed. Thus, it is important to ensure that debt-servicing costs are kept low and stable. A crucial element of this objective is the management of the Government's market debt. This is the focus of the Debt Management Strategy, (<http://www.fin.gc.ca/news01/01-019e.html>) which

Changes in Administered Rates Between March 31, 2000 and March 31, 2001
(Chart 1)



2000-01 IN REVIEW

provides comprehensive information on the Government's debt management plans for fiscal year 2001-02. Maintaining a diversified investor base is a key factor in ensuring that funding costs are kept low. The federal government pursues diversification of its investor base through the maintenance of liquid and transparent domestic wholesale debt programs and internationally through the use of a broad array of sources of funds. Canada Investment and Savings (CI&S) contributes to the maintenance of a diversified investor base by offering savings products designed to suit the needs of a large number of individual Canadians.

ACCOMPLISHMENTS

Gross sales of CSBs and CPBs were \$3.3-billion for the year. Of this amount, \$1.3-billion was accounted for through the payroll channel (all CSBs) and the balance was predominantly the less cashable CPB (75 per cent), as Canadians revealed continuing preference for this less liquid – and higher interest rate – product.

Overall, the non-marketable portfolio declined from \$27.1-billion to \$26.6-billion at March 31, 2001, consistent with the current declining debt environment as the share of non-marketable retail debt of total government market debt stayed at approximately six per cent in 2000-01. Based on revised data on the holdings of other types of Government of Canada securities, the estimated level of retail holdings is 19 per cent, up from 18 per cent in the previous fiscal year. See the accompanying note 2 and 3 for further details.

2000-2001 IN REVIEW

Status of Retail Debt Portfolio

| | 1999-2000 | 2000-01 |
|--|-----------|-----------|
| (DEBT HOLDINGS IN BILLIONS OF DOLLARS) | (ACTUALS) | (ACTUALS) |
| Total retail non-marketable ⁽¹⁾ | 27.1 | 26.6 |
| Total retail marketable direct and indirect ⁽²⁾ | 56.6 | 59.3 |
| Total Government of Canada retail debt ⁽³⁾ | 83.7 | 85.9 |
| Total Government of Canada market debt ⁽⁴⁾ | 456.4 | 447.0 |
| Total gross sales of non-marketable retail debt | 2.8 | 3.3 |
| Change in retail non-marketable portfolio | (1.5) | (0.5) |

Note 1:

These numbers are from the Bank of Canada (BoC) audited "Statement of Government of Canada Debt Outstanding as of March 31, 2001". The Public Accounts and other Department of Finance publications indicate for fiscal year 1998-99 \$27.7-billion, \$26.5-billion for fiscal year 1999-2000 and \$26.1-billion for fiscal year 2000-01. The following explains the variance:

| | 1999-2000 | 2000-01 |
|--|-----------|---------|
| PUBLIC ACCOUNTS (TABLE 6.4) | 26.5 | 26.1 |
| Adjustments for matured debt and CSBs held in accounts of employees reported in other tables of the Public Accounts. These numbers also include accrued sales from the original payroll program. | 0.6 | 0.5 |
| BALANCE AS PER BOC AUDITED STATEMENTS | 27.1 | 26.6 |

Note 2 and 3:

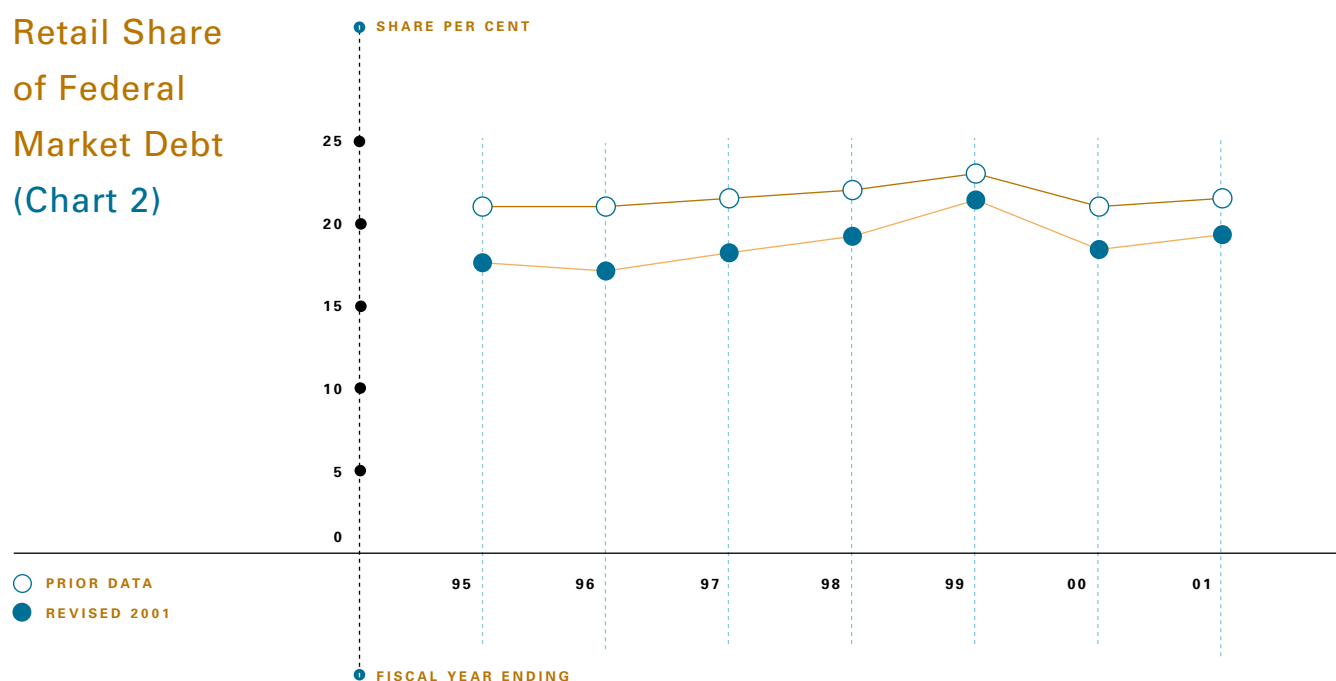
The marketable components include a direct component, most of which is marketable bonds and bills sold through intermediaries, together with an indirect component, most of which is marketable securities held by individuals through mutual funds. Since our measure of total Government of Canada retail debt in 2000, newly revised and released data from Statistics Canada and MorningStar Data resulted in significant revisions to data for the years 1995 to 2000.

2000-2001 IN REVIEW

The chart below shows the prior series, beginning with a share of retail debt as a per cent of total Government of Canada market debt of 21 per cent in 1995, as compared to the new revised series in 2001. The net effect indicates a significant downward revision to the per cent of federal retail debt – on average about 2.5 per cent – for the historical years and estimated through the period in question.

Despite these adjustments, the data revisions suggest a similar trend to the earlier series trend lines and direction.

Retail Share of Federal Market Debt (Chart 2)



Note 4:

Public Debt comprises market and non-market debt:

Market debt is the portion of debt that is funded in the public markets and includes marketable bonds, Treasury bills, non-marketable retail debt (primarily CSBs), and foreign-currency denominated bonds and bonds issued in the Canada Pension Plan.

Non-market debt includes the Government's internal debt which is, for the most part, federal public sector pension liabilities and the Government's current liabilities (such as accounts payable, accrued liabilities, interest and payment of mutual debt).

SOURCE: DEPARTMENT OF FINANCE

Maintaining a Diversified Investor Base and Improving Access

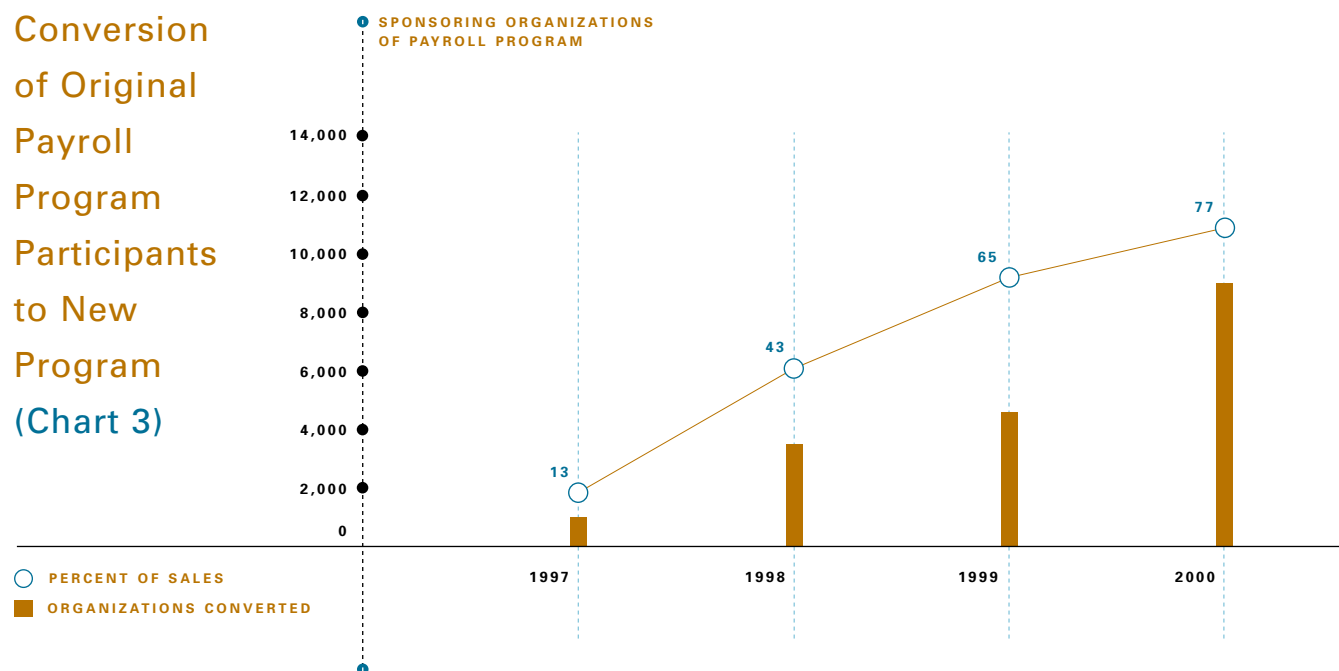
Our objective of improving access to Government of Canada retail debt securities translates to building a business around customers. The Agency has focused on meeting the ever-changing needs of Canadians, so that today they find we are on sale longer, there are new ways to invest, access to their money is quicker, and a single one-stop inquiry answers most questions. As well, we listened to feedback from organizations sponsoring the Payroll Savings Program that informed us we needed to make the program easier and more convenient. This resulted in the rollout of the new Payroll Savings Program, now in its third conversion year. Our sales agents are also being introduced to streamlined services that allow them to sell bonds more quickly and easily.

NEW WAYS TO SAVE AND INVEST

Canadians were first able to buy CSBs and CPBs by telephone as a pilot program beginning in February 2000. Investors responded enthusiastically to the convenience of investing by telephone. The favorable results of these efforts led us to enhance this option with an expanded pilot in the 2000-01 campaign. In the payroll channel, an online application form was successfully piloted, enabling employees of sponsoring organizations to sign-up or make changes to their periodic contributions from their desktops. These initiatives provided us with solid learning as we introduce additional and enhanced direct options to the Internet in 2001.

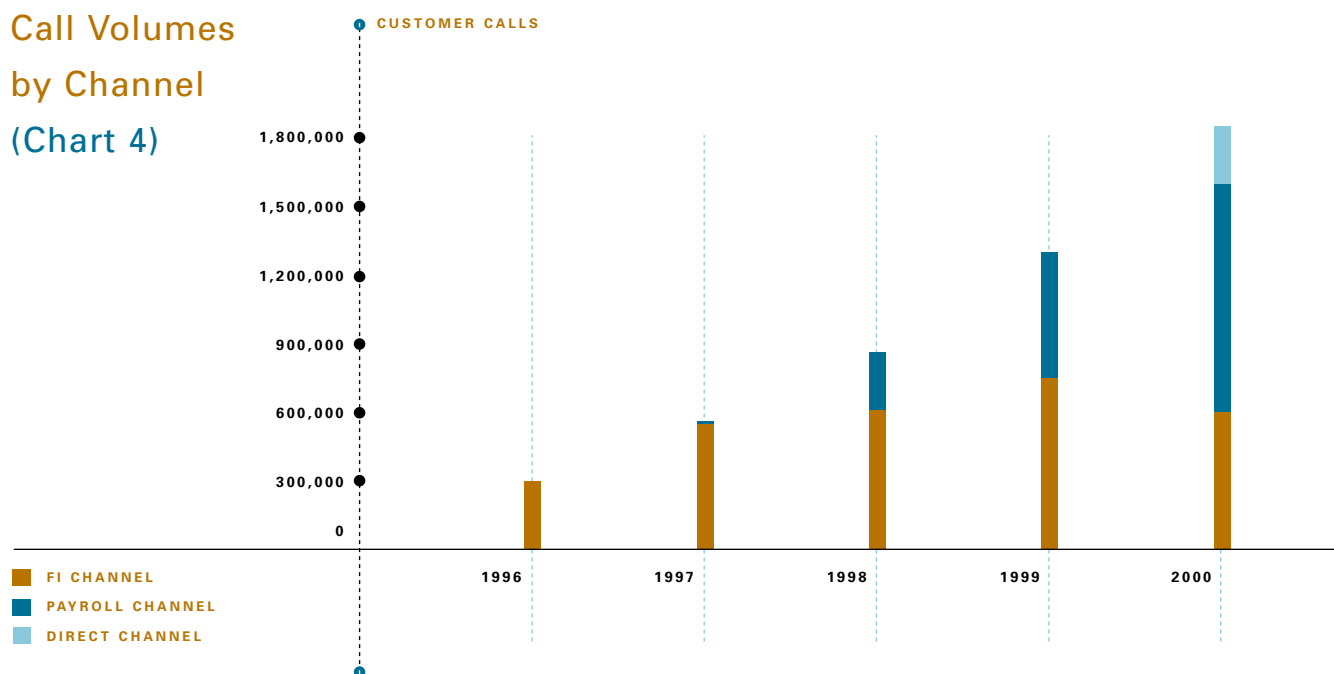
The ongoing conversion of original payroll program participants to the new Program continued as an additional 3,000 organizations were converted this year, approximately twice as many as in 1999-2000. As Chart 3 shows, this brings the total number of organizations converted to about 9,000 representing about 85 per cent of sales.

Conversion of Original Payroll Program Participants to New Program (Chart 3)



2000-01 IN REVIEW

Call Volumes by Channel (Chart 4)



ON SALE LONGER

An expanded sales period from October to April 1st of each year has proved to be popular as an increasing number of Canadians purchased their bonds outside of the traditional October sales period, with 31 per cent of sales occurring between November 2, 2000 and April 1, 2001. This compares to 1999-2000, when about 22 per cent of sales were outside the traditional sales window. In 1998-99, 12 per cent of sales occurred outside the traditional sales window.

Percentage of sales outside

November 1 issues:

1998-99: 12%

1999-2000: 22%

2000-01: 31%

ONE STOP INQUIRY – BY WEB OR PHONE

Volumes of service have increased significantly with both Web and telephone contact rising dramatically last year (Chart 6). In particular, the Web – with more than 11 million hits this past year – has proven to be the contact medium of choice, with our rate information and product calculators the top reasons for visiting. Continued conversion of the payroll organizations has been the prime reason for increased call volumes through this channel. The modestly decreased volumes through the Financial Institutions' channel reflect an increased understanding by our sales agents and clients of the new products, plans and longer sales period first introduced in 1998 (Chart 4).

2000-01 IN REVIEW

QUICKER ACCESS TO YOUR MONEY

We have made significant improvements to our systems and processes, providing customers the benefits of quicker and more convenient access to their money. Our efforts to increase the number of customers on direct deposit mean interest and redemption payments are quicker and more convenient. Our delivery of bond certificates also improved last year, while increased call centre activity indicates that more and more Canadians find cashing their bonds over the phone a convenient option.



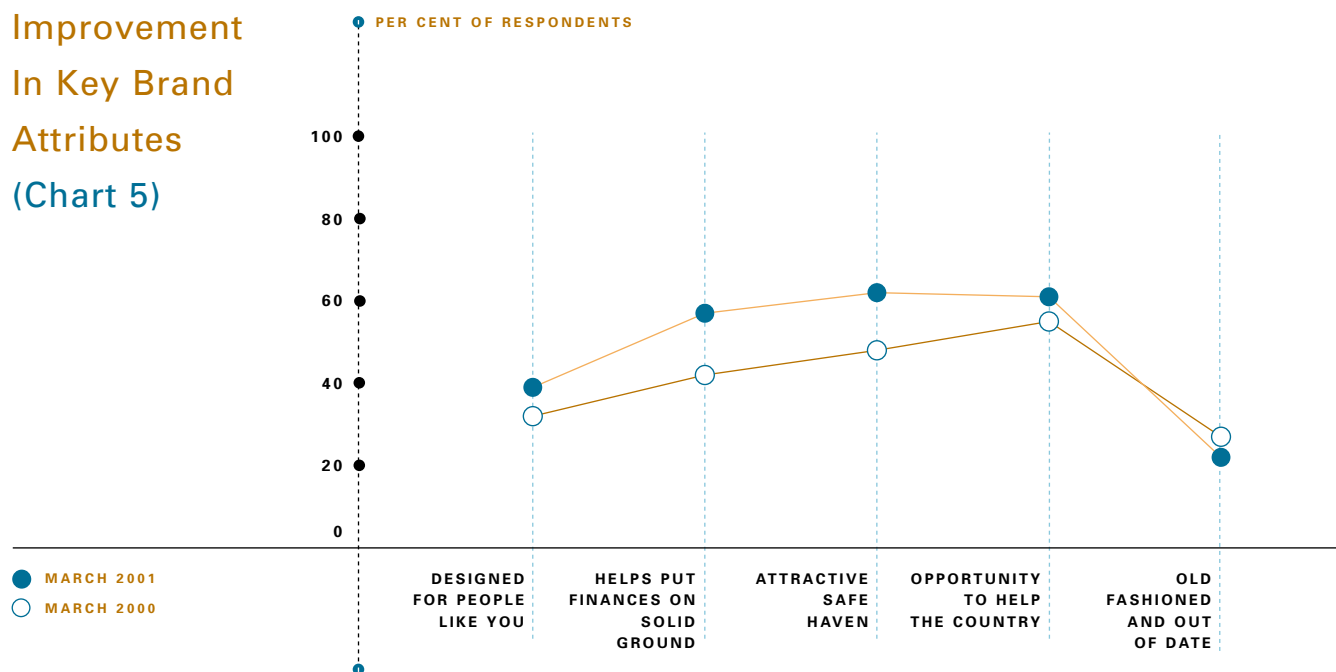
Gifting

While Canada Savings Bonds and Canada Premium Bonds can be used as a gift for any occasion, marketing efforts for December were dedicated to gift giving for the holiday season. Canada Investment and Savings targeted magazines, newspaper supplements and a promotional insert in the Sears Wish Book to encourage Canadians to “Give the Gift that Grows”. Over the years, many clients mentioned that their first investment experience was a gift of a Canada Savings Bond they had received as a child. Many of these individuals held onto their bonds for years and eventually used their earnings to help meet their savings goals – whether for their education, a new home or a well-deserved holiday.

Awards and Honours

- 2001 Canadian Marketing Association RSVP Silver Award for the Great Canadians Save youth initiative in the category of channels used: interactive/online/internet
- 2001 Golden Marble Promotion Award in the category of Best “Other” Consumer Products
- 2001 International Association of Business Communicators Gold Quill Award of Merit in the PR/Marketing category for Great Canadians Save youth initiative
- 2000 Canadian Marketing Association RSVP Award for the Great Canadians Save youth initiative in the category of Financial Services: Wealth Management
- 1999 Mobius Award for Advertising
- 1999 Canadian Information Productivity Award in the category of Organizational Transformation for new Payroll Savings Program
- 1998 Mobius Award for Advertising
- 1998 Distinction Gold Medal Award (Government in Technology Week) for outstanding leadership, innovation and excellence in the use of information technology for development of new Payroll Savings Program system

Improvement In Key Brand Attributes (Chart 5)



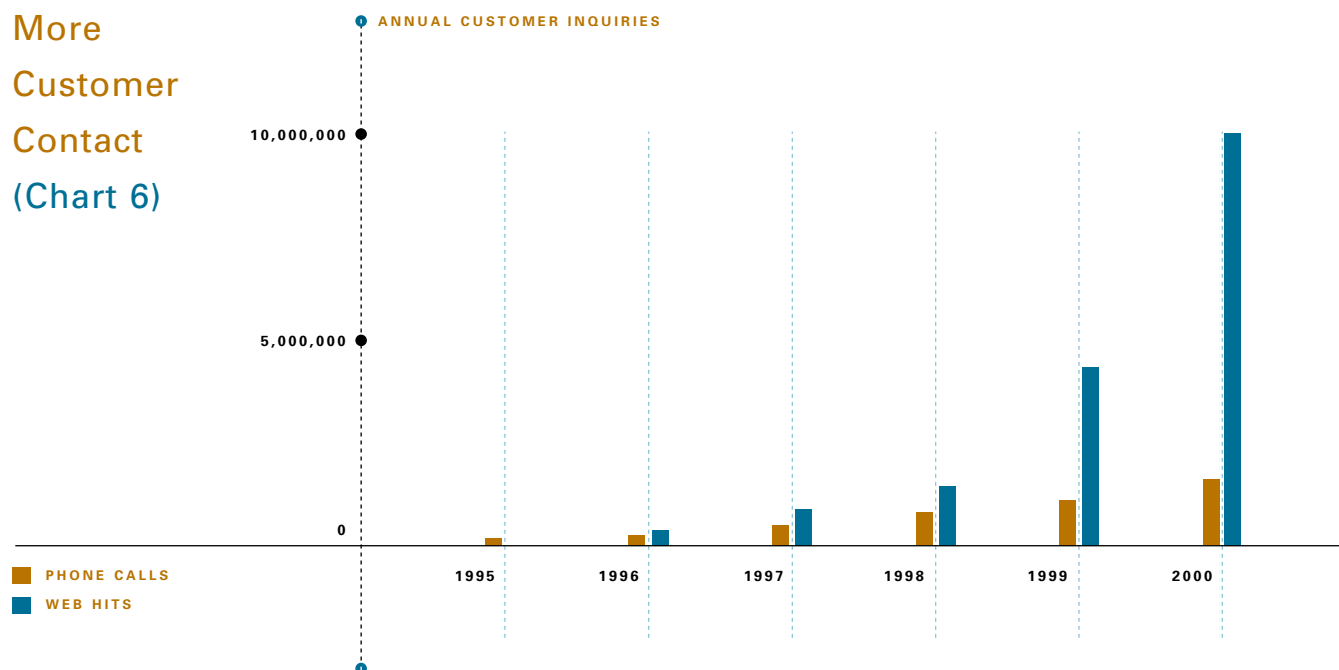
Building Awareness Cost Effectively

Customers can access CSBs and CPBs together with their registered options from our 11,000 financial institution sales agents, direct by telephone or from their place of work through the Payroll Savings Program. To find better ways to serve our customers, communicating the features of our products and services in a clear and forthright fashion continues to be a driving force behind our work. We've counted on improved innovation and advances in technology, as well as increased collaboration with our partners, to ensure that we remain responsive to the changing savings and investment needs of Canadians in both traditional and evolving markets.

CI&S also remains committed to our brand values of safety, security and being there for Canadians that continue to guide us in our communications. Important brand work continued with our integrated message reflective of our longstanding traditions and our changing image, which is expressed in our tag line: You're on Solid Ground. Research continues to indicate that aided recall, especially television ad recognition, increased. Importantly, our CSB attributes improved again. By contrast, awareness of our RRSP/RRIF products showed little change (Chart 5).

2000-01 IN REVIEW

More Customer Contact (Chart 6)



Overall, the past year was an especially turbulent one for marketing efforts. One key challenge we encountered in the fall was the cessation of our marketing and media support in mid-October as a result of the call of the federal election. With October traditionally being our strongest sales period, having no dedicated advertising support during this integral period posed a number of critical challenges. In addition, several interest rate changes during that same time were difficult to communicate to Canadians, given the lack of promotional activities.

Increasingly, the Internet is changing the way we communicate and conduct business. It serves as a key tool for providing information on a timely basis and one that Canadians now turn to, from a negligible volume in 1995 to approximately \$11-million hits in 2000-01. Its importance for the New Canada Savings Bonds program is underscored by the number of visits to our Web site as shown in Chart 6. In response to the

heightened demand, we've refreshed our creative and provided enhanced value to users through the introduction of an opt-in e-mail newsletter, which had close to 6,000 participants in 2000-01.



From the start, CI&S recognized that the greatest source of value and expertise in appealing to young Canadians rested with those organizations that had cornered the youth market. As such, we developed alliances with YTV Canada Inc. and Groupe TVA inc. to leverage their expertise in communicating our important message about the value of saving. These partnerships remain, and again this year, CI&S' unique national savings promotion was another resounding success. Moving to an online-only format, entries to our youth contest grew to 14,000.

2000-01 IN REVIEW



Global Outreach

In May 2000, Canada Investment and Savings founded the first International Retail Debt Conference held in Toronto. Senior participants from the United States, United Kingdom and Ireland came together to share information about the retail strategies the participating countries are applying to meet the operations and marketing challenges in their respective markets. It is through learning from each other about what has worked, what has not, best business practices, possible emerging markets and new products and technologies, that we can strengthen our business relationships and better prepare to respond to the retail market.

Managing Operations

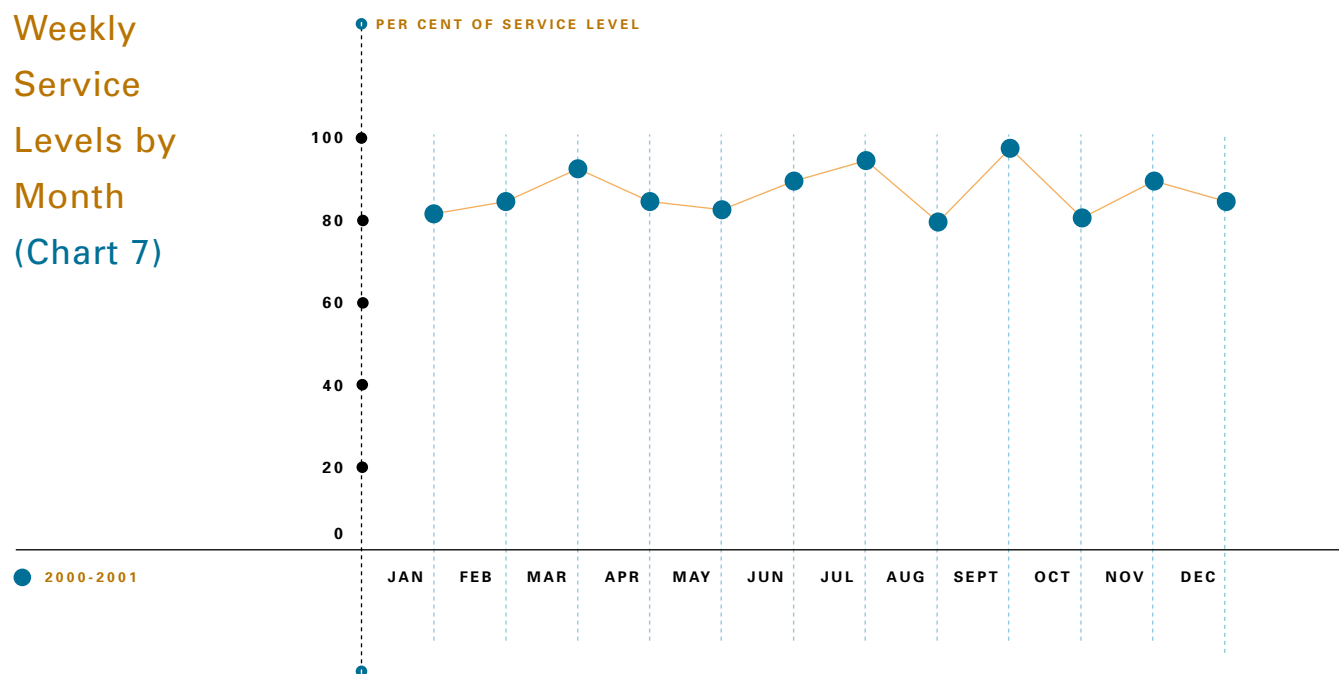
CI&S continues to explore innovative ways to be efficient and cost effective in the delivery of Canada's Retail Debt Program. This included examining operational costs and developing alternative options for service delivery that pass savings on to Canadians.

OPERATIONAL PERFORMANCE HIGHLIGHTS IN 2000-01:

- Service level standards at the call center were met or exceeded despite a 30 per cent increase in volumes (see Chart 6).
- The payroll Web site transmission project is considered a “pathfinder project” for the Government's online program for implementing advanced security practice based on a Public Key Infrastructure (PKI).
- Improved business process and systems stabilization resulted in average processing time, from processing purchase files to printing the certificates, dropping to less than five days from the 11-day service standard. This is the end-to-end service level.
- Certificate inscription and distribution exceeded all service level standards set. In particular, the six-day turnaround inscription standard was actually less than four during the heaviest period of sales. The error rate for file processing from sales agents was less than 0.4 per cent.
- The process of electronic scanning of payroll applications was streamlined resulting in further savings. Some 227,000 forms were scanned (about the same as the previous year) and service levels met.
- Reporting improvements to customers were realized in a redesigned T5 statement as inquiries declined by more than 50 per cent from the previous year with improved statements to customers. Improved address accuracy helped reduce inquiries as we utilized changes in information identified through Canada Post's national change of address database.

2000-01 IN REVIEW

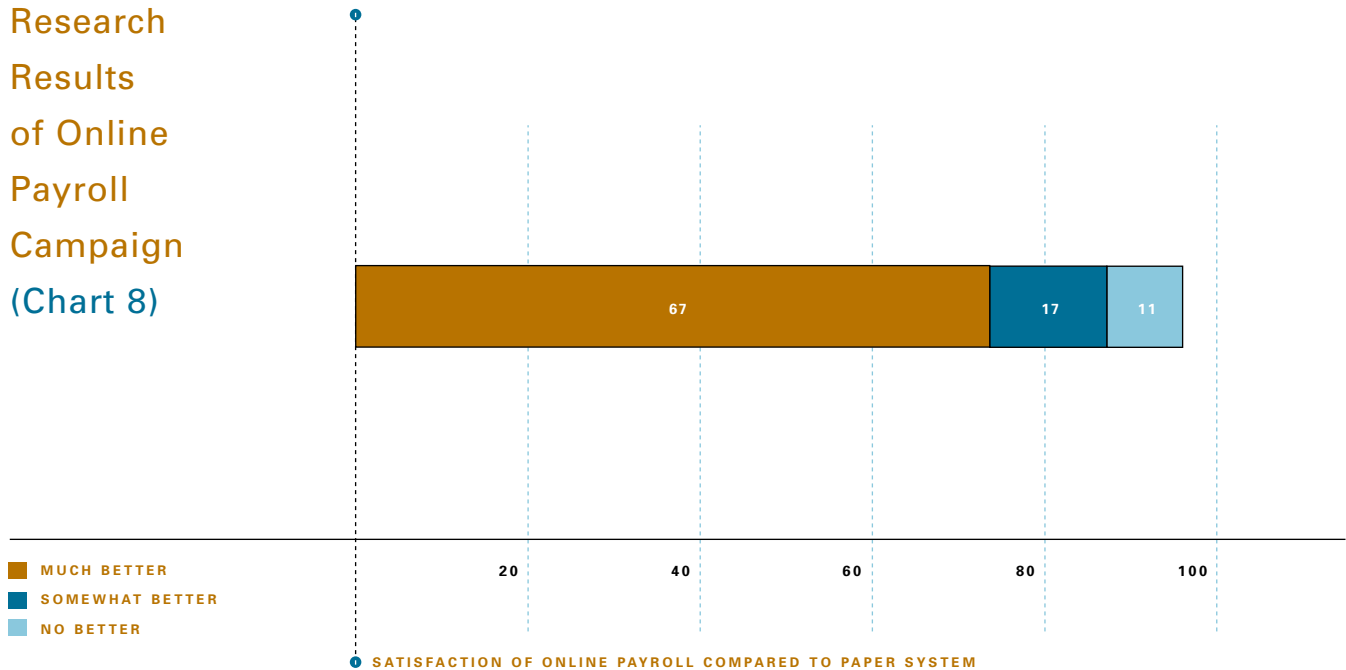
Weekly Service Levels by Month (Chart 7)



MAKING THE MOST OF TECHNOLOGY

CI&S recognizes that information technology lies at the heart of efficient and productive retail businesses. This past year, the Agency updated a long term information systems strategic plan with a vision – the creation of an IT environment that allows for the integration of new weekly service levels by month streamlined systems with a common architecture. The latter envisions the Retail Debt Program as being able to integrate advances in e-commerce and e-service with improved customer service and cost effectiveness. As we consider new electronic ways of delivering our services, this strategic plan lays the foundation of how we manage our online initiatives. A number of initiatives in 2000-01 support the achievement of this long-term strategic vision.

Research
Results
of Online
Payroll
Campaign
(Chart 8)



ONLINE AT WORK: ELECTRONIC PAYROLL CAMPAIGN

CI&S continued to focus efforts on streamlining administrative procedures for employers who sponsor the Payroll Savings Program. From introducing a new system in 1998 to implementing new electronic transmission options, this approach was designed to ensure employers benefited from increased efficiencies and potential cost savings while maintaining current levels of service (Chart 8). Overall, these improvements are showing benefits as CI&S sees a return of employers to the program. An online pilot program tested an Internet-based electronic payroll purchase campaign that permitted electronic capture of payroll savings applications and account changes. The electronic campaign was successfully conducted with results indicating both increased participation rates and average purchase amounts. Learning from post-campaign research is being incorporated into a larger pilot in 2001-02.

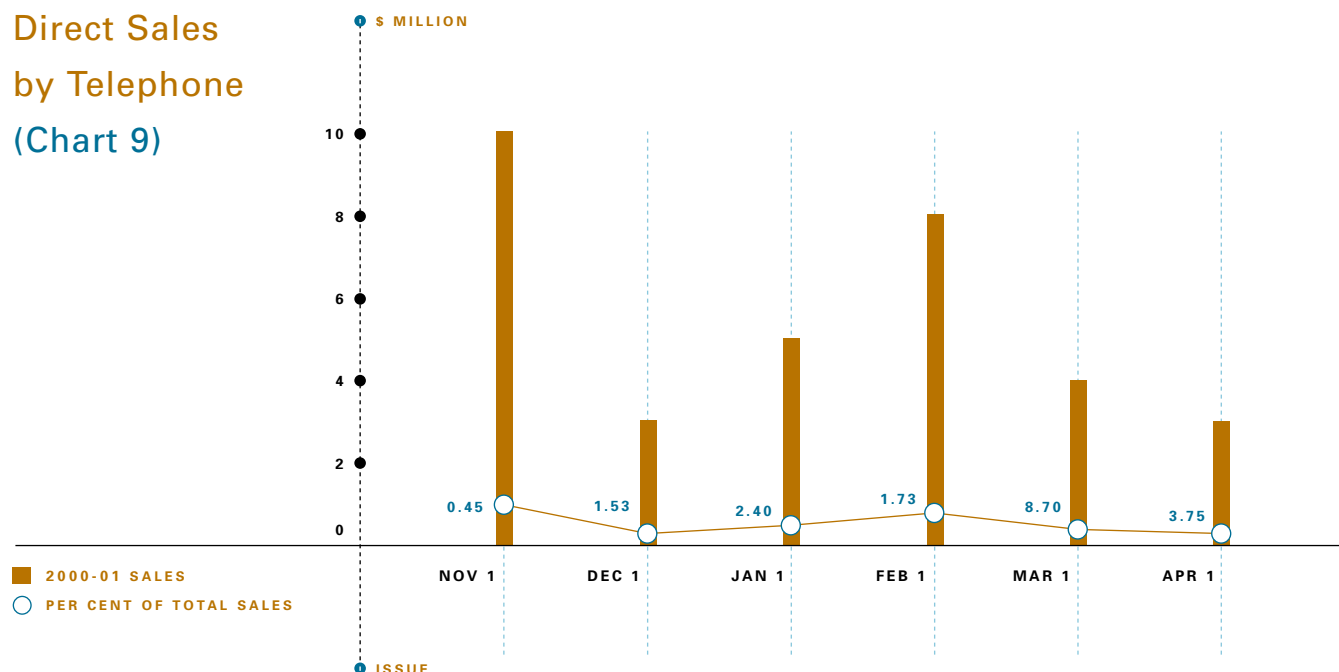
ENHANCING THE WEB-BASED
TRANSMISSION OPTIONS FOR SMALL- AND
MEDIUM-SIZED ENTERPRISES

Following a successful pilot of a Web-based transmission option for small- and medium-sized enterprises (SMEs) in the payroll channel, the Web-based transmission option was rolled out in the fall of 2000. Learning from the pilot, we identified the need to: enhance the employer database; create a Web site from which employers download the latest Entrust security software; and implement an internal Web site to track problems and escalate to a third party payroll support service.

This action resulted in reducing set-up exceptions from 60 to 20 per cent and successfully bringing on 1,300 SMEs in the fall campaign.

2000-01 IN REVIEW

Direct Sales by Telephone (Chart 9)



DIRECT TELEPHONE SALES

Following a successful pilot in the spring of 2000, the telephone sales pilot was expanded. The initiative allows customers to purchase CSBs or CPBs, including as an RRSP, directly by telephone from 8 a.m. to 8 p.m. EST during the six-month sales campaign. Telephone scripts were improved together with substantial improvements to business processes and systems, resulting in the better capture and tracking of data and a 50 per cent reduction in time involved in processing the transactions.

CUSTOMER REPORTING

Beginning in 1999, significant effort has gone into providing customers with more information, with a focus on T5 statements. In 2000-01, substantive improvements to this statement, as well as the direct deposit statements and improved cheques for those buying through financial institutions, resulted in a significant reduction in customer inquiries. As we focus on the future, our customer reporting will take the direction of providing customers a means to access their information electronically via the Web or telephone.

Priorities for 2001 and Beyond

In this new economic environment, CI&S' challenge remains being able to manage the influences of change. That means continually challenging the status quo and the manner in which we operate. While CI&S has made significant progress in 2000-01, we cannot and will not be complacent. On the path forward, we plan to continue building on the momentum created through our innovation, while striking a balance between being responsive to the needs of Canadians and being cost effective to the Government of Canada.

We plan to explore the value of making new distribution channels available for the purchase of Government of Canada securities. To this end, we will continue to investigate new electronic commerce options in an effort to meet the ever-changing needs of Canadian savers. Furthermore, we will continue to fulfill our mandate to diversify the Government's investor base.

As CI&S moves quickly toward an integrated Web strategy, we look to use technology and the Internet to create new opportunities, improve processes and make distribution more efficient.



Eric Newell (right) accepts a Certificate of Distinguished Service for his role as 2000 National Campaign Chair for the Payroll Savings Program from Finance Minister Paul Martin at a luncheon in Ottawa honouring Canadian sponsors of the New Canada Savings Bonds.

2000-01 IN REVIEW

Management team

Jacqueline Orange

PRESIDENT AND CHIEF
EXECUTIVE OFFICER

Paul Bailey

VICE PRESIDENT,
MARKETING SERVICES

Louise Montague

VICE PRESIDENT,
SALES AND DISTRIBUTION

Chantale Cousineau-Mahoney

VICE-PRESIDENT,
CORPORATE SERVICES

Chantale left CI&S in August 2001 to become
Director General at Communication Canada

Clifford Prupas

VICE PRESIDENT,
PRODUCT MANAGEMENT

Expenditures

Summary of Budget Expenditure

| Fiscal Year | 1999-2000 | 2000-01 | 2000-01 |
|--|------------|------------|-----------------------|
| (IN THOUSANDS OF DOLLARS) | (ACTUALS) | (PLANNED) | (ACTUALS) |
| CANADA INVESTMENT AND SAVINGS | | | |
| Direct controllable expenses | \$ 24,010 | \$ 27,698 | \$ 23,884 |
| New technology investment and special studies ⁽¹⁾ | 1,062 | 4,000 | 387 |
| Sub-total – CI&S non-variable controllable costs | 25,072 | 31,698 | 24,271 |
| Commissions and sales force remuneration | 38,896 | 41,000 | 32,084 ⁽²⁾ |
| Total – CI&S non-variable and variable costs | 63,968 | 72,698 | 56,355 |
| BANK OF CANADA | | | |
| Systems and Operations ⁽³⁾ | 76,916 | 76,880 | 80,635 |
| Total – Retail Debt Program expenditures | \$ 140,884 | \$ 149,578 | \$ 136,990 |

Notes:

⁽¹⁾ These expenditures, paid directly from Canada Investment and Savings' (CI&S) budget, are undertaken either directly by CI&S or through the Bank of Canada.

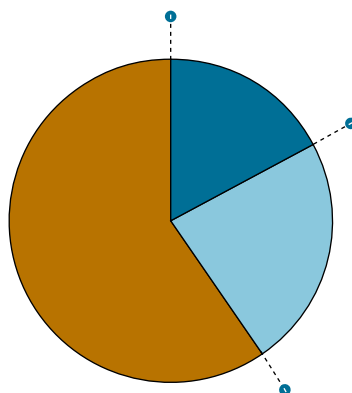
⁽²⁾ Includes the sales commissions to Financial Institutions (FI) and amortized sales commissions from previous years, redemptions and sales force variable compensation. This expenditure item is lower than forecast (\$32-million versus a forecast of \$41-million) due to savings generated through the new compensation package negotiated with the FIs together with lower than expected redemptions and cash sales.

⁽³⁾ The increase in actual expenditures versus plan is \$7,250 of outsourcing costs which were not included in the plan.

EXPENDITURES

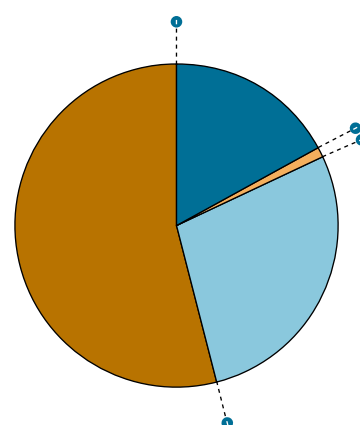
Total Budget Expenditure Breakdown (Chart 10)

2000-2001



18% CI&S⁽¹⁾
23% SALES COMMISSIONS⁽²⁾
59% SYSTEMS AND OPERATIONS
(BANKS OF CANADA)

1999-2000



17% CI&S
1% NEW IT INITIATIVES
28% SALES COMMISSIONS
54% SYSTEMS AND OPERATIONS
(BANKS OF CANADA)

Marketing Budget Expenditure Breakdown (Chart 11)

MILLIONS

20
15
10
5
0

MARKETING

ADVERTISING

DISTRIBUTION

MARKET
RESEARCH

2000-2001
1999-2000

Includes commissions paid to Financial Institutions, amortized sales commissions from previous years, redemption fees and variable compensation to the payroll sales force.

Products and Services

CANADA PREMIUM BONDS

Canada Premium Bonds (CPBs) are fully guaranteed by the Government of Canada and at the time of issue offer a higher rate of interest than the original Canada Savings Bonds (CSBs) on sale at the same time. CPBs can be redeemed once a year on the anniversary date and during the 30 days thereafter without penalty.

CANADA SAVINGS BONDS

With guaranteed returns and the option of redeeming at anytime, CSBs provide both maximum security and maximum flexibility. They are fully backed by the Government of Canada with rates of interest that will be increased when market conditions warrant. They can also be purchased at work through convenient payroll deduction.

RRSP AND RRIF OPTIONS

Both the CSB and CPB come with no fee RRSP and RRIF options. This means all the security of the bonds is combined with all the benefits of an RRSP or RRIF.

MARKETABLE BONDS

Marketable Government of Canada Bonds are usually issued for terms of more than one year and have fixed semi-annual interest payments. The bonds are non-cashable prior to maturity but they can be bought and sold at market prices that vary from day-to-day. They can be purchased or sold at either a premium or a discount to the face value of the bond, depending on interest rates. Bonds can be found in the marketplace with remaining terms to maturities ranging from one month to 30 years.

TREASURY BILLS

Treasury bills are marketable securities that are issued periodically with terms of 98 days, six months and one year. Treasury bills are usually sold at a discount to the principal amount and mature to the face value of the bill. Like marketable bonds, you cannot cash these prior to maturity, but they too can be bought and sold at market prices that vary day-to-day.

REAL RETURN BONDS

This product features fixed semi-annual interest payments, adjusted in relation to the Consumer Price Index (CPI) for Canada. These bonds are stable and protect you against inflation over the long term. Canadians cannot cash them prior to maturity, but they can be bought and sold at market prices, which vary according to changes in real yields and fluctuations in the CPI.

PRODUCTS AND SERVICES

Definitions of Debt Terms

Public debt is the outstanding financial obligations of the Government of Canada, including both market and non-market debt.

Market debt is the portion of debt that is funded in the public markets and includes marketable bonds, Treasury bills, non-marketable debt (primarily CSBs), foreign-currency denominated bonds and bills, and bonds issued to the Canada Pension Plan.

Non-market debt includes the Government's internal debt, which is for the most part federal public sector pension liabilities and the Government's current liabilities (such as accounts payable, accrued liabilities, interest and payment of matured debt).

Retail debt includes those Government of Canada securities held by individual Canadians. There are two principal categories: non-marketable securities, which include CSBs and the new CPBs, and marketable securities, which include Real Return Bonds, marketable bonds and Treasury bills.

Doing Business With Us

DIRECT OVER THE INTERNET AND BY PHONE

During the annual sales campaign, Canadians can buy Canada Savings Bonds (CSBs) and Canada Premium Bonds (CPBs) directly by accessing www.csb.gc.ca anytime or by calling 1 888 773 9999 Monday to Friday 8 a.m. to 8 p.m. Eastern.

FINANCIAL INSTITUTIONS

New Canada Savings Bonds can be purchased wherever Canadians bank or invest, including banks, investment dealers, savings and credit unions.

THE WORKPLACE THROUGH PAYROLL DEDUCTION

CSBs can be purchased by regular payroll deduction from sponsoring organizations through the New Canada Savings Bonds Payroll Program. The money is taken off employees' pay on a regular basis and directed into individual plans.

CONTACT US

If you have any questions, do not hesitate to contact us at 1 800 575 5151 or visit us at www.csb.gc.ca.

Canada Investment and Savings
110 Yonge Street
Suite 900
Toronto, ON M5C 1T4