

# **Scotiabank Expands in Asia/Pacific**

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**Strategic Growth in Thailand**

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# Expanding our Presence in Asia/Pacific

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- **High growth markets**

- Favourable demographics and fast growing economies

- **Long time Asian market presence (46 years)**

- 12 countries and territories, 26 branches and offices across Asia/Pacific

- **Market liberalization**

- Creating opportunities for strategic investments

- **Investments consistent with strategy**

- Retail & commercial businesses in known markets, for example:

- China:** Xi'an City Commercial Bank

- Thailand:** Thanachart Bank

- Strong returns

- Good growth platform

- **Opportunity to create value**

# Thailand an Attractive Market



## ➤ Strong economic fundamentals

- High growth economy
  - **4 - 5% real GDP growth forecasted in 2010E & 2011E**
  - **Solid sovereign debt ratings**
  - **Stable currency and surplus balance of trade**
- Large and rapidly growing consumer market
  - **Population of 66 million consisting of young, developing middle class**

## ➤ Attractive banking sector

- Low banking penetration
- Positive regulatory reforms
- Well capitalized sector

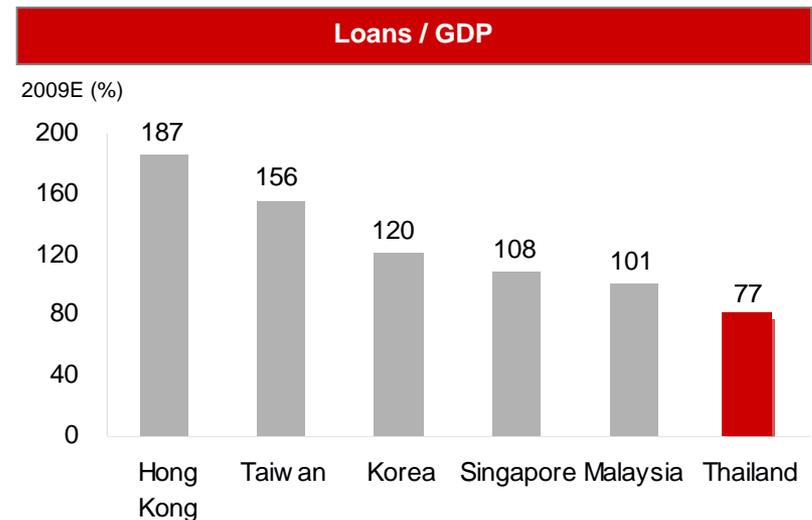
## ➤ Manageable political risk

- Economy continues to perform well

## ➤ Long-time presence (29 years)

- Good understanding of the local market

### Low Banking Penetration



Source: BMI

# Thanachart Bank

- #7 bank in Thailand by assets with a focus on auto loans (#1 market share), retail brokerage and bancassurance funded through retail deposits
- Strong growth over the last several years with BNS assistance
  - **2009 Net Income: C\$130 Million**
  - **2008 Net Income: C\$63 Million**
  - **2007 Net Income: C\$45 Million**
- TBank, with BNS assistance, is successfully implementing initiatives which have substantially improved performance
- Diversification strategy with focus on mortgages, corporate banking, credit cards and cross selling

	2009 Overview
<b>Balance Sheet</b>	<ul style="list-style-type: none"><li>– Loans C\$ 9.2 BN</li><li>– Assets C\$ 13.9 BN</li><li>– Deposits C\$10.8 BN</li></ul>
<b>Net Income</b>	– C\$130 Million
<b>Total Capital Ratio</b>	– 14.1%
<b>Employees</b>	– 9,000
<b>Distribution Network</b>	<ul style="list-style-type: none"><li>– 256 Branches</li><li>– 399 ATMs</li></ul>

# Siam City Bank

- Thailand's 8<sup>th</sup> largest commercial bank by assets
- Substantial, nationwide distribution network focusing on commercial and mortgage lending (C\$1.7 BN in residential mortgage loans)
- Diversified and low cost retail deposit franchise
- Over 3 million customers with substantial cross sell potential
- Complementary to Thanachart Bank with limited business and branch overlap; merged bank will have a ~ 50/50 retail/commercial loan portfolio

	2009 Overview
<b>Balance Sheet</b>	<ul style="list-style-type: none"><li>– Loans C\$ 9.0 BN</li><li>– Assets C\$ 13.6 BN</li><li>– Deposits C\$ 10.4 BN</li></ul>
<b>Net Income</b>	– C\$133 Million
<b>Total Capital Ratio</b>	– 14.6%
<b>Employees</b>	– 9,000
<b>Distribution Network</b>	<ul style="list-style-type: none"><li>– 413 Branches</li><li>– 1,660 ATMs</li></ul>

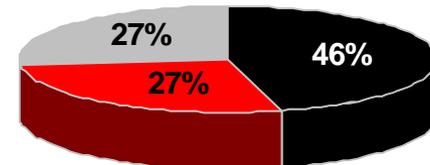
# Merger : A Catalyst for Future Growth

- ✓ Merging SCIB with Thanachart Bank creates a Top 5 bank in Thailand with full national coverage, larger scale and increased diversification
- ✓ Combined entity will have 660+ branches and 2,000+ ATMs and a strong base of low cost funding
- ✓ Rank #3 in terms of the number of branches within the lucrative Bangkok area

Pro Forma Market Share (As of June 09)				
	Asset	Branches	Loans	Deposits
Pro-forma Rank	#5	#5	#5	#5
Combined Market Share	7.7%	11.6%	9.1%	8.4%

- ✓ Strong revenue, funding and cost synergies (15% of combined operations costs) from the merger drive enhanced profitability and shareholder returns

■ Funding Synergies ■ Revenue Synergies ■ Cost Synergies



# Transaction Overview

<b>Siam City Bank (SCIB)</b>	
<b>Transaction Details</b>	<p>Thanachart Bank (49% owned by BNS, regulatory limit) to acquire up to 100% of SCIB for approximately C\$2.2 BN in a two-step process:</p> <ol style="list-style-type: none"><li>1. Initial purchase of a 47.6% stake held by FIDF (Bank of Thailand affiliate)</li><li>2. To be followed by a Mandatory General Offer (MGO) for the remaining shares of SCIB.</li><li>3. SCIB will then be merged with Thanachart Bank creating the 5<sup>th</sup> largest bank in Thailand</li></ol>
<b>BNS Investment</b>	<ul style="list-style-type: none"><li>– Approximately C\$650 million capital injection into TBank from BNS to fund our pro-rata portion of capital requirements</li></ul>
<b>Governance</b>	<ul style="list-style-type: none"><li>– Continued proportionate Board representation</li><li>– Increased BNS management participation in the merged bank</li><li>– Equity accounting</li></ul>
<b>Expected Timeline</b>	<ul style="list-style-type: none"><li>– April 2010: Closing of 47.6% FIDF stake</li><li>– July 2010: Closing of remaining shares tendered through MGO</li><li>– Jan. 2011: Delisting of SCIB and subsequent merger of TBank and SCIB</li></ul>

# Incremental Impact to BNS

## Impact on BNS financial ratios from additional investment in TBank

### ❑ Estimated Returns

- EPS Accretion of C\$0.05 in Year 1 and C\$0.10 in Year 3
- ROIC of 10% in Year 1 and 19% by Year 3

**Strong Returns & Growth**

### ❑ Purchase Price

- 1.57x Book Value

**Reasonable Multiple**

### ❑ Estimated Capital Impact

- Tier 1: (12) bps
- Total: (26) bps

**Modest Capital Impact**

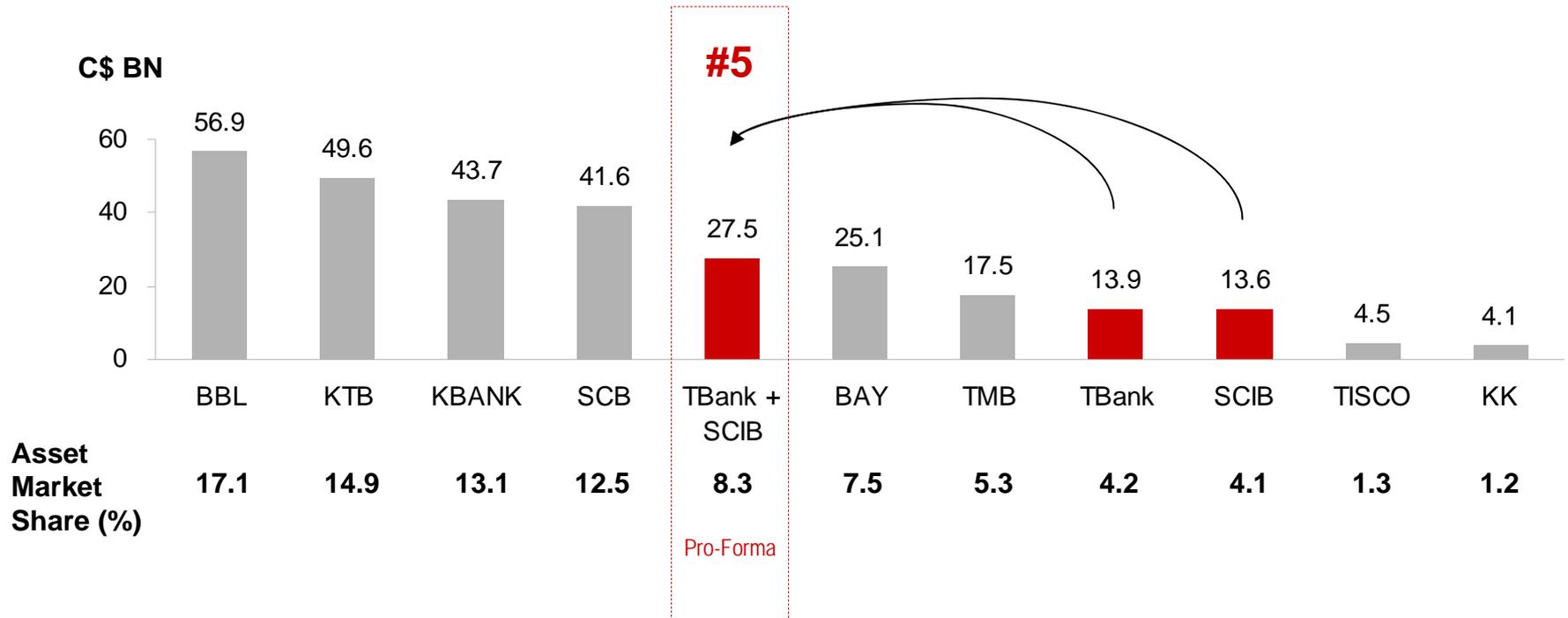
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## **Appendices**

# Appendix: Thailand Banking System

## Pro-Forma Ranking by Total Assets (As of December 2009)



Source: Standalone Bank Financials, Bank of Thailand