



# Scotiabank Acquires R-G Premier Bank, Puerto Rico in an FDIC-assisted Transaction

April 30, 2010



# Highlights

- FDIC-assisted acquisition of select assets and assumption of certain liabilities of R-G Premier Bank
- Unique opportunity to enhance presence in Puerto Rico
  - Scale in deposits (~9% market share)
  - Significant increase in branch presence (+29)
- FDIC loss sharing agreement limits downside risk
- Consistent with strategy to grow in our existing markets
  - Scotiabank presence in Puerto Rico for more than 100 years

# Transaction Overview

- US\$5.3 billion in loss covered loans (~60% retail)
- Approximately US\$0.3 billion in other assets
- US\$2.2 billion in local branch deposits
- FDIC to provide necessary funding
  - Approximately US\$3.0 billion
- FDIC covers 80% of loan losses
  - 10 years for residential real estate loans
  - 5 years for all other loans

# Puerto Rican Economy

- Improving economic fundamentals
  - Economy appears to be at a turning point
    - 2009 GDP: US\$60 billion
    - 2.5% real GDP growth forecasted in 2011
  - Economy expected to benefit from:
    - US\$6 billion of U.S. stimulus funds
    - Strong economic ties with the DR and CAFTA countries
- Rationalization of the banking system underway

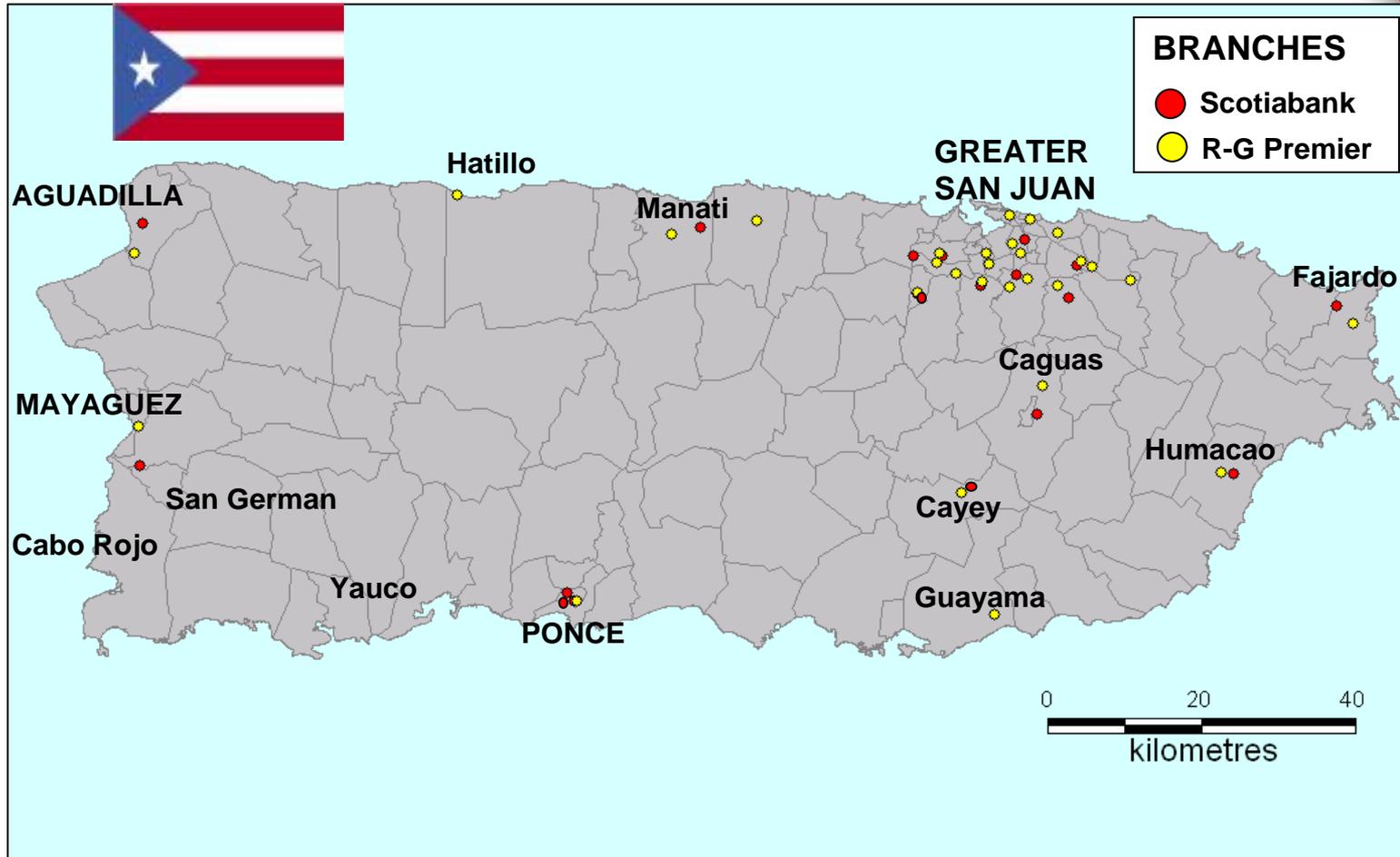


# Unique Opportunity to Enhance Presence in Puerto Rico

- R-G Premier: Focused on residential mortgages and real estate loans
- Achieve scale in Puerto Rico
  - ~9% market share in deposits
  - Significantly adds to branch presence

	R-G Premier	Scotia
Distribution Network	29 branches 61 ATMs	17 branches 60 ATMs
Employees	1,200	580

# Combined Footprint: BNS with R-G Premier



# Financial Impact

- Modest accretion to EPS beginning in Year 1
- No material impact on capital
  - Low risk weighting of assets covered by loss sharing agreement
- Significant increase in non-performing loans and provisions
  - FDIC loss coverage at 80%

	<i>(\$ millions)</i>
Estimated NPL:	2,000
Provision:	<u>(1,200)</u>
Net NPL:	800

# Summary

- Unique, on-strategy opportunity
- Consistent with commitment to grow in existing markets
- Limited downside risk

# Caution Regarding Forward-Looking Statements

*Our public communications often include oral or written forward-looking statements. Statements of this type are included in this document, and may be included in other filings with Canadian securities regulators or the U.S. Securities and Exchange Commission, or in other communications. All such statements are made pursuant to the “safe harbour” provisions of the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. Forward-looking statements may include comments with respect to the Bank’s objectives, strategies to achieve those objectives, expected financial results (including those in the area of risk management), and the outlook for the Bank’s businesses and for the Canadian, United States and global economies. Such statements are typically identified by words or phrases such as “believe,” “expect,” “anticipate,” “intent,” “estimate,” “plan,” “may increase,” “may fluctuate,” and similar expressions of future or conditional verbs, such as “will,” “should,” “would” and “could.”*

*By their very nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, and the risk that predictions and other forward-looking statements will not prove to be accurate. Do not unduly rely on forward-looking statements, as a number of important factors, many of which are beyond our control, could cause actual results to differ materially from the estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to: the economic and financial conditions in Canada and globally; fluctuations in interest rates and currency values; liquidity; significant market volatility and interruptions; the failure of third parties to comply with their obligations to us and our affiliates; the effect of changes in monetary policy; legislative and regulatory developments in Canada and elsewhere, including changes in tax laws; the effect of changes to our credit ratings; amendments to, and interpretations of, risk-based capital guidelines and reporting instructions and liquidity regulatory guidance; operational and reputational risks; the risk that the Bank’s risk management models may not take into account all relevant factors; the accuracy and completeness of information the Bank receives on customers and counterparties; the timely development and introduction of new products and services in receptive markets; the Bank’s ability to expand existing distribution channels and to develop and realize revenues from new distribution channels; the Bank’s ability to complete and integrate acquisitions and its other growth strategies; changes in accounting policies and methods the Bank uses to report its financial condition and the results of its operations, including uncertainties associated with critical accounting assumptions and estimates; the effect of applying future accounting changes; global capital markets activity; the Bank’s ability to attract and retain key executives; reliance on third parties to provide components of the Bank’s business infrastructure; unexpected changes in consumer spending and saving habits; technological developments; fraud by internal or external parties, including the use of new technologies in unprecedented ways to defraud the Bank or its customers; consolidation in the Canadian financial services sector; competition, both from new entrants and established competitors; judicial and regulatory proceedings; acts of God, such as earthquakes and hurricanes; the possible impact of international conflicts and other developments, including terrorist acts and war on terrorism; the effects of disease or illness on local, national or international economies; disruptions to public infrastructure, including transportation, communication, power and water; and the Bank’s anticipation of and success in managing the risks implied by the foregoing. A substantial amount of the Bank’s business involves making loans or otherwise committing resources to specific companies, industries or countries. Unforeseen events affecting such borrowers, industries or countries could have a material adverse effect on the Bank’s financial results, businesses, financial condition or liquidity. These and other factors may cause the Bank’s actual performance to differ materially from that contemplated by forward-looking statements. For more information, see the discussion starting on page 62 of the Bank’s 2009 Annual Report.*

*The preceding list of important factors is not exhaustive. When relying on forward-looking statements to make decisions with respect to the Bank and its securities, investors and others should carefully consider the preceding factors, other uncertainties and potential events. The Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on its behalf.*

*The “Outlook” sections in this document are based on the Bank’s views and the actual outcome is uncertain. Readers should consider the above-noted factors when reviewing these sections.*

*Additional information relating to the Bank, including the Bank’s Annual Information Form, can be located on the SEDAR website at [www.sedar.com](http://www.sedar.com) and on the EDGAR section of the SEC’s website at [www.sec.gov](http://www.sec.gov).*

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