

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

Grupo Financiero Scotiabank Inverlat

Financial Statements

December 31, 2012 and 2011

With Statutory and Independent
Auditors' Reports thereon

(Free Translation from Spanish
Language Original)

Statutory Auditors' Report
(Free Translation from Spanish Language Original)

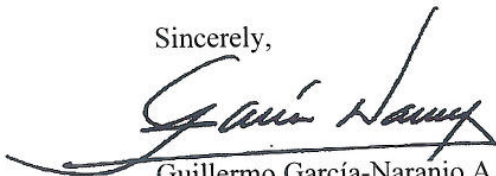
The Stockholders
Scotia Inverlat Casa de Bolsa, S. A. de C. V.,
Grupo Financiero Scotiabank Inverlat:

In our capacity as Statutory Auditors 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 reliability, fairness and sufficiency of the information furnished to you by the Board Directors, for the year ended December 31, 2012.

We have attended the Stockholders’ and Board of Directors’ meetings to which we have been summoned, and we have obtained from the directors and management of the Brokerage Firm such information on the operations, documentation and accounting records, as we considered necessary in the circumstances.

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 under circumstances and have been applied on a basis consistent with that of the preceding year. Therefore, such information is a fair, and reasonable and sufficient representation of the financial position of Scotia Inverlat Casa de Bolsa, S. A. de C. V., Grupo Financiero Scotiabank Inverlat as of December 31, 2012, and the results of its operations, and cash flows for the year then ended, in conformity with the accounting criteria for brokerage firms in México issued by the National Banking and Securities Commission.

Sincerely,



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



Jorge Orendain Villacampa
Statutory Auditor for Series “B” shares

Mexico City, February 22, 2013.



Independent Auditors' Report
(Translation from 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 audited the accompanying financial statement of Scotia Inverlat Casa de Bolsa, S. A. de C. V., Grupo Financiero Scotiabank Inverlat (“the Brokerage Firm”) which comprise the balance sheets as of December 31, 2012 and 2011 and the statements of income, changes in stockholders' equity and cash flows for the years then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting criteria for brokerage firms in Mexico established by the National Banking and Securities Commission (“the Commission”) and for internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Brokerage Firm's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Brokerage Firm's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

(Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.


Opinion

In our opinion, the financial statements of Scotia Inverlat Casa de Bolsa S. A. de C. V., Grupo Financiero Scotiabank Inverlat as at December 31, 2012 and 2011, have been prepared, in all material respects, in accordance with the accounting criteria for brokerage firms in México issued by the Commission.

Other Matters

Previously, and on February 15, 2012, we issued our audit report on the financial statements as of December 31, 2011 and for the year then ended in accordance with auditing standards generally accepted in Mexico. As required by the Mexican Institute of Public Accountants, International Standards on Auditing (ISAs) are mandatory in Mexico for audits of financial statements commencing on January 1, 2012; consequently, our audit report on the figures of the financial statements for 2012 and 2011 is issued on the basis of ISAs.

KPMG CARDENAS DOSAL, S. C.



Jorge Brendain Villacampa

February 22, 2013.

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

Balance Sheets

December 31, 2012 and 2011

(Millions of Mexican pesos)

Memorandum accounts

	<u>2012</u>	<u>2011</u>		<u>2012</u>	<u>2011</u>
Transactions on behalf of third parties			Transactions for the Brokerage Firm's own account		
Customer current accounts:			Collaterals received by the entity:		
Customers' banks	\$ 31	13	Government debt	36,387	21,143
Settlement of customers' transactions	42	188	Banking debt	610	-
Other current accounts	<u>237</u>	<u>223</u>	Other debt securities	151	-
	<u>310</u>	<u>424</u>	Equity instruments	<u>342</u>	<u>2</u>
				<u>37,490</u>	<u>21,145</u>
Custody operations:			Collaterals received and sold or pledged		
Customer securities in custody			in guarantee by the entity (notes 12 and 15):		
(note 15)	<u>219,199</u>	<u>201,932</u>	Government debt	36,387	21,143
Management operations:			Banking debt	610	-
Securities repurchase/resell agreements			Other debt securities	151	-
by customers (note 15)	82,789	53,713	Equity instruments	<u>186</u>	<u>-</u>
Securities lending transaction				<u>37,334</u>	<u>21,143</u>
by customers (note 15)	65	81			
Collaterals received in guarantee			Other accounts (note 8)	9,627	6,358
by customers (note 15)	45,809	32,662			
Collaterals delivered in guarantee					
by customers (note 15)	38,980	22,607			
Managed trusts	<u>145</u>	<u>176</u>			
	<u>167,788</u>	<u>109,239</u>			
Total transactions on behalf of third parties	\$ <u><u>387,297</u></u>	<u><u>311,595</u></u>	Total for the Brokerage Firm	\$ <u><u>84,451</u></u>	<u><u>48,646</u></u>

(Continued)

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

Balance Sheets, continued

December 31, 2012 and 2011

(Millions of Mexican pesos)

Assets	2012	2011	Liabilities and Stockholders' Equity	2012	2011
Cash and cash equivalents (notes 5 and 12)	\$ 55	29	Bank and other borrowings short-term (note 12)	\$ 8	6
Margin accounts (derivatives) (note 12)	1	12	Creditors under repurchase/resell agreements (note 7)	8,495	11,430
Investment securities (note 6):			Collateral sold or pledged:		
Trading securities	14,286	14,574	Securities lending (note 7)	186	147
Available-for-sale securities	600	469	Derivatives (notes 8 and 12):		
	<u>14,886</u>	<u>15,043</u>	Trading purposes	<u>3,012</u>	<u>2,017</u>
Debtors under repurchase/resell agreements (notes 7 and 12)	2	1	Other accounts payable:		
Derivatives (notes 8 and 12):			Income taxes payable	18	9
Trading purposes	264	257	Employee statutory profit sharing payable	46	20
Accounts receivable, net (notes 5, 6, 8 and 12)	305	170	Creditors pending settlements (notes 5, 6 and 8)	1,753	152
Premises, furniture and equipment, net (note 9)	161	169	Sundry creditors and other accounts payable (notes 11 and 12)	<u>234</u>	<u>225</u>
Permanent investments (note 10)	3	3	Deferred taxes and deferred employee statutory profit sharing, net (note 14)	<u>112</u>	<u>77</u>
Other assets:			Total liabilities	<u>13,864</u>	<u>14,083</u>
Deferred charges, prepaid expenses and intangibles	101	196	Stockholders' equity (note 13):		
Other short and long term assets (note 11)	<u>31</u>	<u>31</u>	Paid-in capital:		
	132	227	Capital stock	<u>551</u>	<u>551</u>
			Earned capital:		
			Statutory reserves	65	58
			Retained earnings	643	908
			Unrealized gain from valuation of available-for-sale securities	265	169
			Net income	<u>421</u>	<u>142</u>
				<u>1,394</u>	<u>1,277</u>
			Total stockholders' equity	<u>1,945</u>	<u>1,828</u>
			Commitments and contingencies (note 16)		
Total assets	\$ <u>15,809</u>	<u>15,911</u>	Total liabilities and stockholders' equity	\$ <u>15,809</u>	<u>15,911</u>

"The historical capital stock amounts to \$386 at December 31, 2012 and 2011."

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 as of 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."

"These balance sheets faithfully match with the original balance sheets, which are properly signed and held by the Brokerage Firm."

Pablo Aspe Poniatowski(Sign)
General Director

Michael Coate(Sign)
Deputy General Director Finance
and Business Intelligence

Agustín Corona Gahbler(Sign)
Deputy General Director
Group Audit

H. Valerio Bustos Quiroz(Sign)
Director of Group
Accounting

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

Statements of Income

Years ended December 31, 2012 and 2011

(Millions of Mexican pesos)

	<u>2012</u>	<u>2011</u>
Commission and fee income (note 12)	\$ 591	581
Commission and fee expense (note 12)	(46)	(45)
Financial advisory income (note 12)	<u>100</u>	<u>85</u>
Income from services	<u>645</u>	<u>621</u>
Gain on purchase and sale of securities (note 6)	1,236	1,081
Loss on purchase and sale of securities (note 6)	(1,141)	(1,028)
Interest income (notes 6, 7 and 12)	2,270	1,901
Interest expense (notes 7 and 12)	(2,017)	(1,746)
Valuation (loss) gain on securities at fair value (notes 6 and 8)	<u>(59)</u>	<u>19</u>
Intermediation financial margin	<u>289</u>	<u>227</u>
Other operating income (notes 1a and 12)	254	30
Administrative and promotion expenses (note 12)	<u>(700)</u>	<u>(685)</u>
	<u>(446)</u>	<u>(655)</u>
Income before income taxes	<u>488</u>	<u>193</u>
Current income taxes (note 14)	(86)	(48)
Deferred income taxes, net (note 14)	<u>19</u>	<u>(3)</u>
	<u>(67)</u>	<u>(51)</u>
Net income	<u>\$ 421</u>	<u>142</u>

See accompanying notes to financial statements.

"These statements of income 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 all 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."

"These statements of income faithfully match with the original statements of income, which are properly signed and held by the Brokerage Firm."

Pablo Aspe Poniatowski(Sign)
General Director

Michael Coate(Sign)
Deputy General Director Finance
and Business Intelligence

Agustín Corona Gahbler(Sign)
Deputy General Director
Group Audit

H. Valerio Bustos Quiroz(Sign)
Director of Group
Accounting

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

Statements of Changes in Stockholders' Equity

Years ended December 31, 2012 and 2011

(Millions of Mexican pesos)

	<u>Capital stock</u>	<u>Statutory reserves</u>	<u>Retained earnings</u>	<u>Unrealized gain from valuation of available-for- sale securities</u>	<u>Net income</u>	<u>Total stockholders' equity</u>
Balances as of December 31, 2010	\$ 551	46	872	191	248	1,908
Changes resulting from stockholders' resolutions:						
Appropriation of prior year's income	-	12	236	-	(248)	-
Dividends declared (note 13c)	-	-	(200)	-	-	(200)
	-	12	36	-	(248)	(200)
Changes related to recognition of comprehensive income (notes 13b and 14):						
Valuation effects of available-for-sale securities, net of deferred taxes of \$14	-	-	-	(22)	-	(22)
Net income	-	-	-	-	142	142
	-	-	-	(22)	142	120
Balances as of December 31, 2011	551	58	908	169	142	1,828
Changes resulting from stockholders' resolutions:						
Creation of reserve	-	7	(7)	-	-	-
Appropriation of prior year's income	-	-	142	-	(142)	-
Dividends declared (note 13c)	-	-	(400)	-	-	(400)
	-	7	(265)	-	(142)	(400)
Changes related to recognition of comprehensive income (note 13b and 14):						
Valuation effects of available-for-sale securities, net of deferred taxes of \$65	-	-	-	96	-	96
Net income	-	-	-	-	421	421
	-	-	-	96	421	517
Balances as of December 31, 2012	\$ 551	65	643	265	421	1,945

See accompanying notes to financial statements.

"These statements of changes in stockholders' equity 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 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."

"These statements of changes in stockholders' equity faithfully match with the original statements of changes in stockholders' equity, which are properly signed and held by the Brokerage Firm."

Pablo Aspe Poniatowski(Sign)
General Director

Michael Coate(Sign)
Deputy General Director Finance
and Business Intelligence

Agustín Corona Gahbler(Sign)
Deputy General Director
Group Audit

H. Valerio Bustos Quiroz(Sign)
Director of Group
Accounting

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

Statements of Cash Flows

Years ended December 31, 2012 and 2011

(Millions of Mexican pesos)

	<u>2012</u>	<u>2011</u>
Net income	\$ 421	142
Items not requiring (providing) cash flow:		
Impairment losses or impairment reversal		
in investing activities	(1)	1
Depreciation of premises, furniture and equipment	12	12
Amortization of intangible asset	1	-
Provisions	23	55
Current and deferred income taxes	67	51
Valuation (loss) gain on securities at fair value	59	(19)
	<u>582</u>	<u>242</u>
Subtotal		
Operating activities:		
Change in margin accounts	11	96
Change in investment securities	(15)	(1,865)
Change in debtors under repurchase / resell agreements	(1)	70
Change in derivatives (asset)	(283)	(268)
Change in other operative assets	(39)	49
Change in bank and other borrowings	2	(4)
Change in creditor under repurchase / resell agreements	(2,935)	1,755
Change in securities lending (liabilities)	(1)	-
Change in collaterals sold or pledged	39	21
Change in derivatives (liabilities)	1,218	326
Change in other operative liabilities	1,603	(102)
Change of income taxes (return)	324	-
Payment of income taxes	(76)	(81)
	<u>(153)</u>	<u>(3)</u>
Net cash flows from operating activities		
Investing activities:		
Payments for acquisition of premises, furniture and equipment	(4)	(28)
Cash received from disposal of other long-term investments	1	-
Cash received from dividends declared in cash	1	1
Payments for acquisition of intangible assets	(1)	(3)
	<u>(3)</u>	<u>(30)</u>
Net cash flows from investing activities		
Net cash flows from financing activities		
payment of dividends	(400)	(200)
	<u>(400)</u>	<u>(200)</u>
Net increase (decrease) in cash and cash equivalents	26	9
Cash and cash equivalents at beginning of year	29	20
Cash and cash equivalents at end of year	\$ <u>55</u>	<u>29</u>

See accompanying notes to financial statements.

"These statements of cash flows 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 all the cash inflows and cash outflows 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 cash flows were approved by the Board of Directors under the responsibility of the following officers."

"These statements of cash flows faithfully match with the original statements of cash flows which are properly signed and held by the Brokerage Firm."

Pablo Aspe Poniatowski(Sign)
General Director

Michael Coate(Sign)
Deputy General Director Finance
and Business Intelligence

Agustín Corona Gahbler(Sign)
Deputy General Director
Group Audit

H. Valerio Bustos Quiroz(Sign)
Director of Group
Accounting

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

Notes to Financial Statements

December 31, 2012 and 2011

(Millions of Mexican pesos)

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 terms of the Securities Market Law (SML) and general provisions issued by the National Banking and Securities Commission (“the Commission”). For the years ended December 31, 2012 and 2011, the Brokerage Firm obtained from related companies 23% and 20% of its income, respectively.

Significant Transaction in 2012-

(a) *Return of income taxes-*

In August 2012, the Brokerage Firm granted an income tax refund for \$203 as a result of the judgment in its favor handed down by the Third Regional Metropolitan Division of the Federal Fiscal and Administrative Justice Court, as established in official letter number 900-06-02-03-00-2012-50421. Such judgment enables deducting the total tax loss from selling shares for fiscal years 2000 and 2001; in such years, the Income Tax Law only allowed the deduction of this loss up to the maximum profits generated by the same concept. The refund amount was recorded in “Other income” in the statement of income.

(2) Summary of significant accounting policies-

(a) *Financial statement authorization, presentation and disclosure-*

On February 22, 2013, Pablo Aspe Poniowski (General Director), Michael Coate (Deputy General Director Finance and Business Intelligence), Agustín Corona Gahbler (Deputy General Director Group Audit) and H. Valerio Bustos Quiroz (Director of Accounting Group); authorized the issuance of the accompanying financial statements and notes thereon.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

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

The financial statements of the Brokerage Firm have been prepared based on the 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.

The aforementioned financial statements are presented in Mexican pesos, which is the same as the recording currency and to the functional currency.

According to the accounting criteria, the Commission shall issue particular rules for specialized transactions, and that in the absence of an express accounting criterion of the Commission for brokerage companies first and then for credit institutions, and in a wider context the (FRS), issued by Mexican Board of Financial Reporting Standards (Consejo Mexicano de Normas de Información Financiera, A.C. or CINIF). The suppletory process as established by FRS A-8 shall be applicable, and only when the International Financial Reporting Standards (IFRS) referred to by FRS A-8 do not resolve the accounting treatment, the suppletory application of an accounting standard pertaining to other regulatory framework may be opted for, providing all the requirements set out by the FRS are met by that standard. The suppletory application shall be in the following order: U.S. Generally Accepted Accounting Principles (US GAAP), and any other formal and recognized accounting standard, provided comply with the requirements of criterion A-4 of the Commission.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

The preparation of the financial statements requires management of the Brokerage Firm to make estimates and assumptions that affect 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. Significant items subject to such estimates and assumptions include valuations of financial instruments; liabilities related to employee benefits and deferred income tax assets. The volatility of debt and equity markets, as well as the economic situation both in Mexico and abroad, may cause the carrying amounts of assets and liabilities to differ from their future realization and liquidation amounts. Actual results could differ from those estimates and assumptions.

For purposes of disclosure, when reference is made to pesos or “\$”, it means millions of Mexican pesos, and when reference is made to dollars, it means millions of dollars of the United States of America.

The accompanying financial statements recognize the assets and liabilities arising from investments 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 trade date, rather than settlement date.

(b) Recognition of the effects of inflation-

The accompanying financial statements include the recognition of inflation up to December 31, 2007.

The years ended December 31, 2012 and 2011 are considered non-inflationary economic environment (inflation accumulated over the three preceding years less than 26%), as established in FRS B-10 "Effects of Inflation", consequently the effects of inflation on the Brokerage Firm’s financial information are not recognized. The accumulated inflation rate of the three preceding years and the indices used to recognize inflation, 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 Mexican pesos, except the UDI value)

<u>December 31,</u>	<u>UDI</u>	<u>Inflation</u>	
		<u>Annual</u>	<u>Accumulated</u>
2012	\$ 4.874624	3.91%	12.31%
2011	4.691316	3.65%	12.12%
2010	<u>4.526308</u>	<u>4.29%</u>	<u>15.09%</u>

(c) Cash and cash equivalents-

Cash and cash equivalents consist of cash in hand, local and foreign bank account balances and 24 and 48 hour foreign currency sales/purchases. The cash and cash equivalents are recognized at nominal value.

The foreign exchange acquired in purchase transactions 24 and 48 hours, are recognized as restricted cash (foreign currency to receive), while the currency sold is recorded as cash outflow (foreign currency to delivery). The rights and obligations for the sales and purchases foreign exchange at 24 and 48 hours are recorded in "Other accounts receivable, net" and "Sundry creditors and other accounts payables", whichever is applicable.

(d) Margin accounts-

The margin accounts relate to transactions with derivative financial instruments executed in recognized stock markets or exchanges, where highly liquid financial assets are deposited to ensure the performance of the obligations corresponding to such instruments, in order to mitigate the risk of default. The amount of the deposits relates to the initial margin and subsequent contributions or withdrawals by the Brokerage Firm and the clearing house over the term of the derivative financial instruments contract.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

Cash accounts are recognized at nominal value and are reported under the caption “Margin Accounts (derivatives)”. Returns and commissions affecting the margin accounts, other than fluctuations in derivatives prices, are recognized in results of operations as accrued for the year under the caption “Interest income” and “Commissions and fees expenses”, respectively. The partial or total amounts deposited or withdrawn by the clearing house owing to price fluctuations of derivatives are recognized in “Margin accounts” affecting, in turn, a specific account that may be either debit or credit in nature, as applicable, which shall reflect derivative valuation effects prior to their settlement.

(e) *Investment securities-*

Investment securities consist of equity shares, government securities, bank commercial paper and other debt securities quoted in recognized markets, which are classified using the categories mentioned below, based on the intention and ability of management on their holdings.

Trading securities-

Those to obtain short-term gains arising from differences in prices resulting from its operation in the market. Securities are recognized at fair value, transaction costs for the acquisition of securities are recognized in income on the acquisition date, subsequently valued at fair value provided by an independent price vendor. When the securities are sold, the difference between the purchase price and the sale price determines the result for sale, which is recognized in year’s income, must cancel the result of valuation that has been previously recognized in the income statement.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

Interest earned from debt securities is recognized under the effective interest method in the year's income under the caption "Interest income". Dividends from net equity instruments are recognized in the year's income when the right to receive payment thereof arises. Valuation effects are recognized in the year's income within the caption of "Valuation (loss) gain on securities at fair value". Results for purchase and sales of securities are presented under the caption "Gain on purchase and sale of securities" or "Loss on purchase and sale of securities", whichever is applicable.

Available-for-sale securities-

Those whose intention is not geared to profit from differences in prices in the short term, neither the intention or capacity to hold to maturity. These securities are initially recognized at fair value; and then are valued in the same manner as trading securities, recognizing the effect of valuation in stockholders' equity under the caption "Unrealized gain from valuation of available-for-sale securities", net of deferred taxes, which is cancelled for its recognition in income at the time of sale. Accrued interest is recognized under the effective interest method under the caption "Interest income". Results for purchases and sales of securities are presented under the caption "Gain on purchase and sale of securities" or "Loss on purchase and sale of securities", whichever is applicable.

Impairment of securities-

When sufficient objective evidence exists that a security available for sale has been impaired, the carrying amount of the security is modified and the loss recognized in stockholders' equity is reclassified to income under the caption "Valuation (loss) gain on securities at fair value."

If in a subsequent period, the fair value of the securities increases and this effect is linked to an event occurring after the date when the impairment was recognized in the income statement, the loss for impairment shall be reversed in the income statement.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

Value date transactions-

Securities acquired where settlement takes place on a subsequent date, up to a maximum of four business days following the date of the purchase-sale transaction, are recognized as restricted securities, while securities sold are recognized as securities deliverable, and are deducted from investment securities. The counter entry has been a settlement credit or debit in a clearing account, as applicable. Where the amount of securities deliverable exceeds the balance of own securities of the same type (government, bank, equity and other debt securities), this is reflected as a liability under the caption "Assigned securities to be settled".

Transfers between categories-

Reclassifications of securities from trading to available for sale, are only permissible with the express authorization of the Commission.

(f) *Repurchase/resell agreements-*

At the trade date of the repurchase/resell agreement transaction, the Brokerage Firm acting as repurchase recognizes either the cash inflow or a debit clearing account, as well as an account payable, whereas when acting as repurchasee recognizes either the cash outflow or a credit clearing account, as well as an account receivable. Both the account receivable and the account payable are initially stated at the agreed-upon price, representing the obligation to repay or the right to recover the cash, respectively.

Over the term of the repo, the account receivable and the account payable are valued at the amortized cost, recognizing the interest on repos in the results of operations for the year as earned, in accordance with the effective interest method. The interest is recognized under the caption "Interest income" or "Interest expense", as appropriate. The account receivable and the account payable, and the interest earned are reported in the financial statement caption "Debtors under repurchase/resell agreements" and "Creditors under repurchase/resell agreements", respectively.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

The Brokerage Firm acting as repurchasee recognize the received collateral in memorandum accounts under the caption “Collateral received by the entity”, in accordance with accounting criterion B-6 “Assets in custody and under management”. The Financial assets given as collateral, acting the Brokerage firm as repurchaser are reclassified in the balance sheet under the caption “Investments securities”, presented them as restricted.

Should the Brokerage Firm, acting as repurchasee sell or pledge the collateral, the transaction proceeds and an account payable are recorded for the obligation to return the collateral to the repurchaser, which is valued, in the case of sale at fair value, or if pledged in another repurchase agreement, at amortized cost. The account payable is offset with the account receivable, which is recognized when the Brokerage Firm acting as repurchasee becomes in turn repurchaser and the debit or credit balance is presented under the caption "Debtors under repurchase/resell agreements" or in "Collateral sold or pledged", as applicable.

Likewise, in case of transactions where the Brokerage Firm, acting as purchaser of securities, sells or pledges the collateral received, such collateral is recognized in memorandum accounts under “Collaterals received and sold or pledged in guarantee by the entity”, following the valuation guidelines of criterion B-6 “Assets in custody and under management.”

(g) *Securities lending-*

At the date of contracting the securities lending transactions, the Brokerage Firm acting as lender, transfers the security to the borrower and reclassifies in the balance sheet under the caption “Investments securities” presented as restricted, while acting as borrower the security borrowed is recognized in memorandum accounts under the caption "Collaterals received by the entity", according to the guidelines for valuation of criteria B-6 “Assets in custody and under management”. The accrued premium is recognized in the income statement under the caption "Interest income" or "Interest expense", as appropriate, acting the Brokerage firm as a lender or borrower, respectively, through the effective interest method over the term of the transaction, against an account receivable or payable, which is presented under the caption "Securities lending", as an asset or liability, as applicable.

(Continued)

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

Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of Mexican pesos)

In the case that the Brokerage Firm prior to the maturity of the securities lending transaction sells the collateral received as lender or the transaction value as borrower, recognizes the inflow of funds coming from the sale and an account payable for the obligation to return such collateral to the lender, which is initially measured at the agreed-upon price and subsequently marked to market. The sale of collateral received is presented under the caption "Collaterals sold or pledged". The difference between the price received and the fair value of the security subject to the transaction or of the collateral received, if any at the time of the sale, is presented in the captions of "Gain on purchase and sale of securities" or "Loss on purchase and sale of securities", as applicable.

In dealing with securities loan transactions where the financial assets pledged or granted as the value subject matter of the transaction, and the Brokerage Firm acts as the borrower or lender, respectively, come from collateral received in other transactions, the control of such collaterals are recorded in memorandum accounts under "Collaterals received and sold or pledged in guarantee by the entity", following the valuation guidelines of criterion B-6 "Assets in Custody or Under Management."

(h) Derivatives financial instruments-

The Brokerage Firm enters into transactions with derivative financial instruments for trading purposes, which are recognized at fair value.

The valuation effect of financial instruments for trading purposes is presented in the balance sheet and in the statement of income in the captions of "Derivatives" and as "Valuation (loss) gain on securities at fair value", respectively.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

(i) *Accounts receivable-*

Accounts receivable relating to identified debtors whose maturity is agreed from the beginning with a term over 90 calendar days past due are assessed by Brokerage Firm's management to determine the estimated recovery value and, as required, to create the corresponding estimate. For the balances of other identified accounts receivable an allowance is recorded in the year's income at 90 calendar days of initial registration 60 calendar days if the receivables are not identified except for tax-related (VAT included) balances.

In cases where the amount receivable is not realized within 90 calendar days following the date at which they were booked in clearing accounts, they are recorded as past due and a provision is booked for the total amount.

(j) *Offsetting of settlement accounts-*

Amounts receivable or payable for investment securities, repurchase/resale agreements, securities lending and/or derivative financial instruments which have expired but have not been settled, as well as the amounts receivable or payable for purchase or sale of foreign currencies which are not for immediate settlement or those with same day value date, are recorded in clearing accounts.

The balances of clearing accounts, credit and debit are offset as long as it has the contractual right to offset amounts recognized, there is an intention to settle on a net, come from the same kind of operation, are executed with the same counterparty and are settled on the same date. The clearing accounts are shown under the caption "Accounts receivable, net" or "Other accounts payable", as appropriate.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

(k) Premises, furniture and equipment-

Premises, furniture and equipment are recorded at acquisition cost. Those assets acquired through December 31, 2007 were adjusted by using factors based on the UDI value as of that date, which recognition of the effects of inflation on the financial information was suspended. Property acquired in foreign currency is recorded at the historical exchange rate, that is, the exchange rates in force on the date the asset was acquired.

Depreciation is calculated using the straight-line method, based on useful lives estimated by management of the corresponding assets. Depreciable amount of property is determined by subtracting the residual value and, as applicable, the cumulative impairment losses from the acquisition cost. The Brokerage Firm periodically evaluates properties residual values to determine the depreciable amounts of such properties.

The Brokerage Firm evaluates periodically the net values of its premises, furniture and equipment to determine whether the carrying value exceeds the recoverable amount. The recoverable amount is the greater of the net selling price and value in use. If the net values are excessive, the Brokerage Firm recognizes impairment as a charge to operations of the year in order to reduce them to their recoverable amount.

(l) Permanent investments in shares-

The permanent investments where the Brokerage Firm does not control, joint control or significant influence exists, are classified as other investments, which are recognized initially and held valued at acquisition cost. Dividends, if any, received from these investments are recognized in the statement of income under the caption "Other operating income", except if profits comes from periods previous to the acquisition, in which case they are deducted from the permanent investments.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

(m) *Other assets-*

This item includes primarily the contributions made to the self-regulatory reserve fund set up through the stock exchange members, the purpose of this is to support and contribute to the strengthening of the stock exchange market. The balance includes the contributions plus interest earned, these last are recognized under the caption “Other operating income” on the statement of income.

Intangible assets in this caption relate primarily to internally developed software which cost incurred during the development stage is capitalized and amortized against the results of operations for the year beginning at the time the asset is ready to operate. Amortization is calculated on the straight-line method over the estimated useful life of the assets as determined by the Brokerage Firm’s management.

In case of any indication of impairment, the potential impairment loss is determined, and if the net carrying value exceeds the recoverable amount the asset value is written down and the impairment loss is recognized in the results of operations for the year.

Furthermore, under the caption “Other assets” includes the projected net assets of the defined benefit plan that are recognized in accordance with the provisions of FRS D-3 “Employee benefits”.

(n) *Income taxes (Income Tax (IT) and flat rate business tax (IETU)) and employee statutory profit sharing (ESPS)-*

IT or IETU and ESPS payable for the year are determined in conformity with the tax provisions in effect.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

Deferred IT and ESPS are accounted for under the asset and liability method. IT and deferred ESPS (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, and in the case of IT for operating loss carry forwards and other recoverable tax credits. Deferred ESPS and taxes 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 ESPS and taxes assets and liabilities of a change in tax rates is recognized in results of operations for the period enacted.

To determine whether deferred IT or deferred IETU should be recorded, the tax base on which the differences that give rise to deferred taxes will be amortized in the future must be identified, and the likelihood of payment or recoverability of each tax is evaluated.

(ñ) *Employee benefits-*

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

Additionally, there is a defined benefits plan in place that covers the benefits for retirement pension, the seniority premiums and the compensation to which employees are entitled in accordance with the Federal Labor Law, and obligations related to the post-retirement medical benefits, food coupons and life insurance for retirees.

Irrevocable trusts have been created for all plans to manage the respective plan funds and assets, except for severance compensation.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

The net periodic cost related to the defined benefit plans and the termination benefits and termination of employment for reasons other than restructuring are charged to operations for each year, based on independent actuarial computations in accordance with generally accepted actuarial procedures and principles, and the provisions of FRS D-3 "Employee benefits". The methodology used for calculating the obligations is the projected unit credit, based on actuarial hypotheses reflecting the present value, salary increase and benefit payment probability.

At the date of adoption of FRS D-3, items pending amortization and relating to past services are amortized over the lower of maximum of five years or the remaining average working life. Past services arising on a date subsequent to the coming into force of FRS D-3 are amortized over the remaining average working life. Items pending amortization and relating to past services of termination benefits are immediately recognized in income.

The balance of actuarial gains or losses at the beginning of each period that exceed 10% of the greater amount between the defined benefit obligation and the plan assets should be amortized considering the remaining average working life of the employees expected to be eligible for the plan benefits. Actuarial gains or losses of termination benefits are immediately recognized in income.

The determination of the deferred ESPS is made using the asset and liability method of accounting as explained in note 2(n).

(o) Memorandum accounts-

Custody operations-

The amount of assets in custody and guarantee are recognized under the caption "Customers securities in custody," according to the operation.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

Customer's securities in custody and guarantee are valued at fair value, representing the amount for which the Brokerage Firm is obligated to its customers against any future eventuality.

Management operations-

The amount of the financing granted and / or received on repurchase/resale agreements that the Brokerage Firm undertakes for its customers is presented under the caption "Securities repurchase/resell agreements by customers."

Securities lending conducted by the Brokerage Firm by customers is presented under the caption "Security loans by customers."

In the case of collateral that the Brokerage Firm receives or delivers behalf by customers, for repurchase/resell agreements operations, securities lending, derivatives or other collateral received or delivered, are presented under the caption "Collaterals received in guarantee by customers" and/or "Collaterals delivered in guarantee by customers" as appropriate.

The determination of the valuation of the estimated amount for the assets in management and operations on behalf by customers is made according to the operation carried out in accordance with the accounting criteria for brokerage firms.

The Brokerage Firm records transactions on behalf of customers, on the conclusion and not on the payment date.

(p) Revenue recognition-

Fees on brokerage (debt or equity securities) and transactions with mutual funds and income from custody services are recognized in the statement of income under the caption "Commission and fee income", when the service is provided.

Gain purchase and sale of securities are recognized in income when the securities are sold under the caption "Gain purchase and sale of securities".

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

Interest income on repurchase/resell agreements and investment securities are recorded in operations as earned, under the caption "Interest income" under the effective interest method.

(q) Provisions-

Based on management estimates, the Brokerage Firm recognizes accruals for present obligations where the transfer of assets or the rendering of services is probable, and arises as a consequence of past events.

(r) Foreign currency transactions-

Foreign currency transactions are initially recognized at the exchange rate prevailing on the date of execution and settlement, for financial statement presentation purposes, currencies other than dollars are translated to dollars at the exchange rates as established by the Commission, and the dollar equivalent, together with dollar balances, are then translated into Mexican pesos using the exchange rate determined by the Central Bank. Foreign exchange gains and losses are reflected in results of operations for the year. At the closing date of the financial statements, foreign currency monetary assets and liabilities are translated at the year-end exchange rate, while foreign exchange gains or losses arising from foreign currency translation are recorded in the results of operations in the originating period. Non-monetary assets and liabilities, and stockholders' equity are translated at the historical exchange rate.

(s) Contingencies-

Contingent assets and liabilities are not recorded while there are no reasonable elements for their quantification; however, where no such elements exist, qualitative disclosure is provided in the notes to the financial statements.

Contingent revenues, income or assets are recorded when its realization is virtually assured.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

(t) Capital leases-

Capital lease transactions are recorded as an asset and an account payable by the lower value equal to the present value of minimum payments and the market value of the leased asset. The difference between the nominal value of minimum payments and account payable as mentioned previously is recorded during the lease period in the results of the period, under the caption "Other operating income". The asset is depreciated in the same way as other assets held in property when it exist assurance that once the contract will transfer ownership of the leased asset, otherwise is depreciated over the contract term.

(3) New accounting criteria and reclassifications-

a) New accounting criteria-

In December 2011, the CINIF published a document called "Improvements to 2012 FRS", which contains specific amendments to certain existing FRS, in effect as of January 1, 2012, and had no significant effects on the Brokerage Firm, are mentioned as follows:

- **FRS A-7 "Presentation and disclosure"**
- **Bulletin C-15 "Impairment in value of long-lived assets and their disposition"**

b) Reclassifications-

The balances in memorandum accounts for collaterals received or delivered in guarantee, related to securities repurchase/resell agreements by customers, respectively, at December 31, 2011, were reclassified to make them comparable to the presentation for the year ended December 31, 2012. Such reclassification corresponds to an agreement with the Accounting Committee of the Mexican Association of Securities Intermediaries (AMIB), which was defined with the Commission and clarifies that the totality of customer-related transactions should be recognized in memorandum accounts on behalf of customers, even where certain of these transactions, given the manner in which they were agreed to might have been recognized by the Brokerage Firm as transactions for its own account, as 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 Mexican pesos)

<u>Balance sheet</u>	<u>Balances originally presented</u>	<u>Reclassifications</u>	<u>Reclassified balances</u>
<u>Memorandum accounts</u>			
Securities repurchase/resell agreements by customers	\$ 29,247	24,466	53,713
Collaterals received in guarantee by customers	\$ 91	32,571	32,662
Collaterals delivered in guarantee by customers	\$ <u>1,464</u>	<u>21,143</u>	<u>22,607</u>

The reason for those reclassifications is that in memorandum accounts, transactions for its own account should be recorded jointly with transactions on behalf of customers under the caption "Management operations".

4) Foreign currency position-

In compliance with the Central Bank regulations, the Brokerage Firm maintains balanced positions in foreign currencies. At December 31, 2012 and 2011, the maximum (short or long) positions authorized by the Central Bank were \$277 and \$260, respectively, that is equivalent to 15% of the Brokerage Firm's global capital, which is \$1,848 and \$1,735 in each year (see note 13f).

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos, except exchange rate)

The foreign exchange position, expressed in dollars is as follows:

	<u>2012</u>	<u>2011</u>
Assets	\$ 8	3
Liabilities	<u>(6)</u>	<u>(2)</u>
Long position	\$ <u>2</u>	<u>1</u>

At December 31, 2012 and 2011, the Brokerage Firm has a long position in foreign currency, which is integrated by 100% in U.S. dollars, which for financial statement presentation purposes was translated using the exchange rates of \$12.9658 and \$13.9476, respectively.

(5) Cash and cash equivalents-

At December 31, 2012 and 2011, cash and cash equivalents are analyzed as follows:

	<u>2012</u>	<u>2011</u>
Domestic banks	\$ 19	18
Deposits with foreign banks with maturities not exceeding 30 days	21	-
Other cash and cash equivalents	15	-
24 and 48-hour foreign currency sales	-	(1)
Restricted cash:		
24 and 48-hour foreign currency purchases	<u>-</u>	<u>12</u>
	\$ <u>55</u>	<u>29</u>

Foreign currency receivable and deliverable as of December 31, 2012 and 2011, arising from purchases and sales to be settled within 24 and 48 hours are related to dollar transactions.

At December 31, 2012 and 2011, the foreign exchange purchase/sale gain and loss amounted to \$20 and \$19 (\$145 and \$135 in 2011, respectively).

For the year ended December 31, 2011, the Brokerage Firm maintained an asset (liability) balance for transactions with foreign currencies payable on a date subsequent to the agreed-upon date of \$1 (\$13), which were recorded in clearing accounts within "Accounts receivable, net" and "Creditors pending settlement".

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

(6) Investment securities-

(a) At December 31, 2012 and 2011, the fair value of investments in securities were as follows:

<u>Trading securities:</u>	<u>2012</u>	<u>2011</u>
Debt securities:		
Government securities	\$ 10,708	9,125
Bank promissory notes	2,398	4,053
Other debt securities	423	375
Shares	<u>757</u>	<u>1,021</u>
	<u>14,286</u>	<u>14,574</u>
 <u>Available for sale:</u>		
Debt securities	138	151
Shares	<u>462</u>	<u>318</u>
	<u>600</u>	<u>469</u>
Total of investment securities	\$ <u>14,886</u>	<u>15,043</u>

(b) At December 31, 2012 and 2011, trading and available for sale securities are as follows:

<u>Trading securities:</u>	<u>2012</u>	<u>2011</u>
Trading securities unrestricted:		
Debt securities:		
Government securities:		
CETES	\$ 2,222	411
BONDS	<u>217</u>	<u>526</u>
	<u>2,439</u>	<u>937</u>
Value date sales:		
CETES	(11)	(10)
M BONDS	<u>(70)</u>	<u>-</u>
	<u>(81)</u>	<u>(10)</u>
Government securities unrestricted to the next page	\$ <u>2,358</u>	<u>927</u>

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

	<u>2012</u>	<u>2011</u>
Government securities unrestricted from previous page	\$ <u>2,358</u>	<u>927</u>
Restricted trading securities:		
Government securities:		
Pledged Cetes in guarantee	233	188
⁽¹⁾ Repurchase/resell agreements:		
BPAS	–	167
BPAT	59	1,262
CTIM	3,769	1,078
IPAS	433	847
LBON	1,928	3,746
UDIB	142	474
CBUR	89	215
MBON	–	142
BG91	14	–
BPAG	<u>32</u>	<u>–</u>
Restricted securities	<u>6,699</u>	<u>8,119</u>
Pending settlement purchases:		
M BONDS	5	79
CETES	<u>1,646</u>	<u>–</u>
	<u>1,651</u>	<u>79</u>
Restricted government securities	<u>8,350</u>	<u>8,198</u>
Total government securities	<u>10,708</u>	<u>9,125</u>
Banking securities:		
Unrestricted securities		
BANOBRA	792	931
NAFIN	–	1
BANCOMEXT	<u>3</u>	<u>–</u>
Banking securities unrestricted to the next page	\$ <u>795</u>	<u>932</u>

(1) See terms and conditions in note 7.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

	<u>2012</u>	<u>2011</u>
Banking securities unrestricted from previous page	\$ 795	932
Restricted securities		
Repurchase/resell agreements:		
PRLV	<u>1,603</u>	<u>3,121</u>
Total banking securities	<u>2,398</u>	<u>4,053</u>
Other debt securities:		
CBPC	30	282
CBUR	<u>393</u>	<u>93</u>
Total other debt securities	<u>423</u>	<u>375</u>
Equity share securities:		
Securities unrestricted:		
NAFTRAC 02	53	128
GMEXICO B	76	345
AMX L	102	-
TRADE	-	2
SCOTIAG	211	243
FEMSA UBD	25	10
TLEVISA CPO	2	11
MEXCHEM	61	71
OTHERS SHARE SECURITIES	97	82
Pending settlement sales:		
NAFTRAC 02	(7)	-
GMEXICO B	(6)	(4)
OTHERS SHARE SECURITIES	(108)	(24)
FEMSA UBD	(1)	-
TLEVISA CPO	(1)	-
WALMEX V	<u>(7)</u>	<u>(14)</u>
Total equity share securities unrestricted, to the next page	\$ <u>497</u>	<u>850</u>

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

	<u>2012</u>	<u>2011</u>
Total share securities unrestricted, from previous page	\$ <u>497</u>	<u>850</u>
Restricted equity share securities on security loans		
NAFTRAC 02	43	35
ALFA A	18	12
CEMEX CPO	3	6
ICA *	3	-
ICHB	10	-
PE&OLES	54	2
ALSEA *	3	-
URBI *	2	-
HOMEX *	2	11
GAP B	15	2
PBRN	1	-
VALE N	1	-
GMEXICO B	1	-
GEO B	-	1
ELEKTRA *	-	36
MFRISCO A-1	-	7
FEMSA UBD	<u>-</u>	<u>1</u>
	<u>156</u>	<u>113</u>
Restricted equity share securities:		
AC *	2	-
NAFTRAC 02	<u>2</u>	<u>-</u>
	4	-
	<u>160</u>	<u>113</u>
Value date purchases:		
NAFTRAC 02	2	7
GMEXICO B	7	9
WALMEX V	7	14
ELEKTRA *	-	5
Other share securities	<u>84</u>	<u>23</u>
	<u>100</u>	<u>58</u>
Total restricted share securities	<u>260</u>	<u>171</u>
Total equity share securities	<u>757</u>	<u>1,021</u>
Total trading securities	\$ <u>14,286</u>	<u>14,574</u>

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos, except the stock price)

Available for sale securities

	<u>2012</u>	<u>2011</u>
Available for sale securities (unrestricted):		
Debt securities – CBUR	\$ 138	151
Shares – BOLSA	<u>462</u>	<u>318</u>
Total available for sale	\$ <u>600</u>	<u>469</u>

For the years ended as of December 31, 2012 and 2011, the Brokerage Firm maintained an asset (liability) balance for transactions with securities payable on a date subsequent to the agreed-upon date of \$195 (\$1,752), and \$53 (\$138), respectively which, as applicable, were recorded in clearing accounts within “Accounts receivable, net” and “Creditors pending settlements”.

The gain and (loss) during 2012 from the purchase and sale of securities amounted to \$435 and \$278, respectively (\$237 and \$(201) in 2011, respectively). The valuation of investment securities at December 31, 2012 and 2011 resulted in a valuation loss of (\$6) and a valuation gain of \$7, respectively. During the years ended December 31, 2012 and 2011, the interest resulted in a gain of \$611 and \$636, respectively. The gain and loss from the purchase and sale of securities, valuation effect and interest gain are reported in the statement of income under the caption “Gain on purchase and sale of securities”, “Loss on purchase and sale of securities”, “Valuation (loss) gain on securities at fair value” and “Interest income”, respectively.

For the years ended December 31, 2012 and 2011, net gains on securities investments are detailed below:

	<u>2012</u>	<u>2011</u>
Trading securities	\$ 735	665
Available for sale securities	<u>27</u>	<u>14</u>
	\$ <u>762</u>	<u>679</u>

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

At December 31, 2012 and 2011, the unrealized gain or loss from valuation of available-for-sale securities recognized in the other captions of comprehensive income within stockholders' equity amounted to \$160 and (\$36), respectively.

At December 31, 2012 and 2011, investments in debt securities other than government securities of the same issuer exceeding 5% of the Brokerage Firm's global capital are as follows:

<u>Issuer</u>	<u>Number of securities</u>	<u>Average rate</u>	<u>Average term (days)</u>	<u>Amount</u>
December 31, 2012				
BANOBRA	792,633,401	4.54%	219	\$ <u>792</u>
December 31, 2011				
BANOBRA	945,610,971	4.61%	324	\$ <u>931</u>

(Continued)

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

Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of Mexican pesos)

(7) Securities under repurchase/resell agreements and Securities loans-**Repurchase/resell agreements-**

At December 31, 2012 and 2011, the “Debtors under repurchase/resell agreements” and “Creditors under repurchase/resell agreements” balances in which the Brokerage Firm acting as repurchasee and repurchaser are analyzed as follows:

	<u>2012</u>	<u>2011</u>
Debtors under repurchase/resell agreements:		
BPAS	\$ 120	2,304
BPAT	-	5,118
CTIM	1,336	94
IPAS	3,240	3,578
LBON	28,905	8,027
MBON	500	1,930
UDIB	-	89
BG91	1,926	-
BPAG	360	-
CBBN	610	-
CBUR	<u>151</u>	<u>-</u>
	<u>37,148</u>	<u>21,140</u>
Collaterals sold or pledged:		
BPAS	(119)	(2,303)
BPAT	-	(5,118)
CTIM	(1,336)	(94)
IPAS	(3,233)	(3,578)
LBON	(28,910)	(8,027)
MBON	(500)	(1,930)
UDIB	-	(89)
BG91	(1,927)	-
BPAG	(360)	-
CBBN	(610)	-
CBUR	<u>(151)</u>	<u>-</u>
	<u>(37,146)</u>	<u>(21,139)</u>
Debtors under repurchase/resell agreements	\$ <u><u>2</u></u>	<u><u>1</u></u>
Creditors under repurchase/resell agreements:		
BPAS	\$ -	168
BPAT	59	1,263
CBPC	30	282
CBUR	482	308
CTIM	3,769	1,078
IPAS	433	846
LBON	1,929	3,747
MBON	-	142
PRLV	1,604	3,122
UDIB	143	474
BG91	14	-
BPAG	<u>32</u>	<u>-</u>
	\$ <u><u>8,495</u></u>	<u><u>11,430</u></u>

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

At December 31, 2012 and 2011, the terms of the repurchase/resale agreements range from 2 to 84 and 3 to 91 days, respectively with weighted rates of 4.51%, when acting as repurchase, and 4.24% when acting as repurchaser (4.51% and 4.28% at December, 31, 2011).

During the years ended December 31, 2012 and 2011, interest and premiums collected amounted to \$1,651 and \$1,258 respectively; interest and premiums paid amounted to \$2,011 and \$1,741, respectively, and were reported on the income statement under the captions "Interest income" and "Interest expense", respectively.

Securities lending:

At December 31, 2012 and 2011, the Brokerage Firm held securities lending transactions as lender and borrower in which the values object of the transactions were received and transferred.

The obligation to repay the lender values derived from the purchase of these securities were as follows:

<u>2012</u>	<u>Number of securities</u>	<u>Fair value</u>
AC *	27,477	\$ 3
ALFA A	675,000	18
CEMEX CPO	229,000	3
ICA *	90,000	3
ICH B	98,500	10
KOF L	9,000	2
PE&OLES *	82,331	54
ALSEA *	125,000	3
URBI *	224,000	2
HOMEX *	64,200	2
GAP B	205,000	15
NAFTRAC 02	1,132,300	49
PBR N	3,800	1
VALE N	5,400	1
WALMEX V	460,911	<u>20</u>
		\$ <u>186</u>

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

<u>2011</u>	<u>Number of securities</u>	<u>Fair value</u>
CEMEX CPO	780,000	\$ 6
ELEKTRA *	56,000	77
GAP B	40,000	2
GEO B	78,000	1
HOMEX *	285,000	11
LIVERPOL C-1	45,000	5
MFRISCO A-1	148,000	8
PEÑOLES *	14,800	9
WALMEX V	727,400	<u>28</u>
		\$ <u>147</u>

At December 31, 2012 and 2011 the right to require the borrower values derived from the sale of such securities, are analyzed as follows:

<u>2012</u>	<u>Number of securities</u>	<u>Fair value</u>
ALFA A	675,000	\$ 18
CEMEX CPO	229,000	3
ICA *	90,000	3
ICH B	98,500	10
PE&OLES *	82,331	54
ALSEA *	125,000	3
URBI *	224,000	2
HOMEX *	64,200	2
GAP B	205,000	15
NAFTRAC 02	972,800	43
PBR N	3,800	1
VALE N	5,400	1
GMEXICO B	14,600	<u>1</u>
		\$ <u>156</u>

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

<u>2011</u>	<u>Number of securities</u>	<u>Fair value</u>
CEMEX CPO	780,000	\$ 7
ELEKTRA *	26,000	36
GAP B	40,000	2
GEO B	78,000	1
ALFA	81,500	12
FEMSA	7,900	1
MFRISCO A-1	133,000	7
PEÑOLES *	3,800	2
NAFTRAC	929,000	34
HOMEX *	285,000	<u>11</u>
		\$ <u>113</u>

The average maturity of the securities lending transactions at December 31, 2012 and 2011, the Brokerage Firm acting as a lender is 19 and 10 calendar days and acting as a borrower is 11 and 6 calendar days, respectively.

For the year ended December 31, 2012, premiums collected and paid in securities loan transactions amounted to \$5 and \$2, respectively (\$7 and \$3 in 2011, respectively), and are included in the statement of income in the captions "Interest income" and "Interest expense", respectively.

(8) Derivatives-

At December 31, 2012 and 2011, the fair values of the derivative financial instruments are analyzed as follows:

		<u>2012</u>		<u>2011</u>	
		<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Index futures	\$	-	-	3	-
Stock options *		166	2,609	204	1,591
OTC options *		98	42	50	58
Index options *		<u>-</u>	<u>361</u>	<u>-</u>	<u>368</u>
	\$	<u>264</u>	<u>3,012</u>	<u>257</u>	<u>2,017</u>

* Represents the market value of premiums.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

Net gains and losses on financial assets and liabilities related to derivatives for trading purposes, included in income for the years ended December 31, 2012 and 2011 amounted to (\$115) and \$18, respectively.

Notional amounts:

A notional amount recorded under the caption “Other accounts” in memorandum accounts is the number of specific units in the contract (securities, currencies, etc). The settlement of a derivative instrument with a notional amount is determined by interaction of the notional amount and the underlying and does not represent the loss or gain resulting from the market risk or the credit risk of such instruments. At December 31, 2012 and 2011, notional amounts of the derivative financial instruments with trading purposes, are analyzed as follows:

<u>Type of instrument</u>	<u>2012</u>	<u>2011</u>
Bought:		
Futures		
Indices	\$ 7	186
Forwards		
Foreign exchange	37	-
Options:		
Indices	881	1,018
Shares	<u>2,187</u>	<u>789</u>
	\$ <u>3,112</u>	<u>1,993</u>
Sold:		
Futures		
Indices	\$ 5	-
Forwards		
Foreign exchange	34	8
Options:		
Indices	826	1,424
Shares	2,824	1,113
Warrants		
Indices	352	-
Shares	<u>2,474</u>	<u>1,820</u>
	<u>6,515</u>	<u>4,365</u>
	\$ <u>9,627</u>	<u>6,358</u>

(a) Index futures-

At December 31, 2012, the buying and selling futures on the CPI of the Mexican Stock Exchange are traded in recognized markets maturing in March and June 2013, respectively.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos, except when its indicate different)

(b) Stock exchange index (CPI) and shares options-

At December 31, 2012 and 2011, the Brokerage Firm had issued European options (exercisable at maturity date) in recognized markets on shares, and on the Mexican Stock Exchange CPI Index. Their characteristics are as follows:

<u>Series</u>	<u>Number of securities</u>	<u>Strike price (in nominal pesos)</u>	<u>Premium at fair value</u>	<u>Maturity</u>
2012				
Asset:				
Options on equity shares.				
OTCSHS	5	215	\$ 11	January 2013
OTCSHS	77,824	533	1	February 2013
OTCSHS	1,365,501	2,132	47	May 2013
OTCSHS	4,056,875	1,432	58	June 2013
OTCSHS	1	42	2	July 2013
OTCSHS	1,312,255	1,066	47	October 2013
			<u>166</u>	
Options on indices.				
OTCIDX	406,233	2,852	84	March 2013
OPTION	200	2,646	3	March 2013
OPTION	100	3,733	2	June 2013
OTCIDX	3,080	87,412	9	November 2013
			<u>98</u>	
			\$ <u>264</u>	
Liability:				
Options on equity shares.				
OTCSHS	130,408	1,066	\$ 1	February 2013
OTCSHS	1,365,501	2,132	52	May 2013
OTCSHS	2,256,875	1,390	32	June 2013
OTCSHS	1,968,382	2,132	95	October 2013
EWZ301R	11,141	9,006	100	January 2013
GMX301R	5,366	11,225	60	January 2013
AMX301R	3,013	8,228	25	January 2013
WMX301R	5,769	10,900	63	January 2013
TLV301R	2,091	10,727	22	January 2013
APL302R	53,100	568	30	February 2013
AMX302R	6,727	8,708	59	February 2013
APL305R	38,540	19,583	374	May 2013
IAU306R	13,536	10,090	137	June 2013
WMX306R	17,402	10,780	188	June 2013
APL306R	14,801	9,603	142	June 2013
WMX307R	2,650	11,082	29	July 2013
APL310R	39,989	8,454	338	October 2013
GMX311R	14,283	10,780	154	November 2013
MXC311R	7,633	10,534	81	November 2013
CMX311R	9,612	10,289	99	November 2013
AMX311R	2,695	9,279	25	November 2013
CAN312R	24,788	19,534	242	December 2013
IVV403R	24,371	10,706	261	March 2013
			<u>2,609</u>	
Options on indices.				
OTCBKT	1,712,276	112	1	January 2013
OTCIDX	406,233	2,852	37	March 2013
OTCIDX	1,600	43,706	4	June 2013
			<u>42</u>	
Options on indices.				
IPC302R	7,085	10,556	75	February 2013
IPC306R	13,863	10,349	143	June 2013
IPC310R	14,265	10,023	143	October 2013
			<u>361</u>	
			\$ <u>3,012</u>	

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

<u>Series</u>	<u>Number of</u> <u>Securities</u>	<u>Strike price</u> <u>(in nominal pesos)</u>	<u>Premium at</u> <u>fair value</u>	<u>Maturity</u>
<u>2011</u>				
Asset:				
Futures on indices.				
CPI	5,070	42,319	\$ <u>3</u>	March 2012
Options on equity shares.				
OTCSHS	1,052,899	1,215	135	June 2012
OPTIONS	17,800	6	6	March 2012
OTCSHS	2,927,854	304	<u>63</u>	December 2012
			<u>204</u>	
Options on indices.				
OTCIDX	1,951	74,155	1	January 2012
OTCIDX	10,683	148,310	4	February 2012
OTCIDX	406,233	2,515	<u>45</u>	March 2014
			<u>50</u>	
			\$ <u>257</u>	
Liability:				
Options on equity shares.				
OTCSHS	1,052,899	1,215	\$ 60	June 2012
OPTIONS	7,500	1	1	March 2012
OTCSHS	6,320,000	149	33	October 2012
OTCSHS	2,927,854	304	41	December 2012
APL206RDC001	33,003	11,048	365	June 2012
IVV403RDC001	25,906	9,929	258	March 2012
GMX207RDC022	2,318	8,566	21	July 2012
CAN201RDC025	23,032	9,702	224	January 2012
CAN212RDC027	15,405	9,768	151	December 2012
GMX211RDC030	25,264	8,305	211	November 2012
IAU212RDC001	23,416	9,596	<u>226</u>	December 2012
			<u>1,591</u>	
Options on indices.				
OTCIDX	406,233	2,515	24	March 2012
OTCIDX	11,632	148,310	22	January 2012
OTCIDX	10,683	148,310	<u>12</u>	February 2012
			<u>58</u>	
Options on indices.				
CPI206RDC264	10,699	9,864	107	June 2012
CPI202RDC248	14,820	10,125	151	February 2012
CPI201RDC259	5,794	9,070	54	January 2012
CPI210RDC261	5,500	9,989	<u>56</u>	October 2012
			<u>368</u>	
			\$ <u>2,017</u>	

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

For the year ended December 31, 2011, the Brokerage Firm maintained an asset (liability) balance for transactions with derivatives payable on a date subsequent to the agreed-upon date of \$9 (\$2), which were recorded in clearing accounts within “Accounts receivable, net” and “Creditors pending settlement”.

(9) Premises, furniture and equipment-

At December 31, 2012 and 2011, the premises, furniture and equipment are analyzed as follows:

	<u>2012</u>	<u>2011</u>	<u>Annual depreciation rates</u>
Land	\$ 22	22	-
Office premises	153	153	2.5%
Transportation equipment	4	4	25%
Office furniture and equipment	63	62	Various
Computer equipment	21	19	10 and 30%
Computer equipment capital lease	14	14	20%
Installation expenses	<u>13</u>	<u>12</u>	Various
	290	286	
Less accumulated depreciation	<u>(129)</u>	<u>(117)</u>	
	\$ <u>161</u>	<u>169</u>	

Depreciation charged to income in 2012 and 2011 amounted to \$12 in both years.

(Continued)

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

Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of Mexican pesos)

According to studies conducted by the Brokerage Firm, at December 31, 2012 the residual value of property is zero.

(10) Permanent investments-

At December 31, 2012 and 2011, the permanent investments in equity shares, are analyzed as follows:

	Percentage of ownership in capital stock		2012	2011
	<u>2012</u>	<u>2011</u>		
Permanent investments:				
Impulsora del Fondo				
México, S.A. de C.V.	3.65	3.65	\$ 2	2
Cebur, S.A. de C.V., (in liquidation)	<u>2.97</u>	<u>2.97</u>	<u>1</u>	<u>1</u>
			\$ <u>3</u>	<u>3</u>

For the years ended December 31, 2012 and 2011, the Brokerage Firm received dividends, as follows:

<u>Entity</u>	<u>2012</u>	<u>2011</u>
Impulsora del Fondo		
México, S.A. de C.V.	\$ <u>1</u>	<u>1</u>

(11) Employee benefits-

The Brokerage Firm established a defined contribution pension and post-retirement benefits plan. 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 of the employees, who will be entitled to withdraw those contributions upon employment termination.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

For the years ended December 31, 2012 and 2011, the charge to income corresponding to the Brokerage Firm's contributions to the defined contribution plan amounted to \$6 in both years.

The Brokerage Firm also has a defined benefit pension plan and post-retirement benefits 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 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, 2012 and 2011.

The components of the net periodic cost and of the defined benefit obligations for the years ended December 31, 2012 and 2011 are shown below:

<u>2012</u>	<u>Pension plan</u>	<u>Medical expenses, food coupons and life insurance for retirees</u>
Present service cost	\$ 2	1
Interest cost	5	1
Expected return on plan assets	(6)	(2)
Amortizations of prior service:		
Plan modifications	4	-
Actuarial gain, net	<u>(1)</u>	<u>-</u>
Total cost	\$ <u>4</u>	<u>=</u>

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

<u>2011</u>	<u>Pension plan</u>	<u>Medical expenses, food coupons and life insurance for retirees</u>
Present service cost	\$ 2	1
Interest cost	5	1
Expected return on plan assets	(5)	(1)
Amortizations of prior service:		
Plan modifications	5	-
Actuarial gain, net	(2)	-
Effect of reduction and / or anticipated liquidation of obligations	<u>-</u>	<u>(6)</u>
Total cost (income)	\$ <u>5</u>	<u>(5)</u>

Reconciliation between initial and final balances, as well as the detail of the present value of benefit obligations of pension, seniority premium, post-retirement medical benefits, food coupons and life insurance for retirees, as of December 31, 2012, is as follows:

	<u>Pensions</u>	<u>Seniority premium</u>		<u>Total</u>	<u>Medical expenses, food coupons and life insurance for retirees</u>
		<u>Retirement</u>	<u>Severance</u>		
Defined Benefit Obligations					
(DBO) as of December 31, 2011	\$ (61)	(2)	(1)	(3)	(11)
Current service cost	(2)	-	-	-	(1)
Interest cost	(5)	-	-	-	(1)
Actual loss	(15)	-	-	-	(4)
Transfer of obligations	<u>43</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7</u>
DBO as of December 31, 2012	(40)	(2)	(1)	(3)	(10)
Plan assets at fair value	<u>39</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>11</u>
Financial situation of the fund	(1)	(1)	1	-	1
Past services:					
Plan modifications	31	-	-	-	-
Cumulative actuarial gains (losses)	<u>(8)</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>5</u>
Projected net asset as of December 31, 2012 in "Other assets" in balance sheet	\$ <u>22</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>7</u>

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

A reconciliation of the net projected asset as of December 31, 2012 is analyzed as follows:

		<u>Seniority premium</u>			<u>Medical expenses, food coupons and life insurance, for retirees</u>
	<u>Pension plan</u>	<u>Retirement</u>	<u>Severance</u>	<u>Total</u>	
Projected net asset as of					
December 31, 2011	\$ 22	-	2	2	7
Net periodic cost	(4)	-	-	-	(1)
Contributions to the fund during 2012	4	-	-	-	1
Cost for immediate recognition	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(1)</u>	<u>-</u>
Net projected asset as of					
December 31, 2012 in "Other assets" in balance sheet	\$ <u>22</u>	<u>=</u>	<u>1</u>	<u>1</u>	<u>7</u>

Below is a reconciliation of the opening and closing balances of the present value of benefit obligations of pensions, seniority premiums post-retirement, medical benefits, food coupons and life insurance for retirees, at December 31, 2011.

		<u>Seniority premium</u>			<u>Medical expenses, food coupons and life insurance for retirees</u>
	<u>Pensions</u>	<u>Retirement</u>	<u>Severance</u>	<u>Total</u>	
Defined Benefit Obligations					
(DBO) as of December 31, 2010	\$ (58)	(2)	(1)	(3)	(15)
Current service cost	(2)	-	-	-	(1)
Interest cost	(5)	-	-	-	(1)
Actuarial (loss) gain	4	-	-	-	(3)
Anticipated reduction of obligations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9</u>
DBO as of December 31, 2011	(61)	(2)	(1)	(3)	(11)
Plan assets at fair value	<u>68</u>	<u>2</u>	<u>3</u>	<u>5</u>	<u>17</u>
Financial situation of the fund	7	-	2	2	6
Past services:					
Plan modifications	36	-	-	-	-
Cumulative actuarial gains (losses)	<u>(21)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
Projected net asset as of					
December 31, 2011 in "Other assets" in balance sheet	\$ <u>22</u>	<u>=</u>	<u>2</u>	<u>2</u>	<u>7</u>

(Continued)

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

Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of Mexican pesos)

A reconciliation of the net projected asset as of December 31, 2011 is analyzed as follows:

	<u>Pension plan</u>	<u>Seniority premium</u>			<u>Medical expenses, food coupons and life insurance, for retirees</u>
		<u>Retirement</u>	<u>Severance</u>	<u>Total</u>	
Projected net asset as of December 31, 2010	\$ 22	-	2	2	1
Net periodic cost	(5)	-	-	-	(1)
Contributions to the fund during 2011	5	-	-	-	1
Effect of reduction and / or liquidation anticipated obligations (cost) / income	=	=	=	=	<u>6</u>
Net projected asset as of December 31, 2011 in "Other assets" in balance sheet	\$ <u>22</u>	<u>=</u>	<u>2</u>	<u>2</u>	<u>7</u>

The acquired benefit obligations (ABO), at December 31, 2012 and 2011 are as follows:

	<u>Pensions</u>			<u>Seniority premiums</u>		
	<u>Retirement</u>	<u>Invalidity</u>	<u>Total</u>	<u>Retirement</u>	<u>Severance</u>	<u>Total</u>
<u>2012</u>						
ABO	\$ <u>(17)</u>	-	<u>(17)</u>	<u>(1)</u>	<u>(1)</u>	<u>(2)</u>
<u>2011</u>						
ABO	\$ <u>(12)</u>	=	<u>(12)</u>	=	<u>(1)</u>	<u>(1)</u>

An analysis of the movement of the plan assets held to meet the labor obligations for the years ended December 31, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Fair value of the assets at beginning of year	\$ 90	82
Contributions to the fund during the year	5	6
Return on plan assets	9	2
Transfer of assets to bank	<u>(49)</u>	=
Fair value of the assets at year end	<u>55</u>	<u>90</u>
Assets loss	\$ <u>=</u>	<u>5</u>

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

The expected yield of the plan assets for the years 2012 and 2011 is \$8 and \$7, respectively.

During 2013, the expected contributions to the fund to cover the labor obligations amounts \$8.

Below is a detail on the present value of statutory severance compensation obligations at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
ABO	\$ <u>(16)</u>	<u>(15)</u>
DBO at the beginning of the year	\$ (15)	(15)
Current service cost	(1)	(1)
Interest cost	(1)	(1)
Paid benefits	6	6
Actuarial gain	<u>(5)</u>	<u>(4)</u>
DBO	(16)	(15)
Unrecognized past service for the Acquired benefits:		
Transition liability	—	<u>2</u>
Net projected liability	\$ <u>(16)</u>	<u>(13)</u>

The net cost (income) for statutory severance for the years ended December 31, 2012 and 2011 amounted to \$8 for both years. At December 31, 2012 and 2011 the provision for statutory severance amounted to \$16 and \$13, respectively, recorded in “Sundry creditors and other accounts payable” in the balance sheet.

The nominal rates for the years ended 2012 and 2011, used in the actuarial projections are:

	<u>2012</u>	<u>2011</u>
Return on plan assets	8.00%	9.75%
Discount rate	<u>8.00%</u>	<u>9.25%</u>

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

	<u>2012</u>	<u>2011</u>
Rate of salaries increase	5.00%	5.00%
Increase of medical expense	6.50%	6.50%
Estimated inflation rate	<u>4.00%</u>	<u>4.00%</u>

The expected return rate on plan assets was determined using the expectation of long-term performance on asset of the portfolio of Brokerage Firm's funds.

The fund assets covering the obligations for pension, seniority premium, medical expenses, food coupons and post-retirement life insurance benefits are 100% invested in debt instruments, under a trust and managed by a committee designated by the Brokerage Firm.

The increase or decrease in the rate in medical expenses used in actuarial projections as of December 31, 2012, is as shown below:

	<u>Annual rate</u>	<u>DBO medical benefits for retirees</u>
Without modification	6.50%	\$ –
1% increase on the medical inflation rate	7.50%	–
1% decrease on the medical inflation rate	<u>5.50%</u>	<u>–</u>

A summary of the amounts of labor benefits relating to DBO, plan assets, and the financial situation of plan and experience adjustments, for the years ended December 31, 2010, 2009 and 2008 is shown below:

	<u>Pensions</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
DBO	\$ (63)	(35)	(29)
Plan assets	<u>62</u>	<u>43</u>	<u>37</u>
Financial situation of the fund	\$ <u>(1)</u>	<u>8</u>	<u>8</u>
DBO (loss) gain	\$ <u>(18)</u>	<u>2</u>	<u>6</u>

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

		<u>Seniority premiums</u>		
		<u>2010</u>	<u>2009</u>	<u>2008</u>
DBO	\$	(3)	(3)	(2)
Plan assets		<u>5</u>	<u>4</u>	<u>4</u>
Financial situation of the fund	\$	<u>2</u>	<u>1</u>	<u>2</u>
Loss (gain) on assets	\$	<u>—</u>	<u>—</u>	<u>—</u>
		<u>Medical expenses, food coupons and life insurance</u>		
		<u>2010</u>	<u>2009</u>	<u>2008</u>
DBO	\$	(18)	(11)	(11)
Plan assets		<u>15</u>	<u>13</u>	<u>12</u>
Financial situation of the fund	\$	<u>(3)</u>	<u>2</u>	<u>1</u>
Loss (gain) on assets	\$	<u>3</u>	<u>(3)</u>	<u>(3)</u>
		<u>Statutory severance</u>		
		<u>2010</u>	<u>2009</u>	<u>2008</u>
DBO	\$	<u>(15)</u>	<u>(19)</u>	<u>(23)</u>
DBO gain	\$	<u>6</u>	<u>—</u>	<u>3</u>

As of December 31, 2012, the amortization period of unrecognized items for defined benefits pension, seniority premium, post-retirement medical benefits, life insurance, food coupons of retirees and statutory severance are as follows:

	<u>Pension plan</u>	<u>Seniority premium</u>		<u>Medical expenses, food coupons and life insurance for retirees</u>	<u>Statutory severance</u>
		<u>Retirement</u>	<u>Termination</u>		
Plan improvements	6.24	N/A	N/A	N/A	N/A
Net actuarial loss	13.62	11.18	Immediately	15.14	Immediately

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

(12) Related-party transactions-

During the normal course of business, the Brokerage Firm carries out transactions with related parties. The main transactions carried out with related-party during the years ended December 31, 2012 and 2011, are as follows:

	<u>2012</u>		<u>2011</u>	
	<u>Revenues</u>	<u>Expenses</u>	<u>Revenues</u>	<u>Expenses</u>
Interest	\$ 601	618	223	380
Commission and fee income	327	-	335	-
Income from brokerage activities	27	-	-	11
Other operating income	35	-	33	-
Commission and fee expense	-	7	-	7
Administrative and promotion expenses	<u>-</u>	<u>33</u>	<u>-</u>	<u>32</u>
	<u>\$ 990</u>	<u>658</u>	<u>591</u>	<u>430</u>

At December 31, 2012 and 2011, balances with related parties are as follows:

	<u>2012</u>	<u>2011</u>
<u>Assets:</u>		
Cash and cash equivalents	\$ 19	17
Margin accounts	1	4
Accounts receivable	97	29
Derivatives	243	191
Debtors under repurchase/resell agreements	<u>22,476</u>	<u>5,288</u>
	<u>\$ 22,836</u>	<u>5,529</u>
<u>Liabilities:</u>		
Bank and other borrowings	\$ 8	6
Derivatives	202	159
Creditors and other accounts payable	-	12
Creditors under repurchase/resell agreements	200	800
Collateral sold or pledge	<u>10,354</u>	<u>2,492</u>
	<u>\$ 10,764</u>	<u>3,469</u>

For the years ended December 31, 2012 and 2011, there were no changes in the existing conditions of balances receivable from and payable to related parties with a term not exceeding 30 days and it was not necessary an allowance for doubtful of any of these operations, which were made at fair value.

(Continued)

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

Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of Mexican pesos, except where otherwise indicated)

For the years ended at December 31, 2012 and 2011, the benefits granted to management personnel amounted to \$8 and \$10, respectively.

(13) Stockholders' equity-

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

(a) Structure of capital stock-

The Brokerage Firm capital stock at December 31, 2012 and 2011 is represented by 22,022 common 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 and may not be subject to withdrawal.

At December 31, 2012 and 2011, the minimum fixed capital stock is fully subscribed and paid and amounts to \$386.

At all times, the minimum capital stock of the Brokerage Firm shall be equivalent to at least 30% of its global capital at each financial year's end, computed in accordance with the provisions issued by the Commission. In no event, shall the variable portion of capital stock be higher than the minimum capital.

At December 31, 2012, capital stock amounts to \$551; article 10 of the Circular for brokerage firms provides that the capital stock shall amount to at least 30% of the global capital, which as of such date amounts to \$1,845. In addition, such regulation provides for capital stock increases during a period not to exceed four months following the year's end. The Brokerage Firm shall require authorization in the following stockholders' meeting for increasing the capital stock by \$3.

(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 the valuation of the available for sale securities, net of deferred tax.

(Continued)

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

Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of Mexican pesos, except the stock price and shares)

(c) Dividends declared-

At the Ordinary Annual General Stockholders' Meeting held on December 10, 2012, a resolution was passed to declare a dividend payment as follows:

1. Dividend of \$200, paid in cash on December 17, 2012, charged to retained earnings at the rate of \$9,081.83 pesos per share for the 22,022 registered series "B" and "F" shares comprising the Brokerage Firm's subscribed and paid-in capital stock.

At the Ordinary Annual General Stockholders' Meeting held on October 12, 2012, a resolution was passed to declare a dividend payment as follows:

2. Dividend of \$200 paid in cash on October 19, 2012, charged to retained earnings at a rate of \$9,081.83 pesos per share on the 22,022 registered series "B" and "F" shares comprising the Brokerage Firm's subscribed and paid-in capital stock.

The objective is to meet the minimum required Brokerage Firm capital stock for 2013, and for the Group to purchase Crédito Familiar S. A. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada.

(d) Dividends declared 2011-

A resolution was passed at the General Ordinary Stockholders' Meeting held on August 19, 2011, to pay dividends as follows:

3. Dividend of \$200 paid in cash on August 26, 2011, charged to retained earnings at the rate of \$9,081.83 pesos per share for the 22,022 registered series "B" and "F" shares comprising the Brokerage Firm's subscribed and paid-in capital stock.

(e) 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 capitalization required by the Commission has been fulfilled by the Brokerage Firm.

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

(Continued)

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

Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of Mexican pesos)

Stockholder contributions and retained earnings are subject to income tax on the amounts refunded or distributed that exceed the amounts determined for tax purposes. As of December 31, 2012, the restated capital contribution account (CUCA) and the tax basis retained earnings account (CUFIN) amount to \$266 and \$2,620, respectively.

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.

(f) 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 are as follows.

Capital as of December, 31:

	<u>2012</u>	<u>2011</u>
Global capital	\$ <u>1,845.39</u>	<u>1,735.68</u>
Market risk requirements	425.08	396.36
Credit risk requirements	126.14	156.66
Operational risk requirements	<u>70.99</u>	<u>60.26</u>
Total capitalization requirements	<u>622.22</u>	<u>613.28</u>
Global capital excess	\$ <u>1,223.1</u>	<u>1,122.4</u>
Rate of capital consumption	<u>33.72%</u>	<u>35.33%</u>
Global capital / capitalization requirements	<u>2.97</u>	<u>2.83</u>

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

Assets at risk as of December 31, 2012:

	<u>Risk weighted assets</u>	<u>Capital requirement</u>
<u>Market risk:</u>		
Transactions in Mexican pesos at nominal interest rates	\$ 1,827.10	146.17
Transactions in Mexican pesos at premium nominal interest rates	288.93	23.11
Transactions in Mexican pesos at real interest rates or denominated in UDIS	131.99	10.56
Foreign currency transactions at nominal interest rates	-	-
Positions in UDIS or with returns updated with National Consumer Price Index (INPC)	0.93	0.07
Foreign currency positions or with exchange rate updated returns	48.51	3.88
Equity positions or with returns updated to the price of a single share or group of shares	<u>3,016.08</u>	<u>241.29</u>
Total market risk	<u>5,313.54</u>	<u>425.08</u>
<u>Credit risk:</u>		
Derivatives	40.96	3.28
Debt instrument position	1,130.00	90.40
Loans and deposits	<u>405.90</u>	<u>32.47</u>
Total credit risk	<u>1,576.86</u>	<u>126.15</u>
<u>Operative risk:</u>		
Total operational risk	<u>887.38</u>	<u>70.99</u>
Total market, credit and operational risk	\$ <u>7,777.78</u>	<u>622.22</u>

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

Assets at risk as of December 31, 2011:

	<u>Risk weighted assets</u>	<u>Capital requirement</u>
<u>Market risk:</u>		
Transactions in Mexican pesos at nominal interest rates	\$ 1,184.73	94.78
Transactions in Mexican pesos at premium nominal interest rates	574.56	45.97
Transactions in Mexican pesos at real interest rates or denominated in UDIS	27.79	2.22
Foreign currency transactions at nominal interest rates	8.38	0.67
Positions in UDIS or with returns updated with National Consumer Price Index (INPC)	2.58	0.21
Foreign currency positions or with exchange rate updated returns	24.06	1.92
Equity positions or with returns updated to the price of a single share or group of shares	<u>3,132.41</u>	<u>250.59</u>
Total market risk	<u>4,954.51</u>	<u>396.36</u>
<u>Credit risk:</u>		
Derivatives	28.56	2.28
Debt instrument position	1,552.06	124.16
Loans and deposits	<u>377.62</u>	<u>30.21</u>
Total credit risk	<u>1,958.24</u>	<u>156.65</u>
<u>Operative risk:</u>		
Total operational risk	<u>753.25</u>	<u>60.26</u>
Total market, credit and operational risk	\$ <u>7,666.00</u>	<u>613.27</u>

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

Capital adequacy is monitored by the Market Risk trough of the capitalization levels, wich is monitored monthly for the main operating limits of the Brokerage Firm, determined on basis of basic capital, thus achieving prevent possible capital shortfalls, and consequently take action if necessary.

(14) Income taxes (Income Tax (IT) and flat rate business tax (IETU) and employee statutory profit sharing (ESPS))-

Under the current tax legislation, companies must pay the greater of their IT or IETU. If IETU is payable, the payment will be considered final i.e. not subject to recovery in subsequent years. The IT rate for fiscal years of 2011 to 2013 is 30%; for 2014 shall be 29%, and for 2015 and thereafter, 28%. The IETU and ESPS rates for 2011 and 2012 are 17.5% and 10%, respectively.

Owing to the fact that, according the Brokerage Firm estimates that the tax payables in future years will be IT, deferred tax effects as of December 31, 2012 and 2011 have been recorded on the same basis.

On May 19, 2004, the Brokerage Firm obtained a favorable resolution of an injunction proceeding (proceeding for relief) and obtained protection from the federal law against articles 16 and 17 last paragraph of the IT Law in force in 2002. Accordingly, the Brokerage Firm computes ESPS considering the same bases used to determine IT, except for the deductibility of loss in warrants.

IT and ESPS expense incurred and deferred for the years ended December 31, 2012 and 2011 is as follows:

	2012		2011	
	IT	ESPS	IT	ESPS
Current taxes	\$ (93)	(31)	(48)	(12)
Cancellation of the 2011 provision	7	-	-	-
Deferred taxes	<u>19</u>	<u>10</u>	<u>(3)</u>	<u>(5)</u>
	\$ <u>(67)</u>	<u>(21)</u>	<u>(51)</u>	<u>(17)</u>

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

Below presents the analysis of the actual rate of the years ended December 31, 2012 and 2011:

<u>December 31, 2012</u>	<u>IT</u>			<u>ESPS at 10%</u>
	<u>Base</u>	<u>Tax at 30%</u>	<u>Effective rate</u>	
Income before IT	\$ 488	(146)	(30%)	(49)
<i>Allocation to current tax:</i>				
Inflationary adjustment	(114)	34	7%	11
Financial instruments, repurchase resell agreements & derivative net result	58	(17)	(3%)	(6)
Difference between book and tax depreciation	2	(1)	-	-
Nondeductible expenses	10	(3)	-	(1)
Provisions	18	(5)	(1%)	(1)
Warrants net effect	(17)	5	1%	2
Deduction of ESPS paid in the year	(5)	1	-	-
Current and deferred ESPS provision	21	(6)	(1%)	(2)
Dividends on investment securities	1	-	-	-
Non cumulative income	<u>(150)</u>	<u>45</u>	<u>9%</u>	<u>16</u>
Current tax	<u>312</u>	<u>(93)</u>	<u>(18%)</u>	<u>(30)</u>
<i>Allocation to deferred tax: (tax at 30%)</i>				
Valuation of trading securities	(59)	18	4%	6
Premises, furniture and equipment	(1)	-	-	-
Deductible ESPS	(27)	8	2%	3
Warrants net effect	46	(14)	(3%)	-
Expense accruals and others	<u>(22)</u>	<u>7</u>	<u>-</u>	<u>2</u>
Deferred tax	<u>(63)</u>	<u>19</u>	<u>3%</u>	<u>11</u>
Income tax	\$ <u>249</u>	<u>(74)</u>	<u>(15%)</u>	<u>(21)</u>

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

<u>December 31, 2011</u>	<u>Base</u>	<u>IT Tax at 30%</u>	<u>Effective rate</u>	<u>ESPS at 10%</u>
Income before IT	\$ 193	(58)	(30%)	(19)
<i>Allocation to current tax:</i>				
Inflationary adjustment	(38)	12	6%	4
Financial instruments, repurchase resell agreements & derivatives net result	(5)	2	1%	1
Premiums on repurchase/resell agreements and interests	(100)	30	16%	10
Difference between book and tax depreciation	2	(1)	(1%)	-
Nondeductible expenses	43	(13)	(7%)	(4)
Provisions	(6)	2	1%	1
Warrants net effect	99	(30)	(15%)	(6)
Deduction of ESPS paid in the year	(26)	8	4%	2
Current and deferred ESPS provision	17	(5)	(3%)	(2)
Dividends on investment securities	(14)	4	2%	1
Non cumulative income	<u>(4)</u>	<u>1</u>	<u>1%</u>	<u>-</u>
Current tax	<u>161</u>	<u>(48)</u>	<u>(25%)</u>	<u>(12)</u>
<i>Allocation to deferred tax: (tax at 30%)</i>				
Valuation of trading securities	34	(11)	(6%)	(3)
Premises, furniture and equipment	(3)	1	1%	-
Deductible ESPS	7	(2)	(1%)	(1)
Warrants net effect	(45)	14	7%	-
Expense accruals and others	<u>18</u>	<u>(5)</u>	<u>(3%)</u>	<u>(1)</u>
Deferred tax	<u>11</u>	<u>(3)</u>	<u>(2%)</u>	<u>(5)</u>
Income tax	\$ <u>172</u>	<u>(51)</u>	<u>(27%)</u>	<u>(17)</u>

Deferred IT and ESPS:

The temporary differences that give rise to deferred tax liabilities as of December 31, 2012 and 2011, respectively are detailed in the next page.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

	2012		2011	
	IT	ESPS	IT	ESPS
Prepayments	\$ (11)	(4)	(11)	(4)
Valuation of financial instruments and derivatives	13	4	(5)	(2)
Valuation of available for sale securities	(133)	(44)	(84)	(28)
Premises, furniture and equipment	(37)	(12)	(37)	(12)
Deductible ESPS	14	5	6	2
Losses on warrants	45	–	59	–
Provisions and others	<u>36</u>	<u>12</u>	<u>29</u>	<u>10</u>
	<u>(73)</u>	<u>(39)</u>	<u>(43)</u>	<u>(34)</u>
Deferred IT and ESPS in the balance sheet	\$	<u>(112)</u>		<u>(77)</u>

The effect in income for deferred IT and ESPS for the years ended December 31, 2012 and 2011, comprise the following:

	2012		2011	
	IT	ESPS	IT	ESPS
Income deferred tax:				
Prepayments	\$ –	–	(1)	(1)
Valuation of financial instruments and related interest	18	6	(11)	(3)
Premises, furniture and equipment	–	–	1	1
Deductible ESPS	8	3	(2)	(1)
Losses on warrants	(14)	–	13	–
Provisions and others	<u>7</u>	<u>2</u>	<u>(3)</u>	<u>(1)</u>
	<u>19</u>	<u>11</u>	<u>(3)</u>	<u>(5)</u>
Deferred IT and ESPS in the statement of income	\$	<u>30</u>		<u>(8)</u>
Deferred tax in stockholders' equity:				
Valuation of available for sale securities	\$ <u>(49)</u>	<u>(16)</u>	<u>11</u>	<u>3</u>
Deferred IT and ESPS in the stockholders' equity	\$	<u>(65)</u>		<u>14</u>

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

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.

(15) Memorandum accounts-

Transactions on behalf of third parties-

The funds managed by the Brokerage Firm for investing in various instruments on behalf of its customers are recorded in memorandum accounts. The resources from these operations at December 31, 2012 and 2011 are analyzed as follows:

<u>Custody operations:</u>	<u>2012</u>	<u>2011</u>
Mutual funds	\$ 33,876	33,956
Government securities	58,192	57,581
Shares and others	<u>127,131</u>	<u>110,395</u>
	\$ <u>219,199</u>	<u>201,932</u>

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

Securities repurchase/resell agreements by customers-

At December 31, 2012 and 2011, the securities repurchase/resell agreements by customers are analyzed as follows:

	2012		2011	
	<u>Number of securities</u>	<u>Fair value</u>	<u>Number of securities</u>	<u>Fair value</u>
BG91	39,123,365	\$ 3,870	–	\$ –
BPAG	7,518,790	752	–	–
BPAS	2,402,168	239	47,953,051	4,776
BPAT	587,151	59	115,004,655	11,480
CBBN	12,182,570	1,221	–	–
CBPC	300,000	30	2,810,546	282
CBUR	7,797,906	784	3,061,331	308
CTIM	653,476,670	6,441	128,739,755	1,265
IPAS	68,985,149	6,899	79,914,465	8,040
LBON	601,335,947	59,749	–	–
MBON	999,999,855	1,000	38,287,394	4,000
PRLV	1,606,547,222	1,603	3,151,891,522	3,122
LBON	–	–	199,105,461	19,788
UDIB	<u>260,362</u>	<u>142</u>	<u>1,357,492</u>	<u>652</u>
		\$ <u>82,789</u>		\$ <u>53,713</u>

Securities lending transactions by customers-

At December 31, 2012 and 2011, the securities lending transactions by customers, are analyzed as follows:

	2012		2011	
	<u>Number of certificates</u>	<u>Fair value</u>	<u>Number of certificates</u>	<u>Fair value</u>
NAFTRAC	892,600	\$ 39	891,000	\$ 33
CEMEX CPO	229,000	3	996,400	7
GAP B	155,000	11	–	–
HOMEX *	64,200	2	–	–
ICH B	22,000	2	–	–
ELEKTRA *	–	–	20,000	28
MFRISCO A-1	–	–	108,000	5
Other shares securities	<u>272,210</u>	<u>8</u>	<u>140,800</u>	<u>8</u>
		\$ <u>65</u>		\$ <u>81</u>

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

Collaterals received in guarantee by customers-

Collaterals represented by government debt securities, banking and private on behalf of customers in guarantee for the Brokerage Firm at December 31, 2012 and 2011, are analyzed below:

	2012		2011	
	Number of certificates	Fair value	Number of certificates	Fair value
Government:				
BPAS	1,202,168	\$ 120	24,816,228	\$ 2,472
BPAT	587,151	59	63,823,265	6,371
CTIM	521,247,927	5,147	119,072,696	1,172
BPA 182	37,233,582	3,725	44,705,423	4,498
LBON	311,083,947	30,906	118,773,870	11,803
MBON	4,573,224	500	19,828,674	2,071
UDIB	260,362	142	1,172,841	563
BPAG	23,550,992	<u>2,334</u>	-	<u>-</u>
		<u>42,933</u>		<u>28,950</u>
Banking:				
CBBN	6,091,285	610	-	-
CBPC	300,000	<u>30</u>	2,810,546	<u>282</u>
		<u>640</u>		<u>282</u>
Private:				
CBUR	6,297,906	633	3,601,331	308
PRLV	<u>1,606,547,222</u>	<u>1,603</u>	<u>3,151,891,552</u>	<u>3,122</u>
		<u>2,236</u>		<u>3,430</u>
		\$ <u>45,809</u>		\$ <u>32,662</u>

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

Collaterals delivered in guarantee by customers-

Collaterals delivered in guarantee by customers at fair value at December 31, 2012 and 2011, are analyzed as follows:

	<u>2012</u>	<u>2011</u>
Government securities	\$ 36,613	21,497
Banking securities	610	-
Fixed income debt securities	151	10
Shares and holding companies certificates	1,227	849
Mutual funds shares	194	156
Cash	168	95
Margin loans	<u>17</u>	<u>-</u>
	\$ <u>38,980</u>	<u>22,607</u>

Income earned on assets under custody during the years ended December 31, 2012 and 2011 amounted to \$51 and \$53, respectively.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

Collaterals received and sold or pledged in guarantee by the entity-

Collateral represented by government debt securities received and sold or delivered in guarantee by the Brokerage Firm at December 31, 2012 and 2011, are analyzed as follows:

	2012		2011	
	Number of securities	Fair value	Number of securities	Fair value
Government:				
BPAS	1,200,000	\$ 119	23,136,823	\$ 2,305
BPAT	-	-	51,181,390	5,109
CTIM,	136,513,939	1,336	9,704,803	94
IPAS	32,340,600	3,233	35,752,368	3,596
LBON	290,929,112	28,911	80,694,927	8,021
MBON	4,573,224	500	18,458,720	1,929
UDIB	-	-	184,651	89
BBG91	19,491,716	1,928	-	-
BPAG	3,599,517	<u>360</u>	-	<u>-</u>
		<u>36,387</u>		<u>21,143</u>
Banking:				
CBBN	6,091,285	<u>610</u>	-	<u>-</u>
Private:				
CBUR	1,500,000	<u>151</u>	-	<u>-</u>
Equity instruments:				
ALFA	675,000	18	-	-
PEÑOLES	82,331	54	-	-
GAP	205,000	15	-	-
NAFTRAC	1,132,300	50	-	-
WALMEX	460,911	19	-	-
Other securities:				
SHARES	880,787	<u>30</u>	-	<u>-</u>
		<u>186</u>		<u>-</u>
		\$ <u>37,334</u>		\$ <u>21,143</u>

(Continued)

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

Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of Mexican pesos)

(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 its 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.

(b) Leases-

The Brokerage Firm leases and subleases office space from related and third parties according to the current lease agreement. Total rental income and expense for 2012 and 2011 amounted to \$8 and \$10, for both years.

(17) Additional information on operations and segments-**(a) Segment information-**

The Brokerage Firm operates in different segments such as capital markets, money markets, mutual funds and investment banking. Segment data on statement of income for the years ended December 31, 2012 and 2011 are show as follows:

	<u>2012</u>	<u>2011</u>
Revenues:		
Capital markets	\$ 169	155
Money market	112	88
Mutual funds	303	317
Investment banking	86	65
Securities portfolio	158	88
Other income	<u>407</u>	<u>230</u>
	<u>1,235</u>	<u>943</u>
Expenses:		
Personnel	532	478
Fixed expenses	64	61
Operating	136	178
Depreciation and amortization	13	12
Interest paid	1	3
Write offs	<u>1</u>	<u>18</u>
	<u>747</u>	<u>750</u>
Income before taxes	488	193
Current income taxes	(86)	(48)
Deferred income taxes	<u>19</u>	<u>(3)</u>
Net income	\$ <u>421</u>	<u>142</u>

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

(b) Financial ratios-

Following are the fourth quarter financial ratios of the Brokerage Firm for the years ended December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Creditworthiness (<i>total assets / total liabilities</i>)	1.14%	1.13%
Liquidity (<i>liquid assets/liquid liabilities</i>)	1.13%	1.11%
Leverage (total liabilities-liquidation of the entity (creditor) / stockholders' equity)	6.23%	7.62%
ROE (<i>annualized net income for the quarter/ average stockholders' equity</i>)	23.83%	7.50%
ROA (<i>annualized net income for the quarter / average total assets</i>)	3.32%	0.75%
Capital requirement / Global capital	33.72%	35.33%
Financial margin / Total operating income	30.93%	27.32%
Net income / Total operating income	49.91%	19.26%
Total operating income / Administrative expenses	199.62%	123.86%
Administrative expenses / Total operating income	50.09%	80.74%
Net income / Administrative expenses	96.62%	19.15%
Personnel expenses / Total operating income	56.33%	56.76%

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.*

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

(18) Comprehensive risk management- (unaudited)

The comprehensive risk management process is intended to identify and measure risks, follow up on their impact on the operations, and control risk effects on profits and the value of capital, by applying the most suitable risk mitigation strategies and incorporating the risk culture in daily operations.

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 potentials 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.

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

In accordance with the provisions applicable to the brokerage firms 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 Committee (CAPA) and the Internal Control Committee, the responsibility to implement the procedures to the measuring and risk control, in accordance with the policies established.

(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.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

The CAPA reviews every two weeks 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 avoid 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.

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 day holding period, with the purpose of homologate measurement methodologies with those that exist in BNS.

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 the fourth semester in 2012 was \$3.90 nominal.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

The Brokerage Firm's risk positions and their value at risk (unaudited) from October 1, to December 31, 2012 are analyzed as follows:

	<u>Position</u>			<u>VaR</u>	
	<u>Average</u>	<u>Maximum</u>	<u>Limit</u>	<u>Average 1d</u>	<u>Limit</u>
Brokerage Firm	22,448	32,619	–	3.90	25.0
Money market	22,432	32,600	–	2.80	25.0
Capital market	17	43	200	0.22	13.0
Derivate CPI/1	479	1,061	2,880	–	–
Equity derivatives/2	<u>127</u>	<u>298</u>	<u>1,000</u>	<u>–</u>	<u>–</u>
Total capitals and derivatives CPI	<u>623</u>	<u>1,402</u>	<u>4,080</u>	<u>2.39</u>	<u>13.0</u>

1/ Includes CPI futures and options of the capitals derivative table, its VaR is included in the Warrants portfolio. The 1 d average Warrant VaR is MXN 2.4 MM that is computed with the Capitals VaR.

2/ Includes futures and options on shares of CPI table capitals derivatives to hedge the portfolio of Warrants.

The average global VaR of 1 day for the Brokerage Firm during fourth quarter of 2012 was \$3.90 and the global value at December 31, 2012 was \$3.37 (unaudited information).

As an example, the Brokerage Firm's average value at risk of the quarter on money market and interest rate derivatives was \$2.8, this means that under normal conditions and a 1-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.

Although the Brokerage Firm, can participated in the Mexican Derivatives Market called "MexDer" through future and option contracts on the CPI (Mexican Stock Exchange Price and Quotation Index) during the fourth quarter of 2012, did not present position. The positions and the number of contracts that were negotiated and their value at risk are analyzed on the next page (unaudited information).

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

	Position		
	<u>Average</u>	<u>Maximum</u>	<u>Limit</u>
Interest rate futures TIEE28	-	-	945,000
CE91 futures	-	-	90,000
BonoM futures/1	-	-	37,550
CPI futures/2	<u>-</u>	<u>-</u>	<u>750</u>

1/ The limit of M Bond futures include 15,000 futures contracts of M20 Bonds, 20,000 future contracts of M10 Bonds 300 Bond futures contracts of M3 Bonds, 750 future contracts of M5 Bonds 1,500 M30 contracts.

2/ Includes trading desk contracts. Average VaR for 1-day holding period CPI futures contracts is \$0.0 MXM and is included in the Global VaR of capitals.

The average total position of CPI futures listed on Mexican Derivatives Exchange (MexDer) for Board Equity and Equity Derivatives for the quarter is of MXN \$479 MM. Only the Equity Derivates area may trade in CPI Futures Options on MEXDER; no transactions were carried out in the quarter.

It's important to know that stock exchange index (CPI) futures and options priority are to covered primary market risk about the positions of optional stocks or warrants that are issued for clients. The Brokerage Firm issued an average of warrants exchange index (CPI) and stock exchanges for \$8,534.4 with a maximum of \$9,975.9.

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.

As of December 31, 2012, the stress testing was \$116.1, which with respect to the \$800 limit, is favorable. The stress limit is based on the Brokerage Company's stockholders' equity and is adjusted on a monthly basis. The scenarios used for this test are the 1994 and 1998 financial crisis in México as hypothetical scenarios.

(Continued)

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

Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of Mexican pesos)

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).

Respect Back-Testing tests, during the quarter Oct-Dic/12 occurred excess in P&L with respect to VaR on Capitals and Global Brokerage Firm, due to the high volatility occurred in the capital and foreign exchange markets in Q4/2012.

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.

Sensitivities-***Qualitative information on sensitivities***

The Brokerage Firm has a specialized Trading Risk Analysis area which maintains continuous and methodic supervision of valuation, risk measurement and sensitivity analysis processes. Such area is in constant contact with operators responsible at the various markets.

Daily, the risk area calculates the market risk sensitivities for each portfolio to which the entity is exposed. During the quarter no changes were made to the assumptions, methods or parameters used for this analysis.

On the next page is a description of the methods, parameters and assumptions used for the portfolio of stock, currencies, interest rates and derivative products.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

Interest rate portfolio

Sensitivity measures for fixed-income instruments (bonds) are based on estimating the behavior of the portfolio's value when faced by a change in the market interest rates. In referring to market interest rates, reference is made to the yield curve (not zero-coupon curves) because it is the yield curves which are listed on the market and better explain the behavior of losses and gains.

The sensitivities of the fixed-income instrument portfolio are based on the durations and convexities depending on the type of instrument. In any event, 2 types of measurements are produced; i) the expected change in the value of the portfolio when faced by a 1 base point (0.01%) change in the yield curve; and ii) the expected change in the value of the portfolio when faced by a 100 base point (1%) change in the yield curve. For purposes of this disclosure, only 1 base point changes are informed.

The values estimated based on the duration and convexity methodology are a good approximation of the values obtained using the complete or "full-valuation" methodology.

For floating rate bonds two types of sensitivities are calculated: the free risk rate and the spread sensitivity.

In the case of zero coupon bonds, the calculation of the sensitivity of non-coupon instruments as duration the maturity (expressed in years) is used.

Interest Rate Derivatives

The following is a brief explanation of sensitivity modeling for interest rate derivatives.

THIE and CETE futures: These types of derivative instruments are modeled for calculating sensitivity for instance for zero coupon rate futures. Thus, the term is considered in estimating sensitivity.

M bond futures: Sensitivity considers the term and convexity on bonds deliverable in connection with these contracts.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

Interest rate swaps: For purposes of determining the sensitivity of changes in the yield curve of TIE Swaps, a 1 basis point change is made in each of the relevant yield curve points, in addition to a parallel change of 1 and one hundred basis points, valuing the portfolio using the various curves, and computing the change in the value of the portfolio with each of these changes. In this case, the report shows a change of 1 basis point.

Stock and CPI index derivatives portfolio

Stocks: For purposes of the stock position, the sensitivity is obtained by calculating the issue delta within the portfolio. Delta is defined as the change in the portfolio's value when the underlying changes 1%.

Capitals derivatives

Currently, the Brokerage has opted for carrying out stock derivatives transactions through the CPI index futures listed on the MexDer. Their sensitivity is calculated using the Delta. This portfolio has limits, expressed in terms of notionals.

Delta is defined as the change in value of a derivative with respect to changes in the underlying. Delta risk is defined as the change in the value of the option when faced by a change of predetermined magnitude in the value of the underlying (for example 1%). It is calculated by valuing the option with different underlying levels (one original and one with a +1% shock), holding all other parameters constant.

For futures, the calculation of the sensitivity is the Delta, defined as the change of value of a derivative with respect to changes in the underlying. Furthermore, Rho is defined as the sensitivity before changes in the interest rate. In the case of futures contracts, this sensitivity may be estimated based on the available market information. The Brokerage defines Rho as the change in the portfolio's value before a change of 100 base points (parallel) in the reference interest rates.

(Continued)

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

Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of Mexican pesos)

In the case of non-linear products such as warrants and options, delta and the so called “Greeks” are deemed a sensitivity measures. The calculation of sensitivities is based on the valuation model of options over futures, known as Black’s 1976 option pricing formula.

Delta risk is defined as the change in value of an option before a change of a predetermined magnitude in the value of the underlying (for example 1%). It is calculated by valuing the option with different underlying levels (one original and one with a +1% shock), holding all other parameters constant.

Gamma is supplementary to the delta risk and is another sensitivity measure of the value of an option with respect to the value of an underlying. Gamma measures the rate of change of the delta before a change in the level of the underlying, is analogous to the calculation of the delta, and may be interpreted analytically as the second partial derivative of the Black & Scholes function with respect to the underlying.

Rho is the sensitivity measure of an options portfolio to changes in interest rates. Mathematically speaking, Rho is the first partial derivative of the Black and Scholes function with respect to interest rates. Rho is defined as the change in value of an options portfolio before an increase of 100 base points (+1%) in interest rates. Overall, the sensitivity of an options portfolio to the interest rate is less compared with the sensitivity of the price of the underlying (delta) or of the implied volatilities (Vega).

Theta is the sensitivity measure of an options portfolio that indicates the change in the value of a portfolio with the passage of time. Theta is defined as the change in the value of a derivative product with the passage of time. Theta is calculated solely for informative purposes and for gain/loss analyses being that it does not actually represents a market risk but a concrete, predictable and quantifiable event.

Vega is the name of the sensitivity measure of the value of an options portfolio when faced by changes in the market volatilities of the underlying. In general, a long position in options benefits from an increase in the volatility of an underlying and a short position has the opposite trend, except for certain exceptions as is the case of binary options.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos, except where otherwise indicated)

Dividend Risk. The valuation of options on indices or stock implies a known continuous compound rate. However, dividends are an estimate and, therefore, an unknown variable, representing a risk factor for valuation purposes and the resulting gain/loss analysis of transactions with options.

There is no Greek letter assigned to the sensitivity of dividend risk and, in the case of options on indices and stock, the measure is made by increasing the dividend rate 1% (i.e. from 1% to 1.01%).

Quantitative information on sensitivities

Quantitative information of interest rate sensitivities

Below are the sensitivities of 1 basis points (bp) as of September 28 and December 31, 2012 (unaudited information):

<u>Sensibilidad Ipb</u>	September <u>2012</u>	December <u>2012</u>
Fix rate	0.251	0.222
Revisable rate	<u>0.021</u>	<u>0.014</u>
Total	<u>0.272</u>	<u>0.236</u>

At December 31, 2012, the Brokerage Firm presents a sensitivity in its interest rate portfolios of \$0.236, which indicates that for each base point the interest rate decreases, the Brokerage Firm would earn a profit of \$0.236. Compared with the preceding quarter, the position hasn't change.

Should the sensitivity scenario of the above table materialize, the losses would directly impact the Brokerage Firm results of operations.

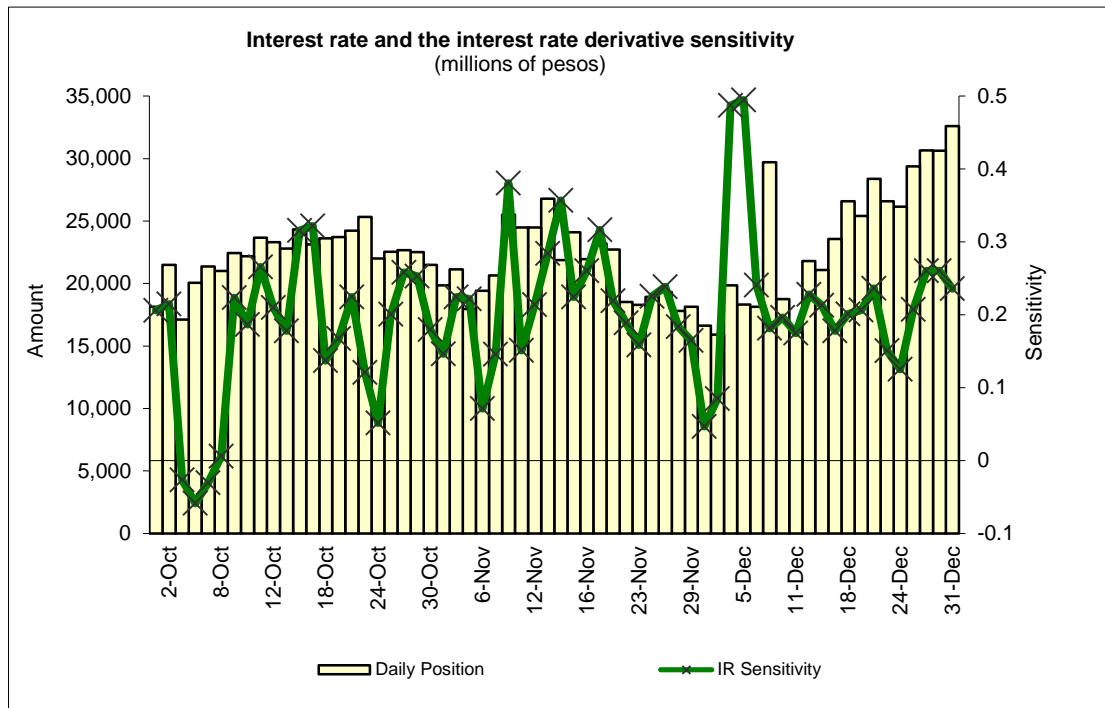
(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

As follows is a chart showing the evolution of the sensitivity for interest rates and interest rate derivatives as the net portfolio effect, (unaudited information).



As noted in the chart, there was no significant change in the sensitivity during the last quarter.

The Brokerage Firm considers only long positions in the money market; therefore, sensitivity is always negative, which means that in case of a one basis point to increase, the position in the money market would loss an amount equal to the sensitivity amount. .

In case that the scenario of the chart above occurred, losses would impact directly on the Brokerage Firm results.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

Below shows statistical data for the fourth quarter 2012 considering the one basis point change: maximum, minimum and average. On average, sensitivity was \$0.200 (unaudited information).

	<u>Average</u>	<u>Maximum</u>	<u>Limit</u>
Interest rates	\$ 0.200	0.495	(0.059)

Sensitivities for the shares portfolio and CPI derivatives

Below are the sensitivities as of September 28 and December 31, 2012 (unaudited information):

	<u>September 2012</u>	<u>December 2012</u>
Equity shares	\$ <u>0.0303</u>	<u>0.0419</u>
CPI Futures	0.0000	0.0000
CPI Options Fut	0.0000	0.0000
Warrants	<u>(0.0011)</u>	<u>(0.0215)</u>
Subtotal	<u>(0.0011)</u>	<u>(0.0215)</u>
Total	\$ <u>0.0292</u>	<u>0.0204</u>

During the quarter, the Capital desk continued with its strategy of conducting intraday transactions. Compared with the proceeding quarter, it registered a decrease a position, transferring from a large sensitivity to short sensitivity. The main stock shares are Naftrac (Nafinsa) and AMX L (Telecommunication).

As for the position on CPI, the strategy continues for hedging on new warrants issues and brokerage between CPI futures and capital markets.

If the sensitivity scenario shown in the table above occurred, it would impact directly on the results of the portfolio. At December 31, 2012, the Brokerage Firm present a sensibility to CPI for \$0.00, due this position is zero days.

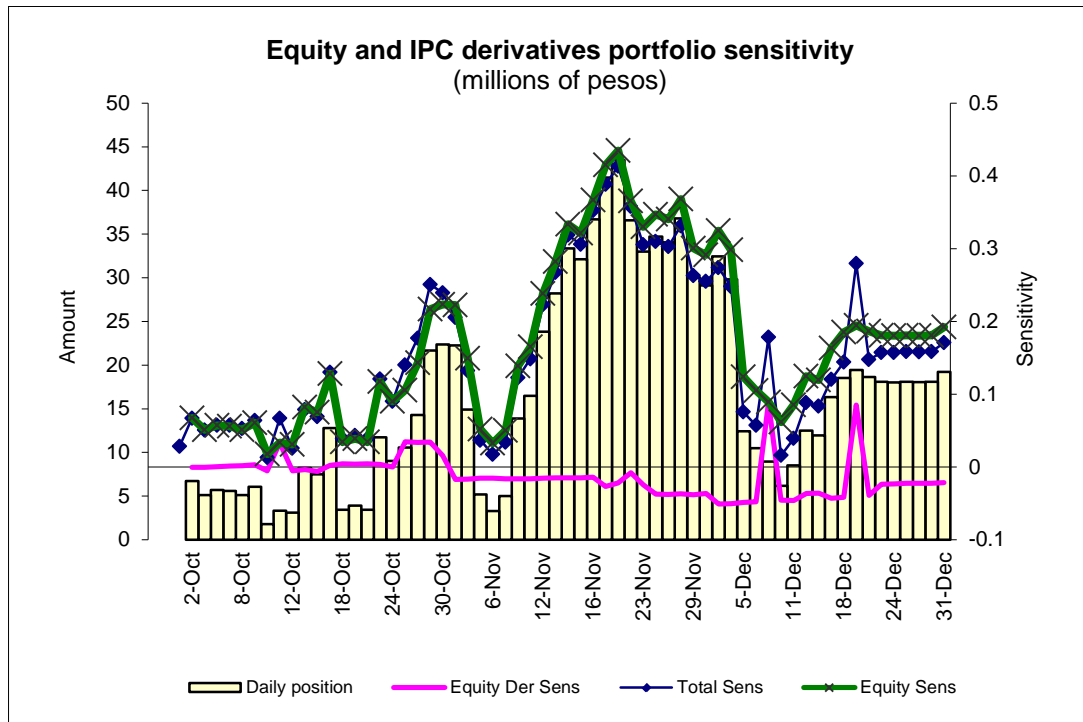
(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

The chart below shows the daily sensitivity evolution of the equity portfolio. The daily position of the equity portfolio is also shown (unaudited information).



The securities shares portfolio of the Brokerage Firm consists of shares securities and CPI derivatives. The average for the quarter was \$0.156 as shown below (unaudited information):

<i>Sensitivities 1% delta</i>	Average	Maximum	Minimum
Shares	\$ 0.168	0.435	0.018
Derivatives of CPI	<u>(0.012)</u>	<u>0.089</u>	<u>(0.051)</u>
Total	\$ <u>0.156</u>		

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

Sensitivity measurements for nonlinear financial instruments as of December 31, 2012 are shown in the table below (unaudited information).

Sensitivities of CPI warrants and options, "Greeks"

<u>Greeks</u>		<u>Delta</u>	<u>Gamma</u>	<u>Vega</u>	<u>Theta</u>	<u>Rho</u>
Warrants	\$	(68.838)	0.768	0.365	(0.011)	0.178
Options Fut CPI/ Options OTC		22.341	(11.468)	0.534	(0.021)	(0.082)
Futures CPI		2.190	—	—	—	—
Naftracs / shares		<u>47.423</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	\$	<u>3.116</u>	<u>(10.700)</u>	<u>0.899</u>	<u>(0.032)</u>	<u>0.096</u>

Based on the definitions described earlier, the interpretation of the Delta of a portfolio is shown by way of example in the Equity Derivatives section. As of December 31, 2012, the Brokerage Firm has a Delta value of \$68,838, denoting that in case of a 1% increase in the underlying price, the Brokerage Firm would generate a profit of \$68,838.

The following table shows the average, maximum and minimum sensitivities of CPI warrants and options (unaudited information):

	<u>Delta</u>	<u>Gamma</u>	<u>Rho</u>	<u>Vega</u>
Mínimum	0.194	0.448	0.151	1.130
Maximum	<u>49.453</u>	<u>18.382</u>	<u>0.558</u>	<u>3.147</u>
Average	<u>13.099</u>	<u>7.349</u>	<u>0.391</u>	<u>1.952</u>

Treatment for market risk on available-for-sale securities – At year-end, December 2012, the Brokerage Firm's position of available-for-sale securities amounted to \$600.

Available-for-sale securities are considered in the structural position of Brokerage Firm.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

Sensitivities for available-for-sale – At December 31, 2012, the sensitivity of investment securities classified as available-for-sale and held-to-maturity represent 4.03% of the book value.

Available for sales values	600
Sensitivities (\$)	0.24
Sensitivities (%)	0.04

For comparative purposes it shows the sensibility at September 2012, as follows:

Available for sales values	543
Sensitivities (\$)	0.30
Sensitivities (%)	0.06

(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 Risk Management area 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 2012 and 2011 the average of liquid assets (unaudited) was \$2,869 and \$2,846, 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.

(Continued)

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

Notes to Financial Statements

(Millions of pesos)

Liquidity gaps for investment securities -The liquidity risk of investment securities arises from the difficulty or impossibility of carrying out securities transactions resulting in unusual sale discounts.

The investment securities to Brokerage Firm had the maturity line as follows: (unaudited information):

<u>Maturity (years)</u>	<u>Held to Maturity</u>	<u>Available for sale</u>	<u>Trading</u>	<u>Total for maturity period</u>	<u>Concentration</u>
<u>December 2012</u>					
0.5	\$ -	-	8,843	8,842	59%
1	-	-	1,932	1,933	13%
2	-	-	446	446	3%
3	-	138	1,740	1,878	13%
4	-	-	778	778	5%
Without maturity	-	<u>462</u>	<u>547</u>	<u>1,009</u>	<u>7%</u>
Total	\$ -	<u>600</u>	<u>14,286</u>	<u>14,886</u>	<u>100%</u>

At year-end December 2012, the Brokerage Firm position of available-for-sale securities amounted to \$600. Available-for-sale securities are considered in the structural position of the Brokerage Firm.

(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.

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.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

- This methodology allows estimating expected and unexpected losses from measures of the likelihood of occurrence of credit events (transition matrix), 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 *Creditmetrics* system is used in measuring credit risks, with criteria similar to those used by the Scotiabank.

Average expositions, average losses, expected and unexpected in millions of nominal pesos for the fourth quarter of 2012 and 2011 are as follows (unaudited information):

	<u>2012</u>	<u>2011</u>
Exposure	\$ 13,753	13,267
Unexpected loss	112	750
Expected loss	<u>0.6</u>	<u>3</u>

Credit risk in investment securities – On the next page is a summary of exposures, credit rating and concentration by risk level of investment securities at the close of September 30th and December 31st 2012 (unaudited information).

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

<u>S&P Brokerage Firm</u>	<u>Held to Maturity</u>	<u>Available for sale</u>	<u>Trading Securities</u>	<u>Total for risk</u>	<u>Concentration</u>
<u>December 2012</u>					
mxAAA	\$ -	-	10,886	10,886	73%
mxAA	-	138	213	351	3%
mxA	-	-	2,398	2,398	16%
Without rating	<u>-</u>	<u>462</u>	<u>789</u>	<u>1,251</u>	<u>8%</u>
Total	\$ <u>-</u>	<u>600</u>	<u>14,286</u>	<u>14,886</u>	<u>100%</u>
Concentration	-	4%	96%	100%	
<u>September 2012</u>					
mxAAA	\$ -	-	9,860	9,860	71%
mxAA	-	167	235	402	3%
mxA	-	-	2,222	2,222	16%
Without rating	<u>-</u>	<u>376</u>	<u>1,030</u>	<u>1,406</u>	<u>10%</u>
Total	\$ <u>-</u>	<u>543</u>	<u>13,347</u>	<u>13,890</u>	<u>100%</u>
Concentration		0%	4%	96%	100%

Credit risk on derivatives transactions – At September 30 and December 31, 2012, counterparty risk on transactions with derivative financial instruments is 100% with financial institutions.

(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.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

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 it follows:

- **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.
- **Key Risk Indicators (KRI)** - this process allows the Brokerage Firm 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.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

- Estimated Legal Risk Loss Model - the Brokerage Firm 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.
- Comply with the requirements set forth in sections I, II and III of article 142 of the General Regulations applicable to Brokerage Companies.

As a result of the management process of the Operational Risk, the Brokerage Company has identified operating risks derived from legal contingencies in the amount of \$37.5. Should this situation occur, there would be a negative impact on the results of operations of the Brokerage Firm, which have already been fully provided for. Also, the expected loss from such contingencies is estimated in \$2.1 and the unexpected loss in \$22.4.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos, except database of optional risk losses)

At the close of 2012, the Brokerage Firm had built a historic database of operational risk losses, which includes losses incurred for the period from January 2008 to December 2012, summarized into 2,382 loss events with a total value of \$33.4, classified into 7 risk categories, detailed in the next page (unaudited information).

Database of Operational Risk Losses (thousands of pesos).

<u>Risk Factors</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Total</u>	<u>Number</u>	<u>Average amount</u>
Regulatory (fines)	844	254	104	8,380	283	9,865	28	352
Frauds (internal and external)	–	–	–	11,880	–	11,880	3	3,960
Errors in executing transactions	216	256	671	6,064	627	7,834	242	32
Unrecoverable	899	484	611	69	64	2,127	1,761	1
Changes	3	–	–	–	–	3	1	3
Legal	–	–	1,312	–	–	1,312	202	6
Policies and procedures	–	–	4	334	79	417	145	3
Total	<u>\$1,962</u>	<u>994</u>	<u>2,702</u>	<u>26,727</u>	<u>1,053</u>	<u>33,438</u>	<u>2,382</u>	<u>14</u>

At December 31, 2012, the Brokerage Firm the scores obtained from the following agencies:

<u>National scale (Caval)</u>	<u>Long term</u>	<u>Short term</u>	<u>Perspective</u>
Moody's	Aaa.mx	MX-1	Stable
Standard & Poor's	mxAAA	mxA-1+	Stable

(e) Technological risk-

The technological risk is defined as a potential loss from damage, interruption, disruption or failure from the use of hardware, software, systems, applications, networks and any other channel of transmission of information in the providing services to institutional clients.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

In order to meet the requirements of regulation on technological risk, the Group has management policies technological risk. These policies describe the guidelines and methodology for assessing risk. Additionally, management systems have policies, procedures and systems that support compliance with the requirements in terms.

(19) Recently issued financial reporting standards-

The CINIF has issued the FRS and Improvements listed below:

FRS B-12 “Offsetting financial assets and financial liabilities”- FRS B-12 is effective for years beginning on or after January 1, 2014; however, earlier application is permitted as of January 1, 2013. Among its main features, we may cite the following:

- Principles are established in relation to the rights of set-off that should be considered for presenting, on a net basis, a financial asset and a financial liability in the statement of financial position
- Establishes the requirements to be met by an offsetting intention, based on the principle that a financial asset and a financial liability should be presented by the offset amount, provided the future cash flow from its collection or settlement is net
- Establishes other subjects relating to the offsetting of financial assets and liabilities such as the intention of realizing the asset and settling the liability simultaneously for its net presentation in the statement of financial position, the bilateral and multilateral offsetting agreements and the treatment of collateral

FRS C-14 “Transfer and retirement of financial assets”- FRS C-14 is effective for years beginning on or after January 1, 2014, with retrospective effects and is issued for amending the absence of accounting standards with regard to the transfer and retirement of financial assets. The main aspects covered by this FRS include the following:

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

- It is based on the principle that for a transfer of financial assets also qualifies as a low, must be a full transfer of the risks and rewards of the financial asset.
- For a transfer to signify that the transferor may retire a financial asset from its statement of financial position, it is required that it may no longer have a future benefit or loss with regard to such financial asset.

2013 Improvements to FRS

In December 2012 the CINIF published a document called “Improvements to 2013 FRS, which contains specific amendments to certain existing FRS. The improvements that produce accounting changes are as follows:

- **FRS C-5 “Prepayments”, Bulletin C-9 “Liabilities, provisions, contingent assets and liabilities and commitments” and Bulletin C-12 “Financial instruments with characteristics of liabilities, equity or both”**- Provides that expenses on the issue of debentures such as legal fees, issuance, printing and placement costs, etc. should be presented as a reduction of the corresponding liability and charged to income based on the effective interest method. This improvement is effective for years beginning on or after January 1, 2013 and presentation changes should be recognized retrospectively.
- **FRS D-4 “Income taxes”**- Establishes that current and deferred income tax shall be recognized and included in profit or loss for the period, except to the extent that the tax arises from a transaction or event that is recognized in a different period, outside profit or loss, either in other comprehensive income or directly in equity. This improvement is effective for years beginning on or after January 1, 2013 and presentation changes should be recognized retrospectively.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

Bulletin D-5 “Leases”- It was defined that costs incurred and directly attributable to negotiating and arranging a lease (fees, legal fees, tenancy rights (extra pay) etc.), both for the lessor and lessee shall be deferred in the lease term and charged or credited to income in proportion to the related income or expense. This improvement is effective for years beginning on or after January 1, 2013 and its recognition is retrospective.

Management estimates that the effects of the 2013 FRS Improvements will be immaterial.