

Note 26: 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)	2008	2007	2006
Net income	\$ 1,978	\$ 2,131	\$ 2,663
Dividends on preferred shares	(73)	(43)	(30)
Net income available to common shareholders	\$ 1,905	\$ 2,088	\$ 2,633
Average number of common shares outstanding (in thousands)	502,062	499,950	501,257
Basic earnings per share (Canadian \$)	\$ 3.79	\$ 4.18	\$ 5.25

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 preferred shares as these dividends would not have been paid if the shares had been converted at the beginning of the year. These dividends were less than \$1 million for the years ended October 31, 2008, 2007 and 2006. 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 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)

	2008	2007	2006
Net income available to common shareholders	\$ 1,905	\$ 2,088	\$ 2,633
Average number of common shares outstanding (in thousands)	502,062	499,950	501,257
Convertible shares	263	271	328
Stock options potentially exercisable (1)	14,150	18,492	21,629
Common shares potentially repurchased	(9,778)	(10,099)	(12,041)
Average diluted number of common shares outstanding (in thousands)	506,697	508,614	511,173
Diluted earnings per share (Canadian \$)	\$ 3.76	\$ 4.11	\$ 5.15

(1) In computing diluted earnings per share we excluded average stock options outstanding of 2,818,599, 317,266 and 174,485 with weighted-average exercise prices of \$60.68, \$67.89 and \$63.14 for the years ended October 31, 2008, 2007 and 2006, respectively.