

According to Bloomberg, National Bank of Canada will take a C\$64 million (\$48 million) restructuring charge in the fourth quarter and said its investment in Maple Financial Group Inc., which is being probed by German regulators, may be at risk of a “substantial loss.”

Bloomberg reports that National Bank holds a 25 percent stake in Maple Financial, with a carrying value of C\$165 million, the Montreal-based company said Thursday in a statement. Maple Financial’s German unit was [raided](#) last week as part of an investigation by Frankfurt prosecutors into transactions that took advantage of tax refunds linked to dividend payments.

A full write-down of the Maple investment would affect National Bank’s common equity Tier 1 ratio by about 13 basis points, the lender said.

National bank plan to sell 7.16 million shares at C\$41.90 around Oct 9 to raise \$300 million.

According to Demanjo.com approximately 300 investigators searched 30 premises throughout German states Wednesday in pursuit of evidence against 11 people thought to have illegally claimed more than 100 million euros (\$149 million Canadian) in tax paid using a strategy known as dividend stripping or dividend arbitrage, Frankfurt prosecutors said.

Other targeted banks include UniCredit SpA’s German HVB unit, Bank J. Safra Sarasin AG, and Deutsche Bank AG. According to Germany’s Sueddeutsche Zeitung, Maple Bank may be the largest of the cases. The value of the tax loss could be 450 million euros (\$671 million Cdn.).

One of the factors that has increased the impact this crisis has had for National Bank is the fact that its capital ratios were already in decline well before the situation with Maple Financial (see chart 2). In comparison to its peers the severity of the drop is apparent (chart 1). Note that the data for these

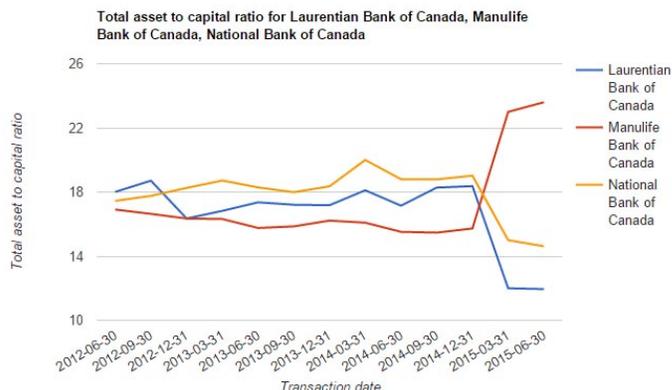


Chart 1 comparison capital adequacy ratios

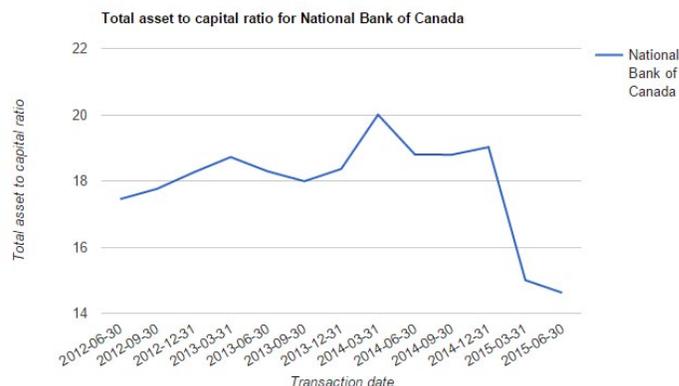


Chart 2 assets to capital ratio NB

Historical chart



Chart 3 historical chart, source TSE

charts ends at Q2, 2015. National Banks ratios have dropped even further since then, according to Vachon. In fact, only after the emergency capital injection will the ratios reach 9.8 per cent, a level slightly above the regulators minimum requirements of 9.5 per cent, as reported by Bloomberg.

National banks share price will likely recover, despite this crisis. The bank has shown strong performance and steady growth despite the credit crisis (see chart 4 & 5).

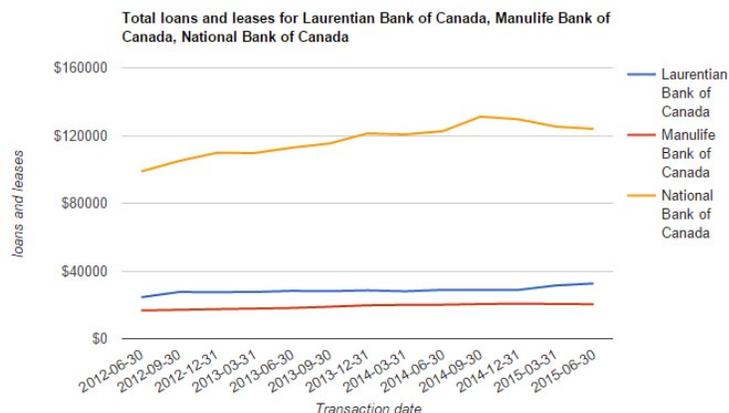


Chart 4 loans and leases

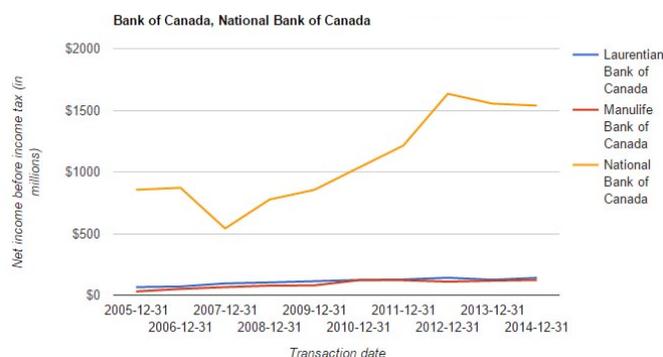


Chart 5 Net income

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Maple Bank, based in Frankfurt, Germany, is part of Canada's Maple Financial Group, based in Toronto.