

## Financial Statements

Canadian Commercial Bank

### 8. Income Taxes

a) Provision for (recoverable) income taxes are included in the financial statements as follows:

	1984	1983
Consolidated Statement of Income		
Current	\$ 455	\$ 1,513
Deferred	(8,187)	207
	(7,732)	1,720
Retained Earnings		
Deferred	(924)	(3,520)
<b>Total income taxes</b>	<b>\$ (8,656)</b>	<b>\$ (1,800)</b>

The effective rate of provision for (recoverable) income taxes in the Consolidated Statement of Income is less (greater) than the expected provision for income taxes for the following reasons:

	1984	1983
Combined federal and provincial statutory income tax rate	(48.0)%	47.7 %
Increase (decrease) in rate		
Tax-exempt income	(56.9)%	(27.8)%
Equity pickup in subsidiary	14.5 %	—%
Lower tax rates applicable to subsidiaries	(16.7)%	(3.1)%
Other	(4.5)%	4.1 %
<b>Effective rate of provision for (recoverable) income taxes</b>	<b>(111.6)%</b>	<b>20.9 %</b>

b) The Bank earns tax-exempt income from certain investments such as income debentures, small business development bonds and term preferred shares. The gross-up of such income to a tax equivalent basis permits a uniform measurement and comparison of net interest income. Domestic income from such sources amounted to \$8,209,362 (1983 - \$4,647,967) and from United States sources amounted to \$282,238 (1983 - Nil). Domestic and United States interest income expressed on a taxable equivalent basis at a tax rate of 48% (1983 - 49.2%) would have been \$195,053,000 (1983 - \$171,146,000) and \$96,913,000 (1983 - \$54,946,000) respectively.

### 9. Net Income Per Common Share

Basic income per common share is after deducting preferred dividends and has been calculated on the average number of common shares outstanding. The average number of common shares outstanding for the year ended October 31, 1984 was 4,904,000 (1983 - 4,151,000).

Fully diluted net income per common share has been calculated on the basis that all options were exercised at the beginning of the year and convertible preferred shares converted into common shares at the date of issue of the convertible preferred shares.