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

Financial Statements

December 31, 2007 y 2006

(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, 2007.

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, 2007, 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 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, 2007, 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 15, 2008.

KPMG Cárdenas Dosal
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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, 2007 and 2006 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 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, 2007 and 2006, 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.

Jorge Orendain Villacampa

February 15, 2008.

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

Balance Sheets

December 31, 2007 and 2006

(Millions of constant Mexican pesos as of December 31, 2007)

Memorandum accounts

		2007	2006
Transactions on behalf of third parties			
Customer current accounts:			
Customer banks	$	11	22
Settlement of customer transactions		(7)	43
		4	65
Customer securities:			
Customer securities in custody (note 15)		171,792	172,071
Securities and documents received in guarantee (notes 7 and 15)		1,498	2,050
		173,290	174,121
Transactions on behalf of customers:			
Securities repurchase/resell agreements (note 15)		34,670	39,125
Securities lending transactions		118	231
Managed trusts		83	71
		34,871	39,427
Total transactions on behalf of third parties	$	208,165	213,613

		2007	2006
Transactions for the Brokerage Firm's own account			
Memorandum accounts:			
Contingent assets and liabilities	$	4,155	2,677
Repurchase/resell agreements (note 7):			
Bought:			
Securities receivable		45,985	45,252
Creditors under repurchase agreements		(46,045)	(45,245)
		(60)	7
Sold:			
Securities deliverable		(22,061)	(22,510)
Debtors under resell agreements		22,140	22,514
		79	4
Total for own account	$	4,174	2,688

(Continued)

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

Balance Sheets, continued

December 31, 2007 and 2006

(Millions of constant Mexican pesos as of December 31, 2007, except historical capital stock)

Assets	2007	2006
Cash and equivalents (notes 5 and 12)	$ 70	250
Investment securities (note 6):		
Trading securities	4,456	2,452
Securities and derivatives transactions:		
Debit balances on repurchase/resell agreements (notes 7 and 12)	96	26
Securities lending (note 7)	-	2
Derivative financial instruments (note 8)	9	-
	105	28
Other accounts receivable, net (note 12)	327	678
Premises and equipment, net (note 9)	166	175
Permanent investments in shares (note 10)	65	55
Deferred taxes, net (note 14)	28	-
Other assets (note 11)	94	109
Total assets	$ 5,311	3,747

Liabilities and Stockholders' Equity	2007	2006
Assigned securities pending settlement	$ -	157
Securities and derivatives transactions:		
Credit balances on repurchase/resell agreements (note 7)	77	15
Credit balances on securities borrowing (note 7)	1	-
Derivative financial instruments (note 8)	3,318	1,903
	3,396	1,918
Other accounts payable:		
Income tax and employee statutory profit sharing	153	81
Sundry creditors and other accounts payable (note 11)	506	461
	659	542
Deferred taxes, net (note 14)	-	41
Total liabilities	4,055	2,658
Stockholders' equity (note 13):		
Paid-in capital:		
Capital stock	551	551
Earned capital:		
Statutory reserves	27	19
Prior years' retained earnings	511	347
Net income	167	172
	705	538
Total stockholders' equity	1,256	1,089
Commitments and contingencies (note 16)		
Total liabilities and stockholders' equity	$ 5,311	3,747

The historical capital stock amounts to $386,033,107.00 at December 31, 2007 and 2006.

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

December 31, 2007 and 2006

(Millions of constant Mexican pesos as of December 31, 2007, except historical capital stock)

		2007	2006
Commission and fee income (note 12)	$	563	489
Commission and fee expense		(62)	(46)
Financial intermediation income (note 12)		69	73
Income from services		570	516
Gain on purchase and sale of securities (note 6)		490	362
Loss on purchase and sale of securities (note 6)		(481)	(320)
Interest income (notes 7 and 12)		6,323	6,193
Interest expense (notes 7 and 12)		(6,029)	(5,986)
Valuation loss on securities (notes 6, 7 and 8)		(57)	(24)
Monetary position loss		(53)	(108)
Income from brokerage activities		193	117
Total operating income, net		763	633
Administrative expenses		(587)	(534)
Operating income		176	99
Other income (notes 1 and 16)		80	184
Other expense (note 16)		(13)	(52)
		67	132
Income before income tax (IT), employee statutory profit sharing (ESPS), equity in the results of associated companies and extraordinary item		243	231
Current IT and ESPS (note 14)		(155)	(98)
Deferred IT and ESPS (note 14)		69	11
		(86)	(87)
Income before equity in the results of associated companies and extraordinary item		157	144
Equity in the results of associated companies (note 10)		10	9
Income from continued operations		167	153
Extraordinary gain on the early reduction of labor obligations (note 11)		-	19
Net income	$	167	172

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, 2007 and 2006

(Millions of constant Mexican pesos as of December 31, 2007)

		Capital stock	Statutory reserves	Prior years' retained earnings	Net income	Total stockholders' equity
Balances as of December 31, 2005	$	551	8	148	210	917
Item related to stockholder decisions:						
Appropriation of prior year's income		-	11	199	(210)	-
Item related to recognition of comprehensive income (note 13b):						
Net income		-	-	-	172	172
Balances as of December 31, 2006		551	19	347	172	1,089
Item related to stockholder decisions:						
Appropriation of prior year's income		-	8	164	(172)	-
Item related to recognition of comprehensive income (note 13b):						
Net income		-	-	-	167	167
Balances as of December 31, 2007	$	551	27	511	167	1,256

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, 2007 and 2006

(Millions of constant Mexican pesos as of December 31, 2007)

		2007	2006
Operating activities:			
Net income	$	167	172
Items not requiring (providing) funds:			
Depreciation and amortization		15	11
Valuation of securities		57	24
Deferred income tax and employee statutory profit sharing		(69)	(11)
Equity in the results of associated companies, net		(10)	(9)
Extraordinary gain on the early reduction of labor obligations (note 11)		-	(19)
Funds provided by operations		160	168
Variation in items related to the operations:			
Investment securities and assigned securities pending settlement		(2,151)	359
Repurchase/resell agreements and securities lending		13	4
Derivative transactions		1,321	(139)
Funds (used in) provided by operating activities		(657)	392
Funds provided by financial activities, originating from the increase in other accounts payable		117	260
Investment activities:			
Decrease (increase) in other accounts receivable		351	(471)
Increase in premises and equipment		(6)	(3)
Decrease in permanent investments in shares		-	1
Decrease (increase) in other assets		15	(8)
Funds provided by (used in) investing activities		360	(481)
(Decrease) increase in cash and equivalents		(180)	171
Cash and equivalents:			
At beginning of year		250	79
At end of year	$	70	250

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 $32 ($31 nominal), which is shown under "Other income", and a security deposit and accrual for $8 and $1, respectively. Both the security deposit and the accrual were subject to being returned to the purchaser pursuant to certain specific purchase/sale agreement clauses, which expired on December 7, 2007 on which date the Brokerage Firm recognized income of $8 under "Other Income", derived from the reversal of guarantee deposits as the purchase agreement was executed in the year and the clauses previously stated did not come into force. 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".

(2) Summary of significant accounting policies-

(a) Financial statement presentation, disclosure and authorization-

On February 15, 2008, Gonzalo Rojas Ramos (General Director of Scotia Inverlat Casa de Bolsa, S. A. de C. V.), Jean-Luc Rich (Deputy General Director – Group Finance), Ken Pflugfelder (Divisional Director – Group Audit), Gordon Macrae (Director - Group Accounting) and Francisco López Chávez (Assistant director of Accounting – Brokerage Firm); authorized the issuance of the accompanying audited financial statements and notes thereon.

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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, 2007, except value of UDI)

The stockholders and the Commission are empowered to modify the financial statements after issuance. The accompanying financial statements for 2007 will be submitted to the next Stockholders' Meeting for approval.

The financial statements of the Brokerage Firm have been prepared based on the Securities Market Law (SML) 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 19), and include particular rules regarding recording, valuation, presentation and disclosure, which in certain respects depart from such standards – see paragraphs (b), 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; 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.

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 for each year are as follows:

December 31	UDI	Annual inflation
2007	$ 3.932983	3.80%
2006	3.788954	4.16%
2005	3.637532	2.91%

(Continued)

The preparation of the financial statements requires management of the Company to 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.

The balance sheet and statement of income for 2006 include certain reclassifications to conform to the 2007 presentation.

(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, which departs from the provisions of Bulletin C.10 of the FRS, which require that the aforementioned margin accounts be reported under "Transactions with derivative financial instruments".

(c) Investment securities-

Trading securities-

Investment securities consist of listed equities, government securities and bank securities, that are classified under "Trading securities" and held for trading in the market.

Debt securities are initially recorded at acquisition cost and subsequently marked to market using information provided by an independent price vendor. Gains or losses on securities transactions are recognized for the difference between the net amount realized and the carrying value of the securities.

(Continued)

Equity securities are initially recorded at acquisition cost and subsequently marked to market using information provided by an independent price vendor. When a fair or representative market value cannot be determined, the equity method is applied. Valuation effects are reflected in the statement of income under "Valuation gains or losses".

Cash dividends on equity securities are carried to results of operations for the year.

Value date transactions-

Forward value date securities acquired to be settled no later than four business days following the execution are recorded as restricted securities, while securities sold are recorded as securities deliverable, reducing the investment securities. The counterparty is a credit or debit settlement account, as appropriate. When the amount of securities deliverable exceeds the balance of own securities of a similar nature (government, bank, shares or other debt securities), it is reported in liabilities under "Assigned securities pending settlement".

(d) Securities under repurchase/resell agreements-

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

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

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In accordance with the accounting criteria for brokerage firms in México, established by the Commission, 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 (without transfer of title) 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.

Premiums are recognized in income based on their fair value, over the term of the transaction.

(e) Transactions with derivative financial instruments-

Transactions with derivative financial instruments comprise those carried out for trading purposes, which are recognized at their fair value.

Fluctuations in fair value of derivative financial instruments classified as trading securities are reported in the statement of income under "Valuation gain (loss) on securities".

(f) Securities lending and borrowing-

These captions include equity securities in which the Brokerage Firm acts as borrower and lender. Equity securities are recorded at cost and subsequently marked to market. Valuation effects are recognized in the statement of income under "Valuation gain (loss) on securities".

Premiums received and paid are recorded as a deferred credit and a deferred charge, respectively, and are recorded in results of operations using the straight-line method over the term of the borrowing.

The net debit balance or credit balance is reported in the consolidated balance sheet after individually offsetting the asset or liability positions for each of the transactions.

(Continued)

(g) Premises and equipment-

Premises, equipment and leasehold improvements are initially recorded at their acquisition cost, and restated for inflation by applying UDI factors.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

The Brokerage Firm performs periodic studies of its property and leasehold improvements 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.

(h) Permanent investments in shares-

The Brokerage Firm records the permanent investment in shares held in Bolsa Mexicana de Valores, S. A. de C. V., 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. using the equity method and the most recent financial statements available, in accordance with the Commission's rules, which departs from FRS. In accordance with FRS, such investments should be recorded at cost adjusted for inflation using UDI factors.

(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 carry forwards. 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.

(Continued)

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

The Brokerage Firm has a defined contribution pension plan, under which the amounts contributed by the Brokerage Firm are recognized in the statement of income under "Administrative expenses", (see note 11).

Additionally, a plan exists to cover the seniority premium and compensation to which employees are entitled in accordance with the Federal Labor Law, and the obligations related to post-retirement medical services, food coupons and life insurance benefits for retirees.

For both plans, irrevocable trusts have been created in which the plan assets are managed.

The net periodic cost of seniority premiums and severance compensation for reasons other than restructuring and post-retirement benefits are charged to operations for the year, based on independent actuarial computations of the present value of these obligations, using the projected unit credit method, and real interest rates. Amortization of the unrecognized prior service cost is based on the estimated average remaining service lives of existing employees entitled to the 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.

(Continued)

(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.

(o) Memorandum accounts-

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 amount for which the Brokerage Firm is obligated to its customers against a future eventuality.

(p) Revenue recognition-

Fees collected on stock market brokerage, financial intermediation (debt or equity placements) or transactions with investment companies are recognized in income when the transactions are executed.

Gain on the purchase and sale of repurchase/resell agreements is recognized in income when the securities are sold.

(q) Expense recognition-

The expenses incurred by the Brokerage Firm relate primarily to interest on investment securities, personnel compensation and benefits, and administrative expenses, which are charged to operations as incurred.

(Continued)

(r) 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.

(s) 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) Changes in accounting policies-

On June 26, 2006, the Commission, through the Ministry of Treasury and Public Credit (SHCP) issued amendments to the accounting criteria for Brokerage Firms, which became effective beginning on January 1, 2007. Such amendments had no significant impact on the Brokerage Firm.

Derivative financial instruments

Beginning on January 1, 2007, the Brokerage Firm adopted the amendments to the Commission's B-5 criterion, "Derivative financial instruments and hedging activities," which are based on Bulletin C-10 of FRS, and require that all derivatives be recognized at fair value and, additionally, specific rules are established for recognition of hedging transactions.

Through December 31, 2006, the Brokerage Firm classified as hedges certain derivative financial instruments that were purchased and used to hedge own issues of warrants. However, beginning January 1, 2007, with the entry into force of the B-5 criterion referred to in the preceding paragraph, those derivatives were classified as derivative instruments for trading (see note 8).

(Continued)

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(4) Foreign currency exposure-

In compliance with the Central Bank regulations, the Brokerage Firm maintains balanced positions in foreign currencies. At December 31, 2007 and 2006, the maximum long and short positions authorized by the Central Bank is \$189 and \$158 (nominal), respectively, that is equivalent to 15% of the Brokerage Firm's global capital, which is \$1,258 and \$1,050 (nominal) in each year (see note 13d).

At December 31, 2007 and 2006, the Brokerage Firm has a short position of 1,864,382 and a long position of 11,338,475 dollars, respectively, which for financial statement presentation purposes were translated using the exchange rates of \$10.9157 and \$10.8116, respectively, and complies with the regulations.

(5) Cash and cash equivalents-

At December 31, 2007 and 2006, cash and cash equivalents are analyzed as follows:

		2007	2006
Domestic banks	$	4	16
Deposits with foreign banks with maturities not exceeding 30 days		3	47
Margin accounts		63	106
Other funds available		-	81
	$	70	250

(6) Investment securities-

At December 31, 2007 and 2006, the Brokerage Firm's investments in trading securities are as shown on the next page.

(Continued)

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		2007	2006
Securities:			
Trading securities:			
Debt securities:			
Government securities:			
Own account:			
Cetes	$	188	210
Value date sales:			
Cetes		(24)	(1)
Bpat		(21)	–
Bpas		–	(207)
Bonos		–	(159)
Unrestricted government securities (assigned debtors pending settlement)		143	(157)
Government securities:			
Own account:			
Cetes		2,190	1,934
Cetes (pledged in guarantee)		67	9
Bonos		198	–
Restricted government securities in own account		2,455	1,943
Value date purchases:			
Cetes	$	188	–
Udibono		50	–
Bonos		–	33
Restricted government securities		2,693	1,976
Total government securities		2,836	1,819
Bank securities:			
Own account: (unrestricted securities)			
BANOBRA		145	161
Own account:			
BANOBRA		162	65
BACMEXT		125	–
NAFIN		787	–
Restricted bank securities in own account		1,074	65
Total bank securities		1,219	226
Government and bank securities, carried forward	$	4,055	2,045

(Continued)

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		2007	2006
Securities:			
Government and bank securities, brought forward	$	4,055	2,045
Shares:			
Unrestricted securities			
GEO		–	(1)
WALMEX		2	(1)
TELECOM		5	1
TELMEX		–	2
NAFTRAC		3	(3)
IVV		(2)	–
PBR		(6)	–
TMM		1	–
TMX		12	2
EWJ		–	4
INTC		–	4
NOK		–	5
90 VRZCB		–	(42)
SCOTIA G		208	17
SCOTIA A		–	20
Total unrestricted securities		223	8
Restricted securities			
SCOTIA G		126	239
NAFTRAC		52	3
Total restricted securities		178	242
Total shares		401	250
Assigned securities pending settlement - liability		–	157
Total trading securities	$	4,456	2,452

(Continued)

(Millions of constant Mexican pesos as of December 31, 2007)

The gain and loss during 2007 from the purchase and sale of securities amounted to $490 and $481, respectively ($362 and $320 in 2006, respectively). The valuation of investment securities at December 31, 2007 and 2006 resulted in a valuation gain of $10 and $9 respectively. 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.

At December 31, 2007 and 2006, 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, 2007				
BANOBRA 07533	293,264,209	7.51%	2	$ 293
BANCMEXT 08232	129,256,500	7.80%	356	120
NAFIN 08385	538,927,777	7.70%	358	501
NAFIN 08421	296,285,001	7.74%	360	275
				$ 1,189
December 31, 2006				
BANOBRA 07012	155,031,820	7.02%	4	$ 161

(7) Securities under repurchase/resell agreements-

At December 31, 2007 and 2006, the Brokerage Firm's repurchase/resell agreements are analyzed on the next page.

(Continued)

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	2007			
	Receivable under resell agreements	**Securities deliverable**	**Asset**	**Liability**
Bought:				
Net asset positions	$ 9,909	(9,826)	83	-
Net liability positions	12,231	(12,235)	-	(4)
	$ 22,140	(22,061)	83	(4)
	Securities receivable	**Payable under repurchase agreements**		
Sold:				
Net asset positions	$ 34,474	(34,461)	13	-
Net liability positions	11,511	(11,584)	-	(73)
	$ 45,985	(46,045)	13	(73)
			$ 96	(77)
			$ 19	

	2006			
	Receivable under resell agreements	**Securities deliverable**	**Asset**	**Liability**
Bought:				
Net asset positions	$ 7,145	(7,134)	11	-
Net liability positions	15,369	(15,376)	-	(7)
	$ 22,514	(22,510)	11	(7)
	Securities receivable	**Payable under repurchase agreements**		
Sold:				
Net asset positions	$ 36,156	(36,141)	15	-
Net liability positions	9,096	(9,104)	-	(8)
	$ 45,252	(45,245)	15	(8)
			$ 26	(15)
			$ 11	

(Continued)

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At December 31, 2007 and 2006, the net positions of securities under repurchase/resell agreements by type of security are as follows:

Type of instrument	Debit balances Average term (days)	Debit balances Net position	Credit balances Average term (days)	Credit balances Net position
December 31, 2007				
Government:				
CTIM	16	$ 2	2	-
LBON	2	7	2	2
MBON	19	2	20	2
BPAS	33	16	29	8
BPAT	18	59	13	53
IPAS	15	9	3	9
		95		74
Banking securities:				
Stock market certificates (CBUR)	22	1	19	3
Promissory notes	6	-	2	-
		$ 96		77
December 31, 2006				
Government:				
CTIM	33	$ 2	64	1
LS Bonds	43	1	31	2
MBON	26	2	26	1
BREMS	4	2	-	-
BPAS	27	7	25	2
BPAT	32	5	19	5
IPAS	43	1	-	-
		20		11
Banking securities:				
Stock market certificates (CBUR)	26	2	4	1
Promissory notes	57	4	20	3
		$ 26		15

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At December 31, 2007 and 2006, the Brokerage Firm has granted and received government paper under repurchase/resell agreements with maturities 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, 2007			
Guarantees granted:			
BI Cetes	080508	116,436	$ 1
BI Cetes	080703	4,057,347	39
			40
Guarantees received:			
BI Cetes	080117	2,661,924	27
BI Cetes	080131	3,154,859	31
LS Bond182	080313	55,001	6
LD Bondes	100805	272,188	27
M Bonos	081224	43,886	4
Total guarantees received			$ 95
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	16
LS Bond182	100114	29,304	3
Total guarantees received			$ 26

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Secured lending and borrowing:

At December 31, 2007 and 2006, the Brokerage Firm had entered into the following securities lending and borrowing transactions:

	Certificates	Fair value
December 31, 2007		
Secured lending:		
Naftrac 02	3,542,000	$ 104
G Mexico B	75,700	2
Peñoles	50,000	12
		118
Secured borrowing:		
Femsa UBD	25,000	(1)
Naftrac 02	3,542,000	(104)
Peñoles	50,000	(12)
G Mexico B	75,700	(2)
		(119)
		$ (1)
December 31, 2006		
Secured lending:		
Homes*	100,000	$ 11
Naftrac 02	7,857,100	213
Bimbo A	100,000	5
G Mexico B	62,000	2
		231
Secured borrowing:		
Homes*	100,000	(11)
Naftrac 02	7,738,500	(210)
Bimbo A	100,000	(5)
G Mexico B	62,000	(2)
Telecom A1	20,000	(1)
		(229)
		$ 2

(Continued)

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At December 31, 2007 and 2006, the lending transactions mature on January 2 and 3, 2008, and January 3, and 4, 2007, respectively.

At December 31, 2007 and 2006 securities of $126 and $248 respectively, have been pledged under securities borrowing transactions (see note 6).

For the year ended December 31, 2007, income and expense premiums from repurchase/resell agreements amount to $2,117 and $3,771 ($2,114 and $3,688 for 2006), respectively, which are reported in the statement of income under "Commission and fee income" and "Interest expense", respectively. At December 31, 2007 and 2006, the valuation of repurchase/resell agreements resulted in a valuation gain of $18 and $8, respectively.

(8) Derivative financial instruments-

At December 31, 2007 and 2006, derivative financial instruments are analyzed as follows:

	2007		2006	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Stock exchange index (IPC) options	9	3,318	-	1,903

At December 31, 2007 and 2006, the valuation of derivative financial instruments resulted in a loss of $83 and $38, 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, 2007 and 2006, notional amounts of the derivative financial instruments are shown on the next page.

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		2007	2006	
Type of instrument		**Trading purposes**	**Hedging purposes**	**Trading purposes**
Stock exchange index (IPC) futures:				
Bought	$	858	413	17
Sold		(2)	(6)	(19)
	$	856	407	(2)
Stock exchange index (IPC(*)) options:				
Sold	$	(3,318)	–	(1,828)

(*) Market value of collected premiums

(a) Stock exchange index (IPC) futures-

At December 31, 2007 and 2006, futures were purchased and sold on the Mexican Stock Exchange IPC Index for trading purposes (and also for hedging purposes in 2006) at an average price of $0.30 and $0.27 (nominal), respectively, maturing in March and June 2008 and 2007, respectively.

(b) Stock exchange index (IPC) options-

At December 31, 2007 and 2006, the Brokerage Firm has issued European options (exercisable through maturity date) in recognized markets on the Mexican Stock Exchange IPC Index. Their characteristics are shown on the next page.

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Series	Number of certificates	Exercise price (nominal pesos)	Maturity
2007:			
IPC701RDC203	5,000	$ 26,792	October 2007
IPC701RDC206	4,000	24,649	November 2007
IPC703RDC208	5,500	26,408	October 2007
IPC703RDC210	5,700	27,035	January 2008
IPC702RDC212	6,500	27,843	January 2008
IPC704RDC213	6,000	28,590	February 2008
IPC702RDC214	5,600	32,260	March 2008
IPC707RDC215	3,600	36,071	May 2008
IPC702RDC216	5,000	31,184	June 2008
IPC710RDC217	5,250	36,355	September 2008
IPC707RDC218	2,750	31,969	September 2008
IPC705RDC219	18,000	29,999	December 2008
IPC711RDC220	5,000	31,499	December 2008
IPC710RDC221	800	28,099	June 2008
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

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(9) Premises and equipment, net-

At December 31, 2007 and 2006, premises and equipment are analyzed as follows:

	2007	2006	Annual depreciation and amortization rates
Office premises	$ 175	175	2.5%
Transportation equipment	2	1	25%
Office furniture and equipment	63	65	Various
Computer equipment	9	7	10 and 30%
Leasehold improvements	4	5	5%
	253	253	
Less accumulated depreciation and amortization	87	78	
	$ 166	175	

Depreciation and amortization charged to income in 2007 and 2006 amounted to $15 and $11, respectively.

(10) Permanent investments in shares-

At December 31, 2007 and 2006, 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	
	2007	2006	2007	2006
Mandatory investments:				
Bolsa Mexicana de Valores, S. A. de C. V.	4.00	4.00	$ 44	38
S. D. Indeval, S. A. de C. V.	2.44	2.27	13	10
Contraparte Central de valores, S. A. de C. V.	0.96	0.99	2	1
Other investments:				
Impulsora de Fondo México Controladora, S. A. de C. V.	-	-	3	3
Other (at restated cost)	-	-	3	3
			$ 65	55

(Continued)

The equity method is computed using the book value of shares as of December 31, 2007 and 2006 and considering the most recent financial statements available, some unaudited. For the years ended December 31, 2007 and 2006, the Brokerage Firm recognized in the caption "Equity in the results of associated companies", a gain of $10 and $9, respectively, resulting from applying the equity method.

(11) 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. This plan calls for pre-established contributions by the Brokerage Firm, which may be fully withdrawn by employee upon retirement if aged at least 55 years or partially on employment termination in accordance with specific rules for vesting rights. Additionally, contributions are made by the employees, who will be entitled to withdraw those contributions upon employment termination.

For the year ended December 31, 2006, the benefit obligations 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 $19 ($18 nominal), was recognized as an extraordinary item in the statement of income.

As of December 31, 2007 and 2006, the charge to income corresponding to the Brokerage Firm's contributions to the defined contribution plan amounted to $7 for both years.

The Brokerage Firm also has a defined benefit pension plan covering those employees who elected not to change to the defined contribution plan. The benefits are based on years of service and the employee's compensation during the last two years.

The cost, obligations and contributions to the fund relating to the defined benefit 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 as of December 31, 2007 and 2006; the components of the net periodic cost and of the obligations at nominal value for the years ended December 31, 2007 and 2006 are shown on the next page.

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	2007		2006	
	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	1	1	-
Interest cost	1	-	1	-
Return on plan assets	(2)	-	(2)	-
Net periodic cost	$ -	1	-	-
Projected benefit obligations (PBO)	20	9	17	4
Plan assets at market value	(45)	(10)	(42)	(9)
Excess of plan assets over PBO	(25)	(1)	(25)	(5)
Unamortized items:				
Variances in assumptions and experience	5	(3)	6	(7)
Plan modifications	-	(2)	-	(3)
Transition asset (liability)	-	6	-	6
Net projected asset	(20)	-	(19)	(9)
Present benefit obligations:				
Vested	2		1	
Unvested	15		14	
	17		15	
Plan assets	(45)		(42)	
Net asset	$ (28)		(27)	

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Below is an analysis of the movement of the plan assets held to meet the labor obligations for the years ended December 31, 2007 and 2006 (nominal):

		2007	2006
Balance at beginning of year	$	51	51
Contributions to the fund		1	-
Transfer to the defined contribution plan		-	(5)
Return on plan assets		4	5
Payments made		(1)	-
Balance at year end	$	55	51

At December 31, 2007 and 2006, legal severance liabilities are analyzed as follows (nominal):

		2007	2006
PBO	$	22	17
Unamortized items:			
Transition liability		(14)	(16)
PBO net of amortized transition liability for the year end	$	8	1
Intangible asset	$	(13)	(16)
Additional liability		13	16

The severance liability cost for the years ended December 31, 2007 and 2006 in nominal pesos amounted to $17 and $4, respectively.

Rates used in the actuarial projections are:

	2007	2006
Yield on plan assets	4.75%	5.00%
Discount rate	4.00%	4.50%
Rate of increase in compensation	1.25%	1.00%
Medical expense increase rate	3.00%	3.00%
Estimated inflation rate	4.00%	3.50%

(Continued)

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For fiscal 2007, the amortization period of unrecognized items is 16.98 years for pensions (13 years in 2006), 16.10 years for medical expenses (18 years in 2006), 12.42 years for food coupons (same as in 2006) and 20.36 years for life insurance of retirees (21 years in 2006), 11.84 years for seniority premiums (12 years in 2006) and 10.84 years for legal severance (11 years in 2006).

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

(12) 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, 2007 and 2006 (nominal amounts), are as follows:

	2007		2006	
	Revenues	**Expenses**	**Revenues**	**Expenses**
Premiums	$ 889	196	1,059	424
Fees	189	-	168	-
Advisory services	22	24	33	22
Rent	7	4	6	4
Interest	191	892	420	1,070
Other	9	38	1	3
	$ 1,307	1,154	1,687	1,523

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At December 31, 2007 and 2006, balances with related parties are as follows (nominal amounts):

		2007	2006
Cash and cash equivalents:			
Bank (services)	$	4	16
Scotiabank Grand Cayman		3	45
	$	7	61
Receivable (payable):			
Bank (date value transactions, purchase and sale of currencies and others)	$	36	206
Scotia Fondos, S. A. de C. V., Sociedad Operadora de Sociedades de Inversión, Grupo Financiero Scotiabank Inverlat (Scotia Fondos)		16	15
Bank repurchase/resell agreements		28	16
	$	80	237

(13) Stockholders' equity-

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

(a) Structure of capital stock-

The Brokerage Company's capital stock at December 31, 2007 and 2006 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, 2007 and 2006, the minimum fixed capital stock is fully subscribed and paid and amounts to $196 (nominal).

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(b) Comprehensive income-

The comprehensive income reported in the statement of changes in stockholders' equity represents the results of the Brokerage Firm's activities during the year and includes the net income as well as any 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 valuation 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.

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Capital at December, 31:

		2007	2006
Global capital	$	1,257.90	1,089.60
Market risk requirements		376.70	279.22
Credit risk requirements		212.00	133.28
Total capitalization requirements		588.70	412.50
Global capital excess	$	669.20	677.10
Capitalization ratio		46.80%	37.90%
Global capital / capitalization requirements		2.14	2.64

Assets at risk as of December 31, 2007:

		Risk weighted assets	Capital requirement
Market risk:			
Transactions in Mexican pesos at nominal interest rates	$	1,558	125
Transactions in Mexican pesos at premium nominal interest rates		1,067	85
Transactions in Mexican pesos at real interest rates or denominated in UDIS		80	6
Foreign currency transactions at nominal interest rates		-	-
Positions in UDIS or with returns linked to INPC		1	-
Foreign currency positions or with exchange rate indexed returns		27	2
Equity positions or with returns indexed to the price of a single share or group of shares		1,976	158
Total market risk, carried forward	$	4,709	376

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		Risk weighted assets	Capital requirement
Total market risk, brought forward	$	4,709	376
Credit risk:			
Of derivatives		26	2
Of debt instrument position		2,233	179
Of loans and deposits		392	31
Total credit risk		2,651	212
Total market and credit risk	$	7,360	588

Assets at risk as of December 31, 2006 (nominal):

		Risk weighted assets	Capital requirement
Market risk:			
Transactions in Mexican pesos at nominal interest rates	$	67,703	84
Transactions in Mexican pesos at premium nominal interest rates		32,228	77
Transactions in Mexican pesos at real interest rates or denominated in UDIS		759	-
Foreign currency transactions at nominal interest rates		159	-
Positions in UDIS or with returns linked to INPC		759	-
Foreign currency positions or with exchange rate indexed returns		59	7
Equity positions or with returns indexed to the price of a single share or group of shares		436	101
Total market risk, carried forward	$	102,103	269

(Continued)

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	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

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.

(14) 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 except for the deductibility of loss on warrants.

As of December 31, 2007, AT was computed by applying to assets the tax rate of 1.25% for 2007 and 1.8% for 2006. AT incurred in excess of IT for the year is recoverable, restated for inflation, in the ten succeeding years, provided that IT exceeded AT in any of such years. During the years ended December 31, 2007 and 2006, the IT incurred exceeded AT.

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Following is a reconciliation for the years ended December 31, 2007 and 2006, between accounting income and taxable income for IT and ESPS purposes (nominal):

		2007		2006	
		IT	**ESPS**	**IT**	**ESPS**
Income before IT, ESPS, equity in the result of associated companies and extraordinary item		243	243	231	231
Accounting effects of inflation	$	34	34	20	20
Tax effects of inflation, net		(21)	(21)	(29)	(29)
Valuation of financial instruments, repurchase /resell agreements and derivatives		54	54	2	2
Premiums on repurchase/resell agreements		34	34	(9)	(9)
Gain on sale of equity securities		21	21	32	32
Difference between book and tax depreciation		4	4	–	–
Nondeductible expenses		6	6	8	8
Expense accruals		32	32	15	15
Losses on warrants		–	(60)	–	–
Extraordinary item from reduction of labor obligations		–	–	18	18
Less deduction of ESPS paid in the year		(20)	(20)	(18)	(18)
Other, net		28	28	(43)	(43)
Taxable income for IT and ESPS purposes, respectively		415	355	227	227

IT and ESPS expense incurred for the years ended December 31, 2007 and 2006 is as follows:

		2007	2006
IT (28% in 2007 and 29% in 2006)	$	116	66
ESPS (10%)		35	23
Restatement for inflation		4	9
	$	155	98

(Continued)

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Deferred IT and ESPS

The temporary differences that give rise to a deferred tax asset and liability as of December 31, 2007 and 2006 are presented below:

	2007		2006	
	Taxes	**ESPS**	**Taxes**	**ESPS**
Prepaid expenses	$ (8)	(3)	(3)	(1)
Valuation of financial instruments and imputed interest	14	5	5	2
Premises and equipment	(40)	(14)	(41)	(14)
Deductible ESPS	10	4	5	2
Losses on warrants	39	–	–	–
Expense accruals	16	5	3	1
	$ 31	(3)	(31)	(10)
Deferred IT and ESPS in the balance sheet	$ 28		41	

The credit to income for deferred IT and ESPS for the years ended December 31, 2007 and 2006, comprise the following:

	2007		2006	
	Taxes	**ESPS**	**Taxes**	**ESPS**
Prepaid expenses	$ (5)	(2)	2	1
Valuation of financial instruments and imputed interest	9	3	7	4
Premises and equipment	1	–	–	–
Deductible ESPS	5	2	1	–
Losses on warrants	39	–	–	–
Accrued expenses decrease	13	4	(3)	(1)
	$ 62	7	7	4
Deferred IT and ESPS in the statement of income	$ 69		11	

(Continued)

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.

Other considerations

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.

On October 1, 2007, new laws were published, a number of tax laws were revised, and, additionally, a presidential decree was issued on November 5, 2007, which will be applicable beginning January 1, 2008. The most significant changes are: (i) derogation of the Asset Tax Law, and (ii) a new tax (business flat tax or IETU), which is based on cash flows and contains certain restrictions on tax deductions and, additionally, tax credits are granted mainly in connection with inventories, salaries taxed for IT purposes and social security contributions, tax losses arising from accelerated deduction, recoverable asset tax, and deductions related to fixed asset investments, deferred charges and expenses. The IETU rate will be 16.5% for 2008, 17% for 2009 and 17.5% for 2010 and thereafter.

Accordingly, the Brokerage Firm will continue to determine and pay IT incurred for the year. Should the IETU incurred for the same year exceed the IT, the IT actually paid may be credited against the IETU, with any excess being payable. If IETU is incurred, the payment will be considered final, not subject to recovery in subsequent years (with certain exceptions). However, according to management's projections, IETU will not be incurred by the Brokerage Firm in 2008; therefore, deferred taxes as of December 31, 2007 were determined on an IT basis.

(Continued)

(Millions of constant Mexican pesos as of December 31, 2007)

(15) 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, 2007 and 2006 are analyzed as follows:

	2007	2006
Mutual funds	$ 22,316	18,651
Government securities	45,426	49,790
Equities and others	104,050	103,630
	$ 171,792	172,071

Securities and documents received in guarantee at December 31, 2007 and 2006 are analyzed as follows:

	2007	2006
Government securities	$ 670	1,114
Fixed-income debt securities	74	277
Equities and holding companies' certificates	575	620
Mutual fund shares	125	16
Cash	54	23
	$ 1,498	2,050

Income earned on assets under custody during the years ended December 31, 2007 and 2006 amounted to $37 and $32, respectively.

Repurchase/resell transactions of customers-

At December 31, 2007 and 2006, the repurchase/resell transactions of customers are analyzed on the next page.

(Continued)

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	2007		2006	
	Number of certificates	Fair value	Number of certificates	Fair value
Bpas	63,251,788	$ 6,336	90,252,683	$ 9,366
Bpat	49,428,141	4,954	52,177,612	5,426
Brem	-	-	39,654,375	4,123
Cbpc	3,723,918	371	-	-
Cbur	13,097,549	1,445	10,963,912	1,124
Cete	315,258,697	3,065	543,924,772	5,460
Ipas	16,016,503	1,615	12,201,083	1,267
Ls	14,772,269	1,512	35,475,545	3,747
Mbon	19,988,803	2,101	11,907,824	1,419
Prlv	2,904,496,933	2,865	2,658,235,385	2,732
Udibono	131,281	60	1,752,659	780
LBon	103,340,317	10,346	35,561,124	3,681
		$ 34,670		$ 39,125

(16) 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.

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 during the period from January 1, 2003 to December 31, 2004. In March 2006, amended VAT returns for fiscal 2003 and through July 31, 2004 were filed, reclaiming recoverable amounts, plus adjustment for inflation and interest, of $30 (nominal), of which $22 was recovered in 2007. The remainder pending recovery relates to interest not refunded by the Internal Revenue Service (SAT).

(Continued)

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 for a tax assessment (unpaid tax liability) of fiscal 1991 for a total of $139 (nominal) was binding and so the proceeding for the enforcement of the assessment 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. Through a decision pronounced on June 27, 2007, the Tax Division resolved to dismiss the aforementioned action. Accordingly, since the case concluded favorably to the Group's interests, the provision of $139 (nominal) was reversed in 2007.

(b) Leases-

The Brokerage Firm leases and subleases office space from related and third parties. Total rental income and expense for 2007 amounted to $9 and $5, respectively ($8 and $4, respectively, in 2006).

(17) 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, 2007 and 2006 (nominal) is summarized on the next page.

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		2007	2006
Revenues:			
Capital markets	$	229	192
Money market		62	66
Mutual funds		176	163
Investment banking		126	119
Securities portfolio		187	132
Other income		186	215
		966	887
Expenses:			
Personnel		410	356
Fixed		57	56
Operating		124	135
Depreciation and amortization		11	8
Losses		4	47
		606	602
Operating income		360	285
Portfolio valuation loss		(87)	(27)
Accrued premiums		18	10
Income before taxes		291	268
Current IT and ESPS		(153)	(92)
Deferred IT and ESPS		68	8
Income before the effects of inflation		206	184
Restatement for inflation		(35)	(31)
Extraordinary item (note 11)		-	19
Net income	$	171	172

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(b) Financial ratios-

Following are the fourth quarter financial ratios of the Brokerage Firm for the years ended December 31, 2007 and 2006:

	2007	2006
Creditworthiness (*total assets / total liabilities*)	1.31%	1.41%
Liquidity (*liquid assets/liquid liabilities*)	1.23%	1.39%
Leverage (*total liabilities-liquidation of the entity (creditor) / stockholders' equity*)	2.94%	2.09%
ROE (*annualized net income for the quarter/ average stockholders' equity*)	-1.02%	19.25%
ROA (*annualized net income for the quarter/ average total assets*)	-0.30%	8.38%
Global capital / capital requirement	46.80%	37.90%
Financial margin / Total operating income	19.80%	15.62%
Operating income (loss) / Total operating income	2.00%	-12.22%
Total operating income/ Administrative expenses	102.04%	89.11%
Administrative expenses / Total operating income	98.00%	112.22%
Net income / Administrative expenses	-1.92%	27.20%
Personnel expenses / Total operating income	67.05%	78.24%

Notes

- *The indicators related to results correspond to annualized quarterly nominal cash flows.*
- *The Solvency, Liquidity and Leverage indicators are stated in number of times.*

(18) 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, capital 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.

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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 correlation existing between the various risk factors. VaR is calculated using the Risk Watch methodology developed by Algorithmics. The Brokerage Firm's average global VaR (unaudited) of ten days observed daily during 2007 was $13.98 nominal ($13.7 nominal in 2006).

The Brokerage Firm's risk positions and their value at risk (unaudited) from October 1 to December 31, 2007 (millions of nominal pesos) are analyzed as follows:

	Position			VaR	
	Average	**Maximum**	**Limit**	**Average**	**Limit**
Brokerage Firm	27,365.5	33,437.9		$ 14.0	35.0
Money market	27,300.4	33,382.8	35,000.0	13.1	30.0
Capital	65.2	125.3	200.0	4.8	23.0
Total				$ 31.9	88.0

(Continued)

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The Brokerage Firm's average value at risk on money market and interest rate derivatives is $13.1. This means that under normal conditions and a 10-day holding period, the possibility of losing more than that amount is 1%, assuming that the behavior over the past 300 days of operations is representative for estimating the loss.

During the last quarter of 2007, the Brokerage Firm participated 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		
	Average	**Maximum**	**Limit**
Interest rate futures TIIE	-	-	225,000
IPC futures *	2,030	2,840	6,000
IPC options *	982	1,763	4,000

During the last quarter of 2007, the Brokerage Firm did not carry out transactions with interest rate futures listed on the MexDer.

The IPC futures are to cover the market risk on option positions or warrants issued on behalf of customers. During the last quarter of 2007, the Brokerage Company kept in average, warrants on the IPC in the notional amount of $4,682. The maximum notional amount was $5,649 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 models' efficiency level is based on the approach established by the Bank for International Settlements (BIS)

(Continued)

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.

(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 2007 and 2006 the average of liquid assets (unaudited) was $1.4 and $1.5, 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 CreditMetrics® methodology for measuring and controlling the credit risk of its various portfolio segments.

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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.

The implementation of the *Creditmetrics* system used in measuring credit risks was completed in 2004, with criteria similar to those used by the Bank.

Average losses expected and unexpected in millions of nominal pesos for the fourth quarter of 2007 and 2006 are as follows:

	2007	2006
Exposure	86,029	70,693
Unexpected loss	196	168
Expected loss	1	1

(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. Operational Risk comprises 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.

- Levels of Operational Risk Tolerance – aimed at having an operational loss management tool that allows each of the Brokerage House's areas to know the tolerance levels of losses applicable to each assumed loss event and encouraging improvements in the management process of Operational Risks within each area and that the latter implement, insofar as possible, the necessary actions to minimize the risk of future losses.

(Continued)

- Key Risk Indicators (KRI) - this process allows the Brokerage House to establish indicators from variables drawn from processes, which performance is related to the degree of risk assumed. By monitoring each indicator, trends are identified that enable managing the indicator's values over time, assuming that by controlling these values the associated risk factor is maintained within the desired levels. To this end maximum and minimum admissible values are established for each of the indicators selected, so that mitigating/corrective action is automatically initiated once these values are exceeded.

- Estimated Legal Risk Loss Model - the Brokerage House has a methodology for estimating expected and unexpected legal risk losses whereby it assesses potential loss as a result of adverse judgments in lawsuits in process. Such methodology is based on past experience of prior year losses, which data undergoes a severity and frequency of occurrence analysis to determine the likelihood of loss in relation to legal matters in process.

The Brokerage Firm also has a structured methodology for self-assessment of operational risks, which is applied throughout the organization and through which it identifies operational risks inherent to its processes. Its objectives are as follows:

- Evaluating the potential impact of significant operational risks identified on the Brokerage Firm's objectives, competitiveness, profitability, productivity and reputation;

- Prioritizing, based on impact and significance, action for mitigating operational risks;

- Guiding each of the Brokerage Firm's units in their operating risk management processes;

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

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- 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 2007, the Brokerage Firm had built a historic database of operational risk losses, which includes losses incurred for the period from January 2004 to November 2007, summarized into 1,889 loss events with a total value of $23 million nominal pesos, classified into seven risk categories, detailed below (unaudited information):

Database of Operational Risk Losses (thousands of pesos).

						Events	
Risk Categories	2004	2005	2006	2007	Grand Total	Number	Average amount
Trading	-	10,877	7,568	332	18,777	48	$ 391
Regulatory (fines)	$ 59	1,811	167	108	2,145	51	42
Accounting differences	-	421	194	-	615	1,141	1
Frauds (internal and external)	-	100	76	-	176	4	44
Errors in executing transactions	-	-	140	628	768	18	43
Unrecoverable	-	-	-	505	505	626	1
Phishing	-	-	-	4	4	1	4
Total	$ 59	13,209	8,145	1,577	22,990	1,889	12

(19) Recently issued accounting standards-

The CINIF has issued the following FRS, effective for years beginning after December 31, 2007, and which do not provide for earlier application.

(a) FRS B-10 "Effects of inflation"- FRS B-10 supersedes Bulletin B-10 and its five documents of amendments, as well as the related circulars and INIF (Interpretation of Financial Reporting Standards) 2. The principal considerations established by this FRS are: (i) the change in the value of the Investment Unit (UDI) may be used for determining the inflation for a given period; (ii) an entity is only required to recognize the effects of inflation when operating in an inflationary economic environment (accumulated inflation equal to or higher than 26% in the most recent three-year period); and (iii) the accounts of Gain or Loss from Holding Non-monetary Assets (RETANM - Spanish abbreviation), Monetary Position Gains or Losses (REPOMO - Spanish abbreviation), and Deficit/Excess in Equity Restatement, will be reclassified to retained earnings, when the unrealized portion is not identified.

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Since accumulated inflation over the past three years is less than 26%, the Brokerage House will cease recognizing the effects of inflation on the financial information beginning in 2008 and until such time as an inflationary scenario, as defined above, returns. The Brokerage House average monetary position gain or loss over the past two years resulted in a charge to income of $81.

(b) **FRS D-3** ***"Employee benefits"-*** FRS D-3 supersedes Bulletin D-3, the portion applicable to Employee Statutory Profit Sharing (ESPS) of Bulletin D-4 and INIF (Interpretation of Financial Reporting Standards) 4. The principal considerations established by this FRS are: (i) a maximum of five years is established for amortizing unrecognized/unamortized items, and the option is provided for immediate recognition of actuarial gains or losses in results of operations; (ii) recognition is eliminated of an additional liability and related intangible asset and any related item as a separate component of stockholders' equity; (iii) severance benefits are to be recognized directly in results of operations; and (iv) ESPS, including deferred ESPS, is to be presented in the statement of income as ordinary operations. Furthermore, FRS D-3 requires the use of the asset and liability method required by FRS D-4 for determining deferred ESPS, stating that any effects arising from the change should be recognized in retained earnings, without restating prior years' financial statements.

Management estimates that the initial effects of this new FRS for the Brokerage House in the year 2008 will be an expense of $2 for the defined benefit pension plan, seniority premiums, post-retirement medical benefits, life insurance and food coupons of retirees as well as an income of $3 for severance payments. In addition, the intangible assets and additional liability recorded at December 31, 2007 will be cancelled.

(c) **FRS D-4** ***"Taxes on income"-*** FRS D-4 supersedes Bulletin D-4 and Circulars 53 and 54. The principal considerations established by this FRS are: (i) the balance of the cumulative IT effects resulting from the initial adoption of Bulletin D-4 in 2000 is reclassified to retained earnings; (ii) AT is recognized as a tax credit (benefit), rather than as a tax prepayment; and (iii) the accounting treatment of ESPS incurred and deferred is transferred to FRS D-3, as mentioned in paragraph (b) above.

(Continued)

Management estimates that the initial effects of this new FRS will not be material.

(d) **FRS B-2** ***"Statement of cash flows"***- FRS B-2 supersedes Bulletin B-12 and paragraph 33 of Bulletin B-16. The principal considerations established by this FRS are: (i) the statement of cash flows replaces the statement of changes in financial position; (ii) cash inflows and cash outflows are reported in nominal currency units i.e. the effects of inflation are disregarded; (iii) two alternative preparation methods (direct and indirect) are established, without stating preference for either method. Furthermore, cash flows from operating activities are to be reported first, followed by cash flows from investing activities and lastly cash flows from financing activities; (iv) captions of principal items are to be reported gross; and (v) disclosure is required of the composition of items deemed cash equivalents.

The promulgation of this FRS will have no effect on the Brokerage House until the Commission adopts FRS B-2 since there is currently a specific criterion that governs the presentation of the statement of changes in financial position.