SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.

Grupo Financiero Scotiabank Inverlat

Financial Statements

December 31, 2006 and 2005

(With Statutory and Independent Auditors' Reports Thereon)

(Free Translation from Spanish Language Original)

Statutory Auditors' Report
(Free translation from Spanish language original)

The Stockholders
Scotia Inverlat Casa de Bolsa, S. A. de C. V.,
Grupo Financiero Scotiabank Inverlat:

In our capacity as Statutory Auditors, and in compliance with the provisions of Article 166 of the General Corporations Law and the bylaws of Scotia Inverlat Casa de Bolsa, S. A. de C. V., Grupo Financiero Scotiabank Inverlat ("the Brokerage Firm"), we hereby submit our report on the accuracy, sufficiency and fairness of the information contained in the accompanying financial statements furnished to the General Stockholders' Meeting by the Board of Directors, for the year ended December 31, 2006.

We have attended the stockholders' and board of directors' meetings to which we have been called, and we have obtained from the directors and management such information on the operations, documentation and accounting records, as we considered necessary in the circumstances. In addition, we have examined the balance sheet, including memorandum accounts for own account and third parties, of the Brokerage Firm as of December 31, 2006, and the related statements of income, changes in stockholders' equity and changes in financial position for the year then ended, which are the responsibility of the Brokerage Firm's management. Our examination was carried out in accordance with auditing standards generally accepted in Mexico.

The Brokerage Firm is required to prepare and present its financial statements in accordance with the accounting criteria established by the National Banking and Securities Commission ("the Commission") for brokerage firms in Mexico, which in general conform to Financial Reporting Standards (FRS) issued by the Mexican Board for Research and Development of Financial Reporting Standards (Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera or CINIF). These accounting criteria include particular rules, which in certain respects depart from such standards.

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In our opinion, the accounting and reporting criteria and policies followed by the Brokerage Firm and considered by management in preparing the financial statements presented at this meeting, are adequate and sufficient in the circumstances, and have been applied on a basis consistent with that of the preceding year. Accordingly, such information is a fair, reasonable and sufficient representation of the financial position, including memorandum accounts for own account and third parties, of Scotia Inverlat Casa de Bolsa, S. A. de C. V., Grupo Financiero Scotiabank Inverlat as of December 31, 2006, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the year then ended, in conformity with the accounting criteria established by the Commission for brokerage firms in Mexico.

Very truly yours,

Guillermo García-Naranjo A.
Statutory Auditor for Series "F" shares

George Macrae Scanlan Martin
Statutory Auditor for Series "B" shares

Mexico City, February 16, 2007.

KPMG®

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Independent Auditors' Report
(Free translation from the Spanish language original)

The Board of Directors and Stockholders
Scotia Inverlat Casa de Bolsa, S. A. de C. V.,
Grupo Financiero Scotiabank Inverlat:

We have examined the accompanying balance sheets, including memorandum accounts for own account and third parties, of Scotia Inverlat Casa de Bolsa, S. A. de C. V., Grupo Financiero Scotiabank Inverlat ("the Brokerage Firm") as of December 31, 2006 and 2005 and the related statements of income, changes in stockholders' equity and changes in financial position for the years then ended. These financial statements are the responsibility of the Brokerage Firm's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and are prepared in accordance with the accounting criteria for brokerage firms in Mexico. An audit consists of examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting criteria used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As explained in note 2 to the financial statements, the Brokerage Firm is required to prepare and present its financial statements in accordance with the accounting criteria established by the National Banking and Securities Commission ("the Commission") for brokerage firms in Mexico, which in general conform to Financial Reporting Standards (FRS) issued by the Mexican Board for Research and Development of Financial Reporting Standards (Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera or CINIF). These accounting criteria include particular rules, which in certain respects depart from such standards.

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In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position, including memorandum accounts for own account and third parties, of Scotia Inverlat Casa de Bolsa, S. A. de C. V., Grupo Financiero Scotiabank Inverlat as of December 31, 2006 and 2005, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with the accounting criteria established by the Commission for brokerage firms in Mexico, as described in note 2 to the financial statements.

KPMG CARDENAS DOSAL, S. C.

Alejandro De Alba Mora

February 16, 2007.

SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.,
Grupo Financiero Scotiabank Inverlat

Balance Sheets

December 31, 2006 and 2005

(Millions of constant Mexican pesos as of December 31, 2006)

Memorandum accounts

		2006	2005
Transactions on behalf of third parties			
Customer current accounts:			
Customer banks	$	21	4
Settlement of customer transactions		41	59
		62	63
Customer securities:			
Customer securities in custody (note 14)		165,770	133,816
Securities and documents received in guarantee (notes 6 and 14)		1,975	1,531
		167,745	135,347
Transactions on behalf of customers:			
Securities repurchase/resell agreements (note 14)		37,692	41,799
Securities lending transactions		223	21
Managed trusts		68	53
		37,983	41,873
Total transactions on behalf of third parties	$	205,790	177,283

		2006	2005
Transactions for the Brokerage Firm's own account			
Memorandum accounts:			
Securities in custody	$	193	324
Government securities in custody		202	239
Pledged securities		2,170	826
Securities held overseas		14	30
		2,579	1,419
Repurchase/resell agreements (note 6):			
Bought:			
Securities receivable		43,595	45,186
Creditors under repurchase agreements		(43,588)	(45,180)
		7	6
Sold:			
Debtors under resell agreements		21,689	21,045
Securities deliverable		(21,686)	(21,033)
		3	12
Total for own account	$	2,589	1,437

(Continued)

SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.,
Grupo Financiero Scotiabank Inverlat

Balance Sheets, continued

December 31, 2006 and 2005

(Millions of constant Mexican pesos as of December 31, 2006, except historical capital stock)

Assets	2006	2005
Cash and equivalents (note 4)	$ 241	76
Investment securities (note 5)		
Trading securities	644	623
Securities and derivatives transactions:		
Debit balances on repurchase/resell agreements (note 6)	25	35
Securities lending (note 6)	223	25
Derivative financial instruments (note 7)	94	1
	342	61
Other accounts receivable, net	652	198
Premises and equipment, net (note 8)	169	177
Permanent investments in shares (note 9)	54	46
Other assets (note 10)	105	97
Total assets	$ 2,207	1,278

Liabilities and Stockholders' Equity	2006	2005
Assigned securities pending settlement (note 5)	$ 361	-
Securities and derivatives transactions:		
Credit balances on repurchase/resell agreements (note 6)	15	17
Securities borrowing (note 6)	221	35
Derivative financial instruments (note 7)	-	4
	236	56
Other accounts payable:		
Income tax and employee statutory profit sharing	78	54
Sundry creditors and other accounts payable (note 10)	443	235
	521	289
Deferred taxes, net (note 13)	40	50
Total liabilities	1,158	395
Stockholders' equity (note 12):		
Paid-in capital:		
Capital stock	531	531
Earned capital:		
Statutory reserves	18	7
Prior years' retained earnings	334	143
Net income	166	202
	518	352
Total stockholders' equity	1,049	883
Commitments and contingencies (note 15)		
Total liabilities and stockholders' equity	$ 2,207	1,278

The historical capital stock amounts to $386,033,107.00 at December 31, 2006 and 2005.

See accompanying notes to financial statements.

"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 Articles 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 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 of Directors under the responsibility of the following officers".

Gonzalo Rojas Ramos General Director	Jean-Luc Rich Deputy General Director Group Finance	Ken Pflugfelder Divisional Director Group Audit	Gordon Macrae Director of Group Accounting	Francisco López Chávez Assistant Director of Accounting for the Brokerage Firm

SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.,
Grupo Financiero Scotiabank Inverlat

Statements of Income

Years ended December 31, 2006 and 2005

(Millions of constant Mexican pesos as of December 31, 2006)

		2006	2005
Commissions and fees (note 11)	$	427	422
Financial intermediation income (note 11)		70	92
Service income		497	514
Gain on purchase and sale of securities (note 5)		349	238
Loss on purchase and sale of securities (note 5)		(308)	(217)
Interest income (notes 6 and 11)		5,966	6,712
Interest expense (notes 6 and 11)		(5,767)	(6,537)
Valuation loss on securities (notes 5, 6 and 7)		(23)	-
Monetary position loss		(104)	(58)
Financial margin		113	138
Total operating income, net		610	652
Administrative expenses		(514)	(429)
Operating income		96	223
Other income (notes 1 and 15)		177	69
Other expense (note 15)		(50)	-
		127	69
Income before income tax (IT), employee statutory profit sharing (ESPS), equity in the results of subsidiaries and associated companies and extraordinary item		223	292
Current IT and ESPS (note 13)		(94)	(85)
Deferred IT and ESPS (note 13)		10	(15)
		(84)	(100)
Income before equity in the results of subsidiaries and associated companies and extraordinary item		139	192
Equity in the results of subsidiaries and associated companies (note 9)		9	10
Income from continued operations		148	202
Extraordinary gain on the early reduction of labor obligations (note 10)		18	-
Net income	$	166	202

See accompanying notes to financial statements.

"These statements of income were prepared in accordance with the accounting criteria for brokerage firms, issued by the National Banking and Securities Commission based on Articles 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 disbursements relating to the transactions carried out by the Brokerage Firm for the years indicated above. Furthermore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions."

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

Gonzalo Rojas Ramos
General Director

Jean-Luc Rich
Deputy General Director Group Finance

Ken Pflugfelder
Divisional Director Group Audit

Gordon Macrae
Director of Group Accounting

Francisco López Chávez
Assistant Director of Accounting for the Brokerage Firm

SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.,
Grupo Financiero Scotiabank Inverlat

Statements of Changes in Stockholders' Equity

Years ended December 31, 2006 and 2005

(Millions of constant Mexican pesos as of December 31, 2006)

	Capital stock	Statutory reserves	Prior years' retained earnings	Net income	Total stockholders' equity
Balances as of December 31, 2004	$ 739	11	153	150	1,053
Item related to stockholder decisions:					
Appropriation of prior year's income	–	7	143	(150)	–
Spin-off capital stock decrease (note 12a)	(208)	(11)	(153)	–	(372)
	(208)	(4)	(10)	(150)	(372)
Item related to recognition of comprehensive income (note 12b):					
Net income	–	–	–	202	202
Balances as of December 31, 2005	531	7	143	202	883
Item related to stockholder decisions:					
Appropriation of prior year's income	–	11	191	(202)	–
Item related to recognition of comprehensive income (note 12b):					
Net income	–	–	–	166	166
Balances as of December 31, 2006	$ 531	18	334	166	1,049

See accompanying notes to financial statements.

"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 Articles 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 for the years indicated above. Furthermore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions."

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

Gonzalo Rojas Ramos General Director	Jean-Luc Rich Deputy General Director Group Finance	Ken Pflugfelder Divisional Director Group Audit	Gordon Macrae Director of Group Accounting	Francisco López Chávez Assistant Director of Accounting for the Brokerage Firm

SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.,
Grupo Financiero Scotiabank Inverlat

Statements of Changes in Financial Position

Years ended December 31, 2006 and 2005

(Millions of constant Mexican pesos as of December 31, 2006)

		2006	2005
Operating activities:			
Net income	$	166	202
Items not requiring (providing) funds:			
Depreciation and amortization		11	8
Valuation of securities		23	-
Deferred income tax and employee statutory profit sharing		(10)	15
Equity in the results of subsidiaries and associated companies, net		(9)	(10)
Extraordinary gain on the early reduction of labor obligations (note 10)		(18)	-
Funds provided by operation		163	215
Variation in items related to the operations:			
Investment securities and assigned securities pending settlement		346	124
Repurchase/resell agreements and securities lending		4	7
Derivative transactions		(134)	3
Other accounts receivable		(454)	117
Other accounts payable		250	(69)
Funds provided by operating activities		175	397
Funds used in finantial activities, originating from the decrease in stockholders' equity from spin off (note 12a)		-	(372)
Investment activities:			
Increase in premises and equipment		(3)	(5)
Decrease in permanent investments in shares		1	35
Increase in other assets		(8)	(53)
Funds used by investing activities		(10)	(23)
Increase in cash and equivalents		165	2
Cash and equivalents:			
At beginning of year		76	74
At end of year	$	241	76

See accompanying notes to financial statements.

"These statements of changes in financial position have been prepared in accordance with the accounting criteria for brokerage firms, issued by the National Banking and Securities Commission based on Articles 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 sources and application of funds relating to the transactions carried out by the Brokerage Firm for the years indicated above. Furthermore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions."

"These statements of changes in financial position were approved by the Board of Directors under the responsibility of the following officers".

Gonzalo Rojas Ramos
General Director

Jean- Luc Rich
Deputy General Director Group Finance

Ken Pflugfelder
Divisional Director Group Audit

Gordon Macrae
Director of Group Accounting

Francisco López Chávez
Assistant Director of Accounting
for the Brokerage Firm

These financial statements have been translated from the Spanish language original solely for the convenience of foreign/English-speaking readers.

(1) Description of business and significant transactions-

Description of business-

Scotia Inverlat Casa de Bolsa, S. A. de C. V. ("the Brokerage Firm") is a subsidiary of Grupo Financiero Scotiabank Inverlat, S. A. de C. V. ("the Group"), which owns 99.99% of its capital stock. The Group, in turn, is a subsidiary of The Bank of Nova Scotia (BNS), which holds 97.3% of its capital stock. The Brokerage Firm acts as an intermediary in securities and financial transactions authorized under the terms of the Securities Market Law and general provisions issued by the National Banking and Securities Commission ("the Commission").

Significant transactions-

On December 7, 2006 and as a result of the sale of securities previously placed in trust, the Brokerage Firm recognized in its statement of income: revenues for $31, which is shown under "Other income", and a security deposit and accrual for $8 and $1, respectively. Both the security deposit and the accrual are subject to being returned to the purchaser pursuant to certain specific purchase/sale agreement clauses, which expire on December 7, 2007. In addition, the transaction was subject to income tax of $7 to be withheld on credit revenues, which the Brokerage Firm absorbed and recognized under "Other expense".

Through Official Document No. 366-III-315 dated December 2, 2004, the Ministry of Finance and Public Credit (SHCP) authorized the Brokerage Firm to spin-off and incorporate an entity to be merged immediately with Scotiabank Inverlat, S. A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat ("the Bank" related company). Management executed the spin-off on April 22, 2005 and spun-off assets amounting to $350 nominal, which included the shares of twelve mutual funds, shares of Scotia Inverlat Derivados, S. A. de C. V. and investments in securities (see note 12a).

(Continued)

SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.,
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of constant Mexican pesos as of December 31, 2006)

(2) Summary of significant accounting policies-

On February 16, 2007, the accompanying financial statements were authorized for publication by the indicated Brokerage Firm officers.

(a) Financial statement presentation-

The financial statements of the Brokerage Firm have been prepared based on the Securities Market Law (SML)[1] and in accordance with the accounting criteria for brokerage firms in Mexico, established by the Commission, which is responsible for the inspection and supervision of brokerage firms and for reviewing their financial information.

In general, the accounting criteria established by the Commission conform to Financial Reporting Standards (FRS) issued by the Mexican Board for Research and Development of Financial Reporting Standards (CINIF, see note 18), and include particular rules regarding recording, valuation, presentation and disclosure, which in certain respects depart from such standards – see paragraphs (b), (d), (e) and (h) of this note.

For cases not contemplated therein, the accounting criteria include a process that provides for the supplementary use of other accounting principles and standards, in the following order: FRS, International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board; accounting principles generally accepted in the United States of America ("US GAAP"); or in cases not covered by these principles and standards, any other formal and recognized accounting standard that does not contravene the general criteria of the Commission.

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[1] The SML was reformed and published in the Official Gazette on December 31, 2005 and became effective 180 calendar days after its date of publication. It seeks the following objectives: (i) Promote the inclusion of medium-sized companies in the stock market, (ii) Consolidate the public company regime, (iii) Update regulations for stock market participants and intermediaries, and (iv) Unify reforms made to the original SML of 1975.

The accompanying financial statements are expressed in constant millions of Mexican pesos as of the latest balance sheet date using the Investment Unit (UDI). The UDI is a unit of measure whose value is determined by the Banco de México (Central Bank) based on inflation. The UDI values used are as follows:

December 31	UDI	Annual inflation
2006	$ 3.788954	4.16%
2005	3.637532	2.91%
2004	3.544716	5.45%

The preparation of the financial statements requires management of the Company make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

For purposes of disclosure, when reference is made to pesos or "$", it means Mexican pesos, and when reference is made to dollars, it means US dollars.

The Brokerage Firm recognizes the assets and liabilities arising from investments in securities, securities repurchase and resell agreements from transactions carried out for the Brokerage Firm's own account as well as those carried out on behalf of its customers as of the date the respective transactions are executed, rather than when settled.

(b) Cash and cash equivalents-

Cash and cash equivalents consist of cash, local and foreign bank account balances and margin accounts related to standardized futures and options contract transactions on the Mexican Derivatives Exchange. In conformity with Bulletin C-10 of FRS, beginning January 1, 2005, the aforementioned margin accounts should be reported under "Transactions with derivative financial instruments".

(Continued)

(c) Investment securities-

Investment securities consist of listed equities, government securities and fixed-income securities, classified as trading securities according to management's investment intentions. Trading securities are initially recorded at cost and subsequently marked to market based on information provided by an independent price vendor. Valuation adjustments are reflected in the statement of income under "Valuation gain (loss) on securities". The cost of sales is determined using the first-in, first-out (FIFO) method.

Where the amount of trading securities is insufficient to cover the amount of securities deliverable in the securities purchase and sale transaction, the credit balance is shown as a liability under the caption "Assigned securities pending settlement".

The rights and obligations derived from 24, 48, 72 and 96-hour purchase and sale of instruments, respectively (value date transactions) are recorded in "Other accounts receivable" and "Sundry creditors and other accounts payable", respectively. Securities receivable and deliverable from this type of transactions are recorded in "Investment securities" and marked to market.

(d) Securities under repurchase/resell agreements-

Securities under repurchase/resell agreements are stated at fair value using information provided by an independent price vendor, and the obligations or rights from the commitments to repurchase or resell the securities are stated at their net present value at maturity. The net assets and liabilities are presented in the balance sheet after individually offsetting the values of the securities receivable or deliverable and the repurchase/resell agreement commitment of each transaction. Repurchase/resell agreements where the Brokerage Firm is the repurchasing and reselling party with the same entity cannot be offset. The repurchase/resell agreement presentation differs from FRS, which requires reporting balances separately and offsetting only similar transactions with the same counterparty.

Interest, premiums, gains or losses on purchases and sales of securities, and the valuation effects are reported in the statements of income under "Gain on purchase and sale of securities", "Loss on purchase and sale of securities", "Interest income", "Interest expense", and "Valuation gain (loss) on securities", respectively.

(Continued)

In conformity with Circular 1/2003 issued by the Central Bank, the parties to repurchase/resell agreements maturing in more than three days are required to contractually secure such transactions in the event of value fluctuations resulting in an increase in the net exposure exceeding the maximum amount agreed upon by the parties. The guarantees granted are recorded in the securities portfolio as restricted or pledged trading securities, or in other restricted cash equivalents if granted as cash deposits. Guarantees received not representing a transfer of title are recorded in memorandum accounts as assets in custody or under management. Such guarantees are valued in conformity with the current rules for investment securities, cash equivalents and assets in custody or under management, respectively.

Securities under repurchase/resell agreements that cannot be renegotiated are reported as secured borrowing or lending transactions. Premiums are recognized in income as earned using the straight-line method over the term of the transaction.

(e) Transactions with derivative financial instruments-

Transactions with derivative financial instruments comprise those carried out for both trading and hedging purposes, the accounting treatment of which is described below:

Forward contracts– The net market value of the future price of the contract is presented in the balance sheet with a corresponding charge or credit to results of operations.

Futures contracts– An asset and liability for the nominal contract amount are recorded and subsequently marked to market. Asset and liability positions are offset for financial statement presentation purposes.

Options– Put and call option obligations (premiums collected) and rights (premiums paid) are recorded at the contract value and marked to market, recording gains or losses in results of operations. Premiums collected or paid are recognized in the statement of income under "Gain or loss on purchase and sale of securities" when the option expires.

(Continued)

The abovementioned policies depart from Bulletin C-10 of FRS, which provides that derivative financial instruments should be recognized at fair value. Changes in fair value of trading derivative financial instruments should be recognized in the income statement under integral cost of financing, whereas those related to hedging should be recognized in the same caption of the income statement in which the valuation result of the primary position is recognized or in other comprehensive income.

(f) ***Premises and equipment-***

Premises and equipment are initially recorded at their acquisition cost, and restated for inflation by applying UDI factors. Depreciation is calculated on the restated asset values using the straight-line method over the estimated useful lives of the assets.

(g) ***Impairment of property-***

The Brokerage Firm performs periodic studies of its property to determine whether the carrying value exceeds the recoverable amount. The recoverable amount is based on estimates of the potential future net income from the utilization of the assets. If such assets are considered to be impaired, the Brokerage Firm records the necessary provisions to write down the assets to the estimated recoverable amount. Assets to be disposed of are reported at the lower of the carrying amount or realizable value.

(h) ***Permanent investments in shares-***

In order to operate, the Brokerage Firm must purchase and hold one share each in the Bolsa Mexicana de Valores, S. A. de C. V. (Mexican Stock Exchange), Cebur, S. A. de C. V., S. D. Indeval, S. A. de C. V. and Contraparte Central de Valores de México, S. A. de C. V. As required by the Commission, permanent investments in shares are valued using the equity method based on the most recent financial statements available; under FRS such investments would be accounted for at the lower of cost restated for inflation or realizable value.

(Continued)

(i) ***Deferred income tax (IT) and employee statutory profit sharing (ESPS)-***

Deferred IT and ESPS are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as well as for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income for the period enacted.

(j) ***Pensions, seniority premiums, post-retirement benefits and obligations for payments upon termination of labor relationship-***

Effective April 1, 2006, the Brokerage Firm established a defined pension and post-retirement contribution plan, which covers all employees who join after that date. The plan is optional for employees who joined the Brokerage Firm on a date prior to the plan's coming into effect. The amounts contributed by the Brokerage Firm are recognized directly as expenses in the statement of income (see note 10).

The Brokerage Firm has a defined benefit pension plan (non-contributory) covering all employees aged 65 and with ten years of service. In addition, there is a plan covering the seniority premiums and severance payments to which employees are entitled in accordance with the Federal Labor Law and obligations relating to post-retirement medical benefits, food coupons and life insurance of retirees.

The net periodic cost and the accrued pension benefits as well as seniority premiums, severance payments and post-retirement benefits are recognized in results of operations each year based on computations prepared by independent actuaries of the present value of these obligations, using the projected unit credit method and real interest rates. Amortization of the net cost of prior unrecognized services is based on the average remaining service life of the employees eligible to plan benefits.

(k) Other assets-

Other assets include contributions to the reserve fund created through the self-regulating stock exchange community, for the purpose of supporting and strengthening the stock market.

(l) Restatement of capital stock, statutory reserves and retained earnings-

This restatement is determined by multiplying stockholder contributions, statutory reserves and retained earnings by UDI factors, which measure accumulated inflation from the dates contributions were made and earnings were generated, through the most recent year end. The resulting amounts represent the constant value of stockholders' equity.

(m) Gain or loss from holding non-monetary assets-

The gain or loss from holding non-monetary assets represents the difference between the specific valuation of these assets and their cost restated using UDI factors.

(n) Monetary position gain or loss-

The Brokerage Firm recognizes in income the effect (gain or loss) in the purchasing power of its monetary position, which is calculated by multiplying the difference between monetary assets and liabilities at the beginning of each month by the monthly change in the UDI value through year end. The aggregate of such monthly results, which is also restated using the UDI value at year end, represents the monetary gain or loss for the year arising from inflation, which is reported in results of operations for the year.

(Continued)

(o) Customer securities-

Customer securities in custody, guarantee or under the Brokerage Firm's administration are recorded in the respective memorandum accounts at market value, representing the maximum expected amount for which the Brokerage Firm is obligated to its customers against a future eventuality.

(p) Fees, premiums and interest-

Fees collected from customers on the purchase and sale of equities are recorded in results of operations when contracted. Premiums collected on securities purchased under agreements to resell or repurchase and interest from investments in fixed income instruments are recognized in income as earned. Premiums earned on securities purchased under agreements to resell are calculated based on the present value of the price at maturity.

(q) Foreign currency transactions-

Foreign currency transactions are recorded at the exchange rate in force on their execution and settlement dates. Foreign currency assets and liabilities are translated at the exchange rate established by the Central Bank to pay obligations denominated in foreign currency that are payable in Mexico. Foreign exchange gains and losses are charged to results of operations for the year.

(r) Contingencies-

Liabilities for loss contingencies are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. When a reasonable estimation cannot be made, qualitative disclosure is provided in the notes to the financial statements. Contingent revenues, earnings and assets are not recognized until their realization is virtually assured.

(3) Foreign currency exposure-

In compliance with the Central Bank regulations, the Brokerage Firm maintains balanced positions in foreign currencies. At December 31, 2006 and 2005, the maximum long and short positions authorized by the Central Bank is $155 and $121 (nominal), respectively, that is equivalent to 15% of the Brokerage Firm's global capital, which is $1,035 and $807 (nominal) in each year (see note 12d).

(Continued)

(Millions of constant Mexican pesos as of December 31, 2006,
except otherwise stated)

At December 31, 2006 and 2005, the Brokerage Firm has a long foreign currency position of 11,338,475 and 3,262,675 dollars, respectively, which for financial statement presentation purposes were translated using the exchange rates of $10.8116 and $10.6344, respectively, and comply with the regulations.

(4) Cash and cash equivalents-

At December 31, 2006 and 2005, cash and cash equivalents are analyzed as follows:

	2006	2005
Domestic banks	$ 16	6
Deposits with foreign banks with maturities not exceeding 30 days	45	6
Margin accounts	102	34
Other funds available	78	30
	$ 241	76

(5) Investment securities-

At December 31, 2006 and 2005, the Brokerage Firm's investments in trading securities were as follows:

Type of instrument	Fair value 2006	Fair value 2005
Securities:		
Debt	$ 357	392
Equity	12	64
Mutual funds:		
Investing in debt securities	36	131
Pledged as security	239	36
Total	$ 644	623

(Continued)

SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.,
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of constant Mexican pesos as of December 31, 2006)

An analysis of investment securities follows:

Type of instrument	Series		Fair value 2006	Fair value 2005
Debt securities:				
Cetes	070301	$	94	-
Cetes	070412		97	-
Cetes	070607		11	-
Cetes	060316		-	3
Cetes	060511		-	233
Cetes	060706		-	3
Banobra	06011		-	123
Banobra	07012		155	-
Nafin	06011		-	30
		$	357	392
Equity securities:				
Geo	B	$	(1)	-
EWJ	OI		4	-
Alfa	A		-	2
Amtel	A1		-	2
Amx	*		-	5
Cintra	A		-	2
Csco	OI		-	7
Fmx	*		-	(1)
Gm	OI		-	1
Goog	OI		-	(2)
Guisa	*		-	1
Ibm	OI		-	4
Ich	B		-	4
Equity securities, carried forward		$	3	25

SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.,
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of constant Mexican pesos as of December 31, 2006, except otherwise stated)

Type of instrument	Series		Fair value 2006	Fair value 2005
Equity securities, brought forward		$	3	25
Intc	*		4	-
Jnj	OI		-	4
Kimber	A		-	4
Kimber	B		-	(1)
Kof	*		-	2
Kof	L		-	3
Msft	*		-	-
Msft	OI		-	4
Naftrac	02		(3)	-
Nok	NOI		4	-
Qcom	OI		-	5
Tmx	*		2	-
Telecom	A1		1	-
Televisa	CPO		-	1
Telmex	L		2	17
Walmex	V		(1)	-
		$	12	64

Mutual funds investing in debt securities:

Scotia A	M3	$	4	-
Scotia A	M6		16	-
Scotia G	E2		16	-
Scotia A	B		-	15
Scotia G	B		-	116
		$	36	131

(Continued)

SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.,
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of constant Mexican pesos as of December 31, 2006, except otherwise stated)

Type of instrument	Series		Fair value 2006	2005
Pledged as security:				
Secured borrowing (see note 6):				
Scotia AG	E2	$	220	-
Scotia A	M6		10	-
Scotia A	B		-	15
Scotia G	B		-	21
			230	36
Variable-income securities of liquidation trusts:				
Cetes	070301		3	-
Cetes	070607		6	-
		$	239	36

At December 31, 2006, the assigned securities pending settlement analyzed as follows:

IP Bpas	090416	$	199
M Bonos	131219		88
M Bonos	241205		34
VRZCB	06U		40
		$	361

The gain and loss during 2006 from the purchase and sale of securities amounted to $349 and $308, respectively ($238 and $217 in 2005, respectively). The valuation of investment securities at December 31, 2006 and 2005 resulted in a gain of $6. The gain and loss from the purchase and sale of securities and valuation effect are reported in the statement of income under "Gain on purchase and sale of securities", "Loss on purchase and sale of securities" and "Valuation gain (loss) on securities", respectively.

(Continued)

(Millions of constant Mexican pesos as of December 31, 2006)

At December 31, 2006 and 2005, investments in debt securities other than government securities of the same issuer exceeding 5% of the Brokerage Firm's global capital are as follows:

Issue	Certificates	Rate	Term (days)	Amount
December 31, 2006				
BANOBRA 07012	155,031,820	7.02%	4	$ 155
December 31, 2005				
BANOBRA 06011	118,400,364	8.25%	3	$ 123

(6) Securities under repurchase/resell agreements-

At December 31, 2006 and 2005, the Brokerage Firm's repurchase/resell agreements are analyzed as follows:

	2006			
	Receivable under resell agreements	Securities deliverable	Asset	Liability
Bought:				
Net asset positions	$ 6,883	(6,873)	10	-
Net liability positions	14,806	(14,813)	-	(7)
	$ 21,689	(21,686)	10	(7)
	Securities receivable	Payable under repurchase agreements		
Sold:				
Net asset positions	$ 34,832	(34,817)	15	-
Net liability positions	8,763	(8,771)	-	(8)
	$ 43,595	(43,588)	15	(8)
			$ 25	(15)
			$ 10	

(Continued)

(Millions of constant Mexican pesos as of December 31, 2006)

	2005			
	Receivable under resell agreements	Securities deliverable	Asset	Liability
Bought:				
Net asset positions	$ 7,659	(7,638)	21	-
Net liability positions	13,386	(13,395)	-	(9)
	$ 21,045	(21,033)	21	(9)
	Securities receivable	Payable under repurchase agreements		
Sold:				
Net asset positions	$ 35,362	(35,348)	14	-
Net liability positions	9,824	(9,832)	-	(8)
	$ 45,186	(45,180)	14	(8)
			$ 35	(17)
			$ 18	

At December 31, 2006 and 2005, the net positions of securities under repurchase/resell agreements by type of security are as follows:

	Debit balances		Credit balances	
Type of instrument	Average term (days)	Net position	Average term (days)	Net position
December 31, 2006				
Government:				
CTIM	33	$ 2	64	1
Bondes LS	43	1	31	2
Bonos MBON	26	2	26	1
Bonos de Regulación Monetaria (BREM'S)	4	2	-	-
Bonos de Protección al Ahorro (BPA'S)	27	6	25	2
Bonos de Protección al Ahorro (BPAT)	32	5	19	5
IPAS	43	1	-	-
Government, carried forward		$ 19		11

SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.,
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of constant Mexican pesos as of December 31, 2006)

Type of instrument	Debit balances: Average term (days)	Debit balances: Net position	Credit balances: Average term (days)	Credit balances: Net position
December 31, 2006				
Government,				
Brought forward		$ 19		11
Banking securities:				
Stock market certificates (CBUR)	26	2	4	1
Promissory notes	57	4	20	3
		$ 25		15
December 31, 2005				
Government:				
Bondes LS	44	$ 2	63	2
Bonos MBON	27	1	137	2
BREM'S	26	5	4	2
BPA'S	23	5	35	3
BPAT	50	18	52	6
IPAS	79	1	42	1
		$ 32		16
Banking securities:				
CBUR	9	2	27	1
Promissory notes	22	1	22	-
		$ 35		17

(Continued)

SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.,
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of constant Mexican pesos as of December 31, 2006)

At December 31, 2006 and 2005, the Brokerage Firm has granted and received government paper under for repurchase/resell agreements with maturity in excess of three days, recorded in "Trading securities" and the memorandum account "Securities and documents received in guarantee", respectively, as follows:

Issuer	Series	Certificates	Fair value
December 31, 2006			
Guarantees granted:			
BI Cetes	070301	294,119	$ 3
Guarantees received:			
BI Cetes	070412	151,733	1
BI Cetes	070104	531,606	5
BI Cetes	070215	26,229	1
LS Bond182	070118	145,954	15
LS Bond182	100114	29,304	3
Total guarantees received			$ 25
December 31, 2005			
Guarantees received:			
IP BPAS	080904	42,629	$ 4
IP BPAS	070222	43,247	4
IP BPAS	060406	4,516	1
BI Cetes	060511	588,124	6
BI Cetes	060412	712,003	7
BI Cetes	060316	611,680	7
BI Cetes	060105	647,115	6
BI Cetes	060330	1,504,311	16
LS Bond182	080731	89,655	9
Total guarantees received			$ 60

(Continued)

SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.,
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of constant Mexican pesos as of December 31, 2006)

Secured lending and borrowing:

At December 31, 2006 and 2005, the Brokerage Firm had entered into the following securities lending and borrowing transactions:

	Certificates	Fair value
December 31, 2006		
Secured lending:		
Homes*	100,000	$ 11
Naftrac 02	7,857,100	205
Bimbo A	100,000	5
G Mexico B	62,000	2
		$ 223
Secured borrowing:		
Homes*	100,000	$ (11)
Naftrac 02	7,738,500	(202)
Bimbo A	100,000	(5)
G Mexico B	62,000	(2)
Telecom A1	20,000	(1)
		$ (221)
December 31, 2005		
Secured lending:		
Amx L	500,000	$ 9
Cemex Cpo	75,000	4
Naftrac 02	295,000	5
Peñoles*	11,300	1
Walmex V*	100,000	6
		$ 25
Secured borrowing:		
Amx L	500,000	$ (8)
Cemex Cpo	75,000	(4)
Peñoles*	11,300	(1)
Telecom A1	537,000	(16)
Walmex V*	100,000	(6)
		$ (35)

(Continued)

(Millions of constant Mexican pesos as of December 31, 2006,
except otherwise stated)

At December 31, 2006 and 2005, the lending transactions mature on January 3 and 4, 2007, and January 2, 3, 5 and 6, 2006, respectively.

At December 31, 2006 and 2005 securities of $230 and $36 respectively, have been pledged under securities borrowing transactions (see note 5).

For the year ended December 31, 2006, the premiums paid on repurchase/resell agreements amount to $2,037 and $3,553 ($2,127 and $4,285 for 2005), respectively, which are reported in the statement of income under "Commissions and fees" and "Interest expense", respectively. At December 31, 2006 and 2005, the valuation of repurchase/resell agreements resulted in a gain of $8 and $19, respectively.

(7) Derivative financial instruments-

At December 31, 2006 and 2005, the valuation of derivative financial instruments is analyzed as follows:

		2006		2005	
		Assets	Liabilities	Assets	Liabilities
Stock exchange index (IPC) futures	$	-	-	-	4
Stock exchange index (IPC) options		94	-	1	-
	$	94	-	1	4

At December 31, 2006 and 2005, the valuation of derivative financial instruments resulted in a loss of $37 and $25, respectively.

Notional amounts:

The notional amounts of contracts represent the derivatives volume outstanding and do not represent the potential gain or loss associated with the market risk or credit risk of such instruments. The notional amounts represent the amount to which a rate or price is applied to determine the amount of cash flows to be exchanged. At December 31, 2006 and 2005, notional amounts of the derivative financial instruments are shown on the next page.

(Continued)

SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.,
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of constant Mexican pesos as of December 31, 2006,
except otherwise stated)

		2006		2005	
Type of instrument		**Hedging purposes**	**Trading purposes**	**Hedging purposes**	**Trading purposes**
Interest rate futures:					
Bought	$	–	–	–	3
Stock exchange index (IPC) futures:					
Bought		413	17	180	47
Sold		(6)	(19)	–	(37)
Stock exchange index (IPC(*)) options:					
Bought		–	–	–	1
Sold		–	(1,828)	–	(762)
	$	407	(1,830)	180	(748)

(*) Market value of collected premiums

(a) Interest rate futures-

At December 31, 2005 futures were purchased on the Mexican 28-day Equilibrium Interbank Interest (TIIE) Rate, at an average rate of 10.29%, maturing from January through December 2007, January through August 2008 and November 2008.

(b) Stock exchange index (IPC) futures-

At December 31, 2006 and 2005, futures were purchased and sold on the Mexican Stock Exchange IPC Index for hedging and trading purposes at an average price of \$0.26 and \$0.18 (nominal), respectively, maturing in March and June 2007 and 2006, respectively. Futures were purchased at December 31, 2006 and 2005 to hedge the options issued by the Brokerage Firm (see paragraph c of this note).

(Continued)

SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.,
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of constant Mexican pesos as of December 31, 2006, except otherwise stated)

(c) Stock exchange index (IPC) options-

At December 31, 2006 and 2005, the Brokerage Firm has issued European options (exercisable through maturity date) in recognized markets on the Mexican Stock Exchange IPC Index. Their characteristics are as follows:

Series	Number of certificates	Exercise price (nominal pesos)	Maturity
December 31, 2006:			
IPC701RDC155	10,000	$ 12,818	January 2007
IPC701RDC181	18,000	19,480	January 2007
IPC703RDC182	5,500	19,509	March 2007
IPC703RDC183	6,000	20,357	March 2007
IPC702RDC185	12,000	21,344	February 2007
IPC704RDC186	15,000	19,950	April 2007
IPC702RDC190	32,000	18,512	February 2007
IPC707RDC192	20,000	19,360	July 2007
IPC702RDC201	5,000	21,004	February 2007
IPC710RDC203	5,000	26,792	October 2007
IPC707RDC204	1,000	23,342	July 2007
IPC705RDC205	4,500	23,821	May 2007
IPC711RDC206	4,000	24,649	November 2007
IPC710RDC208	5,500	26,408	October 2007
December 31, 2005:			
IPC701RDC155	10,000	$ 12,818	January 2007
IPC604RDC158	10,000	13,592	April 2006
IPC604RDC161	10,000	13,789	April 2006

(Continued)

(Millions of constant Mexican pesos as of December 31, 2006,
except otherwise stated)

Series	Number of certificates	Exercise price (nominal pesos)	Maturity
December 31, 2005:			
IPC604RDC162	6,000	12,728	April 2006
IPC603RDC164	8,000	13,677	March 2006
IPC606RDC165	3,800	13,343	June 2006
IPC602RDC168	6,000	14,522	February 2006
IPC604RDC169	3,100	14,614	April 2006
IPC603RDC170	4,000	15,399	March 2006
IPC605RDC171	11,000	15,374	May 2006
IPC601RDC173	5,000	15,853	January 2006
IPC609RDC174	6,500	15,677	September 2006
IPC610RDC175	13,500	19,963	October 2006
IPC609RDC176	6,000	15,798	September 2006
IPC611RDC177	8,000	16,767	November 2006
IPC606RDC178	6,000	17,820	June 2006
IPC612RDC179	6,000	17,820	December 2006

At December 31, 2005, the Brokerage Firm had recorded a liability of $1,828 corresponding to the options valued at market. Such liability was offset by the same amount using trading securities at fair value allocated to cover the aforementioned options position.

(8) Premises and equipment, net-

At December 31, 2006 and 2005, premises and equipment are analyzed as follows:

	2006	2005	Annual depreciation and amortization rates
Office premises	$ 169	169	2.5%
Transportation equipment	1	-	25%
Office furniture and equipment	62	67	Various
Computer equipment	7	6	30%
Leasehold improvements	5	10	5%
	244	252	
Accumulated depreciation and amortization	75	75	
	$ 169	177	

(Continued)

(Millions of constant Mexican pesos as of December 31, 2006)

Depreciation and amortization charged to income in 2006 and 2005 amounted to $11 and $8, respectively.

(9) Permanent investments in shares-

At December 31, 2006 and 2005, the Brokerage Firm's permanent investments in shares, which were valued using the equity method (see note 2h), are as shown below:

	Percentage of equity *		Value using the equity method	
	2006	2005	2006	2005
Mandatory investments:				
Bolsa Mexicana de Valores, S. A. de C. V.	4.00	4.00	$ 37	32
S. D. Indeval, S. A. de C. V.	2.27	2.27	10	9
Contraparte Central, S. A. de C. V.	0.96	0.99	1	1
Other investments:				
Impulsora de Fondo México Controladora, S. A. de C. V.	-	-	3	2
Other (at restated cost)	-	-	3	2
			$ 54	46

The equity method is computed using the book value of shares as of December 31, 2006 and 2005 and considering the most recent financial statements available, some unaudited. For the years ended December 31, 2006 and 2005, the Brokerage Firm recognized in the caption "Equity in the results of subsidiaries and associated companies", a gain of $9 and $10, respectively, resulting from applying the equity method.

(10) Pensions, seniority premiums and post-retirement benefits and obligations for payments upon termination of labor relationship -

Effective as of April 1, 2006, the Brokerage Firm established a defined contribution pension and post-retirement benefits plan, which covers all employees who join the Brokerage Firm after that date. The plan is optional for employees who joined the Brokerage Firm on a date prior to the plan's coming into effect. Such plan provides for pre-established Brokerage Firm and employee contributions, which the employee may fully withdraw upon reaching age 65 and 10 years of service.

(Continued)

SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.,
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of constant Mexican pesos as of December 31, 2006,
except otherwise stated)

The present benefit obligations amount transferred from the defined benefits plan to the defined contribution plan by the employees who chose to do so was $5 and the result from the extinction and reduction of the defined benefits obligation of $18 was recognized as an extraordinary item in the statement of income.

For the period from April 1 to December 31, 2006, the charge to income corresponding to the Brokerage Firm's contributions to the defined contribution plan amounted to $7.

The Brokerage Firm has a defined benefit pension plan covering substantially all of its employees. The benefits are based on years of service and the employee's compensation during the last five years.

The cost, obligations and contributions to the fund relating to the pension plan and seniority premiums, as well as the post-retirement medical benefits, life insurance and food coupons are determined based on computations prepared by independent actuaries at December 31, 2006 and 2005; the components of the net periodic cost and of labor obligations at nominal value for the years ended December 31, 2006 and 2005 are as follows (nominal):

	2006		2005	
	Pensions & seniority premiums	**Medical benefits, food coupons & life insurance for retirees**	**Pensions & seniority premiums**	**Medical benefits, food coupons & life insurance for retirees**
Service cost	$ 1	-	2	-
Interest cost	1	-	1	-
Return on plan assets	(2)	-	(2)	-
Amortization of transition obligations	-	-	-	1
Net periodic cost	$ -	-	1	1

(Continued)

SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.,
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of constant Mexican pesos as of December 31, 2006, except otherwise stated)

		2006		2005	
		Pensions & seniority premiums	**Medical benefits, food coupons & life insurance for retirees**	**Pensions & seniority premiums**	**Medical benefits, food coupons & life insurance for retirees**
Projected benefit obligations (PBO)	$	17	4	30	5
Plan assets at market value		(42)	(9)	(43)	(8)
Excess of plan assets over PBO		(25)	(5)	(13)	(3)
Unamortized items:					
Variances in assumptions and experience		6	(7)	12	8
Plan modifications		-	(3)	-	-
Transition asset (liability)		-	6	-	(6)
Net projected asset	$	(19)	(9)	(1)	(1)
Present benefit obligations:					
Vested	$	1		1	
Unvested		14		28	
Total present benefit obligations		15		29	
Plan assets		(42)		(43)	
Net asset	$	(27)		(14)	

(Continued)

(Millions of constant Mexican pesos as of December 31, 2006,
except otherwise stated)

From January 1, 2005, the Brokerage Firm adopted the provision of Bulletin D-3, Labor Obligations, of the FRS relating to the recognition of the liability for compensation upon the termination of the employment relationship before the employees reach retirement age (legal severance) for reasons other than restructuring. At the time of the adoption of the provision according to the available option, the Brokerage Firm recognized an unamortized asset and a liability of $18 ($17 nominal), to be amortized according to the remaining average service life of the employees expected to receive such compensation, and an increase of $1 in the year's expense.

At December 31, 2006 and 2005, legal severance liabilities are analyzed as follows:

		2006	2005
PBO	$	17	18
Unamortized items:			
Transition liability		(16)	(17)
Net projected liability	$	1	1
Liability:			
Unfunded provision	$	1	1
Additional asset and liability		16	16
Total Liability	$	17	17

A reconciliation of recognized legal severance assets and liabilities as of December 31, 2006 and 2005 follows (nominal):

		2006	2005
PBO at January 1	$	17	18
Amortization of transition liability for the year		(1)	(1)
PBO net of amortized transition liability for the year		16	17
Net periodic cost		(4)	(3)
Severance indemnities paid during the year		4	2
Additional asset and liability	$	16	16

(Continued)

SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.,
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of constant Mexican pesos as of December 31, 2006)

Below is an analysis of the movement of the plan assets to meet the labor obligations for the years ended December 31, 2006 and 2005 (nominal):

		2006	2005
Balance at beginning of year	$	51	44
Contributions to the fund		-	2
Transfer to the defined contribution plan		(5)	-
Return on plan assets		5	5
Balance at year end	$	51	51

Rates used in the actuarial projections are:

	2006	2005
Yield on plan assets	5.0%	5.0%
Discount rate	4.5%	5.0%
Rate of increase in compensation	1.0%	1.0%
Medical expense increase rate	3.0%	3.0%
Estimated inflation rate	3.5%	4.5%

For fiscal 2006, the amortization period of unrecognized items is 13 years for pensions (22 in 2005), 18 years for medical expenses (same as in 2005), 14 years for food coupons (18 in 2005), 21 years for life insurance of retirees (18 in 2005), 12 years for seniority premiums (same as in 2005) and 11 years for legal severance (same as in 2005).

Pension plan assets consist of fixed income instruments held in trust and managed by a committee appointed by the Brokerage Firm.

(11) Related-party transactions-

During the normal course of business, the Brokerage Firm carries out transactions with related parties. The most significant related-party transactions carried out during the years ended December 31, 2006 and 2005 (nominal amounts), are shown on the next page.

SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.,
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of constant Mexican pesos as of December 31, 2006,
except otherwise stated)

	2006		2005	
	Revenues	**Expenses**	**Revenues**	**Expenses**
Premiums	$ 1,059	424	1,040	264
Fees	168	-	162	2
Advisory services	33	22	20	22
Rent	6	4	4	3
Interest	420	1,070	255	1,040
Other	1	3	19	1
	$ 1,687	1,523	1,500	1,332

At December 31, 2006 and 2005, balances with related parties are as follows (nominal amounts):

	2006	**2005**
Cash and cash equivalents:		
Scotiabank Inverlat, S. A. (Services)	$ 16	6
Scotiabank Grand Cayman	45	6
	$ 61	12
Receivable (payable):		
Bank (date value transactions, purchase and sale of currencies and others)	$ 206	(6)
Scotia Fondos, S. A. de C. V., Sociedad Operadora de Sociedades de Inversión, Grupo Financiero Scotiabank Inverlat (Scotia Fondos)	15	14
	$ 221	8

(Continued)

(12) Stockholders' equity-

The main characteristics of the stockholders' equity accounts are as follows:

(a) Structure of capital stock-

On April 22, 2005, at the Extraordinary General Stockholders' Meeting, with authorization of the Ministry of Finance and Public Credit through Official Document No. 366-III-315 dated December 2, 2004, the stockholders agreed to spin-off with out extinction of the Brokerage Company and incorporate as a result of said act an entity named Lepidus, S. A. de C. V., which was immediately merged with the Bank. As a result of the spin-off, the capital stock of the Brokerage Company decreased in \$372 comprised by \$208 of capital stock (\$173 historical), \$11 of statutory reserve (\$10 historical) and \$153 of prior years' results of operations (\$144 historical).

At the aforementioned Stockholders' Meeting, the stockholders agreed to reduce the capital stock by \$44,694.11 pesos, replacing original stock with 31,899 common, registered shares, with a par value of \$17,529.43 pesos each. After the above activity and the reduction of 9,877 common, registered shares with a par value of \$17,529.43 pesos each arising from the aforementioned spin-off, the Brokerage Company's capital stock at December 31, 2006 and 2005, is represented by 22,022 common, registered shares, divided into two series: 22,019 series "F" shares and 3 series "B" shares, fully subscribed and paid. The capital stock's minimum fixed portion is represented by 11,205 shares whereas the variable portion is represented by 10,817 shares. The variable portion of capital stock may at no time exceed the fixed paid-in capital not subject to withdrawal.

At December 31, 2006 and 2005, the minimum fixed capital stock is fully subscribed and paid and amounts to \$196.

(b) Comprehensive income-

The comprehensive income reported on the statement of changes in stockholders' equity represents the results of the Brokerage Firm's activities during the year and includes the net income and the gain or loss from holding non-monetary assets from the valuation of permanent investments in shares.

(c) Restrictions on stockholders' equity-

The Commission requires that brokerage firms maintain a minimum capitalization percentage of risk-based assets, which is calculated according to the level of risk assigned. The Brokerage Firm has complied with the capitalization percentage.

Five percent of net income for the year must be appropriated to the statutory reserve, until it reaches 20% of the paid-in capital.

Stockholder contributions and retained earnings are subject to income tax on the amounts refunded or distributed that exceed the amounts determined for tax purposes.

Retained earnings on permanent investments in shares may not be distributed to the Brokerage Firm's stockholders until dividends are collected, but may be capitalized if so agreed at a Stockholders' Meeting. Also, unrealized gains from marking to market investment securities and repurchase/resell agreements may not be distributed until realized.

(d) Capitalization-

The Commission requires Brokerage Firms to maintain a minimum capital as a percentage of assets at risk. The percentage is calculated by applying certain specific percentages according to the level of risk assigned, in conformity with the rules established by the Central Bank. Information relating to the Brokerage Firm's capitalization is shown on the next page.

SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.,
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of constant Mexican pesos as of December 31, 2006, except otherwise stated)

Capital at December, 31:

		2006	2005
Global capital	$	1,049.7	807.2
Market risk requirements		269.0	198.8
Credit risk requirements		128.4	115.4
Total capitalization requirements		397.4	314.2
Global capital excess	$	652.3	493.0
Capitalization ratio		37.90%	38.93%
Global capital / capitalization requirements		2.64	2.57

Assets at risk as of December 31, 2006:

		Risk weighted assets	Capital requirement
Market risk:			
Transactions in Mexican pesos at nominal interest rates	$	67,703	84.3
Transactions in Mexican pesos at premium nominal interest rates		32,228	76.7
Transactions in Mexican pesos at real interest rates or denominated in UDIS		759	0.3
Foreign currency transactions at nominal interest rates		159	0.0
Positions in UDIS or with returns linked to INPC		759	0.0
Foreign currency positions or with exchange rate indexed returns		59	7.1
Equity positions or with returns indexed to the price of a single share or group of shares		436	100.6
Total market risk, carried forward	$	102,103	269.0

(Continued)

SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.,
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of constant Mexican pesos as of December 31, 2006, except otherwise stated)

	Risk weighted assets	Capital requirement
Total market risk, brought forward	$ 102,103	269.0
Credit risk:		
Of derivatives	25	1.1
Of debt instrument position	23,840	98.2
Of loans and deposits	364	29.1
Total credit risk	24,229	128.4
Total market and credit risk	$ 126,332	397.4

Assets at risk as of December 31, 2005 (nominal):

Market risk:		
Transactions in Mexican pesos at nominal interest rates	$ 65,080.0	176.2
Transactions in Mexican pesos at real interest rates or denominated in UDIS	4.0	0.2
Foreign currency transactions at nominal interest rates	41.2	0.0
Positions in UDIS or with returns linked to INPC	4.0	0.0
Foreign currency positions or with exchange rate indexed returns	24.6	3.0
Equity positions or with returns indexed to the price of a single share or group of shares	109.2	19.4
Total market risk, carried forward	$ 65,263.0	198.8

SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.,
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of constant Mexican pesos as of December 31, 2006, except otherwise stated)

	Risk weighted assets	Capital requirement
Total market risk, brought forward	$ 65,263.0	198.8
Credit risk:		
Of derivatives	31.3	1.1
Of debt instrument position	23,458.8	83.1
Of loans and deposits	132.6	2.1
Of permanent investments in shares	364.3	29.1
Total credit risk	23,987.0	115.4
Total market and credit risk	$ 89,250.0	314.2

Capital adequacy is monitored by the Planning and Strategy Area which considers the various established operating limits vis-à-vis the global capital, with a view to avoiding any possible capital shortfalls and taking any necessary measures to ensure that the capital is maintained at an adequate and sound level.

(13) Income (IT) and asset (AT) taxes and employee statutory profit sharing (ESPS)-

Under current Mexican tax law, corporations must pay the greater of IT or AT. For determining taxable income there are specific rules relating to the deductibility of expenses and the recognition of the effects of inflation. The Brokerage Firm computes ESPS on the same basis as IT.

The AT Law provides for a 1.8% tax on the average of assets not subject to financial intermediation, less the average of certain liabilities. AT payable in excess of IT for the year may be recovered in the ten succeeding years, restated for inflation, provided that IT exceeds AT in any of such years. During the years ended December 31, 2006 and 2005, IT payable exceeded AT.

(Continued)

SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.,
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of constant Mexican pesos as of December 31, 2006, except otherwise stated)

Following is a reconciliation for the years ended December 31, 2006 and 2005, between accounting income and taxable income for IT and ESPS purposes (nominal):

	2006	2005
Income before IT, ESPS, equity in the result of subsidiaries and associated companies and extraordinary item	$ 223	280
Accounting effects of inflation	28	15
Tax effects of inflation, net	(29)	(22)
Valuation of financial instruments, repurchase /resell agreements and derivatives	2	(42)
Premiums on repurchase/resell agreements	(9)	44
Gain (loss) on sale of equity securities	32	(5)
Difference between book and tax depreciation	-	(8)
Nondeductible expenses	8	7
Expense accruals	15	(48)
Extraordinary item from reduction of labor obligations	18	-
Other, net	(43)	(21)
Taxable income for ESPS purposes	245	200
Less deduction of ESPS paid in the year	18	-
Taxable income for IT purposes	$ 227	200

IT and ESPS expenses incurred for the years ended December 31, 2006 and 2005 are as follows:

	2006	2005
IT (29% in 2006 and 30% in 2005)	$ 66	60
ESPS (10%)	24	20
Restatement for inflation	4	5
	$ 94	85

(Continued)

SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.,
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of constant Mexican pesos as of December 31, 2006, except otherwise stated)

Deferred IT and ESPS

The temporary differences that give rise to a deferred tax liability as of December 31, 2006 and 2005 are presented below:

		2006	2005
Prepaid expenses	$	4	7
Valuation of financial instruments and related interest		(7)	3
Premises and equipment		54	54
Deductible ESPS		(7)	(6)
Expense accruals		(4)	(8)
Deferred IT and ESPS in the balance sheet	$	40	50

The (credit) charge to income for deferred IT and ESPS for the years ended December 31, 2006 and 2005, comprise the following:

		2006	2005
Prepaid expenses	$	(3)	6
Valuation of financial instruments and related interest		(10)	(6)
Premises and equipment		-	2
Deductible ESPS		(1)	(6)
Accrued expenses decrease		4	19
Deferred IT and ESPS in the statement of income	$	(10)	15

The Brokerage Firm evaluates the recoverability of the deferred tax assets, based on a review of deductible temporary differences. The amount of deferred tax assets actually realized could be reduced if future taxable income were less than expected.

(Continued)

(Millions of constant Mexican pesos as of December 31, 2006)

Other considerations

In accordance with the IT Law in force for fiscal 2006, the IT rate is 29% (30% in 2005) and will decrease to 28% from fiscal 2007.

In accordance with Mexican tax law, the tax authorities are entitled to examine transactions carried out during the five years prior to the most recent income tax return filed.

Corporations carrying out transactions with related parties, whether domestic or foreign, are subject to certain limitations and requirements as to the determination of prices, since such prices must be equivalent to those that would be used in arm's-length transactions.

(14) Memorandum accounts-

Transactions on behalf of third parties-

The funds managed by the Brokerage Firm for investing in various instruments of the Mexican financial system on behalf of its customers are recorded in memorandum accounts. Third party assets under management at December 31, 2006 and 2005 are analyzed as follows:

	2006	2005
Mutual funds	$ 17,968	15,220
Government securities	47,967	50,993
Equities and others	99,835	67,603
	$ 165,770	133,816

(Continued)

SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.,
Grupo Financiero Scotiabank Inverlat
Notes to Financial Statements
(Millions of constant Mexican pesos as of December 31, 2006)

The securities and documents received in guarantee at December 31, 2006 and 2005 are analyzed as follows:

	2006	2005
Government securities	$ 1,073	941
Fixed-income debt securities	267	211
Shares and holding companies' certificates	597	259
Mutual fund shares	16	64
Cash	22	56
	$ 1,975	1,531

Repurchase/resell transactions of customers -

At December 31, 2006 and 2005, the repurchase/resell transactions of customers are analyzed as follows:

	2006		2005	
	Number of certificates	Fair value	Number of certificates	Fair value
Bpas	90,252,683	$ 9,023	162,183,966	$ 16,910
Bpat	52,177,612	5,227	58,084,050	6,056
Brem	39,654,375	3,972	93,506,922	9,755
Cbur	10,963,912	1,083	8,548,981	918
Cete	543,924,772	5,260	89,940,034	915
Ipas	12,201,083	1,221	8,386,378	870
Ls	35,475,545	3,610	13,307,887	1,439
Mbon	11,907,824	1,367	17,775,266	1,998
Prlv	2,658,235,385	2,632	2,846,469,547	2,934
Udibono	1,752,659	751	9,535	4
LBon	35,561,124	3,546	-	-
		$ 37,692		$ 41,799

(15) Commitments and contingencies-

(a) Lawsuits and litigation-

The Brokerage Firm is involved in a number of lawsuits and claims arising in the normal course of business. Management does not expect that the final outcome of these matters will have a significant adverse effect on the Brokerage Firm's financial position and results of operations.

(Continued)

Lawsuit for crediting VAT

During fiscal 2004, the Brokerage Firm obtained a final favorable judgment on the procedure employed in determining the value-added tax (VAT) factor that confirmed the right to fully offset the VAT amount paid in the period from January 1, 2003 to December 31, 2004. During March 2006, amended returns were filed for VAT payments of the year 2003 and through July 31, 2004, claiming credit balances for $18 historical and inflation restatement and interest estimated at $3 and $9, respectively, which were recognized in the statement of income under "Other income". To date, the Brokerage Firm is waiting for the Tax Administration Office (SAT) to refund the claim.

Lawsuit for ESPS deduction

During 2006, the Brokerage Firm obtained a favorable ruling concerning the deduction in fiscal 2004 of ESPS in determining the IT liability and thus recognized an estimated benefit of $9 (includes inflation restatement and interest), which is presented in the 2006 statement of income under "Other income".

Contingency on the joint liability concerning the tax credit lawsuit

During 2005, Grupo Financiero Scotiabank Inverlat received an official letter from the SAT whereby it was notified that its joint liability assumed in favor of the Brokerage Firm by way of a tax credit (unpaid tax liability) of fiscal 1991 for a total of $138 (nominal) was binding and so the proceeding for the enforcement of the judgment would commence.

On November 22, 2005, the Group filed a proceeding for annulment before the Federal Fiscal and Administrative Court to leave without effect the aforesaid administrative proceeding. However, the Group fully reserved the judgment amount in the results of operations for 2005.

(b) Leases-

The Brokerage Firm leases and subleases office space from related and third parties. Total rental income and expense for 2006 amounted to $6 and $4, respectively ($4 and $3, respectively, in 2005).

(Continued)

SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.,
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of constant Mexican pesos as of December 31, 2006)

(16) Additional information on operations and segments-

(a) Segment information-

The Brokerage Firm operates in various segments such as capital markets, money markets, mutual funds and investment banking. Segment data for the years ended December 31, 2006 and 2005 is summarized as follows:

		2006	2005
Revenues:			
Capital markets	$	185	128
Money market		64	68
Mutual funds		157	159
Investment banking		115	181
Securities portfolio		127	78
Other income		207	151
		855	765
Expenses:			
Personnel		342	273
Fixed		53	47
Operating		157	119
Depreciation and amortization		8	8
Losses		17	-
		577	447
Operating income		278	318
Portfolio valuation		(26)	(20)
Accrued premiums		10	19
Income before taxes		262	317
Current IT and ESPS		(94)	(83)
Deferred IT and ESPS		10	(16)
Income before the effects of inflation		178	218
Restatement for inflation		(30)	(16)
Extraordinary item (note 10)		18	-
Net income	$	166	202

(Continued)

(Millions of constant Mexican pesos as of December 31, 2006)

(b) Financial ratios-

Following is the last quarter financial ratios of the Brokerage Firm for the years ended December 31, 2006 and 2005:

	2006	2005
Creditworthiness (*total assets / total liabilities*)	1.91%	3.24%
Liquidity (*liquid assets/liquid liabilities*)	1.77%	3.15%
Leverage (*total liabilities-liquidation of the entity (creditor) / stockholders' equity*)	75.24%	28.28%
ROE (*annualized net income for the quarter/ average stockholders' equity*)	15.86%	22.81%
ROA (*annualized net income for the quarter/ average total assets*)	13.57%	26.52%
Global capital / capital requirement	37.77%	38.93%
Financial margin / Total operating income	18.49%	21.22%
Operating income (loss) / Total operating income	15.70%	34.00%
Total operating income/ Administrative expenses	49.44%	70.02%
Administrative expenses / Total operating income	84.30%	66.00%
Net income / Administrative expenses	33.05%	46.87%
Personnel expenses / Total operating income	56.48%	42.88%

(17) Comprehensive risk management-

The ultimate purpose of the Brokerage Firm is to generate shareholder value by maintaining the organization's stability and creditworthiness. Sound financial management increases the profitability of performing assets, helps maintain appropriate liquidity levels and provides control over exposure to losses.

The major risks inherent in the Brokerage Firm's operations are market, credit, liquidity, operating and legal. In compliance with the provisions issued by the Commission and the guidelines established by The Bank of Nova Scotia (BNS), the Brokerage Firm continues to implement initiatives designed to strengthen the comprehensive risk management function.

(Continued)

To identify, measure, and monitor risks, a Comprehensive Risk Management Unit has been established with overall responsibility for the Group.

In accordance with the regulations issued by the Commission, the Board of Directors is responsible for establishing risk control procedures and the Brokerage Firm's overall risk exposure limits. Furthermore, the Board of Directors entrusts the implementation of the procedures designed to measure, manage and control risks to the Risk Committee. In turn, the Risk Committee delegates responsibility for implementing the procedures designed to measure, manage, and control risks to the Asset-Liability and Risks Committee (CAPA) and the Internal Control Committee.

(a) Market risk-

Market risk management consists of identifying, measuring, monitoring and controlling risks derived from fluctuations in: interest rates, market prices, indices and other risk factors in the money, capitals and derivatives markets to which the Brokerage Firm's own positions are exposed.

The CAPA conducts weekly reviews of the strategies and actions related to the Brokerage Firm's exposure to market risk.

Trading positions are marked to market on a daily basis, are taken in liquid markets which avoids high costs at the time such positions are liquidated and are measured daily using the Value at Risk (VaR) method.

The Risk Committee authorizes individual limit structures for each of the financial instruments traded in the markets and by business unit. The limit structure considers mainly volumetric or notional amounts for value-at-risk, stop loss, diversification, stress, marketability, and other limits.

At least once a year, the Board of Directors authorizes risk measurement policies and the structure of risk tolerance limits for VaR as well as volumetric and notional amounts. These limits are established in relation to the Brokerage Firm's stockholders' equity.

(Continued)

(Millions of constant Mexican pesos as of December 31, 2006,
except otherwise stated)

For valuation and risk models references are used on updated prices, interest rate curves and other risk factors provided by the price supplier "Valuación Operativa y Referencias de Mercado, S. A. de C. V." (Valmer). The criteria adopted by such price supplier are determined based on technical and statistical aspects and valuation models authorized by the Commission.

VaR is calculated using the historical simulation method with a 300 working-day time span. To conform to the measurement methodologies used by BNS, the Brokerage Firm calculates VaR considering a 99% confidence level and one and 10-day holding periods.

VaR calculations are performed by instrument, market and globally, considering the existing correlation between the various risk factors. VaR is calculated using the Risk Watch methodology developed by Algorithmics. The Brokerage Firm's unaudited average global VaR observed daily during 2006 was $13.7 nominal ($18.1 nominal in 2005).

The Brokerage Firm's risk positions and their value at risk (unaudited) from October 1 to December 29, 2006 are analyzed as follows:

	Position			VaR	
	Average	**Maximum**	**Limit**	**Average**	**Limit**
Money market	23,355.9	28,282.4	35,000.0	$ 11.3	30
Capital	59.2	132.2	200.0	2.5	23
Total				$ 13.7	35

(Continued)

(Millions of constant Mexican pesos as of December 31, 2006,
except otherwise stated)

During the last quarter of 2006, the Brokerage Company was involved in the Mexican Derivatives Market called "MexDer" through future and option contracts on the IPC (Mexican Stock Exchange Price and Quotation Index). The positions and the number of contracts that were negotiated and their value at risk are analyzed as follows:

	Number of contracts			VaR	
	Average	**Maximum**	**Limit**	**Average**	**Limit**
Interest rate futures TIIE	-	-	225,000	$ -	N/A
IPC futures *	1,619	1,919	6,000	2.5	N/A
IPC options *	638	1,352	2,000	0.2	N/A

* The VaR for future and option contracts on IPC matches that for capital.

During the last quarter of 2006, the Brokerage Firm did not carry out transactions with interest rate futures listed on the MexDer, Mercado Mexicano de Derivados.

The IPC futures are to cover the market risk on option positions or warrants issued on behalf of customers. During the last quarter of 2006, the Brokerage Company kept in average, warrants on the IPC in the amount of $5,070.86 in terms of the notional amount. The maximum amount was $6,741.83 in terms of the notional amount during the same period.

Since VaR is used to estimate potential losses under normal market conditions, stress testing is performed monthly assuming extreme conditions, with the purpose of determining risk exposure under unusually large market fluctuations. The Risk Committee has approved stress limits.

To measure effectiveness, backtesting is performed monthly to compare actual losses and gains with one-day VaR calculations and thus calibrate models. The model's efficiency level is based on the approach established by the Bank for International Settlements (BIS)

There are policies and procedures in place to inform and immediately correct positions that exceed the established limits. Also, the CAPA is informed weekly and the Risk Committee and the Board of Directors are informed monthly of these exceptions.

(Continued)

(b) Liquidity risk-

The Brokerage Firm's liquidity risk results from its intermediation activities in the money, capital, and derivatives markets.

The liquidity risk is monitored and controlled in the aggregate by currency through cumulative liquidity gaps and minimum requirements of liquid assets.

The Capital Management Department oversees liquidity risks and currently issues a weekly report for the CAPA on liquidity gaps, which identifies the cash flows of the Brokerage Firm's own asset position and funding sources.

Management estimates the liability renewal amounts and based on such estimate it foresees that the Brokerage Firm's cash flow would be zero under normal conditions. However, the Brokerage Firm maintains liquid assets. During the last quarter of 2006 and 2005 the average of liquid assets (unaudited) was \$1.4 and \$1.3, respectively.

The cumulative gap indicates the Brokerage Firm's cash commitments in this period and the Liquid Assets will serve as funds for complying with its commitments in case there is no availability of other funding sources.

(c) Credit risk-

Credit risk results from potential non-compliance by the issuer of a financial instrument or counterparty to a transaction, of any of the terms of the purchase/sale agreement or prospectus of any financial instrument.

The Brokerage Firm has implemented and adapted to Mexico's conditions the methodology termed CreditMetrics® for measuring and controlling the credit risk of its various portfolio segments.

SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.,
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of constant Mexican pesos as of December 31, 2006, except otherwise stated)

The portfolios and segments to which the Credit Risk measurement methodology applies at the Brokerage Firm are: a) Non-traditional Portfolio: Money and Derivatives Market.

- This methodology allows estimating expected and unexpected losses from measures of the likelihood of occurrence of credit events (transition matrices), including the likelihood of default.

- The expected loss represents an average estimate of the impact of defaults over a 12-month period.

- The unexpected loss is a measure of dispersion from the expected loss.

- In determining the non-expected loss *("Credit VaR")* a 99.75 % confidence level and a one-year horizon are used.

- Additionally, stress testing assuming extreme conditions is performed both for the expected and the unexpected loss.

Progress was achieved in 2004 in implementing the *Creditmetrics* system used in measuring credit risks, with criteria similar to those used by the Bank.

Average losses expected and unexpected for the fourth quarter of 2006 and 2005 are as follows:

	2006	**2005**
Exposure	70,693	63,474
Unexpected loss	168	21
Expected loss	1	-

(Continued)

(d) Operational risk-

In accordance with the general regulations applicable to Brokerage Companies as regards comprehensive risk management, which were set forth in the Fifth Section of the Third Chapter and published in the Official Gazette in September 2004, Operational Risk is a non-discretionary risk, which is defined as the potential loss arising from failures or deficiencies in internal controls, errors in transaction processing or storage or in data transmission as well as loss resulting from adverse judicial and administrative resolutions, frauds or theft. The Operational Risk comprises the technological risk and legal risk, among others.

For compliance with the rules on operational risk established by the aforementioned provisions, the Brokerage Firm has put in place policies and procedures enabling it to implement an appropriate operational risk management process, which are described below:

- Policies for Operational Risk Management.- These policies primarily promote the risk management culture, particularly as to operational risk, so that the Brokerage Firm can measure, identify, monitor, limit, control and disseminate the operational risks inherent in the day-to-day activities.

- Manual for Operational Risk Data Gathering and Classification.- These policies define the requirements for reporting the information that supports the measuring processes, including the scope, functions and responsibilities of the units providing the information, as well as its classification and specific characteristics.

Additionally, the Brokerage Firm has a structured methodology in place to identify and evaluate the operational risks to which it is exposed. The objectives of the methodology are as follows:

- Classify the significant operational risks identified based on their importance.

- Rely on a systematic procedure so that Brokerage Firm is aware of the operational risks to which it is exposed.

(Continued)

SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.,
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of constant Mexican pesos as of December 31, 2006, except otherwise stated)

- Establish plans to mitigate risks.
- Comply with the requirements set forth in sections I, II and III of article 142 of the General Regulations applicable to Brokerage Companies.

At the close of 2006, the Brokerage Firm had built a historic database of operational risk losses, which includes losses incurred for the years 2003 to 2006, summarized into 1,255 loss events with a total value of $22, classified into four risk factors, detailed below (unaudited information):

Database of Operational Risk Losses (thousands of pesos).

Risk Factor	2003	2004	2005	2006	Grand Total	Events Number	Events Average amount
Regulatory (fines)	$ 524	59	1,811	14	2,408	53	$ 45
Frauds (internal and external)	-	-	100	76	176	4	44
Accounting differences	-	-	421	194	615	1,149	1
Errors in executing transactions	-	-	-	175	175	9	19
Trading	-	-	10,877	7,707	18,584	49	379
Total	$ 524	59	13,209	8,166	21,958	1,264	17

(18) Recently issued accounting standards-

Beginning June 1, 2004, CINIF is responsible for issuing financial reporting standards in Mexico. To accomplish this task, the CINIF received from the Mexican Institute of Public Accountants the bulletins of Generally Accepted Accounting Principles and Circulars issued through that date, which have been renamed as FRS, and will continue in force until modified, substituted or superseded by a new FRS. Through December 2006, CINIF had issued eight series A and one series B FRS, effective for fiscal years beginning after December 31, 2005. Therefore, all prior series A bulletins, as well as bulletins B-1 and B-2, have been superseded.

(Continued)

SCOTIA INVERLAT CASA DE BOLSA, S. A. DE C. V.,
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of constant Mexican pesos as of December 31, 2006,
except otherwise stated)

On June 22, 2006 Modifications to the Accounting Criteria for Brokerage Firms (the Modifications), issued by the Commission, were published in the Official Gazette. The Modifications are effective from 2007.

Modifications harmonize certain criteria issued by the Commission with FRS. In the first place, they establish that the Commission shall issue particular rules for specialized operations, but resort to the supplementary use of other accounting principles and standards set forth in the FRS A-8 and only if the standards referred to by FRS A-8 do not provide a solution for the accounting recognition may a supplementary standard may be used, provided all the requirements noted in such FRS are met. The supplementary use of other accounting principles and standards should be applied in the following order: accounting principles generally accepted in the United States of America ("US GAAP"); or in cases not covered by these principles and standards, any other formal and recognized accounting standard. Management believes that the implementation of the Modifications will not have a significant impact on the Brokerage Firm's financial information.

The most relevant Modifications are the following:

- The following particular standards contained in bulletins issued by the CINIF are included: B-1 "Accounting changes and correction of errors", B-7 "Business acquisitions", C-10 "Financial instruments, derivatives and hedging transactions", "C-15 "Impairment of long-lived assets and their disposition" and D-5 "Leasing".

- *Consolidation-* All entities are required to be consolidated. Previously, only entities belonging to the financial sector were required to be consolidated.

- *Repurchase/resell agreements and securities loan transactions* – Recording, valuation and presentation rules are included for the offsetting of guarantees in repurchase/resell agreements and securities loan transactions.

- *Derivative financial instruments-* The application of Bulletin C-10 of FRS is mandatory.