

**DEFINED CONTRIBUTION PENSION PLAN
COMMENTS FROM THE ADVISORY COMMITTEE CHAIR
DECEMBER 31, 2012**

FINANCIAL STATEMENTS

Attached are the annual audited financial statements of the Canadian Blood Services Defined Contribution Pension Plan (the "Plan"). The audit opinion issued by the external auditors, KPMG LLP, is included in the financial statements.

While members receive quarterly communications regarding their individual investment account through the administrator, Morneau Shepell, the financial statements present the results of the Plan as a whole. Legislation under the Pension Benefits Act requires the employer to file these statements annually with the Financial Services Commission of Ontario. Audited financial statements are available for review on the Plan's website by year, starting in 2005.

GOVERNANCE

The Plan is administered by Canadian Blood Services. An Advisory Committee (the "Committee") assists Canadian Blood Services by monitoring investment performance and plan administration, and by making recommendations for any changes in the fund manager(s) involved in the investment of the funds. The Committee consists of six representatives appointed by Canadian Blood Services. These representatives include individuals nominated by the unions that represent employees who participate in the Plan. The number of union representatives is in proportion to the number of Plan members represented by the unions, to a maximum of three representatives.

The Committee normally meets twice a year, in the spring and fall and from time to time by teleconference to respond to any pressing issues.

At each meeting, the Committee reviews investment performance against benchmarks established in the Statement of Investment Policies & Procedures.

The role of the Committee includes:

- Determining the investment policy of the pension fund;
- Recommending the selection, appointment and replacement of investment managers;
- Monitoring investment performance; and
- Monitoring plan administration.

The Committee has an investment consultant (Mercer (Canada) Limited) to assist them in establishing an investment policy, and selecting and monitoring investment managers.

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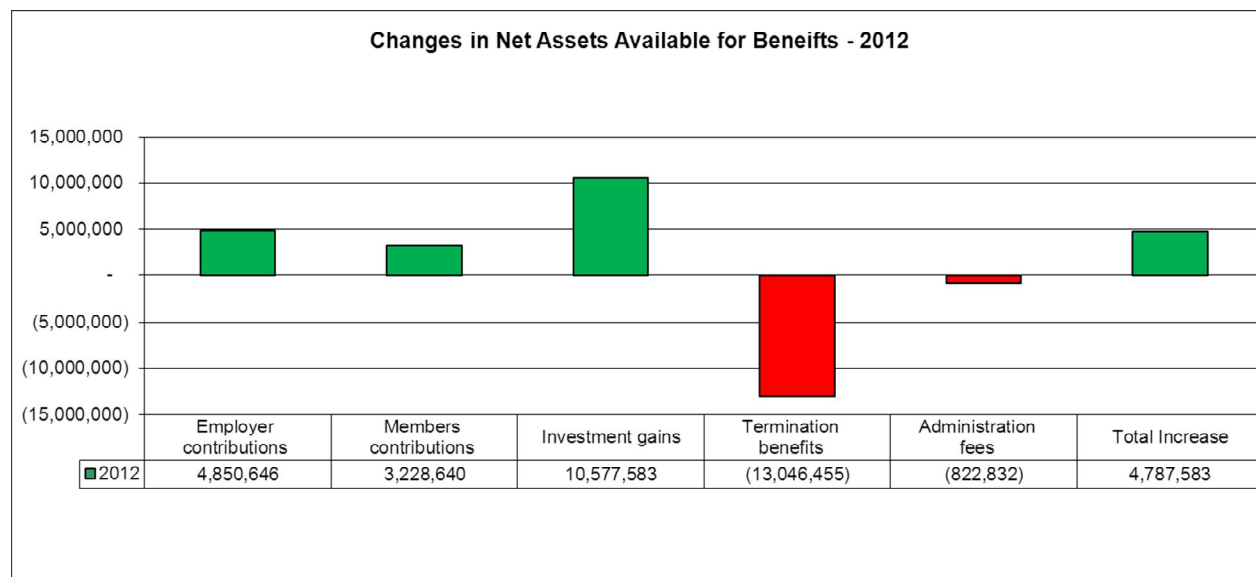
MEMBERSHIP

Membership decreased 4.3% in 2012.

	2012	2011	% change
# members, active	1,055	1,116	(5.5%)
# members, inactive	246	243	1.2%
	1,301	1,359	(4.3%)

NET ASSETS AVAILABLE FOR BENEFITS

Net Plan assets available for benefits increased by \$4,787,582, or 3.7% during 2012, from \$128,057,717 in 2011 to \$132,845,299. This increase was due to \$10,577,583 in investment gains, and contributions of \$8,079,286, offset by \$13,046,455 in payments and recognition of obligations due to members who have left Canadian Blood Services, and \$822,832 in administration fees.



CONTRIBUTIONS

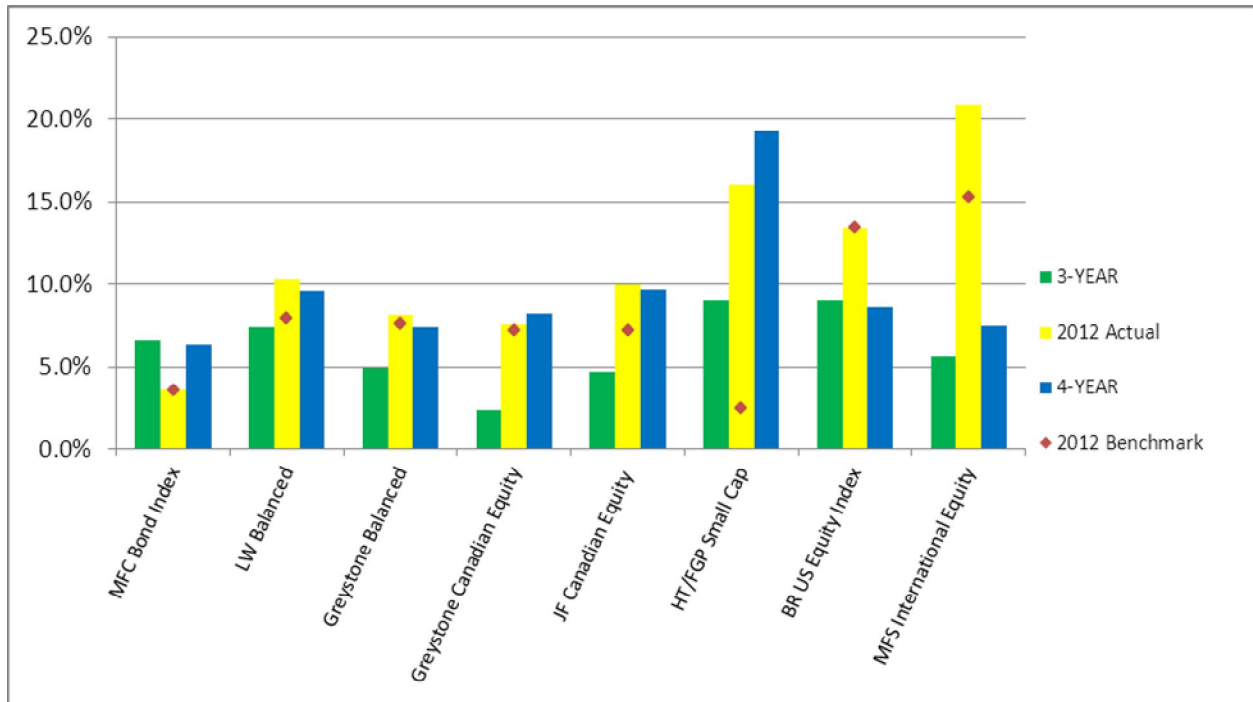
Reflecting a decrease in membership offset by an increase in salary levels, contributions to the Plan decreased by 3.3% from \$8,355,306 in 2011 to \$8,079,286 in 2012.

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INVESTMENT INCOME

Investment income was \$10,577,583 compared to a \$4,820,111 investment loss in 2011. This represents a positive return for the Plan of 8.6% in 2012 (versus a negative return of 3.4% in 2011). Investment returns vary for each individual fund within the Plan and each member's rate of return is dependent on their asset allocation. Specific return rates by fund are available on the Plan website under Fund Information.

INVESTMENT RETURNS



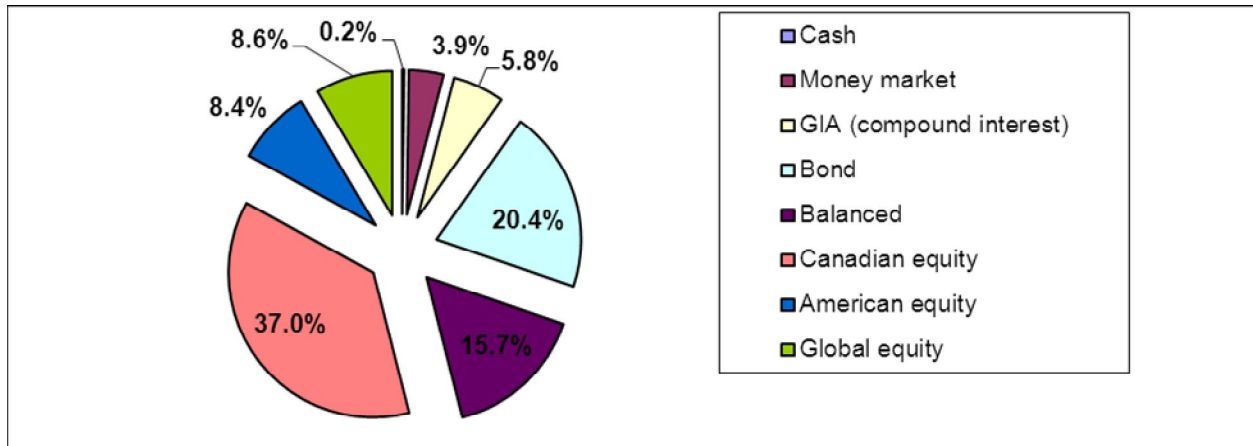
The above chart represents the return on the portfolio in 2012 as well as the annualized 3-year and 4-year returns.

It should be noted that past performance is not an indicator of future returns.

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ASSET ALLOCATION

The asset allocation at December 31, 2012 was as follows:



ADMINISTRATION FEES

As specified in the Plan Text, administration fees are paid by the Plan. Total administration fees increased 3.2% to \$822,832 in 2012 from \$797,153 in 2011. Administration fees include:

a) Investment management fees decreased 2.6% to \$537,047 in 2012 (2011 - \$551,148). Although investments under management have increased since the prior year, the majority of this decrease occurred in the second half of 2012, therefore investments under management were lower during most of the year, which resulted in the reduced fees.

b) Third party administration fees for the maintenance of individual member accounts and related reporting services totalled \$124,365 in 2012 (2011 - \$127,608). The rate for these services increased in 2012 from \$7.82 (including HST) per member per month to \$7.97 (including HST), or 1.9%. This increase is based on the change in the Canadian Consumer Price Index and is offset by a decrease in the number of members during the year.

c) Other plan expenses which are incurred for:

- investment monitoring, legal and actuarial services
- project management and accounting services
- Advisory committee meeting and travel costs
- annual plan registration fees
- member communications
- audit services

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Other plan expenses increased 36.3% to \$161,420 in 2012 (2011 - \$118,397) primarily due to expenses incurred for the production of member plan booklets in 2012 that did not occur in 2011.

Although Canadian Blood Services initially pays for other plan expenses on behalf of the Plan, Canadian Blood Services recovers the outlays for these expenses via:

- a \$10 fee per member per month. The amount of the fee is set each year at the December meeting of the Committee effective January 1 of the following year. The Committee recommended that the fee for 2013 remain unchanged at \$10 per member per month. The fee will be reviewed in the upcoming fiscal year.

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MARKET ANALYSIS

In 2012, with the domestic economy producing only tepid growth and little inflation, the Bank of Canada left its target rate unchanged at 1%. The Bank still intends to withdraw modest amounts of monetary stimulus over time as conditions improve. Both the housing sector and the level of household debt have started to slow from record high levels. The Canadian dollar remained range bound close to parity with the US dollar for most of 2012, ending the year with a 2.3% gain. Commodity prices have had a strong influence on the exchange rate.

In 2012, the S&P/TSX Composite index gained 7.2%. The health care, consumer staples and consumer discretionary sectors were the best performers in 2012. The Canadian large cap equity funds offered by Canadian Blood Services are managed by Greystone and Jarislowsky Fraser. Greystone outperformed the S&P/TSX Composite by 0.4% while Jarislowsky Fraser outperformed the index by 2.8% over the past year. Canadian Blood Services also offers a Canadian small cap equity fund managed by Foyston, Gordon & Payne which outperformed the index by 13.5%.

The US was one of the top performing developed markets in 2012. The S&P 500 index, which returned 13.4% in 2012 (in C\$) was led mainly by the strong performance over the first quarter, which represented the best quarterly return since 1998. Overall, the financials and consumer discretionary sectors were the best performing sectors through the year. The lower Canadian dollar reduced returns for the year; in local currency the S&P 500 returned 16.0% over that period. US investors quickly put the election results behind them and factored that a compromise would be reached over the Fiscal Cliff before it has any significant impact on the economy. The BlackRock US equity fund offered by Canada Blood Services is passively managed and posted a return of 13.42% over the past year.

International equity was one of the top performing markets in 2012. The MSCI EAFE index (in C\$) showed a significant return of 15.3% in 2012. The financials and consumer discretionary sectors showed the highest returns by sector while continental Europe and Pacific ex-Japan were the best performing regions over 2012. The belief that the Eurozone's economy is nearing a bottom, with early signs of recovery in Germany, fuelled cautious optimism that recession will be avoided in Europe's largest economy. Emerging Markets overall performed better than developed markets for the year by a small margin. The International equity fund offered by Canadian Blood Services is managed by MFS. MFS added 5.5% to the MSCI EAFE index over the past year.