

# Charges to hit National Bank of Canada profit

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TORONTO (Reuters) - National Bank of Canada expects to take further charges for asset-backed commercial paper and two other items in its quarterly results, making it the latest Canadian bank to warn that write-downs would hold back profitability.

One analyst said the write-downs, totaling C\$237 million before tax, were largely in line with expectations.

"All told, it looks like the charges are not outside the range of where people were thinking," said **Ohad Lederer**, a financial services analyst at **Veritas Investment Research**.

National, Canada's sixth-largest bank, said on Wednesday it sees net income of C\$70 million, or 37 Canadian cents a share, in the quarter ended October 31.

Adjusted for the write-downs, the bank said profit should rise 5 percent to C\$228 million, or C\$1.36 a share.

Analysts expected to see C\$1.33 a share before items, according to Reuters Estimates.

The Montreal-based bank said that asset-backed commercial paper write-downs account for about half of the various charges it will take, which total C\$158 million after tax. The other two items relate to an internal restructuring, and a write-down of tangible assets.

"The ABCP write-down comes as no surprise, given recent credit market deterioration," Blackmont Capital analyst Brad Smith said in a research note.

He added that more details are needed to assess the overall quality of National's fourth-quarter results.

The bank will report full results December 4.

National Bank bought back more than C\$2 billion in ABCP investments from clients in the summer of 2007 and like other holders it has had to write down the carrying value of that paper as credit markets worsened over the past year. In the 2007 fourth quarter, National Bank took a charge of C\$365 million after tax for the ABCP repurchase.

National said its latest ABCP charge included valuation adjustments, financial costs, a hedging gain and professional fees. It has reduced the value of its ABCP holdings by 32 percent so far.

Its shares were down 3.8 percent at C\$38.91 on the Toronto Stock Exchange on Wednesday morning, outpacing the 2.6 percent drop by the S&P/TSX financials index.

The committee that has been working for more than a year on a restructuring plan for roughly C\$32 billion in non-bank-issued ABCP reported another delay this week, saying the plan would not be implemented this month as hoped.

The committee of large institutional investors has been working since September 2007 to fix the dysfunctional Canadian ABCP market, but has been hampered by court challenges, the sheer complexity and large number of participants involved, and worsening credit market conditions.

Various banks and brokerages acted as ABCP distribution agents, even though they did not directly issue the investments, and independent dealer Canaccord Capital Inc sold the paper to hundreds of its retail clients.

(\$1=\$1.23 Canadian)

(Reporting by Lynne Olver; editing by Rob Wilson)

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