

## Note 10: Derivative Instruments

### Change in Accounting Policy

On November 1, 2006, we adopted the CICA's new accounting requirements for hedging derivatives. The new rules require us to record all our hedging derivatives at fair value. Prior to November 1, 2006, we accounted for derivatives that qualified as accounting hedges on an accrual basis.

The types of hedging relationships that qualify for hedge accounting have not changed under the new rules. We will continue to designate our hedges as either cash flow hedges or fair value hedges.

Changes in the fair value of hedging derivatives are either offset in our Consolidated Statement of Income against the changes in the fair value of the risk being hedged, or recorded in accumulated other comprehensive income (loss) on cash flow hedges. If the change in fair value of the derivative is not completely offset by the change in fair value of the item it is hedging, the difference is recorded immediately in our Consolidated Statement of Income.

### Derivative Instruments

Derivative instruments are financial contracts that derive their value from underlying changes in interest rates, foreign exchange rates or other financial or commodity prices or indices.

Derivative instruments are either regulated exchange-traded contracts or negotiated over-the-counter contracts. We use these instruments for trading purposes, as well as to manage our exposures, mainly to currency and interest rate fluctuations, as part of our asset/liability management program.

### Types of Derivatives

#### Swaps

Swaps are contractual agreements between two parties to exchange a series of cash flows. The various swap agreements that we enter into are as follows:

Interest rate swaps – counterparties generally exchange fixed and floating rate interest payments based on a notional value in a single currency.

Cross-currency swaps – fixed rate interest payments and principal amounts are exchanged in different currencies.

Cross-currency interest rate swaps – fixed and floating rate interest payments and principal amounts are exchanged in different currencies.

Commodity swaps – counterparties generally exchange fixed and floating rate payments based on a notional value of a single commodity.

Equity swaps – counterparties exchange the return on an equity security or a group of equity securities for the return based on a fixed or floating interest rate or the return on another equity security or a group of equity securities.

Credit default swaps – one counterparty pays the other a fee in exchange for that other counterparty agreeing to make a payment if a credit event occurs, such as bankruptcy or failure to pay.

Total return swaps – one counterparty agrees to pay or receive from the other cash amounts based on changes in the value of a reference asset or group of assets, including any returns such as interest earned on these assets, in exchange for amounts that are based on prevailing market funding rates.

The main risks associated with these instruments are related to exposure to movements in interest rates, foreign exchange rates, credit quality, securities values or commodities prices, as applicable, and the possible inability of counterparties to meet the terms of the contracts.

#### Forwards and Futures

Forwards and futures are contractual agreements to either buy or sell a specified amount of a currency, commodity, interest rate-sensitive financial instrument or security at a specific price and date in the future.

Forwards are customized contracts transacted in the over-the-counter market. Futures are transacted in standardized amounts on regulated exchanges and are subject to daily cash margining.

The main risks associated with these instruments arise from the possible inability of over-the-counter counterparties to meet the terms of the contracts and from movements in commodities prices, securities values, interest rates and foreign exchange rates, as applicable.

#### Options

Options are contractual agreements that convey to the buyer the right but not the obligation to either buy or sell a specified amount of a currency, commodity, interest-rate-sensitive financial instrument or security at a fixed future date or at any time within a fixed future period.

For options written by us, we receive a premium from the purchaser for accepting market risk.

For options purchased by us, we pay a premium for the right to exercise the option. Since we have no obligation to exercise the option, our primary exposure to risk is the potential credit risk if the writer of an over-the-counter contract fails to meet the terms of the contract.

Caps, collars and floors are specialized types of written and purchased options. They are contractual agreements where the writer agrees to pay the purchaser, based on a specified notional amount, the difference between the market rate and the prescribed rate of the cap, collar or floor. The writer receives a premium for selling this instrument.

## Uses of Derivatives

### Trading Derivatives

Trading derivatives include derivatives entered into with customers to accommodate their risk management needs, derivatives transacted to generate trading income from our own proprietary trading positions and certain derivatives that do not qualify as hedges for accounting purposes (“economic hedges”).

We structure and market derivative products to customers to enable them to transfer, modify or reduce current or expected risks.

Proprietary activities include market-making, positioning and arbitrage activities. Market-making involves quoting bid and offer prices to other market participants with the intention of generating revenues based on spread and volume. Positioning activities involve managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices. Arbitrage activities involve identifying and profiting from price differentials between markets and products.

We may also take proprietary trading positions in various capital market instruments and derivatives that, taken together, are designed to profit from anticipated changes in market conditions.

Trading derivatives are marked to fair value. Realized and unrealized gains and losses are recorded in trading revenues (losses) in our Consolidated Statement of Income. Unrealized gains on trading derivatives are recorded as derivative instrument assets and unrealized losses are recorded as derivative instrument liabilities in our Consolidated Balance Sheet.

### Hedging Derivatives

In accordance with our risk management strategy, we enter into various derivative contracts to hedge our interest rate and foreign currency exposures.

## Risks Hedged

### Interest Rate Risk

We manage interest rate risk through interest rate swaps and options, which are linked to and adjust the interest rate sensitivity of a specific asset, liability, forecasted transaction, firm commitment, or a specific pool of transactions with similar risk characteristics.

In order for an interest rate derivative to qualify as a hedge, the hedging relationship must be designated and formally documented at its inception, detailing the particular risk management objective and strategy for the hedge and the specific asset, liability or cash flow being hedged, as well as how its effectiveness is being assessed. Changes in the fair value of the derivative must be highly effective in offsetting either changes in the fair value of on-balance sheet items or changes in the amount of future cash flows.

Hedge effectiveness is evaluated at the inception of the hedging relationship and on an ongoing basis, both retrospectively and prospectively, primarily using quantitative statistical measures of correlation. Any ineffectiveness in the hedging relationship is recognized in non-interest revenue, other in our Consolidated Statement of Income, as it arises.

### Cash Flow Hedges

Cash flow hedges modify exposure to variability in cash flows for variable rate interest bearing instruments or the forecasted issuance of fixed rate liabilities. Our cash flow hedges, which have a maximum term of 10 years, are primarily hedges of floating rate deposits as well as commercial and personal loans.

We record interest receivable or payable on the derivative as an adjustment to interest, dividend and fee income in our Consolidated Statement of Income over the life of the hedge.

To the extent that changes in the fair value of the derivative offset changes in the fair value of the hedged item, they are recorded in other comprehensive income. Any portion of the change in fair value

of the derivative that does not offset changes in the fair value of the hedged item (the ineffectiveness of the hedge) is recorded directly in non-interest revenue, other in our Consolidated Statement of Income. Gains on the ineffective portion of our cash flow hedges totalled \$16 million for the year ended October 31, 2008 (less than \$1 million in losses in 2007).

For cash flow hedges that are discontinued before the end of the original hedge term, the unrealized gain or loss in other comprehensive income is amortized to interest, dividend and fee income in our Consolidated Statement of Income as the hedged item affects earnings. If the hedged item is sold or settled, the entire unrealized gain or loss is recognized in interest, dividend and fee income in our Consolidated Statement of Income. The amount of other comprehensive loss that we expect to reclassify to our Consolidated Statement of Income over the next 12 months is \$87 million (\$59 million after tax). This will be offset by increased net interest income on assets and liabilities that were hedged.

On November 1, 2006, we remeasured our cash flow hedging derivatives at fair value. The portion of the fair value that offset the fair value of the hedged item was an \$8 million gain (\$5 million after tax) and was recorded in opening accumulated other comprehensive income. The ineffective portion of cash flow hedges recorded in opening retained earnings totalled less than \$1 million. We also reclassified \$86 million (\$56 million after tax) of deferred losses related to cash flow hedges that were discontinued prior to November 1, 2006 from other assets to opening accumulated other comprehensive income.

### Fair Value Hedges

Fair value hedges modify exposure to changes in a fixed rate instrument's fair value caused by changes in interest rates. These hedges convert fixed rate assets and liabilities to floating rate. Our fair value hedges include hedges of fixed rate commercial and personal loans, securities, deposits and subordinated debt.

Under the new rules, we will continue to record interest receivable or payable on the derivative as an adjustment to interest, dividend and fee income in our Consolidated Statement of Income over the life of the hedge.

For fair value hedges, not only is the hedging derivative recorded at fair value but fixed rate assets and liabilities that are part of a hedging relationship are adjusted for the changes in value of the risk being hedged (quasi fair value). To the extent that the change in the fair value of the derivative does not offset changes in the quasi fair value adjustment of the hedged item (the ineffectiveness of the hedge), the net amount is recorded directly in non-interest revenue, other in our Consolidated Statement of Income. Gains on the ineffective portion of our fair value hedges totalled \$11 million for the year ended October 31, 2008 (\$1 million in 2007).

For fair value hedges that are discontinued, we cease adjusting the hedged item to quasi fair value. The quasi fair value adjustment of the hedged item is recorded as an adjustment to the interest income/expense on the hedged item over its remaining term to maturity. If the hedged item is sold or settled, any remaining quasi fair value adjustment is included in the determination of the gain or loss on sale or settlement. We did not hedge any commitments during the years ended October 31, 2008 and 2007.

When we remeasured our fair value hedging derivatives at fair value on November 1, 2006, we made a corresponding adjustment to the carrying value of the items that we hedge with those derivatives (quasi fair value adjustment). The difference between these two amounts was recorded in opening retained earnings and totalled less than \$1 million. On November 1, 2006, we also reclassified deferred amounts related to fair value hedges that were discontinued prior to November 1, 2006 from other assets to adjust the carrying amount of the items that were previously hedged. Quasi fair value adjustments related to these two activities were comprised of an increase in loans of \$3 million, an increase in deposits of \$38 million, an increase in subordinated debt of \$9 million and an increase in other assets of \$6 million.

**Foreign Currency Risk**

We manage foreign currency risk through cross-currency swaps. Cross-currency swaps are marked to market, with realized and unrealized gains and losses recorded in non-interest revenue, consistent with the accounting treatment for gains and losses on the economically hedged item.

We also periodically hedge U.S. dollar earnings through forward foreign exchange contracts to minimize fluctuations in our Canadian dollar earnings due to the translation of our U.S. dollar earnings. These contracts are marked to fair value, with gains and losses recorded as non-interest revenue in foreign exchange, other than trading.

**Embedded Derivatives**

From time to time, we purchase or issue financial instruments containing embedded derivatives. The embedded derivative is separated from the host contract and carried at fair value if the economic characteristics of the derivative are not closely related to those of the host contract, the terms of the embedded derivative are the same as those of a stand-alone derivative, and the combined contract is

Fair values of our derivative instruments are as follows:

(Canadian \$ in millions)	2008			2007		
	Gross assets	Gross liabilities	Net	Gross assets	Gross liabilities	Net
<b>Trading</b>						
<b>Interest Rate Contracts</b>						
Swaps	\$ 25,925	\$(26,243)	\$ (318)	\$ 7,273	\$(7,697)	\$ (424)
Forward rate agreements	165	(166)	(1)	13	(8)	5
Futures	19	(12)	7	33	(10)	23
Purchased options	1,804	–	1,804	1,084	(1)	1,083
Written options	–	(1,643)	(1,643)	–	(988)	(988)
<b>Foreign Exchange Contracts</b>						
Cross-currency swaps	1,212	(1,346)	(134)	1,997	(1,239)	758
Cross-currency interest rate swaps	7,867	(7,259)	608	7,203	(7,562)	(359)
Forward foreign exchange contracts	8,383	(7,913)	470	4,842	(5,246)	(404)
Purchased options	566	–	566	262	–	262
Written options	–	(774)	(774)	–	(158)	(158)
<b>Commodity Contracts</b>						
Swaps	2,336	(3,102)	(766)	2,220	(1,988)	232
Purchased options	3,953	–	3,953	5,628	–	5,628
Written options	–	(3,497)	(3,497)	–	(5,374)	(5,374)
<b>Equity Contracts</b>						
<b>Credit Default Swaps</b>	5,606	(2,019)	3,587	1,318	(2,458)	(1,140)
Purchased	6,435	–	6,435	642	–	642
Written	–	(5,828)	(5,828)	–	(570)	(570)
Total fair value – trading derivatives	\$ 64,271	\$(59,802)	\$ 4,469	\$ 32,515	\$(33,299)	\$ (784)
Average fair value (1)	\$ 43,917	\$(40,456)	\$ 3,461	\$ 33,817	\$(34,629)	\$ (812)
<b>Hedging</b>						
<b>Interest Rate Contracts</b>						
Cash flow hedges – swaps	\$ 752	\$(187)	\$ 565	\$ 60	\$(176)	\$(116)
Fair value hedges – swaps	563	(59)	504	10	(109)	(99)
Total swaps	\$ 1,315	\$(246)	\$ 1,069	\$ 70	\$(285)	\$(215)
Total fair value – hedging derivatives (2)	\$ 1,315	\$(246)	\$ 1,069	\$ 70	\$(285)	\$(215)
Average fair value (1)	\$ 540	\$(257)	\$ 283	\$ 69	\$(266)	\$(197)
Total fair value – trading and hedging derivatives	\$ 65,586	\$(60,048)	\$ 5,538	\$ 32,585	\$(33,584)	\$(999)
Less: Impact of master netting agreements	\$(41,748)	\$ 41,748	\$ –	\$(16,403)	\$ 16,403	\$ –
Total	\$ 23,838	\$(18,300)	\$ 5,538	\$ 16,182	\$(17,181)	\$(999)

(1) Average fair value amounts are calculated using a five-quarter rolling average.

(2) The fair values of hedging derivatives wholly or partially offset the changes in fair values of the related on-balance sheet financial instruments or future cash flows.

Assets are shown net of liabilities to customers where we have an enforceable right to offset amounts and we intend to settle contracts on a net basis.

not held for trading or designated at fair value. To the extent that we cannot reliably identify and measure the embedded derivative, the entire contract is carried at fair value, with changes in fair value reflected in earnings. Embedded derivatives in our equity linked notes are accounted for separately from the host instrument.

**Fair Value**

Fair value represents point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors. Fair value for exchange-traded derivatives is considered to be the price quoted on derivatives exchanges. Fair value for over-the-counter derivatives is determined using multi-contributor prices or zero coupon valuation techniques further adjusted for credit, model and liquidity risks, as well as administration costs. Zero coupon curves are created using generally accepted valuation techniques from underlying instruments such as cash, bonds and futures observable in the market. Option implied volatilities, an input into the valuation model, are either obtained directly from market sources or calculated from market prices.

Included in foreign exchange contracts is \$nil as at October 31, 2008 (\$nil in 2007) related to gold contracts.

Certain comparative figures have been reclassified to conform with the current year's presentation.

Derivative instruments recorded in our Consolidated Balance Sheet are as follows:

(Canadian \$ in millions)	Assets		Liabilities	
	2008	2007	2008	2007
Fair value of trading derivatives	\$ 64,271	\$ 32,515	\$ 59,802	\$ 33,299
Fair value of hedging derivatives	1,315	70	246	285
Total	\$ 65,586	\$ 32,585	\$ 60,048	\$ 33,584

## Notional Amounts

The notional amounts of our derivatives represent the amount to which a rate or price is applied in order to calculate the amount of cash that must be exchanged under the contract. Notional amounts do not represent assets or liabilities and therefore are not recorded in our Consolidated Balance Sheet.

	(Canadian \$ in millions)							
	2008				2007			
	Trading	Hedging		Total	Trading	Hedging		Total
	Cash flow	Fair value			Cash flow	Fair value		
<b>Interest Rate Contracts</b>								
Over-the-counter								
Swaps	\$ 1,434,047	\$ 33,633	\$ 16,918	\$ 1,484,598	\$ 1,075,495	\$ 21,644	\$ 5,381	\$ 1,102,520
Forward rate agreements	217,072	–	–	217,072	60,042	–	–	60,042
Purchased options	83,497	–	–	83,497	114,446	–	–	114,446
Written options	103,492	–	–	103,492	161,813	–	–	161,813
	<b>1,838,108</b>	<b>33,633</b>	<b>16,918</b>	<b>1,888,659</b>	<b>1,411,796</b>	<b>21,644</b>	<b>5,381</b>	<b>1,438,821</b>
Exchange-traded								
Futures	76,215	–	–	76,215	77,736	–	–	77,736
Purchased options	70,356	–	–	70,356	91,909	–	–	91,909
Written options	58,288	–	–	58,288	56,593	–	–	56,593
	<b>204,859</b>	<b>–</b>	<b>–</b>	<b>204,859</b>	<b>226,238</b>	<b>–</b>	<b>–</b>	<b>226,238</b>
Total interest rate contracts	<b>2,042,967</b>	<b>33,633</b>	<b>16,918</b>	<b>2,093,518</b>	<b>1,638,034</b>	<b>21,644</b>	<b>5,381</b>	<b>1,665,059</b>
<b>Foreign Exchange Contracts</b>								
Over-the-counter								
Cross-currency swaps	13,681	–	–	13,681	10,870	–	–	10,870
Cross-currency interest rate swaps	136,219	–	–	136,219	92,960	–	–	92,960
Forward foreign exchange contracts	212,927	–	–	212,927	154,142	–	–	154,142
Purchased options	8,477	–	–	8,477	6,024	–	–	6,024
Written options	10,715	–	–	10,715	8,213	–	–	8,213
	<b>382,019</b>	<b>–</b>	<b>–</b>	<b>382,019</b>	<b>272,209</b>	<b>–</b>	<b>–</b>	<b>272,209</b>
Exchange-traded								
Futures	835	–	–	835	1,119	–	–	1,119
Purchased options	6,806	–	–	6,806	3,346	–	–	3,346
Written options	3,073	–	–	3,073	998	–	–	998
	<b>10,714</b>	<b>–</b>	<b>–</b>	<b>10,714</b>	<b>5,463</b>	<b>–</b>	<b>–</b>	<b>5,463</b>
Total foreign exchange contracts	<b>392,733</b>	<b>–</b>	<b>–</b>	<b>392,733</b>	<b>277,672</b>	<b>–</b>	<b>–</b>	<b>277,672</b>
<b>Commodity Contracts</b>								
Over-the-counter								
Swaps	45,988	–	–	45,988	49,759	–	–	49,759
Purchased options	35,749	–	–	35,749	59,304	–	–	59,304
Written options	33,871	–	–	33,871	59,582	–	–	59,582
	<b>115,608</b>	<b>–</b>	<b>–</b>	<b>115,608</b>	<b>168,645</b>	<b>–</b>	<b>–</b>	<b>168,645</b>
Exchange-traded								
Futures	39,840	–	–	39,840	49,788	–	–	49,788
Purchased options	108,337	–	–	108,337	202,573	–	–	202,573
Written options	109,359	–	–	109,359	200,491	–	–	200,491
	<b>257,536</b>	<b>–</b>	<b>–</b>	<b>257,536</b>	<b>452,852</b>	<b>–</b>	<b>–</b>	<b>452,852</b>
Total commodity contracts	<b>373,144</b>	<b>–</b>	<b>–</b>	<b>373,144</b>	<b>621,497</b>	<b>–</b>	<b>–</b>	<b>621,497</b>
<b>Equity Contracts</b>								
Over-the-counter	21,809	–	–	21,809	29,654	–	–	29,654
Exchange-traded	19,129	–	–	19,129	10,219	–	–	10,219
Total equity contracts	<b>40,938</b>	<b>–</b>	<b>–</b>	<b>40,938</b>	<b>39,873</b>	<b>–</b>	<b>–</b>	<b>39,873</b>
<b>Credit Default Swaps</b>								
Over-the-counter								
Purchased	78,230	–	–	78,230	47,652	–	–	47,652
Written	71,977	–	–	71,977	43,004	–	–	43,004
Total credit default swaps	<b>150,207</b>	<b>–</b>	<b>–</b>	<b>150,207</b>	<b>90,656</b>	<b>–</b>	<b>–</b>	<b>90,656</b>
Total	<b>\$ 2,999,989</b>	<b>\$ 33,633</b>	<b>\$ 16,918</b>	<b>\$ 3,050,540</b>	<b>\$ 2,667,732</b>	<b>\$ 21,644</b>	<b>\$ 5,381</b>	<b>\$ 2,694,757</b>

Included in the notional amounts is \$59 million as at October 31, 2008 (\$224 million in 2007) related to the Managed Futures Certificates of Deposit Program. Risk exposures represented by the assets in this program are traded on behalf of customers, with all gains and losses accruing to them.

Included in foreign exchange contracts is \$nil as at October 31, 2008 (\$1 million in 2007) related to gold contracts.

Certain comparative figures have been reclassified to conform with the current year's presentation.

**Derivative-Related Credit Risk**

Over-the-counter derivative instruments are subject to credit risk. Credit risk arises from the possibility that counterparties may default on their obligations. The credit risk associated with derivatives is normally a small fraction of the notional amount of the derivative instrument. Derivative contracts generally expose us to potential credit loss if changes in market rates affect a counterparty's position unfavourably and the counterparty defaults on payment. The credit risk is represented by the positive fair value of the derivative instrument. We strive to limit credit risk by dealing with counterparties that we believe are creditworthy, and we manage our credit risk for derivatives using the same credit risk process that is applied to loans and other credit assets.

We also pursue opportunities to reduce our exposure to credit losses on derivative instruments, including entering into master netting agreements with counterparties. The credit risk associated with favourable contracts is eliminated by master netting agreements to the extent that unfavourable contracts with the same counterparty cannot be settled before favourable contracts.

Exchange-traded derivatives have no potential for credit exposure as they are settled net with each exchange.

**Derivative-Related Market Risk**

Derivative instruments are subject to market risk. Market risk arises from the potential for a negative impact on the balance sheet and/or

income statement resulting from adverse changes in the value of derivative instruments as a result of changes in certain market variables. These variables include interest rates, foreign exchange rates, equity and commodity prices and their implied volatilities, as well as credit spreads, credit migration and default. We strive to limit market risk by employing comprehensive governance and management processes for all market risk-taking activities.

Terms used in the credit risk table below are as follows:

**Replacement cost** represents the cost of replacing all contracts that have a positive fair value, using current market rates. It represents in effect the unrealized gains on our derivative instruments. Replacement costs disclosed below represent the net of the asset and liability to a specific counterparty where we have a legally enforceable right to offset the amount owed to us with the amount owed by us and we intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

**Credit risk equivalent** represents the total replacement cost plus an amount representing the potential future credit exposure, as outlined in OSFI's Capital Adequacy Guideline.

**Risk-weighted balance** represents the credit risk equivalent, weighted based on the creditworthiness of the counterparty, as prescribed by OSFI.

(Canadian \$ in millions)	2008			2007		
	Replacement cost	Credit risk equivalent	Risk-weighted balance (1)	Replacement cost	Credit risk equivalent	Risk-weighted balance (1)
<b>Interest Rate Contracts</b>						
Swaps	\$ 27,240	\$ 34,264	\$ –	\$ 7,343	\$ 13,314	\$ –
Forward rate agreements	165	180	–	13	13	–
Purchased options	1,714	2,057	–	1,050	1,352	–
Total interest rate contracts	29,119	36,501	3,921	8,406	14,679	3,268
<b>Foreign Exchange Contracts</b>						
Cross-currency swaps	1,212	2,017	–	1,997	2,650	–
Cross-currency interest rate swaps	7,867	14,551	–	7,203	11,560	–
Forward foreign exchange contracts	8,383	9,928	–	4,842	6,311	–
Purchased options	398	576	–	244	318	–
Total foreign exchange contracts	17,860	27,072	3,362	14,286	20,839	4,641
<b>Commodity Contracts</b>						
Swaps	2,336	8,242	–	2,220	8,535	–
Purchased options	1,670	7,037	–	3,056	10,457	–
Total commodity contracts	4,006	15,279	1,957	5,276	18,992	6,435
<b>Equity Contracts</b>						
	1,996	3,264	907	1,024	2,902	902
<b>Credit Default Swaps</b>						
Purchased	6,435	7,564	4,750	642	4,721	1,134
Written	–	–	–	–	–	–
Total credit default swaps	6,435	7,564	4,750	642	4,721	1,134
Total derivatives	59,416	89,680	14,897	29,634	62,133	16,380
Impact of master netting agreements	(41,748)	(54,223)	–	(16,403)	(29,541)	(7,467)
Total	\$ 17,668	\$ 35,457	\$ 14,897	\$ 13,231	\$ 32,592	\$ 8,913

(1) Risk-weighted balance based on Basel II in 2008 and Basel I in 2007.

The total derivatives and impact of master netting agreements for replacement cost do not include exchange-traded derivatives with a positive fair value of \$6,170 million as at October 31, 2008 (\$2,951 million in 2007).

Certain comparative figures have been reclassified to conform with the current year's presentation.

Transactions are conducted with counterparties in various geographic locations and industries. Set out below is the replacement cost of contracts (before the impact of master netting agreements) with customers located in the following countries, based on country of ultimate risk:

(Canadian \$ in millions, except as noted)	2008		2007	
Canada	\$ 21,022	36%	\$ 11,393	38%
United States	17,351	29	10,866	37
United Kingdom	8,411	14	1,776	6
Other countries (1)	12,632	21	5,599	19
Total	\$ 59,416	100%	\$ 29,634	100%

(1) No other country represented 10% or more of our replacement cost in either 2008 or 2007.

Certain comparative figures have been reclassified to conform with the current year's presentation.

Transactions are conducted with various counterparties. Set out below is the replacement cost of contracts (before the impact of master netting agreements) with customers in the following industries:

(Canadian \$ in millions)	Interest rate contracts		Foreign exchange contracts		Commodity contracts		Equity contracts		Credit default swaps		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Financial institutions	\$ 25,808	\$ 7,423	\$ 12,118	\$ 7,318	\$ 1,634	\$ 2,602	\$ 897	\$ 635	\$ 3,198	\$ 540	\$ 43,655	\$ 18,518
Governments	1,198	360	1,824	3,411	25	42	–	–	–	–	3,047	3,813
Natural resources	20	7	170	175	1,050	1,368	–	–	–	–	1,240	1,550
Energy	64	13	80	–	958	972	–	–	–	–	1,102	985
Other	2,029	603	3,668	3,382	339	292	1,099	389	3,237	102	10,372	4,768
<b>Total</b>	<b>\$ 29,119</b>	<b>\$ 8,406</b>	<b>\$ 17,860</b>	<b>\$ 14,286</b>	<b>\$ 4,006</b>	<b>\$ 5,276</b>	<b>\$ 1,996</b>	<b>\$ 1,024</b>	<b>\$ 6,435</b>	<b>\$ 642</b>	<b>\$ 59,416</b>	<b>\$ 29,634</b>

Certain comparative figures have been reclassified to conform with the current year's presentation.

## Term to Maturity

Our derivative contracts have varying maturity dates. The remaining contractual term to maturity for the notional amounts of our derivative contracts is set out below:

(Canadian \$ in millions)	Term to maturity					2008	2007
	Within 1 year	1 to 3 years	3 to 5 years	5 to 10 years	Over 10 years	Total notional amounts	Total notional amounts
<b>Interest Rate Contracts</b>							
Swaps		\$ 371,847	\$ 461,187	\$ 336,653	\$ 251,584	\$ 63,327	\$ 1,102,520
Forward rate agreements, futures and options		459,111	101,139	29,167	17,414	2,089	562,539
<b>Total interest rate contracts</b>		<b>830,958</b>	<b>562,326</b>	<b>365,820</b>	<b>268,998</b>	<b>65,416</b>	<b>1,665,059</b>
<b>Foreign Exchange Contracts</b>							
Cross-currency swaps		416	3,899	1,771	5,092	2,503	10,870
Cross-currency interest rate swaps		27,468	44,936	24,812	31,211	7,792	92,960
Forward foreign exchange contracts, futures and options		227,823	11,083	3,020	866	41	173,842
<b>Total foreign exchange contracts</b>		<b>255,707</b>	<b>59,918</b>	<b>29,603</b>	<b>37,169</b>	<b>10,336</b>	<b>277,672</b>
<b>Commodity Contracts</b>							
Swaps		26,900	16,187	1,793	793	315	49,759
Futures and options		191,603	131,122	4,363	68	–	571,738
<b>Total commodity contracts</b>		<b>218,503</b>	<b>147,309</b>	<b>6,156</b>	<b>861</b>	<b>315</b>	<b>621,497</b>
<b>Equity Contracts</b>							
		31,479	5,467	1,630	1,496	866	39,873
<b>Credit Default Swaps</b>							
		17,476	30,431	73,824	27,429	1,047	90,656
<b>Total notional amount</b>		<b>\$ 1,354,123</b>	<b>\$ 805,451</b>	<b>\$ 477,033</b>	<b>\$ 335,953</b>	<b>\$ 77,980</b>	<b>\$ 2,694,757</b>

Certain comparative figures have been reclassified to conform with the current year's presentation.