

Note 24 • Earnings Per Share

Basic Earnings per Share

Our basic earnings per share is calculated by dividing our net income, after deducting total preferred share dividends, by the daily average number of fully paid common shares outstanding throughout the year.

Basic earnings per share

(Canadian \$ in millions, except as noted)	2006	2005 ⁽¹⁾	2004 ⁽¹⁾
Net income	\$ 2,663	\$ 2,396	\$ 2,295
Dividends on preferred shares	(30)	(30)	(31)
Net income available to common shareholders	\$ 2,633	\$ 2,366	\$ 2,264
Average number of common shares outstanding (in thousands)	501,257	500,060	501,656
Basic earnings per share (Canadian \$)	\$ 5.25	\$ 4.73	\$ 4.51

(1) Amounts have been restated to reflect the change in accounting policy described in Note 21.

Diluted Earnings per Share

Diluted earnings per share represents what our earnings per share would have been if instruments convertible into common shares that had the impact of reducing our earnings per share had been converted either at the beginning of the year for instruments that were outstanding all year or from the date of issue for instruments issued during the year.

Convertible Shares

In determining diluted earnings per share, we increase net income available to common shareholders by dividends paid on convertible shares as these dividends would not have been paid if the shares had been converted at the beginning of the year. Similarly, we increase the average number of common shares outstanding by the number of shares that would have been issued had the conversion taken place at the beginning of the year.

Our Series 4, 6 and 10 Class B Preferred shares, in certain circumstances, are convertible into common shares. These conversions are not included in the calculation of diluted earnings per share as we have the option to settle the conversion in cash instead of common shares.

Notes to Consolidated Financial Statements

Employee Stock Options

In determining diluted earnings per share, we increase the average number of common shares outstanding by the number of shares that would have been issued if all stock options with a strike price below the average share price for the year had been exercised. When performance targets have not been met, affected options are excluded from the calculation. We also decrease the average number of common shares outstanding by the number of our common shares that we could have repurchased if we had used the proceeds from the exercise of stock options to repurchase them on the open market at the average share price for the year. We do not adjust for stock options with a strike price above the average share price for the year because including them would increase our earnings per share, not dilute it.

Diluted earnings per share

(Canadian \$ in millions, except as noted)	2006	2005 ⁽¹⁾	2004 ⁽¹⁾
Net income available to common shareholders	\$ 2,633	\$ 2,366	\$ 2,264
Dividends on convertible shares	—	—	1
Net income adjusted for dilution effect	\$ 2,633	\$ 2,366	\$ 2,265
Average number of common shares outstanding (in thousands)	501,257	500,060	501,656
Convertible shares	328	361	683
Stock options potentially exercisable (2)	21,629	25,424	32,057
Weighted-average common shares potentially repurchased	(12,041)	(15,000)	(19,351)
Average diluted number of common shares outstanding (in thousands)	511,173	510,845	515,045
Diluted earnings per share (Canadian \$)	\$ 5.15	\$ 4.63	\$ 4.40

(1) Amounts have been restated to reflect the change in accounting policy described in Note 21.

(2) In computing diluted earnings per share we excluded average stock options outstanding of 174,485, 410,265 and 679,510 with weighted-average exercise prices of \$63.14, \$56.60 and \$53.93 for the years ended October 31, 2006, 2005 and 2004, respectively.