Management's Responsibility for Financial Reporting

The consolidated financial statements of the Ontario Teachers' Pension Plan have been prepared by management, which is responsible for the integrity and fairness of the data presented, including the many amounts which must, of necessity, be based on estimates and judgments. The accounting policies followed in the preparation of these consolidated financial statements conform to Canadian generally accepted accounting principles. Financial information presented throughout the annual report is consistent with the consolidated financial statements.

Systems of internal control and supporting procedures are maintained to provide assurance that transactions are authorized, assets safeguarded and proper records maintained. These controls include quality standards in hiring and training of employees, a code of conduct, the establishment of an organizational structure that provides a well-defined division of responsibilities and accountability for performance, and the communication of policies and guidelines through the organization.

Ultimate responsibility for the consolidated financial statements rests with the members of the Board. The Board is assisted in its responsibilities by the Audit & Actuarial Committee, consisting of six Board members who are not officers or employees of the plan administrator. In addition, the committee reviews the recommendations of the internal and external auditors for improvements in internal control and the action of management to implement such recommendations. In carrying out its duties and responsibilities, the committee meets regularly with management and with both the external and internal auditors to review the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged. This committee reviews the consolidated financial statements and recommends them for approval by the Board.

The plan's external auditors, Deloitte & Touche LLP, are directly accountable to the Audit & Actuarial Committee and have full and unrestricted access to the committee. They discuss with the committee their audit and related findings as to the integrity of the plan's financial reporting and the adequacy of internal control systems. The plan's external auditors have conducted an independent examination of the consolidated financial statements in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to express the opinion in their Report to the Administrator.

C Lamoureux

Claude Lamoureux
President and Chief Executive Officer
February 21, 2007

David McGraw

David McGraw
Vice-President and Chief Financial Officer

Auditors' Report to the Administrator

We have audited the consolidated statement of net assets available for benefits and accrued pension benefits and deficit of the Ontario Teachers' Pension Plan as at December 31, 2006 and the consolidated statements of changes in net assets available for benefits, changes in accrued pension benefits and changes in deficit for the year then ended. These consolidated financial statements are the responsibility of the Plan's Administrator. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits and deficit of the Plan as at December 31, 2006 and the changes in its net assets available for benefits, accrued pension benefits and deficit for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Toronto, Ontario
February 21, 2007

Actuaries' Opinion

Mercer Human Resource Consulting was retained by the Ontario Teachers' Pension Plan Board (the "Board") to perform an actuarial valuation of the assets and the going concern liabilities of the Ontario Teachers' Pension Plan (the "Plan") as at December 31, 2006, for inclusion in the Plan's financial statements. As part of the valuation, we examined the Plan's recent experience with respect to the non-economic assumptions and presented our findings to the Board.

The valuation of the Plan's actuarial liabilities was based on:

- membership data provided by the Ontario Teachers' Pension Plan Board as at December 31, 2005;
- methods prescribed by Section 4100 of the Canadian Institute of Chartered Accountants' Handbook for pension plan financial statements;
- real and nominal interest rates on long-term Canada bonds at the end of 2006;
- assumptions about future events (for example, future rates of inflation and future retirement rates) which have been communicated to us as the Board's best estimate of these events; and
- information obtained from the Ontario Ministry of Labour and other published data on negotiated wage settlements in the 2005/06, 2006/07 and 2007/08 school years.

The objective of the financial statements is to fairly present the financial position of the Plan on December 31, 2006 as a going concern. This is different from the statutory valuation (the actuarial valuation required by the Pension Benefits Act (Ontario)), which establishes a prudent level for future contributions.

While the actuarial assumptions used to estimate liabilities for the Plan's financial statements represent the Board's best estimate of future events and market conditions at the end of 2006, and while in our opinion these assumptions are reasonable, the Plan's future experience will inevitably differ, perhaps significantly, from the actuarial assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations, and will affect the financial position of the Plan, and the contributions required to fund it, at that time.

We have tested the data for reasonableness and consistency, and we believe it to be sufficient and reliable for the purposes of the valuation. We also believe that the methods employed in the valuation are appropriate for the purposes of the valuation, and that the assumptions used in the valuation are in accordance with accepted actuarial practice. Our opinions have been given, and our valuation has been performed, in accordance with accepted actuarial practice.

Lester J. Wong, F.C.I.A.

Malcolm P. Hamilton, F.C.I.A.
February 21, 2007

Consolidated Statement of Net Assets Available for Benefits and Accrued Pension Benefits and Deficit

as at December 31, 2006 ($ millions)	*2006*	*2005*
Net assets available for benefits		
Assets		
Investments (note 2)	$141,069	$115,619
Receivable from the Province of Ontario (note 3)	1,575	1,495
Receivable from brokers	44	59
Cash	27	19
Fixed assets	15	9
	142,730	117,201
Liabilities		
Investment-related liabilities (note 2)	35,391	20,815
Due to brokers	1,059	16
Accounts payable and accrued liabilities	266	242
	36,716	21,073
Net assets available for benefits	106,014	96,128
Actuarial asset value adjustment (note 4)	(11,164)	(7,434)
Actuarial value of net assets available for benefits	$ 94,850	$ 88,694
Accrued pension benefits and deficit		
Accrued pension benefits (note 5)	$110,496	$110,530
Deficit	(15,646)	(21,836)
Accrued pension benefits and deficit	$ 94,850	$ 88,694

On behalf of the Plan Administrator:

Chair

Board Member

Consolidated Statement of Changes in Net Assets Available for Benefits

for the year ended December 31, 2006 ($ millions)	*2006*	*2005*
Net assets available for benefits, beginning of year	$ 96,128	$84,326
Investment operations		
Investment income (note 9)	12,311	14,086
Administrative Expenses – Investments (note 14a)	(220)	(205)
Net investment operations	12,091	13,881
Member service operations		
Contributions (note 12)	1,646	1,575
Benefits paid (note 13)	(3,819)	(3,620)
Administrative Expenses – Member services (note 14b)	(32)	(34)
Net member service operations	(2,205)	(2,079)
Increase in net assets available for benefits	9,886	11,802
Net assets available for benefits, end of year	$106,014	$96,128

Consolidated Statement of Changes in Accrued Pension Benefits

for the year ended December 31, 2006 ($ millions)	*2006*	*2005*
Accrued pension benefits, beginning of year	$110,530	$ 96,728
Increase in accrued pension benefits		
Interest on accrued pension benefits	5,075	5,153
Benefits accrued	3,422	2,820
Changes in actuarial assumptions (note 5a)	(5,133)	9,509
Experience losses/(gains) (note 5c)	421	(60)
	3,785	17,422
Decrease in accrued pension benefits		
Benefits paid (note 13)	3,819	3,620
Net (decrease)/increase in accrued pension benefits	(34)	13,802
Accrued pension benefits, end of year	$110,496	$110,530

Consolidated Statement of Changes in Deficit

for the year ended December 31, 2006 ($ millions)	*2006*	*2005*
Deficit, beginning of year	$ (21,836)	$ (13,937)
Increase in net assets available for benefits	9,886	11,802
Change in actuarial asset value adjustment (note 4)	(3,730)	(5,899)
Increase in actuarial value of net assets available for benefits	6,156	5,903
Net decrease/(increase) in accrued pension benefits	34	(13,802)
Deficit, end of year	$ (15,646)	$ (21,836)

Notes to Consolidated Financial Statements

for the year ended December 31, 2006

Description of Plan

The following description of the Ontario Teachers' Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the Teachers' Pension Act (the TPA) as amended.

(a) General

The Plan is governed by the TPA. It is a contributory defined benefit pension plan co-sponsored by the Province of Ontario (the Province) and Plan members, represented by the Ontario Teachers' Federation (the OTF) (the co-sponsors). The terms of the Plan are set out in the Partners' Agreement.

The Plan is registered with the Financial Services Commission of Ontario and under the Income Tax Act (Canada) (the ITA) (registration number 0345785) as a Registered Pension Plan which is not subject to income taxes.

The Plan is administered and the investments are managed by the Ontario Teachers' Pension Plan Board (the Board). Under the TPA, the Board is constituted as a corporation without share capital to which the Corporations Act (Ontario) does not apply.

(b) Funding

Plan benefits are funded by contributions and investment earnings. Contributions are made by active members of the Plan and are matched by either the Province or designated private schools and organizations. The determination of the value of the benefits and required contributions is made on the basis of periodic actuarial valuations.

(c) Retirement Pensions

A retirement pension is available based on the number of years of credited service, the average of the best five annual salaries and the age of the member at retirement. A member is eligible for a reduced retirement pension from age 50. An unreduced retirement pension is available at age 65 or if the sum of a member's age and qualifying service equals 85.

(d) Disability Pensions

A disability pension is available at any age to a disabled member with a minimum of 10 years of qualifying service. The type of disability pension is determined by the extent of the disability.

(e) Death Benefits

Death benefits are available on the death of an active member and may be available on the death of a retired member. The benefit may take the form of a survivor pension, lump-sum payment or both.

(f) Escalation of Benefits

Pension benefits are adjusted annually for inflation at 100% of the Consumer Price Index, subject to a limit of 8% in any one year with any excess carried forward.

(g) Retirement Compensation Arrangement

Restrictions in the ITA and its regulations on the payment of certain benefits from the registered pension plan for periods of service after 1991 may impact some Plan members. To address affected members, the Retirement Compensation Arrangement (the RCA) was established by agreement between the co-sponsors as a supplementary plan to provide for these benefits. Examples of these benefits include: (1) members of the Plan who retired with average earnings above $114,677 (CPP-exempt members $105,556) in 2006 and $108,950 (CPP-exempt members $100,000) in 2005; and (2) members whose pensions would require a larger reduction for early retirement to comply with the ITA limitations than the Plan would impose. Because the RCA is a separate trust, the net assets available for benefits and accrued benefits and deficit of the RCA are not included in these consolidated financial statements.

NOTE 1.

Summary of significant accounting policies

(a) Basis of Presentation

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles.

The fair value of assets and liabilities and the results of operations of subsidiary companies and variable interest entities (VIEs) where the Plan is the primary beneficiary are consolidated as part of the Plan's financial statements.

A VIE is an entity which does not have sufficient equity at risk to finance its activities without additional subordinated financial support or an entity in which the holders of the equity at risk lack the characteristics of a controlling financial interest. The primary beneficiary, which is the enterprise that absorbs the majority of the expected losses or is entitled to the majority of the expected residual returns, is required to consolidate the VIE in its financial statements.

VIEs in which the Plan is the primary beneficiary or in which it has a significant variable interest are primarily private equity and alternative investments limited partnerships.

The Plan's consolidated financial statements also include its proportionate share of the fair value of assets, liabilities and operations of investments in joint ventures.

Intercompany transactions and balances are eliminated in preparing these consolidated financial statements.

Certain comparative figures have been reclassified to conform with the current year's presentation including mezzanine debt which was classified as equities in 2005 and was reclassified to bonds in 2006 to be consistent with its benchmark change (see note 10).

(b) Investments

Valuation of Investments

Investments and investment-related liabilities 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.

Fair values of investments are determined as follows:

a. Short-term money-market securities are valued using either market closing mid prices or discounted cash flows based on current market yields, when market closing mid prices are unavailable.

b. Bonds are valued on the basis of market quoted closing mid prices. If quoted closing mid prices are not available, estimated values are calculated using discounted cash flows based on current market yields and comparable securities, as appropriate.

c. Public equities are valued at quoted market closing prices. In the event a security halts trading for an unspecified period of time, management will estimate the fair value based on discussions with external parties and independent research.

d. Real estate, private equities, infrastructure and timber are valued based on estimated fair values determined by using appropriate valuation techniques and best estimates by management and/or appraisers.

e. All derivative financial instruments are recorded at fair value using market prices. Where quoted market values are not readily available, appropriate valuation techniques are used to determine fair value.

f. Alternative investments, comprised of hedge funds and managed futures accounts, are recorded at fair value based on net asset values obtained from each of the fund's administrators.

Trade-Date Reporting

Purchases and sales of investments and derivative contracts are recorded as of the trade date (the date upon which the substantial risks and rewards have been transferred).

Investment Income

Dividend income is recognized based on the ex-dividend date, and interest income and real estate income are recognized on the accrual basis as earned. Investment income also includes gains and losses both realized and unrealized. Since real estate income is determined on a fair value basis, a charge for depreciation and amortization is excluded from the determination of real estate income. Certain management and performance fees for externally managed private equity and hedge funds are offset against investment income.

(c) Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing on the year-end date. Income and expenses are translated into Canadian dollars at the exchange rates prevailing on the dates of the transactions. The realized and unrealized gains and losses arising from these translations are included within net realized and unrealized gains on investments in investment income.

(d) Accrued Pension Benefits

The value of accrued pension benefits and changes therein during the year are based on an actuarial valuation prepared by an independent firm of actuaries. The valuation is made as at the beginning of the year and then extrapolated to year end. It uses the projected benefit method pro-rated on service and management's best estimate, as at the valuation date, of various economic and non-economic assumptions.

(e) Contributions

Contributions from the members, the Province and designated private schools and organizations are recorded on an accrual basis. Cash received from members for credited service and cash transfers from other pension plans are recorded when received.

(f) Benefits

Benefit payments to members and others, commuted value payments and refunds to former members, and transfer payments to other plans are recorded in the period in which they are paid. Any benefit payment accruals not paid are reflected in accrued pension benefits.

(g) Use of Estimates

In preparing these consolidated financial statements, management uses estimates and assumptions that primarily affect the reported values of assets and liabilities, and related income and expenses. Significant estimates are used primarily in the determination of accrued pension benefits and the fair value of investments and investment-related receivables and liabilities. Note 5 explains how estimates are used in determining accrued pension benefits and note 1b explains how estimates are used to derive the fair value of investments and investment-related receivables and liabilities.

NOTE 2.

Investments

The Plan invests directly or through derivatives, in fixed income, equities and inflation-sensitive investments in accordance with its policy of asset diversification.

(a) **Investments[1] before Allocating the Effect of Derivative Contracts**

The schedule below summarizes the Plan's investments and investment-related liabilities, including net accrued interest and dividends of $401 million (2005 – $395 million), before allocating the effect of derivative contracts, as at December 31:

	2006		2005	
($ millions)	*Fair Value*	*Cost*	*Fair Value*	*Cost*
Fixed income				
Debentures	$ 7,875	$ 6,855	$ 9,581	$ 8,065
Bonds	23,613	23,081	18,529	18,108
Money-market securities	6,159	6,166	5,433	5,419
Alternative investments[2]	12,767	11,283	6,741	6,222
	50,414	47,385	40,284	37,814
Equity				
Publicly traded				
Canadian	15,453	9,660	14,653	8,706
Non-Canadian	19,604	16,403	14,710	13,628
Non-publicly traded				
Canadian	2,945	2,435	3,126	2,770
Non-Canadian	5,102	5,030	4,784	4,914
	43,104	33,528	37,273	30,018
Inflation-sensitive investments				
Real estate (note 8)	15,157	10,989	12,966	10,080
Real-rate products				
Canadian	8,612	6,262	8,657	5,824
Non-Canadian	3,640	3,522	1,781	1,688
Infrastructure and timber	9,586	8,596	7,742	7,672
	36,995	29,369	31,146	25,264
	130,513	110,282	108,703	93,096
Investment-related receivables				
Securities purchased under agreements to resell	6,848	6,814	4,286	4,280
Cash collateral deposited under securities borrowing arrangements	930	904	756	770
Derivative-related, net	2,778	1,452	1,874	433
	10,556	9,170	6,916	5,483
Investments	$141,069	$119,452	$115,619	$98,579

[1] For additional details, refer to the schedule of Investments over $100 million on pages 81 to 83.

[2] Comprised of hedge funds and managed futures accounts.

	2006		2005	
($ millions)	Fair Value	Cost	Fair Value	Cost
Investment-related liabilities				
Securities sold under agreements to repurchase	$ (17,252)	$(17,187)	$ (5,238)	$ (5,231)
Securities sold but not yet purchased				
Fixed income	(3,263)	(3,243)	(3,647)	(3,644)
Equities	(921)	(817)	(750)	(747)
Joint ventures (note 6)	(3,575)	(3,575)	(3,499)	(3,499)
Subsidiaries and VIEs (note 7)	(4,713)	(4,714)	(2,517)	(2,525)
Real estate (note 8)	(4,038)	(3,804)	(4,215)	(3,941)
Cash collateral received under credit support annexes	(5)	(5)	–	–
Derivative-related, net	(1,624)	(1,337)	(949)	(851)
	(35,391)	(34,682)	(20,815)	(20,438)
Net investments (note 2c)	$105,678	$ 84,770	$94,804	$78,141

(b) Derivative Contracts

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, commodities, indices, interest rates or currency rates. Derivative contracts are transacted either in the over-the-counter (OTC) market or on regulated exchanges.

Notional amounts of derivative contracts represent the contractual amount to which a rate or price is applied for computing the cash to be paid or received. Notional amounts are the basis upon which the returns from, and the fair value of, the contracts are determined.

The following schedule summarizes the notional amounts and fair value of the Plan's derivative contracts held as at December 31:

		2006		2005	
($ millions)		*Notional*	*Fair Value*	*Notional*	*Fair Value*
Equity and commodity derivatives					
Swaps		$ 18,114	$1,194	$ 18,347	$775
Futures		2,939	(7)	3,299	13
Options: Listed	– purchased	69	–	61	–
	– written	92	(1)	106	(1)
OTC	– purchased	2,638	161	664	43
	– written	2,116	(102)	422	(10)
		25,968	1,245	22,899	820
Interest rate derivatives					
Swaps		44,510	88	43,430	126
Futures		61,026	(5)	23,050	(1)
Options: Listed	– purchased	4,777	5	3,158	1
	– written	4,753	(5)	2,346	(1)
OTC	– purchased	21,414	298	13,673	126
	– written	19,189	(230)	12,347	(92)
		155,669	151	98,004	159
Currency derivatives					
Swaps		671	87	1,037	86
Forwards[3]		74,195	(470)	68,224	174
Futures		3	–	4	–
Options: OTC	– purchased	3,700	21	3,957	33
	– written	2,873	(13)	2,344	(35)
		81,442	(375)	75,566	258
Credit derivatives					
Loan participations		959	680	182	68
Credit default swaps	– purchased	9,811	46	1,254	–
	– written	1,760	(91)	690	(9)
Total return swaps		591	6	464	2
Equity default swaps		9	–	–	–
		13,130	641	2,590	61
Other derivatives					
Volatility/variance swaps		8,905	44	6,465	27
Dividend swaps		128	38	115	37
		9,033	82	6,580	64
		285,242	1,744	205,639	1,362
Less: Net cash collateral received under derivative contracts		–	(590)	–	(437)
Notional and net fair value of derivative contracts		$285,242	$1,154	$205,639	$925

[3]Excludes currency forwards related to Real Estate assets as disclosed in note 8.

The net fair value of derivative contracts as at December 31 on the previous page is represented by:

($ millions)	2006	2005
Derivative-related receivables	$3,413	$2,326
Cash collateral paid under derivative contracts	96	116
Derivative-related liabilities	(1,669)	(964)
Cash collateral received under derivative contracts	(686)	(553)
	$1,154	$ 925

The derivative contracts on the previous page mature within one year except for the following, which have a weighted average maturity as follows:

	2006		2005	
	Notional ($ millions)	Weighted Average Maturity (years)	Notional ($ millions)	Weighted Average Maturity (years)
Equity and commodity derivatives				
Swaps	$1,227	2.0	$1,387	2.9
OTC options	2,690	2.7	3	1.1
Interest rate derivatives				
Swaps	39,402	9.5	34,673	4.7
OTC options	7,465	15.2	9,913	5.3
Currency derivatives				
Swaps	453	4.4	987	6.8
Forwards	90	1.1	595	1.2
Credit derivatives				
Loan participations	959	3.6	182	3.8
Credit default swaps	11,057	8.1	1,890	6.6
Total return swaps	591	2.8	440	5.0
Equity default swaps	9	5.5	–	–
Other derivatives				
Volatility/variance swaps	6,343	2.4	4,287	2.4
Dividend swaps	120	4.5	76	4.4

(c) Investment Asset Mix

The Plan had a policy asset mix of approximately 45% equities, 22% fixed income and 33% inflation-sensitive investments at December 31, 2006 and 2005.

Direct investments, derivative contracts, and investment-related receivables and liabilities are classified by asset-mix category based on the intent of the investment strategies of the underlying portfolios of the Plan. The Plan's net investments as at December 31 are summarized below:

	2006		2005	
	Effective Net Investments at Fair Value ($ millions)	*Asset Mix %*	*Effective Net Investments at Fair Value ($ millions)*	*Asset Mix %*
Equity				
Canadian	$ 16,386	15%	$19,262	21%
Non-Canadian	32,425	31	25,782	27
	48,811	46	45,044	48
Fixed income				
Bonds	20,856	20	5,277	6
Alternative investments	9,656	9	6,199	6
Absolute return strategies	5,557	5	3,291	3
Money market	(11,222)	(11)	8,264	9
Debt on real estate properties (note 8)	(3,409)	(3)	(3,705)	(4)
	21,438	20	19,326	20
Inflation-sensitive				
Real estate, net (note 8)	14,528	14	12,456	13
Real-rate products	11,803	11	10,559	11
Infrastructure and timber	6,775	7	4,769	5
Commodities	2,323	2	2,650	3
	35,429	34	30,434	32
Total net investments	$105,678	100%	$94,804	100%

(d) Interest Rate Risk

Interest rate risk refers to the effect on the market value of the Plan's assets and liabilities due to fluctuations in interest rates. The value of the Plan's assets is affected by short-term changes in nominal and real interest rates. Pension liabilities are exposed to fluctuations in long-term interest rates as well as expectations for salary escalation.

As at December 31, 2006, holding the inflation and salary escalation assumptions constant, a 1% decrease in the assumed long-term real rates of return would result in an increase in the pension liabilities of approximately 16% (2005 – 17%).

After giving effect to the derivative contracts and investment-related receivables and liabilities discussed in note 2b, a 1% increase in nominal interest rates would result in a decline in the value of the fixed-income securities of 7% (2005 – 7%). Similarly, a 1% increase in real interest rates would result in a decline in the value of the real-rate products of 16% (2005 – 17%).

(e) **Credit Risk**

The Plan is exposed to the risk that a counterparty defaults or becomes insolvent (credit risk).

As at December 31, 2006, the Plan's most significant concentration of credit risk is with the Government of Canada and the Province. This concentration relates primarily to the holding of $16.6 billion of Government of Canada issued securities, $7.9 billion of non-marketable Province of Ontario debentures, $0.2 billion in Province of Ontario bonds, a receivable from the Province of $1.6 billion (see note 3), and future provincial funding requirements of the Plan.

The Plan limits derivative contract credit risk by dealing principally with counterparties that have a credit rating of A or higher, and by utilizing an internal credit-limit monitoring process, as well as through the use of credit mitigation techniques such as master-netting arrangements (which provide for certain rights of offset) and obtaining collateral, including the use of credit support annexes, where appropriate.

(f) **Foreign Currency Risk**

Foreign currency exposure arises from the Plan's holdings of foreign currency-denominated investments and related derivative contracts. Fluctuations in the relative value of foreign currencies against the Canadian dollar can result in a positive or negative effect on the fair value of investments.

As at December 31, the Plan had investments exposed to foreign currency. In Canadian dollars this exposure is as follows:

($ millions)	*2006*	*2005*
Currency	*Net Exposure*	*Net Exposure*
United States Dollar	$11,509	$ 6,627
Euro	8,219	4,399
British Pound Sterling	3,624	3,022
Japanese Yen	3,464	2,824
Brazilian Real	1,653	351
Australian Dollar	990	333
South Korean Won	977	538
Swedish Krona	473	170
Norwegian Krone	(388)	(52)
Russian Rouble	371	82
Other	1,851	1,759
	$32,743	$20,053

(g) **Securities Lending**

The Plan has lent securities as a means of generating incremental income or supporting other investment strategies. As at December 31, 2006, the Plan did not have any loaned securities. As at December 31, 2005, the Plan's investments included loaned securities with a fair value of $1,438 million and the fair value of securities collateral received in respect of these loans was $1,511 million.

(h) **Securities Collateral**

Securities with a fair value of $1,242 million (2005 – $1,227 million) have been deposited or pledged with various financial institutions as collateral or margin. Securities with a fair value of $21 million (2005 – $53 million) have been received from various financial institutions as collateral.

NOTE 3.
Receivable from the Province of Ontario

The receivable from the Province consists of required matching contributions and interest thereon.

($ millions)	2006	2005
Contributions receivable	$1,530	$1,448
Accrued interest receivable	45	47
	$1,575	$1,495

The receivable as at December 31, 2006 from the Province consists of $795 million, which was received in January 2007, and an estimated $780 million to be received with interest in 2008. The receivable as at December 31, 2005 from the Province consists of $740 million, which was received in January 2006, and an initial estimate of $755 million to be received in January 2007.

NOTE 4.
Actuarial asset value adjustment

The actuarial value of net assets available for benefits is determined by reference to market rates consistent with assumptions underlying the valuation of accrued pension benefits. The adjustment represents accumulated deferred net gains, being the unamortized difference between the actual, and management's best estimate of, return on the Plan's equity investments (including real estate, commodities, alternative investments, and infrastructure and timber). Annual returns that are in excess of (gains) or below (losses) management's best estimate of returns are amortized over five years. The change in actuarial asset value adjustment for the year was $(3,730) million (2005 – $(5,899) million).

Fixed income securities are valued at fair value on a basis consistent with the discount rate used to value the Plan's accrued pension benefits, and therefore do not give rise to the need for an adjustment to net assets.

The following schedule summarizes the composition of the actuarial asset value adjustment as at December 31:

	Unamortized (Gains)/Losses	Unamortized (Gains)/Losses to Be Recognized in				Unamortized (Gains)/Losses
($ millions)	2006	2007	2008	2009	2010	2005
2002	$ –	$ –	$ –	$ –	$ –	$ 1,651
2003	(1,080)	(1,080)	–	–	–	(2,160)
2004	(1,454)	(727)	(727)	–	–	(2,182)
2005	(3,558)	(1,186)	(1,186)	(1,186)	–	(4,743)
2006	(5,072)	(1,268)	(1,268)	(1,268)	(1,268)	–
	$(11,164)	$(4,261)	$(3,181)	$(2,454)	$(1,268)	$(7,434)

NOTE 5.

Accrued pension benefits

(a) Actuarial Assumptions

The actuarial assumptions used in determining the value of accrued pension benefits of $110,496 million (2005 – $110,530 million) reflect management's best estimate of future economic events and involve both economic and non-economic assumptions. The non-economic assumptions include considerations such as mortality as well as withdrawal and retirement rates. The primary economic assumptions include the discount rate, salary escalation rate and the inflation rate. The discount rate is based on the market rate, as at the valuation date, of long-term Government of Canada real-return bonds which have characteristics similar to the Plan's liabilities. The inflation rate is the difference between the yield on Government of Canada long-term nominal bonds and Government of Canada real-return bonds. The salary escalation rate incorporates the inflation rate assumption and long-term expectation of growth in real wages. A summary of the primary economic assumptions, as at December 31, is as follows:

	2006	2005
Discount rate	4.70%	4.60%
Salary escalation rate	3.40%	3.60%
Inflation rate	2.40%	2.60%
Real rate	2.30%	2.00%

The primary economic assumptions were changed as a result of changes in capital markets during 2006. These changes resulted in a net decrease in the value of accrued pension benefits of $5,219 million (2005 – $10,141 million increase). In addition, changes in non-economic assumptions increased the value of accrued pension benefits by $86 million (2005 – $632 million decrease) resulting in a net decrease in the value of accrued pension benefits of $5,133 million (2005 – $9,509 million increase).

(b) Plan Provisions

The TPA was amended in 2006 to remove the funding restrictions previously in that Act. The Plan is now subject to the funding requirements of the Pension Benefits Act which was also amended in 2006 to introduce requirements for a newly created class of pension plans referred to as "Jointly Sponsored Pension Plans" which includes the Plan. The new requirements allow the Plan to continue to use the funding valuation method that was previously prescribed by the TPA provided that certain additional tests are satisfied. The Plan was amended in 2006 to phase in over a three-year period a 3.1% contribution increase for both members and employers for a period of 15 years beginning in 2007. The Plan was also amended in 2006 to introduce a cap on pensionable salary of six times the Year's Maximum Pensionable Earnings prescribed each year under the Canada Pension Plan (the CPP). No material amendments were made to the Plan provisions in 2005.

(c) Experience Gains and Losses

Experience losses of $421 million (2005 – $60 million gains) arose from differences between the actuarial assumptions and actual results.

NOTE 6.

Investments in joint ventures

The Plan's proportionate share of the fair value of assets and liabilities in joint ventures as at December 31, 2006 (excluding joint ventures related to real estate which are disclosed in note 8) is $5,119 million (2005 – $5,446 million) and $3,575 million (2005 – $3,499 million) respectively.

NOTE 7.

Consolidation of subsidiaries and variable interest entities

Subsidiaries and Variable Interest Entities

The Plan's fair value of assets and liabilities of subsidiaries (excluding the real estate subsidiaries included in note 8) and VIEs at December 31, 2006 is $7,185 million (2005 – $3,456 million) and $4,713 million (2005 – $2,517 million) respectively.

NOTE 8.

Investment in real estate

(a) Investment in Real Estate

The Plan's investment in real estate, which is comprised of real estate-related investments that are either owned or managed on behalf of the Plan by The Cadillac Fairview Corporation Limited, a wholly owned subsidiary, as at December 31, is as follows:

	2006		2005	
($ millions)	*Fair Value*	*Cost*	*Fair Value*	*Cost*
Assets[1]				
Real estate properties[2]	$14,129	$10,281	$12,378	$9,544
Investments	846	526	475	423
Other assets[2]	182	182	113	113
Total assets	15,157	10,989	12,966	10,080
Liabilities				
Debt on real estate properties[2][3]	3,450	3,355	3,705	3,576
Other liabilities[2]	588	449	510	365
Total liabilities	4,038	3,804	4,215	3,941
Net investment in real estate	$11,119	$ 7,185	$ 8,751	$6,139

[1]As at December 31, 2006, U.S. dollar and British pound sterling assets have been hedged by way of foreign currency forward contracts for a notional amount of $1,918 million (2005 – $1,584 million) with a combined fair value of $-49 million (2005 – $23 million).

[2]Includes the proportionate share of assets and liabilities in real estate joint ventures of $3,501 million (2005 – $2,618 million) and $1,110 million (2005 – $1,075 million) respectively.

[3]As at December 31, 2006, there are contingent liabilities for the obligations of certain co-owners in the aggregate amount of $19.0 million (2005 – $19.3 million). However, in each case the co-owner's share of the assets was available for the purpose of satisfying such obligations.

(b) **Real Estate Income**

The Plan's real estate income for the year ended December 31, is as follows:

($ millions)	*2006*	*2005*
Revenue		
Rental	$1,538	$1,504
Investment	13	–
	1,551	1,504
Expenses		
Property operating	705	698
General and administrative	31	39
Other	9	12
	745	749
Operating income (note 9)	806	755
Interest expense (note 9)	(218)	(230)
	588	525
Net investment gain on real estate assets[4][6]	1,324	1,459
Net investment gain on debt on real estate properties[5][6]	54	63
Net real estate income	$1,966	$2,047

[4] Includes unrealized net gain on real estate assets, net of other liabilities, of $1,288 million (2005 – $1,420 million).

[5] Includes unrealized net gain on debt on real estate properties of $34 million (2005 – $65 million).

[6] This amount is included in net realized and unrealized gain on investments shown in note 9.

NOTE 9.
Investment income

(a) Investment Income before Allocating Net Realized and Unrealized Gains on Investments to Asset Classes

Investment income, before allocating the net realized and unrealized gains on investments to asset classes, for the year ended December 31, is as follows:

($ millions)	*2006*	*2005*
Fixed income interest		
Debentures	$ 823	$ 978
Money-market securities	307	126
Bonds	1,396	1,066
Net repo interest expense	(237)	(108)
Net swap interest expense	(630)	(555)
Real estate interest expense (note 8b)	(218)	(230)
	1,441	1,277
Equity dividend income		
Canadian equity	521	511
Non-Canadian equity	783	692
	1,304	1,203
Inflation-sensitive investment income		
Real estate operating income (note 8b)	806	755
Real-rate products		
Canadian	213	227
Non-Canadian	68	43
Infrastructure and timber	303	403
	1,390	1,428
	4,135	3,908
Net realized and unrealized gain on investments[1][2]	8,176	10,178
Investment income	$12,311	$14,086

[1]Includes unrealized net gains of $4,245 million (2005 – $4,112 million).

[2]Includes net foreign currency losses of $1,036 million (2005 – $761 million gains).

(b) **Investment Income**

Investment income by asset class, after allocating net realized and unrealized gains and losses on investments for the year ended December 31, is as follows:

($ millions)	*2006*	*2005*
Fixed income	$ 1,965	$ 1,283
Canadian equity	2,187	3,991
Non-Canadian equity	5,860	3,858
Inflation-sensitive investments	2,299	4,954
	$12,311	$14,086

NOTE 10.

Investment returns and related benchmark returns

Investment returns and related benchmark returns by investment asset class for the year ended December 31 are as follows:

	2006		*2005*	
(percent)	*Investment Returns*	*Investment Benchmark Returns*	*Investment Returns*	*Investment Benchmark Returns*
Fixed income[(1)(2)]	6.1	1.4	15.3	11.8
Canadian equity[(2)]	12.5	17.3	31.7	24.1
Non-Canadian equity[(2)]	25.0	21.5	8.3	8.0
Inflation-sensitive investments	7.4	1.6	17.5	10.0
Total Plan	13.2	9.4	17.2	12.7

(1) Includes currency policy hedge trading, internal absolute return strategy investments and alternative investments.

(2) For the period January 1, 2006 to June 30, 2006, mezzanine debt was included in Canadian and Non-Canadian equities. Beginning July 1, 2006, mezzanine debt is included in Fixed Income. Prior year numbers have not been restated in the above table.

Investment returns have been calculated in accordance with the acceptable methods set forth by the CFA Institute and the Pension Investment Association of Canada.

The Plan identifies benchmarks to evaluate the investment management performance. The performance of each asset class is measured against benchmarks that simulate the results based on the investment strategies employed by the investment managers identified for the asset class.

The total Plan return is measured against a Canadian dollar-denominated composite benchmark produced by aggregating returns from each of the policy asset class benchmarks, using the Plan's asset-mix policy weight.

Effective January 1, 2007, certain benchmarks have been revised to reflect changes in investment strategy and objectives.

NOTE 11.

Statutory actuarial valuations

Statutory actuarial valuations are prepared periodically to determine the funding requirements of the Plan. Until 2007, active members were required to contribute 7.3% of the portion of their salaries covered by the CPP and 8.9% of salaries above this level. Member contributions are matched by the Province and other employers. In addition, the Funding Management Policy established by the co-sponsors provides procedures for the co-sponsors to determine contributions and benefits.

Under an agreement between the co-sponsors, contribution rates will increase over the next three calendar years as follows:

	Members Contribution Rate on Portion of Salaries:		*Government and Designated Employers Contribution Rate on Portion of Salaries:*	
(percent)	*Covered by CPP*	*Not Covered by CPP*	*Covered by CPP*	*Not Covered by CPP*
2007	9.3	10.9	9.3	10.9
2008	9.6	11.2	10.4	12.0
2009	10.4	12.0	10.4	12.0

The actuarial methods used to prepare statutory actuarial valuations are different than those used to prepare a financial statement actuarial valuation and the amounts disclosed in these consolidated financial statements. The statutory actuarial valuations use a valuation method which takes into account future benefits to be earned and future contributions to be made by members of the Plan as at the valuation date.

The most recent statutory actuarial valuation that has been filed with regulatory authorities was prepared as at January 1, 2005 by Mercer Human Resource Consulting Limited and disclosed a funding deficit of $6,064 million, based on an agreement between the Board and the co-sponsors. The deficit will be amortized over the 15-year period commencing January 1, 2007 by the contribution increases summarized above.

Using the assumptions prescribed by the Funding Management Policy, the estimate of the funding deficit is approximately $17,400 million as at January 1, 2007. If economic assumptions consistent with those used in the January 1, 2005 funding valuation were used, the estimated deficit at January 1, 2007 would be approximately $3,600 million.

NOTE 12.
Contributions

($ millions)	2006	2005
Members		
Current service	$ 779	$ 751
Optional credit	16	20
	795	771
Province of Ontario		
Current service	779	734
Interest	33	35
Optional credit	8	12
	820	781
Other employers	14	13
Transfers from other pension plans	17	10
	31	23
	$1,646	$1,575

NOTE 13.
Benefits paid

($ millions)	2006	2005
Retirement pensions	$3,535	$3,356
Death benefits	203	190
Disability pensions	32	33
Commuted value transfers	34	23
Refunds	7	13
Transfers to other plans	8	5
	$3,819	$3,620

NOTE 14.

Administrative expenses

(a) Investment Expenses

($ millions)	2006	2005
Salaries, incentives and benefits	$119.8	$117.6
Investment management fees	30.9	36.9
Professional and consulting services	33.0	18.4
Premises and equipment	11.4	9.5
Custodial fees	7.7	9.1
Information services	7.2	6.8
Communication and travel	6.6	5.4
Statutory audit fees	0.8	0.8
Board and committee remuneration	0.4	0.3
Other	1.7	0.8
	$219.5	$205.6

(b) Member Services Expenses

($ millions)	2006	2005
Salaries, incentives and benefits	$ 21.1	$ 21.8
Premises and equipment	6.6	7.5
Professional and consulting services	2.4	2.1
Communication and travel	1.2	1.3
Statutory audit fees	0.3	0.2
Board and committee remuneration	0.2	0.1
Other	0.7	0.7
	$ 32.5	$ 33.7

(c) Remuneration of the Board and Committee Members

Each Board member receives an annual retainer of $10,000, plus $10,000 as a member of the Investment Committee. The Board Chair receives an additional retainer of $50,000 and the Chairs of the Investment, Governance, Human Resources & Compensation, and Audit & Actuarial Committees receive additional retainers of $4,000 each.

Fees for committee and other eligible meetings attended are $1,000. Board meeting fees are typically combined with Investment Committee fees at $1,250 per day. The Chair of the Benefits Adjudication Committee receives an additional fee of $625 for each Benefits Adjudication meeting or hearing attended to a maximum of six per annum.

Directors receive no additional benefits other than normal expenses for travel, meals and accommodation, as required.

(d) Executive Compensation

The compensation table represents disclosure of base salary, annual bonus, long-term incentives and other compensation earned in 2006, 2005 and 2004 by the Chief Executive Officer, Chief Financial Officer and the three other most highly compensated executives, excluding subsidiary companies. The Board's advisor on matters of compensation is Towers Perrin.

Name and Principal Position	*Year*	*Base Salary*	*Annual Bonus*[1]	*Long-term Incentive Plan*[2]	*Other Compensation*	*Total Compensation*
Claude Lamoureux President and CEO	2006	$472,758	$569,400	$5,327,000	$10,438[3]	$6,379,596
	2005	459,262	618,700	4,451,900	10,372[3]	5,540,234
	2004	446,673	585,300	3,500,400	15,572[4]	4,547,945
David McGraw VP and CFO	2006	241,461	132,500	–	429[5]	374,390
	2005	227,192	105,500	–	382[5]	333,074
	2004	51,923	30,000	–	95	82,018[6]
Bob Bertram Executive VP, Investments	2006	378,619	673,300	5,114,400	8,671[3]	6,174,990
	2005	365,346	697,200	4,059,900	15,708[4]	5,138,154
	2004	351,796	650,600	2,715,200	8,612[3]	3,726,208
Jim Leech Senior VP, Private Capital	2006	256,581	512,000	3,007,600	455[5]	3,776,636
	2005	249,188	502,200	1,743,800	419	2,495,607
	2004	241,846	488,000	1,548,000	421	2,278,267
Neil Petroff Senior VP, TAA & Alternative Investments	2006	248,115	500,000	2,933,800	440[5]	3,682,355
	2005	241,169	476,300	2,464,100	405[5]	3,181,974
	2004	234,181	472,400	1,768,900	407	2,475,888

[1] Annual bonuses for Investment executives are based on a combination of total fund, asset class, and individual performance. Investment performance is measured in dollars of value added above established benchmarks. Performance versus benchmark is measured over four annual performance periods. Participants can earn annual bonuses from 0 to 5 times the target level for the position based on performance results over the four-year period. Annual bonuses for other executive staff are based on achievement of corporate and divisional objectives.

[2] The Investment Long-term Incentive Plan (LTIP) provides initial notional cash grants to participants as a percentage of annual base salary at the beginning of a performance cycle plus annual bonus from the year preceding the performance cycle. Initial notional grant values grow with the Total Fund absolute rate of return and by the performance multipliers based on the Total Fund and Asset Class dollar value added performance over established benchmarks. Beginning with the 2001–2004 performance period, the maximum multiplier for combined Total Fund and Asset Class performance increased from 5 times to 10 times.

Following a competitive review conducted in 2003, initial grant levels under the Investment LTIP were reduced between 25% and 33%, beginning with the 2004–2007 performance period.

[3] Group term life insurance and an automobile allowance.

[4] Includes group term life insurance, an automobile allowance and unused vacation cashout.

[5] Group term life insurance.

[6] Commenced employment with the Ontario Teachers' Pension Plan on October 4, 2004.

(e) Retirement Benefits

Executive employees of the Ontario Teachers' Pension Plan participate in the Public Service Pension Plan (PSPP) and the Public Service Supplementary Benefits Account (SBA). These plans combined provide indexed pension benefits equal to 2% of the executive's best five-year average annual base salary for each year of service, less a CPP integration formula. Benefits under these combined plans are capped by the base salary reached at the maximum pension contribution permitted under ITA regulations.

Executives earning 2006 annual salaries in excess of $182,185 also participate in a non-registered, unfunded Supplemental Employee Retirement Plan (SERP). This plan provides non-indexed retirement benefits equal to 2% of the executive's best three-year average annual salary for each year of service, less the initial annual pension to which the executive is entitled under the PSPP and SBA, combined.

For executives at the Executive Vice-President level and above, average annual salary includes a percentage of annual incentive, building at 20% per year to 100%.

For executives at the Senior Vice-President level, having attained the age of 55, average annual salary includes a percentage of annual incentive, building at 10% per year to 50%.

For executives at the Vice President level, having attained the age of 55, average annual salary includes a percentage of annual incentive, building at 5% per year to 25%.

The total liability for the SERP increased by a net amount of $2.1 million in 2006 (2005 – $2.3 million) for a total accrued SERP liability of $11.5 million as at December 31, 2006 (2005 – $9.4 million).

The table below outlines the estimated present value of the total pension from all sources (PSPP, SBA and SERP) and estimated annual pension benefits at age 65 for the Chief Executive Officer, Chief Financial Officer and the three other most highly compensated executives, excluding subsidiary companies.

Name and Principal Position	*2006 Annual Change in Pension Value*	*Present Value of Total Pension*	*Estimated Total Annual Pension Benefit at Age 65*	*Projected Years of Service at Age 65*
Claude Lamoureux President and CEO	$494,500	$4,931,900	$356,600	17
David McGraw VP and CFO	68,100	145,800	129,000	17
Bob Bertram Executive VP, Investments	422,700	4,188,400	379,500	19
Jim Leech Senior VP, Private Capital	135,100	614,700	119,800	11
Neil Petroff Senior VP, TAA & Alternative Investments	147,500	1,344,900	399,300	32

The values shown are estimated amounts based on assumptions and represent entitlements that may change over time.

NOTE 15.
Retirement Compensation Arrangement (RCA)

Restrictions in the ITA on the payment of certain benefits from a registered plan for periods of service after 1991 may impact some Plan members. To address affected members, the RCA was established by agreement between the co-sponsors as a supplementary plan to provide these benefits.

The RCA is administered under a trust separate from the assets of the Plan. The Board has been appointed by the co-sponsors to act as the trustee of the RCA.

Because the RCA is a separate trust and the Plan does not hold any variable interest in the RCA, the net assets available for benefits and the value of accrued benefits and deficit, referred to below, have not been included in the consolidated financial statements of the Plan.

The RCA is funded on a pay-as-you-go basis from a portion of the contributions made to the Plan by teachers, the Province and designated private schools and organizations. The portion is based on a limit on contributions to the Plan with contributions above the limit being remitted to the RCA. The limit is determined annually by the Plan's independent actuary such that the RCA contributions are expected to be sufficient to pay the benefits over the next 12 months. At the beginning of 2007, the actuary determined that the limit should increase from $8,600 to $12,700. Due to the funding policy adopted by the co-sponsors, the net assets available for benefits will continue to be substantially less than the accrued benefits.

In addition, because it is difficult to predict the benefits expected to be paid over the next 12 months, it is possible that the assets may be insufficient to pay the benefits. In such a case, the payment of benefits will be temporarily suspended and contributions raised in order to fund the payments that are due under the RCA.

A summary of the financial statements for the RCA as at December 31 is as follows:

($ thousands)	*2006*	*2005*
Statement of Net Assets Available for Benefits and Accrued Benefits and Deficit		
Net assets available for benefits		
Assets	$ 11,870	$ 10,442
Liabilities	(1,384)	(856)
	$ 10,486	$ 9,586
Accrued benefits and deficit		
Accrued benefits	$207,655	$167,649
Deficit	(197,169)	(158,063)
	$ 10,486	$ 9,586
Statement of Changes in Net Assets Available for Benefits		
Contributions	$ 3,654	$ 4,246
Investment income	172	65
	$ 3,826	$ 4,311
Benefits paid	2,800	2,575
Expenses	126	78
	2,926	2,653
Increase in net assets	$ 900	$ 1,658

The actuarial assumptions used in determining the value of accrued benefits are consistent with the assumptions used in the Plan except that the assumed discount rate has been adjusted to reflect the effect of the 50% refundable tax under the RCA.

The estimate of the value of accrued benefits is highly sensitive to salary increases, both actual and assumed. Any changes to the salary assumptions will have a significant effect on the liabilities for future benefits. In addition, significant uncertainty exists in projecting the liabilities of the RCA due to changes in the number of future participants as well as changes to the income tax regulations relating to pensions.

NOTE 16.

Commitments

The Plan has committed to enter into investment and other transactions, which may be funded over the next several years in accordance with the terms and conditions agreed to. As at December 31, 2006, these potential commitments totalled $12,456 million (2005 – $5,153 million).

During 2006, the Plan entered into a Purchase and Sale Agreement to acquire an investment for US$2.4 billion plus assumed debt including capital leases of approximately US$60 million. To fund the acquisition, subsidiaries of the Plan have obtained external financing of approximately US$1.6 billion. As at December 31, 2006, completion of the transaction was pending the satisfaction of certain conditions in the Purchase and Sale Agreement, which included receiving consent from regulatory authorities. Part of the transaction was completed in January 2007 and the remainder is expected to be completed in March 2007.

NOTE 17.

Guarantees and indemnifications

Guarantees

In 2004, as part of an investment transaction, the Plan agreed to guarantee a letter of credit facility of a counterparty. In the event that the counterparty defaults on the letter of credit, the Plan would assume 50% of the line of credit facility amount up to US$25 million as at December 31, 2006 (2005 – US$25 million) plus interest and transaction costs. These letters of credit facilities have a term of one year and are renewable annually. As at December 31, 2006, the counterparty has issued US$18 million in letters of credit which are guaranteed by the Plan (2005 – US$17 million).

In 2006, as part of an investment transaction, the Plan agreed to guarantee an equipment lease of a counterparty. In the event the counterparty defaults on the lease, the Plan would assume 50% of the lease amount up to $15 million. The guarantee expires on April 1, 2011 upon termination of the lease agreement. No payments have been made by the Plan regarding this guarantee during the year ended December 31, 2006.

Certain joint ventures and subsidiaries have provided performance guarantees and/or letters of credit facilities during their normal course of business. The beneficiaries of these guarantees and/or letters of credit facilities have the ability to draw against these facilities to the extent the contractual obligations, as defined in the related agreements, are not met. The term of these guarantees and/or facilities can range from one year to 22 years. As at December 31, 2006, the maximum exposure is $422 million (2005 – $383 million).

The Plan also indirectly guarantees the underlying reference obligations when writing credit derivatives. The maximum potential exposure is the notional amount of written credit derivatives as shown in note 2b. No net payments related to written credit derivatives have been made in either 2006 or 2005.

Indemnifications

The Plan provides that board members, employees and certain others are to be indemnified against the expenses related to proceedings against them. In addition, in the normal course of operations, the Plan may, in certain circumstances, agree to indemnify a counterparty. Under these agreements, the Plan, its subsidiaries and joint ventures may be required to compensate counterparties for costs incurred as a result of various contingencies such as legal claims or changes in laws and regulations. The number of such agreements, the variety of indemnifications and their contingent character prevents the Plan from making a reasonable estimate of the maximum amount that would be required to pay all such counterparties.