

# Q2 | 2010

## SECOND QUARTER REPORT



## Grupo Scotiabank reports second quarter earnings

2010 second quarter financial results for the Group compared to the same period a year ago:

- Total Revenue of P\$3,425 million, up from P\$2,676 million
- Net income of P\$660 million versus P\$372 million
- Productivity ratio of 58.8% versus 65.9%
- Bank's Capital ratio remained strong at 17.3% versus 16.0%

**Mexico D.F., July 30, 2010** – Grupo Scotiabank today announced results for the second quarter of 2010. Consolidated net income was P\$660 million in the quarter, a P\$288 million or 77% increase from the same period last year. This increase was due mainly to the effect of the loss on sale of a portion of the credit card portfolio in the second quarter last year.

Excluding the effect of the aforementioned credit card sale, the main drivers of these results were higher net interest income and slightly lower credit losses. These were partially offset by the impact of higher operating expenses.

Total revenue grew P\$749 million or 28% compared to the same period last year, reflecting higher interest revenue due to continued growth in our core deposit base and asset growth in most segments. Mortgage volumes grew 13%, while commercial and government loans increased 5%, both compared to the same quarter last year. Total deposits grew 7% during the same period reflecting the Group's strategy to increase its core deposit base.

Other income increased P\$392 million or 37% compared to the same quarter last year. This was due mainly to the effect of last year's sale of a portion of the credit card portfolio which generated a net loss on sale of P\$371 million before tax. Excluding this effect, other income was relatively unchanged.

Loan loss provisions declined by P\$51 million or 7% from the same quarter last year due to the Bank's proactive management of the loan portfolios and the improved economic environment. Expenses grew 8% or P\$172 million due mainly to higher PTU and marketing expenses. The Bank also continued to invest in information technology and infrastructure.

The Bank's capital ratio increased from 16.0% to 17.3% from the same period last year. Return on equity this quarter was 9%, compared to 6% in the same quarter last year. This increase in ROE was due mostly to the effect of the aforementioned sale of a portion of the credit card portfolio last year, as well as higher earnings and strong capital levels in the current quarter.

"Our second quarter results continued to improve compared to the same period last year. We will maintain our prudent management of the loan portfolio while focusing on growth in our core businesses and strategic segments. We continue to focus our energies on providing high quality service to our customers by investing in the infrastructure needed to better serve them," said Nicole Reich De Polignac, Grupo Scotiabank President and CEO.

### Scotiabank Mexico - Selected financial and operational indicators:

#### 1 CONTINUED GROWTH:

- Mortgage balances up 13%
- Demand and Savings account balances up 6%

#### 2 CREDIT RISK MANAGEMENT:

- Past due portfolio at 4.0% of total loans compared to 4.3% in the previous year
- Allowance for credit losses coverage at 100% of past due portfolio compared to 97% in the prior year
- Credit losses continue to trend favourably

#### 3 EFFICIENCY:

Productivity ratio of 59.9% versus 64.7% in the prior year

Items of note:

Scotiabank entered into two separate transactions whereby it purchased asset backed securities for investment purposes. The first transaction was on May 5, 2010, for P\$3.3 billion, and the second was on June 26, 2010 for P\$3.1 billion. This latter transaction replaced an existing transaction. These securities were booked as other assets.

Non-Financial Highlights:

Standard & Poor's confirmed both Scotiabank's and Scotia Casa de Bolsa's ratings of mxAAA, for long term, and mxA-1+ for short term, with a stable outlook.

Scotiabank was ranked first among financial institutions and ninth overall as a Great Place to Work in Mexico.

Scotiabank was recognized by the Secretaria del Trabajo y Previsión Social (Labor Department) for its workplace equity programs. This action confirms the Group's commitment on equity, non-discrimination, social benefits, and the overall quality of the work environment.

FINANCIAL HIGHLIGHTS

Grupo Scotiabank Condensed Financial Information	Six months ended		Three months ended		
	June 30, 2010	June 30, 2009	June 30, 2010	March 31, 2010	June 30, 2009
<i>Net Income (P\$ millions):</i>					
Scotiabank Mexico	1,300	807	540	760	359
Holding company and other subsidiaries	213	53	120	93	13
<b>Total Group</b>	<b>1,513</b>	<b>860</b>	<b>660</b>	<b>853</b>	<b>372</b>
ROE	11%	7%	9%	12%	6%

Grupo Scotiabank Condensed Statement of Income ( P\$ millions; Consolidated with subsidiaries)	Six months ended		Three months ended		
	June 30, 2010	June 30, 2009	June 30, 2010	March 31, 2010	June 30, 2009
<b>Net Interest income</b>	<b>5,158</b>	<b>4,678</b>	<b>2,610</b>	<b>2,548</b>	<b>2,304</b>
Other income	2,842	2,699	1,451	1,391	1,059
<b>Revenue</b>	<b>8,000</b>	<b>7,377</b>	<b>4,061</b>	<b>3,939</b>	<b>3,363</b>
Provision for credit losses	(1,288)	(1,723)	(636)	(652)	(687)
<b>Total revenue</b>	<b>6,712</b>	<b>5,654</b>	<b>3,425</b>	<b>3,287</b>	<b>2,676</b>
Operating expenses	(4,589)	(4,430)	(2,388)	(2,201)	(2,216)
<b>Profit before income tax</b>	<b>2,123</b>	<b>1,224</b>	<b>1,037</b>	<b>1,086</b>	<b>460</b>
Income tax	(610)	(363)	(377)	(233)	(72)
Participation in results of non-consolidated subsidiaries and associated companies	-	(1)	-	-	(16)
<b>Profit after income tax</b>	<b>1,513</b>	<b>860</b>	<b>660</b>	<b>853</b>	<b>372</b>

**Grupo Scotiabank is a member of the Scotiabank family. Scotiabank is one of North America's premier financial institutions and Canada's most international bank.**

Grupo Scotiabank is one of the leading financial groups in Mexico, with 679 branches and 1,472 ATMs throughout the country. It employs approximately 8,839 people in its main subsidiaries: Scotiabank Mexico, Scotia Fondos, Scotia Casa de Bolsa and Servicios Corporativos Scotia (previously Scotia Afore). Together these companies offer an extensive range of financial products and services for individuals, small businesses and multinational corporations.

See Scotiabank Mexico at: [www.scotiabank.com.mx](http://www.scotiabank.com.mx)

Shares held by

Grupo Scotiabank

Scotiabank Mexico	99.9999%
Scotia Casa de Bolsa	99.9864%
Scotia Fondos	99.9999%
Servicios Corporativos Scotia	99.9999%

Grupo Scotiabank, Scotiabank, Scotia Casa de Bolsa, Scotia Fondos and Servicios Corporativos Scotia (previously Scotia Afore) are the trade names of, respectively, Grupo Financiero Scotiabank Inverlat, S.A de C.V.; Scotiabank Inverlat S.A.; Scotia Inverlat Casa de Bolsa S.A. de C.V.; Scotia Fondos S.A. de C.V. and Servicios Corporativos Scotia S.A. de C.V. (previously Scotia Afore, S.A. de C.V).

July 30, 2010

## Scotiabank Mexico

Total revenue was P\$3,064 million for the second quarter of 2010, a P\$617 million or 25% increase from the same period last year. The year-over-year increase was due primarily to higher net interest income, higher non-interest revenues and slightly lower provisions for credit losses. The increase in non-interest revenues from last year was due mostly to the loss on sale of a portion of the credit card portfolio last year, and the gain on sale of securities this quarter. This increase was partially offset by lower foreign exchange and trading revenues in the current quarter.

Compared to last quarter, total revenues were higher by P\$31 million or 1%. This increase is the result of higher net interest income and lower provisions for credit losses, partially offset by lower non-interest revenues.

After-tax income was P\$540 million this quarter compared to P\$359 million in the same period last year. The improvement was primarily the result of higher net interest income, higher non-interest revenues and slightly lower provisions for credit losses, partially offset by higher expenses. After-tax income decreased by P\$220 million from last quarter, due mainly to higher expenses and income taxes.

For the six-month period ended June 30, 2010, after-tax net income was P\$1,300 million, compared to P\$807 million in the same period of last year. The increase was due largely to higher net interest income, lower provisions for credit losses, as well as the effect of the aforementioned sale of a portion of the credit card portfolio last year. This was partially offset by higher expenses and a higher effective tax rate.

Scotiabank Mexico Condensed Statement of Income	Six months ended		Three months ended		
	June 30, 2010	June 30, 2009	June 30, 2010	March 31, 2010	June 30, 2009
<i>(P\$ millions; Consolidated with subsidiaries and UDI trust)</i>					
Interest earned	6,723	8,073	3,422	3,301	3,611
Interest paid	(1,642)	(3,535)	(857)	(785)	(1,374)
<b>Net interest income</b>	<b>5,081</b>	<b>4,538</b>	<b>2,565</b>	<b>2,516</b>	<b>2,237</b>
Other income	2,304	2,384	1,135	1,169	897
<b>Revenue</b>	<b>7,385</b>	<b>6,922</b>	<b>3,700</b>	<b>3,685</b>	<b>3,134</b>
Provision for credit losses	(1,288)	(1,723)	(636)	(652)	(687)
<b>Total revenue</b>	<b>6,097</b>	<b>5,199</b>	<b>3,064</b>	<b>3,033</b>	<b>2,447</b>
Operating expenses	(4,290)	(4,084)	(2,215)	(2,075)	(2,027)
<b>Profit before income tax</b>	<b>1,807</b>	<b>1,115</b>	<b>849</b>	<b>958</b>	<b>420</b>
Income tax	(507)	(306)	(309)	(198)	(44)
Participation in results of non-consolidated subsidiaries and associated companies	-	(2)	-	-	(17)
<b>Profit after income tax</b>	<b>1,300</b>	<b>807</b>	<b>540</b>	<b>760</b>	<b>359</b>

### Net Interest Income

Net interest income was P\$2,565 million in the second quarter of 2010, up P\$328 million or 15% from the same quarter last year, and P\$49 million or 2% higher than last quarter. The increase from both the same period last year, and from last quarter was driven by the growth in the Bank's low cost deposit base and loan portfolio, as well as by higher spreads in the loan portfolio.

For the six months ended June 30, 2010, net interest income was P\$5,081 million, up P\$543 million or 12% from the same period last year. This increase was due primarily to the year-over-year growth in the mortgage and commercial loan portfolios, as well as in the total deposit base.

Based on the Bank's overall cost of funds, the interest spread on earning assets was as follows:

Scotiabank Mexico Analysis of Interest Income (Accumulated average)	Six months ended			
	June 30, 2010		June 30, 2009	
	Volume	Spread	Volume	Spread
Deposits with banks	22,383	1.4%	19,941	1.5%
Securities	13,011	3.2%	13,811	3.5%
Loans	95,931	9.6%	93,646	8.6%

## Other Income

Scotiabank Mexico Other Income <i>(P\$ millions; Consolidated with subsidiaries and UDI trust)</i>	Six months ended		Three months ended		
	June 30, 2010	June 30, 2009	June 30, 2010	March 31, 2010	June 30, 2009
Commissions and fees (net)	936	1,015	499	437	472
Revenues from trading and intermediation	145	546	42	103	216
Other revenues and expenses (net)	903	1,006	411	492	482
Other operational income (net)	320	(183)	183	137	(273)
<b>Total Other Income</b>	<b>2,304</b>	<b>2,384</b>	<b>1,135</b>	<b>1,169</b>	<b>897</b>

This quarter's other income was P\$1,135 million, up P\$238 million or 27% from the same period last year. This was the result of higher income from the gain on sale of securities (in revenues from trading and intermediation), fees from credit cards, electronic banking and letters of credit (in commissions and fees (net)), higher insurance fees (in other revenues and expenses (net)), higher sales of repossessed assets, income from associated companies and the negative effect of the aforementioned sale of a portion of the credit card portfolio last year (in other operational income (net)). These were partially offset by lower foreign exchange revenues and gain on sale of securities (in revenues from trading and intermediation), and lower recoveries and higher write-offs (in other revenues and expenses (net)).

Compared to last quarter, the P\$34 million or 3% decrease in other income was due primarily to lower foreign exchange revenues and lower insurance fees (mainly due to seasonal increase last quarter), lower recoveries and higher write-offs, largely offset by higher retail and commercial fees, the gain on sale of securities and income from associated companies.

For the six-month period ended June 30, 2010, other income was P\$2,304 million, P\$80 million or 3% lower than the same period last year. The decline resulted from lower fees from loan and syndication commissions, lower foreign exchange and securities revenues, lower recoveries and higher write-offs. These are partially offset by higher insurance and mutual funds fees, higher sales of repossessed assets and the effect of the aforementioned sale of the credit card portfolio last year.

Scotiabank Mexico Commissions and fees (net) <i>(P\$ millions; Consolidated with subsidiaries and UDI trust)</i>	Six months ended		Three months ended		
	June 30, 2010	June 30, 2009	June 30, 2010	March 31, 2010	June 30, 2009
Loan commissions	48	55	25	23	27
Account handling commissions	131	127	68	63	64
Credit card commissions	317	335	168	149	156
Trust	122	121	61	61	60
Electronic banking	149	150	80	69	79
Other	169	227	97	72	86
<b>Total commissions and fees (net)</b>	<b>936</b>	<b>1,015</b>	<b>499</b>	<b>437</b>	<b>472</b>

Net commissions and fees were P\$499 million this quarter, P\$27 million or 6% higher than the same period last year and up P\$62 million or 14% from last quarter. The year-over-year growth was due mainly to higher credit card commissions and higher fees from letters of credit (in Other). The quarter-over-quarter growth was due largely to higher fees from credit cards, electronic banking and letters of credit.

For the six-month period ended June 30, 2010, net commissions and fees were P\$936 million, P\$79 million or 8% lower than the same period last year. This was due to lower credit card commissions, and lower restructuring and loan syndication fees (in other).

Scotiabank Mexico Other revenues and expenses (net) <i>(P\$ millions; Consolidated with subsidiaries and UDI trust)</i>	Six months ended		Three months ended		
	June 30, 2010	June 30, 2009	June 30, 2010	March 31, 2010	June 30, 2009
Recoveries	267	361	117	150	171
Other income (net)	742	678	362	380	343
Rental income	26	27	13	13	13
Write-offs and other charges	(132)	(60)	(81)	(51)	(45)
<b>Total other revenues and expenses (net)</b>	<b>903</b>	<b>1,006</b>	<b>411</b>	<b>492</b>	<b>482</b>

Other revenues and expenses (net) were P\$411 million this quarter, a reduction of P\$71 million or 15% from the same quarter last year and P\$81 million or 16% below last quarter. The year-over-year and quarter-over-quarter reduction was driven mainly by lower recoveries and higher write-offs. The year-over-year decrease was partially offset by higher insurance fees.

For the six-month period ended June 30, 2010, other revenues and expenses (net) were P\$903 million, P\$103 million or 10% lower than the same period last year. This was due to lower recoveries and higher write-offs, partially offset by higher mutual fund and insurance fees.

Scotiabank Mexico Other operational income (net) <i>(P\$ millions; Consolidated with subsidiaries and UDI trust)</i>	Six months ended		Three months ended		
	June 30, 2010	June 30, 2009	June 30, 2010	March 31, 2010	June 30, 2009
Loan loss recoveries	206	178	109	97	88
Loss on sale of loan assets	10	(371)	10	-	(371)
Revenue from sale of repossessed assets	84	24	44	40	18
Other	20	(14)	20	-	(8)
<b>Total other operational income (net)</b>	<b>320</b>	<b>(183)</b>	<b>183</b>	<b>137</b>	<b>(273)</b>

Other operational income of P\$183 million this quarter was up P\$456 million from the same quarter last year and P\$46 million from last quarter. The increase from the same period last year was due mainly to the loss on sale of a portion of the credit card portfolio last year, as well as from higher sales of repossessed assets, income from associated companies and higher loan loss recoveries. The increase from last quarter was due mainly to the sale of repossessed assets, income from associated companies and higher loan loss recoveries.

For the six-month period ended June 30, 2010, other operational income (net) was P\$320 million, P\$503 million higher than for the same period last year. This was due to the loss on sale of a portion of the credit card portfolio last year, as well as from higher sales of repossessed assets, income from associated companies and higher loan loss recoveries during the year.

## Provision for credit losses

Scotiabank Mexico Provision for credit losses (net) <i>(P\$ millions; Consolidated with subsidiaries and UDI trust)</i>	Six months ended		Three months ended		
	June 30, 2010	June 30, 2009	June 30, 2010	March 31, 2010	June 30, 2009
Provision for credit losses	(1,288)	(1,723)	(636)	(652)	(687)
Loan loss recoveries (reported in Other operational income, net)	206	178	109	97	88
<b>Total provision for credit losses (net)</b>	<b>(1,082)</b>	<b>(1,545)</b>	<b>(527)</b>	<b>(555)</b>	<b>(599)</b>

Provisions for credit losses, net of recoveries, were P\$527 million this quarter, down P\$72 million or 12% from the same quarter last year. Provisions for credit losses, excluding recoveries, were P\$636 million, a decrease of P\$51 million or 7% from the same quarter one year ago. The decline was due to lower retail delinquencies in credit cards and personal loans as a result of the Bank's active management of its loan portfolios. Commercial provisions were higher than the same period last year, as there was a release of provisions on commercial loans last year.

Provisions for credit losses, net of recoveries, were down P\$28 million or 5% from last quarter. Excluding recoveries, provisions for credit losses decreased P\$16 million or 2% from the previous quarter. The slightly lower provisions were due to lower delinquencies in all retail products, partially offset by higher commercial provisions.

On a year-to-date basis, net provisions for credit losses decreased P\$463 million or 30% due to lower delinquencies in retail products, especially in credit cards and personal loans, as well as lower provisions in the commercial portfolio.

The Bank has maintained the proactive management of its loan portfolios, working closely with customers to assist them in managing their debt load and payment capacity.

## Non-Interest Expenses

The productivity ratio (refer to Note 1), a measure of the Bank's efficiency, was 59.9% this quarter, down from 64.7% in the same quarter last year but up from 56.3% last quarter.

Scotiabank Mexico Non-Interest Expenses <i>(P\$ millions; Consolidated with subsidiaries and UDI trust)</i>	Six months ended		Three months ended		
	June 30, 2010	June 30, 2009	June 30, 2010	March 31, 2010	June 30, 2009
Personnel expenses	(1,922)	(1,895)	(997)	(925)	(909)
Other operating expenses	(2,368)	(2,189)	(1,218)	(1,150)	(1,118)
<b>Total non-interest expenses</b>	<b>(4,290)</b>	<b>(4,084)</b>	<b>(2,215)</b>	<b>(2,075)</b>	<b>(2,027)</b>

Non-interest expenses were P\$2,215 million this quarter, up P\$188 million from the same quarter last year and P\$140 million from last quarter. Compared to the same quarter last year, personnel expenses were up P\$88 million or 10% because of a higher PTU expense, partially offset by lower severance expenses and lower contributions to the pension fund. During the same period, other operating expenses increased P\$100 million or 9% due primarily to an increase in marketing expenses and general expenses related to infrastructure growth.

Personnel expenses of P\$997 million this quarter were P\$72 million or 8% higher than the previous quarter, due largely to higher PTU expenses and higher salaries as a result of the annual salary cost-of-living adjustment. Other operating expenses were up P\$68 million or 6% from the previous quarter, due primarily to higher professional fees, courier and telephone expenses and marketing expenses.

Note 1: Non-interest expenses as a percentage of the sum of net interest income and other income. A lower ratio indicates improved productivity.

On a year-to-date basis, total expenses increased P\$206 million or 5%, to P\$4,290 million. Other operating expenses were the largest component of the period-over-period increase due to higher marketing expenses, professional fees and other various expenses.

### Participation in results of non-consolidated subsidiaries and associated companies

There was no income from participation in the results of non-consolidated subsidiaries and associated companies this quarter. The decline in the year-over-year figure was due, in part, to the impact of an accounting change implemented last year, pertaining to income recognition as a result of accounting guidelines issued by the CNBV. The income from associated companies is recorded in the "Other" line of "Other operational income (net)".

### Tax

Scotiabank Mexico Taxes <i>(P\$ millions; Consolidated with subsidiaries and UDI trust)</i>	Six months ended		Three months ended		
	June 30, 2010	June 30, 2009	June 30, 2010	March 31, 2010	June 30, 2009
Income tax current	(585)	(374)	(360)	(225)	(91)
Income tax deferred	78	68	51	27	47
<b>Total Taxes</b>	<b>(507)</b>	<b>(306)</b>	<b>(309)</b>	<b>(198)</b>	<b>(44)</b>

Total income tax expense was P\$309 million this quarter, up P\$265 million from the same quarter last year. The increase was due primarily to the effect of the aforementioned sale of a portion of the credit card portfolio last year. Total income tax expense was up P\$111 million from last quarter partially reflecting the impact of inflation.

On a year-to-date basis, total income tax expense increased P\$201 million. The increase was due to the effect of the sale of a portion of the credit card portfolio last year, as well as the impact of inflation.

## Balance Sheet

As at June 30, 2010, the Bank's total assets were P\$169.4 billion, an increase of P\$17.8 billion or 12% from a year ago and P\$4.5 billion or 3% from last quarter. The increase from both comparative periods was due primarily to strong growth in mortgages and loans to businesses, as well as higher cash and securities positions, partially offset by lower credit card and other personal loans, and loans to financial institutions. Other assets grew due to the purchase of asset backed securities.

<b>Scotiabank Mexico – Condensed Balance Sheet</b> <i>(P\$ millions; Consolidated with subsidiaries and UDI trust)</i>	<b>June 30, 2010</b>	<b>March 31, 2010</b>	<b>June 30, 2009</b>
Cash, banks, securities	51,516	50,533	40,365
Performing loans	97,974	96,627	92,923
Past due loans	4,043	3,981	4,175
Allowance for loan losses	(4,031)	(4,044)	(4,039)
Other assets	19,860	17,735	18,100
<b>Total assets</b>	<b>169,362</b>	<b>164,832</b>	<b>151,524</b>
Deposits	112,803	110,884	105,167
Loans from banks	3,925	3,762	6,052
Other liabilities	26,338	24,390	16,089
Capital	26,296	25,796	24,216
<b>Total liabilities and capital</b>	<b>169,362</b>	<b>164,832</b>	<b>151,524</b>

## Performing Loans

<b>Scotiabank Mexico – Performing Loan Portfolio</b> <i>(P\$ millions; Consolidated with subsidiaries and UDI trust)</i>	<b>June 30, 2010</b>	<b>March 31, 2010</b>	<b>June 30, 2009</b>
Credit card and other personal loans	16,591	17,073	17,971
Mortgages	39,585	38,913	35,011
<b>Total personal loans</b>	<b>56,176</b>	<b>55,986</b>	<b>52,982</b>
Business loans	33,013	31,010	31,962
Loans to financial institutions	2,835	3,328	3,653
Loans to government entities	5,950	6,303	4,326
<b>Total business, financial and government</b>	<b>41,798</b>	<b>40,641</b>	<b>39,941</b>
<b>Total performing loans</b>	<b>97,974</b>	<b>96,627</b>	<b>92,923</b>

The Bank's retail lending portfolio grew by P\$3.2 billion or 6% from last year. This growth was largely concentrated in the mortgage portfolio which increased by P\$4.6 billion or 13% from the same period last year and P\$0.7 billion or 2% from last quarter.

Total business, financial and government loans grew by P\$1.9 billion or 5% from the same quarter last year and by P\$1.2 billion or 3% from last quarter. Both the year-over-year and quarter-over-quarter increases were due to growth in loans to businesses and government entities, partially offset by reductions in loans to financial institutions.

## Past due loans

<b>Scotiabank Mexico – Past Due Loan Portfolio</b> <i>(P\$ millions; Consolidated with subsidiaries and UDI trust)</i>	<b>June 30, 2010</b>	<b>March 31, 2010</b>	<b>June 30, 2009</b>
Past due loans	4,043	3,981	4,175
Allowance for credit losses	(4,031)	(4,044)	(4,039)
<b>Net past due loans</b>	<b>12</b>	<b>(63)</b>	<b>136</b>
Past due loans as a percent of total loans	4.0%	4.0%	4.3%
Allowance for credit losses as a percent of past due loans	100%	102%	97%

Gross past due loans totalled P\$4,043 million this quarter, a reduction of P\$132 million or 3% from the same period last year, and P\$62 million or 2% higher than last quarter. The Bank's allowance for credit losses remained virtually unchanged for both the year-over-year and quarter-over-quarter periods. This was due primarily to lower delinquencies in credit cards and personal loans being partially offset by higher delinquencies in the mortgage portfolio and commercial loans.

As a percent of past due loans, allowance for credit losses was 100% as at June 30, 2010, up from 97% a year ago but slightly down from 102% last quarter.

At June 30, 2010, the Bank's past due loan portfolio was 4.0% of the total portfolio compared to 4.3% in the same quarter last year and unchanged in comparison with the prior quarter. The decrease from the same period one year ago was due to lower retail delinquencies.

## Deposits

<b>Scotiabank Mexico – Deposits</b> <i>(P\$ millions; Consolidated with subsidiaries and UDI trust)</i>	<b>June 30, 2010</b>	<b>March 31, 2010</b>	<b>June 30, 2009</b>
<b>Total demand and saving</b>	<b>56,399</b>	<b>55,781</b>	<b>53,435</b>
Term deposits from customers	52,190	50,875	47,378
Money market term deposits (Wholesale)	-	-	140
<b>Total term deposits</b>	<b>52,190</b>	<b>50,875</b>	<b>47,518</b>
<b>Investment Certificates</b>	<b>4,214</b>	<b>4,228</b>	<b>4,214</b>
<b>Total deposits</b>	<b>112,803</b>	<b>110,884</b>	<b>105,167</b>

Demand and saving deposits totalled P\$56.4 billion as at June 30, 2010, an increase of P\$3.0 billion or 6% over the same period last year, and P\$0.6 billion or 1% from last quarter. The year-over-year increase reflects the Bank's continuing emphasis on growing its cost-efficient core deposit base, supported by its no-interest, no-fees account and high quality service to its customers. The quarter-over-quarter movement reflects normal seasonal trends.

Total term deposits increased P\$4.7 billion or 10% from the same quarter last year and P\$1.3 billion or 3% from last quarter. The annual growth was mainly from customer deposits for longer term periods due to the stable rate environment.

Investment certificates were relatively unchanged from both the same quarter last year and last quarter.

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**Attachment 1 Notes**

This document has been prepared by the Group solely for the purposes of providing financial and other information to the markets. All official information (financial and other) of the Group and its subsidiaries is published in Spanish and is furnished to the Mexican financial authorities as required under applicable law and regulations. The information (financial and other) in Spanish published by the Group and its subsidiaries and furnished to the Mexican financial authorities is the only official information (financial and other) of the Group and its subsidiaries that should be used for purposes of determining the financial situation of the Group and its subsidiaries.

The information contained herein is based on financial information of each of the entities described herein. Results for any interim period are not necessarily indicative of results that maybe achieved for a full fiscal year or any other interim period. The financial information contained herein has been prepared in accordance with accounting principles and regulations issued by the National Banking and Securities Commission. The foregoing regulations and accounting principles may differ from each other and from generally accepted accounting principles established by the Mexican Institute of Public Accounting (“Mexican GAAP”). Such accounting practices and principles also differ from generally accepted accounting principles and U.S. Securities and Exchange Commission guidelines applicable to such institutions in the United States of America (“U.S. GAAP”). No reconciliation to U.S. GAAP of any of the financial information contained herein has been made. The information contained herein is not, and should not be interpreted as a solicitation of an offer to purchase, or an offer to sell, any securities of the companies described herein.

Some balances, totals and percentage calculations in this press release may differ slightly to the same balances, totals and/or percentage calculations disclosed elsewhere within this document and/or to the same balances, total and/or percentage calculations in the financial statements due to rounding.



**GRUPO FINANCIERO SCOTIABANK INVERLAT, S.A. DE C.V.**  
**LORENZO BOTURINI No. 202 COL. TRANSITO, MEXICO, D.F. C.P. 06820**  
**CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE PERIOD JANUARY 1 TO JUNE 30, 2010**  
**EXPRESSED IN MILLIONS OF MEXICAN PESOS**

Total interest earned		7,374
Total interest paid		2,216
<b>Net interest profit</b>		<b>5,158</b>
Provision for credit losses		1,288
<b>Net interest profit, after provision for credit losses</b>		<b>3,870</b>
Commissions earned	1,595	
Commissions paid	193	
Revenues from intermediation	304	
Other operational net income	321	2,027
<b>Total operating revenues</b>		<b>5,897</b>
Administrative and operating expenses		4,589
<b>Result from operations</b>		<b>1,308</b>
Other revenues	949	
Other expenses	134	815
<b>Net income before income tax</b>		<b>2,123</b>
Current income tax	666	
Deferred income tax	56	(610)
<b>Results before subsidiaries unconsolidated and associated companies</b>		<b>1,513</b>
Participation in the results of subsidiaries unconsolidated and associated companies		
<b>Net Income after tax</b>		<b>1,513</b>

"These statement of income, consolidated with those of the financial and other entities comprising the Group that are subject to consolidation, were prepared in accordance with the accounting criteria for financial group holding companies issued by the National Banking and Securities Commission based on Article 30 of the Law that Regulates Financial Groups, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect the revenues and costs relating to the transactions carried out by the Holding Company and the financial and other entities comprising the Group that are subject to consolidation, through the dates noted above. Furthermore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions.

These consolidated statements of income were approved by the Board of Directors under the responsibility of the following officers".

NICOLE REICH DE POLIGNAC  
 PRESIDENT

DIEGO M. PISINGER ALTER  
 DIRECTOR GENERAL FINANCE AND  
 BUSINESS INTELLIGENCE

KEN PFLUGFELDER  
 DIVISIONAL  
 DIRECTOR AUDIT

GORDON MACRAE  
 DIRECTOR GROUP  
 ACCOUNTING

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[www.cnbv.gob.mx/estadistica](http://www.cnbv.gob.mx/estadistica)

**GRUPO FINANCIERO SCOTIABANK INVERLAT, S.A. DE C.V.**  
**LORENZO BOTURINI No. 202 COL. TRANSITO, MEXICO, D.F. C.P. 06820**  
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE PERIOD DECEMBER 31, 2009 TO JUNE 30, 2010**  
**EXPRESSED IN MILLIONS OF MEXICAN PESOS**

CONCEPT	Paid-in Capital			Capital Surplus									Total stockholders' equity	
	Capital stock	Premium from the sale of shares	Statutory reserves	Results from previous years	Unrealised gain (loss) from valuation of available-for-sale securities	Effects from valuation of hedging instruments	Income (loss) from conversion of foreign operations	Cumulative effect of restatement	Gain from holding non-monetary assets (from valuation of fixed assets)	Gain from holding non-monetary assets (from valuation of permanent investments in shares)	Employee benefits adjustment at the retirement	Net income		Non-controller participation
<b>Balances as of December 31 , 2009</b>	<b>4,507</b>	<b>-</b>	<b>901</b>	<b>18,842</b>	<b>260</b>	<b>147</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,320</b>	<b>-</b>	<b>26,977</b>
<b>ITEMS RELATED TO STOCKHOLDERS DECISIONS</b>														
Issuance of shares														
Capitalisation of profits														
Creation of reserves														
Transfer of prior years results				2,320								(2,320)		
Dividend payment														
Other														
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,320</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,320)</b>	<b>-</b>	
<b>ITEMS RELATED TO RECOGNITION OF COMPREHENSIVE INCOME</b>														
Net income												1,513		<b>1,513</b>
Gain from valuation of available-for-sale securities					50									<b>50</b>
Effects from valuation of hedging instruments						(71)								<b>(71)</b>
Cumulative effect of restatement														
Gain from holding non-monetary assets														
Employee benefits adjustment														
Other				(1)										<b>(1)</b>
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>50</b>	<b>(71)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,513</b>	<b>-</b>	<b>1,491</b>
<b>Balances as of June 30, 2010</b>	<b>4,507</b>	<b>-</b>	<b>901</b>	<b>21,161</b>	<b>310</b>	<b>76</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,513</b>	<b>-</b>	<b>28,468</b>

"These statement of changes stockholders' equity, consolidated with those of the financial and other entities comprising the Group that are subject to consolidation, were prepared in accordance with the accounting criteria for financial group holding companies issued by the National Banking and Securities Commission based on Article 30 of the Law that Regulates Financial Groups, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they all the stockholders' equity account entries relating to the transactions carried out by the Holding Company and the financial and other entities comprising the Group that are subject to consolidation, through the dates noted above. Furthermore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions.

These consolidated statements of changes in stockholders' equity were approved by the Board of Directors under the responsibility of the following officers".

NICOLE REICH DE POLIGNAC  
 PRESIDENT

DIEGO M. PISINGER ALTER  
 DIRECTOR GENERAL FINANCE AND  
 BUSINESS INTELIGENCE

KEN PFLUGFELDER  
 DIVISIONAL DIRECTOR AUDIT

GORDON MACRAE  
 DIRECTOR GROUP ACCOUNTING

**GRUPO FINANCIERO SCOTIABANK INVERLAT, S.A. DE C.V.**  
**LORENZO BOTURINI No. 202 COL. TRANSITO, MEXICO, D.F. C.P. 06820**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
**FOR THE PERIOD JANUARY 1 TO JUNE 30, 2010**  
**EXPRESSED IN MILLIONS OF MEXICAN PESOS**

<b>Net income</b>		<b>1,513</b>
Adjustments for items that not imply cash flow :		
Profit or loss valuation associated with investment and financing activities	-	
Provision for credit losses	1,288	
Provision for difficult or not collection	5	
Losses for deterioration or cancel effect associated with investment and funding activities	(13)	
Depreciation and amortization	140	
Provisions	197	
Income tax (caused and deferred)	592	
Participation in results unconsolidated subsidiaries and associated companies	-	
Not controller participation	-	
Discontinuous operations	-	
Others	(10)	2,199
<hr/>		
<b>Operation activities</b>		
Change in margin accounts	56	
Change in securities investment	(6,382)	
Change in repurchase agreements (debtor)	(3,098)	
Change in securities receivable (assets)	-	
Change in derivates (assets)	(424)	
Change in loan portfolio	(3,449)	
Change in acquired collections	-	
Change in benefits for receiving in operations of securitization	-	
Change in foreclosed assets	2	
Change in other operational assets	(4,057)	
Change in funding	(1,600)	
Change in bank and other loans	(77)	
Change in liabilities related to securities in the course of settlement	-	
Change in repurchase agreements (creditor)	4,536	
Change in securities receivable (liabilities)	-	
Change in collateral sold or in guarantee	31	
Change in derivates (liabilities)	1,136	
Change in operations of securitization (liabilities)	-	
Change in subordinated debentures (liabilities)	-	
Change in other operational liabilities	2,046	
Change in hedging instruments	-	
<b>Operation activities cash flow</b>		<b>(11,280)</b>
<hr/>		
<b>Investment activities</b>		
Collections for regulation of property, furniture and equipment	-	
Payments for acquisition of property, furniture and equipment	(171)	
Collections for regulation in subsidiaries and associated companies	42	
Payments for acquisition in subsidiaries and associated companies	-	
Collections in cash (dividends)	-	
Payments for acquisition of intangible assets	(2)	
Collections for regulation in long term assets available for sale	-	
Collections for regulation in long term of other assets	-	
Payments for acquisition in long term of other assets	-	
Associated collections in hedging instruments	-	
Associated payments in hedging instruments	-	
Others	-	
<b>Investment activities cash flow</b>		<b>(131)</b>
<hr/>		
<b>Financing activities</b>		
Collections in equity issues	-	
Payments for return in capital stock	-	
Payments in cash (dividends)	(559)	
Associated payments in equity repurchase	-	
Collections in subordinated debentures (capital)	-	
Associated payments in subordinated debentures (capital)	-	
<b>Financing activities cash flow</b>		<b>(559)</b>
<b>Net Decrease in cash</b>		<b>(8,258)</b>
<b>Cash flow adjustments in foreign exchange and inflation variations</b>		<b>-</b>
<b>Cash and equivalent at the beginning of the period</b>		<b>24,802</b>
<b>Cash and equivalent at the final of the period</b>		<b>16,544</b>

"These statement of cash flow, consolidated with those of the financial and other entities comprising the Group that are subject to consolidation, were prepared in accordance with the accounting criteria for financial group holding companies issued by the National Banking and Securities Commission based on Article 30 of the Law that Regulates Financial Groups, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect the cash entrance and cash outflow of funds relating to the transactions carried out by the Holding Company and the financial and other entities comprising the Group that are subject to consolidation, through the dates noted above. Furthermore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions.

These consolidated statement of cash flow were approved by the Board of Directors under the responsibility of the following officers".

NICOLE REICH DE POLIGNAC  
PRESIDENT

DIEGO M. PISINGER ALTER  
DIRECTOR GENERAL FINANCE AND  
BUSINESS INTELLIGENCE

KEN PFLUGFELDER  
DIVISIONAL DIRECTOR AUDIT

GORDON MACRAE  
DIRECTOR GROUP ACCOUNTING

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[www.cnbv.gob.mx/estadistica](http://www.cnbv.gob.mx/estadistica)

**SCOTIABANK INVERLAT, S.A.**  
**INSTITUCION DE BANCA MULTIPLE**  
**GRUPO FINANCIERO SCOTIABANK INVERLAT.**  
**BOSQUE DE CIRUELOS No. 120 PISO 4 COL. BOSQUES DE LAS LOMAS, MEXICO D.F. C.P. 11700**  
**CONSOLIDATED WITH ITS SUBSIDIARIES AND WITH THE TRUSTS CONTAINING RESTRUCTURED LOANS DENOMINATED IN UDIS**  
**AS AT JUNE 30, 2010**  
**EXPRESSED IN MILLIONS OF MEXICAN PESOS**

ASSETS			LIABILITIES AND STOCKHOLDERS' EQUITY		
<b>FUNDS AVAILABLE</b>		16,327	<b>FUNDING</b>		
<b>MARGIN ACCOUNTS</b>		110	Demand and saving deposits		56,399
<b>FINANCIAL INSTRUMENTS</b>			Time deposits		52,190
Securities – available for trading	18,479		General public	52,190	
Securities – available for sale	7,836		Money market	-	
Securities – held to maturity	1,839	28,154	Issue credit certificate		4,214
					112,803
<b>REPURCHASE AGREEMENTS (DEBTOR)</b>		4,101	<b>BANK AND OTHER LOANS</b>		
<b>DERIVATIVES</b>			Short term		2,109
Trading	2,416		Long term		1,816
Hedge	81	2,497			3,925
			<b>REPURCHASE AGREEMENTS</b>		13,062
<b>MARK TO MARKET ADJUSTMENT RELATED TO HEDGING OF FINANCIAL INSTRUMENTS</b>		327	<b>LIABILITIES RELATED TO SECURITIES IN THE COURSE OF SETTLEMENT</b>		1,827
<b>LOAN PORTFOLIO</b>			<b>DERIVATIVES</b>		
Business loans	41,798		Trading		2,429
Commercial	33,013		Hedge		471
Financial intermediaries	2,835				2,900
Government loans	5,950		<b>OTHER PAYABLES</b>		
Consumer loans		16,591	Income Taxes		192
Housing loans		39,585	Employee profit sharing		193
<b>TOTAL CURRENT LOAN PORTFOLIO</b>		97,974	Liquidation of operations (Creditor)		1,956
<b>PAST-DUE LOAN PORTFOLIO</b>			Sundry creditors and other payables		5,277
Business loans	443	443			7,618
Commercial			<b>DEFERRED CREDITS</b>		931
Financial intermediaries	-				
Consumer loans		972	<b>TOTAL LIABILITIES</b>		143,066
Housing loans		2,628	<b>STOCKHOLDERS' EQUITY</b>		
<b>TOTAL PAST-DUE PORTFOLIO</b>		4,043	<b>PAID-IN CAPITAL</b>		
<b>LOAN PORTFOLIO</b>		102,017	Capital stock		7,451
(-) LESS:			Premium from the sale of shares		472
<b>ALLOWANCE FOR LOAN LOSSES</b>		4,031			7,923
<b>LOAN PORTFOLIO (NET)</b>		97,986	<b>CAPITAL SURPLUS</b>		
<b>OTHER RECEIVABLES (NET)</b>		14,091	Capital reserves		2,425
<b>FORECLOSED ASSETS (NET)</b>		23	Results from previous years		14,402
<b>PROPERTY, FURNITURE AND EQUIPMENT (NET)</b>		3,323	Effects from valuation of securities available for sale		171
<b>LONG-TERM INVESTMENT IN EQUITIES</b>		74	Effects from valuation of hedging instruments		75
<b>DEFERRED TAXES</b>		726	Net result		1,300
<b>OTHER ASSETS</b>					18,373
Other assets, deferred and intangible charges	1,115		<b>TOTAL STOCKHOLDERS' EQUITY</b>		26,296
Short and long term other assets	508	1,623	<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		169,362
<b>TOTAL ASSETS</b>		169,362			

**MEMORANDUM ACCOUNTS**

Assets and liabilities contingent	71
Commitment loan	2,544
Assets in trust or mandate	144,123
Trust	114,297
Mandate	29,826
Assets in custody or under administration	471,269
Collateral received for the entity	90,215
Collateral received and sold or delivered in guarantee for the entity	23,902
Investment bank transaction on behalf of third parts	52,810
Interest not collected from past due portfolio	177
Other control accounts	731,588

"These balance sheets were prepared in accordance criteria for institutions issued by the National Banking and Securities Commission based on Articles 99, 101 and 102 of the Credit Institutions Law, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect the transactions carried out by the Bank through the dates noted above. Furthermore, these transactions were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions. These balance sheets were approved by the Board Directors under the responsibility of the following officers. The Bank's historical capital stock amounts to \$ 6,200 (millions) as June 30, 2010.

NICOLE REICH DE POLIGNAC  
PRESIDENT

DIEGO M. PISINGER ALTER  
DIRECTOR GENERAL FINANCE AND BUSINESS  
INTELLIGENCE

KEN PFLUGFELDER  
DIVISIONAL DIRECTOR AUDIT

GORDON MACRAE  
DIRECTOR GROUP ACCOUNTING

**SCOTIABANK INVERLAT, S.A.**  
**INSTITUCION DE BANCA MULTIPLE**  
**GRUPO FINANCIERO SCOTIABANK INVERLAT.**  
**BOSQUE DE CIRUELOS No. 120 PISO 4 COL. BOSQUES DE LAS LOMAS, MEXICO D.F., C.P. 11700**  
**STATEMENT OF INCOME OF THE BANK CONSOLIDATED WITH ITS SUBSIDIARIES AND WITH THE TRUSTS**  
**CONTAINING RESTRUCTURED LOANS DENOMINATED IN UDIS, FOR THE PERIOD JANUARY 1 TO JUNE 30, 2010**  
**EXPRESSED IN MILLIONS OF MEXICAN PESOS**

Total interest earned	6,723	
Total interest paid	1,642	1,642
<b>Net interest profit</b>		<b>5,081</b>
Provision for credit losses		1,288
<b>Net interest profit, after provision for credit losses</b>		<b>3,793</b>
Commissions earned	1,097	
Commissions paid	161	
Revenues from intermediation	145	
Other operational net income	320	1,401
<b>Total operating revenues</b>		<b>5,194</b>
Administrative and operating expenses		4,290
<b>Result from operations</b>		<b>904</b>
Other revenues	1,035	
Other expenses	132	903
<b>Net income before income tax</b>		<b>1,807</b>
Current income tax	585	
Deferred income tax	78	(507)
<b>Results before subsidiaries unconsolidated and associated companies</b>		<b>1,300</b>
Participation in the results of subsidiaries unconsolidated and associated companies		
<b>Net Income before continuing operations</b>		<b>1,300</b>
Continuing operations		
<b>Net income</b>		<b>1,300</b>

"These statement of income was prepared in accordance criteria for institutions issued by the National Banking and Securities Commission based on Articles 99, 101 and 102 of the Credit Institutions Law, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect the revenues and costs the transactions carried out by the institution through the dates noted above. Furthermore, these transactions were carried out and value in accordance with sound banking practices and the applicable legal and administrative provisions.

These statement of income were approved by the Board Directors under the responsibility of the following officers".

NICOLE REICH DE POLIGNAC  
PRESIDENT

DIEGO M. PISINGER ALTER  
DIRECTOR GENERAL FINANCE AND  
BUSINESS INTELIIGENCE

KEN PFLUGFELDER  
DIVISIONAL DIRECTOR AUDIT

GORDON MACRAE  
DIRECTOR GROUP ACCOUNTING

**SCOTIABANK INVERLAT, S.A.**  
**INSTITUCION DE BANCA MULTIPLE**  
**GRUPO FINANCIERO SCOTIABANK INVERLAT**  
**BOSQUE DE CIRUELOS No. 120 PISO 4 COL. BOSQUES DE LAS LOMAS, MEXICO D.F. C.P. 11700**  
**CONSOLIDATED STATEMENT OF CHANGES IN THE CAPITAL OF THE BANK WITH ITS SUBSIDIARIES AND WITH THE TRUSTS**  
**CONTAINING RESTRUCTURED LOANS DENOMINATED IN UDIS, FOR THE PERIOD DECEMBER 31, 2009 TO JUNE 30, 2010**  
**EXPRESSED IN MILLIONS OF MEXICAN PESOS**

CONCEPT	Paid-in Capital				Capital Surplus									Total stockholders' equity
	Capital stock	Premium from the sale of shares	Statutory reserves	Results from previous years	Unrealised gain (loss) from valuation of available-for-sale securities	Effects from valuation of hedging instruments	Income (loss) from conversion of foreign operations	Cumulative effect of restatement	Gain from holding non-monetary assets (from valuation of fixed assets)	Gain from holding non-monetary assets (from valuation of permanent investments in shares)	Employee benefits adjustment	Net income	Non-controller participation	
<b>Balances as of December 31, 2009</b>	7,451	472	2,221	12,568	162	146	-	-	-	-	-	2,038	-	25,058
<b>ITEMS RELATED TO STOCKHOLDERS DECISIONS</b>														
Issuance of shares														
Capitalisation of profits														
Creation of reserves			204	(204)										
Transfer of prior year's results				2,038								(2,038)		-
Dividend payment														
Others														
<b>Total</b>	-	-	204	1,834	-	-	-	-	-	-	-	(2,038)	-	-
<b>ITEMS RELATED TO RECOGNITION OF COMPREHENSIVE INCOME</b>														
Net income												1,300		1,300
Gain from valuation of available-for-sale securities					9									9
Effects from valuation of hedging instruments						(71)								(71)
Cumulative effect of restatement														
Gain from holding non-monetary assets														
Other														
<b>Total</b>	-	-	-	-	9	(71)	-	-	-	-	-	1,300	-	1,238
<b>Balances as of June 30, 2010</b>	7,451	472	2,425	14,402	171	75	-	-	-	-	-	1,300	-	26,296

"These statement of changes in stockholders' equity were prepared in accordance criteria for institutions issued by the National Banking and Securities Commission based on Articles 99, 101 and 102 of the Credit Institutions Law, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect the stockholders' equity account entries relating to the transactions carried out by the Bank through the dates noted above. Furthermore, these transactions were carried out and value in accordance with sound banking practices and the applicable legal and administrative provisions.

These statement of changes in stockholders' equity were approved by the Board Directors under the responsibility of the following officers".

NICOLE REICH DE POLIGNAC  
 PRESIDENT

DIEGO M. PISINGER ALTER  
 DIRECTOR GENERAL FINANCE AND  
 BUSINESS INTELLIGENCE

KEN PFLUGFELDER  
 DIVISIONAL DIRECTOR AUDIT

GORDON MACRAE  
 DIRECTOR GROUP ACCOUNTING

SCOTIABANK INVERLAT, S.A.  
 INSTITUCION DE BANCA MULTIPLE  
 GRUPO FINANCIERO SCOTIABANK INVERLAT  
 BOSQUE DE CIRUELOS No. 120 PISO 4 COL. BOSQUES DE LAS LOMAS, MEXICO D.F. C.P. 11700  
 CONSOLIDATED STATEMENT OF CASH FLOW OF THE BANK WITH ITS SUBSIDIARIES AND WITH THE TRUSTS CONTAINING RESTRUCTURED  
 LOANS DENOMINATED IN UDIS  
 FOR THE PERIOD JANUARY 1 TO JUNE 30, 2010  
 EXPRESSED IN MILLIONS OF MEXICAN PESOS

<b>Net income</b>	<b>1,300</b>
Provision for credit losses	1,288
Provision for difficult or not collection	6
Losses for deterioration or cancel effect associated with investment and funding activities	(13)
Depreciation and amortisation	135
Provisions	194
Income tax (caused and deferred)	487
Other	108
<b>Adjustments for items that not imply cash flow</b>	<b>2,205</b>
<b><u>Operation activities</u></b>	
Change in margin accounts	54
Change in securities investment	(3,269)
Change in repurchase agreements (debtor)	(3,103)
Change in derivates (assets)	(574)
Change in loan portfolio	(3,536)
Change in foreclosed assets	2
Change in other operational assets	(3,478)
Change in funding	(1,610)
Change in bank and other loans	(77)
Change in repurchase agreements (creditor)	3,336
Change in derivates (liabilities)	543
Change in other operational liabilities	474
<b>Operation activities cash flow</b>	<b>(11,238)</b>
<b><u>Investment activities</u></b>	
Payments for acquisition of property, furniture and equipment	(172)
<b>Investment activities cash flow</b>	<b>(172)</b>
<b><u>Financing activities</u></b>	
Dividends paid in cash	(559)
<b>Financing activities cash flow</b>	<b>(559)</b>
<b>Net Decrease in cash</b>	<b>(8,464)</b>
<b><u>Cash and equivalent at the beginning of the period</u></b>	<b>24,791</b>
<b><u>Cash and equivalent at the final of the period</u></b>	<b>16,327</b>

"These statement of cash flow were prepared in accordance criteria for institutions issued by the National Banking and Securities Commission based on Articles 99, 101 and 102 of the Credit Institutions Law, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect the stockholders' equity account cash entrance and cash outflow relating to the transactions carried out by the Bank through the dates noted above. Furthermore, these transactions were carried out and value in accordance with sound banking practices and the applicable legal and administrative provisions.

These statement of cash flow were approved by the Board Directors under the responsibility of the following officers".

NICOLE REICH DE POLIGNAC	DIEGO M. PISINGER ALTER	KEN PFLUGFELDER	GORDON MACRAE
PRESIDENT	DIRECTOR GENERAL FINANCE AND BUSINESS INTELIIGENCE	DIVISIONAL DIRECTOR AUDIT	DIRECTOR GROUP ACCOUNTING

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Attachment 4

SCOTIA INVERLAT CASA DE BOLSA, S.A. DE C.V.  
GRUPO FINANCIERO SCOTIABANK INVERLAT.  
BOSQUE DE CIRUELOS No. 120 PISO 4 COL. BOSQUES DE LAS LOMAS, MEXICO D.F. C.P. 11700  
BALANCE SHEETS AS AT JUNE 30, 2010  
EXPRESSED IN MILLIONS OF MEXICAN PESOS

MEMORANDUM ACCOUNTING			
<b>OPERATIONS ON BEHALF THIRD PARTIES</b>		<b>OWN OPERATIONS</b>	
<b>CUSTOMER CURRENT ACCOUNTS</b>		<b>ASSETS AND LIABILITIES CONTINGENT</b>	
Cash balances	10		
Transaction settlement	(43)		
Other	22	(11)	
<b>CUSTODY OPERATIONS</b>		<b>COLLATERAL RECEIVED BY THE ENTITY</b>	
Securities held in custody	187,991		26,593
Foreign securities	-	187,991	-
			320
<b>TRANSACTIONS ON BEHALF OF CUSTOMERS</b>		<b>COLLATERAL RECEIVED, SOLD OR DELIVERED IN GUARANTEE FOR THE ENTITY</b>	
Securities operations	29,882		26,592
Securities receivable operations	141		-
Collaterals received in guarantee	78		164
Collaterals given in guarantee	1,859		
Purchase derivative operations			
Futures and forwards (Notional)	140		
Sale derivative operations	-		
Administrative trusts	139	32,239	
<b>TOTAL ON BEHALF OF THIRD PARTIES</b>	<b>220,219</b>	<b>TOTAL BROKERAGE FIRM</b>	<b>57,542</b>
<b>ASSETS</b>		<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	
<b>FUNDS AVAILABLE</b>	<b>113</b>	<b>LIABILITIES SECURITIZATION</b>	<b>-</b>
<b>MARGIN ACCOUNTS (DERIVATES)</b>	<b>37</b>	<b>BANK AND OTHER LOANS</b>	
<b>FINANCIAL INSTRUMENTS</b>		Short term	86
Securities – available for trading	14,159	Long term	-
Securities – available for sale	420		86
Securities – Held to maturity	-	<b>LIABILITIES RELATED TO SECURITIES IN THE COURSE OF SETTLEMENTS</b>	
<b>REPURCHASE AGREEMENTS – DEBTORS</b>	<b>2</b>	<b>REPURCHASE AGREEMENTS – CREDITORS</b>	<b>10,813</b>
<b>SECURITIES RECEIVABLE</b>	<b>-</b>	<b>COLLATERAL SOLD OR GIVEN IN GUARANTEE</b>	
<b>DERIVATES</b>		Repurchase	-
Trading	19	Securities receivable	164
Hedge	-	Derivates	-
	19	Others collateral sold or given in guarantee	-
<b>MARK TO MARKET ADJUSTMENTS HEDGE OF FINANCIAL ASSETS</b>	<b>-</b>	<b>DERIVATES</b>	
<b>OTHER ACCOUNTS RECEIVABLE (NET)</b>	<b>1,200</b>	Trading	1,038
<b>PROPERTY, FURNITURE AND EQUIPMENT (NET)</b>	<b>152</b>	Hedge	-
<b>LONG-TERM INVESTMENTS IN EQUITIES</b>	<b>3</b>		1,038
<b>DEFERRED TAXES (NET)</b>	<b>-</b>	<b>MARK TO MARKET ADJUSTMENTS HEDGE OF FINANCIAL LIABILITIES</b>	<b>-</b>
<b>OTHER ASSETS</b>		<b>OTHER PAYABLES</b>	
Other assets, deferred and intangible charges	88	Income tax	23
Short and long term other assets	32	Employee profit sharing	16
	120	Contributions for future increases by the Shareholders' assembly	-
		Liquidation of operations (Creditor)	2,026
		Margin Accounts (Creditor)	-
		Sundry creditors and other payables	225
		<b>DEFERRED TAXES (NET)</b>	<b>45</b>
		<b>TOTAL LIABILITIES</b>	<b>14,436</b>
<b>TOTAL ASSETS</b>	<b>16,225</b>	<b>STOCKHOLDERS' EQUITY</b>	
		<b>PAID-IN CAPITAL</b>	
		Capital stock	551
		<b>CAPITAL SURPLUS</b>	
		Statutory reserves	46
		Results from prior years	872
		Results for valuation of securities available for sale	140
		Net results	180
		<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>1,789</b>
		<b>EQUITY TOTAL LIABILITIES AND STOCKHOLDERS'</b>	<b>16,225</b>

"These balance sheets have been prepared in accordance with the accounting criteria for brokerage firms, issued by the National Banking and Securities Commission based on Article 205 last paragraph, 210 second paragraph and 211 of the Securities Market Law, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect the transactions carried out by the Brokerage Firm through the dates noted above. Furthermore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions.

These balance sheets were approved by the Board Directors under the responsibility of the following officers.

The historical capital stock amount is \$ 386 millions" as at June 30, 2010.

GONZALO ROJAS RAMOS PRESIDENT	DIEGO M. PISINGER ALTER DIRECTOR GENERAL FINANCE AND BUSINESS INTELLIGENCE	KEN PFLUGFELDER DIVISIONAL DIRECTOR AUDIT	GORDON MACRAE DIRECTOR GROUP ACCOUNTING
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**SCOTIA INVERLAT CASA DE BOLSA, S.A. DE C.V.**  
**GRUPO FINANCIERO SCOTIABANK INVERLAT**  
**BOSQUE DE CIRUELOS No. 120 PISO 4 COL. BOSQUES DE LAS LOMAS, MEXICO D.F. C.P. 11700**  
**STATEMENT OF INCOME FOR THE PERIOD JANUARY 1 TO JUNE 30, 2010**  
**EXPRESSED IN MILLIONS OF MEXICAN PESOS**

Commissions and fees collected	294		
Commissions and fees paid	19		
Financial intermediation income	39		314
<b>Service Income</b>			<b>314</b>
Gain on purchase and sale of securities	278		
Loss on purchase and sale of securities	123		
Interest income	894		
Interest expense	821		
Valuation gain (loss) on securities	1		
<b>Net Interest Profit for Intermediation</b>			<b>229</b>
<b>Total Operating Income</b>			<b>543</b>
Administrative and operating expenses			304
<b>Operating income</b>			<b>239</b>
Other income	29		
Other expense	1		28
<b>Net income before income tax</b>			<b>267</b>
Current income tax	46		
Deferred income tax	41		87
<b>Results before subsidiaries unconsolidated and associated companies</b>			<b>180</b>
<b>Results from continuing operations</b>			<b>180</b>
<b>Net income</b>			<b>180</b>

"These statement of income were prepared in accordance with the accounting criteria for brokerage firms, issued by the National Banking and Securities Commission based on Article 205 last paragraph, 210 second paragraph and 211 of the Securities Market Law, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect the revenues and disbursement relating to the transactions carried out by the Brokerage Firm through the dates noted above. Furthermore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions.

These statement of income were approved by the Board Directors under the responsibility of the following officers.

GONZALO ROJAS RAMOS  
PRESIDENT

DIEGO M. PISINGER ALTER  
DIRECTOR GENERAL FINANCE AND  
BUSINESS INTELLIGENCE

KEN PFLUGFELDER  
DIVISIONAL DIRECTOR  
AUDIT

GORDON MACRAE  
DIRECTOR GROUP  
ACCOUNTING

**SCOTIA INVERLAT CASA DE BOLSA, S.A. DE C.V.  
GRUPO FINANCIERO SCOTIABANK INVERLAT  
BOSQUE DE CIRUELOS No. 120 PISO 4 COL. BOSQUES DE LAS LOMAS, MEXICO D.F. C.P. 11700  
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE PERIOD DECEMBER 31, 2009 TO JUNE 30, 2010  
EXPRESSED IN MILLIONS OF MEXICAN PESOS**

CONCEPT	Paid-in Capital		Capital Surplus				Total stockholders' equity	
	Capital stock	Premium from the sale of shares	Statutory reserves	Results from previous years	Result for valuation of securities available for sale	Gain from holding non-monetary assets (from valuation of permanent investments in shares)		Net income
<b>Balances as of December 31, 2009</b>	551	-	37	703	99	-	178	1,568
<b>ITEMS RELATED TO STOCKHOLDERS DECISIONS</b>								
Issuance of shares								
Capitalisation of profits								
Creation of reserves			9	(9)				-
Dividend payment								
Transfer of prior year's results				178			(178)	-
Other movements								
<b>Total</b>	-	-	9	169			(178)	
<b>ITEMS RELATED TO RECOGNITION OF COMPREHENSIVE INCOME</b>								
-Net income							180	180
-Gain from valuation of available-for-sale securities					41			41
-Effects from valuation of hedging instruments								
-Cumulative effect of restatement							-	-
-Gain from holding non-monetary assets								
-Other movements	-	-	-	-	-		-	-
<b>Total</b>	-	-	-	-	41		180	221
<b>Balances as of June 30 2010</b>	551	-	46	872	140	-	180	1,789

"These statements of changes in stockholders' equity have been prepared in conformity with the accounting criteria for brokerage firms, issued by the National Banking and Securities Commission based on Article 205 last paragraph, 210 second paragraph and 211 of the Securities Market Law, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect all the stockholders' equity account entries relating to the transactions carried out by the Brokerage Firm through the dates noted above. Furthermore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions.

These statement of changes in stockholders' equity were approved by the Board Directors under the responsibility of the following officers".

GONZALO ROJAS RAMOS  
PRESIDENT

DIEGO M. PISINGER ALTER  
DIRECTOR GENERAL FINANCE AND  
BUSINESS INTELIGENCE

KEN PFLUGFELDER  
DIVISIONAL DIRECTOR  
AUDIT

GORDON MACRAE  
DIRECTOR GROUP  
ACCOUNTING

**SCOTIA INVERLAT CASA DE BOLSA, S.A. DE C.V.**  
**GRUPO FINANCIERO SCOTIABANK INVERLAT**  
**BOSQUE DE CIRUELOS No. 120 PISO 4 COL. BOSQUES DE LAS LOMAS, MEXICO D.F. C.P. 11700**  
**STATEMENT OF CASH FLOW, FOR THE PERIOD JANUARY 1 TO JUNE 30, 2010**  
**EXPRESSED IN MILLIONS OF MEXICAN PESOS**

<b>Net income</b>		180
Adjustments for items that do not imply flow of cash:		
Profit or loss valuation associated with investment and funding activities	-	
Provision for difficult or not collection	-	
Losses for deterioration or cancel effect associated with investment and funding activities	-	
Depreciation and amortization	5	
Provisions	3	
Income tax (caused and deferred)	115	
Participation in results of not consolidated subsidiaries and associated companies	-	
Discontinuous operations		
Other	(117)	6
<b>Operation Activities</b>		
Change in margin accounts		1
Change in securities investment		(3,081)
Change in repurchase agreements (debtor)		5
Change in securities (assets)		-
Change in derivatives (assets)		150
Change in other operational assets		(894)
Change in funding from banks and other organizations		86
Change in repurchase agreements (creditor)		1,201
Change in collateral sold or in guarantee		32
Change in derivatives (liabilities)		593
Change in other operational liabilities		1,741
<b>Operation activities cash flow</b>		<b>(166)</b>
<b>Investment Activities</b>		
Payments for acquisition of property, furniture and equipment		(1)
Payments for acquisition of intangible assets		(2)
<b>Investment activities cash flow</b>		<b>(3)</b>
<b>Net Increase in cash</b>		17
<b>Cash and equivalent at the beginning of the period</b>		96
<b>Cash and equivalent at the final of the period</b>		113

"These statements of cash flow have been prepared in conformity with the accounting criteria for brokerage firms, issued by the National Banking and Securities Commission based on Article 205 last paragraph, 210 second paragraph and 211 of the Securities Market Law, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect the cash entrance and cash outflow of funds relating to the transactions carried out by the Brokerage Firm through the dates noted above. Furthermore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions.

These statement of cash flow were approved by the Board Directors under the responsibility of the following officers".

GONZALO ROJAS RAMOS  
PRESIDENT

DIEGO M. PISINGER ALTER  
DIRECTOR GENERAL FINANCE AND  
BUSINESS INTELIGENCE

KEN PFLUGFELDER  
DIVISIONAL DIRECTOR  
AUDIT

GORDON MACRAE  
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Attachment 5

**SCOTIA FONDOS, S.A. DE C.V.**  
**SOCIEDAD OPERADORA DE SOCIEDADES DE INVERSION**  
**GRUPO FINANCIERO SCOTIABANK INVERLAT**  
**BOSQUE DE CIRUELOS No. 120 PISO 4 COL. BOSQUES DE LAS LOMAS, MEXICO D.F., C.P. 11700**  
**BALANCE SHEET AS AT JUNE 30, 2010**  
**EXPRESSED IN THOUSANDS OF MEXICAN PESOS**

ASSETS		LIABILITIES AND STOCKHOLDERS' EQUITY	
<b>FUNDS AVAILABLE</b>	15	<b>OTHER PAYABLES</b>	
		Income tax	9,258
		Employee profit sharing	2,975
		Sundry creditors and other payables	60,065
			<b>72,298</b>
<b>FINANCIAL INSTRUMENTS</b>		<b>TOTAL LIABILITIES</b>	<b>72,298</b>
Securities – available for trading	184,953		
<b>OTHER ACCOUNTS RECEIVABLE (NET)</b>	68,139	<b>STOCKHOLDERS' EQUITY</b>	
		<b>PAID-IN CAPITAL</b>	
		Capital stock	2,586
<b>DEFERRED TAXES (NET)</b>	1,534	<b>CAPITAL SURPLUS</b>	
		Capital reserves	517
<b>OTHER ASSETS</b>		Results from prior years	135,421
Deferred changes and intangible assets	170	Net results	44,024
Short and Long term assets	35		<b>179,962</b>
	<b>205</b>	<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>182,548</b>
<b>TOTAL ASSETS</b>	<b>254,846</b>	<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>254,846</b>

**MEMORANDUM ACCOUNTS**

Assets and Liabilities contingent	2,071
Assets in custody or under administration	115,496,618

"These balance sheets were prepared in accordance with the accounting criteria for mutual fund management companies, issued by the National Banking and Securities Commission based on Article 76 of the Investment Companies Law, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect the transactions carried out by the Management Companies through the dates indicated above. Furthermore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions.

These balance sheets were approved by the Board Directors under the responsibility of the following officers.

The historical capital stock amount is \$ 2,000 (thousands of pesos) as at June 30, 2010".

ERNESTO DIEZ SANCHEZ  
PRESIDENT

GORDON MACRAE  
DIRECTOR GROUP ACCOUNTING

**SCOTIA FONDOS, S.A. DE C.V.**  
**SOCIEDAD OPERADORA DE SOCIEDADES DE INVERSION**  
**GRUPO FINANCIERO SCOTIABANK INVERLAT**  
**BOSQUE DE CIRUELOS No. 120 PISO 4 COL. BOSQUES DE LAS LOMAS, MEXICO D.F. C.P. 11700**  
**STATEMENT OF INCOME FOR THE PERIOD JANUARY 1 TO JUNE 30, 2010**  
**EXPRESSED IN THOUSANDS OF MEXICAN PESOS**

Commissions and fees collected	346,702	
Commissions and fees paid		281,206
<b>Service Income</b>		<b>65,496</b>
Valuation gain (loss) on securities	251	
Gain and loss on purchase and sale of securities	3,027	3,278
<b>Total Operating Income</b>		<b>68,774</b>
Administrative expenses		6,454
<b>Operating income</b>		<b>62,320</b>
Other income	693	
Other expense	855	(162)
<b>Net income before income tax</b>		<b>62,158</b>
Current income tax	18,413	
Deferred income tax	(279)	18,134
<b>Results before subsidiaries unconsolidated and associated companies</b>		<b>44,024</b>
<b>Results from continuing operations</b>		<b>44,024</b>
<b>Net income</b>		<b>44,024</b>

"These statement of income were prepared in accordance with the accounting criteria for mutual fund management companies, issued by the National Banking and Securities Commission based on Article 76 of the Investment Companies Law, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect the revenues and costs relating to the transactions carried out by the Management Companies through the dates indicated above. Furthermore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions.

These statement of income were approved by the Board Directors under the responsibility of the following officers".

ERNESTO DIEZ SANCHEZ  
PRESIDENT

GORDON MACRAE  
DIRECTOR GROUP ACCOUNTING

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**SCOTIA FONDOS, S.A. DE C.V.**  
**SOCIEDAD OPERADORA DE SOCIEDADES DE INVERSION**  
**GRUPO FINANCIERO SCOTIABANK INVERLAT**  
**BOSQUE DE CIRUELOS No. 120 PISO 4 COL. BOSQUES DE LAS LOMAS, MEXICO D.F. C.P. 11700**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE PERIOD DECEMBER 31, 2009 TO JUNE 30, 2010**  
**EXPRESSED IN THOUSANDS OF MEXICAN PESOS**

CONCEPT	Paid-in Capital		Capital Surplus			Total stockholders' equity	
	Capital stock	Premium from the sale of shares	Statutory reserves	Results from previous years	Employee benefits adjustment		Net income
<b>Balances as of December 31, 2009</b>	2,586	-	517	86,746	-	48,675	138,524
<b>ITEMS RELATED TO STOCKHOLDERS DECISIONS</b>							
Issuance of shares							-
Capitalisation of profits							-
Creation of reserves							-
Transfer of prior year's results				48,675		(48,675)	-
Dividend payment							-
<b>Total</b>	-	-	-	48,675	-	(48,675)	-
<b>ITEMS RELATED TO RECOGNITION OF COMPREHENSIVE INCOME</b>							
-Net income						44,024	44,024
-Gain from valuation of available-for-sale securities							-
-Gain from holding non-monetary assets							-
<b>Total</b>	-	-	-	-	-	44,024	44,024
<b>Balances as of June 30, 2010</b>	2,586	-	517	135,421	-	44,024	182,548

"These statement of changes in stockholders' equity have been prepared in accordance with the accounting criteria for mutual fund management companies, issued by the National Banking and Securities Commission based on Article 76 of the Investment Companies Law, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect all the stockholders' equity account entries relating to the transactions carried out by the Management Companies through the dates indicated above. Furthermore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions.

These statement of changes in stockholders' equity were approved by the Board Directors under the responsibility of the following officers".

ERNESTO DIEZ SANCHEZ  
PRESIDENT

GORDON MACRAE  
DIRECTOR GROUP ACCOUNTING

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**SCOTIA FONDOS, S.A. DE C.V.**  
**SOCIEDAD OPERADORA DE SOCIEDADES DE INVERSION**  
**GRUPO FINANCIERO SCOTIABANK INVERLAT**  
**BOSQUE DE CIRUELOS No. 120 PISO 4 COL. BOSQUES DE LAS LOMAS, MEXICO D.F. C.P. 11700**  
**STATEMENT OF CASH FLOW, FOR THE PERIOD JANUARY 1 TO JUNE 30, 2010**  
**EXPRESSED IN THOUSANDS OF MEXICAN PESOS**

<b>Net income</b>		44,024
Adjustments for items that not imply cash flow :		
Profit or loss valuation associated with investment and financing activities	-	
Provision for difficult or not collection	-	
Losses for deterioration or cancel effect associated with investment and funding activities	-	
Depreciation and amortisation	-	
Provisions	71	
Income tax (caused and deferred)	8,895	
Participation in results unconsolidated subsidiaries and associated companies	-	
Others	(251)	8,715
<b>Operation activities</b>		
Change in securities investment	(31,792)	
Change in repurchase agreements (debtor)	-	
Change in other operational assets	(52,403)	
Change in bank and other loans	-	
Change in collateral sold or in guarantee	-	
Change in other operational liabilities	31,456	
<b>Operation activities cash flow</b>		<b>(52,739)</b>
<b>Investment activities</b>		
Collections for regulation of property, furniture and equipment	-	
Payments for acquisition of property, furniture and equipment	-	
Collections for regulation in subsidiaries and associated companies	-	
Payments for acquisition in subsidiaries and associated companies	-	
Collections for regulation in long term investments equities	-	
Payments for acquisition in long term investments equities	-	
Collections in cash (dividends)	-	
Payments for acquisition of intangible assets	-	
Collections for regulation in long term assets available for sale	-	
Collections for regulation in long term of other assets	-	
Payments for acquisition in long term of other assets	-	
<b>Investment activities cash flow</b>		<b>-</b>
<b>Financing activities</b>		
Collections in equity issues	-	
Payments for return in capital stock	-	
Payments in cash (dividends)	-	
Associated payments in equity repurchase	-	
<b>Financing activities cash flow</b>		<b>-</b>
<b>Net Increase in cash</b>		<b>-</b>
<b>Cash flow adjustments in foreign exchange and inflation variations</b>		<b>-</b>
<b>Cash and equivalent at the beginning of the period</b>		<b>15</b>
<b>Cash and equivalent at the final of the period</b>		<b>15</b>

"This statement of cash flow has been prepared in accordance with the accounting criteria for mutual fund management companies, issued by the National Banking and Securities Commission based on Article 76 of the Investment Companies Law, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect the cash entrance and cash outflow of funds relating to the transactions carried out by the Management Companies through the dates indicated above. Furthermore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions.

This statement of cash flow was approved by the Board Directors under the responsibility of the following officers".

ERNESTO DIEZ SANCHEZ  
PRESIDENT

GORDON MACRAE  
DIRECTOR GROUP ACCOUNTING

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**SCOTIA FONDOS, S.A. DE C.V.**  
**SOCIEDAD OPERADORA DE SOCIEDADES DE INVERSION**  
**GRUPO FINANCIERO SCOTIABANK INVERLAT**  
**BOSQUE DE CIRUELOS No. 120 PISO 4 COL. BOSQUES DE LAS LOMAS, MEXICO D.F. C.P. 11700**  
**STATEMENT OF INVESTMENT LOAN VALUATION, AS AT JUNE 30, 2010**  
**EXPRESSED IN THOUSANDS OF MEXICAN PESOS**

REFERENCE NUMBER	INVESTMENT TYPE	ISSUER	SERIES	SECURITY TYPE	MARKET RATE	RATE TYPE	CREDIT RATING	No. OF SECURITIES MANAGEMENT	No. OF SECURITIES SETTLEMENTS	No. OF SECURITIES ISSUED	AVERAGE ACQUISITION COST / UNIT	TOTAL ACQUISITION COST	MARKET PRICE	TOTAL MARKET VALUE	DAYS TO MATURITY
	D	SCOTIAG	M6	51	0	TR	AAA/2 F	5,111,373	230,971	228,965,518	36.179370	184,926	36.184536	184,953	0
<b>TOTALS:</b>												184,926	184,926		

"These statement of investment loan valuation have been prepared in accordance with the accounting criteria for mutual fund management companies, issued by the National Banking and Securities Commission based on Article 76 of the Investment Companies Law, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect the operations of investment assets relating to the transactions carried out by the Management Companies through the dates indicated above. Furthermore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions.

These statement of investment loan valuation were approved by the Board Directors under the responsibility of the following officers".

ERNESTO DIEZ SANCHEZ  
PRESIDENT

GORDON MACRAE  
DIRECTOR GROUP ACCOUNTING

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Attachment 6

**SCOTIA AFORE, S.A. DE C.V.**  
**GRUPO FINANCIERO SCOTIABANK INVERLAT**  
(In process of change to **SERVICIOS CORPORATIVOS SCOTIA, SA DE CV**)  
**LORENZO BOTURINI No. 202 COL. TRANSITO, MEXICO, D.F. C.P. 06820**  
**BALANCE SHEET AS AT JUNE 30, 2010**  
**EXPRESSED IN THOUSANDS OF MEXICAN PESOS**

<b>ASSETS</b>	<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>
<b>INVESTMENT</b>	<b>LIABILITIES</b>
Investment in Capital stock minimum:	Other obligations <span style="float: right;">3,057</span>
Siefore Basica 1 <span style="float: right;">4,000</span>	Provision for various obligations <span style="float: right;">22,563</span>
Siefore Basica 2 <span style="float: right;">100</span>	<b>Total Liabilities</b> <span style="float: right; border-top: 1px solid black; border-bottom: 3px double black;">25,620</span>
Siefore Basica 3 <span style="float: right;">100</span>	
Siefore Basica 4 <span style="float: right;">100</span>	
Siefore Basica 5 <span style="float: right;">100</span>	
Siefore Ahorro Voluntario CP 1 <span style="float: right;">100</span>	
Investment in Capital stock minimum restated <span style="float: right; border-top: 1px solid black;">1,408</span>	
<b>Total Investment</b> <span style="float: right; border-top: 1px solid black;">5,908</span>	
<b>FUNDS AVAILABLE</b>	<b>STOCKHOLDERS' EQUITY</b>
Bank <span style="float: right;">3,752</span>	Paid-in Capital
Available investments <span style="float: right; border-top: 1px solid black;">180,000</span>	Historical fixed <span style="float: right;">56,000</span>
<b>Total Fund Available</b> <span style="float: right; border-top: 1px solid black; border-bottom: 3px double black;">183,752</span>	Restated fixed <span style="float: right;">2,629</span>
	Historical variable <span style="float: right;">206,700</span>
	Restated variable <span style="float: right;">1,751</span>
<b>OTHER RECEIVABLES</b>	Retained Earnings- Prior Periods <span style="float: right;">(79,264)</span>
Various debtors <span style="float: right;">168</span>	Net income <span style="float: right; border-top: 1px solid black;">(9,643)</span>
Taxes for credit <span style="float: right; border-top: 1px solid black;">4,623</span>	
<b>Total Other debtors</b> <span style="float: right; border-top: 1px solid black; border-bottom: 3px double black;">4,791</span>	<b>Total Stockholders' Equity</b> <span style="float: right; border-top: 1px solid black; border-bottom: 3px double black;">178,173</span>
<b>OTHER INVESTMENT</b>	
Investments in service entities <span style="float: right;">-</span>	
Other investment <span style="float: right; border-top: 1px solid black;">-</span>	
<b>Total other investment</b> <span style="float: right; border-top: 1px solid black; border-bottom: 3px double black;">-</span>	
<b>PROPERTY, FURNITURE AND EQUIPMENT (NET)</b>	
Furniture and equipment (net) <span style="float: right; border-top: 1px solid black; border-bottom: 3px double black;">2,115</span>	
<b>ANTICIPATED PAYMENTS AND DEFERRED CHARGES (NET)</b>	
Deferred taxes <span style="float: right;">261</span>	
Anticipated payments (net) <span style="float: right; border-top: 1px solid black;">6,967</span>	
<b>Total Anticipated payments (net)</b> <span style="float: right; border-top: 1px solid black; border-bottom: 3px double black;">7,228</span>	
<b>TOTAL ASSET</b> <span style="float: right; border-top: 1px solid black; border-bottom: 3px double black;">203,793</span>	<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b> <span style="float: right; border-top: 1px solid black; border-bottom: 3px double black;">203,793</span>

**MEMORANDUM DEBT ACCOUNTS**

Authorized Capital Stock*	262,700
Stocks issued (authorized number)	262,700,000
Siefores stocks, third position (number)	6
Siefores stocks, own position (number)	4,462,365
Internal Control of Administrator	2,721

\* Historical thousand pesos

Due to the sale of its assets on January 11, 2010, Scotia Afore is in the process of transitioning into a service company.

" Balance sheet has been formulated in agreement to the rules of group of accounts established by the National Commission of the System of Saving for the Retirement, ("Comision Nacional de Sistema de Ahorro para el Retiro") and under the strict responsibility of the executives who sign ":

Pablo Alberto Magaña Arana  
President Scotia Afore

Brenda Patricia Rivera Quijada  
Manager of Administration and Treasury

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**SCOTIA AFORE, S.A. DE C.V.**  
**GRUPO FINANCIERO SCOTIABANK INVERLAT**  
(In process of change to **SERVICIOS CORPORATIVOS SCOTIA, SA DE CV**)  
**LORENZO BOTURINI No. 202 COL. TRANSITO, MEXICO, D.F. C.P. 06820**  
**STATEMENT OF INCOME FOR THE PERIOD JANUARY 1 TO JUNE 30, 2010**  
**EXPRESSED IN THOUSANDS OF MEXICAN PESOS, EXCEPT APPRASIAL PRICE**

Income		
Commissions	2,128	
Other revenues	4,521	
Participation in results of subsidiaries and associated companies	342	
<b>Total income</b>	<u>6,990</u>	<b>6,990</b>
Expenses:		
Personnel remunerations	8,434	
Personnel services	1,711	
Personnel and Commissioners remunerations	30	
Professional fees	388	
Real stare income paid	419	
Other administrative and operating expenses	1,409	
Commissions paid	20	
Administrative services	1,171	
Taxes	874	
Depreciation & Amortization	296	
Non-deductible expenses	1,401	
Financial expenses	-	
Promotion Personnel remunerations	-	
Promotional Staff benefits	480	
<b>Total expenses</b>	<u>16,634</u>	<b>16,634</b>
<b>Net Income</b>		<u><b>(9,643)</b></u>

The all shares management by the Investment society AFORE are shown on June 30, 2010.

	Shares outstanding	Appraisal Price	Total amount
Basic Investment Society 1:			
Own position Afore	3,999,999	\$ 1.332841	\$ 5,331
Basic Investment Society 2:			
Own position Afore	99,999	\$ 1.256267	\$ 126
Basic Investment Society 3:			
Own position Afore	87,456	\$ 1.255323	\$ 110
Basic Investment Society 4:			
Own position Afore	87,456	\$ 1.261517	\$ 110
Basic Investment Society 5:			
Own position Afore	87,456	\$ 1.291023	\$ 113
Volunteer and save investment society:			
Own position Afore	99,999	\$ 1.175727	\$ 118
Societies:			
Own position Afore	4,462,365		<u>\$ 5,908</u>
		<b>Society Total</b>	<u><b>\$ 5,908</b></u>

Due to the sale of its assets on January 11, 2010, Scotia Afore is in the process of transitioning into a service company.

"This statement of income has been presented in accordance with the rules established by the National Commission for the System of Saving for the Retirement ("Comision Nacional de Sistema de Ahorro para el Retiro") and are the responsibility of the undersigned officers:

Pablo Alberto Magaña Arana  
President Scotia Afore

Brenda Patricia Rivera Quijada  
Manager of Administration and Treasury

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**SCOTIA AFORE, S.A. DE C.V.**  
**GRUPO FINANCIERO SCOTIABANK INVERLAT**  
(In process of change to SERVICIOS CORPORATIVOS SCOTIA, SA DE CV)  
**LORENZO BOTURINI No. 202 COL. TRANSITO, MEXICO, D.F. C.P. 06820**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY AS AT JUNE 30, 2010**  
**EXPRESSED IN THOUSANDS OF MEXICAN PESOS**

	Paid-in Capital		Retained Earnings – Prior Period	Adjustment for Retirement Liabilities	Net Income	Total Stockholders Equity
	Restated fixed	Restated variable				
<b>Balances as of December 31, 2009</b>	<b>58,629</b>	<b>208,451</b>	<b>(136,271)</b>	<b>-</b>	<b>(57,007)</b>	<b>187,816</b>
<b>Items related to stockholders decisions</b>						
Transfer of prior year's results			57,007		(57,000)	-
Capital contribution						
<b>Inherent movements at the integral result:</b>						
Net Income					(9,643)	<b>(9,643)</b>
Adjust of additional liability recognized in net stockholder's equity of deferred taxes						-
	-	-	-	-	-	-
<b>Balances as of June 30, 2010</b>	<b>58,629</b>	<b>208,451</b>	<b>(79,264)</b>	<b>-</b>	<b>(9,643)</b>	<b>178,173</b>

Due to the sale of its assets on January 11, 2010, Scotia Afore is in the process of transitioning into a service company.

"This statement of changes in stockholders' equity has been presented in accordance with the rules established by the National Commission for the Retirement Saving System ("Comision Nacional de Sistema de Ahorro para el Retiro") and are the responsibility of the undersigned officers:

Pablo Alberto Magaña Arana  
President Scotia Afore

Brenda Patricia Rivera Quijada  
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**SCOTIA AFORE, S.A. DE C.V.**  
**GRUPO FINANCIERO SCOTIABANK INVERLAT**  
(In process of change to SERVICIOS CORPORATIVOS SCOTIA, SA DE CV)  
**LORENZO BOTURINI No. 202 COL. TRANSITO, MEXICO, D.F. C.P. 06820**  
**STATEMENT OF CASH FLOW, AS AT JUNE 30, 2010**  
**EXPRESSED IN THOUSANDS OF MEXICAN PESOS**

Operating Activities	
Net Income	(9,643)
Item not requiring (providing) funds	
Depreciation and amortisation	296
Investment valuation in Siefos	(342)
Deferred taxes and other obligations	18,424
Provisions	(30,515)
Subtotal	(21,780)
Investment in special provision	36,133
Available investments, anticipated payments & intangible assets	(34,970)
Investments in other companies	6,258
Various debtors and commissions	195,431
Net flow cash activities	181,072
Bank's increases:	181,072
Bank's:	
At beginning of year	2,680
At end of year	183,752

Due to the sale of its assets on January 11, 2010, Scotia Afore is in the process of transitioning into a service company.

"This statement of changes in financial position has been presented in accordance with the rules established by the National Commission for the Retirement Saving System ("Comision Nacional de Sistema de Ahorro para el Retiro") and are the responsibility of the undersigned officers:

Pablo Alberto Magaña Arana  
President Scotia Afore

Brenda Patricia Rivera Quijada  
Manager of Administration and Treasury

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## Attachment 7 Grupo Scotiabank

Grupo Scotiabank Financial Indicators					
	2010		2009		
	Q2	Q1	Q4	Q3	Q2
<b>ROE</b> <i>(Annualised quarterly net income / average capital for the quarter)</i>	9.4	12.5	13.1	9.1	5.8
<b>ROA</b> <i>(Annualised quarterly net income / average of total assets for the quarter)</i>	1.6	2.2	2.2	1.5	1.0
<b>Net Interest margin</b> <i>(Net interest margin including credit loss provisions / average earning assets)</i>	5.6	5.5	5.1	5.1	4.8
<b>Operating efficiency</b> <i>(Annualised quarterly operating expenses / average of total assets for the quarter)</i>	6.0	5.6	6.4	6.3	5.9
<b>Delinquency index</b> <i>(Balance of past due loans at quarter end / balance total loans)</i>	4.0	4.0	3.9	3.8	4.3
<b>Reserve coverage of past due loans</b> <i>(Allowance for credit losses at quarter end / balance of past due loans)</i>	99.7	101.6	103.6	108.7	96.8
<b>Net capital / Credit risk adjustment assets</b>	22.32	22.66	21.55	20.97	20.31
<b>Net capital / Total risk adjustment assets</b> <i>(credit, market and operational risk)</i>	17.32	17.41	16.73	16.43	15.89
<b>Liquidity</b> <i>(Liquid assets / liquid liabilities)</i>	57.7	62.5	63.2	67.6	57.9

Note: Include the netting of Restricted Investment related to Repos.

Grupo Scotiabank Segments; as at June 30, 2010 <i>(P\$ millions)</i>				
	Credit & Services	Trading & Treasury	Other	Total Group
Net interest income	4,484	678	(4)	5,158
Other income	2,017	145	680	2,842
<b>Revenue</b>	<b>6,501</b>	<b>823</b>	<b>676</b>	<b>8,000</b>
Provision for credit losses	(1,288)	-	-	(1,288)
<b>Total revenue</b>	<b>5,213</b>	<b>823</b>	<b>676</b>	<b>6,712</b>
Operating expenses	(4,039)	(235)	(315)	(4,589)
Participation in results of subsidiaries and associated companies	-	-	-	-
<b>Profit before income tax</b>	<b>1,174</b>	<b>588</b>	<b>361</b>	<b>2,123</b>
Income tax				(610)
<b>Profit after income tax</b>				<b>1,513</b>

### Related-party transactions

During the normal course of business, The Group carries out transactions with related parties. According to the Group's policies, the Bank's Board of Directors authorizes all credit transactions with related parties, which are granted at market rates with guarantees and terms in accordance with sound banking practices.

At June 30, 2010 principal balances with related parties are for bank loans granted of P\$3,083 million.

## Financial Information Disclosure

The Bank of Nova Scotia (“BNS”), the controlling entity, provides diversified financial services globally, and is listed on the Toronto and New York stock exchanges. As issuer, BNS issues, amongst other information, annual and quarterly financial information prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). The consolidated financial statements also comply with the accounting requirements of the Canadian Bank Act. The financial information includes the results of entities that are consolidated in Grupo Financiero Scotiabank Inverlat (“SBM”).

Based on the requirements set forth by the Comision Nacional Bancaria y de Valores (“CNBV”), SBM issues, through its electronic page in the world wide web (“Internet”), its consolidated financial statements with figures as of March, June, September and December, prepared in accordance with the Accounting Criteria for Financial Institutions defined by the CNBV.

### Reconciliation of Mexican and Canadian GAAP

The net income of MXN 853 million reported by SBM for the quarter ending March 31, 2010 is different from the MXN 877 million (CAD 72 million) figure reported by BNS since financial institutions in Mexico prepare and present their financial statements according to Mexican GAAP, which differs in some aspects from Canadian GAAP. The reconciling items can be grouped as follows:

**Non-controlling interest** - BNS records, as an expense, the non-controlling interest in SBM’s net income.

**Acquisition accounting and other Canadian GAAP adjustments**- On acquisition of SBM, BNS was required to record its share of SBM’s assets and liabilities at their fair value. As a result, in subsequent periods, BNS’ share of SBM’s net income is affected by these differences in carrying values. There are also other measurement differences between Mexican and Canadian GAAP, which are adjusted by BNS.

Summary of the main reconciling items between net income reported by SBM and net income reported by BNS for the quarter ending March 31st, 2010.

In MXN millions (except as indicated)	Q1/10
<b>SBM consolidated net income under Mexican GAAP – per the March 2010 Press Release</b>	853
Non-controlling interest – 2.7%	(23)
Acquisition accounting and other Canadian GAAP adjustments	47
SBM consolidated net income under Canadian GAAP as reported by BNS	877
<b>SBM consolidated net income under Canadian GAAP reported by BNS in Canadian dollars</b>	<b>CAD \$72</b>

## Internal Control

The internal control policies establish the internal control framework for Grupo Scotiabank and its subsidiaries and the control environment in which they operate, with the objective of having a reasonable level of confidence that the institution operates in prudent and sound manner.

An internal control model has been established to clearly identify responsibilities, subject to the premise that all the members of GSB share responsibility concerning internal control matters. The internal control model is composed of:

- A Board of Directors that is responsible for overseeing that GSB operates in accordance with sound practices and that it is effectively and efficiently managed. The Board of Directors are also responsible for approving GSB objectives and Internal Control Policies, the Conduct in Business Guidelines and other internal conduct manuals, as well as the organization's structure. The Board is also responsible for appointing GSB internal and external auditors, as well as its key officers.
- An Audit Committee assists the Board of Directors in determining and updating all internal control policies and procedures, and in verifying and evaluating them. The Audit Committee is composed of three regular directors and is presided over by an independent director. It meets on a quarterly basis.
- The Executive Management is responsible for establishing the internal control system that manages all GSB subsidiaries and verifies that they operate efficiently and effectively.
- Organizational and procedural controls supported by an effective management information system (MIS), for the Executive that allows managing GSB's exposure to risk.
- An independent audit area for purposes of supervising the effectiveness and efficiency of all controls in place.
- In addition for compliance and internal control activities, an independent area works for insurance integrity of the Internal Control System.
- Management Integral Risk Area, (UAIR like their initials in Spanish) gives support in all the process areas of risk control establishing policies and methods, keeping development and promotion which includes Self Assessment's methodology of Operative Risk.
- Very clear mandates in terms that each one of the areas and individuals, that compose GSB, is responsible for observing all internal control aspects and complying with the laws, regulations and internal policies of the institution.

In addition to the foregoing, GSB conducts itself in accordance with all applicable laws and regulations, it abides by and observes all best corporate practices, and keeps its annual certification under the 404 rule Sarbanes Oxley Law in 2009, in its capacity as a subsidiary of The Bank of Nova Scotia in Canada.

## Treasury Policies

Grupo Scotiabank (GSB) administers and maintains conservative and adequate liquidity levels, always within the best industry practices and in accordance with regulatory requirements. To this end, a stable, traditional and well-diversified deposit base is maintained as well as an active participation in the inter-bank market. In addition to the solid deposit base, GSB has at its disposal a wide range of lines of credit for working capital purposes, as well as irrevocable letters of credit that can be used to cover part of its established liquid asset requirements required by the Bank of Mexico.

Together with the above, The Group has adopted policies, procedures and clear limits for liquidity administration which outline the timely steps to follow to maintain sufficient liquidity gaps and liquid assets in case of some unforeseen contingency. These policies promote the uniform distribution of cash flows and try to minimize the liquidity gaps between assets and liabilities, taking into consideration the historic movements and the various products that make up the liquidity gaps.

The Bank of Directors and the Risk Committee have delegated to the Asset and Liability Committee, the administration and monitoring of liquidity risk within the parameters and limits established by the Board. The financial position with respect to liquidity, re-pricing, securities investment, risk and intermediation positions are periodically monitored by the Risk Administration area, that in turn, informs the Asset and Liability Committee and the Risk Committee for their analysis, follow-up and action as required. The Group Treasury Department is responsible for managing the liquidity risk and strategies to cover the liquidity and re-pricing gaps including taking risk positions and investing in securities.

## Attachment 8 Scotiabank Mexico

Scotiabank Mexico Financial Indicators					
	2010		2009		
	Q2	Q1	Q4	Q3	Q2
<b>ROE</b> <i>(Annualised quarterly net income / average capital for the quarter)</i>	8.3	12.0	10.9	9.2	6.0
<b>ROA</b> <i>(Annualised quarterly net income / average of total assets for the quarter)</i>	1.4	2.0	1.8	1.5	1.0
<b>Net Interest margin</b> <i>(Net interest margin including credit loss provisions / average earning assets)</i>	5.6	5.5	5.2	5.1	4.9
<b>Operating efficiency</b> <i>(Annualised quarterly operating expenses / average of total assets for the quarter)</i>	5.7	5.4	5.9	6.0	5.7
<b>Delinquency index</b> <i>(Balance of past due loans at quarter end / balance total loans)</i>	4.0	4.0	3.9	3.8	4.3
<b>Reserve coverage of past due loans</b> <i>(Allowance for credit losses at quarter end / balance of past due loans)</i>	99.7	101.6	103.6	108.7	96.8
<b>Net capital / Credit risk adjustment assets</b>	22.32	22.66	21.55	20.97	20.31
<b>Net capital / Total risk adjustment assets</b> <i>(credit, market and operational risk)</i>	17.32	17.41	16.73	16.43	15.89
<b>Liquidity</b> <i>(Liquid assets / liquid liabilities)</i>	50.6	57.2	60.1	60.8	52.2

Note: Include the netting of Restricted Investment related to Repos.

Scotiabank Mexico Performing Loan Portfolio; as June 30, 2010 <i>(P\$ millions)</i>				
	Pesos	USD	Udis	Total
Business loans	26,734	6,279	-	33,013
Loans to financial institutions	2,758	77	-	2,835
Loans to government entities	5,950	-	-	5,950
Consumer loans	16,591	-	-	16,591
Mortgages	38,992	187	406	39,585
<b>Total</b>	<b>91,025</b>	<b>6,543</b>	<b>406</b>	<b>97,974</b>

Scotiabank Mexico Past-due Loan Portfolio; as June 30, 2010 <i>(P\$ millions)</i>				
	Pesos	USD	Udis	Total
Business loans	426	17	-	443
Loans to financial institutions	-	-	-	-
Consumer loans	972	-	-	972
Mortgages	2,474	16	138	2,628
<b>Total</b>	<b>3,872</b>	<b>33</b>	<b>138</b>	<b>4,043</b>

Scotiabank Mexico Financial Information by product and region	June 30, 2010	March 31, 2010	June 30, 2009
<b>Performing Loan Portfolio</b>			
<b>Metro Division</b>	<b>47.8%</b>	<b>49.6%</b>	<b>49.8%</b>
Metro North	19.7%	19.7%	19.8%
Metro South	28.1%	29.9%	30.0%
<b>West Division</b>	<b>26.4%</b>	<b>24.6%</b>	<b>24.2%</b>
Metro East	14.0%	12.2%	12.6%
Mexico Central	12.4%	12.4%	11.6%
<b>East Division</b>	<b>25.8%</b>	<b>25.8%</b>	<b>26.0%</b>
Mexico North	14.2%	14.4%	14.5%
Mexico South	11.6%	11.4%	11.6%
<b>Past-due Loan Portfolio</b>			
<b>Metro Division</b>	<b>45.2%</b>	<b>46.5%</b>	<b>50.1%</b>
Metro North	23.1%	24.3%	23.8%
Metro South	22.1%	22.3%	26.4%
<b>West Division</b>	<b>28.6%</b>	<b>28.1%</b>	<b>26.6%</b>
Metro East	14.1%	13.9%	11.8%
Mexico Central	14.5%	14.2%	14.8%
<b>East Division</b>	<b>26.2%</b>	<b>25.4%</b>	<b>23.3%</b>
Mexico North	12.7%	12.5%	10.8%
Mexico South	13.4%	12.9%	12.5%

Scotiabank Mexico Reconciliation of Past Due Loans (P\$ millions)	
<b>Balance as at March 31, 2010</b>	<b>3,981</b>
Transfers (to) / from current loans	732
Restructured loans	-
Loans recovered	(21)
Loans written off	(649)
Foreign exchange	
<b>Balance as at June 30, 2010</b>	<b>4,043</b>

Scotiabank Mexico Allowance for Credit Losses (P\$ millions)	
<b>Balance as at March 31, 2010</b>	<b>4,044</b>
Plus: Reserves created	636
Less: Reserves taken into income	-
Transfer from Trust to Bank	-
Adjudications	12
Charge-offs and applications relating to regular loans	637
Commercial	2
Mortgage	227
Consumer	408
Charge-offs and applications relating to debtor support programs	3
Foreign exchange	3
<b>Balance as at June 30, 2010</b>	<b>4,031</b>

Scotiabank Mexico Authorized financing that exceeds 10% Basic Capital (P\$ millions as at June 30, 2010)		
No. of Credits	Amount	% Basic Capital
-	-	-
Financing to the 3 principal creditors		4,352

## Capital management

The Bank has a capital management process in place to measure, deploy and monitor its available capital and assess its adequacy. The objectives and practices of the Bank's capital management process are consistent with those in place as at June 30, 2010.

The two primary capital ratios used to assess capital adequacy are Tier 1 and total Tier 2 capital ratios, which are determined by dividing those capital components by risk-weighted assets. Risk-weighted assets represent the Bank's exposure to credit, market and operational risk and are computed by applying a combination of the Bank's internal credit risk parameters. On June 30, 2010 the Bank's Tier 1 capital ratio was 22.32% and total Tier 2 capital ratio was 17.32%.

Scotiabank Mexico – Capitalisation (P\$ millions; Consolidated with subsidiaries and UDI trusts)	30 June, 2010	March 31, 2010	30 June, 2009
Share capital	26,296	25,796	24,216
Less: Investment in financial companies	347	311	363
Investment in Non-financial companies	50	123	129
PTU & Income tax, deferred assets	-	201	201
Other non-allowable assets and deferred expenses	2,091	2,102	1,850
Plus: Allowable deferred tax	-	201	201
<b>Basic capital (tier 1)</b>	<b>23,808</b>	<b>23,260</b>	<b>21,874</b>
Allowable reserves against credits	412	410	381
<b>Complementary capital (tier 2)</b>	<b>412</b>	<b>410</b>	<b>381</b>
<b>Total net capital (tier 1 + 2)</b>	<b>24,220</b>	<b>23,670</b>	<b>22,255</b>

Scotiabank Mexico – Risk Assets (constant P\$ millions as at June 30, 2010)		Risk asset equivalent	Capital requirement
<b>Market Risk</b>	Operation in MXN at nominal rates	13,970	1,118
	Debt Instrument operations with “sur-charge” and adjustable rate	727	58
	Operation in MXN at real rates or rates denominated in UDIS	1,503	120
	Positions in UDIS or with yields related to inflation accounting	11	-
	Operation in foreign currencies at nominal rates	185	15
	Foreign exchange positions	25	2
	Securities positions or with yields related to a group of securities	165	13
	<b>Total market risk</b>	<b>16,586</b>	<b>1,326</b>
<b>Credit Risk</b>	Group III (weighted at 20%)	1,163	93
	Group III (weighted at 23%)	261	21
	Group III (weighted at 50%)	1,192	95
	Group III (weighted at 57.5%)	1,587	127
	Group III (weighted at 100%)	5	-
	Group IV (weighted at 20%)	1,070	86
	Group V (weighted at 20%)	1,368	109
	Group V (weighted at 50%)	1,091	87
	Group VI (weighted at 50%)	10,787	863
	Group VI (weighted at 75%)	10,857	869
	Group VI (weighted at 100%)	19,336	1,547
	Group VII (weighted at 20%)	-	-
	Group VII - A (weighted at 100%)	32,728	2,618
	Group VII - A (weighted at 115%)	2	-
	Group VII - A (weighted at 150%)	11	-
	Group VIII (weighted at 125%)	3,093	247
Group IX (weighted at 100%)	23,963	1,917	
	<b>Total credit risk</b>	<b>108,514</b>	<b>8,679</b>
	<b>Total operational risk</b>	<b>14,745</b>	<b>1,180</b>
	<b>Total Risk Assets</b>	<b>139,845</b>	<b>11,185</b>

Scotiabank Mexico Capital Ratios	June 30, 2010	March 31, 2010	June 30, 2009
<b>(1) Capital to credit risk:</b>			
Basic capital (tier 1)	21.94%	22.27%	19.96%
Complementary capital (tier 2)	0.38%	0.39%	0.35%
<b>Total net capital (tier 1+ 2)</b>	<b>22.32%</b>	<b>22.66%</b>	<b>20.31%</b>
<b>(2) Capital total risk:</b>			
Basic capital (tier 1)	17.02%	17.13%	15.62%
Complementary capital (tier 2)	0.30%	0.30%	0.27%
<b>Total net capital (tier 1+ 2)</b>	<b>17.32%</b>	<b>17.43%</b>	<b>15.89%</b>
<b>Classification according to the general rules referred to in Article 134 of the Credit Institutions Law</b>	<b>I</b>	<b>I</b>	<b>I</b>

Scotiabank Mexico Composition of Securities Portfolio (reasonable value) (P\$ millions as at June 30, 2010)					
Category	Government Paper	Debt Securities	Bank Paper	Other	Total
<b>Trading</b>	<b>14,163</b>	<b>4,310</b>	<b>4</b>	<b>2</b>	<b>18,479</b>
<i>Without restriction:</i>	20	3,989	2	-	4,011
<i>Restricted:</i>	14,143	321	2	2	14,468
Repurchase agreement:s	12,897	321	-	-	13,218
Others:	1,246	-	2	2	1,250
<b>Available for sale</b>	<b>2,789</b>	<b>1,001</b>	<b>53</b>	<b>3,993</b>	<b>7,836</b>
<i>Without restriction:</i>	2,789	1,001	53	3,933	7,776
<i>Restricted:</i>	-	-	-	60	60
<b>Held to maturity</b>					
<i>Without restriction:</i>	1,839	-	-	-	1,839
<b>Total securities</b>	<b>18,791</b>	<b>5,311</b>	<b>57</b>	<b>3,995</b>	<b>28,154</b>

Scotiabank Mexico Investments in non-Government Securities (In excess of 5% of net capital) (P\$ millions as at June 30, 2010)				
Issuer	Securities	Rate	Term	Value
INBURSA 10271	1,004	4.75%	31	1,004
INBURSA 10264	1,490	4.55%	1	1,490
BANORTE 10264	500	4.50%	1	500
BANORTE 10264	1,000	4.49%	1	1,000
<b>Total</b>	<b>3,994</b>			<b>3,994</b>

Scotiabank Mexico Rates paid on core deposits (as at June 30, 2010)			
	Average rate paid		
	Pesos	USD	UDIs
Demand and savings	1.08%	0.09%	-
Term Deposits	3.90%	0.22%	0.03%

Scotiabank Mexico Financial Information by product and region	June 30, 2010	March 31, 2010	June 30, 2009
<b>Demand deposits</b>	<b>51.8%</b>	<b>52.2%</b>	<b>52.9%</b>
<b>Metro Division</b>	<b>21.2%</b>	<b>22.9%</b>	<b>23.4%</b>
Metro North	8.9%	8.7%	10.3%
Metro South	12.3%	14.2%	13.1%
<b>West Division</b>	<b>15.0%</b>	<b>14.3%</b>	<b>14.4%</b>
Metro East	7.1%	6.8%	7.1%
Mexico Central	7.8%	7.5%	7.3%
<b>East Division</b>	<b>15.7%</b>	<b>15.0%</b>	<b>15.1%</b>
Mexico North	7.4%	6.6%	6.7%
Mexico South	8.3%	8.4%	8.4%
<b>Ventanilla Deposits</b>	<b>48.0%</b>	<b>47.6%</b>	<b>46.9%</b>
<b>Metro Division</b>	<b>18.6%</b>	<b>18.6%</b>	<b>16.2%</b>
Metro North	9.6%	9.3%	8.8%
Metro South	8.9%	9.3%	7.3%
<b>West Division</b>	<b>13.6%</b>	<b>13.1%</b>	<b>13.6%</b>
Metro East	5.5%	5.5%	6.1%
Mexico Central	8.1%	7.5%	7.4%
<b>East Division</b>	<b>15.8%</b>	<b>16.0%</b>	<b>17.2%</b>
Mexico North	5.4%	5.5%	5.8%
Mexico South	10.5%	10.5%	11.4%
<b>Total funding from customers</b>	<b>99.8%</b>	<b>99.8%</b>	<b>99.9%</b>
<b>Professional Funding</b>	<b>0.2%</b>	<b>0.2%</b>	<b>0.1%</b>

Scotiabank Mexico Funding from Banks and Other Organisations (P\$ millions, as at June 30, 2010)						
Term	Loans		Other funding			Total
	Commercial Banks	Banco de México	Development Bank	Development Funds	Other	
<b>Pesos</b>						
Short	-	-	-	-	-	-
Medium	-	-	1,385	725	-	2,110
Long	-	-	23	1,792	-	1,815
<b>Total</b>	-	-	<b>1,408</b>	<b>2,517</b>	-	<b>3,925</b>
Average Rate*	4.26%	-	7.47%	3.57%	-	
<b>Other</b>						
Short	-	-	-	-	-	-
Medium	-	-	-	-	-	-
Long	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-
Average Rate*	-	-	-	-	0.97%	-
<b>Total Interbank and other funding</b>	-	-	<b>1,408</b>	<b>2,517</b>	-	<b>3,925</b>

\*Average rate of June 30, 2010

The bank does not have debt from any creditor that is greater than 10% of total liabilities as at June 30, 2010.

Scotiabank Mexico has 4 issuances (which include two tranches of the second issue) of Bank Certificates. The main features of the issuances are as follow:

Issuance number	First	Second – 1 <sup>st</sup> Tranches	Second – 2 <sup>nd</sup> Tranches	Third	Fifth
<b>Trade Code</b>	SCB0001 05	SCOTIAB 05	SCOTIAB 05	SCB0002 05	SCOTIAB 07
<b>Amount issued</b>	\$400 millions	\$700 millions	\$800 millions	\$300 millions	\$2,000 millions
<b>Date</b>	November 10, 2005	November 10, 2005	December 8, 2005	December 8, 2005	December 6, 2007
<b>Term</b>	3,652 days, aprox. 10 years	1,820 days, aprox. 5 years	1,792 days, aprox. 4 year 11 months	4,750 days, aprox. 13 years	1,820 days 65 periods 28 days, aprox. 5 years
<b>Guarantees</b>	“Unsecured”	“Unsecured”	“Unsecured”	“Unsecured”	“Unsecured”
<b>Interest rate</b>	9.89% Fixed	TIEE 28 + 0.11%	TIEE 28 + 0.11%	9.75% Fixed	TIEE 28 - 0.09%
<b>Interest payment</b>	May 10 and November 10 each year until maturity	Each 28 days	Each 28 days	December 8 and June 8 each year until maturity	Each 28 days
<b>Principal payment</b>	One payment at end of the term	One payment at end of the term	One payment at end of the term	One payment at end of the term	One payment at end of the term

**Scotiabank Mexico**  
**Derivatives and hedging operations; as at June 30, 2010**  
*(P\$ millions, reasonable value)*

	Forwards		Futures		Options		Swaps		Total Asset	Total Liability
	Position		Position		Position		Position			
	Asset	Liability	Asset	Liability	Asset	Liability	Asset	Liability		
Trading	96	23	1	3	5	9	2,314	2,394	2,416	2,429
Hedging	-	-	-	-	-	-	81	471	81	471

**Scotiabank Mexico**  
**Notional amounts in derivative operations; as at June 30, 2010**  
*(P\$ millions, nominal values presented in currency origin)*

	Forwards		Futures		Options		Swaps	
	Position		Position		Position		Position	
	Asset	Liability	Asset	Liability	Asset	Liability	Asset	Liability
<b>Trading</b>								
USD positions	540	148						
EUR positions	7	7						
Currency					13	41		
Stocks					86	86		
Interest rate								
Mx Pesos			19,840	9,340			59,595	50,846
USD							305	306
<b>Hedging</b>								
Interest rate								
Mx Pesos							10,370	9,095
USD								194

<b>Scotiabank Mexico</b>		
<b>Market Results for the six months ended June 30, 2010</b>		
<i>(P\$ millions)</i>		
	Mark to Market	Trading Results
Investment in securities	4	23
Derivative trading transactions & hedge	(184)	(16)
Foreign exchange	3	309
Others	-	5
<b>Total</b>	<b>(177)</b>	<b>322</b>

<b>Scotiabank Mexico</b>	
<b>Deferred Taxes</b>	
<i>(P\$ millions; as at June 30, 2010)</i>	
<b><u>Assets</u></b>	
Provisions for sundry obligations	211
Other timing difference	990
<b>Subtotal</b>	<b>1,201</b>
<b><u>Liabilities</u></b>	
Revaluation of real estate	266
Mark to market gain	55
Other timing differences	154
<b>Subtotal</b>	<b>474</b>
<b>Net deferred taxes</b>	<b>726</b>

Scotiabank Inverlat, S.A. Classification of the Loan Portfolio As at June 30, 2010 (P\$ millions)					
	Loan Portfolio	Allowance for Credit Losses Required			Total Allowance for Credit Losses
		Commercial Loans	Consumer Loans	Mortgages Loans	
Excepted portfolio	50	-	-	-	-
Classified:					
A1 / A	73,574	122	66	128	316
A2	10,110	96	-	-	96
B1 / B	15,934	393	311	159	864
B2	654	63	-	-	63
B3	335	66	-	-	66
C1 / C	1,327	147	181	141	470
C2	12	5	-	-	5
D	1,787	3	463	787	1,253
E	778	451	201	87	739
<b>Total</b>	<b>104,561</b>	<b>1,346</b>	<b>1,222</b>	<b>1,302</b>	<b>3,870</b>
Provisions Created					4,031
Deficit (other credit reserves)					(161)

**NOTES:**

- The figures for the classification of the portfolio and the creation of allowance for credit losses correspond to the balance on last day of the month and are reflected in the balance sheet of June 30, 2010.
- The Commercial credit portfolio is classified using an international borrower classification model that has been authorised by the National Banking and Securities Commissions (CNBV), and which conforms with the applicable general character provisions of the financial credit institutions credit portfolio methodology published in the Federation's Official Diary dated August 22, 2008 and for all the retail credit portfolio products in agreement to the published in the Federation's Official Diary dated August 12, 2009.
- Other credit reserves are comprised of:

- Reverses against past due interest	\$	77
- Reverses – Credit Bureau	\$	81
- Excess of reserves	\$	3
Total	\$	161
- The classifications A1, B1, and C2, correspond to the Commercial portfolio and the classifications A, B and C, correspond to the Personal and Mortgages portfolio.

## Credit Risk

At the close of June 30<sup>th</sup>, 2010, the expected loss on the portfolio of the Bank was P\$2,772 million and the unexpected loss was P\$7,784 million. The total exposure of the credit portfolio was P\$151,482 million as at June 30, 2010 and the average during the period from April to June 2010 was P\$158,195 million.

## Market Risk

Average daily VaR observed during the quarter ended June 30<sup>th</sup>, 2010; was as follows:

Scotiabank Mexico – Average Daily VaR (P\$ millions)	Q2 10
1 day VaR ; 99%	6.51

The average VaR to June 30<sup>th</sup>, 2010 broken down by risk factor was as follows:

Scotiabank Mexico – Average VaR by Risk Factor (P\$ millions)	1 day VaR
<b>Risk Factor:</b>	
Interest rates	5.33
Exchanges rates	1.09
Equities	0.70
<b>Total no diversification</b>	<b>7.12</b>
Diversification factor	(0.61)
<b>Total</b>	<b>6.51</b>

The global average VaR of 1 day in the Bank during the second quarter of 2010 was of P\$6.51 million and the global value to the closing of June 30, 2010 was P\$7.01 million.

The average values of the market risk exposure in the business portfolio for the period April to June 2010 were the following:

Scotiabank Mexico – Average Position (P\$ millions)	Average Position	High Position	Limit Position	Average VaR	Limit VaR
<b>Bank</b>	<b>204,033.3</b>	<b>221,883.6</b>	<b>-</b>	<b>6.5</b>	<b>52.5</b>
Money market	20,924.4	25,398.5	105,000.0	10.3	-
Interest rate swaps	137,509.1	143,449.1	207,000.0	4.2	-
Rate futures / 3	-	-	-	12.7	-
<b>Interest rate market and rate derivatives</b>	<b>158,433.5</b>	<b>168,847.6</b>	<b>312,000.0</b>	<b>5.3</b>	<b>50.0</b>
<b>Stocks</b>	<b>32.5</b>	<b>47.3</b>	<b>206.0</b>	<b>0.8</b>	<b>10.0</b>
<b>IPC Futures</b>	<b>-</b>	<b>-</b>	<b>2,880.0</b>	<b>-</b>	<b>-</b>
<b>Equity investment portfolio / 4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.8</b>	<b>10.0</b>
FX Forwards / 1, 2	787.1	1,269	4,000.0	5.5	-
FX Desk / 1, 2	0.6	4.1	55.0	0.3	-
FX Options / 2	75.5	101.1	800.0	3.0	-
FX Futures / 3	-	-	-	4.8	-
FX Swaps / 2	289.4	297.0	1,500.0	0.1	-
<b>FX and derivatives / 4</b>	<b>1,152.6</b>	<b>1,671.2</b>	<b>6,355.0</b>	<b>1.1</b>	<b>10.0</b>

1/ The position in forwards is a gross position (i.e. longs + shorts) and that of FX Desk are a net figures (i.e. longs – shorts)

2/ Figures in USD millions

3/ The position and limit are based on the contracts number provided by Mexder.

4/ The observed period (holding period) of the VaR of currencies, capitals, Interest rates and their limits are 1 day.

To interpret the VaR with an example, the average 1-day value at risk of the Bank in the money market is P\$10.3 million. This means that under normal conditions, in 99 out of 100 days, the maximum potential loss is up to P\$10.3 million.

During the second quarter of 2010, the Bank participated in the Mexican Derivatives market, through the Mexder exchange, by trading in future interest rate contracts, future currency contracts. By the end of quarter, the Bank does not have positions on the IPC Future contracts. Below, the positions show the number of contracts traded.

<b>Scotiabank Mexico – Average Position</b> <i>(figures in number of open interest contracts)</i>	<b>Average Position</b>	<b>High Position</b>	<b>Limit Position</b>
<b>Futures</b>			
TIIE28	245,316.9	375,558.0	945,000.0
CE91	24,841.3	43,000.0	90,000.0
Bono M /2	9,519.4	15,206.0	35,300.0
<b>Rate futures/ 1</b>	<b>279,677.6</b>	<b>433,764.0</b>	<b>1,070,000.0</b>
<b>USD Futures / 1</b>	<b>1,904.8</b>	<b>5,000.0</b>	<b>10,000.0</b>

1/ The position and limit are based on the contracts number provided by Mexder.

2/ The limit M Bond futures contracts include futures 15,000 Bonds M20, 20,000 Bond futures contracts and 300 M10 Bond futures contracts M3.

Due to the fact that the VaR measure serves to estimate potential losses in normal conditions of market, daily tests are made under extreme conditions "stress testing" with the purpose to determine the risk exhibition considering big fluctuations in the market prices. The risk committee has approved limit stress.

The result of the "stress testing" at June 30, 2010, was P\$647.3 million, which compares with a limit of P\$1,500 million, and thus lying within the tolerable limits. The hypothetical scenarios that are used for this test are the crisis of 1994 and 1998.

Regarding Back-Testing's tests, the new scenarios of high volatility recorded during Octubre/08 caused the exceptions to the proof, however after October it was corrected in a general way. This period was temporary, which means it is not necessary to adjust the model and since all excesses have explanation of high volatility. The Back-Testing tests from April to June 2010 show the level of efficiency of green based on criteria established by the Bank of International Settlements (BIS).

The change in the estimated economic value is \$682 million (impact over the parallel change in economic value of 100 bp in rates) and the estimated change in financial revenues of \$213 million (impact over the margin to parallel changes of 100 bp in rates).

### Market risk treatment for available for sale securities

At the end of June 30, 2010 the Bank's total amount of available for sale securities was P\$7,836 million.

### Liquidity Risk

The principle of liquidity gap is to determine amount in assets and liabilities that will be paid back at a given horizon and is the difference in cash flows of assets, upon maturity, less the cash flows of liabilities upon maturity.

<b>Limit</b>	<b>Use</b> <i>(millions of pesos)</i> <b>June 2010</b>
Two-week accumulated Gap (MXP + UDIs)	(8,906)
Liquid Assets	3,394

The two-week accumulated gap indicates the cash commitments that the Bank has during this period and the liquid assets available to meet these commitments should it not have access to other funding sources.

## Operational and Legal Risk

From April to June 2010 the Bank registered loss related for operative risk of P\$25.8 millions, also in case of materialize operational risk this might be caused a negative impact on the Bank's result, in case of legal risk by \$311 millions, that are reserved at 100% and represent the 1% of the Institution's Equity of Stockholders.

## Debt Rating Agencies

Scotiabank Domestic Debt Rating	Long Term	Short Term	Perspective
Fitch Rating	AAA(mex)	F1+(mex)	Stable
Moody's	Aaa.mx	MX-1	Stable
Standard & Poor's	mxAAA	mxA-1+	Stable

The information above is presented by Scotiabank Mexico with the sole purpose of informing its customers of the Bank's domestic credit ratings as defined by Debt Rating Agencies (Fitch Ratings, Moody's and Standard & Poor's). These ratings could be modified without prior advice.

## Dividends

At the Annual General Shareholder's meeting held on March 27, 2009 it was agreed to declare a dividend up to an amount of P\$2,000,000,000.00 to be charged to retained earnings. The Assembly authorized the Board to approve the payment program.

The Shareholder's meeting approved that the aforementioned dividend would be paid quarterly, within a range of between 0% and 45% of the quarterly net income, which was also approved by the Board. It was approved that the dividend payments would be made through "S.D. Indeval, Institución para el Depósito de Valores, S.A. de C.V."

Payment date	Amount
August 28, 2009	\$111
November 30, 2009	\$178
March 5, 2010	\$260
May 28, 2010	<u>\$299</u>
Dividends paid at June 30, 2010	\$848

## Attachment 9 Scotia Casa de Bolsa

As at the close of June 30, 2010, Total Assets were P\$16,225 million, an increase of P\$876 million from the previous year. The year-over-year increase was due to an increase in Securities of P\$ 1,441 million, primarily as a result of a higher volume of transactions, partially offset by a decrease in Funds Available of P\$774 million, related to the maturity of warrants.

On the other hand, Total Liabilities were P\$ 14,436 million, up P\$524 million from the previous year. This increase was due mainly to an increase in the repurchase agreements, loan securities and investment purchase transactions pending settlement.

Securities held in Custody were P\$187,991 million, a year-over-year increase of 21% due primarily to the improvement in the economic environment.

For the six months ended June 30, 2010, net income was P\$180 million, an increase of P\$ 106 million from the same period last year. The year-over-year increase was due mainly to an increase in intermediation revenues, related to an exchange of securities, as well as higher revenues from mutual funds transactions, partially offset by lower repurchase agreement transactions and higher taxes. Non-Interest Expenses were slightly lower by 1% from the same period last year.

Scotia Casa de Bolsa Financial Indicators					
	2010		2009		
	Q2	Q1	Q4	Q3	Q2
<b>Solvency</b> <i>(Total assets / Total liabilities)</i>	1.5	1.8	2.7	1.3	1.4
<b>Liquidity</b> <i>(Liquid assets / liquid liabilities)</i>	1.4	1.7	2.5	1.6	1.6
<b>Financial leverage</b> <i>(Total liabilities less trading settlement accounts / Capital )</i>	89.0	89.1	46.7	135.6	101.3
<b>ROE</b> <i>(Net income / Capital)</i>	23.3	19.4	16.7	11.0	4.9
<b>ROA</b> <i>(Net income / earning assets)</i>	12.1	13.7	8.6	4.1	1.9
<b>Capital requirements / Total Capital</b>	28.92	29.91	17.77	21.06	21.84
<b>Financing margin / Total operating income</b>	53.7	25.6	-14.0	-0.6	37.7
<b>Operating income / Total operating income</b>	44.1	43.8	-21.3	-14.4	16.6
<b>Total operating income / Administration expenses</b>	179.0	177.9	82.8	87.4	119.9
<b>Administration expenses / Total operating income</b>	55.9	56.2	120.7	114.4	83.4
<b>Net income / Administrative expenses</b>	57.3	62.7	36.6	26.5	10.4
<b>Personnel expenses / Operating income</b>	40.4	40.8	80.2	70.8	60.2

Note: Include the netting of Restricted Investment related to Repos.

Scotia Casa de Bolsa Other revenues and expenses (net) (P\$ millions)	June 30, 2010
Provision cancel	2
Commission to refer customer	3
Income for leasing	4
Recoveries	6
Account handling commissions	2
Other	11
<b>Other revenues and expenses (net)</b>	<b>28</b>

## Capitalisation

At June 30, 2010 Brokerage Firm's common shareholders equity was strong, at P\$1,789 millions. The total capital ratio for credit, market and operational risk was 27.66%.

The global capital needed by risk of credit, market and operational was of P\$493 million that represent a consumption of the capital of 28.92%.

Scotia Casa de Bolsa Capitalisation (P\$ millions)	June 30, 2010 (*)
Share capital and reserves	1,789
Less: Investments in financial	1
Other assets	85
<b>Basic capital</b>	<b>1,703</b>
<b>Complementary capital</b>	<b>-</b>
<b>Total capital</b>	<b>1,703</b>

Scotia Casa de Bolsa – Risk Assets (P\$ millions as at June 30, 2010)		Assets	Capital requirement (*)	Risk assets
<b>Market Risk</b>	Operations in MXN at nominal rates	68,760	99	1,237
	Operations in MXN with floating rate premium or yield referred to this	28,617	41	516
	Operations in MXN at real rates or rates denominated in UDIs	1,532	-	2
	Operations in foreign currencies at nominal rate	374	2	30
	Positions in UDIs or with yields related to inflation accounting	1,532	-	-
	Foreign exchange positions	104	13	157
	Securities positions or with yields related to a group of securities	311	200	2,497
	<b>Total market risk</b>	<b>101,230</b>	<b>355</b>	<b>4,439</b>
<b>Credit Risk</b>	Counter –party in repurchase agreements and derivatives	63	4	47
	Issuer of debt instruments related to repurchase agreements	13,356	82	1,029
	Due to deposits, loans, other assets and contingencies	419	24	300
	<b>Total credit risk</b>	<b>13,838</b>	<b>110</b>	<b>1,376</b>
	<b>Total market and credit risk</b>	<b>115,068</b>	<b>465</b>	<b>5,815</b>
<b>Operational Risk</b>	<b>Total operational risk</b>	<b>-</b>	<b>27</b>	<b>343</b>
	<b>Total market, credit and operational risk</b>	<b>115,068</b>	<b>492</b>	<b>6,158</b>

\*Preliminary figures pending Banco de Mexico approval

Scotia Casa de Bolsa Capital Ratios	June 30, 2010 (*)
Global Equity / Assets under credit, market and operational risk	27.66%
Basic Capital ( tier 1)	1,703
Complementary capital ( tier 2)	-
Global Equity ( tier 1 + tier 2)	1,703

\*Preliminary figures pending Banco de Mexico approval.

Scotiabank Casa de Bolsa Composition of Securities Portfolio (P\$ millions as at June 30, 2010)					
Category	Government Paper	Debt Securities	Others	Bank Paper	Total
<b>Trading</b>	<b>10,078</b>	<b>2,766</b>	<b>342</b>	<b>973</b>	<b>14,159</b>
Without restriction:	741	40	12	234	1,027
Restricted:	9,337	2,726	330	739	13,132
Repurchase agreements:	7,847	2,649	-	-	10,826
Securities Receivable:	-	-	-	156	156
Others:	1,490	77	-	583	2,150
<b>Available for sale</b>	<b>-</b>	<b>-</b>	<b>134</b>	<b>286</b>	<b>420</b>
Without Restricted:	-	-	134	286	420
<b>Total securities</b>	<b>10,078</b>	<b>2,766</b>	<b>476</b>	<b>1,259</b>	<b>14,579</b>

Scotiabank Casa de Bolsa Derivatives and hedging operations; as at June 30, 2010 (P\$ millions, reasonable value)										
	Forwards		Futures		Options		Options (others)		Total Asset	Total Liability
	Position		Position		Position		Position			
	Asset	Liability	Asset	Liability	Asset	Liability	Asset	Liability		
Trading	1	-	-	2	-	-	18	1,036	19	1,038

Scotiabank Casa de Bolsa Notional amounts in derivative operations; as at June 30, 2010 (P\$ millions, nominal values presented in currency origin)						
	Futures		Options		Forwards	
	Position		Position		Position	
	Asset	Liability	Asset	Liability	Asset	Liability
<b>Trading:</b>						
Foreign exchange					5	6
Index	47	15	57	57		
Others				86		

Scotia Casa de Bolsa Market Results for the six months ended June 30, 2010 (P\$ millions)		
	Mark to Market	Trading results
Investment in securities	11	148
Derivate trading transaction	(10)	3
Other	-	3
<b>Total</b>	<b>1</b>	<b>154</b>

<b>Scotia Casa de Bolsa</b>	
<b>Deferred taxes</b>	
<i>(P\$ millions as at June 30, 2010)</i>	
Mark-to-market of investment	(1)
Prepayment	(19)
Fixed assets	(51)
Expense provisions	62
Imputed Interest	1
Warrants	49
Employee Profit Sharing Expenses (PTU)	6
Shares appraisal	(92)
<b>Net deferred taxes</b>	<b>(45)</b>

## Credit risk

At the close of June 30, 2010, the expected loss on total credit portfolio of Brokerage Firm's was P\$0 million and the unexpected loss was P\$8 million. The total exposure of the credit portfolio was P\$14,114 millions as at June 30, 2010 and the average during the period from April to June 2010 was P\$44,368 million.

## Market Risk

Average daily VaR observed during the quarter ended June 30, 2010 was as follows:

<b>Scotia Casa de Bolsa – Average Daily VaR</b>	<b>Q2 10</b>
<i>(P\$ millions)</i>	
1 day VaR, 99%	3.69

The global daily average VaR for Casa de Bolsa during the second quarter of 2010 was P\$ 3.69 million and the global value as at June 30, 2010 was P\$ 3.45 million.

The risk value removed by risk factor of Scotia Casa de Bolsa to June 30, 2010 was the following:

<b>Scotia Casa de Bolsa – Average VaR by Risk Factor</b>	<b>1 day VaR</b>
<i>(P\$ millions as at June 30, 2010)</i>	
<b>Risk Factor</b>	
Interest rates	1.59
Equities	2.77
<b>Total no diversification</b>	<b>4.37</b>
Diversification effect	(0.68)
<b>Total</b>	<b>3.69</b>

The average values of the market risk exposure in the business portfolio for the period from April to June 2010 were the following:

<b>Scotia Casa de Bolsa</b>	<b>Average Position</b>	<b>High Position</b>	<b>Limit Position</b>	<b>Average VaR</b>	<b>Limit VaR</b>
<i>(P\$ millions as at June 30, 2010)</i>					
<b>Brokerage House</b>	17,140.6	19,965.9		3.7	25.0
<b>Money market</b>	17,073.8	19,935.2		1.6	25.0
<i>Equity position</i>	<i>67.3</i>	<i>139.8</i>	<i>200</i>	<i>0.9</i>	<i>10.0</i>
<i>IPC Derivatives / 1</i>	<i>71.1</i>	<i>173.7</i>	<i>2,880.0</i>		
<b>Total Equities and IPC Derivatives</b>	<b>138.3</b>	<b>270.2</b>		<b>2.8</b>	<b>10</b>

1/ includes IPC futures and options of the equity derivatives desk, the VaR includes the warrants portfolio. The average 1 day VaR of warrants is P\$ 2.49 millions.

To interpret the VaR with an example, the average 1-day value at risk of the Casa de Bolsa in the money market is P\$1.6 million. This means that under normal conditions, in 99 out of 100 days, the maximum potential loss is up to P\$1.6 million.

During the second quarter of 2010, the Broker House took part on the Mexican Market of Derivatives named as Mexder, celebrating operations of contracts on Future and IPC options futures. During this period the broker house does not have operations of future of interest rate. Later the positions appear in numbers of negotiated contracts.

Scotia Casa de Bolsa– Average Position <i>(figures in number of open interest contracts)</i>	Average Position	High Position	Limit Position
<b>Futures</b>			
TIE28			945,000
CE91			90,000
Bono M			35,300
IPC Futures /2	101	308	750

2/ Includes contracts of trading capital desk. The 1 day average VaR for IPC Futures are \$0.33 millions and it is included in the Equity Global VaR.

The total average position for the quarter for IPC futures of Mexder for Equities and Equity derivatives was P\$ 138.3 million. Only the Equity derivatives area can enter into options on IPC futures transactions of Mexder, during the quarter there were no operations.

Is important to emphasize that the futures and options from IPC futures basically are in use for covering the risk of market of the positions of optional titles or warrants that issue for the clients. Warrants were indexed to the equities and IPC issued by the Broker House, from P\$2,294 million to the top of P\$4,437 million.

Due to the fact that the VaR measure serves to estimate potential losses in normal conditions of market, daily tests are made under extreme conditions "stress testing" with the purpose to determine the risk exhibition considering big fluctuations in the market prices. The risk committee has approved limit stress.

At the end of June 30, 2010 the test of extreme conditions "stress testing" was \$185 million compared to \$800 million are consider favourable. The scenes that are in use for this test are the crisis of 94 and 98 as hypothetical.

Regarding Back-Testing's tests, the new scenarios of high volatility recorded during Octubre/08 caused the exceptions to the proof, however after October it was corrected in a general way. This period was temporary, wich mean it is not necessary to adjust the model since all excesses has explanation of high volatility. The Back-Testing tests from April to June 2010 shows the leve of efficiency of green based on criteria established by the Bank of International Settlements (BIS).

### Market risk treatment for available for sale securities

At the end of June 30, 2010 the Casa de Bolsa's total amount of available for sale securities was P\$420 million.

The available for sale securities have been included in the Casa de Bolsa position and have been considered in its measurement of sensitivity of risk analysis.

### Liquidity Risk

The principle of liquidity gap is to determine amount in assets and liabilities that will be paid back at a given horizon and is the difference in cash flows of assets, upon maturity, less the cash flows of liabilities, upon maturity.

Limit	Use <i>(millions of pesos)</i> June 30, 2010
Two-week accumulated Gap (MXP + UDIs)	-
Liquid Assets	2,472

The two-week accumulated gap indicates the cash commitments that Scotia Casa de Bolsa has during this period and the liquid assets available to meet these commitments should it not have access to other funding sources.

### Operational Risk

During the April to June 2010 period, the Casa de Bolsa recognized operational risk losses totaling P\$556 thousand pesos comprised of 187 different events. In addition, other operational risks corresponding to legal risks, could impact P\$24.4 million, in case they should materialize.

### Rating Agencies

Scotia Casa de Bolsa Domestic Debt Ratings	Long Term	Short Term	Perspective
Moody's	Aaa.mx	MX-1	Stable
Standard & Poor's	mxAAA	mxA-1+	Stable

The information above is presented by Scotia Casa de Bolsa with the sole purpose of informing its customers of the Brokerage house's domestic credit ratings as defined by Rating Agencies (Moody's and Standard & Poor's). These ratings could be modified without prior advice.

## Attachment 10

### Global Risk Management

The Board of Directors is responsible for establishing standards and global risk limits within the Institution. It delegates the authorization, administration and monitoring of compliance to these limits to a Risk Committee.

In compliance with the risk management regulations issued by the banking authorities (CNBV), the Bank and Brokerage House relies on a specialized risk administration area, which has responsibility over the Group, and which has adopted similar policies in risk management and control as those adopted by The Bank of Nova Scotia.

### Market Risk

The purpose of the market risk management function is to identify, measure, monitor and control risks arising from changes in interest rates, foreign exchange and equity market and other risk factors in the money, foreign exchange, equity and derivatives markets in which the Group maintains positions for its own account.

The risk positions in the Group include fixed and floating rate assets in money market, equity portfolios, and derivative instruments such as interest rate futures, foreign exchange futures and foreign exchange options, interest rate swaps, as well as foreign exchange positions.

The Group applies a series of techniques designed to evaluate and control market risks at which the Bank is exposed in the current course of its activities. The Board of Directors authorizes the risk limit structure at which the Institution is exposed.

The value at risk (VaR) is an estimate of the potential loss of value within a specific level of statistical confidence that might arise from maintaining a specific position during a determined period of time (the holding period) under normal market conditions. VaR is calculated daily on the entire Group's risk-exposed financial instruments and portfolios using the Risk Watch methodology developed by Algorithmic.

The VaR is calculated using the historical simulation method, with a 300-working day time span. In order to fulfill the measurement methodologies used by BNS, the Group calculates VaR considering a 99% of confidence level and a one-day holding period.

During the annual review of limits, in May, 2009, the Board of Directors approved the change in the observation period, from 10 days to 1 day. The change was proposed by the

Risk Management Committee and the Risk Administration area with the objective of representing, in a more efficient way, the Value at Risk over daily gains / losses and for non-linear financial assets, such as options, to avoid the appearance that the portfolio is maintained without rebalancing the hedge for 10 days.

Stress testing exercises are performed daily on the portfolios, assuming extreme market conditions. "Backtesting" are realized monthly to compare losses and earnings to calibrate the models that are used. The efficiency level of the model is based on criteria established by the Bank of International Settlements (BIS).

In relation to the back-testing, the new high-volatility scenarios recorded during October, 2008 resulted in test exceptions. However, subsequent to October, the back-testing results were satisfactory. This period was temporary and therefore did not warrant to change the model because the exceptions have been explained by the high volatility.

This specific period of unusual volatility put a "yellow-light" warning (preventative level) on the global VaR of the Group. The cause was the global crisis that intensified in October, 2008.

### Sensitivity

The Group has a specialized Trading Risk Analysis area that methodically supervises and oversees the valuation process, risk measurement and sensitivity analysis. This area liaises continually with the management of the various trading desks.

The Risk area calculates, on a daily basis, market risk sensitivity for each portfolio with risk exposure. During the quarter, there were no changes to the assumptions, methods or parameters used for the analysis.

The following is a description of the methods, parameters and assumptions utilized for the equity, foreign exchange, interest rate and derivative product portfolios.

### Interest Rate Portfolio

The sensitivity measurements that are used for the fixed rate instruments (bonds) are based on estimating the behavior of the portfolio value given a change in market interest rates. For this purpose, the benchmark is the interest rate curve (and not to the zero coupon curve) as these are the ones that are quoted in the market and better explain the gains and losses behavior.

The sensitivity of the fixed rate instrument portfolio is based on durations and convexities depending on the type of instrument. In all cases, two types of measurements are produced: i) the expected change in the value of the portfolio given a change of 1 basis point (0.01%) in the yield curve;

and, ii) the expected change in the value of the portfolio given a change of 100 basis points (1.0%) in the yield curve. For the purposes of the sensitivity of the fixed rate instrument portfolio only the changes in 1 basis point methodology are used as the benchmark.

The estimated values, based on a methodology of duration and convexity, is a good approximation of the values obtained using the complete valuation methodology and known as “full valuation”.

In the case of the floating interest rate bonds, two types of sensitivities are calculated; one related to the free interest rate risk and the other to the spread.

For the zero coupon bonds, the sensitivity calculation is based as if they were instruments without coupons. Therefore the duration is the term to maturity, expressed in years.

#### Interest Rate Derivatives

The following is a brief explanation about the sensitivity model used for the interest rate derivatives of the Group.

TIIE and CETE interest rate futures: These types of derivative instruments are modeled to calculate their sensitivity, as a future of a zero coupon rate and therefore its duration is considered in the estimation of its sensitivity.

M Bond Futures: The sensitivity considers the duration and convexity over the bonds deliverable in these contracts.

Interest Rate Swaps: To determine the sensitivity to changes in the TIIE swap yield curve, the change of 1 basis point in each one of the relevant points of the yield curve is effected, as well as a change of both 1 and 100 basis points, valuing the portfolio with different curves and calculating the change in value of the portfolio with each one of these changes. For interest rate swaps the change of 1 basis point benchmark is used.

#### Equity Portfolio and IPC Equity Derivatives

For the impact of the equity position, the sensitivity is obtained by calculating the change or delta, by issue, within the portfolio. The delta is defined as the change in the value of the portfolio as the result of a change of 1% in the value of the underlying asset.

#### Equity Derivatives

Currently, the Group has opted to execute equity derivative transactions through IPC futures that are quoted on the Mexican Derivative Market, MexDer. Their sensitivity is

calculated by the delta and this portfolio has limits expressed in notional amounts.

The delta is defined as the change in the value of the derivative with respect to the changes in the underlying asset. The delta risk is defined as the change in the value of the option as a result of the change in a predetermined magnitude in the value of the underlying (for example 1%). Its calculation is determined by valuating the option at different values of the underlying (one original and one with a “shock” of + 1%), while maintaining all the remaining parameters constant.

For futures, the sensitivity calculation is delta, defined as the change in the value of the derivative with regard to changes in the underlying asset. Likewise, Rho is defined as the sensitivity as changes in interest rates. In the case of futures contracts, this sensitivity can be estimated, based on information available in the market. Casa de Bolsa defines Rho as the change in the value of the portfolio in view of a change of 100 basis points (parallel) in the benchmark interest rate.

The sensitivity measures considered for non-linear products, like warrants and options, are Delta and Greeks. The sensitivity calculation is based on an options valuation model on futures, known as Black 1976.

The risk delta is defined as the change in the value of an option with regard to a change in the predetermined magnitude in the value of the underlying asset (for example 1%). Its calculation is done by valuing the option with various values of the underlying asset (one original and other with a “shock” of +1%) while maintaining all other parameters constant.

Gamma, is the complement to delta risk, and is another measure of sensitivity in the value of an option with regard to the underlying asset value. Gamma measures the rate of change of Delta with regard to a change in the value of the underlying asset and, similar to Delta calculation. It can be interpreted in an analytic manner, as the partial second derivative of the Black & Scholes function with regard to the underlying asset.

Rho is the sensitivity measure of an option portfolio with regard to changes in interest rates. Mathematically, Rho is the partial first derivative of the Black & Scholes function with regard to interest rates. Rho is defined as the change in the value of an options portfolio regarding an increase of 100 basis points (+1%) in interest rates. Generally, the sensitivity of an option portfolio of interest rates is minor compared with the sensitivity at the price of the underlying (delta) or the implicit volatility (vega).

Theta is the sensitivity measure of an option portfolio that indicates the change in the value of the portfolio before the

passage of time. Theta is defined as the change in the value of the derivative product before the passage of time. Theta is only calculated for guidance purposes and for the analysis of profit and loss, given that it does not represent a real market risk, but a hard fact, predictable and quantifiable.

Vega is the name that is given to the sensitivity measurement of the value of an option portfolio with regard to changes in the market volatility of the underlying asset. Generally, long positions in options will benefit from the volatility increase of the underlying asset, while short positions will have the opposite impact, with some exceptions such as binary options.

**Dividend Risk.** The valuation of options on indexes or equities assumes a continuous compounded dividend rate. The dividends, however, are estimates and therefore an unknown variable, representing a risk factor for the valuation and the resulting profit and loss of option transactions.

The dividend risk does not have a “Greek” letter associated with its sensitivity, and in the case of index and equity options in the Group the measurement is done by means of increasing the dividend rate 1% (ie. from 1% to 1.01%).

#### Foreign Exchange and Foreign Exchange Derivatives

##### Foreign Exchange

The portfolio consists of different currencies managed by a foreign currency desk for trading purposes. The sensitivity is calculated by the delta by currency, which is the change in the value of the portfolio as a result of a change of 1% in the value of the underlying.

##### Foreign Exchange derivatives

**Foreign exchange forwards and futures:** For this portfolio, the sensitivity of each currency is calculated as a result of fluctuations in the interest rate, as well as the result in the present value due to a change of 1 basis point along the respective yield curves, while all the remaining factors stay constant. We also apply a non-parallel change along the yield curves through term gaps, while all the remaining factors stay constant.

**Foreign Exchange Options:** In the case of exchange rate options, the sensitivity is calculated by applying the known sensitivities of their Greek letters; delta, gamma, vega, theta and rho.

**CCIRS (Cross Currency Interest Rate Swaps):** To determine the sensitivity to changes in the yield curve, a 1 basis point change along the respective yield curve is made, valuing the portfolio with different curves and calculating the change in value of the portfolio with each one of these changes. Also,

an analysis is done in parallel with a change of 100 basis points. In addition, a non-parallel 1 basis-point change is done to the yield curve through term gaps, while maintaining all other factors constant. For the purposes of this section only the 1 basis point sensitivity benchmark is used.

#### Sensitivity for Available for Sale and Securities Held to Maturity

The Group faces the volatility in the markets by maintaining a trading model orientated to drive product origination and distribution for its clients. Moreover, the risk profile is conservative and consistent even in periods of low volatility.

In the current environment, the Group has significantly reduced its investment debt portfolio. The risk of this portfolio has been reduced in terms of sensitivity in view of interest rate fluctuations. The equity portfolio remains relatively small. In the foreign exchange market the intraday trading remains without significant risk positions.

#### Market Risk Management for loan and funding activities.

The Group assumes intrinsic interest rate risks associated with the trading function.

The objective of the interest rate risk management process is to identify measure and manage the risk-yield relation within the established risk tolerance limits, ensuring that these activities are carried out in a prudent manner. The Group manages its interest rate risk exposure in accordance with the applicable regulatory requirements and the industry best practices.

The balance position includes all the Group’s asset and liability activities that are not included in the trading activities. The derivative products are important management tools as much for the Group as for its clients. The Group uses the money market instruments and derivative products to control market risk due to its funding and investing activities and to reduce the funding costs. To control interest rate risk in its fixed-rate lending activities, interest rate swaps and interest rate forwards are traded. In its representative capacity, the Group trades derivative products for its clients’ accounts and takes positions for its own account.

The interest rate risk is monitored and controlled by currency (MXN, USD, UDIs) for the total portfolio. This monitoring includes the measurement of the economic value of the portfolio and sensitivity of the margin to interest rate changes, for the next 12 months, and re-pricing gap limits.

These models consider assumptions over the growth, the mix of new business, the changes in interest rates, maturities and other factors.

The Group periodically monitors its exposure in light of extreme movements in the markets and considers these results for the establishment and review of policies and limits to take interest rate risk.

#### Liquidity risk

The Group, as part of its normal course of business, takes on liquidity risk. This risk results from cash flow gaps. The main objective of the liquidity risk management process is to guarantee that the Group can cover its obligations as they come due. In order to comply with this objective, the Group applies controls to the liquidity gaps, maintains diverse funding sources, establishes different limits and requires a minimum percentage of assets to be of a liquid nature. This liquidity risk exposure is managed following the existing regulations and best market practices.

Within the various elements that form part of the liquidity management process, the Group evaluates and forecasts the different cash commitments, controls the maturity gaps for assets and liabilities, diversifies its funding sources, establishes prudent limit structures and guarantees immediate access to liquid assets. In addition, the Group has established contingency plans.

Liquidity risk is monitored and controlled by the type of currency (MXN+UDI's, USD), through accumulated liquidity gaps and minimum core liquid assets.

#### Credit Risk

Credit risk is defined as the potential loss coming from the lack of payment from a borrower or counterparty which the institution carries out business transactions. This risk is not only present in the loan portfolio, but also in the securities portfolio, derivative transaction and in the settlement of foreign exchange transactions.

Scotiabank's Group Management of credit risk is centered on applying well defined strategies to control these risks, including a centralized credit process, portfolio diversification, a good credit analysis, a close follow-up of loans and diverse credit risk rating models.

The Board of Directors establishes credit authorization limits, approves credit policies and procedures, and revises loans of important size and does a follow-up on the overall credit exposure and its management.

The credit policies are based on the prudential model set by the local regulator (Comision Nacional Bancaria y de Valores) and establishes risk concentration limits by industry groups and sectors, currencies and maturity term.

There are several credit approval levels: Board of Directors, Board's Credit Committee, Credit Policy Committee and combined authorization powers. The distinction between these levels is in accordance with the transaction size, type of borrower, use of the resources and credit rating.

The business lines prepare and structure the different credit proposals, which are then analyzed by the Credit area and approved by the appropriate authorization level, assuring an adequate separation between business originators and approval areas.

In addition, the different business lines perform, on a regular basis, a financial review for each borrower, performing, at least annually, an in-depth risk analysis for each loan, modifying, if needed, the approved rating. With these activities, the Group determines any change in the risk profile of every borrower. During these revisions, the global credit risk, including derivative related transactions and forex. In case of risks that may be above the acceptable levels, more frequent reviews are performed, at least quarterly.

The Group has established a risk rating system which is used to identify the risk level of proposed and existing loans and insures that the loan spreads are proportionate to the assumed risk. For this purpose the Group has, for the corporate and commercial segments, a profitability model that explicitly takes into account the expected and unexpected loss by type of transaction, as well as any other revenues or expenses associated with the customer.

In the commercial portfolio, the loan quality is rated in accordance with the risk levels established in the rules set out by the regulating bodies which include assumptions on the possible risks of recovery based on both, the borrower's characteristics, and by the quality and characteristics of the guarantee. On a monthly basis, the Risk Committee closely follows the main risk migrations.

Consumer loans and mortgage portfolios are also reviewed on a monthly basis with the objective of determining the possible trend in their credit quality. The potential losses are measured, considering past due payments and their age.

The credit risk determination is based on a model that includes Expected and Unexpected Loss (CreditMetrics), based on the changes in the credit situation observed for each borrower (transition matrix) and the loss severity by type of portfolio.

- The expected loss represents the estimated impact of default over a 12 month period.
- The unexpected loss is a dispersion measure on the expected loss. It is calculated with a one year horizon at a 99.75% confidence level.
- In addition, stress tests are performed in order to determine the impact on the portfolio's expected and unexpected losses.

Credit culture

To create and promote a credit culture, the Group has permanent training programs for personnel involved in the loan origination and authorisation processes. Among such programs is required advanced training in commercial banking practices that provides support tools for the analysis and evaluation of credit risk, as well as decision-making workshops.

Implementation of prudent credit criteria

In accordance with the General Character Dispositions applicable to credit institutions the Group has established control measures to identify, measure and limit the risk positions from credit activity, on a timely and in its different phases. There are documented in the Credit Policies and Procedures Manual and are constantly reviewed and updated, as well as being submitted for approval annually by the Board Directors.

Concentration of credit risk

The Group has implement policies and procedures to maintain a sound credit portfolio, diversified, controlled and with prudent risk. These policies and procedures emphasise the establishment of credit risk limits considering business units, currency, term, sector, etc. These limits are submitted annually to the Board of Directors for their approval and compliance with these limits is monitored and reported monthly to the Risk Committee.

Methodology to determine credit risk

In order to identify the amount of risk inherent in credits and, on the other hand, ensuring that the yield from each credit is proportional to its risk, the Group uses a system for the classification of credit risk which is based on the methodology used by BNS, which also includes system and strategies for the granting and monitoring of the credit portfolio. As such, the Group has taken advantage of BNS' extensive experience in the areas of loan classification and estimation of reserves and losses and has adapted this experience to conform with the laws and requirements of the Mexican market.

This model considers the following risk factors: country risk, financial performance, debt coverage, management strength, overall strength (the relation among the economic environment, the competition, strengths and weaknesses of the borrower), and administration of the account, state of the industry and payment history.

Such factors give an appraisal of the risk profile of the borrower and the results are entered into an algorithm

which weights the various elements. This algorithm is based on the experience and statistical analysis of BNS, adapted to the requirements of the Mexican market.

The system of internal classification (classified by "IG Codes"), has 8 classifications that are considered acceptable (IG 98 to IG 77), 5 classifications to reflect an above average (IG 75 to IG 60) and 4 considered nor acceptable (IG 40 to IG 20). In accordance with applicable official regulations, a correlation has been established between the internal risk classification and the risk ranking.

By way of oficio no. 141-4/31395/2008 dated November 11, 2008, the CNBV authorized to Scotiabank to classify the Commercial Credit Portfolio using its internal methodology, according with the "Probability of Default" applicable to the totalize commercial portfolio, except for the following segments: the special program "Scotia Empresarial" which is classify by the application of its own internal model based in the methodology to determine credit risk; as well as the credits granted to Federal Entities and Municipalities, Investment projects with their own payment sources, Trustees that act upon the protection of Trusts and re-structured credits that rely on capital appropriation that permits the individual evaluation of the associated risk, as those granted to financial institutions; those that are classified individually conform to the appointed methodologies in these articles 112, 114 and 115 of General Character Dispositions applicable to the Credit Institutions. The credit classification and their provisioning are carried out respectively in compliance with articles 126,127 130 and 131 of the referenced dispositions.

The following table presents a squeme of the risk levels for internal model of qualification for the loan portfolio applicable to the commercial portfolio.

Classification	IG Code
Excellent risk	98
Very good risk	95
Good risk	90
Satisfactory risk	87
Adequate risk (high)	85
Adequate risk (med)	83
Adequate risk (low)	80
Medium risk	77
Moderate risk (high)	75
Moderate risk (med.)	73
Moderate risk (low)	70
Watch list	65
Special supervision	60
Sub-standard	40
Deteriorated (high)	22
Recovery in doubt	21
Problem loan	20

## Description of each risk level

**Excellent risk:** Borrowers that represent minimal credit risk for the bank. Possess an excellent financial structure along with consistent and earnings; debt service capacity is extremely strong, as evidenced by solid access to money and capital markets and to alternate sources of funding. The management team has broad experience with track record of producing optimum results. They are not vulnerable to the economy of the country or to the economic sector in which they operate.

**Very good risk:** Borrowers with a solid financial structure that generate sufficient funds and liquidity to cover short and long term debts. However, they depend on the Bank to a greater extent than excellent risk borrowers. The management team is competent, with the capacity to easily overcome moderate setbacks. They operate in a stable or growing economic sector.

**Good risk:** Borrowers with a good financial structure, with consistent income and reliable cash flow. Their capacity to cover and service the debt is good. The management team has shown itself to be good, with adequate capabilities in critical area. The characteristics of the economic sector and the country's economy are good, without indications that may adversely affect negatively them.

**Satisfactory risk:** Borrowers whose financial structure is solid and have capacity to effectively cover payment obligations, whose profits are in-line with industry average; however, are a little more susceptible to adverse economic conditions than borrowers with superior classification.

**Adequate risk (high):** Borrowers still have a high ability to cover their payment obligations, have an adequate financial structure and have consistent earnings which, however, are slightly less than the industry average. These borrowers have an administrative team which has the ability to obtain very satisfactory, efficient and profitable results. The industry in which they operate can have cyclical trends.

**Adequate risk (medium):** Borrowers who have the ability to meet principal and interest payments, however, their current profits are below the industry average, suggesting that the borrower may have difficulty sustaining its financial strength. Management may be family-owned or professional and its results are relatively satisfactory. The industry in which they operate may have cyclical tendencies.

**Adequate risk (low):** Borrowers whose financial structure, profitability and financing stream are generally adequate, its operating cash-flow is at the breakeven point but is adequate to cover their debt requirements, however, its

profits are below the industry average. Management may have certain weaknesses which are offset by other strengths. The industry in which they operate may have cyclical tendencies or be affected somewhat by changes in the regulations to which it is subject.

**Medium risk:** Borrowers who have capacity to cover short-term obligations but for which there is potential uncertainty in the long term, the leverage levels are growing and its indebtedness capacity is modest. Management meets only the minimum criteria for negotiated risk. The industry in which they operate may have cyclical tendencies or be susceptible to macroeconomic changes.

**Moderate risk (high):** Borrowers that face a slight reduction in profits; however with good potential to successfully overcome these problems. Operating cash flow is at breakeven and is sufficient to cover debt service requirements in a timely manner, but with a certain downward trend. Management presents mixed operating results and outlook for the longer term. The industry environment reflects growth weakness.

**Moderate risk (medium):** Borrowers that face growth problems or weak capitalisation but regularly demonstrate the ability to overcome their financial weaknesses and at this moment are punctually paying their obligations. However, these funds come from secondary sources and therefore their ability to sustain payments is dubious. Management demonstrates certain weaknesses and shareholders exhibit some scepticism of management's ability.

**Moderate risk (low):** Borrowers whose financial structure exhibits a clear weakening trend which could damage its capacity or ability to cover its long-term obligations. This trend of going to secondary funding sources is recurrent and its repayment is consistently overdue. The management team shows notable weaknesses and there may be a concentration of shareholder reliance on one single person. The economic sector in which the company operates is very vulnerable to macroeconomic conditions.

**Watch list:** Borrowers with a weak financial structure and whose debt position is unbalanced and over-extended, and require the constant help of non-routine funding sources whose repayment is weak, covering the minimum acceptable bank payment. The management team is performing poorly. They are vulnerable to any setbacks in their specific business and in their business.

**Special supervision:** Borrowers who exhibit cash flow and liquidity problems that could require them to look for secondary funding sources to avoid default. Urgently require changes to management and the business plan to stop the deterioration; with this it is considered probable that a correction can occur over the medium term. The industry and

country environment are of concern. Definitively an unacceptable risk.

Sub-standard: Borrowers whose future viability is in doubt without changes to business activities, market conditions, and/or the management team and where a general reorganisation is required. The repayment history is unsatisfactory and at the moment payments are past due. The industry in which the company operates is experiencing a temporary deterioration.

Deteriorated (high): Borrowers with clearly identified financial deterioration and who are at risk of not complying with debt obligations. Currently have payments in arrears and have a high dependence on secondary sources of funding to meet their obligations. The problems in the direction of management put at risk the viability of the company as a going concern, because of which the deterioration is considered permanent. The viability of the industrial sector depends on structural changes.

Recovery in doubt: Borrowers with permanent financial deterioration. It is probable that the business has ceased to function and as a result the payment performance is nil. Payments are up to one year past due, which in general implies difficulty in recovery. Management is weak or unreliable and the industry in which the company operates is facing a permanent decline.

Problem loan: Borrowers who have ceased paying and whose situation does not appear to have any possibility of restructuring. Management is unsuitable or has demonstrated a lack of honesty. The industry in which the company operates is facing a permanent decline, for which reason keeping the loan as an asset of the bank is unjustifiable.

There exist loans that are exempt from classification because they represent sovereign debt of the Federal Government, and loans that did not arise from the sale of loans. These credits do not require reserves.

#### Credit Risk in Securities Investments

The Bank is exposed to the non-payment, by the issuer, on any interest and/or principal on its investments in different securities.

#### Derivatives Transactions Credit Risk

The Credit Risk in Derivative transactions results from the lack of payment by the counterparty.

In addition to the risk measures mentioned in previous sections, in the case of derivative transactions the potential risk is also measured. This type of risk measures the replacement cost along the remaining term of the position.

The counterparty exposure limits consider both the, current market value (only the positive side which bears the exposure for the Group) and the replacement cost (or potential exposure) without netting out the positions; in other words, opposite transactions with the same counterparty are not offset for information purposes (so that the exposure is over-estimated).

#### Operational Risk

Operational risk is a non-discretionary risk, which is defined as the potential loss resulting from internal control failures of deficiencies, errors in transaction processing or storage on in data transmission, as well as adverse administrative or legal resolutions, frauds or theft and includes, among other things, technological risk legal risk.

The Group has put in place policies and procedures, enabling it to implement an appropriate operational risk management process, which is described below:

#### Policies for Operational Risk Management

These policies primarily promote the risk management culture, particularly as to operational risk, so that the Group can measure, identify, monitor, limit control and disseminate the operational risk inherent in the day-to-day activities, in addition to promoting a culture of risk management.

#### Manual for Operational Risk Data Gathering and Classification

These policies define the requirements for reporting the information that supports the measuring processes, including the information, as well as its classification and specific characteristics.

#### Operational Risk of tolerance's level

Is a tool to issue operational losses, let each department of the Group know the levels of tolerance of applicable losses to each event of loss assumed, as well as incentive improvements in the process of Operational Risk issue and adopted as possible the necessary actions to reduce the risk for future losses.

#### Key Risk Indicators

This process let the Group establish indicators, since variables obtained of the processes which conduct is related with the level of risk assumed, by the follow-up of each

indicator that identify the tendency and let issue in the time the indicators value. There are maximum values established or less admissible for each one of the selected indicators.

#### Legal Risk model for provision of losses

The Group has methodology of provision for expected and non-expected losses for legal risk, through the one it can be the expect losses as a result of judgments in process, this methodology is based in the experience from various years and through an statistic of severity and occurrence it is determine the probably loss of legal business ongoing.

The Group also has an structure methodology of auto-evaluation of operational risk, that its apply through their own structure and identify the operational risk inherent to their process with the following objectives:

- Evaluate the potential impact of significant Operational Risks identified in the competitive objectives, profitability, productivity and recuperation's Group.
- Analyze the priority according with the impact an importance of the moderate measure of operational risk.
- To guide each unit of the Group into a process of negotiation of operational risk.
- Have a systematic procedure, in order that the Group keeps conscience of its operational risk.

Complying with the requirements of Prudential Character Dispositions applicable to management risk, established by the CNBV.

## Attachment 11

**Consejo de Administración**  
**Grupo Financiero Scotiabank Inverlat, S.A. de C.V.**

**Presidente**

Peter Christopher Cardinal

**Vicepresidente**

Carlos Muriel Vázquez

**Representantes de la Serie “F” en el Consejo de Administración de la  
Sociedad**

**Miembros Propietarios**

**Miembros Suplentes**

**Consejeros Independientes**

Thomas Heather Rodríguez  
 Carlos Muriel Vázquez

Javier Pérez Rocha  
 Federico Santacruz González

**Consejeros**

Pedro Sáez Pueyo  
 Peter Christopher Cardinal  
 Anatol von Hahn

Pablo Pérezalonso Eguía  
 Gonzalo Rojas Ramos  
 José Del Águila Ferrer

**Consejero Funcionarios**

Nicole Reich De Polignac

Pablo Aspe Poniatowski

**Representantes de la Serie “B” en el Consejo de Administración de la  
Sociedad**

**Consejeros Independientes**

Patricio Treviño Westendarp  
 Roberto Hemuda Debs  
 Juan Manuel Gómez Chávez

Jorge Francisco Sánchez Ángeles  
 Eduardo Trigueros y Gaisman  
 Arturo D’Acosta Ruiz

**Consejeros Funcionarios**

Felipe De Yturbe Bernal  
 Jorge Mauricio Di Sciullo Ursini

Alberto Miranda Mijares  
 Diego Miguel Pisinger Alter

**Representantes de la Serie “F” en el Órgano de Vigilancia de la  
Sociedad**

**Comisarios**

Guillermo García-Naranjo Álvarez

Ricardo Delfín Quinzaños

**Representantes de la Serie “B” en el Órgano de Vigilancia de la  
Sociedad**

Jorge Evaristo Peña Tapia

Jorge Orendain Villacampa

**Secretario**

Jorge Mauricio Di Sciullo Ursini

**Prosecretario**

Mónica Cardoso Velázquez

The amount paid to Board Members to attend board meetings and committee meetings totalled P\$1.5 million for the six months ended June 30, 2010.

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“We the undersigned declare under oath, of telling the truth that, in the scope of our respective functions, we prepared the information relative to the financial group contained in the current report, that which, to our trustworthy knowledge and understanding, reasonably reflects its current financial position”

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NICOLE REICH DE POLIGNAC  
PRESIDENT

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DIEGO M. PISINGER ALTER  
DIRECTOR GENERAL  
FINANCE AND BUSINESS  
INTELINGENCE

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KEN PLUGFELDER  
DIVISIONAL DIRECTOR  
AUDIT

---

GORDON MACRAE  
DIRECTOR GROUP  
ACCOUNTING