

## Note 30: Fair Value of Financial Instruments

We record trading assets and liabilities, derivatives, available-for-sale securities and securities sold but not yet purchased at fair value and other non-trading assets and liabilities at their original amortized cost less allowances or write-downs for impairment. Where there is no quoted market value, fair value is determined using a variety of valuation techniques and assumptions. The values are based upon the estimated amounts for individual assets and liabilities and do not include an estimate of the fair value of any of the legal entities or underlying operations that comprise our business.

Fair value amounts disclosed represent point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors. Fair value represents our estimate of the amounts for which we could exchange the financial instruments with willing third parties who were interested in acquiring the instruments. In most cases, however, the financial instruments are not typically exchangeable or exchanged and therefore it is difficult to determine their fair value. In those cases, we have estimated fair value taking into account only changes in interest rates and credit risk that have occurred since we acquired them or entered into the underlying contracts. These calculations represent management's best estimates based on a range of methodologies and assumptions; since they involve uncertainties, the fair values may not be realized in an actual sale or immediate settlement of the instruments.

Interest rate changes are the main cause of changes in the fair value of our financial instruments.

### Financial Instruments Whose Book Value Approximates Fair Value

Fair value is assumed to equal book value for acceptance-related liabilities and securities lent or sold under repurchase agreements, due to the short-term nature of these assets and liabilities. Fair value is also assumed to equal book value for our cash resources, certain other assets and certain other liabilities.

### Loans

In determining the fair value of our loans, we incorporate the following assumption:

- For fixed rate and floating rate performing loans and customers' liability under acceptances, we discount the remaining contractual cash flows, adjusted for estimated prepayment, at market interest rates currently offered for loans with similar terms.

The value of our loan balances determined using the above assumption is further reduced by the allowance for credit losses to determine the fair value of our loan portfolio.

### Securities

The fair value of our securities, both trading and available-for-sale, by instrument type and the methods used to determine fair value are provided in Note 3.

### Derivative Instruments

The methods used to determine the fair value of derivative instruments are provided in Note 10.

## Deposits

In determining the fair value of our deposits, we incorporate the following assumptions:

- For fixed rate, fixed maturity deposits, we discount the remaining contractual cash flows for these deposits, adjusted for expected redemptions, at market interest rates currently offered for deposits with similar terms and risks.
- For fixed rate deposits with no defined maturities, we consider fair value to equal book value based on book value being equivalent to the amount payable on the reporting date.
- For floating rate deposits, changes in interest rates have minimal impact on fair value since deposits reprice to market frequently. On that basis, fair value is assumed to equal book value.

## Subordinated Debt, Capital Trust Securities and Preferred Share Liability

The fair value of our subordinated debt, capital trust securities and preferred share liability is determined by referring to current market prices for similar instruments.

Set out in the following table are the amounts that would be reported if all of our financial instrument assets and liabilities were reported at their fair values.

	2008					
	Book value	Fair value	Fair value over (under) book value	Book value	Fair value	Fair value over (under) book value
<b>Assets</b>						
Cash resources	\$ 21,105	\$ 21,105	\$ –	\$ 22,890	\$ 22,890	\$ –
Securities	100,138	100,138	–	98,277	98,277	–
Loans						
Residential mortgages	49,343	48,982	(361)	52,429	51,710	(719)
Consumer instalment and other personal	43,737	43,304	(433)	33,189	33,120	(69)
Credit cards	2,120	2,120	–	4,493	4,493	–
Businesses and governments	84,151	83,365	(786)	62,650	62,141	(509)
Securities borrowed or purchased under resale agreements	28,033	28,033	–	37,093	37,093	–
	207,384	205,804	(1,580)	189,854	188,557	(1,297)
Customers' liability under acceptances	9,358	9,329	(29)	12,389	12,389	–
Allowance for credit losses	(1,747)	(1,747)	–	(1,055)	(1,055)	–
Total loans and customers' liability under acceptances, net of allowance for credit losses	214,995	213,386	(1,609)	201,188	199,891	(1,297)
Derivative instruments	65,586	65,586	–	32,585	32,585	–
Premises and equipment	2,227	2,227	–	1,980	1,980	–
Goodwill	1,635	1,635	–	1,140	1,140	–
Intangible assets	204	204	–	124	124	–
Other assets	10,160	10,160	–	8,340	8,340	–
	\$ 416,050	\$ 414,441	\$(1,609)	\$ 366,524	\$ 365,227	\$(1,297)
<b>Liabilities</b>						
Deposits	\$ 257,670	\$ 257,562	\$ (108)	\$ 232,050	\$ 232,202	\$ 152
Derivative instruments	60,048	60,048	–	33,584	33,584	–
Acceptances	9,358	9,358	–	12,389	12,389	–
Securities sold but not yet purchased	18,792	18,792	–	25,039	25,039	–
Securities lent or sold under repurchase agreements	32,492	32,492	–	31,263	31,263	–
Other liabilities	14,071	13,938	(133)	12,055	12,023	(32)
Subordinated debt	4,315	4,128	(187)	3,446	3,491	45
Capital trust securities	1,150	1,162	12	1,150	1,198	48
Preferred share liability	250	250	–	250	250	–
Shareholders' equity	17,904	17,904	–	15,298	15,298	–
	\$ 416,050	\$ 415,634	\$ (416)	\$ 366,524	\$ 366,737	\$ 213
Total fair value adjustment			\$(1,193)			\$(1,510)

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