Quarterly Consolidated Financial Statements of

CANADA PENSION PLAN INVESTMENT BOARD

December 31, 2010

(unaudited)

CANADA PENSION PLAN INVESTMENT BOARD
Consolidated Balance Sheet
As at December 31, 2010
(Unaudited)

($ millions)	**December 31, 2010**	March 31, 2010	December 31, 2009
ASSETS			
Investments (note 3)	**$ 143,894**	$ 130,477	$ 126,715
Amounts receivable from pending trades	**179**	1,118	597
Premises and equipment	**31**	21	24
Other assets	**20**	25	22
TOTAL ASSETS	**144,124**	131,641	127,358
LIABILITIES			
Investment liabilities (note 3)	**3,450**	2,519	2,775
Amounts payable from pending trades	**476**	1,391	552
Accounts payable and accrued liabilities	**96**	101	92
TOTAL LIABILITIES	**4,022**	4,011	3,419
NET ASSETS	**$ 140,102**	$ 127,630	$ 123,939
NET ASSETS, REPRESENTED BY			
Share capital (note 5)	**$ -**	$ -	$ -
Accumulated net income from operations	**35,130**	24,561	23,597
Accumulated net transfers from the Canada Pension Plan (note 6)	**104,972**	103,069	100,342
NET ASSETS	**$ 140,102**	$ 127,630	$ 123,939

The accompanying notes are an integral part of these Consolidated Financial Statements.

CANADA PENSION PLAN INVESTMENT BOARD
Consolidated Statement of Net Income and Accumulated Net Income from Operations
For the three and nine-month periods ended December 31, 2010
(Unaudited)

($ millions)	**Three-months ended December 31**				**Nine-months ended December 31**			
		2010		2009		**2010**		2009
NET INVESTMENT INCOME (note 7)	**$**	**4,001**	$	2,187	**$**	**10,776**	$	15,193
OPERATING EXPENSES								
Personnel costs		**49**		26		**132**		108
General operating expenses		**22**		20		**60**		55
Professional services		**5**		5		**15**		12
		76		51		**207**		175
NET INCOME FROM OPERATIONS		**3,925**		2,136		**10,569**		15,018
ACCUMULATED NET INCOME FROM OPERATIONS, BEGINNING OF PERIOD		**31,205**		21,461		**24,561**		8,579
ACCUMULATED NET INCOME FROM OPERATIONS, END OF PERIOD	**$**	**35,130**	$	23,597	**$**	**35,130**	$	23,597

Consolidated Statement of Changes in Net Assets
For the three and nine-month periods ended December 31, 2010
(Unaudited)

($ millions)	**Three-months ended December 31**				**Nine-months ended December 31**			
		2010		2009		**2010**		2009
NET ASSETS, BEGINNING OF PERIOD	**$**	**138,622**	$	123,826	**$**	**127,630**	$	105,501
CHANGES IN NET ASSETS								
Canada Pension Plan transfers (note 6)								
Transfers from the Canada Pension Plan		**4,056**		4,274		**21,473**		21,462
Transfers to the Canada Pension Plan		**(6,501)**		(6,297)		**(19,570)**		(18,042)
Net income from operations		**3,925**		2,136		**10,569**		15,018
INCREASE IN NET ASSETS FOR THE PERIOD		**1,480**		113		**12,472**		18,438
NET ASSETS, END OF PERIOD	**$**	**140,102**	$	123,939	**$**	**140,102**	$	123,939

The accompanying notes are an integral part of these Consolidated Financial Statements.

CANADA PENSION PLAN INVESTMENT BOARD
Consolidated Statement of Investment Portfolio
As at December 31, 2010
(Unaudited)

The CPP Investment Board's investments are grouped by asset class based on the intent of the investment strategies of the underlying portfolios. The investments, before allocating derivative contracts, associated money market securities and other investment receivables and liabilities to the asset classes to which they relate, are as follows:

	Fair Value		
($ millions)	**December 31, 2010**	March 31, 2010	December 31, 2009
EQUITIES (note 3a)			
Canada			
Public equities	**$ 8,365**	$ 8,553	$ 8,432
Private equities	**1,357**	985	853
	9,722	9,538	9,285
Foreign developed markets			
Public equities	**23,000**	24,614	25,041
Private equities	**19,045**	14,565	13,840
	42,045	39,179	38,881
Emerging markets			
Public equities	**5,371**	4,895	5,048
Private equities	**819**	512	421
	6,190	5,407	5,469
TOTAL EQUITIES	**57,957**	54,124	53,635
FIXED INCOME (note 3b)			
Bonds	**34,215**	35,649	33,204
Other debt	**5,751**	3,526	3,327
Money market securities	**16,552**	14,068	14,286
TOTAL FIXED INCOME	**56,518**	53,243	50,817
ABSOLUTE RETURN STRATEGIES (note 3c)	**3,664**	2,871	2,116
INFLATION-SENSITIVE ASSETS (note 3d)			
Private real estate	**10,720**	7,982	8,027
Infrastructure	**9,452**	5,821	6,085
Inflation-linked bonds	**223**	904	555
TOTAL INFLATION-SENSITIVE ASSETS	**20,395**	14,707	14,667
INVESTMENT RECEIVABLES			
Securities purchased under reverse repurchase agreements (note 3e)	**3,500**	4,000	4,000
Accrued interest	**525**	594	442
Derivative receivables (note 3f)	**1,248**	760	903
Dividends receivable	**87**	178	135
TOTAL INVESTMENT RECEIVABLES	**5,360**	5,532	5,480
TOTAL INVESTMENTS	**$ 143,894**	$ 130,477	$ 126,715
INVESTMENT LIABILITIES			
Debt financing liabilities (note 3g)	**(1,302)**	(1,303)	(1,303)
Debt on private real estate properties (note 3d)	**(1,482)**	(947)	(894)
Derivative liabilities (note 3f)	**(666)**	(269)	(578)
TOTAL INVESTMENT LIABILITIES	**(3,450)**	(2,519)	(2,775)
Amounts receivable from pending trades	**179**	1,118	597
Amounts payable from pending trades	**(476)**	(1,391)	(552)
NET INVESTMENTS	**$ 140,147**	$ 127,685	$ 123,985

The accompanying notes are an integral part of these Consolidated Financial Statements.

CANADA PENSION PLAN INVESTMENT BOARD
Consolidated Statement of Investment Asset Mix
As at December 31, 2010
(Unaudited)

This Consolidated Statement of Investment Asset Mix is grouped by asset class based on the intent of the investment strategies of the underlying portfolios. The investments, after allocating derivative contracts, associated money market securities and other investment receivables and liabilities to the asset classes to which they relate, are as follows:

	December 31, 2010		March 31, 2010		December 31, 2009	
($ millions)	**Fair Value**	**(%)**	Fair Value	(%)	Fair Value	(%)
EQUITIES						
Canada	**$ 20,336**	**14.5 %**	$ 18,503	14.5 %	$ 17,866	14.4 %
Foreign developed markets	**47,904**	**34.2**	46,221	36.2	45,078	36.4
Emerging markets	**7,035**	**5.0**	6,465	5.0	6,586	5.3
	75,275	**53.7**	71,189	55.7	69,530	56.1
FIXED INCOME						
Bonds	**34,306**	**24.5**	35,418	27.7	33,007	26.6
Other debt	**5,824**	**4.2**	3,532	2.8	3,355	2.7
Money market securities[1]	**3,411**	**2.4**	1,654	1.3	2,232	1.8
Debt financing liabilities	**(1,302)**	**(0.9)**	(1,303)	(1.0)	(1,303)	(1.1)
	42,239	**30.2**	39,301	30.8	37,291	30.0
INFLATION-SENSITIVE ASSETS						
Real estate[2]	**9,236**	**6.6**	7,035	5.5	7,133	5.8
Infrastructure	**9,539**	**6.8**	5,821	4.6	6,085	4.9
Inflation-linked bonds	**3,858**	**2.7**	4,339	3.4	3,946	3.2
	22,633	**16.1**	17,195	13.5	17,164	13.9
NET INVESTMENTS	**$ 140,147**	**100 %**	$ 127,685	100 %	$ 123,985	100 %

[1] Includes absolute return strategies.
[2] Net of debt on private real estate properties, as described more fully in note 3d.

The accompanying notes are an integral part of these Consolidated Financial Statements.

CORPORATE INFORMATION

The Canada Pension Plan Investment Board (the "CPP Investment Board") was established in December 1997 pursuant to the *Canada Pension Plan Investment Board Act* (the "Act"). The CPP Investment Board is a federal Crown corporation, all of the shares of which are owned by Her Majesty the Queen in right of Canada. The CPP Investment Board is responsible for assisting the Canada Pension Plan (the "CPP") in meeting its obligations to contributors and beneficiaries under the *Canada Pension Plan.* It is responsible for managing amounts that are transferred to it under Section 108.1 of the *Canada Pension Plan* in the best interests of CPP beneficiaries and contributors. The CPP Investment Board received its first funds for investing purposes from the CPP in March 1999. The CPP Investment Board's assets are to be invested in accordance with the Act, regulations and the investment policies with a view to achieving a maximum rate of return without undue risk of loss, having regard to the factors that may affect the funding of the CPP and the ability of the CPP to meet its financial obligations on any given business day. The CPP Investment Board's legislated mandate, the overall benchmark that provides context for investing decisions and the investment strategy employed to support the long-term sustainability of the *Canada Pension Plan* are fully described in Management's Discussion and Analysis on pages 16 to 29 of the 2010 annual report.

The CPP Investment Board and its wholly-owned subsidiaries are exempt from Part I tax under paragraphs 149(1)(d) and 149(1)(d.2) of the Income Tax Act (Canada) on the basis that all of the shares of the CPP Investment Board and its subsidiaries are owned by Her Majesty the Queen in right of Canada or by a corporation whose shares are owned by Her Majesty the Queen in right of Canada, respectively.

The Consolidated Financial Statements provide information on the net assets managed by the CPP Investment Board and do not include the pension liabilities of the CPP. The CPP Investment Board has a fiscal year end of March 31.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The interim Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and the requirements of the Act and the accompanying regulations. These interim financial statements follow the same accounting policies and methods of computation as the March 31, 2010 annual Consolidated Financial Statements. These interim Consolidated Financial Statements do not include all of the information and note disclosures required by GAAP for annual financial statements and therefore should be read in conjunction with the March 31, 2010 annual Consolidated Financial Statements. These interim Consolidated Financial Statements include all adjustments which are, in the opinion of management, necessary for a fair presentation of the results of the interim period presented.

These interim Consolidated Financial Statements present the consolidated financial position and results of operations of the CPP Investment Board, its wholly-owned subsidiaries and the proportionate share of the fair value of assets, liabilities and operations of privately held real estate investments in joint ventures. The CPP Investment Board qualifies as an Investment Company in accordance with Canadian Institute of Chartered Accountants Accounting Guideline 18, *Investment Companies,* and accordingly, the CPP Investment Board reports its investments at fair value. Inter-company transactions and balances have been eliminated in preparing these interim Consolidated Financial Statements.

Certain comparative figures have been reclassified to conform with the current period financial statement presentation.

(b) Valuation of Investments, Investment Receivables and Investment Liabilities

Investments, investment receivables and investment liabilities are recorded on a trade date basis and are stated at fair value. Fair value is an estimate of the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

In an active market, fair value is best evidenced by an independent quoted market price. In the absence of an active market, fair value is determined by valuation techniques that make maximum use of inputs observed from markets. These valuation techniques include using recent arm's length market transactions, if available, or current fair value of another investment that is substantially the same, discounted cash flow analysis, option pricing models and other accepted industry valuation methods.

Fair value is determined as follows:

(i) Fair value for publicly-traded equities is based on quoted market prices. Where market prices are not available or reliable, such as for those securities that are not sufficiently liquid, fair value is determined using accepted industry valuation methods.

(ii) Fair value for fund investments is generally based on the net asset value as reported by the external managers of the funds or other accepted industry valuation methods.

(iii) Private equity and infrastructure investments are either held directly or through ownership in limited partnership arrangements. The fair value for investments held directly is determined using accepted industry valuation methods. These methods include considerations such as earnings multiples of comparable publicly-traded companies, discounted cash flows using current market yields of instruments with similar characteristics and third party transactions, or other events which would suggest a change in the value of the investment. In the case of investments held through a limited partnership, fair value is generally determined based on relevant information reported by the General Partner using similar accepted industry valuation methods.

(iv) Fair value for marketable bonds is based on quoted market prices. Where the market price is not available, fair value is calculated using discounted cash flows based on current market yields of instruments with similar characteristics.

(v) Fair value for non-marketable Canadian government bonds is calculated using discounted cash flows based on current market yields of instruments with similar characteristics, adjusted for the non-marketability and rollover provisions of the bonds.

(vi) Fair value for direct investments in private debt and asset-backed securities is calculated using quoted market prices or accepted industry valuation methods such as discounted cash flows based on current market yields of instruments with similar characteristics.

(vii) Money market securities are recorded at cost, which, together with accrued interest income, approximates fair value due to the short-term nature of these securities.

(viii) Fair value for private real estate investments is determined using accepted industry valuation methods, such as discounted cash flows and comparable purchase and sales transactions. Debt on private real estate investments is valued using discounted cash flows based on current market yields for instruments with similar characteristics.

(ix) Fair value for inflation-linked bonds is based on quoted market prices.

(x) Fair value for exchange-traded derivatives, which includes futures, options and warrants, is based on quoted market prices. Fair value for over-the-counter derivatives, which includes swaps, options, forward contracts and warrants, is determined based on the quoted market prices of the underlying instruments where available. Otherwise, fair value is based on other accepted industry valuation methods using inputs such as equity prices and indices, broker quotations, market volatilities, currency exchange rates, current market interest rate yields, credit spreads and other market-based pricing factors. In determining fair value, consideration is also given to liquidity risk and the credit risk of the counterparty.

(xi) Debt financing liabilities are recorded at the amount originally issued, which, together with accrued interest expense, approximates fair value due to the short-term nature of these liabilities.

(c) Securities Purchased under Reverse Repurchase Agreements

Securities purchased under reverse repurchase agreements represent the purchase of securities effected with a simultaneous agreement to sell them back at a specified price at a specified future date and are accounted for as an investment receivable. These securities are not recognized as an investment of the CPP Investment Board. The fair value of securities to be resold under these reverse repurchase agreements is monitored and additional collateral is obtained when appropriate to protect against credit exposure. In the event of counterparty default, the CPP Investment Board has the right to liquidate the collateral held. Reverse repurchase agreements are carried on the Consolidated Statement of Investment Portfolio at the amounts at which the securities were initially acquired. Interest earned on reverse repurchase agreements is included in investment income (see note 7).

(d) Future Accounting Policy Change

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board (“AcSB”) confirmed that Canadian GAAP for publicly accountable enterprises will be replaced with International Financial Reporting Standards (“IFRS”) effective for interim and annual periods commencing April 1, 2011. In January 2011, the AcSB approved a one-year extension to the optional one-year deferral for investment companies to adopt IFRS. The CPP Investment Board will defer the adoption of IFRS until April 1, 2013.

The CPP Investment Board has developed an IFRS conversion plan and has identified the major differences between existing Canadian GAAP and IFRS. As IFRS is still not finalized, the CPP Investment Board cannot definitively comment on the impact these differences could have on its operations, financial position and results of operations. We continue to monitor developments and changes to IFRS and are on schedule to meet the timelines established in the IFRS conversion plan.

2. FAIR VALUE MEASURMENT

(a) The following table shows investments and investment liabilities recognized at fair value, analyzed between those whose fair value is based on:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (non-observable inputs) (Level 3).

	Basis of Fair Value Determination			
($ millions)	As at December 31, 2010			
	Level 1	Level 2	Level 3	Total
INVESTMENTS				
EQUITIES				
Canada				
Public equities	$ 8,363	$ -	$ 2	$ 8,365
Private equities	-	-	1,357	1,357
	8,363	-	1,359	9,722
Foreign developed markets				
Public equities[1]	20,665	1,861	474	23,000
Private equities	711	-	18,334	19,045
	21,376	1,861	18,808	42,045
Emerging markets				
Public equities[1]	5,213	158	-	5,371
Private equities	-	-	819	819
	5,213	158	819	6,190
TOTAL EQUITIES	34,952	2,019	20,986	57,957
FIXED INCOME				
Bonds	12,215	22,000	-	34,215
Other debt	-	1,967	3,784	5,751
Money market securities	-	16,552	-	16,552
TOTAL FIXED INCOME	12,215	40,519	3,784	56,518
ABSOLUTE RETURN STRATEGIES	-	1,070	2,594	3,664
INFLATION-SENSITIVE ASSETS				
Private real estate	-	-	10,720	10,720
Infrastructure	1,075	-	8,377	9,452
Inflation-linked bonds	223	-	-	223
TOTAL INFLATION-SENSITIVE ASSETS	1,298	-	19,097	20,395
INVESTMENT RECEIVABLES				
Securities purchased under reverse repurchase agreements	-	3,500	-	3,500
Accrued interest	-	525	-	525
Derivative receivables	221	967	60	1,248
Dividends receivable	-	87	-	87
TOTAL INVESTMENT RECEIVABLES	221	5,079	60	5,360
TOTAL INVESTMENTS	48,686	48,687	46,521	143,894
INVESTMENT LIABILITIES				
Debt financing liabilities	-	(1,302)	-	(1,302)
Debt on private real estate properties	-	(1,482)	-	(1,482)
Derivative liabilities	(15)	(651)	-	(666)
TOTAL INVESTMENT LIABILITIES	(15)	(3,435)	-	(3,450)
Amounts receivable from pending trades	-	179	-	179
Amounts payable from pending trades	-	(476)	-	(476)
NET INVESTMENTS	$ 48,671	$ 44,955	$ 46,521	$ 140,147

Transfers Between Level 1, Level 2 and Level 3

There were no significant transfers between Level 1, Level 2 and Level 3 during the nine-month period ended December 31, 2010.

	Basis of Fair Value Determination			
($ millions)	As at March 31, 2010			
	Level 1	Level 2	Level 3	Total
INVESTMENTS				
EQUITIES				
Canada				
Public equities	$ 8,551	$ -	$ 2	$ 8,553
Private equities	-	-	985	985
	8,551	-	987	9,538
Foreign developed markets				
Public equities[1]	22,623	1,509	482	24,614
Private equities	688	-	13,877	14,565
	23,311	1,509	14,359	39,179
Emerging markets				
Public equities[1]	4,254	641	-	4,895
Private equities	-	-	512	512
	4,254	641	512	5,407
TOTAL EQUITIES	36,116	2,150	15,858	54,124
FIXED INCOME				
Bonds	13,436	22,213	-	35,649
Other debt	-	671	2,855	3,526
Money market securities	-	14,068	-	14,068
TOTAL FIXED INCOME	13,436	36,952	2,855	53,243
ABSOLUTE RETURN STRATEGIES	-	638	2,233	2,871
INFLATION-SENSITIVE ASSETS				
Private real estate	-	-	7,982	7,982
Infrastructure	981	-	4,840	5,821
Inflation-linked bonds	904	-	-	904
TOTAL INFLATION-SENSITIVE ASSETS	1,885	-	12,822	14,707
INVESTMENT RECEIVABLES				
Securities purchased under reverse repurchase agreements	-	4,000	-	4,000
Accrued interest	-	594	-	594
Derivative receivables	161	594	5	760
Dividends receivable	-	178	-	178
TOTAL INVESTMENT RECEIVABLES	161	5,366	5	5,532
TOTAL INVESTMENTS	51,598	45,106	33,773	130,477
INVESTMENT LIABILITIES				
Debt financing liabilities	-	(1,303)	-	(1,303)
Debt on private real estate properties	-	(947)	-	(947)
Derivative liabilities	(20)	(249)	-	(269)
TOTAL INVESTMENT LIABILITIES	(20)	(2,499)	-	(2,519)
Amounts receivable from pending trades	-	1,118	-	1,118
Amounts payable from pending trades	-	(1,391)	-	(1,391)
NET INVESTMENTS	$ 51,578	$ 42,334	$ 33,773	$ 127,685

[1] Includes investments in funds.

Transfers Between Level 1, Level 2 and Level 3

There was $1.5 billion transferred into Level 3 from Level 2, $0.7 billion transferred out of Level 3 into Level 1, and no significant transfers between Level 1 and Level 2 during the year ended March 31, 2010.

3. INVESTMENTS AND INVESTMENT LIABILITIES

The CPP Investment Board manages the following types of investments and investment liabilities as described below:

(a) Equities

(i) Public equity investments are made directly or through funds. As at December 31, 2010, public equities include fund investments with a fair value of $2,493 million (March 31, 2010 - $2,631 million; December 31, 2009 - $2,507 million).

(ii) Private equity investments are generally made directly or through ownership in limited partnership arrangements which have a typical term of 10 years. The private equity investments represent equity ownerships or investments with the risk and return characteristics of equity. As at December 31, 2010, private equities include direct investments with a fair value of $5,006 million (March 31, 2010 - $3,997 million; December 31, 2009 - $3,468 million).

(b) Fixed Income

(i) Bonds consist of non-marketable and marketable bonds.

The non-marketable bonds issued by the provinces prior to 1998 have rollover provisions attached to them by the Act which permit each issuer, at its option, to roll over the bonds on maturity for a further 20-year term at a rate based on capital markets borrowing rates for that province existing at the time of rollover. The non-marketable bonds are also redeemable before maturity at the option of the issuers.

In lieu of exercising its statutory rollover right described in the preceding paragraph, agreements between the CPP Investment Board and the provinces permit each province to repay the bond and concurrently cause the CPP Investment Board to purchase a replacement bond or bonds in a total principal amount not exceeding the principal amount of the maturing security for a term of not less than five years and not greater than 30 years. Such replacement bonds contain rollover provisions that permit the issuer, at its option, to roll over the bond for successive terms of not less than five years and subject in all cases to the maximum 30 years outside maturity date. The replacement bonds are also redeemable before maturity at the option of the issuers.

The terms to maturity of the non-marketable and marketable bonds, not including any rollover options or accrued interest, as at December 31, 2010, are as follows:

	Terms to Maturity					
($ millions)	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Total	Average Effective Yield
Non-marketable bonds						
Government of Canada	$ 16	$ 12	$ -	$ -	$ 28	1.6 %
Canadian provincial government	2,055	2,787	3,774	13,356	21,972	4.4
Marketable bonds						
Government of Canada	-	1,853	563	899	3,315	3.0
Canadian provincial government	-	774	935	1,311	3,020	4.0
Canadian government corporations	-	2,295	632	349	3,276	3.3
Corporate bonds	-	412	549	41	1,002	4.4
Foreign government	35	724	531	312	1,602	2.4
Total	$ 2,106	$ 8,857	$ 6,984	$ 16,268	$ 34,215	4.0 %

(ii) Other debt consists of investments in direct private debt, asset-backed securities, and distressed mortgage and private debt funds. The terms to maturity of the direct private debt and asset-backed securities, as at December 31, 2010, are as follows:

	Terms to Maturity					
($ millions)	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Total	Average Effective Yield
Direct private debt						
Leveraged loans	$ -	$ 1,334	$ 796	$ 26	$ 2,156	6.1 %
High-yield debt	-	73	448	-	521	18.5
Secured term loan	-	146	-	-	146	7.5
Asset-backed securities	-	-	14	-	14	1.8
Total	$ -	$ 1,553	$ 1,258	$ 26	$ 2,837	8.4 %

(c) Absolute Return Strategies

Absolute return strategies consist of investments in funds whose objective is to generate positive returns regardless of market conditions, that is, returns with a low correlation to broad market indices. The underlying securities of the funds could include, but are not limited to, equities, fixed income securities and derivatives.

(d) Inflation-Sensitive Assets

(i) The CPP Investment Board obtains exposure to real estate through direct investments in privately held real estate and funds.

Private real estate investments are held by wholly-owned subsidiaries and are managed on behalf of the CPP Investment Board by investment managers primarily through co-ownership arrangements. As at December 31, 2010, the subsidiary's share of these investments includes assets of $10,720 million (March 31, 2010 - $7,982 million; December 31, 2009 - $8,027 million) and $1,482 million of secured debt (March 31, 2010 - $947 million; December 31, 2009 - $894 million). The terms to maturity of the undiscounted principal repayments of the secured debt, as at December 31, 2010, are as follows:

	Terms to Maturity						
($ millions)	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Total	Fair Value	Weighted Average Interest Rate
Debt on private real estate properties	$ 566	$ 762	$ 130	$ 175	$ 1,633	$ 1,482	4.7 %

Included in private real estate are investments in joint ventures. The CPP Investment Board's proportionate interest in joint ventures is summarized as follows:

Proportionate Share of Net Assets			
($ millions)	**As at December 31, 2010**	As at March 31, 2010	As at December 31, 2009
Assets	**$ 6,142**	$ 5,259	$ 5,247
Liabilities	**(1,270)**	(947)	(894)
	$ 4,872	$ 4,312	$ 4,353

Proportionate Share of Net Income	**Three-months ended December 31**		**Nine-months ended December 31**	
($ millions)	**2010**	2009	**2010**	2009
Revenue	**$ 140**	$ 146	**$ 485**	$ 430
Expenses	**(104)**	(91)	**(309)**	(262)
	$ 36	$ 55	**$ 176**	$ 168

(ii) Infrastructure investments are generally made directly, but can also occur through limited partnership arrangements that have a typical term of 10 years. As at December 31, 2010, infrastructure includes direct investments with a fair value of $7,922 million (March 31, 2010 - $4,395 million; December 31, 2009 - $4,544 million).

(iii) The terms to maturity of the inflation-linked bonds, as at December 31, 2010, are as follows:

	Terms to Maturity					
($ millions)	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Total	Average Effective Yield
Inflation-linked bonds	$ -	$ 45	$ 40	$ 138	$ 223	1.2%

(e) Securities Purchased under Reverse Repurchase Agreements

The terms to maturity of the securities purchased under reverse repurchase agreements, as at December 31, 2010, are as follows:

	Terms to Maturity					
($ millions)	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Total	Average Effective Yield
Securities purchased under reverse repurchase agreements	$ 3,500	$ -	$ -	$ -	$ 3,500	2.7%

(f) Derivative Contracts

A derivative contract is a financial contract, the value of which is derived from the value of underlying assets, indices, interest rates, currency exchange rates or other market based factors. Derivatives are transacted through regulated exchanges or are negotiated in over-the-counter markets.

Notional amounts of derivative contracts represent the contractual amounts to which a rate or price is applied for computing the cash flows to be exchanged. The notional amounts are used to determine the gains/losses and fair value of the contracts. They are not recorded as assets or liabilities on the Consolidated Balance Sheet. Notional amounts do not necessarily represent the amount of potential market risk or credit risk arising from a derivative contract.

The fair value of these contracts is reported as derivative receivables and derivative liabilities on the Consolidated Statement of Investment Portfolio. In the Consolidated Statement of Investment Asset Mix, the derivative contracts are allocated to the asset class to which each contract relates.

The CPP Investment Board uses derivatives to generate value-added investment returns and to limit or adjust market, credit, interest rate, currency, and other financial exposures without directly purchasing or selling the underlying instrument.

(i) The CPP Investment Board uses the following types of derivative instruments as described below:

Equity Contracts

Equity futures are standardized contracts transacted on an exchange to purchase or sell a specified quantity of an equity index, a basket of stocks, or a single stock at a predetermined price and date in the future. Futures contracts may be cash-settled or require physical delivery of the underlying asset.

Equity swaps are over-the-counter contracts in which one counterparty agrees to pay or receive from the other, cash flows based on changes in the value of an equity index, a basket of stocks, or a single stock in exchange for a return based on a fixed or floating interest rate or the return on another instrument.

Variance swaps are over-the-counter contracts where cash flows are exchanged based on the realized variance of an equity index, a basket of stocks, or a single stock compared to the fixed strike level specified in the contract.

Equity options are contractual agreements where the seller (writer) gives the purchaser the right, but not the obligation, to buy or sell a specified quantity of an equity index, a basket of stocks, or a single stock at or before a specified future date at a predetermined price. The seller receives a premium from the purchaser for this right. The CPP Investment Board purchases (buys) and writes (sells) equity options. Equity options may be transacted in standardized amounts on regulated exchanges or customized in over-the-counter markets.

Written put options may require the CPP Investment Board to purchase the underlying asset at any time at a fixed date or within a fixed future period. The maximum amount payable under the terms of the written put options is equal to their notional amount.

Warrants are transacted both over-the-counter and through exchanges where the issuer gives the purchaser the right, but not the obligation, to buy a specified quantity of stock of the issuer at or before a specified future date at a predetermined price.

Foreign Exchange Contracts

Foreign exchange forwards are customized over-the-counter contracts negotiated between counterparties to either purchase or sell a specified amount of foreign currencies at a predetermined price and date in the future. These contracts result in a fixed future foreign exchange rate for a period of time.

Interest Rate Contracts

Bond futures are standardized contracts transacted on an exchange to purchase or sell a specified quantity of a bond index, a basket of bonds, or a single bond at a predetermined price and date in the future. Futures contracts may be cash-settled or require physical delivery of the underlying asset.

Interest rate forwards are customized over-the-counter contracts negotiated between counterparties to either purchase or sell a specified amount of an interest rate sensitive financial instrument at a predetermined price and date in the future. These contracts result in a fixed future interest rate for a period of time.

Bond and inflation-linked bond swaps are over-the-counter contracts in which counterparties exchange the return on a bond, inflation-linked bond or group of such instruments for the return on a fixed or floating interest rate or the return on another instrument.

Interest rate swaps are over-the-counter contracts where counterparties exchange cash flows based on different interest rates applied to a notional amount in a single currency. A typical interest rate swap would require one counterparty to pay a fixed market interest rate in exchange for a variable market interest rate on a specified notional amount. No exchange of notional amount takes place. Cross-currency interest rate swaps involve the exchange of both interest and notional amounts in two different currencies.

Credit Contracts

Credit default swaps are over-the-counter contracts that transfer the credit risk of an underlying financial instrument (referenced asset) from one counterparty to another. The CPP Investment Board purchases (buys) and writes (sells) credit default swaps that provide protection against the decline in value of an underlying financial instrument (referenced asset) as a result of a specified credit event such as default or bankruptcy. The purchaser (buyer) pays a premium to the writer (seller) in return for payment contingent on a credit event affecting the referenced asset.

Written credit default swaps require the CPP Investment Board to compensate counterparties for the decline in value of an underlying financial instrument (referenced asset) as a result of the occurrence of a specified credit event such as default or bankruptcy. The maximum amount payable to these counterparties under these written credit default swaps is equal to their notional amount.

Commodity Contracts

Commodity futures contracts are standardized contracts transacted on an exchange to purchase or sell a specified quantity of a commodity, such as precious metals and energy related products at a predetermined price and date in the future. Futures contracts may be cash-settled or require physical delivery of the underlying commodity.

(ii) Derivative-Related Risk

The primary risks associated with derivatives are:

Market Risk

Derivatives generate value, positive or negative, as the value of underlying assets, indices, interest rates, currency exchange rates, or other market-based factors change such that the previously contracted terms of the derivative transactions have become more or less favourable than what can be negotiated under current market conditions for contracts with the same terms and remaining period to expiry. The potential for derivatives to increase or decrease in value as a result of the foregoing factors is generally referred to as market risk.

The derivative-related market risk is a component of the total portfolio market risk which is managed through the Risk/Return Accountability Framework as described in note 8.

Credit Risk

Credit risk is the risk of a financial loss occurring as a result of the failure of a counterparty to meet its obligations to the CPP Investment Board. The maximum exposure to credit risk is represented by the positive fair value of the derivative instrument and is normally a small fraction of the contract's notional amount. Negotiated over-the-counter derivatives generally present greater credit exposure than exchange-traded contracts. Credit risk on exchange-traded contracts is limited, as these transactions are executed on regulated exchanges, each of which is associated with a well-capitalized clearing house that assumes the obligation of the writer of a contract and guarantees their performance.

The CPP Investment Board limits credit risk on over-the-counter contracts through a variety of means including dealing only with authorized counterparties which meet the minimum credit rating and limiting the maximum exposures to any individual counterparty, the use of master netting agreements and collateral as discussed in note 8.

(iii) The fair value of derivative contracts held is as follows:

	As at December 31, 2010			As at March 31, 2010	As at December 31, 2009
($ millions)	**Positive Fair Value**	**Negative Fair Value**	**Net Fair Value**	Net Fair Value	Net Fair Value
Equity contracts					
Equity futures	**$ 4**	**$ (13)**	**$ (9)**	$ (18)	$ (30)
Equity swaps	**431**	**(102)**	**329**	254	285
Variance swaps	**27**	**(59)**	**(32)**	19	(37)
Exchange-traded purchased options	**-**	**-**	**-**	-	1
Over-the-counter written options	**-**	**(126)**	**(126)**	(57)	(63)
Warrants	**254**	**-**	**254**	164	152
Total equity contracts	**716**	**(300)**	**416**	362	308
Foreign exchange contracts					
Forwards	**336**	**(272)**	**64**	103	127
Total foreign exchange contracts	**336**	**(272)**	**64**	103	127
Interest rate contracts					
Bond futures	**23**	**(2)**	**21**	-	(8)
Interest rate forwards	**-**	**-**	**-**	-	-
Bond swaps	**9**	**(10)**	**(1)**	2	(5)
Inflation-linked bond swaps	**135**	**(6)**	**129**	78	59
Interest rate swaps	**13**	**(34)**	**(21)**	8	20
Cross-currency interest rate swaps	**16**	**-**	**16**	10	(109)
Total interest rate contracts	**196**	**(52)**	**144**	98	(43)
Credit contracts					
Purchased credit default swaps	**19**	**(37)**	**(18)**	(4)	(7)
Written credit default swaps	**6**	**(5)**	**1**	-	-
Total credit contracts	**25**	**(42)**	**(17)**	(4)	(7)
Commodity contracts					
Commodity futures	**-**	**-**	**-**	-	-
Total commodity contracts	**-**	**-**	**-**	-	-
Subtotal	**1,273**	**(666)**	**607**	559	385
Less: Cash collateral received under derivative contracts	**(25)**	**-**	**(25)**	(68)	(60)
Total	**$ 1,248**	**$ (666)**	**$ 582**	$ 491	$ 325

(iv) The terms to maturity of the notional amounts for derivative contracts held are as follows:

	As at December 31, 2010					As at March 31, 2010	As at December 31, 2009
($ millions)	**Within 1 year**	**1 to 5 years**	**6-10 years**	**Over 10 years**	**Total**	Total	Total
Equity contracts							
Equity futures	**$ 7,817**	**$ -**	**$ -**	**$ -**	**$ 7,817**	$ 5,353	$ 4,044
Equity swaps	**26,285**	**257**	**-**	**-**	**26,542**	19,119	19,450
Variance swaps	**88**	**976**	**4,197**	**-**	**5,261**	5,049	4,935
Exchange-traded purchased options	**41**	**-**	**-**	**-**	**41**	40	-
Over-the-counter written options	**209**	**-**	**-**	**-**	**209**	214	221
Warrants	**27**	**461**	**-**	**-**	**488**	489	501
Total equity contracts	**34,467**	**1,694**	**4,197**	**-**	**40,358**	30,264	29,151
Foreign exchange contracts							
Forwards	**36,248**	**-**	**-**	**-**	**36,248**	32,747	32,022
Total foreign exchange contracts	**36,248**	**-**	**-**	**-**	**36,248**	32,747	32,022
Interest rate contracts							
Bond futures	**9,329**	**60**	**-**	**-**	**9,389**	270	224
Interest rate forwards	**-**	**-**	**-**	**-**	**-**	-	-
Bond swaps	**981**	**-**	**-**	**-**	**981**	338	439
Inflation-linked bond swaps	**3,583**	**-**	**-**	**83**	**3,666**	3,373	3,358
Interest rate swaps	**275**	**1,108**	**728**	**79**	**2,190**	1,451	1,162
Cross-currency interest rate swaps	**-**	**-**	**133**	**-**	**133**	133	1,516
Total interest rate contracts	**14,168**	**1,168**	**861**	**162**	**16,359**	5,565	6,699
Credit contracts							
Purchased credit default swaps	**-**	**762**	**518**	**10**	**1,290**	784	710
Written credit default swaps	**-**	**337**	**31**	**-**	**368**	-	-
Total credit contracts	**-**	**1,099**	**549**	**10**	**1,658**	784	710
Commodity contracts							
Commodity futures	**22**	**-**	**-**	**-**	**22**	-	-
Total commodity contracts	**-**	**-**	**-**	**-**	**-**	-	-
Total	**$ 84,905**	**$ 3,961**	**$ 5,607**	**$ 172**	**$ 94,645**	$ 69,360	$ 68,582

(g) Debt Financing Liabilities

The terms to maturity of the undiscounted principal repayments of the debt financing liabilities as at December 31, 2010 are as follows:

	Terms to Maturity					
($ millions)	**Within 1 Month**	**1 to 3 Months**	**3 to 6 Months**	**Total**	**Fair Value**	**Weighted Average Interest Rate**
Commercial paper payable	**$ 660**	**$ 559**	**$ 85**	**$ 1,304**	**$ 1,302**	**1.1 %**

(h) Collateral

Collateral transactions are conducted under the terms and conditions that are common and customary to collateral arrangements. The net fair value of collateral held and pledged is as follows:

($ millions)		**As at December 31, 2010**		As at March 31, 2010		As at December 31, 2009
Fixed income securities held as collateral on reverse repurchase agreements[1]	**$**	**3,587**	$	4,088	$	4,087
Securities held as collateral on over-the-counter derivative transactions[1]		**161**		-		-
Cash held as collateral on over-the-counter derivative transactions		**25**		68		60
Securities pledged as collateral on over-the-counter derivative transactions		**(43)**		-		-
Securities pledged as collateral on guarantees (see note 10)		**(70)**		(120)		-
Total	**$**	**3,660**	$	4,036	$	4,147

[1] The fair value of the collateral held that may be sold or repledged as at December 31, 2010 is $3,595 million (March 31, 2010 - $3,923 million; December 31, 2009 - $3,923 million). The fair value of securities collateral sold or repledged as at December 31, 2010 is $nil (March 31, 2010 - $nil; December 31, 2009 - $nil).

4. CREDIT FACILITIES

The CPP Investment Board maintains $1.5 billion (March 31, 2010 - $1.5 billion; December 31, 2009 - $1.5 billion) of unsecured credit facilities to meet potential liquidity requirements. As at December 31, 2010, the total amount drawn on the credit facilities is $nil (March 31, 2010 - $nil; December 31, 2009 - $nil).

5. SHARE CAPITAL

The issued and authorized share capital of the CPP Investment Board is $100 divided into 10 shares having a par value of $10 each. The shares are owned by Her Majesty the Queen in right of Canada.

6. CANADA PENSION PLAN TRANSFERS

Pursuant to Section 108.1 of the *Canada Pension Plan*, the Act and an administrative agreement between Her Majesty the Queen in right of Canada and the CPP Investment Board, amounts not required to meet specified obligations of the CPP are transferred weekly to the CPP Investment Board. The funds originate from employer and employee contributions to the CPP.

The CPP Investment Board is also responsible for providing cash management services to the CPP, including the periodic return, on at least a monthly basis, of funds required to meet CPP benefits and expenses.

The accumulated transfers from the CPP since inception are as follows:

($ millions)		**As at December 31, 2010**		As at March 31, 2010		As at December 31, 2009
Accumulated transfers from the Canada Pension Plan	**$**	**233,985**	$	212,512	$	203,666
Accumulated transfers to the Canada Pension Plan		**(129,013)**		(109,443)		(103,324)
Accumulated net transfers from the Canada Pension Plan	**$**	**104,972**	$	103,069	$	100,342

7. NET INVESTMENT INCOME (LOSS)

Net investment income (loss) is reported net of transaction costs and investment management fees.

Net investment income (loss) is grouped by asset class based on the intent of the investment strategies of the underlying portfolios.

Net investment income (loss), after giving effect to derivative contracts and investment receivables and liabilities, is as follows:

($ millions)	**For the three-month period ended December 31, 2010**					
	Investment Income[1]	**Net Gain (Loss) on Investments[2]**	**Total Investment Income**	**Investment Management Fees**	**Transaction Costs**	**Net Investment Income**
Equities	**$ 332**	**$ 3,333**	**$ 3,665**	**$ (74)**	**$ (15)**	**$ 3,576**
Fixed income[3]	**433**	**(140)**	**293**	**(26)**	**(12)**	**255**
Inflation-sensitive assets	**311**	**(65)**	**246**	**(35)**	**(41)**	**170**
Total	**$ 1,076**	**$ 3,128**	**$ 4,204**	**$ (135)**	**$ (68)**	**$ 4,001**

($ millions)	For the three-month period ended December 31, 2009					
	Investment Income[1]	Net Gain (Loss) on Investments[2]	Total Investment Income (Loss)	Investment Management Fees	Transaction Costs	Net Investment Income (Loss)
Equities	$ 238	$ 1,865	$ 2,103	$ (78)	$ (20)	$ 2,005
Fixed income[3]	368	(530)	(162)	(16)	-	(178)
Inflation-sensitive assets	235	146	381	(19)	(2)	360
Total	$ 841	$ 1,481	$ 2,322	$ (113)	$ (22)	$ 2,187

($ millions)	**For the nine-month period ended December 31, 2010**					
	Investment Income[1]	**Net Gain on Investments[2]**	**Total Investment Income**	**Investment Management Fees**	**Transaction Costs**	**Net Investment Income**
Equities	**$ 1,069**	**$ 5,583**	**$ 6,652**	**$ (218)**	**$ (35)**	**$ 6,399**
Fixed income[3]	**1,285**	**1,903**	**3,188**	**(72)**	**(33)**	**3,083**
Inflation-sensitive assets	**776**	**666**	**1,442**	**(65)**	**(83)**	**1,294**
Total	**$ 3,130**	**$ 8,152**	**$ 11,282**	**$ (355)**	**$ (151)**	**$ 10,776**

($ millions)	For the nine-month period ended December 31, 2009					
	Investment Income[1]	Net Gain (Loss) on Investments[2]	Total Investment Income (Loss)	Investment Management Fees	Transaction Costs	Net Investment Income (Loss)
Equities	$ 898	$ 12,433	$ 13,331	$ (220)	$ (64)	$ 13,047
Fixed income[3]	1,061	1,575	2,636	(71)	(7)	2,558
Inflation-sensitive assets	487	(818)	(331)	(48)	(33)	(412)
Total	$ 2,446	$ 13,190	$ 15,636	$ (339)	$ (104)	$ 15,193

[1] Includes interest income, dividends, private real estate operating income (net of interest expense), and interest expense on the debt financing liabilities.
[2] Includes realized gains and losses from investments, unrealized gains and losses on investments held at the end of the period, and other investment-related expenses.
[3] Includes absolute return strategies.

8. INVESTMENT RISK MANAGEMENT

The CPP Investment Board is exposed to a variety of financial risks as a result of its investment activities. These risks include market risk, credit risk and liquidity risk. The CPP Investment Board manages and mitigates financial risks through the Risk/Return Accountability Framework that is contained within the investment policies approved by the board of directors at least once every fiscal year. This framework contains risk limits and risk management provisions that govern investment decisions and has been designed to achieve the mandate of the CPP Investment Board which is to invest its assets with a view to achieving a maximum rate of return, without undue risk of loss, having regard to the factors that may affect the funding of the CPP and the ability of the CPP to meet its financial obligations on any given business day.

Included within the Risk/Return Accountability Framework is an active risk limit which represents a limit on the amount of investment risk that the CPP Investment Board can take relative to the CPP Reference Portfolio. The CPP Reference Portfolio is approved by the board of directors and serves as a performance benchmark against which the CPP Investment Board's value-added activities are measured. It represents a low-cost strategic alternative to the CPP Investment Portfolio. The objective of the CPP Investment Board is to create value-added investment returns greater than the returns that would be generated by the CPP Reference Portfolio. The CPP Investment Board monitors the active risk in the CPP Investment Portfolio daily and reports active risk exposures to the board of directors on at least a quarterly basis. Financial risk management is discussed in greater detail on page 23 in the Risk/Return Accountability Framework section of Management's Discussion and Analysis in the 2010 annual report.

(i) ***Market Risk:*** Market risk (including currency risk, interest rate risk and equity price risk) is the risk that the fair value or future cash flows of an investment or investment liability will fluctuate because of changes in market prices and rates. As discussed previously, the CPP Investment Board manages market risk through the Risk/Return Accountability Framework. This includes investing across a wide spectrum of asset classes and investment strategies to earn a diversified risk premium at the total fund level, based on risk limits established in the investment policies. In addition, derivatives are used, where appropriate, to manage certain market risk exposures. Market risk is comprised of the following:

Currency Risk: The CPP Investment Board is exposed to currency risk through holdings of investments or investment liabilities in various currencies. Fluctuations in the relative value of foreign currencies against the Canadian dollar can result in a positive or negative effect on the fair value or future cash flows of these investments and investment liabilities.

In Canadian dollars, the net underlying currency exposures, after allocating foreign currency derivatives, are as follows:

($ millions)	**As at December 31, 2010**		As at March 31, 2010		As at December 31, 2009	
Currency	**Net Exposure**	**% of Total**	Net Exposure	% of Total	Net Exposure	% of Total
United States Dollar	**$ 40,757**	**55 %**	$ 35,121	55 %	$ 33,132	53 %
Euro	**12,079**	**16**	9,936	15	10,789	17
British Pound Sterling	**6,931**	**9**	4,430	7	4,067	6
Japanese Yen	**4,475**	**6**	5,365	8	5,390	9
Australian Dollar	**4,023**	**5**	2,345	4	2,655	4
Hong Kong Dollar	**1,489**	**2**	1,537	2	1,593	3
Swiss Franc	**839**	**1**	1,432	2	1,476	2
Other	**4,246**	**6**	4,292	7	3,656	6
Total	**$ 74,839**	**100 %**	$ 64,458	100 %	$ 62,758	100 %

Interest Rate Risk: Interest rate risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in market interest rates. The CPP Investment Board's interest-bearing investments are exposed to interest rate risk.

Equity Price Risk: Equity price risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market.

In addition to the above, the CPP Investment Board is indirectly exposed to market risk on the underlying securities of fund investments.

Value at Risk

CPP Investment Board uses Value at Risk ("VaR") methodology to monitor market and credit risk exposure in the CPP Investment Portfolio. VaR is a statistical technique that is used to estimate the potential loss in value of an investment as a result of movements in market rates and prices over a specified time period and for a specified confidence level.

VaR is valid under normal market conditions and does not specifically consider losses arising from severe market events. It also assumes that historical market data is a sound basis for estimating potential future losses. If future market conditions and interrelationships of interest rates, foreign exchange rates and market prices differ significantly from those of the past, then the actual losses could materially differ from those estimated. The VaR measure provides an estimate of a single value in a distribution of potential losses that the CPP Investment Portfolio could experience. It is not an estimate of the worst-case scenario.

Market VaR calculated by the CPP Investment Board is estimated using a historical simulation method, evaluated at a 90 per cent confidence level and scaled to a one-year holding period. The significant assumption used in this method is the incorporation of the most recent ten years of weekly market returns.

Credit VaR is estimated using a Monte Carlo simulation incorporating a one-year investment horizon. Significant assumptions under this method include using the most recent two-years' market factor indices to determine ratings based correlations between defaults and downgrades of credit exposures, and using at least 25 years of downgrade and default transition history. In order to estimate credit risk, it is necessary to generate scenarios in sufficient numbers to simulate low probability credit events.

Under the historical and Monte Carlo simulation method for estimating VaR, it is also assumed that the public market proxies used to represent private market investment returns (e.g. those for private real estate and private equities) are reasonable for estimating their contribution to the VaR.

Market and credit VaR are estimated at the same confidence level and are combined using an appropriate positive correlation approved by the Investment Planning Committee ("IPC") to provide an Integrated Active Risk number.

The CPP Investment Board monitors the active risk of the CPP Investment Portfolio relative to the CPP Reference Portfolio. Changes in active risk are largely independent of changes in VaR in the CPP Reference Portfolio and CPP Investment Portfolio.

VaR, at a 90 per cent confidence level, indicates that one year in ten the portfolio can be expected to lose at least the following amounts:

	As at December 31, 2010			As at March 31, 2010			As at December 31, 2009		
($ millions)	**VaR**	**% of CPP Investment Portfolio[1]**		VaR	% of CPP Investment Portfolio[1]		VaR	% of CPP Investment Portfolio[1]	
CPP Reference Portfolio	**$ 14,074**	**10.1**	**%**	$ 12,998	10.2	%	$ 12,297	10.1	%
CPP Investment Portfolio Active Market Risk	**$ 2,815**	**2.0**	**%**	$ 1,583	1.2	%	$ 1,563	1.3	%
CPP Investment Portfolio[2]	**$ 15,479**	**11.1**	**%**	$ 13,487	10.6	%	$ 12,815	10.5	%
CPP Investment Portfolio Credit VaR	**$ 375**	**0.3**	**%**	$ 334	0.3	%	$ 347	0.3	%
CPP Investment Portfolio Integrated Active Market & Credit VaR[3]	**$ 2,913**	**2.1**	**%**	$ 1,682	1.3	%	$ 1,667	1.4	%

[1] Excludes certain assets where the market risk exposure is not monitored using VaR, such as the assets of the Cash for Benefits Portfolio which is a separately managed short-term cash management program designed to facilitate monthly benefit payments by the CPP.
[2] CPP Investment Portfolio VaR is less than the sum of the CPP Reference Portfolio VaR and CPP Investment Portfolio Active Market Risk due to the beneficial impact of risk diversification.
[3] Market and Credit VaR are combined using an assumed positive correlation under normal market conditions.

(ii) ***Credit Risk:*** Credit risk is the risk of financial loss due to a counterparty failing to meet its contractual obligations, or a reduction in the value of the assets due to a decline in the credit quality of the borrower, counterparty, guarantor or the assets (collateral) supporting the credit exposure. The CPP Investment Board's most significant exposure to credit risk is its investment in debt securities and over-the-counter derivatives (as discussed in note 3f). The carrying amounts of these investments as presented in the Consolidated Statement of Investment Portfolio represent the maximum credit risk exposure at the balance sheet date.

The Credit Committee, a sub-committee of the IPC, which is chaired by the Chief Operations Officer, is accountable for ensuring that credit risks and credit exposures are identified, measured and monitored regularly, independently of the investment departments, and communicated at least monthly to the IPC and at least quarterly to the board of directors. The IPC, chaired by the Chief Investment Strategist, is accountable for monitoring and managing the total portfolio strategic risk exposures and providing strategic direction to the investment departments. The Credit Committee's primary focus is on emerging risks that may impact the credit exposures of the CPP Investment Board, including analysis of credit risks that may not be adequately captured within current credit risk models or credit exposure calculations. Such risks include correlation risk, market risk related to credit spread movements, and funding and liquidity risks from a credit point of view. Credit risk measurement and reporting are performed by professional risk managers within the Investment Risk Management group ("IRM"). IRM provides qualitative and quantitative analysis and oversight of credit risk, monitoring exposure limits, augmented by detailed analysis of single-name and sector exposures. Credit VaR is the common measure of credit risk across all investment strategies. IRM works closely with the investment departments to provide an evaluation of the credit risk created by significant transactions. Detailed reports of credit risk and counterparty exposures are provided weekly to management and at least monthly to the Credit Committee and the IPC.

The CPP Investment Board manages credit risk by setting overall credit exposure limits by credit rating category. The board of directors approves the credit exposure limits at least once every fiscal year. Counterparties are assigned a credit rating as determined by a recognized credit rating agency, where available, and/or as determined through an internal credit rating process. Where the internal credit rating is lower than the rating determined by a recognized credit rating agency, the internal credit rating will prevail. Credit exposure to any single counterparty is limited to maximum amounts as specified in the investment policies. The Credit Committee has also established single-name sub-limits within the credit exposure limits to mitigate risks arising from concentrated exposures to certain counterparties. IRM measures and monitors sub-limits and credit exposure limits daily for compliance and reports to the Credit Committee and IPC at least monthly, or more frequently as necessary.

The fair value of debt securities and over-the-counter derivatives exposed to credit risk, by credit rating category and without taking account of any collateral held or other credit enhancements are as follows:

	As at December 31, 2010							As at March 31, 2010	As at December 31, 2009
($ millions) Credit Rating	Bonds[1,2]	Money Market Securities[1]	Reverse Repurchase Agreements[1,4]	Over-the-Counter Derivatives	Other [1,3]	Total	% of Total	Total	Total
AAA/R-1 (high)	$ 10,682	$ 13,129	$ 3,504	$ 702	$ -	$ 28,017	49 %	$ 29,950	$ 23,315
AA/R-1 (mid)	18,342	731	-	235	14	19,322	34	18,642	20,014
A/R-1 (low)	4,860	1,605	-	55	-	6,520	11	5,792	8,835
BBB/R-2 (low)	570	-	-	-	265	835	1	500	405
BB/R-3	330	-	-	-	1,012	1,342	2	503	411
B	37	-	-	-	1,574	1,611	3	667	595
CCC	-	-	-	-	-	-		5	9
Total	$ 34,821	$ 15,465	$ 3,504	$ 992	$ 2,865	$ 57,647	100 %	$ 56,059	$ 53,584

1 Includes accrued interest.
2 Includes inflation-linked bonds.
3 Includes direct investments in private debt and asset-backed securities.
4 As at December 31, 2010, fixed income securities with a fair value of $3,587 million (March 31, 2010 - $4,088 million; December 31, 2009 - $4,087 million) and a AAA credit rating were received as collateral which mitigates the credit risk exposure on the reverse repurchase agreements (see note 3h).

Credit risk exposure on over-the-counter derivatives is mitigated through the use of master netting arrangements and collateral. Master netting arrangements are entered into with all counterparties so that, if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. Credit support annexes are negotiated with certain counterparties and require that collateral, in the form of cash or fixed income securities, be provided to the CPP Investment Board when the positive fair value of the derivative contract exceeds certain threshold amounts. As at December 31, 2010, master netting arrangements and collateral held reduce the credit risk exposure to over-the-counter derivatives from $992 million to $426 million (March 31, 2010 - $662 million to $455 million; December 31, 2009 - $776 million to $528 million).

In addition to the above, the CPP Investment Board is indirectly exposed to credit risk on the underlying securities of fund investments.

(iii) ***Liquidity Risk:*** Liquidity risk is the risk of being unable to generate sufficient cash or its equivalent in a timely and cost-effective manner to meet investment commitments and investment liabilities as they come due. The CPP Investment Board mitigates liquidity risk through its unsecured credit facilities (see note 4) available in the amount of $1.5 billion (March 31, 2010 - $1.5 billion; December 31, 2009 - $1.5 billion) and the ability to readily dispose of certain investments that are traded in an active market. These include a liquid portfolio of publicly-traded equities, money market securities, marketable bonds and inflation-linked bonds.

The CPP Investment Board is also exposed to liquidity risk through its responsibility for providing cash management services to the CPP (see note 6). In order to manage liquidity risk associated with this short-term cash management program, the assets required for this purpose are segregated from the investment portfolio and separately managed as the Cash for Benefits Portfolio. Liquidity risk is also managed by investing these assets in liquid money market instruments with the primary objective of ensuring the CPP has the necessary liquidity to meet benefit payment obligations on any business day.

9. COMMITMENTS

The CPP Investment Board has committed to enter into investment transactions, which will be funded over the next several years in accordance with the agreed terms and conditions. As at December 31, 2010, the commitments total $16.8 billion (March 31, 2010 - $18.0 billion; December 31, 2009 - $19.4 billion).

As at December 31, 2010, the CPP Investment Board has made lease and other commitments of $42.3 million (March 31, 2010 - $39.5 million; December 31, 2009 - $43.5 million) that will be paid over the next 8 years.

10. GUARANTEES AND INDEMNIFICATIONS

Guarantees

As part of certain investment transactions, the CPP Investment Board has agreed to guarantee, as at December 31, 2010, up to $0.5 billion (March 31, 2010 - $0.6 billion; December 31, 2009 - $nil) to other counterparties in the event certain subsidiaries and other entities default under the terms of loan and other related agreements.

Indemnifications

The CPP Investment Board provides indemnifications to its officers, directors, certain others and, in certain circumstances, to various counterparties and other entities. The CPP Investment Board may be required to compensate these indemnified parties for costs incurred as a result of various contingencies such as changes in laws and regulations and litigation claims. The contingent nature of these indemnification agreements prevents the CPP Investment Board from making a reasonable estimate of the maximum potential payments the CPP Investment Board could be required to make. To date, the CPP Investment Board has not received any claims nor made any payments pursuant to such indemnifications.