

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

Grupo Financiero Scotiabank Inverlat

Financial Statements

December 31, 2014 and 2013

(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 financial information furnished to you by the Board Directors, for the year ended December 31, 2014.

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, sufficient and reasonable representation of the financial position of Scotia Inverlat Casa de Bolsa, S. A. de C. V., Grupo Financiero Scotiabank Inverlat as of December 31, 2014, and the results of its operations and cash flows for the year then ended, in conformity with the accounting criteria for brokerage firms in Mexico issued by the National Banking and Securities Commission.

Sincerely,



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



Jorge E. Peña Tapia
Statutory Auditor for Series “B” shares

Mexico City, February 20, 2015.



KPMG Cárdenas Dosal
Manuel Avila Camacho 176
Col. Reforma Social
11650 México, D.F.

Teléfono: + 01 (55) 52 46 83 00
www.kpmg.com.mx

Independent Auditors' Report
(Free 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 and memorandum accounts as of December 31, 2014 and 2013, 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 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 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 of December 31, 2014 and 2013, have been prepared, in all material respects, in accordance with the accounting criteria for brokerage firms in Mexico issued by the Commission.

KPMG CARDENAS DOSAL, S. C.



Mauricio Villanueva Cruz

February 20, 2015.



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

Balance Sheets

December 31, 2014 and 2013

(Millions of Mexican pesos)

Memorandum accounts

	<u>2014</u>	<u>2013</u>		<u>2014</u>	<u>2013</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	\$ 230	131	Government debt	\$ 27,234	40,155
Settlement of customers' transactions	30	3	Banking debt	-	809
Other current accounts	<u>117</u>	<u>244</u>	Equity instruments	<u>423</u>	<u>512</u>
	<u>377</u>	<u>378</u>		<u>27,657</u>	<u>41,476</u>
 Custody operations:			 Collaterals received and sold or pledged in guarantee by the entity (note 15):		
Customer securities in custody (note 15)	<u>278,798</u>	<u>278,825</u>	Government debt	27,275	40,155
			Banking debt	-	809
 Management transactions:			Equity instruments (note 7)	<u>203</u>	<u>229</u>
Securities on repurchase/resell agreements by customers (note 15)	60,367	87,483		<u>27,478</u>	<u>41,193</u>
Securities lending transaction by customers (note 15)	173	104			
Collaterals received in guarantee by customers (note 15)	33,145	46,605			
Collaterals delivered in guarantee by customers (note 15)	29,478	42,805			
 Managed trusts	<u>185</u>	<u>162</u>	 Other accounts	3,979	3,340
	<u>123,348</u>	<u>177,159</u>			
 Total transactions on behalf of third parties	\$ <u>402,523</u>	<u>456,362</u>	 Total for the Brokerage Firm	\$ <u>59,114</u>	<u>86,009</u>

(Continued)

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

Balance Sheets, continued

December 31, 2014 and 2013

(Millions of Mexican pesos)

Assets	2014	2013	Liabilities and Stockholders' Equity	2014	2013
Cash and cash equivalents (note 5)	\$ 392	58	Bank and other borrowings short-term	\$ 257	357
Margin accounts (derivatives)	1	1	Assigned securities to be settled (note 6)	1,767	—
Investment securities (note 6):			Creditors under repurchase/resell agreements (note 7)	5,859	5,537
Trading securities	7,464	7,540	Collateral sold or pledged (note 7):		
Available-for-sale securities	447	566	Repurchase/resell agreements (credit balance)	41	—
	7,911	8,106	Securities lending	203	229
Debtors on repurchase/resell agreements (note 7)	—	1		244	229
Derivatives (note 8):			Derivatives (note 8):		
Trading purposes	276	373	Trading purposes	1,094	1,035
Accounts receivable, net (notes 5 and 6)	3,483	370	Other accounts payable:		
Premises, furniture and equipment, net (note 9)	149	153	Income taxes payable	77	—
Permanent investments (note 10)	3	3	Employee statutory profit sharing payable	50	28
Other assets:			Creditors on settlement of transactions (notes 5, 6 and 8)	1,099	270
Deferred charges, prepaid expenses and intangibles	148	116	Sundry creditors and other accounts payable (note 11)	529	228
Other short and long term assets (note 11)	25	30		1,755	526
	173	146	Deferred taxes and deferred employee statutory profit sharing, net (note 14)	89	128
			Total liabilities	11,065	7,812
			Stockholders' equity (note 13):		
			Paid-in capital:		
			Capital stock	554	554
			Statutory reserves	95	86
			Retained earnings	260	332
			Unrealized gain from valuation of available-for-sale securities	195	245
			Net income	219	182
				769	845
			Total stockholders' equity	1,323	1,399
Total assets	\$ 12,388	9,211	Total liabilities and stockholders' equity	\$ 12,388	9,211

"The historical capital stock at December 31, 2014 and 2013 amounts to \$389, in both years."

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 balance sheets originals, which are properly signed and held by the Brokerage Firm."

SIGNATURE
Pablo Aspe Poniatowski
General Director

SIGNATURE
Michael Coate
Deputy General Director Finance
and Business Intelligence

SIGNATURE
Agustín Corona Gabbler
Deputy General Director
Group Audit

SIGNATURE
H. Valerio Bustos Quiroz
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, 2014 and 2013

(Millions of Mexican pesos)

	<u>2014</u>	<u>2013</u>
Commission and fee income (note 17b)	\$ 699	596
Commission and fee expense (note 17b)	(74)	(42)
Financial advisory income (note 17b)	<u>172</u>	<u>131</u>
Income from services	<u>797</u>	<u>685</u>
Gain on purchase and sale of securities (note 6)	1,538	1,941
Loss on purchase and sale of securities (note 6)	(1,496)	(2,071)
Interest income (notes 6 and 7)	1,660	1,871
Interest expense (note 7)	(1,470)	(1,651)
Valuation gain (loss) on securities at fair value (notes 6 and 8)	<u>3</u>	<u>91</u>
Intermediation financial margin	<u>235</u>	<u>181</u>
Other operating income (note 1)	49	61
Administrative and promotional expenses	<u>(765)</u>	<u>(697)</u>
	<u>(716)</u>	<u>(636)</u>
Income before income taxes	<u>316</u>	<u>230</u>
Current income taxes (note 14)	(103)	(27)
Deferred income taxes, net (note 14)	<u>6</u>	<u>(21)</u>
	<u>(97)</u>	<u>(48)</u>
Net income	\$ <u>219</u>	<u>182</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 statements of income originals, which are properly signed and held by the Brokerage Firm."

SIGNATURE

Pablo Aspe Poniatowski
General Director

SIGNATURE

Michael Coate
Deputy General Director Finance
and Business Intelligence

SIGNATURE

Agustín Corona Gahbler
Deputy General Director
Group Audit

SIGNATURE

H. Valerio Bustos Quiroz
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, 2014 and 2013

(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, 2012	\$ 551	65	643	265	421	1,945
Changes resulting from stockholders' resolutions:						
Subscription of shares (note 13a)	3	-	(3)	-	-	-
Appropriation of prior year's net income and creation of statutory reserve	-	21	400	-	(421)	-
Dividends declared (note 13c)	-	-	(708)	-	-	(708)
	<u>3</u>	<u>21</u>	<u>(311)</u>	<u>-</u>	<u>(421)</u>	<u>(708)</u>
Changes related to recognition of comprehensive income (notes 13b and 14):						
Valuation effects of available-for-sale securities, net of deferred income tax and deferred employee statutory profit sharing of \$14 (note 6)	-	-	-	(20)	-	(20)
Net income	-	-	-	-	182	182
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20)</u>	<u>182</u>	<u>162</u>
Balances as of December 31, 2013	<u>554</u>	<u>86</u>	<u>332</u>	<u>245</u>	<u>182</u>	<u>1,399</u>
Changes resulting from stockholders' resolutions:						
Appropriation of prior year's net income and creation of statutory reserve	-	9	173	-	(182)	-
Dividends declared (note 13c)	-	-	(245)	-	-	(245)
	<u>-</u>	<u>9</u>	<u>(72)</u>	<u>-</u>	<u>(182)</u>	<u>(245)</u>
Changes related to recognition of comprehensive income (notes 13b and 14):						
Valuation effects of available-for-sale securities, net of deferred income tax and deferred	-	-	-	-	-	-
Net income	-	-	-	-	219	219
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50)</u>	<u>219</u>	<u>169</u>
Balances as of December 31, 2014	\$ <u>554</u>	<u>95</u>	<u>260</u>	<u>195</u>	<u>219</u>	<u>1,323</u>

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 faithfully match with the statements of changes originals, which are properly signed and held by the Brokerage Firm."

SIGNATURE

Pablo Aspe Poniatowski
General Director

SIGNATURE

Michael Coate
Deputy General Director Finance
and Business Intelligence

SIGNATURE

Agustín Corona Gahbler
Deputy General Director
Group Audit

SIGNATURE

H. Valerio Bustos Quiroz
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, 2014 and 2013

(Millions of Mexican pesos)

	<u>2014</u>	<u>2013</u>
Net income	\$ 219	182
Items not requiring (providing) cash flow:		
Depreciation of premises, furniture and equipment	11	13
Amortization of intangible asset	3	1
Provisions	66	231
Current and deferred income taxes	97	48
Valuation (loss) gain on securities at fair value	<u>(3)</u>	<u>(91)</u>
Subtotal	<u>174</u>	<u>202</u>
Operating activities:		
Change in investment securities	1,869	6,753
Change in debtors on repurchase / resell agreements	1	1
Change in derivatives (asset)	9	183
Change in other operating assets	(3,124)	(74)
Change in bank and other borrowings	(101)	349
Change in creditor on repurchase / resell agreements	322	(2,958)
Change in collaterals sold or pledged	15	43
Change in derivatives (liabilities)	161	(2,186)
Change in other operating liabilities	1,099	(1,721)
Payment of income taxes	<u>(39)</u>	<u>(52)</u>
Net cash flows from operating activities	<u>212</u>	<u>338</u>
Investing activities:		
Payments for acquisition of premises, furniture and equipment	(7)	(5)
Payments for acquisition of intangible assets	<u>(19)</u>	<u>(6)</u>
Net cash flows from investing activities	<u>(26)</u>	<u>(11)</u>
Net cash flows from financing activities		
payment of dividends	<u>(245)</u>	<u>(708)</u>
Cash and cash equivalents at beginning of year	<u>58</u>	<u>55</u>
Cash and cash equivalents at end of year	\$ <u><u>392</u></u>	<u><u>58</u></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 statements of cash flows originals, which are properly signed and held by the Brokerage Firm."

SIGNATURE

Pablo Aspe Poniatowski
General Director

SIGNATURE

Michael Coate
Deputy General Director Finance and
Business Intelligence

SIGNATURE

Agustín Corona Gahbler
Deputy General Director
Group Audit

SIGNATURE

H. Valerio Bustos Quiroz
Director of Group
Accounting

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

Notes to Financial Statements

December 31, 2014 and 2013

(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 is a subsidiary of The Bank of Nova Scotia (BNS), which holds 97.4% 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”).

Significant Transaction in 2014-

(a) Decree and payment of dividends-

As mentioned in note 13c to the financial statements, on May 23 and August 22, 2014, dividends were decreed through resolutions of the Ordinary General Meeting of Stockholders for \$200 and \$45, respectively, such dividends were paid during the year 2014.

(b) Additional payment for the sale of Indeval’ share

In 2008, the Brokerage Firm sold the share that had in own position of S.D. Instituto para el Depósito de Valores (Indeval), with the possibility of receiving an additional payment in the case that the Exchange Market Law was amended to allow a stockholder to have more than one share of Indeval. In January 2014, this amendment was made and as a result, on July 31, 2014 the Brokerage Firm received the additional payment of \$22, which was recorded in the income statement under the caption “Gain on purchase and sale of securities”.

Significant Transaction in 2013-

(a) Decree and payment of dividends-

As mentioned in note 13c to the financial statements, on May 24, August 23 and November 13, 2013, dividends were decreed through resolutions of the Ordinary General Meeting of Stockholders for \$77, \$81 and \$550, respectively, such dividends were paid during the year 2013.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

(2) Summary of significant accounting policies-

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

On February 20, 2015, Pablo Aspe Poniatowski (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.

The stockholders and the Commission are empowered to modify the financial statements after issuance. The accompanying 2014 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 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 Mexican Financial Reporting Standards (MFRS), 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 MFRS A-8 shall be applicable, and only when the International Financial Reporting Standards (IFRS) referred to by MFRS 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 MFRS are met by that standard with the requirements of criterion A-4 of the Commission. The suppletory application shall be in the following order: U.S. Generally Accepted Accounting Principles (US GAAP), and subsequently any other formal and recognized accounting standard, provided they comply with the accounting criteria set forth by 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 valuation of securities and derivatives; amounts related to employees' benefits and the materialization of deferred income taxes. 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 or "USD", it means 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 at the trade date, rather than settlement date.

(b) Reconocimiento de los efectos de la inflación-

The accompanying financial statements include the recognition of inflation based on Investment Units (Unidades de Inversión or UDI) until December 31, 2007, according to the applicable accounting criteria.

The years ended December 31, 2014 and 2013 are considered non-inflationary economic environment (inflation accumulated over the three preceding years less than 26%), as established in MFRS B-10 "Effects of Inflation", consequently the effects of inflation on the Brokerage Firm's financial information are not recognized; should be back in an inflationary environment, the cumulative effects of inflation not recognized in prior periods must be retrospectively recognized based on Investment Units (UDI) from the last period that the economic environment was considered as inflationary. 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)

<u>December 31,</u>	<u>UDI</u>	<u>Inflation</u>	
		<u>Annual</u>	<u>Accumulated</u>
2014	\$ 5.270368	4.18%	12.34%
2013	5.058731	3.78%	11.76%
2012	<u>4.874624</u>	<u>3.91%</u>	<u>12.31%</u>

(c) Cash and cash equivalents-

Cash and cash equivalents consist of cash in hand, local and foreign bank account balances and 24, 48, 72 and 96 hours foreign currency sales/purchases.

The cash and cash equivalents are recognized at face value. For the currencies in dollars, the exchange rate used for the translation into pesos is the published by the Central Bank. The effect for the translation is recognized in the results, as "Interest income or Interest expense", accordingly.

The foreign exchange currencies acquired in purchase transactions to 24, 48, 72 and 96 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 of foreign exchange at 24, 48, 72 and 96 hours are recorded in clearing accounts under the caption "Accounts receivable, net " and "Creditors on settlement of transactions", respectively.

Checking account overdrafts, as reported in the statement of account issued by the corresponding credit institution, are shown in the caption "Sundry creditors and other accounts payable".

(d) Margin accounts-

The required margin accounts in cash to the Brokerage Firm to operate derivatives on recognized markets are recognized at their par value and are presented under the caption "Margin accounts." The value of the margin account granted in cash is modified by margin calls or withdrawals made by the clearinghouse and for additional contributions or withdrawals made by the 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)

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 fee 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”.

(e) *Investment securities-*

Investment securities consist of equity shares, government securities, banking 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-

Trading securities are those acquired with the intention of selling them to get, short-term gains arising from differences in prices resulting from its trading in the market. Securities at the time of acquisition are recognized at fair value (which includes, where applicable, the discount or premium) which presumably corresponds to the price paid; transaction costs for the acquisition of securities are recognized in income on the same date. Subsequently, securities are valued at fair value provided by an independent price vendor, when the securities are sold, the result of buy/sell is determined by the difference between purchase price and the sale price, this concept shall cancel the result of valuation that has been previously recognized in the income statement.

Interest earned from debt securities are determined according to the effective interest method and recognized 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 under the caption “Interest income”.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

Valuation effects are recognized in the income statement under the caption “Valuation on securities at fair value” and purchase and sale results are presented under the captions of “Gain or loss on purchase and sale of securities”, as appropriate.

Available-for-sale securities-

Available-for-sale securities are those whose intention is not oriented to profit from differences in prices in the short term and the Brokerage firm does not have the intention or capacity to hold to maturity. The initial recognition and subsequent valuation is performed in the same manner as trading securities, except that the effect of valuation is recognized in stockholders' equity under the caption “Unrealized gain from valuation of available-for-sale securities”, and which is adjusted by the effect of deferred taxes. The valuation effect is cancelled at the time of sale for its recognition in income under the captions gain or loss on purchase and sale of securities, whichever is applicable.

Interest earned is determined by the effective interest method and recognized in the income statement under the caption “Interest income”.

Dividends on equity instruments are recognized in the income statement at the time when the right to receive payment thereof arises under the caption "Interest income".

Impairment in the value of a security-

When sufficient objective evidence exists that a security available for sale has been impaired as a result of one or more events that occurred subsequent to the initial recognition of security, the carrying amount of the security is reduced and the loss amount recognized in stockholders' equity is reclassified to income under the caption “Valuation gain (loss) on securities at fair value.”

If, in a subsequent period, the fair value of the securities increases and this effect is related objectively to an event occurring after the date when the impairment was recognized in the income statement, the impairment is reversed in the year's results, except whether it is a net equity instrument.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

Book 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, banking, equity and other debt securities), this is reflected as a liability under the caption "Assigned securities to be settled".

Reclassifications between categories-

The accounting criteria allow reclassifications of securities from trading to available for sale, only 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 payable and the account receivable 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.

The Brokerage Firm acting as repurchasee recognizes 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 granted as collateral, acting the Brokerage firm as repurchaser are reclassified in the balance sheet under the caption "Investments securities", presented them as restricted.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

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, previously recognized in the operation in which the Brokerage Firm acting as repurchasee and the debit or credit balance is presented under the caption "Debtors on repurchase/resell agreements" or in "Collateral sold or pledged", as applicable.

Further the collateral received, sold or pledged 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 trade date of securities lending transactions, the Brokerage Firm acting as lender reclassifies securities subject to lending as restricted in the balance sheet under the caption "Investments securities", while acting as borrower, securities are 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 amount acting the Brokerage firm as a lender or borrower, is recognized in the income statement, through the effective interest method over the term of the transaction, under the caption "interest income" or "Interest expense", respectively, against the caption "Securities lending" within asset or liability, as applicable.

The financial assets received as collateral, whereby the Brokerage Firm acts as a lender, are recognized in memorandum accounts following the guidelines for valuation criterion B-6 "Assets in custody and under management," while acting as borrower, the financial assets delivered as collateral are presented as restricted under the caption "Investment securities".

(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, as lender, prior to the maturity of the securities lending transaction sells the collateral received or the transaction value as borrower, recognizes the inflow of funds from the sale for the obligation to return such collateral to the lender under the caption "Collateral sold or pledged", such obligation is initially measured at the agreed price and subsequently marked to market, the valuation effect is presented in the income statement under the caption "Valuation gain (lost) on securities at fair value".

The difference between the price received and the fair value of the security subject to the transaction or the collateral received, if any at the time of the sale, is presented under the captions of "Gain on purchase and sale of securities" or "Loss on purchase and sale of securities", as applicable.

Regarding securities lending transactions wherein the financial assets granted as collateral or the value subject to the transaction, acting the Brokerage Firm 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-

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

The valuation effect of the derivatives for trading purposes is presented in the balance sheet and in the statement of income under the captions of "Derivatives", in the assets or liabilities, accordingly, and "Valuation gain (loss) on securities at fair value", respectively.

(i) Other accounts receivable-

Accounts receivable relating to identified debtors whose maturity is agreed at the beginning with a term over 90 calendar days are assessed by Brokerage Firm's management to determine the estimated recovery value and, as required, to create the corresponding reserve.

(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 balances of other identified accounts receivable an allowance is recorded in the year's results at 90 calendar days of initial registration or 60 calendar days if the amounts 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) *Settlement clearing accounts-*

Amounts receivable or payable from investment securities, repurchase/resale agreements, securities lending and/or derivatives 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 basis, realize the asset and settle the liability simultaneously. The clearing accounts are shown under the caption "Accounts receivable, net" or "Other accounts payable", as appropriate.

(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 acquisition date, which recognition of the effects of inflation on the financial information was suspended in accordance with the MFRS. 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.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

Depreciation is calculated using the straight-line method, based on useful lives estimated by the Brokerage Firm's 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 book 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 book 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 are valued at acquisition cost given that the Brokerage Firm does not have control, joint control or significant influence. 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.

(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, valuation and interest earned, which are recognized under the caption "Other operating income" on the statement of income.

The intangible assets related to internally developed software are included in this category, which cost incurred during the development stage is capitalized and amortized against the results of operations once the software is ready to operate, through the straight-line method over the estimated useful life as determined by the Brokerage Firm's management.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

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, this caption includes the projected net assets of the defined benefit plan that are recognized in accordance with the provisions of MFRS D-3 "Employees' benefits" (see note 11).

(n) *Income taxes and employee statutory profit sharing (ESPS)-*

Income taxes and ESPS payable for the year are determined in conformity current tax provisions.

Tax incurred is presented in the balance sheet as a liability, when tax pre-payments made exceed that determined tax of period, the excess is recorded as account receivable.

Deferred income taxes and deferred ESPS are accounted for under the asset and liability method. Deferred income taxes 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 income taxes for operating loss carry forwards. 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 in the period enacted.

The deferred income tax asset or liability determined from temporary deductible or taxable differences of the year is presented in the balance sheet.

Current and deferred ESPS is incorporated under the caption "Administrative and promotional expenses" 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)

(ñ) *Capital leases-*

The capital leases transactions are recorded as an asset with its corresponding liability for the equivalent at the lower of the present value of minimum lease payments and the value of the asset leased. The asset is depreciated in the same way as other assets held in property when it is certain that at the end of lease contract, ownership of the leased asset is transferred otherwise is depreciated during the term of the contract.

(o) *Employees' benefits-*

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

In addition, there is a defined benefits plan in place that covers the benefits for retirement, the seniority premiums and the legal compensation to which employees are entitled in accordance with the Federal Labor Law, as well as life insurance for retirees.

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

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 MFRS D-3 "Employees' 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.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

At the date of adoption of MFRS 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 MFRS 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 for the year.

(p) *Revenue recognition-*

Interest and premiums on investments in debt securities and repos are recognized in income on accrual basis.

The gain or loss on sale of trading securities is recognized in income when sold.

The fees for financial transactions (placement of debt or shares) for transaction with investment companies and revenue from custody services are recognized in the income statement when the service is provided under the caption "Commission and fee income".

Revenues from financial advisory services are recognized on income when the services are provided under the caption "Financial advisory income".

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

(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 recognized at the exchange rate prevailing on the trade and settlement dates for financial statement presentation purposes, currencies other than dollars are translated into 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 year-end close date of the financial statements, foreign currency monetary assets and liabilities are translated into at the FIX exchange rate published by the Central Bank and foreign exchange gains or losses arising from foreign currency translation are recorded in the results of operations for the originating period.

(s) Memorandum accounts-

Memorandum accounts correspond mainly to transactions in custody or under management.

Custody transactions-

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

Management transactions-

The amount of the repurchase and resell agreements and securities lending 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".

(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 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 of 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 trade day and not on the settlement date.

(t) Contingencies-

Liabilities or important losses related to contingencies are recorded when it is probable that their effects will be materialized and there are reasonable elements for quantification. If there are no reasonable elements, disclosure is included qualitatively in the notes to the financial statements.

Revenues, earnings and assets are not recognized until the moment there is absolute certainty of its realization.

(3) New accounting criteria-

New 2014 MFRS and MFRS improvements-

The CINIF issued the following MFRS and improvements to the available MFRS beginning January 1, 2014, these MFRS did not have material effect on the financial position of the Brokerage Firm.

- MFRS C-11 “Stockholders’ equity”
- MFRS C-12 “Financial instruments with characteristics of liabilities and equity”
- MFRS C-14 “Transfer and drop of the financial assets”

MFRS improvements-

- MFRS C-5 “Prepayments”
- MFRS D-3 “Employee benefits”
- MFRS C-15 “Impairment of long-lived assets and their disposal”

(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)

MFRS and MFRS improvements 2013-

The CINIF issued the following MFRS and improvements to the available MFRS beginning January 1, 2013, these MFRS did not have material effect on the financial position of the Brokerage Firm.

- MFRS B-12 *"Offsetting of financial assets and financial liabilities"*
- MFRS C-14 *"Transfer and disposal of financial assets"*

Improvements to MFRS-

- MFRS C-5 *"Prepaid expenses"*
- Bulletin C-9 *"Liabilities, provisions, contingent assets and liabilities and commitments"*
- Bulletin C-12 *"Financial instruments with characteristics of liabilities, equity or both"*
- MFRS D-4 *"Tax on profits"*
- Bulletin D-5 *"Leases"*

(4) Foreign currency position-

In compliance with the Central Bank regulations, the Brokerage Firm maintains balanced positions in foreign currencies. At December 31, 2014 and 2013, the maximum currency (short or long) position authorized by the Central Bank was \$176 and \$194, respectively, which is within the maximum limit established of 15% of the Brokerage Firm's global capital, which is \$1,175 and \$1,291 in each year (see note 13e).

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

	<u>2014</u>	<u>2013</u>
Assets	45	7
Liabilities	<u>(44)</u>	<u>(5)</u>
Long position	<u>1</u>	<u>2</u>
Equivalent in pesos	\$ <u>9</u>	<u>21</u>

At December 31, 2014 and 2013, the Brokerage Firm has a long position in foreign currency, which is comprised of 100% in dollars, which for financial statement presentation purposes was translated into pesos using the exchange rates of \$14.7414 and \$13.0843, respectively, and on February 20, 2015, date of approval of these financial statements was \$15.0757

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

(5) Cash and cash equivalents-

At December 31, 2014 and 2013, cash and cash equivalents are comprised as follow:

	<u>2014</u>	<u>2013</u>
Domestic banks	\$ 19	15
Other cash and cash equivalents	13	43
Restricted cash:		
Foreign currency to receive	<u>360</u>	—
	\$ <u>392</u>	<u>58</u>

Foreign currency receivable and deliverable as of December 31, 2014 and 2013, arising from purchases and sales to be settled within 24, 48, 72 and 96 hours are related to dollar transactions.

At December 31, 2014, the foreign exchange purchase/sale gain and (loss) amounted to \$10 and (\$14), respectively, (\$14 and (\$19) in 2013, respectively).

At December 31, 2014 and 2013, the Brokerage Firm maintained a (liability) and asset balance, respectively for transactions with foreign currencies payable on a date subsequent to the traded date of (\$63) and \$1, which were recorded in clearing accounts within “Accounts receivable, net” and “Creditors on settlement of transactions”.

(6) Investment securities-

(a) At December 31, 2014 and 2013, the fair values of investment in securities were as follow:

<u>Trading securities:</u>	<u>2014</u>	<u>2013</u>
Debt securities:		
Government securities:	\$ 5,175	5,445
Unrestricted	—	597
Restricted	<u>5,175</u>	<u>4,848</u>
Bank promissory notes:	1,045	1,100
Unrestricted	123	401
Restricted	<u>922</u>	<u>699</u>
Other debt securities:	272	369
Restricted	<u>272</u>	<u>369</u>
Equity share securities	<u>972</u>	<u>626</u>
Unrestricted	—	222
Restricted	<u>972</u>	<u>404</u>
Total of debt securities, carried forward	\$ <u>7,464</u>	<u>7,540</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>2014</u>	<u>2013</u>
Total of debt securities, brought forward	\$ 7,464	7,540
<u>Available for sale:</u>		
Debt securities:		
Other debt securities	68	142
Equity shares	<u>379</u>	<u>424</u>
	<u>447</u>	<u>566</u>
Total of investment securities	\$ <u>7,911</u>	<u>8,106</u>

(b) At December 31, 2014 and 2013, trading and available for sale securities are as follow:

<u>Trading securities:</u>	<u>2014</u>	<u>2013</u>
Debt securities, unrestricted:		
Government securities:		
BI CETES	\$ 539	697
M BONOS	<u>373</u>	<u>17</u>
	<u>912</u>	<u>714</u>
Book value date sales:		
BI CETES	(2,475)	(14)
M BONOS	(12)	(90)
S UDIBONOS	<u>—</u>	<u>(13)</u>
	<u>(2,487)</u>	<u>(117)</u>
⁽²⁾ (Assigned securities to be settled, unrestricted securities)	\$ <u>(1,575)</u>	<u>—</u>
Government securities unrestricted	<u>—</u>	<u>597</u>
Restricted trading securities:		
Government securities:		
Pledged Cetes in guarantee	168	253
⁽¹⁾ Repurchase/resell agreements:		
BI CETES	1,196	1,405
MBON	1,356	1,403
UDIB	422	1
BPAS	1	1
BPA	66	—
BPAG	826	160
LBON	768	1,338
CFE	33	—
BPAT	—	19
CBUR	<u>—</u>	<u>141</u>
Restricted securities, carried forward	\$ <u>4,836</u>	<u>4,721</u>

(1) See terms and conditions in note 7.

(2) Presented in liabilities as "Assigned securities to be settled" by its nature of credit balance.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

<u>Trading securities</u>		<u>2014</u>	<u>2013</u>
Restricted securities, brought forward	\$	<u>4,836</u>	<u>4,721</u>
Book value date purchases:			
M BONOS		40	112
BI CETES		<u>299</u>	<u>15</u>
		<u>339</u>	<u>127</u>
Restricted government securities		<u>5,175</u>	<u>4,848</u>
Total government securities	\$	<u>5,175</u>	<u>5,445</u>
Banking securities, unrestricted:			
BANOBRA	\$	123	398
BANCOMEXT		<u>—</u>	<u>3</u>
Total banking securities, unrestricted		<u>123</u>	<u>401</u>
Restricted securities			
Repurchase/resell agreements:			
PRLV		912	699
CBUR		<u>10</u>	<u>—</u>
Total restricted banking securities		<u>922</u>	<u>699</u>
Other debt securities:			
CBPC		—	100
CBUR		<u>272</u>	<u>269</u>
Total other debt securities	\$	<u>272</u>	<u>369</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>Trading securities</u>	<u>2014</u>	<u>2013</u>
Equity share securities:		
Securities unrestricted:		
NAFTRAC	\$ 142	31
GMEXICO B	–	27
AMX L	–	3
SCOTIAG	248	80
TLEVISA CPO	–	7
CEMEX	112	–
MEXCHEM	–	11
Other equity share securities	92	205
Book value date sales:		
NAFTRAC	(78)	(2)
GMEXICO B	(1)	(4)
WALMEX V	(27)	(1)
AAPL	(17)	(3)
VEU	(124)	–
VTI	(146)	(2)
BTU	(30)	–
DDEF	(33)	–
DBEU	(39)	–
DHS	(65)	–
VTV	(62)	–
Other equity share securities	<u>(164)</u>	<u>(130)</u>
⁽¹⁾ Assigned securities to be settled	\$ <u>(192)</u>	<u>–</u>
Total equity share securities unrestricted	\$ <u>–</u>	<u>222</u>
Restricted equity share securities on security lending:		
NAFTRAC	\$ 26	27
ALFA A	17	28
CEMEX CPO	3	2
ICA *	<u>3</u>	<u>1</u>
Carried forward	\$ <u>49</u>	<u>58</u>

(1) Presented in liabilities as “Assigned securities to be settled” caption by its nature of credit balance.

(Continued)

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

Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of Mexican pesos)

		<u>2014</u>	<u>2013</u>
Brought forward	\$	49	58
ICHB		2	4
PE&OLES		5	18
ALSEA *		2	3
PBRN		–	1
VALE N		1	1
GMEXICO B		1	1
GRUMA B		117	30
TELEVISA CPO		20	–
LAB B		–	33
AMXL		–	30
BIMBO		–	22
Other equity share securities		<u>7</u>	<u>23</u>
		<u>204</u>	<u>224</u>
Restricted equity share securities (collateral):			
SCOTIAG		<u>78</u>	<u>37</u>
Total restricted equity share securities for securities lending and collateral		<u>282</u>	<u>261</u>
Book value date purchases:			
NAFTRAC		11	10
GMEXICO B		1	4
WALMEX V		13	1
ELEKTRA *		–	1
BTU		30	–
DIS		20	–
GOOG		14	–
AXJL		16	–
DBEF		33	–
DBEU		39	–
DHS		65	–
DXJ		16	–
MTUM		13	–
SHV		13	–
VEU		124	–
VTI		146	2
Other equity share securities		<u>136</u>	<u>125</u>
Total restricted equity share securities, book value date		<u>690</u>	<u>143</u>
Total restricted equity share securities		<u>972</u>	<u>404</u>
Total equity share securities	\$	<u>972</u>	<u>626</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>Available for sale securities</u>	<u>2014</u>	<u>2013</u>
Available for sale securities (unrestricted):		
Debt securities – CBUR	\$ 68	142
Equity Shares – BOLSA	<u>379</u>	<u>424</u>
Total available for sale	\$ <u>447</u>	<u>566</u>

For the years ended as of December 31, 2014 and 2013, the Brokerage Firm maintained an asset (liability) balance for transactions with securities payable on a date subsequent to the trade date of \$1,056 (\$1,036) and \$259 (\$269), respectively which, as applicable, were recorded in clearing accounts under the caption “Accounts receivable, net” and “Creditors on settlement of transactions”.

For the years ended December 31, 2014 and 2013, interest earned on securities amounted to \$407 and \$486, respectively.

For the years ended December 31, 2014 and 2013, net gains from interest income, as result of purchase/sell and gains on valuation of securities are detailed below:

	<u>2014</u>	<u>2013</u>
Trading securities	\$ 357	481
Available for sale securities	<u>82</u>	<u>22</u>
	\$ <u>439</u>	<u>503</u>

As of December 31, 2014, the unrealized gain or loss from valuation of available-for-sale securities recognized in captions of comprehensive income within stockholders’ equity amounted to (\$83) (net of deferred income tax and deferred ESPS for (\$50)). Likewise, as of December 31, 2013 amounted to (\$34) (net of deferred income tax and deferred ESPS for (\$20)).

At December 31, 2014 and 2013, investments in debt securities other than government securities of the same issuer exceeding 5% of the Brokerage Firm’s global capital are as follow:

<u>2014</u>	<u>Issuer</u>	<u>Number of securities</u>	<u>Annual average rate</u>	<u>Average term (days)</u>	<u>Amount</u>
	BANOBRA	123,311,085	2.85%	2	\$ 123
	TCM	2,188,225	<u>3.29%</u>	<u>715</u>	<u>68</u>
<u>2013</u>					
	BANOBRA	398,628,955	3.61%	87	\$ 398
	TCM	2,188,225	<u>3.79%</u>	<u>1,513</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)

(7) Securities on repurchase/resell agreements and securities lending-

Repurchase/resell agreements-

At December 31, 2014 and 2013, the “Debtors on repurchase/resell agreements” and “Creditors on repurchase/resell agreements” balances in which the Brokerage Firm acts as repurchasee and repurchaser are analyzed as follow:

	<u>2014</u>	<u>2013</u>
Debtors under repurchase/resell agreements:		
BG91	\$ 296	–
BPAS	501	–
CTIM	345	3,815
BPAG	–	7,867
BPA 182	–	1,390
LBON	24,855	22,804
MBON	1,237	4,288
CBBN	<u>–</u>	<u>809</u>
	<u>27,234</u>	<u>40,973</u>
Collaterals sold or pledged (creditors):		
BG91	(296)	–
BPAS	(501)	–
CTIM	(345)	(3,815)
BPAG	–	(7,867)
BPA 182	–	(1,390)
LBON	(24,896)	(22,804)
MBON	(1,237)	(4,288)
CBBN	<u>–</u>	<u>(808)</u>
	<u>(27,275)</u>	<u>(40,972)</u>
Total debtors (creditors) on repurchase/resell agreements	\$ <u>(41)</u>	<u>1</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>2014</u>	<u>2013</u>
Creditors on repurchase/resell agreements:		
BG9I	\$ 826	–
BPAT	–	19
CBPC	33	100
CBBN	10	–
CBUR	271	410
CTIM	1,197	1,405
BPAS	1	1
IPAS	67	–
BPA 182	–	19
LBON	768	1,338
MBON	1,352	1,403
PRLV	912	700
UDIB	422	1
BPAG	<u>–</u>	<u>141</u>
Creditors on repurchase/resell agreements	\$ <u>5,859</u>	<u>5,537</u>

At December 31, 2014, the terms of the repurchase/resell agreements range from 2 to 77 days (from 2 to 84 days at December 31, 2013) with weighted annual rates of 3.13% when acting as repurchase, and 2.88% when acting as repurchaser (3.61% and 3.40% at December, 31, 2013).

During the years ended December 31, 2014 and 2013, premiums collected amounted to \$1,243 and \$1,374 respectively; interest and premiums paid amounted to \$1,456 and \$1,646, respectively, and were reported on the income statement under the captions “Interest income” and “Interest expense”, respectively.

At December 31, 2014 and 2013, the Brokerage Firm received government securities as a guarantee for repo transactions with maturities longer than three days, which is recorded in memorandum accounts and are analyzed as follows:

2014:

<u>Issuer</u>	<u>Series</u>	<u>Number of securities</u>	<u>Fair value</u>
Collateral received:			
BI Cetes	150528	791,086	\$ <u>8</u>
	Total collateral received		\$ <u>8</u>

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

2013:

<u>Issuer</u>	<u>Series</u>	<u>Number of securities</u>	<u>Fair value</u>
Collateral received:			
BI Cetes	140626	4,213,835	\$ 41
BI Cetes	140821	4,530,526	44
IS Bpa 182	150917	187,556	<u>19</u>
Total collateral received			\$ <u>104</u>

Securities lending-

At December 31, 2014 and 2013, the Brokerage Firm held securities lending transactions as lender and borrower in which values object of the transactions were received and transferred.

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

<u>2014</u>	<u>Number of securities</u>	<u>Fair value</u>
NAFTRAC	593,200	\$ 25
ALFA A	520,384	17
ALPEK A	38,000	1
ALSEA *	55,000	2
FCX *	2,880	1
GMEXICO B	14,600	1
GRUMA B	747,500	117
ICA	149,210	3
ICH B	23,400	2
MEXCHEM *	60,000	3
PE&OLES *	18,041	5
SIMEC B	40,000	2
TLEVISA CPO	195,000	20
VAL N	7,800	1
CEMEX CPO	174,887	<u>3</u>
		\$ <u>203</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>2013</u>	<u>Number of securities</u>	<u>Fair value</u>
ALFA A	1,017,384	\$ 37
ICA *	50,000	1
ICH B	42,000	4
PE&OLES *	55,000	18
ALSEA *	79,200	3
PBR N	3,800	1
FCX *	2,880	1
VALE N	7,800	2
CHDRAUI B	250,438	11
GRUMA B	360,000	35
ALPEK A	19,000	1
BIMBO A	540,114	22
GFNORTE O	312,000	28
KIMBER A	294,800	11
LAB A	1,108,000	41
SIMEC B	40,000	2
TLEVISA CPO	139,180	<u>11</u>
		\$ <u>229</u>

At December 31, 2014 and 2013 the right to require the borrower securities derived from the sale of such securities, are analyzed as follows:

<u>2014</u>	<u>Number of securities</u>	<u>Fair value</u>
ALFA A	520,384	\$ 17
ALPEK A	38,000	1
ALSEA *	55,000	2
CEMEX CPO	174,887	3
FCX *	2,880	1
GMEXICO B	14,600	1
GRUMA B	745,500	117
ICA *	149,210	3
ICH B	23,400	2
MEXCHEM *	60,000	3
NAFTRAC ISHRS	593,200	26
PE&OLES *	18,041	5
SIMEC B	40,000	2
TLEVISA CPO	195,000	20
VALE N	7,800	<u>1</u>
		\$ <u>204</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>Number of securities</u>	<u>Fair value</u>
<u>2013</u>		
ALFA A	768,884	\$ 28
CEMEX CPO	168,160	2
ICA *	50,000	1
ICH B	42,000	4
PE&OLES *	54,941	18
ALSEA *	67,200	3
NAFTRAC	635,400	27
PBR N	3,800	1
FCX *	2,880	1
VALE N	7,800	1
GMEXICOB	14,600	1
ALPEK A	19,000	1
AMX L	2,000,000	30
BIMBO A	540,114	22
CHDRAUI B	124,846	6
GFNORTE O	58,300	5
GRUMA B	310,000	31
KIMBER A	70,300	3
LAB B	908,000	33
MEXCHE M	30,000	2
TLEVISA CPO	31,200	2
SIMEC B	40,000	<u>2</u>
		\$ <u>224</u>

The term range of securities lending transactions at December 31, 2014 and 2013, where the Brokerage Firm acts as a lender is 28 calendar days, in each year and acting as a borrower is 28 and 29 calendar days, respectively.

For the year ended December 31, 2014 and 2013, premiums collected and (paid) in securities lending transactions amounted to \$9 and (\$3) as well as \$8 and (\$3), respectively, and are included in the statement of income under the captions “Interest income” and “Interest expense”, respectively.

As of December 31, 2014 and 2013, the Brokerage Firm received equity financial instruments as collaterals in securities lending transactions for \$203 and \$229, respectively, such collaterals are managed in memorandum accounts (see note 15).

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

(8) Derivatives-

At December 31, 2014 and 2013, the fair values of the derivative financial instruments are analyzed as follows:

		2014		2013	
		Assets	Liabilities	Assets	Liabilities
OTC options	\$	276	204	373	350
Listed options*		<u>—</u>	<u>890</u>	<u>—</u>	<u>685</u>
	\$	<u>276</u>	<u>1,094</u>	<u>373</u>	<u>1,035</u>

* Represents the market value of premiums.

Net gains (losses) on financial assets and liabilities related to derivatives for trading purposes, included in income for the years ended December 31, 2014 and 2013 amounted to \$21 and (\$53), respectively.

(9) Premises, furniture and equipment-

At December 31, 2014 and 2013, the premises, furniture and equipment are analyzed as follows:

		2014	2013	Annual depreciation rates
Land	\$	22	22	—
Office premises		153	153	2.5%
Transportation equipment		1	2	25% and 33%
Computer equipment		25	24	Various
Computer equipment on capital lease		14	14	20%
Office furniture and equipment		63	63	Various
Installation improvements		<u>16</u>	<u>9</u>	Various
		294	287	
Accumulated depreciation		<u>(145)</u>	<u>(134)</u>	
	\$	<u>149</u>	<u>153</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 amount recognized in the results of 2014 and 2013 from depreciation amounted to \$11 and \$13, respectively.

According to studies performed by the brokerage firm, residual value (excluding land) of the real estate at 31 December 2014 is minimal.

(10) Permanent investments-

At December 31, 2014 and 2013, the Brokerage Firm has permanent investments in Impulsora the Mexico Fund, S.A. de C.V. and Cebur, S.A. de C.V. for the amount of \$2 and \$1, in each year, which represents 3.65% and 2.97%, respectively of the share capital of the entities.

For the year ended December 31, 2013, the Brokerage Firm received dividends from Impulsora del Fondo México, S.A. de C.V. of \$1.

(11) Employees' 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 employees' 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.

For the years ended December 31, 2014 and 2013, the record to corresponding to the contributions of the brokerage firm by the defined contribution plan amounted to \$10 and \$4, respectively, under the caption "Administrative and promotion expenses" in the income statement.

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 employees' compensation during the last year.

The cost, obligations and the defined benefit pension plan and seniority premiums, and life insurance are determined based on computations prepared by independent actuaries as of December 31, 2014 and 2013.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

The components of the net periodic cost and of the defined benefit obligations for the years ended December 31, 2014 and 2013 are shown below:

<u>2014</u>	<u>Pension plan</u>	<u>Medical expenses, food coupons and life insurance for retirees</u>
Current service cost	\$ –	1
Financial cost	–	1
Expected return on plan assets	(3)	(1)
Amortizations of prior service:		
Plan modifications	<u>(1)</u>	–
Total (income) cost	\$ <u>(4)</u>	<u>1</u>

The total cost for seniority premium amounts to \$407 (thousand pesos).

<u>2013</u>	<u>Pension plan</u>	<u>Medical expenses, food coupons and life insurance for retirees</u>
Current service cost	\$ 2	1
Financial cost	2	1
Expected return on plan assets	(3)	(1)
Amortizations of prior service:		
Plan modifications	5	–
Actuarial gain, net	<u>–</u>	<u>1</u>
Total cost	\$ <u>6</u>	<u>2</u>

The total cost for seniority premium amounts to \$235 (thousand pesos).

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

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, 2014, 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, 2013	\$ (8)	(3)	(1)	(4)	(8)
Current service cost	-	-	-	-	(1)
Financial cost	-	(1)	-	(1)	(1)
Current loss	-	-	-	-	(1)
DBO as of December 31, 2014	(8)	(4)	(1)	(5)	(11)
Plan assets at fair value	<u>41</u>	<u>3</u>	<u>2</u>	<u>5</u>	<u>15</u>
Financial situation of the fund	33	(1)	1	-	4
Past services:					
Plan modifications	(10)	-	-	-	-
Cumulative actuarial gains (losses)	<u>(5)</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>2</u>
Projected net asset as of					
31 de December 31, 2014	\$ <u>18</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>6</u>

A reconciliation of the net projected asset as of December 31, 2014 is analyzed 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>		
Projected net asset as of					
December 31, 2013	\$ 22	-	1	1	7
Net periodic cost	4	-	-	-	(1)
Fund withdrawals	<u>(8)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net projected asset as of					
December 31, 2014	\$ <u>18</u>	<u>-</u>	<u>1</u>	<u>1</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)

Below is a reconciliation of the opening and final balances, and detail on the present value of the pension, seniority premium, medical expenses, food coupons and life insurance benefit obligations as of December 31, 2013:

	<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, 2012	\$ (40)	(2)	(1)	(3)	(10)
Current service cost	(2)	-	-	-	(1)
Financial cost	(2)	-	-	-	(1)
Current loss	(2)	-	-	-	4
Cost for past services	<u>38</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DBO as of December 31, 2013	(8)	(2)	(1)	(3)	(8)
Plan assets at fair value	<u>46</u>	<u>2</u>	<u>2</u>	<u>4</u>	<u>14</u>
Financial situation of the fund	38	-	1	1	6
Past services:					
Plan modifications	(12)	-	-	-	-
Cumulative actuarial gains (losses)	<u>(4)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
Projected net asset as of					
December 31, 2013 in "Other assets"	\$ <u>22</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>7</u>
in balance sheet					

A reconciliation of the net projected asset as of December 31, 2013 is analyzed 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>		
Projected net asset as of					
December 31, 2012	\$ 22	-	1	1	7
Net periodic cost	(6)	-	-	-	(2)
Contributions to the fund during 2013	<u>6</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>
Net projected asset as of					
December 31, 2013 in "Other assets"	\$ <u>22</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>7</u>
in balance sheet					

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

The acquired benefit obligations (ABO), at December 31, 2014 and 2013 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>2014</u>						
ABO	\$ <u>(7)</u>	<u>=</u>	<u>(7)</u>	<u>(1)</u>	<u>(1)</u>	<u>(2)</u>
<u>2013</u>						
ABO	\$ <u>(7)</u>	<u>=</u>	<u>(7)</u>	<u>(1)</u>	<u>(1)</u>	<u>(2)</u>

An analysis of the movement of the plan assets held to meet the labor obligations for the years ended December 31, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Fair value of the assets at beginning of year	\$ 65	55
Fund withdrawals	(8)	-
Contributions to the fund during the year	-	8
Return on plan assets	4	4
Assets loss	<u>-</u>	<u>(2)</u>
Fair value of the assets at year end	\$ <u>61</u>	<u>65</u>

The expected yield of the plan assets for the years 2014 and 2013 is \$5 and \$3, respectively.

During the year 2015, it is not expected to have contributions to the fund. Also, during 2015, the amount of \$10 will be withdrawn from the fund.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

Below is a detail on the present value of statutory severance compensation obligations at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
ABO	\$ <u>(17)</u>	<u>(16)</u>
DBO at the beginning of the year	\$ (16)	(16)
Current service cost	(1)	1
Interest cost	(1)	1
Paid benefits	5	(4)
Actuarial (loss) gain	<u>(4)</u>	<u>2</u>
DBO at December 31, financial situation of the fund and net projected liability	\$ <u>(17)</u>	<u>(16)</u>

The net cost (income) for statutory severance for the years ended December 31, 2014 and 2013 amounted to \$6 and \$4, respectively.

The nominal rates for the years ended 2014 and 2013, used in the actuarial projections are:

	<u>2014</u>	<u>2013</u>
Return on plan assets	8.00%	7.75%
Discount rate	8.25%	8.75%
Rate of salaries increase	5.00%	5.00%
Increase of medical expense	6.50%	6.50%
Expected inflation rate	<u>4.00%</u>	<u>4.00%</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 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 60% invested in debt instruments and 40% in equity instruments, under a trust and managed by a Committee designated by the Brokerage Firm.

The increase or decrease in the rate in medical expenses (6.50%) used in actuarial projections at December 31, 2013, is zero.

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, 2012, 2011 and 2010 is shown below:

	<u>Pensions</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
DBO	\$ (40)	(61)	(63)
Plan assets	<u>39</u>	<u>68</u>	<u>62</u>
Financial situation of the fund	\$ <u>(1)</u>	<u>7</u>	<u>(1)</u>
Variances in assumptions and experience adjustments	\$ <u>(8)</u>	<u>(21)</u>	<u>(18)</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>2012</u>	<u>2011</u>	<u>2010</u>
DBO	\$	(3)	(3)	(3)
Plan assets		<u>3</u>	<u>5</u>	<u>5</u>
Financial situation of the fund	\$	<u>=</u>	<u>2</u>	<u>2</u>
Variances in assumptions and experience adjustments	\$	<u>1</u>	<u>=</u>	<u>=</u>
		<u>Medical expenses, food coupons and life insurance</u>		
		<u>2012</u>	<u>2011</u>	<u>2010</u>
DBO	\$	(10)	(11)	(18)
Plan assets		<u>12</u>	<u>17</u>	<u>15</u>
Financial situation of the fund	\$	<u>2</u>	<u>6</u>	<u>(3)</u>
Variances in assumptions and experience adjustments	\$	<u>5</u>	<u>1</u>	<u>3</u>
		<u>Statutory severance</u>		
		<u>2012</u>	<u>2011</u>	<u>2010</u>
DBO	\$	<u>(16)</u>	<u>(15)</u>	<u>(15)</u>
DBO (loss) gain	\$	<u>(2)</u>	<u>(4)</u>	<u>6</u>

As of December 31, 2014, the amortization years 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	9.13	N/A	N/A	N/A	N/A
Net actuarial loss (gain)	<u>11.08</u>	<u>10.70</u>	<u>1</u>	<u>14.58</u>	<u>1</u>

(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-

In the normal course of operations, the Brokerage Firm carries out transactions with related parties such as loans, investments, service, etc., most of which originates income and expenses to another. According to the policies of the Brokerage Firm, all transactions with related parties are authorized by the Management Board and are negotiated at market rates, guarantees and overall standard sound practices.

The principal transactions with related parties for the years ended December 31, 2014 and 2013 are shown below:

	<u>2014</u>	<u>2013</u>
Income:		
Premium and interests	\$ 854	824
Rent and maintenance	7	8
Commissions	342	339
Financial intermediation	713	68
Financial advisory	<u>49</u>	<u>27</u>
Expense:		
Financial intermediation	\$ 724	55
Interest paid	11	2
Commissions	5	7
Premium and interests on repos	502	327
Financial advisory	28	28
Rents and maintenance	<u>7</u>	<u>6</u>

For the years ended December 31, 2014 and 2013, the Brokerage Firm obtained the 48% and 27%, respectively, of its operating income from their related parties.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

The amount receivable and payable with related parties at December 31, 2014 and 2013 parts, is as follows:

	<u>2014</u>	<u>2013</u>
<u>Receivable:</u>		
Cash and cash equivalents	\$ 81	17
Margin accounts	1	1
Debtors on repurchase/resell agreements	27,234	30,188
Derivatives	110	432
Accounts receivable	<u>332</u>	<u>29</u>
<u>Payable:</u>		
Bank and other borrowings	\$ 257	357
Collateral sold or pledged	6,163	8,861
Derivatives	74	416
Other accounts payable	<u>360</u>	<u>—</u>

For the years ended December 31, 2014 and 2013, there were no changes in the existing conditions of the amounts receivable and payable with related parties, nor were there items that are considered irrecoverable or doubtful accounts and was not necessary any reserve for losses on such transactions.

For the year ended December 31, 2014, the benefits granted to key management personnel amounted to \$12. For the year ended December 31, 2013, there was no payment to the key management personnel of the Brokerage Firm.

(13) Stockholders' equity-

The main characteristics of the stockholders' equity accounts 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, except otherwise indicated)

(a) Structure of capital stock-

The Brokerage Firm' capital stock at December 31, 2014 and 2013, is comprised of 22,193 common shares, divided into two series: 22,190 series "F" shares and 3 series "B" shares, fully subscribed and paid, 11,205 of these shares correspond to the capital stock's minimum fixed portion and 10,988 shares correspond to the variable portion. At any time, the variable portion of capital stock may exceed the fixed paid-in capital and may not be subject to withdrawal.

At December 31, 2014 and 2013, the minimum fixed capital stock is fully subscribed and paid and amounts to \$389 in both years.

At December 31, 2014 and 2013, capital stock amounts to \$554; 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 \$1,175

(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.

(c) Dividends declared-

At December 31, 2014 and 2013, the brokerage firm decree and paid dividends as follows:

<u>Date of decree</u>	<u>Amount decreed</u>	<u>Payment date in 2014</u>	<u>Amount paid</u>	<u>Payment date in 2013</u>	<u>Amount</u>
23-may-14	\$ 200	30-may-14	\$ 200	—	\$ —
22-aug-14	45	29-aug-14	45	—	—
24-may-13	77	—	—	31-may-13	77
23-aug-13	81	—	—	30-aug-13	81
13-nov-13	<u>550</u>	<u>—</u>	<u>—</u>	<u>21-nov-13</u>	<u>550</u>
	\$ <u>953</u>		\$ <u>245</u>		\$ <u>708</u>

At December 31, 2014 and 2013, there are no pending dividend payments.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos, except otherwise indicated)

(d) 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.

Five percent of net income for the year must be appropriated to the 5% statutory reserve, until it reaches 20% of the paid-in capital.

Stockholder contributions and retained earnings are subject to income tax on the amounts refunded or distributed that exceed the amounts determined for tax purposes. As of December 31, 2014, the restated capital contribution account (CUCA) and the tax basis retained earnings account (CUFIN) amount to \$288 and \$2,074, 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.

The dividends paid to individuals and corporations resident abroad shall be subject to an additional withholding tax of 10%, which is considered final, the new rule solely applies to dividend payments from earnings generated beginning January 1, 2014.

(e) Capitalization (non-audited)-

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. The capitalization required by the Commission has been fulfilled by the brokerage firm. Information relating to the Brokerage Firm's capitalization are as follows (non-audited).

Capital as of December, 31:

	<u>2014</u>	<u>2013</u>
Global capital	\$ <u>1,175</u>	<u>1,291</u>
Market risk requirements	463	539
Credit risk requirements	81	103
Operational risk requirements	<u>74</u>	<u>72</u>
Total capitalization requirements	<u>618</u>	<u>714</u>
Global capital excess	<u>557</u>	<u>577</u>
Rate of capital consumption	<u>52.67%</u>	<u>55.32%</u>
Global capital / capitalization requirements	\$ <u>1.901</u>	<u>1.807</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, 2014:

	<u>Risk weighted assets</u>	<u>Capital requirement</u>
<u>Market risk:</u>		
Transactions in Mexican pesos at nominal interest rates	\$ 2,729	218
Transactions in Mexican pesos at premium nominal interest rates	165	13
Transactions in Mexican pesos at real interest rates or denominated in UDIS	103	9
Positions in UDIS or with returns related to National Consumer Price Index (INPC Spanish abbreviation)	3	–
Foreign currency positions or with return indexed to exchange currency	13	1
Equity positions or with returns indexed to the price of a single share or group of shares	<u>2,778</u>	<u>222</u>
Total market risk	\$ <u>5,791</u>	<u>463</u>
<u>Credit risk:</u>		
Derivatives	50	4
Debt instrument position	581	47
Borrowings and deposits	<u>387</u>	<u>30</u>
Total credit risk	<u>1,018</u>	<u>81</u>
<u>Operational risk:</u>		
Total operational risk	<u>923</u>	<u>74</u>
Total market, credit and operational risk	\$ <u>7,732</u>	<u>618</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, 2013:

	<u>Risk weighted assets</u>	<u>Capital requirement</u>
<u>Market risk:</u>		
Transactions in Mexican pesos at nominal interest rates	\$ 2,762	221
Transactions in Mexican pesos at premium nominal interest rates	183	15
Transactions in Mexican pesos at real interest rates or denominated in UDIS	3	-
Foreign currency positions or with return indexed to exchange currency	32	3
Equity positions or with returns indexed to the price of a single share or group of shares	<u>3,755</u>	<u>300</u>
Total market risk	<u>6,735</u>	<u>539</u>
<u>Credit risk:</u>		
Derivatives	51	4
Debt instrument position	872	70
Borrowings and deposits	<u>363</u>	<u>29</u>
Total credit risk	<u>1,286</u>	<u>103</u>
<u>Operational risk:</u>		
Total operational risk	<u>905</u>	<u>72</u>
Total market, credit and operational risk	\$ <u>8,926</u>	<u>714</u>

Capital management

The capital adequacy of the Brokerage Firm is evaluated on a monthly basis in accordance with the Capital Consumption Index, which is presented to the Risk Committee and to the Board of Directors for following up and monitoring, on a quarterly basis.

On a quarterly basis, the capitalization notes are incorporated in the financial reports. Such notes have, among others, the following information: capital composition and integration, composition of total risk weighted assets and by type of risk and the Capital Consumption index.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

Likewise, to ensure the compliance and continuous monitoring of the capital sufficiency and liquidity that the Brokerage Firm keeps with regard to their global Capital, daily indicators have been implemented. These indicators are the basis for the Committee of Liquidity and Capital Management to evaluate and monitor according to the Capital Management Policies.

At December 31, 2014, the capital structure presented a decrease driven by dividend payments for \$245, however, capitalizations levels are within the parameters established internally (65%) as in the legal limits (70%).

Based on the aforementioned, it is determined that the Brokerage Firm has the ability to face situations which might impair their situation, also to raise sufficient capital to absorb potential losses in order to continue with the brokerage operation.

(14) Income taxes and employee's statutory profit sharing (ESPS)-

On December 11, 2013, a decree was published in the Official Gazette whereby several tax provisions were amended, supplemented and repealed, this decree became effective as of January 1, 2014. In such decree the business flat tax law (Ley del Impuesto Empresarial a Tasa Única or IETU) and the income tax law (Ley de Impuesto Sobre la Renta or IT Law) in effect as of December 31, 2013, were repealed and a new IT Law was enacted.

In accordance with the current tax legislation until December 31, 2013, companies must pay the tax greater between IT and IETU. If IETU was determined payable, the payment is considered final and not subject to recovery in subsequent years.

The new IT law, establish a 30% rate for 2014 and subsequent years. According to the IT and IETU laws, in effect as of December 31, 2013, the IT and IETU rates in 2013 were of 30% and 17.5%, respectively.

The current ESPS rate is 10%, for the years 2014 and 2013.

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, therefore, until 2013 the Brokerage Firm calculated ESPS base with the same base used to determine IT, except for the deductibility of loss in warrants. Beginning January 1, 2014 the Brokerage Firm calculates ESPS in accordance with to the new Income Tax Law.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

IT and ESPS expense incurred and deferred for the years ended December 31, 2014 and 2013 is as follows:

	2014		2013	
	IT	ESPS	IETU	ESPS
Current taxes	\$ (102)	(35)	(47)	(12)
Cancellation of provision	(1)	–	20	3
Deferred taxes	<u>6</u>	<u>–</u>	<u>(21)</u>	<u>(8)</u>
	\$ <u>(97)</u>	<u>(35)</u>	<u>(48)</u>	<u>(17)</u>

The table below presents the analysis of the actual rate of the years ended December 31, 2014 and 2013:

	IT		
	Basis	Tax at 30%	Effective rate
<u>December 31, 2014</u>			
Income before income taxes	\$ 316	(95)	(30%)
<i><u>Allocation to current tax:</u></i>			
Inflationary adjustment	(18)	5	2%
Financial instruments, repurchase resell agreements and derivative net result	(4)	1	–
Difference between book and tax depreciation	5	(2)	–
Nondeductible expenses	17	(5)	(2 %)
Provisions	(8)	2	1%
Warrants net effect	28	(8)	(3%)
Deduction of ESPS paid in the year	(13)	4	1%
Current and deferred ESPS provision	35	(10)	(3%)
Dividends on investment securities	<u>(19)</u>	<u>6</u>	<u>2%</u>
Current tax	\$ <u>339</u>	<u>(102)</u>	<u>(32%)</u>
<i><u>Allocation to deferred tax:</u></i> <i><u>(tax at 30%)</u></i>			
Valuation of trading securities	\$ 4	(1)	–
Premises, furniture and equipment	(13)	4	1%
Deductible ESPS	(22)	6	2%
Expense accruals and others	<u>13</u>	<u>(3)</u>	<u>(1%)</u>
Deferred tax	<u>(18)</u>	<u>6</u>	<u>2%</u>
Income tax	\$ <u>321</u>	<u>(96)</u>	<u>(30%)</u>

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

		ESPS	
	Basis	Tax at 10%	Effective rate
<u>December 31, 2014</u>			
Income before income taxes	\$ 316	(32)	(10%)
<i>Allocation to current tax:</i>			
Inflationary adjustment	(18)	2	1%
Financial instruments, repurchase resell agreements and derivative net result	(4)	-	-
Difference between book and tax depreciation	5	(1)	-
Nondeductible expenses	10	(1)	-
Provisions	(8)	1	-
Warrants net effect	28	(3)	(1%)
Dividends on investment securities	(19)	2	-
Current and deferred ESPS provision	<u>35</u>	<u>(3)</u>	<u>(1%)</u>
Current tax	\$ <u>345</u>	<u>(35)</u>	<u>(11%)</u>

		IETU	
	Basis	Tax at 17.5%	Effective rate
<u>December 31, 2013:</u>			
Income before income taxes	\$ 230	(40)	(17.5%)
<i>Allocation to current tax:</i>			
Remuneration to employees	512	(90)	(39%)
Financial instruments, repurchase resell agreements & derivative net result	(95)	17	7%
Difference between book and tax depreciation	14	(3)	(1%)
Nondeductible expenses	7	(1)	-
Provisions	4	(1)	-
Warrants net effect	136	(24)	(10%)
Accounts receivable	(3)	1	-
Current and deferred ESPS provision	17	(3)	(1%)
Other deductions, net	(4)	1	-
Non-taxable income	<u>(67)</u>	<u>12</u>	<u>5%</u>
Current tax, to the next page	\$ <u>751</u>	<u>(131)</u>	<u>(56%)</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, 2013:</u>	<u>IETU</u>		
	<u>Basis</u>	<u>Tax at 17.5%</u>	<u>Effective rate</u>
Current tax, from previous page	\$ <u>751</u>	<u>(131)</u>	<u>(56%)</u>
<i>Crediting of current tax:</i>			
Credit for wages	(454)	79	34%
Credit for social security contribution	<u>(29)</u>	<u>5</u>	<u>2%</u>
Sum	<u>(483)</u>	<u>84</u>	<u>36%</u>
Income tax	\$ <u>268</u>	<u>(47)</u>	<u>(20%)</u>

<u>December 31, 2013:</u>	<u>ESPS</u>		
	<u>Basis</u>	<u>Tax at 10%</u>	<u>Effective rate</u>
Income before income taxes	\$ 230	(23)	(10%)
<i>Allocation to current tax:</i>			
Inflationary adjustment	(109)	11	5%
Financial instruments, repurchase resell agreements & derivative net result	(95)	9	4%
Difference between book and tax depreciation	7	(1)	-
Nondeductible expenses	5	-	-
Provisions	13	(1)	-
Warrants net effect	136	(14)	(6%)
Loses in shares	15	(1)	-
Deduction of ESPS paid in the year	(26)	3	1%
Current and deferred ESPS provision	17	(2)	(1%)
Non-taxable income	<u>(67)</u>	<u>7</u>	<u>3%</u>
Current tax	\$ <u>126</u>	<u>(12)</u>	<u>(4%)</u>

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

December 31, 2013:	IT			ESPS at 10%
	Basis	Tax at 30%	Effective rate	
<i>Allocation to deferred tax (tax at 30%):</i>				
Valuation of trading securities	\$ 95	(29)	(12%)	(9)
Premises, furniture and equipment	(14)	4	2%	2
Deductible ESPS	18	(5)	(2%)	(4)
Warrants net effect	(2)	1	-	-
Expense accruals and others	<u>(27)</u>	<u>8</u>	<u>3%</u>	<u>3</u>
Deferred tax	\$ <u>70</u>	<u>(21)</u>	<u>(9%)</u>	<u>(8)</u>

Deferred IT and ESPS:

The temporary differences that give rise to deferred tax liabilities as of December 31, 2014 and 2013, respectively are detailed as follows:

	2014		2013	
	IT	ESPS	IT	ESPS
Prepayments	\$ (8)	(3)	(11)	(4)
Valuation of financial instruments and derivatives	(16)	(6)	(15)	(5)
Valuation of available for sale securities	(97)	(33)	(122)	(41)
Premises, furniture and equipment	(28)	(9)	(32)	(11)
Deductible ESPS	15	-	9	-
Losses on warrants	46	2	46	2
Loss on sale of equity shares	4	2	4	2
Provisions and others	<u>31</u>	<u>11</u>	<u>37</u>	<u>13</u>
	<u>(53)</u>	<u>(36)</u>	<u>(84)</u>	<u>(44)</u>
Deferred IT and ESPS in the balance sheet	\$ <u>(89)</u>		<u>(128)</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 effect in income for deferred IT and ESPS for the years ended December 31, 2014 and 2013, is as follows:

	2014		2013	
	IT	ESPS	IT	ESPS
<i>Deferred income tax in income statement:</i>				
Valuation of financial instruments and related interest	\$ (1)	(1)	(28)	(9)
Premises, furniture and equipment	4	2	5	1
Deductible ESPS	6	-	(5)	(5)
Losses on warrants	-	-	1	2
Loss in sale of equity share	-	-	4	2
Provisions and others	<u>(3)</u>	<u>(1)</u>	<u>2</u>	<u>1</u>
	<u>6</u>	<u>-</u>	<u>(21)</u>	<u>(8)</u>
Deferred IT and ESPS in the statement of income		<u>6</u>		<u>(29)</u>
<i>Deferred tax in stockholders' equity:</i>				
Valuation of available for sale securities	<u>25</u>	<u>8</u>	<u>11</u>	<u>3</u>
Deferred IT and ESPS in the stockholders' equity	\$	<u>33</u>		<u>14</u>

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.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

(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, 2014 and 2013 are analyzed as follows:

Customer securities held in custody	<u>2014</u>	<u>2013</u>
Mutual funds	\$ 50,281	48,044
Government securities	64,462	66,332
Equity shares and others	<u>164,055</u>	<u>164,449</u>
	\$ <u>278,798</u>	<u>278,825</u>

Management transactions

Securities on repurchase/resell agreements by customers-

At December 31, 2014 and 2013, the securities on repurchase/resell agreements by customers are as follows:

	<u>2014</u>		<u>2013</u>	
	<u>Number of securities</u>	<u>Fair value</u>	<u>Number of securities</u>	<u>Fair value</u>
BG91	14,225,677	\$ 1,417	140,890,533	\$ 14,067
BPAG	3,606	-	18,149,176	1,809
BPAS	10,040	1	10,040	1
BPAT	-	-	190,000	19
CBBN	100,000	10	16,140,626	1,617
CBPC	330,391	33	1,001,610	100
CBUR	2,704,503	271	4,095,037	410
CTIM	191,304,282	1,887	922,399,007	9,035
IPAS	10,581,546	1,069	27,733,947	2,800
LBON	506,636,098	50,519	471,474,621	46,945
MBON	33,045,146	3,826	93,884,222	9,980
PRLV	927,381,141	912	701,355,290	699
UDIB	<u>748,427</u>	<u>422</u>	<u>1,765</u>	<u>1</u>
		\$ <u>60,367</u>		\$ <u>87,483</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 lending transactions by customers-

At December 31, 2014 and 2013, the securities lending transactions by customers, are as follows:

	2014		2013	
	Number of securities	Fair value	Number of securities	Fair value
GRUMA	561,500	\$ 88	310,000	\$ 31
AMX	-	-	2,000,000	30
NAFTRAC	593,200	25	593,200	25
CEMEX CPO	174,887	3	168,160	3
ICH B	23,400	2	26,000	2
Other shares securities	<u>610,484</u>	<u>55</u>	<u>231,080</u>	<u>13</u>
		\$ <u>173</u>		\$ <u>104</u>

Collaterals delivered in guarantee by customers

Collaterals delivered in guarantee by customers at fair value at December 31, 2014 and 2013, are as follows:

	2014	2013
Government securities	\$ 27,482	40,155
Banking securities	2	809
Fixed income debt securities	138	-
Equity shares and holding companies certificates	26	1,302
Mutual funds shares	1,789	416
Cash	28	109
Margin loans	<u>13</u>	<u>14</u>
	\$ <u>29,478</u>	<u>42,805</u>

Income earned on assets under custody during the years ended December 31, 2014 and 2013 amounted to \$56 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 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, 2014 and 2013, are analyzed below:

	<u>2014</u>		<u>2013</u>	
	<u>Number of securities</u>	<u>Fair value</u>	<u>Number of securities</u>	<u>Fair value</u>
Government:				
BG91	11,260,701	\$ 1,121	-	\$ -
BPAS	10,040	1	10,040	1
BPAT	-	-	190,000	19
CBUR	-	-	1,414,802	141
CTIM	157,182,996	1,549	540,871,654	5,306
BPA 182	-	-	14,148,089	1,428
LBON	257,395,596	25,663	242,475,431	24,134
MBON	21,970,323	2,596	53,023,470	5,691
UDIB	748,427	422	1,765	1
BPAG	3,606	1	80,226,687	8,007
IPAS	5,620,222	<u>566</u>	-	<u>-</u>
		\$ <u>31,919</u>		\$ <u>44,728</u>
Banking:				
CBBN	100,000	10	8,070,313	808
CBPC	330,391	33	1,001,610	100
PRLV	927,381,141	<u>912</u>	601,355,290	<u>600</u>
		<u>955</u>		<u>1,508</u>
Private:				
CBUR	2,704,503	271	2,680,235	269
PRLV	-	<u>-</u>	<u>100,000,000</u>	<u>100</u>
		<u>271</u>		<u>369</u>
		\$ <u>33,145</u>		\$ <u>46,605</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 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, 2014 and 2013, are analyzed as follows:

	2014		2013	
	Number of securities	Fair value	Number of securities	Fair value
Government:				
BG91	2,964,976	\$ 295	-	\$ -
CTIM	34,912,372	345	390,271,714	3,814
BPA 182	-	-	13,773,414	1,390
LBON	249,240,502	24,895	228,999,190	22,796
MBON	11,074,823	1,240	40,860,752	4,289
BPAG	-	-	78,813,022	7,866
IPAS	<u>4,961,324</u>	<u>500</u>	<u>-</u>	<u>-</u>
		<u>27,275</u>		<u>40,155</u>
Banking:				
CBBN		<u>-</u>	8,070,313	<u>809</u>
⁽¹⁾ Equity instruments:				
ALFA	520,384	16	1,017,384	37
PEÑOLES	18,041	5	55,000	18
LAB A	-	-	1,108,000	41
GRUMA B	747,500	118	360,000	35
GFNORTE O	-	-	312,000	28
Other securities:				
EQUITY SHARES	<u>602,922</u>	<u>64</u>	1,469,212	<u>70</u>
		<u>203</u>		<u>229</u>
		\$ <u>27,478</u>		\$ <u>41,193</u>

⁽¹⁾ Corresponding to securities lending transactions (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)

(16) Commitments and contingencies-

(a) *Trials, contingencies and litigation-*

In the normal course of operations, the Brokerage Firm has been into some trials, which are not expected to have an important negative effect in its financial situation or in its future operating results. In those cases that represent an expected loss, the necessary reserves have been created.

(b) *Leases-*

Leases take into account rent adjustments periodically, which are based on changes of a variety of economic factors. The total payments under this item for the years ended on December 31, 2014 and 2013 amounted to \$11 and \$10, respectively.

(17) Additional information on operations and segments-

(a) *Segment information-*

The Brokerage Firm has identified operating segments in which their activities are divided, considering each one as an identifiable component of its internal structure. Following is presented the statement of income classified by income segment, for the years ended December 31, 2014 and 2013.

<u>2014</u>	<u>For own behalf</u>	<u>Investments companies</u>	<u>By customers</u>	<u>Financial advice</u>	<u>Total</u>
Commission and fee income	\$ -	321	378	-	699
Commission and fee expense	(37)	-	(37)	-	(74)
Financial advisory income	-	-	-	172	172
Income from services	<u>(37)</u>	<u>321</u>	<u>341</u>	<u>172</u>	<u>797</u>
Gain (loss) on purchase and sale of securities, net	42	-	-	-	42
Interest income (expense)	190	-	-	-	190
Valuation gain on securities at fair value	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>
Intermediation financial margin	<u>235</u>	<u>-</u>	<u>-</u>	<u>-</u>	235
Other operating income					49
Administrative and promotional expenses					<u>(765)</u>
Income before income taxes					<u>316</u>
Current and deferred income taxes, net					(97)
Net income					\$ <u>219</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>2013</u>	<u>For own behalf</u>	<u>Investments companies</u>	<u>By customers</u>	<u>Financial advice</u>	<u>Total</u>
Commission and fee income	\$ -	307	289	-	596
Commission and fee expense	(14)	-	(28)	-	(42)
Financial advisory income	<u>-</u>	<u>-</u>	<u>-</u>	<u>131</u>	<u>131</u>
Income from services	<u>(14)</u>	<u>307</u>	<u>261</u>	<u>131</u>	<u>685</u>
Gain (loss) on purchase and sale of securities, net	(130)	-	-	-	(130)
Interest income (expense)	220	-	-	-	220
Valuation gain on securities at fair value	<u>91</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91</u>
Intermediation financial margin	<u>181</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>181</u>
Other operating income					61
Administrative and promotional expenses					(697)
Income before income taxes					<u>230</u>
Current and deferred income taxes, net					(48)
Net income					\$ <u>182</u>

(b) Commission and fee income-

For the years ended as of December 31, 2014 and 2013, the Commissions and fee income are integrated as follows:

	<u>2014</u>	<u>2013</u>
Purchase and sale of securities	\$ 168	192
Custody or asset management	56	53
Issuance of commercial bonds	154	43
For distribution and co-distribution	<u>321</u>	<u>308</u>
	\$ <u>699</u>	<u>596</u>

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

Commission and fee expense-

For the years ended as of December 31, 2014 and 2013, the Commissions and fee expense are integrated as follows:

		<u>2014</u>	<u>2013</u>
Mexican Stock Exchange	\$	(3)	(10)
Issuance		(19)	(6)
Indeval fees		(15)	(11)
Custody of metals		(4)	(5)
Contraparte central de valores de México		(4)	(5)
Referencer		(25)	(1)
Others fees		<u>(4)</u>	<u>(4)</u>
	\$	<u>(74)</u>	<u>(42)</u>

Financial advisory income-

For the years ended as of December 31, 2014 and 2013, the financial advisory income is integrated as follows:

		<u>2014</u>	<u>2013</u>
Scotiabank Inverlat	\$	27	27
Scotia Fondos		21	20
Scotia Mcleod		54	41
Fees for common representation		3	5
Other the financial advisory income		<u>67</u>	<u>38</u>
	\$	<u>172</u>	<u>131</u>

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

(c) ***Intermediation financial margin-***

Gain (loss) on purchase and sale of securities-

For the years ended as of December 31, 2014 and 2013, the gain (loss) on purchase and sale of securities is integrated as follows:

	<u>2014</u>	<u>2013</u>
Investment securities	\$ 39	11
Financial instruments for trading purposes	7	(136)
Brokerage result of foreign currencies and precious metals, net	<u>(4)</u>	<u>(5)</u>
	\$ <u>42</u>	<u>(130)</u>

Interest income (expense)-

For the years ended as of December 31, 2014 and 2013, the interest income (expense) are integrated as follows:

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ -	3
Investment securities	407	486
Securities on repurchase/resell agreements and securities lending	(207)	(267)
Bank and other borrowings	<u>(10)</u>	<u>(2)</u>
	\$ <u>190</u>	<u>220</u>

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

Valuation result at fair value-

For the years ended as of December 31, 2014 and 2013, the valuation result at fair value is integrated as follows:

	<u>2014</u>	<u>2013</u>
Investment securities	\$ (7)	7
Securities on repurchase/resell agreements and securities lending	(3)	1
Financial instruments for trading purposes	14	83
Foreign currencies and precious metals	<u>(1)</u>	<u>—</u>
	\$ <u>3</u>	<u>91</u>

(d) Other operating income-

For the years ended as of December 31, 2014 and 2013, other operating income is integrated as follows:

	<u>2014</u>	<u>2013</u>
Customer referral fees	\$ 5	10
Lease income	8	8
Others	39	56
Write-offs	<u>(3)</u>	<u>(13)</u>
Other operating income	\$ <u>49</u>	<u>61</u>

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

(e) Financial ratios (non-audited)-

Following are the financial ratios of the Brokerage Firm for fourth quarters ended December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Creditworthiness (<i>total assets / total liabilities</i>)	1.12	1.18
Liquidity (<i>liquid assets/liquid liabilities</i>)	1.10	1.16
Leverage (total liabilities-liquidation of the entity (creditor) / stockholders' equity)	7.3	5.39
ROE (<i>annualized net income for the quarter/ average stockholders' equity</i>)	26.7%	(6.12)%
ROA (<i>annualized net income for the quarter / average total assets</i>)	3.8%	(0.80)%
Capital requirement / Global capital	52.67%	55.32%
Financial margin / Total operating income	24.8%	6.16%
Net income / Total operating income	40.3%	(9.72)%
Total operating income / Administrative expenses	167.6%	91.14%
Administrative expenses / Total operating income	59.7%	109.72%
Resultado neto / Gastos de administración	42.7%	(13.20)%
Personnel expenses / Total operating income	42.6%	79.28%

Notes

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

(18) Comprehensive risk management (non-audited)-

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 transactions.

According to the General Provisions applicable to Brokerage Firms in terms of risk management issued by the Commission, the Board of Directors assumes responsibility over the Brokerage Firm risk management objectives, guidelines and policies. At least once a year, the Board of Directors should approve the policies and procedures as well as the limit structure for the various types of risk.

(Continued)

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

Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of Mexican pesos)

Pursuant to the policies in force, the Board of Directors entrusts the implementation of the risk policies and the setting of specific limits by risk factor as well as the implementation of the procedures designed to measure, manage and control risks to the Risk Management Committee and the Comprehensive Risk Management Unit (UAIR).

Furthermore, the Risk Management Committee delegates responsibility to the Asset-Liability Committee for monitoring compliance of policies and procedures concerning market and liquidity risks. In like manner, the UAIR has policies for reporting and correcting deviations from the specified limits, which it should report to the Risk Committee and the Board of Directors.

(a) 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 Mexican Market 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 money and derivatives market. 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.

Additionally, stress testing assuming extreme conditions is performed both for the expected and the unexpected loss, which are presented and analyzed in the Risk Committee.

As of December 31, 2014 and 2013, the expected and the unexpected loss over the total portfolio of the Brokerage Firm, is as follows:

	<u>2014</u>		<u>2013</u>	
	<u>December</u>	<u>Average</u>	<u>December</u>	<u>Promedio</u>
Expected loss	6.2	7.5	5.5	8.4
Unexpected loss	<u>8.5</u>	<u>10.3</u>	<u>6.5</u>	<u>10.1</u>

(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 understand the expected and unexpected loss as an example, the average expected loss during the fourth quarter of 2014 was \$7.5, which represents the amount that the Brokerage Firm is expected to loss (in average) during the next twelve months for items as non-compliance, given the characteristics of its counterparties. On the other hand, the unexpected loss was \$10.3 and represents the necessary economic capital to maintain solvent the Brokerage Firm in case of an adverse event of high magnitude that have a great impact in the positions of the counterparty.

As of December 31, 2014 and 2013, the total exposure of the investments instruments portfolio, is as follows:

<u>Exposure of the investments Instruments portfolio</u>	<u>December 2014</u>	<u>Average 2014</u>	<u>December 2013</u>
Corporate	\$ 373	437	652
Banking	1,045	1,235	1,100
Government	5,143	6,882	5,306
Other*	<u>1,350</u>	<u>1,288</u>	<u>1,048</u>
	\$ <u>7,911</u>	<u>9,842</u>	<u>8,106</u>

* Includes equity shares and investment funds.

Credit risk in the investments securities– Following is a summary of the exposures as of December 31, 2014 and 2013, the credit quality and the concentration by credit risk of the investments securities:

December 2014	<u>Available for sale</u>	<u>Trading</u>	<u>Total Risk</u>	<u>% Concentration</u>
mxAAA	\$ –	6,365	6,365	81%
mxAA	68	117	185	2%
mxA	–	10	10	–
No rating	<u>379</u>	<u>972</u>	<u>1,351</u>	<u>17%</u>
	\$ <u>447</u>	<u>7,464</u>	<u>7,911</u>	<u>100%</u>
Concentration	<u>6%</u>	<u>94%</u>	<u>100%</u>	

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

December 2013	Available for sale	Trading	Total Risk	% Concentration
mxAAA	\$ —	5,542	5,542	68%
mxAA	142	1,367	1,509	19%
mxA	—	7	7	0%
No rating	<u>424</u>	<u>624</u>	<u>1,048</u>	<u>13%</u>
	\$ <u>566</u>	<u>7,540</u>	<u>8,106</u>	<u>100%</u>
Concentration	<u>7%</u>	<u>93%</u>	<u>100%</u>	

Credit risk in the derivatives operations— As of December 31, 2014 and 2013 the counterparty risk in operations with derivatives instruments is solely with financial institutions.

(b) Market risk-

The purpose of the market risk management function is to identify, measure, monitor and control risks arising from fluctuations in risk factors as interest rates, prices in the share market and other money, capital and derivatives markets, in which the Brokerage Firm's own position is exposed. The risk positions include fixed and floating rate money market instruments, stock and derivatives such as: interest rate futures, stock futures and options and baskets of shares and index or stock options.

Among market risk measuring and monitoring methodologies, the Value at Risk (VaR) is an estimate of the potential loss of value within a specific level of statistical confidence, that might arise from maintaining a specific position during a specific period of time (the holding period) under normal market conditions. The VaR is calculated on a daily basis through the use of a system called "Riskwatch" for all the risk instruments and portfolios of the Brokerage Firm. The VaR is calculated using the historical simulation method, with a 300-working day time span. The Brokerage Firm's policy to calculate the VaR is to use as a reference a 99% as a confidence level and one day as holding period.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

The global average VaR of one day in the Brokerage Firm during the fourth quarter of 2014 was \$12.37, which is equal to 1.05% of the global capital (\$1,175). The global VaR as of December 31, 2014 was \$13.09.

The disaggregated average VaR by risk factor during the fourth quarter of 2014 and 2013, is as follows:

<u>Risk factor</u>	<u>December 2014</u> <u>Average VaR 1 day</u>	<u>December 2013</u> <u>Average VaR 1 day</u>
Interest rates	12.20	9.77
Capital	<u>3.04</u>	<u>5.54</u>
Total non-diversified	15.24	15.31
Diversification cash	<u>(2.87)</u>	<u>(2.68)</u>
Total	<u>12.37</u>	<u>12.63</u>

The average VaR of the risk market exposition in the trading portfolios in the period from October to December 2014 and 2013, are the following:

	<u>Position</u>			<u>VaR</u>	
	<u>Average</u>	<u>Maximum</u>	<u>Limit</u>	<u>Average 1d</u>	<u>Limit</u>
<u>December 2014</u>					
Brokerage Firm	15,351	20,457	–	12.37	40.0
Money market	15,337	20,430	–	12.20	40.0
Equity shares position	14	33	200	0.25 ²	13.0
Capital derivatives /1	9,051	9,506	28,000	2.99	–
Equity shares derivatives /3	123	133	3,000		
Options OTC THIE	<u>47</u>	<u>72</u>	<u>5,000</u>	–	–
Total equity shares and derivatives IPC	<u>9,235</u>	<u>9,744</u>	<u>36,200</u>	<u>3.04</u> ⁴	<u>13.0</u>

1/ Includes warrants with IPC underlying, IPC equity shares and internationals.

2/ The VaR corresponds solely the equity shares position

3/ Includes equity shares derivatives of MexDer.

4/ The Total Equity Shares VaR include the stock position and the equity shares derivatives.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

	<u>Position</u>			<u>VaR</u>	
	<u>Average</u>	<u>Maximum</u>	<u>Limit</u>	<u>Average 1d</u>	<u>Limit</u>
<u>December 2013</u>					
Brokerage Firm	29,338	42,344	–	12.63	25.0
Money market	20,940	31,189	–	9.77	25.0
Equity shares position	24	47	200	0.46 ^{/2}	13.0
Capital derivatives /1	8,232	10,924	25,000	5.25	–
Options OTC TIEE	<u>141</u>	<u>184</u>	<u>5,000</u>	<u>–</u>	<u>–</u>
Total equity shares and derivatives IPC	<u>8,397</u>	<u>11,155</u>	<u>30,200</u>	<u>5.54</u> ^{/3}	<u>13.0</u>

1/ Includes warrants with IPC underlying, IPC equity shares and internationals.

2/ The VaR corresponds solely the equity shares position.

3/ The Total Equity Shares VaR include the stock position and the equity shares derivatives.

As an example, the average VaR of the quarter for the Brokerage Firm in the money and derivatives market was \$12.20, , which means that under normal conditions, 99 in 100 days the maximum potential loss would be \$12.20.

Even though the Brokerage Firm is authorized to operate listed future transactions in the Mexican Derivatives Markets (MexDer-Spanish acronym), for its trading portfolio, during the fourth quarter of 2014 and 2013, which did not represent any position. The current limits at the end of 2014 and 2013 are as follows:

2014

Scotia Brokerage Firm

Mexder

(figures in contract numbers)

Trading futures

	<u>Average position</u>	<u>Maximum position</u>	<u>Position limit</u>
TIEE28	-	-	750,000
CE91	-	-	20,000
Bond M ^{/1}	-	-	35,500
IPC ^{/2}	<u>–</u>	<u>–</u>	<u>750</u>

1/ The futures Bonds M limit, includes 15,000 of futures of Bonds M20, 20,000 contracts of futures of Bonds M10 and 500 futures Bonds M30.

2/ Includes the contracts of the equity shares trading. The average VaR of 1 day of IPC Futures is 0.00 millions and also includes the Global Equity Shares VaR..

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

2013

Scotia Brokerage Firm Mexder <i>(figures in contract numbers)</i>	<u>Average position</u>	<u>Maximum position</u>	<u>Position limit</u>
Trading futures			
TIEE28	-	-	500,000
CE91	-	-	40,000
Bond M ^{/1}	-	-	37,300
IPC ^{/2}	-	-	750
Hedging futures and options			
IPC ^{/3}	-	-	3,500
IPC shares ^{/3}	-	-	2,500
NAFTRACS ^{/3}	=	=	<u>1,000</u>

^{1/} The futures Bonds M limit, includes 15,000 of futures of Bonds M20, 20,000 contracts of futures of Bonds M10, 300 futures Bonds M3 contracts, 500 futures M5 contracts and 1,500 contracts of M30.

^{2/} Includes the contracts of the equity shares trading. The average VaR of 1 day of IPC Futures is 0.00 millions and also includes the Global Equity Shares VaR.

^{3/} Includes futures and options of the equity shares derivatives, the VaR also includes the equity shares derivatives portfolio in order to hedge the warrants portfolio. Corresponds to a new approved limit in 2013 and it is in number of contracts.

During 2014, there was not IPC futures position with MexDer for the equity shares and the equity shares derivatives position. Likewise the Brokerage Firm through the equity shares derivatives area can operate transactions with the options over IPC futures of MexDer. During 2014 these transactions did not take place.

It is important to mention that the futures and options of the IPC future are primarily used to hedge the market risk of the options and warrants positions that are issued to the clients. The Brokerage Firm issued referred IPC warrants and a basket of shares for \$9,051, with a maximum of \$9,506. The hedging positions of the options and warrants as of December 31, 2014 and 2013, are as shown in the following 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>Hedging positions of options or warrants</u>	<u>Position 2014</u>	<u>Position 2013</u>
Options IPC OTC	538	11
NAFTRACS	100	65
Options OTC basket of shares	-	39
Options OTC AMXL	-	37
Options OTC AAPL	2,016	46
Options OTC SPXIND	475	2,776
Options OTC GMEXICO	-	18
Options OTC WALMEX	101	162
Options OTC SX5C	1,765	1,234
Options OTC FXI	34	106
Options OTC CEMEX	120	42
Options OTC TIIE	38	101
Options OTC IBX	495	495
Options OTC TSX	972	-
Options OTC XOP	<u>52</u>	<u>=</u>

Given that the VaR measure is used to estimate potential losses under normal market conditions, stress testing is performed on a daily basis, with the purpose to determine the exposure to risk considering large abnormal fluctuations in market prices (changes in volatility and correlations between risk factors). The Risk Committee has approved stress limits. At December 31, 2014, the stress testing figure was \$482, which compared with the \$1,000 limit, is within the acceptable parameters. Scenarios used for stress testing are the 1994 and 1998 crises as well as hypothetical scenarios.

The back testing from October to December 2014 shows efficiency levels in green under the approach that is established by the International Payment Bank.

The limits structure mainly considers volumetric and notionals amounts, VaR, concentration, sensitivity and stress limits, among others.

For the 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." ; the criteria adopted are determined based on technical and statistical aspects and in valuation models authorized by 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)

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

The Brokerage Firm has an area that specializes on trading risk analysis, which maintains systematic and continuous oversight of the valuation and risk measurement processes as well as of the sensitivity analysis. Such area has permanent contact with responsible traders in the different markets.

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

Below we present a description of the methods, parameters and assumptions used for the portfolio of stock, currency, interest rates and derivative products.

Interest rate portfolio

Sensitivity measures produced for fixed-income instruments (bonds) are based on estimating the behavior of the portfolio's value in response to a change in the market interest rates. In referring to market interest rates, we refer to the yield curve (not the zero-coupon curves) because it is the yield curve which is quoted in the market and best explains the behavior of losses and gains.

The sensitivities of the fixed-income instruments portfolio are based on durations and convexities, depending on the particular type of instrument. In all cases, there are 2 types of measures: (i) the expected change in the portfolio value in response to a change of 1 basis point (0.01%) in the yield curve; and (ii) the expected change in the portfolio value in response to a change of 100 basis points (1%) in the yield curve. For purposes of this disclosure, we only report the changes in 1 basis point.

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

Two sensitivities are calculated for floating rate bonds: the one relating to the free-risk rate and the other for the spread.

In zero-coupon bonds, the computation of the sensitivity of zero coupon instruments, the term to maturity, expressed in years, is used as duration.

Interest rate derivatives

Below is a brief explanation of sensitivity modeling for the Bank's interest rate derivatives.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

TIIE and CETE futures: This type of derivative instruments is modeled for purposes of calculating sensitivities such as the future of a zero-coupon rate and, therefore, its duration is taken into account in estimating its sensitivity.

M bond futures: The sensitivity considers the duration and convexity over the bonds deliverable under these contracts.

Interest rate swaps: For determining the sensitivity to changes in the yield curve of TIIE swaps a 1 basis point change is made in each of the relevant points in the yield curve and one and one hundred basis points is made parallel, valuing the portfolio with the different curves and calculating the change in the portfolio's value with each of these changes. In this case, the change in 1 basis point is reported.

Stock portfolio and IPC derivatives

For stock position purposes, the sensitivity is obtained calculating the Delta by issue within the portfolio. Delta is defined as the change in the portfolio's value in response to a 1% change in the value of the underlying asset.

Equities derivatives

Currently, the Brokerage Firm opted for carrying out equities derivatives transactions through the IPC futures traded at the MexDer. Their sensitivity is calculated through the Delta. This portfolio has limits expressed in notional terms.

The Delta risk is defined as the change in the value of the option in response to a change of a predetermined magnitude in the price of the underlying asset (for example 1%). Its calculation is made by valuing the option with different underlying asset levels (one original and one with a +1% shock) and maintaining 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. In the case of non-linear products such as warrants and options, the Delta and the "Greek" measures are deemed as sensitivity measures. The calculation of sensitivities is based on the formula for modeling options on futures known as the Black 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.

(Continued)

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

Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of Mexican pesos)

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 asset. Gamma measures the change rate of Delta in response to a change in the underlying asset level, and similar to the change of Delta, it may be interpreted analytically, as the second partial derivative of the Black & Scholes model with respect to the underlying asset.

Rho is defined as the sensitivity in response to changes in interest rate. In the case of future contracts, this sensitivity may be estimated based on the available market information. The Brokerage Firm defines Rho as the change in the portfolio's value in response to a 100 basis points change (parallel) in the reference interest rates.

Theta is the sensitivity measure of an options portfolio that indicates the change in the portfolio's value 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 given to the sensitivity measure of the value of an options portfolio in response to changes in the market volatilities of the underlying asset. In general, a long position in options benefits from an increase in the volatility of the underlying assets and a short position has the opposite effect, with a few exceptions such as with binary options.

Dividend Risk. The valuation of options on indices or stock implies a known continuous compound dividend rate. Dividends, however, are an estimate and, therefore, an unknown variable, which represents a risk factor for valuation and the resulting analysis of gains and losses from transactions with options.

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

Quantitative information of sensitivities***Quantitative information of interest rate sensitivities***

The following table contains the sensitivity of 1 bp as of December 31, 2014 and 2013:

<i>Sensitivity 1bp</i>	<u>December 2013</u>	<u>December 2014</u>
Fixed rate	0.881	1.094
Revisable rate	<u>0.008</u>	<u>0.019</u>
Subtotal interest rates	<u>0.889</u>	<u>1.113</u>
Total	<u>0.889</u>	<u>1.113</u>

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

As of December 31, 2014, the Brokerage Firm presents an interest rate sensitivity of \$1.113, which indicates that for each basis point that the interest rate decreases, the Brokerage Firm would generate a loss of \$1.113. The position presented an increase compared to the last year.

In case to have the sensitivity scenario showed in the above table, this would impact the portfolio's result.

The Brokerage Firm only considers the large positions in the money market, so that the sensitivity is positive, which means that to face an up movement of the bp, the money market position would lose an amount equal to the sensitivity. In case to be materialized the aforementioned sensitivity scenario, the losses would impact directly the Brokerage Firm's results.

Below is the statistical of the fourth quarter of 2014, taking into account the change in a bp: maximum, minimum and average. The average sensitivity was \$1.110

	<u>Average</u>	<u>Maximum</u>	<u>Minimum</u>
Interest rates	\$ <u>1.110</u>	<u>2.174</u>	<u>0.364</u>

For comparison purposes, following is a sensitivity table of the fourth quarter of 2013:

	<u>Average</u>	<u>Maximum</u>	<u>Minimum</u>
Interest rates	\$ <u>0.749</u>	<u>1.740</u>	<u>0.076</u>

Sensitivities of the shares and IPC derivatives portfolio

Following is a sensitivity table as of December 31, 2014 and 2013:

		<u>December 2013</u>	<u>December 2014</u>
Equity shares	\$	0.007	0.008
IPC futures		0.000	0.000
IPC options futures		0.000	0.000
Warrants		(0.009)	(0.022)
Subtotal		<u>(0.009)</u>	<u>(0.022)</u>
Total	\$	<u>(0.002)</u>	<u>(0.014)</u>

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

During 2014, the portfolio of capitals continued with the strategy to make intraday transactions. The most relevant shares are Simec B and TS *. In case to be presented the aforementioned sensitivity scenario, the losses would impact directly the portfolio's results. As of December 31, 2014, the Brokerage Firm presented a sensitivity to IPC of zero, due to the fact the position is equal to zero.

With regard to the position over IPC, it continues with a hedging strategy over the new warrants issuances and arbitrating between the capital portfolio and IPC futures.

The Brokerage Firm's capital portfolio is composed by shares and derivatives over the IPC. Following is the average of the fourth quarter, which amounted to \$0.121:

Sensitivities 1% delta

	<u>Average</u>	<u>Maximum</u>	<u>Minimum</u>
Equity shares	\$ 0.143	0.326	0.003
IPC derivatives	<u>(0.022)</u>	<u>0.015</u>	<u>(0.034)</u>
Total	\$ <u>0.121</u>	<u>0.341</u>	<u>(0.031)</u>

Following are the figures corresponding to the fourth quarter of 2013:

Sensitivities 1% delta

	<u>Average</u>	<u>Maximum</u>	<u>Minimum</u>
Equity shares	\$ 0.244	0.469	0.052
IPC derivatives	<u>(0.015)</u>	<u>0.014</u>	<u>(0.027)</u>
Total	\$ <u>0.229</u>	<u>0.483</u>	<u>0.025</u>

Following are the sensitivity measures for the non-linear instruments as of December 31, 2014.

Sensitivities for warrants and IPC options, "Greek"

<u>Greeks</u>	<u>Delta</u>	<u>Gamma</u>	<u>Vega</u>	<u>Theta</u>	<u>Rho</u>
Warrants	\$ (16.814)	0.624	0.021	(0.001)	0.012
IPC options futures/ OTC options	(86.053)	1.155	0.127	(0.001)	0.452
Naftracs / shares	<u>99.864</u>	—	—	—	—
Total	\$ <u>(3.003)</u>	<u>1.779</u>	<u>0.148</u>	<u>(0.002)</u>	<u>0.464</u>

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

Based on the aforementioned definitions in the Equity Shares Derivatives Section, it is presented for illustrative purposes the interpretation of the Delta of one portfolio. As of December 31, 2014, the Brokerage Firm presents a Delta value of \$16.814, which indicates that face to an increase of 1% in the underlying price, the Brokerage Firm would generate an income of \$16.814.

Following is a table that contains the average, maximum and minimum of the warrants and IPC options sensitivities:

	<u>Delta</u>	<u>Gamma</u>	<u>Rho</u>	<u>Vega</u>
Minimum	0.140	2.461	0.002	0.068
Maximum	<u>145.052</u>	<u>38.144</u>	<u>0.007</u>	<u>1.040</u>
Average	<u>23.960</u>	<u>15.049</u>	<u>0.005</u>	<u>0.626</u>

(c) *Liquidity risk-*

The Brokerage Firm assumes liquidity risks as an intrinsic part of its function as financial intermediary. The liquidity risk is the result of cash flow gaps. The objective of the liquidity risk management process is to guarantee that the Brokerage Firm will be able to meet the totality of its obligations as they become due and payable. To such end, the Brokerage Firm manages its exposure to the liquidity risk in accordance with the applicable regulatory provisions and the best market practices.

As for the structural market risk for interest rates, the balance sheet valuation takes place under current conditions and its sensitivity to rate increases or decreases is determined.

The Economic Value incorporates the impact of changes in interest rate on the total expected flows, provides a measure of the long-term impact of these variances.

Margin sensitivity measures the impact of reinvesting/funding at 100 basis points (bp) above the contractual rate from the date of repricing through a one-year horizon; in addition, it assumes that the current balances remain constant during 12 months and that the balances are repriced at the end of each band.

The corresponding input to the Brokerage Firm in the estimated Economic Value and the estimated variation in the financial incomes of the Financial Group at the end of December and in average for the fourth quarter of 2014, is shown 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)

	<u>December</u> <u>2014</u>	<u>Average</u>
<u>Economic value</u>		
Financial Group	478	494
Bank	472	488
Brokerage Firm input	<u>6</u>	<u>6</u>
<u>Margin Sensitivity</u>		
Financial Group	300	365
Bank	293	357
Brokerage Firm input	<u>7</u>	<u>8</u>

Available-for-sale securities treatment

As of December 31, 2014 and 2013, the valued position of available-for-sale securities of the Brokerage Firm amounts to \$447 and is composed as follows:

<u>Type</u>		<u>December</u> <u>2014</u>	<u>Average</u>	<u>December</u> <u>2013</u>
Corporate	\$	68	118	142
Other ⁽¹⁾		<u>379</u>	<u>395</u>	<u>424</u>
Total	\$	<u>447</u>	<u>513</u>	<u>566</u>

⁽¹⁾ The other category comprises instruments with no specific maturity date (shares, investment funds, etc).

The available-for-sale securities, to be an integral part of the balance sheet's manage, are monitored under the aforementioned sensitivity measures (economic value and margin sensitivity).

The liquidity risk limits structure considers volumetric and notional amounts, sensitivity, liquid assets, concentration of deposits and liquidity gaps.

At the end of December and in average for the fourth quarter of 2014 and 2013, the liquid assets are as follows:

		<u>2014</u>		<u>2013</u>	
		<u>December</u>	<u>Average</u>	<u>December</u>	<u>Average</u>
Liquid assets	\$	<u>1,716</u>	<u>2,455</u>	<u>1,334</u>	<u>2,387</u>

(Continued)

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

Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of Mexican pesos)

(d) Operational risk-

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

The Brokerage Firm has put in place policies and procedures enabling it to implement an appropriate operational risk management process, which are described as follows:

Policies for operational risk management

These policies are intended to establish the principles and management framework to identify, measure, monitor, limit, control and disseminate the operational risks inherent in the day-to-day activities and to promote a risk management culture throughout the Brokerage Firm.

Operational Risk Assessment

The Brokerage Firm has a structured methodology for assessing operational risk, which allows the Brokerage Firm to identify, assess and mitigate, inherent risks in its processes and business activity, which is applied to the entire structure, the assessment is based in the identification of the inherent operational risk, assessing of the effectiveness of controls in such risks, on which determined a level of residual risk from which actions are set to mitigate the identified risks.

Manual for Operational Risk Data Gathering and Classification

These policies define the requirements for reporting the information that supports the measuring processes, as well as the scope of the data gathering process, the functions and responsibilities of the business units for gathering and reporting loss data, as its specific characteristics. As of December 31, 2014, the Brokerage Firm recorded operational risk losses for (\$1), which were \$30 less than those recorded in 2013 (\$31).

Operational risk tolerance levels

This is an operational loss management tool that enables each of the Brokerage Firm's area to know the tolerance levels of losses applicable to each assumed loss event, and serves as an incentive for the improvement of the operational risk management process and the adoption of the necessary action to minimize the risk of future losses.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

Key risk indicators

This process allows the Brokerage Firm to establish indicators from process variables, which behavior is related to the level of risk assumed. By tracking each indicator, trends are identified that allow for managing the indicator's values over time. Admissible thresholds are established for each of the selected indicators.

Estimate of legal risk losses model

The Brokerage Firm has a methodology for estimating expected and unexpected legal risk losses through for estimating probable losses arising from an adverse outcome of trials in process. Such methodology is based on the loss experience of previous years that is used for determining the likelihood of loss associated with the ongoing legal issues through a statistical severity and occurrence analysis.

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.

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, Information Technology Officer have policies, procedures and systems that support compliance with the requirements in terms.

The technological risk methodology, which assesses vulnerabilities, considers the criticality of the information in terms of completeness, confidentiality, availability and continuity to identify the inherent risks in the technological applications and infrastructure, assess the controls in place and obtain the residual risk. As a result, the methodology sets forth a proposal of controls for mitigating the technological risk at an acceptable level.

The regular audits performed by an independent and skilled internal audit department include comprehensive reviews of the design, implementation and exploitation of the internal control systems in every business and support area, new products and systems and of the reliability and completeness of data processing operations.

(Continued)

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

Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Millions of Mexican pesos)

(19) Recently issued financial reporting standards-

The CINIF has issued new MFRS and improvements to MFRS 2015, containing specific amendments to some existing MFRS. The Brokerage Firm's management estimates that the new MFRS and improved MFRS will not generate significant effects; in relation to MFRS D-3 "Employee benefits" (note 11), the effect of adopting the new standard will mainly involve recognize as part of other comprehensive income in stockholders' equity, the cumulative effect, at the date the entry into force of the MFRS, actuarial gains and losses; and subsequently during the average remaining life of employees, this effect is recognized as part of the results of each of the exercises.

MFRS C-3 "Accounts Receivable"- MFRS C-3 is effective for years beginning January 1, 2018, and is applicable retrospectively; however, early adoption is allowed as of January 1, 2016 provided that it takes place concurrently with the adoption of MFRS C-20 "Financing Instruments Receivable" receivable. However, the Commission has specific criteria for the recognition and valuation of financial assets.

MFRS C-9 "Provisions, Contingencies and Commitments"- MFRS C-9 is effective for years beginning on or after January 1, 2018; early adoption is allowed as of January 1, 2016 provided that it takes place concurrently with the initial adoption of MFRS C-19 "Financial instruments payable". MFRS C-9 supersedes Bulletin C-9 "Liabilities, Provisions, Contingent Assets and Liabilities and Commitments".

MFRS C-19 "Financial instruments payable"- MFRS C-19 is effective for years beginning on or after January 1, 2018 with retrospective effects and early adoption is allowed provided that it takes place concurrently with the adoption of MFRS C-9 "Provisions, contingencies and commitments", MFRS C-3 "Accounts receivable" and MFRS C-20 "Financing instruments receivable".

MFRS C-20 "Financing instruments receivable"- MFRS C-20 shall be effective for years beginning January 1, 2018, and is applicable retrospectively. Early adoption is allowed as of January 1, 2016 provided that it takes place concurrently with the initial adoption of MFRS C-3 "Accounts receivable" and supersedes the provisions set forth in Bulletin C-3 in this regard.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

MFRS D-3 “Employee benefits”- MFRS D-3 is effective for years beginning on or after January 1, 2016 with retrospective effects and early adoption is allowed as of January 1, 2015. MFRS D-3 supersedes the provisions in MFRS D-3. Main changes include the following:

- **Direct benefits** – The classification of direct short-term benefits was modified and the recognition of deferred Employee Statutory Profit Sharing (ESPS) was ratified.
- **Termination benefits** – The bases were modified for identifying when payments for the termination of a work relationship actually meet post-employment benefits or when they are termination benefits.
- **Post-employment benefits** – Among others, the following were modified: the accounting recognition of multi-employer plans; government plans and plans of entities under common control; the recognition of the net defined benefit liability (asset); the bases for determining the actuarial hypothesis in the discount rate; the recognition of the Service Cost of Past Periods (SCPP) and of the Early Settlement of Obligations (ESO).
- **Remeasurements** – In recognizing post-employment benefits, the corridor approach is eliminated in the treatment of the plan’s profits and losses (PPL); therefore, they are recognized as accrued and recognized directly in Other Comprehensive Income “ORI”, requiring their recycling to the period’s net profit or loss under certain conditions.
- **Plan Asset Ceiling (PA)** – Identifies a plan asset ceiling and specifies which entity contributed funds do not qualify as such.
- **Recognition in profit or loss of PM, SR and ESO** – In post-employment benefits, the totality of the service cost of past periods (SCPP) of plan modifications (PM), staff reductions (SR) and the gains or losses from early settlement of obligations (ESO) are immediately recognized in profit or loss.
- **Discount rate** – Establishes that the discount rate of DBO is based on investment grade corporate bond rates (deep market) and, in their absence, on government bond rates.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

- **Termination benefits** – Requires an analysis as to whether separation payments qualify as termination benefits or are actually post-employment benefits and notes that if the benefit is non-cumulative with no preexisting granting conditions, it is a termination benefit and, therefore, it should be recognized when the event occurs. However, if preexisting conditions are present, either contractually, by law or payment practices, it is deemed a cumulative benefit and should be recognized as a post-employment benefit.

2015 MFRS Improvements

Bulletin C-9 “Liabilities, provisions, contingent assets and liabilities and commitments”- provides that foreign currency advances should be recognized at the exchange rate prevailing on the date of the transaction; that is, at the historical exchange rate. Such amounts should not be modified by subsequent exchange fluctuations between the functional currency and the foreign currency in which the price of goods and services related to such advance payments are denominated. This improvement is effective for periods beginning on or after January 1, 2015 and the accounting changes that arise should be recognized retrospectively.

Regulation recently issued by the Commission-

On January 8, 2015, the Banking Commission issued a Resolution that modifies the General provisions applicable to for Brokerage Firms (the Resolution), which came into effect in October 2015.

The Resolution replaces the current concept of capital consumption index by the capitalization index, considering the current regime applicable to the commercial banks.

Likewise, the resolution establishes as capitalization index minimal of 8% for Brokerage Firms and coefficients of performance are expected, for the components of net capital, specifically, for the basic capital and fundamental capital, also, supplement capital conservation is incorporated of 2.5% of the weighted assets subject to total risk, which shall be constituted by fundamental capital.

(Continued)

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

Notes to Financial Statements

(Millions of Mexican pesos)

A new scheme composed of five categories is integrated, in which the Brokerage Firms will be classified according to their compliance level, whereas no corrective measures will apply when Brokerage Firms maintain a capitalization index equal or greater than 10.5%, basic capital coefficient equal or greater than 8.5% and fundamental capital coefficient equal or greater than 7%. In addition is incorporated a corrective measure a capital conservation plan is presented, apply when Brokerage Firms that do not have the conservation capital supplement of 2.5%.

Finally, the coefficients are updated by market risk considering the market risk factors that occur whenever these have not been changed in a long time and should reflect current conditions accurately, while aligning treatment share-holding in the context of market risk, in line with international practices.

Management is in the process of evaluating the effect of the entry of the new resolution.