

**SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES**

**Consolidated Financial Statements**

**March 31, 2010**

**(With the Independent Auditors' Report  
on Review of Interim Financial Statements)**

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**INDEPENDENT AUDITORS' REPORT ON REVIEW**  
**OF INTERIM FINANCIAL STATEMENTS**

The Shareholders and Board of Directors  
Scotiabank Perú S.A.A. and Subsidiaries

*Introduction*

We have reviewed the accompanying consolidated balance sheet of Scotiabank Perú S.A.A. (a subsidiary of The Bank of Nova Scotia from Canada) and Subsidiaries as of March 31, 2010, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the three-month periods ended March 31, 2010 and 2009, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in conformity with accounting standards established for financial entities in Peru by the Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones – SBS (Superintendency of Banking, Insurance, and Private Pension Fund Administrators). Our responsibility is to express a conclusion on these interim financial statements based on our review.

*Scope of Review*

We conducted our review in accordance with auditing standards generally accepted in Peru on review engagements of interim financial information performed by the independent auditor of the entity. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Peru and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the financial position of Scotiabank Perú S.A.A. and Subsidiaries as of March 31, 2010, and the consolidated results of their operations and their consolidated cash flows for the three-month periods ended March 31, 2010 and 2009 in conformity with accounting standards established for financial entities in Peru by the SBS, as discussed in notes 2 and 3 to the consolidated financial statements.

May 21, 2010

Countersigned by

Eduardo Alejos  
Peruvian Certified Public Accountant  
Registration 29180

## SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

## Consolidated Balance Sheet

As of March 31, 2010 and December 31, 2009

(Stated in thousands of nuevos soles)

<u>Assets</u>	<u>03.31.2010</u>	<u>12.31.2009</u>	<u>Liabilities and Shareholders' Equity</u>	<u>03.31.2010</u>	<u>12.31.2009</u>
Cash and due from banks (note 5):			Deposits and obligations (note 12):		
Cash	529,030	520,593	Demand deposits	4,942,750	4,973,339
Deposits with Banco Central de Reserva del Perú	3,095,417	2,806,084	Savings deposits	3,525,243	3,383,981
Deposits with local and foreign banks	119,517	338,976	Time deposits	8,662,216	8,980,125
Clearing	94,447	181,854	Other obligations	745,312	737,675
Accrued interest and due from banks	20,396	9,700		-----	-----
	-----	-----		17,875,521	18,075,120
	3,858,807	3,857,207	Interbank funds	57,615	20,001
Interbank funds	267,806	143,205	Borrowings and financial obligations (note 13)	2,210,831	1,656,929
Investments at fair value with changes in results and available-for-sale, net (note 6)	4,408,422	3,637,054	Securities, bonds and obligations issued (note 14)	1,196,910	696,602
Loan portfolio, net (note 7)	14,934,890	14,565,637	Provisions and other liabilities (note 15)	1,073,931	881,430
Accounts receivable, net (note 8)	308,769	491,383		-----	-----
Investments in associates, net	70,872	72,196	Total liabilities	22,414,808	21,330,082
Goodwill (note 9)	278,818	278,818	Shareholders' equity (note 16):		
Property, furniture, and equipment, net (note 10)	509,677	520,531	Capital stock	1,427,511	1,427,511
Other assets, net (note 11)	719,558	724,623	Additional capital	212,371	212,371
	-----	-----	Capital in progress	297,780	297,780
	25,357,619	24,290,654	Legal reserve	332,160	268,455
	=====	=====	Unrealized earnings	12,463	19,435
			Retained earnings	660,526	735,020
				-----	-----
			Total shareholders' equity	2,942,811	2,960,572
			Contingencies and commitments (note 17)	-	-
				-----	-----
			Total liabilities and shareholders' equity	25,357,619	24,290,654
				=====	=====
Contingent and memoranda accounts (note 18):			Contingent and memoranda accounts (note 18):		
Contingent accounts	16,111,861	13,620,930	Contingent accounts	16,111,861	13,620,930
Memoranda accounts	190,679,392	179,728,097	Memoranda accounts	190,679,392	179,728,097
	-----	-----		-----	-----
	206,791,253	193,349,027		206,791,253	193,349,027
	=====	=====		=====	=====

See the accompanying notes to the consolidated financial statements.

## SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

## Consolidated Income Statement

For the three-month periods ended March 31, 2010 and 2009

(Stated in thousands of nuevos soles)

	<u>2010</u>	<u>2009</u>
Financial income (note 19)	589,969	645,996
Financial expenses (note 20)	( 129,633)	( 208,134)
	-----	-----
Gross financial income	460,336	437,862
	-----	-----
Provision for doubtful loans (note 7)	( 180,408)	( 251,045)
Recovery of provision for doubtful loans (note 7)	78,250	101,599
	-----	-----
	( 102,158)	( 149,446)
	-----	-----
Net financial income	358,178	288,416
Income from financial services, net (note 21)	116,856	130,364
	-----	-----
Operating margin	475,034	418,780
Administrative expenses (note 22)	( 231,711)	( 231,802)
	-----	-----
Net operating margin	243,323	186,978
	-----	-----
Provisions for doubtful and other accounts receivable, liquid and repossessed assets, and other	( 18,966)	( 17,812)
Depreciation of property, furniture, and equipment	( 15,192)	( 13,573)
Amortization of intangibles	( 2,033)	( 1,872)
	-----	-----
	( 36,191)	( 33,257)
	-----	-----
Operating results	207,132	153,721
Other income, net (note 23)	57,884	59,661
	-----	-----
Profit before employees' profit sharing and income tax	265,016	213,382
Deferred employees' profit sharing (note 25)	( 1,289)	( 5,895)
Employees' profit sharing (note 26)	( 11,204)	( 4,910)
Deferred income tax (note 25)	( 2,560)	( 33,603)
Income tax (note 24)	( 69,636)	( 32,924)
	-----	-----
Net profit	180,327	136,050
	=====	=====
Basic and diluted earnings per share (in nuevos soles) (note 27)	1.289	2.692
	=====	=====
Weighted average of common shares issued (in thousands of shares)	139,949	47,536
	=====	=====

See the accompanying notes to the consolidated financial statements.

## SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

## Consolidated Statement of Changes in Shareholders' Equity

For the three-month periods ended March 31, 2010 and 2009

(Stated in thousands of nuevos soles)

	Capital stock <u>(note 16.b)</u>	Additional capital <u>(note 16.b)</u>	Capital in progress <u>(note 16.b)</u>	Legal reserve <u>(note 16.c)</u>	Unrealized earnings	Retained earnings <u>(note 16.d)</u>	Total shareholders' equity
Balances as of December 31, 2008	533,554	212,539	318,177	268,455	-	1,147,527	2,480,252
Dividends declared in cash	-	-	-	-	-	( 179,594)	( 179,594)
Capital increase	734	2,757	( 3,491)	-	-	-	-
Shares subscription	-	-	3,491	-	-	-	3,491
Unrealized income on available-for-sale investments, net of income tax	-	-	-	-	23,589	-	23,589
Net profit	-	-	-	-	-	136,050	136,050
Balances as of March 31, 2009	534,288	215,296	318,177	268,455	23,589	1,103,983	2,463,788
Balances as of December 31, 2009	1,427,511	212,371	297,780	268,455	19,435	735,020	2,960,572
Dividends declared in cash	-	-	-	-	-	( 191,116)	( 191,116)
Application to legal reserve	-	-	-	63,705	-	( 63,705)	-
Unrealized income on available-for-sale investments, net of income tax	-	-	-	-	( 6,972)	-	( 6,972)
Net profit	-	-	-	-	-	180,327	180,327
Balances as of March 31, 2010	1,427,511	212,371	297,780	332,160	12,463	660,526	2,942,811

See the accompanying notes to consolidated financial statements.

## SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

## Consolidated Statement of Cash Flows

For the three-month periods ended March 31, 2010 and 2009

(Stated in thousands of nuevos soles)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Net profit	180,327	136,050
Adjustments to reconcile net profit to net cash provided by operating activities:		
Provision for doubtful loans	180,408	251,045
Provision for impairment of investments and other assets	-	70
Provision for accounts receivable	16,175	13,400
Provision for contingencies	2,791	4,342
Depreciation and amortization	17,225	15,445
Recovery of provision for liquid and repossessed assets	( 8,371)	( 5,019)
Recovery of provision for accounts receivable	( 26,426)	( 46,665)
Provision for impairment and depreciation of repossessed assets	1,365	5,446
Recovery of provision for loan portfolio	( 78,250)	( 101,599)
Provision for severance indemnities	7,761	7,890
(Loss) gain on sale of property, furniture, and equipment	( 1,791)	95
(Loss) gain on sale of liquid and repossessed assets	( 1,957)	3,301
Net variations in assets and liabilities:		
Decrease in interest, commissions, and other accounts receivable	247,700	20,312
Increase in interest, commissions, and other accounts payable	81,778	283,028
Decrease in other assets	71,681	53,223
Decrease in other liabilities	( 28,631)	( 40,197)
	-----	-----
Cash and net cash equivalents provided by operating activities	661,785	600,167
	-----	-----
Cash flows from investing activities		
Acquisition of property, furniture, and equipment	( 4,350)	( 6,755)
Acquisition of other non-financial assets	( 274)	( 1,316)
Income from sale of property, furniture, and equipment	1,384	3,129
Income from sale of other non-financial assets	23,723	6,155
	-----	-----
Cash and net cash equivalents provided by investing activities	20,483	1,213
	-----	-----
Cash flows from financing activities		
Increase in loan portfolio	( 472,678)	( 297,595)
(Increase) decrease in investments	( 777,015)	113,770
Decrease in deposits and obligations	( 207,170)	( 96,968)
Increase (decrease) in borrowings, financial obligations and interbank funds	591,605	( 189,446)
Decrease in securities, bonds and obligations issued	500,307	5,398
Payment of dividends	( 191,116)	( 179,594)
Cash contribution	-	3,491
	-----	-----
Cash and net cash equivalents applied to financing activities	( 556,067)	( 640,944)
	-----	-----
Net increase (decrease) in cash and cash equivalents	126,201	( 39,564)
Cash and cash equivalents at beginning of the period	4,000,412	5,424,011
	-----	-----
Cash and cash equivalents at end of the period	4,126,613	5,384,447
	=====	=====

See the accompanying notes to the consolidated financial statements.

## SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of March 31, 2010, December 31, 2009 and March 31, 2009

(1) Operations

Scotiabank Perú S.A.A. (herein the “Bank”) is a subsidiary of The Bank of Nova Scotia-BNS (a financial entity of Canada), which holds directly and indirectly 97.68% of the Bank’s capital stock as of March 31, 2010. As of March 31, 2010, the Bank of Nova Scotia directly owned 2.32% of the Bank’s shares, and indirectly through NW Holdings Ltd. and Scotia Perú Holdings S.A. owned 55.30% and 40.06% respectively.

The Bank is a public corporation established on February 2, 1943 and is authorized to operate as a banking entity by Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones (Superintendency of Banking, Insurance, and Private Pension Fund Administrators, herein SBS). The Bank’s operations mainly consist of retail, commercial and merchant banking services. The Bank’s operations are governed by the SBS through the Ley General del Sistema Financiero y del Sistema de Seguros y Orgánica, Law 26702 (herein the Banking Law). This law establishes the requirements, rights, obligations, guarantees, restrictions, and other operating conditions to which Peruvian banking and insurance legal entities are governed.

The head office of the Bank is located at Av. Dionisio Derteano 102, San Isidro, Lima, Peru. As of March 31, 2010, the Bank performed its activities with a national network of 164 branches, and a branch abroad (as of December 31, 2009, it had 163 Peruvian branches and one branch abroad).

The accompanying consolidated financial statements include those corresponding to Scotiabank Perú S.A.A. and its subsidiaries, as defined below, (referred to herein as “Scotiabank Perú S.A.A. and Subsidiaries”), which include: CrediScotia Financiera S.A., engaged in intermediation operations for the small-business and consumer sectors; Servicios, Cobranzas e Inversiones S.A.C., engaged in collections and domicile verification, among other activities; Depósitos S.A., engaged in warehousing services; Scotia Sociedad Agente de Bolsa S.A., engaged in intermediation activities in the Peruvian securities market; Scotia Fondos Sociedad Administradora de Fondos S.A., engaged in mutual funds management; Scotia Sociedad Titulizadora S.A., engaged in the management of trusts and Promoción de Proyectos Inmobiliarios y Comerciales S.A. engaged in the purchase and sale of goods in general, among other activities; and. As at March 31, 2010 and December 31, 2009 Promoción de Proyectos Inmobiliarios y Comerciales S.A. is presented as an inactive company.

Below are the main balances of the Bank and Subsidiaries presented as of March 31, 2010 and December 31, 2009 indicating the Bank’s shareholding percentage in the Subsidiaries as of that date, as well as other relevant information in this regard:



**SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES**  
Notes to the Consolidated Financial Statements

As of March 31, 2010:

Entity	Activity	Percentage of shareholding	In thousands of S/.		
			Assets	Liabilities	Shareholders' equity
Scotiabank Perú S.A.A.	Banking	-	24,031,726	21,088,915	2,942,811
CrediScotia Financiera S.A.	Banking	100.00	2,055,909	1,773,047	282,862
Servicios, Cobranzas e Inversiones S.A.C.	Collection services	100.00	170,297	43,296	127,001
Scotia Sociedad Agente de Bolsa S.A.	Stock market broker	100.00	99,717	51,278	48,439
Depósitos S.A.	Warehousing	100.00	58,096	15,571	42,525
Scotia Fondos Sociedad Administradora de Fondos S.A.	Administration of mutual funds	100.00	28,038	5,479	22,559
Scotia Sociedad Titulizadora S.A.	Securitization	100.00	3,806	35	3,771

As of December 31, 2009:

Entity	Activity	Percentage of shareholding	In thousands of S/.		
			Assets	Liabilities	Shareholders' equity
Scotiabank Perú S.A.A.	Banking	-	22,911,511	19,950,939	2,960,572
CrediScotia Financiera S.A.	Banking	100.00	2,018,431	1,755,492	262,939
Servicios, Cobranzas e Inversiones S.A.C.	Collection services	100.00	167,130	45,245	121,885
Scotia Sociedad Agente de Bolsa S.A.	Stock market broker	100.00	112,726	64,902	47,824
Depósitos S.A.	Warehousing	100.00	61,505	19,836	41,669
Scotia Fondos Sociedad Administradora de Fondos S.A.	Administration of mutual funds	100.00	25,037	4,455	20,582
Scotia Sociedad Titulizadora S.A.	Securitization	100.00	3,745	109	3,636

The consolidated financial statements as of March 31, 2010 were approved by management on May 12, 2010. These consolidated financial statements have been prepared based on the individual financial statements of each company comprising Scotiabank Perú S.A.A. and Subsidiaries. The individual financial statements comprising the consolidated financial statements as of December 31, 2009 were approved by the corresponding general shareholders' meeting made within legal terms.

(2) Basis for the Preparation of Financial Statements

The accompanying consolidated financial statements are prepared based on the accounting book balances of Scotiabank Perú S.A.A. and Subsidiaries, and are presented in accordance with the standards issued by the SBS and, in the absence of applicable SBS standards, in accordance with the International Financial Reporting Standards (IFRS), made official in Peru, which include the International Accounting Standards (IAS) and pronouncements of the Standing Interpretations Committee (SIC). The standards made official in Peru are those approved by the Consejo Normativo de Contabilidad – CNC (Peruvian Accounting Board). The standards currently in force and authorized by the CNC, as of March 31, 2010 are IASs 1 to 41, IFRSs 1 to 8, Interpretations 7 to 32 of SIC and all the Interpretations 1 to 14 of the current International Financial Reporting Interpretations Committee (IFRIC).

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For comparative purposes, necessary reclassifications were made on the previous year's consolidated financial statements to present them on a consistent basis. The modification of comparative information does not imply changes in the decisions made based on it.

(a) Basis of Measurement

The consolidated financial statements have been prepared in conformity with the historical cost principle, except for the following:

- Derivative instruments are measured at fair value.
- Financial instruments at fair value with changes in the results are measured at fair value.
- Available-for-sale financial instruments are measured at fair value.

(b) Presentation Currency

The consolidated financial statements are presented in thousands of nuevos soles (S/.), according to SBS standards, except where otherwise indicated.

(c) Critical Accounting Estimates and Criteria

The preparation of the consolidated financial statements in conformity with accounting principles requires management to use certain critical accounting estimates and criteria. Estimates and criteria are evaluated continuously according to experience and include reasonable future assumptions in each of the circumstances. Since these are estimates, final results might differ; however, it is the management's opinion that no significant adjustments will arise on the asset and liability balances in the following year.

The significant estimates related to the accompanying consolidated financial statements correspond to provision for doubtful loans, valuation of investments, estimation of useful life and the recoverable amount of property, furniture, and equipment and intangibles, the provision for liquid assets, received as payment and repossessed assets, and the valuation of derivative financial instruments through profit and loss, the accounting criteria of which are described in note 3.

(3) Accounting Principles and Practices

The main accounting principles and practices applied to prepare the consolidated financial statements of Scotiabank Perú S.A.A and Subsidiaries, which have been consistently applied in this period and previous period, unless otherwise indicated, are the following:

(a) Consolidation

The consolidated financial statements include the financial statements of the companies described in note 1 and the special purpose entity described in note 14, after the elimination of significant balances and transactions among the consolidated companies, and profits and losses resulting from those transactions. All of the subsidiaries and the special purpose entity have been consolidated since their incorporation or acquisition date.

The subsidiaries are all the companies in which the Bank owns more than 50% of the voting shares and has the power to control their financial and operating policies.

The accounting records of companies within Scotiabank Perú S.A.A. and Subsidiaries comply with reporting requirements established by the SBS.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

The financial statements of the subsidiaries included in the consolidation represent 10.81% and 9.42% of total assets before intra-company eliminations as of March 31, 2010 and December 31, 2009; respectively. As of those dates, the Bank did not have any minority interest arising from the consolidation process.

(b) Financial Instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another.

Financial instruments are classified as assets, liabilities, or equity according to the substance of the contract. The interest, dividends, gains and losses generated by a financial instrument, whether classified as an asset or liability, are recorded as income or expense in the consolidated income statement. The financial instruments shall be offset when Scotiabank Perú S.A.A. and Subsidiaries have the legally enforceable right, and management has the intention to settle on a net basis, or to realize the asset, and settle the liability simultaneously.

The financial assets and liabilities presented in the consolidated balance sheet correspond to balances presented in cash and due from banks, interbank funds, investments, loan portfolio, accounts receivable and liabilities in general. Likewise, all derivative products and indirect credits are considered financial instruments. The recognition and valuation criteria of those items are disclosed in the accounting principles policies related to those notes herein.

(c) Derivative Instruments

The accounting treatment for derivative instruments that financial entities shall apply is established in SBS Resolution 1737-2006 “Regulation for Trading and Accounting of Derivative Products in Financial System Enterprises”, dated December 28, 2006; and its amendment SBS Resolution 1349-2008, dated May 8, 2008, supersedes certain articles of the SBS Resolution 1737-2006 and incorporates two chapters related to authorization for contracting of derivative instruments and the global limit on derivative products. Such amendments did not have a material effect on the accompanying financial statements.

These standards are consistent with IAS 39 Financial Instruments: Recognition and Measurement and establish accounting criteria for held-for-trading, hedging, and embedded derivatives, as detailed below:

(i) Held-for-Trading

Derivative instruments are initially recognized in the consolidated balance sheet at fair value; subsequently, any change in the fair value of such derivative generates an asset or liability in the consolidated balance sheet, as applicable, and will affect the results of the period.

(ii) Hedging

Derivative instruments for the financial hedging of a risk are designated in books as derivatives for hedging purposes if, at the moment of trading, it is foreseen that changes in fair value or in cash flows will be highly effective in achieving offsetting changes in fair value or cash flows of the item hedged directly attributable to the risk hedged from the beginning and during the period of the hedging relationship. This should be documented from the inception of negotiation of the derivative instrument and during the period of the hedging relationship.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES  
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The efficiency of a hedge shall be measured reliably on a prospective basis at the moment the derivative instrument is designated as being used for hedging purposes and on a retrospective basis with a monthly frequency. A hedge is considered to be effective if the results of the retrospective tests are within a range of 80%-125% of efficiency.

In the event that the SBS considers the documentation to be unsatisfactory or finds weaknesses in the methodologies used, it can request immediate dissolution of hedging and the simultaneous recording of the derivative as a held-for-trading derivative.

(iii) Embedded Derivatives

Certain derivatives embedded in other financial instruments (main or host contract) are treated as separate derivatives when they meet simultaneously the following conditions: i) the economic characteristics and inherent risks are not closely related to the economic characteristics and risks of the host contract; ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and iii) the hybrid instrument is not a trading investment for Financial Intermediation, according to the Regulation of Investments, or other financial instrument measured at fair value against the income statement. These embedded derivatives are separated from the derivative host and measured at fair value with the changes in fair value recognized in the income statement, unless Scotiabank Perú S.A.A. and Subsidiaries choose to designate the hybrid contract (host and embedded derivatives) at fair value with effect in the consolidated income statement.

As of March 31, 2010 and December 31, 2009, Scotiabank Perú S.A.A. and Subsidiaries did not have derivative instruments classified as embedded derivatives.

In addition to their recording in the balance sheet, derivative instruments described above are recorded in contingent accounts at their notional amounts converted in nuevos soles at the exchange rate established by the SBS at the end of the period.

(d) Investments

Up to February 2009, the accounting records and valuation of investments were made according to SBS Resolution 1914-2004 "Regulations for the Classification and Provisions of Investments of Financial System Enterprises". According to this regulation, investments were initially recognized at acquisition cost and subsequently valued as per the accounting criteria corresponding to the investment category in which they were classified, more specifically as: i) marketable investments for financial intermediation, ii) available-for-sale investments, iii) held-to-maturity investments and iv) permanent investments.

As from March 2009, the recording and valuation of investments are made according to SBS Resolution 10639-2008 "Regulations for Classification and Valuation of Investments of Financial System Companies". Through this resolution, the SBS has amended and clarified investment classification, valuation and provisioning and modified the Accounting Manual for Financial System Companies in order to harmonize the recording criteria with international accounting practices, primarily with the classification and valuating criteria of IAS 39 Financial Instruments: Recognition and Measurement. These changes were applied prospectively.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

SBS Resolution 10639-2008 establishes the investment classification and valuation criteria under four categories:

(i) Investments at Fair Value with Changes in Results

Debt securities and equity shares are classified as Investments at Fair Value with Changes in Results if they have been acquired principally for the purpose of selling in the near future, or they form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. These financial assets are recognised on trade date, when the Scotiabank Perú S.A.A. and Subsidiaries enter into contractual arrangements with counterparties to purchase securities, and are normally derecognised when sold. Measurement is initially at fair value, with transaction costs taken to the income statement. Subsequently, their fair values are remeasured, and all gains and losses from changes therein are recognised in the income statement.

Interest income is recognised using the effective interest rate method, calculated over the asset's expected life. Dividends are recognised in the income statement when the right to receive payment has been established.

Investment Instruments at Fair Value with Changes in Results that are given in guarantee or transferred through a repurchase agreement shall be reclassified as available-for-sale. Once these transactions are concluded, the above mentioned instruments shall be reclassified at their initial category, transferring the unrealized results from shareholders equity to the income statement.

(ii) Available-for-Sale Investments

Available-for-Sale Investments are all investment instruments that are not classified as Investments at Fair Value with Changes in Results, Held-to-Maturity Investments or Investments in Associates. Likewise, investment instruments will be included in this category when explicitly required by the SBS.

Available-for-Sale Investments are initially recognised on the trade date and measured at fair value plus direct and incremental transaction costs. They are subsequently remeasured at fair value, and changes therein are recognised in equity in the 'Unrealised Earnings' account until the securities are either sold or impaired. When available-for-sale securities are sold, cumulative gains or losses previously recognised in equity are recognised in the income statement.

If an available-for-sale security is impaired, the cumulative loss (measured as the difference between the asset's acquisition cost, net of any principal repayments and amortisation, and its current fair value, less any impairment loss on that asset previously recognised in the income statement) is removed from equity and recognised in the income statement. In the case of unquoted equity shares, the impairment loss shall be the difference between the carrying value and the present value of estimated future cash flows, discounted using current market rates for similar assets.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

Gains or losses from foreign exchange difference related to equity shares shall be recognized in equity in the “Unrealized Earnings” account while those related to debt instruments shall be recognized in the income statement.

Interest income is recognised on available-for-sale securities using the effective interest rate method, calculated over the asset’s expected life. Premiums and/or discounts arising on the purchase of dated investment securities are included in the calculation of their effective interest rates. Dividends are recognised in the income statement when the right to receive payment has been established.

(iii) Held-to-Maturity Investments

Held-to-maturity investments are debt securities that the Scotiabank Perú S.A.A. and Subsidiaries intends, and is able, to hold until maturity.

Held-to-maturity investments are initially recorded on the trade date at fair value plus any directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. Likewise, these instruments shall have risk classifications in accordance with SBS Resolution 10639-2008 Article 7 requirements.

In cases of impairment, the carrying amount of the instrument shall be reduced and the loss amount shall be recognized in the income statement. The cumulative loss is measured as the difference between the asset’s acquisition cost (net of any principal repayments and amortisation) and its current fair value, less any impairment loss on that asset previously recognised in the income statement.

(iv) Investments in Associates

Equity shares acquired in order to participate with and/or have significant influence over companies and institutions. This category shall include the goodwill determined in the purchase of such investments. Investments in Associates are initially measured at fair value plus transactions costs directly attributable to their acquisition, and are subsequently measured applying the equity participation method, meaning; the carrying amount of the investment will be increased or decreased by proportional recognition of the period’s results obtained post acquisition date.

Investment instruments held by companies can be subject to reclassification within the framework of article 15 of SBS Resolution 10639-2008, as follows:

- (a) Investment Instruments at Fair Value with Changes in Results cannot be reclassified except (i) for unquoted equity shares that lack reliable fair value estimations or (ii) when given in guarantee or transferred through a repurchase agreement as previously noted in section d (i).
- (b) Held-to-Maturity Investments cannot be reclassified except for as a result of a change in the financial capacity of the issuer. In this situation, the investment shall be reclassified as Available-for-Sale Investments and shall be measured at fair value. The difference between its carrying amount and the fair value shall be recognised in accordance with the corresponding valuation criteria. This category change is subject to the restrictions described in article 17 of abovementioned Resolution.

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(e) Loans, Classification and Provision for Doubtful Loans

Direct loans are recorded when fund disbursements are made to clients. Indirect loans (contingent) are recorded when documents supporting the credit facilities are issued. Likewise, changes in loan payment conditions due to debtors' payment difficulties are considered as refinancing or restructuring.

Finance leases are accounted for using the financial method, recording as loans the amount of the receivable instalments. Interest income is accrued for as earned in accordance with the terms of the contract. Initial direct costs are recognized immediately as expenses.

The Portfolio Risk Department's Debtor Classification Unit is in charge of conducting, on a permanent basis, the evaluation and rating of the loan portfolio, assigning to each debtor the corresponding risk rating according to the guidelines established by the SBS, in Resolution 808-2003 and its amendments.

Rating categories established by the SBS are the following: Standard, Potential Problem, Substandard, Doubtful, or Loss. Commercial credit portfolio rating classifications mainly take into account the payment capacity of the debtor, cash flow, level of compliance with obligations, rating designated by other companies in the financial system, financial position, and management quality. In the case of the classification of loans to small business, and consumer and mortgage loans, the rating is based on the level of compliance with credit payments, which is reflected in the delayed days and their classification in other entities of the financial system. The Bank on its own initiative and pursuant to a more conservative approach, has included in the automatic rating process the Commercial loan portfolio with credits up to US\$100 thousand, taking into consideration the debtor payment in arrears and the rating alignment with the Peruvian financial system.

According to current SBS regulations, Scotiabank Perú S.A.A. and Subsidiaries consider two classes of provisions for doubtful loans: generic and specific provisions. The generic provision is recorded in a preventive manner for standard risk direct and indirect loans and finance lease transactions, and additionally for the procyclical component when the SBS orders its application. The specific provision is recorded for direct and indirect loans and finance lease transactions for which a specific risk, higher than standard, has been identified (note 7).

The provisions for doubtful loans are determined in conformity with the guidelines established by the SBS in Resolution 808-2003 and amendments thereto as from December 1, 2008, in accordance with Resolution 11356-2008, according to the percentages shown below:

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<u>Risk rating</u>	<u>Without collateral</u>	<u>With preferred collateral</u>	<u>With preferred easily realizable collateral</u>	<u>With preferred readily realizable collateral</u>
Standard				
- Commercial loans	0.70%	0.70%	0.70%	0.70%
- Small Business loans	1%	1%	1%	1%
- Consumer loans	1%	1%	1%	1%
- Mortgage loans	0.70%	0.70%	0.70%	0.70%
Potential problem	5%	2.5%	1.25%	1%
Substandard	25%	12.5%	6.25%	1%
Doubtful	60%	30%	15%	1%
Loss	100%	60%	30%	1%

The SBS, by means of SBS Resolution 11356 -2008, amended as of December 1, 2008, the Regulation for the Evaluation and Classification of the Debtor and Provisions Requirement, approved by SBS Resolution 808-2003 and as amended, in the following aspects:

- (i) It incorporated in the concept of mortgage loans, the loans for acquisition or construction of properties under development for which no individualized mortgage can be furnished because, as of the date of the transaction, they are under construction or require registry with the municipality or state.
- (ii) It modified the provision rates for the “Standard” to commercial loans, small business loans, consumer loans and mortgage loans according to the percentage listed in the table above.
- (iii) The recording of procyclical provisions is required for the portfolio under the “Standard” risk rating, which represent an additional component to the provision rate, being applicable based on the average of the Gross Domestic Product (GDP) annualized percentage variation. The recording of such provisions will be made provided that the “procyclical rule” is currently applicable.

The procyclical component of provisions on direct and indirect loans, and leasing transactions of debtors classified under the “Standard” rating is 0.45% for commercial loans, 0.50% for small business loans, 1.00% for consumer loans and 0.40% for mortgage loans. For revolving consumer loans, a procyclical component not lower than 1.50% shall be applied. In the case of commercial loans and mortgage loans that have preferred readily realizable collateral, the procyclical component shall be 0.30%. For consumer loans and small business loan that have preferred readily realizable collateral, the procyclical component is 0% for the portion covered with such collateral. For consumer loans that have contracts with discount agreements from eligible payrolls, the procyclical component shall be 0.30% provided that they comply with the provisions of the Resolution.



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As of September 2009 the SBS discontinued temporally the “procyclical rule” by Circular B-2181-2009, therefore financial entities are not compelled to record additional provisions for the procyclical component, and in no case the reversal of such provisions may generate profits.

Also, on October 30, 2009, the SBS issued the Circular SBS No.14353, which postponed the adoption of the Resolution 11356-2008 (“Regulations for the Evaluation and Classification of the Debtor and Provisions Requirement”) until July 1, 2010. In this ultimate date the Resolution 808-2003 will be repealed.

Provisions for direct loans are calculated by deducting the balance from the corresponding asset (note 7), and provisions for indirect loans are presented in the liabilities (note 15). Provisions kept by the Bank, in the opinion of management, are sufficient to cover losses in the loan portfolio as of the reporting date.

(f) Securities Trading Transactions on Behalf of Customers

Securities trading transactions conducted by the Subsidiary Scotia Sociedad Agente de Bolsa S.A. on behalf of its customers are recorded as accounts receivable or accounts payable, as appropriate, if, at their maturity, they have not been collected or paid, respectively. Transactions that have not yet been settled by the Lima Stock Exchange are recorded in memoranda accounts until corresponding collection or payment.

Fees in favor of the Lima Stock Exchange and CONASEV (Peruvian Securities and Exchange Commission) for these securities trading transactions are recorded in consolidated balance sheet accounts (they do not affect the companies’ income or expenses).

Reporting operations, loans of consumable property, and over-the-counter transactions conducted by the companies through third parties acting as buyers and/or sellers and whose operations are awaiting settlement (collection or payment) are recorded in memoranda accounts.

(g) Property, Furniture, and Equipment

The property, furniture, and equipment are recorded at acquisition cost, less accumulated depreciation. Disbursements incurred after acquisition for property, furniture, and equipment are only recognized as assets when there are probable future economic benefits associated with the asset and their cost can be reliably measured.

Maintenance and repair expenses are charged to the income statement in the period when they are incurred.

Work-in-progress and in-transit goods are recorded at acquisition cost. These goods are not depreciated until relevant assets are finished and/or received, and are finally operative.

Depreciation has been computed based on the straight-line method and using the following estimated useful lives:

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	<u>Years</u>
Property	20
Furniture and fixtures, and premises	10
Vehicles	5
Computing equipment	4

Up to December 31, 2009, the estimated useful live of property was 33 years. That estimated useful live has been reviewed by the Bank's management and changed to 20 years, effective on January 1, 2010. The change in useful live of property has been applied prospectively.

The cost and accumulated depreciation of assets disposed of or sold are eliminated from their respective accounts, and any resulting gain or loss is included in the income statement of the period in which they are incurred.

The residual value and the useful life of an asset are reviewed and adjusted, if necessary, at each consolidated balance sheet date. The book value of an asset is written off immediately at its recoverable amount when the carrying amount of the asset exceeds its value in use.

(h) Liquid Assets, Received as Payment, and Repossessed Assets

Liquid assets, received as payment, and repossessed assets (note 11) are regulated by SBS Resolution 1535-2005 of October 6, 2005. They mainly include property, plant, and equipment received as payment for doubtful loans, and are initially recorded at the lower of the value determined by the court, arbitrator, recovery value, estimated market value and the value of the unpaid amount of debt.

According to current legislation, the treatment for this type of goods is as follows:

- Liquid assets, received as payment and repossessed assets are initially recorded at book value (cost), recognizing, at the same time, a provision equivalent to 20% of the cost. If the net realizable value, shown in the valuation report, demonstrates that the asset is impaired by a percentage higher than 20%, then the required initial provision shall be recorded at an amount equivalent to the amount effectively impaired.
- For the plant and equipment, the Bank records a monthly provision equivalent to 1/18 of the cost, less the aforementioned initial provision, commencing the first month of repossession or recovery. Regarding goods that have not been sold or leased within a one-year term and that do not have the extension established in the Banking Law, the provision shall be completed up to 100% of the value upon repossession or recovery less the impairment provision, at the close of the corresponding year.
- A provision shall be recorded for real estate that has not been sold or leased within one year from its recovery or repossession. This provision shall be a uniform monthly provision over a term of three and a half years until there is a 100% provision of the net book value obtained in the eighteenth or twelfth month, depending on if there is or is not an extension approved by the SBS, respectively.

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An impairment loss is recognised in the income statement when the net realizable value is lower than net book value. In cases where the net realizable value is higher than the net book value, the higher value shall not be recognized in the books.

The valuation reports on real state may not be aged over a year.

(i) Impairment of Assets

When events or circumstantial economic changes indicate that the value of an asset might not be recoverable, Scotiabank Perú S.A.A. and Subsidiaries review the value of the long-term asset to determine if there is impairment. When the book value of the long-term asset exceeds its recoverable amount, the entity recognizes an impairment loss in the consolidated income statement for the assets held at cost.

The recoverable amount of an asset is the higher of its net selling price and its value in use. Net selling price is the amount obtainable from the asset sale in a free market. Value in use is the present value of estimated future cash flows expected to arise from the continued use of an asset and from its subsequent disposal at the end of its useful life. Recoverable amounts are estimated for each asset or, if it is not possible, for the cash-generating unit.

An impairment loss recognized in previous years is reversed if there is a change in the estimates used since the last time the impairment loss was recognized.

(j) Income Tax and Employees' Profit Sharing

Current income tax is determined based on the taxable income and recorded according to tax legislation applicable to the Bank and each subsidiary independently (note 24).

Deferred income tax is recorded using the liability method based on temporary differences derived from tax accounting of assets and liabilities, and their balances in the financial statements of each company composing Scotiabank Perú S.A.A. and Subsidiaries. Deferred income tax is determined based on tax rates and legislation expected to be applied to each company composing Scotiabank Perú S.A.A. and Subsidiaries when the deferred tax asset is realized or the deferred tax liability is settled (note 25).

Deferred assets and liabilities are recognized without considering the estimated time when the temporary differences will disappear. A deferred income tax asset is only recognized so far as it is probable that there would be future tax benefits, so that the deferred asset can be used.

Employees' profit sharing comprises both current and deferred employees' profit sharing, they are determined using the same criteria used to determine the current and deferred income tax, respectively. They are recorded according to legislation applicable to Scotiabank Perú S.A.A. and Subsidiaries (notes 25 and 26).

(k) Intangible Assets

Intangibles are mainly related to acquired brand rights and investment made in the acquisition and development of computing software shown in the "Other Assets" item and are amortized using the straight-line method over 10 and 5 years, respectively.

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Costs related to the development or maintenance of computing software are recognized in the income statement when they are incurred. However, costs that are directly related to a single and identifiable computing software, package or program, controlled by Scotiabank and Subsidiaries and that will give future economic benefits higher than their cost in a period exceeding one year, are considered as an intangible asset. Direct costs related to the development of computing programs include personnel costs of the development team and a fractional part of general expenses.

(l) Goodwill

Business acquisitions are recorded using the purchase accounting method. This means, recognizing identifiable assets of the acquired company at fair value. Any excess between the acquisition cost and the fair value of the identifiable net assets is recognized as goodwill.

When the acquisition agreement foresees adjustments to the price based on the compliance with some future assumptions, and at the moment of the initial accounting, its occurrence has not occurred or the value cannot be reliably estimated, this adjustment is not included in the acquisition cost. If, subsequently, such adjustment becomes likely and can be reliably estimated, the additional amount will be treated as an adjustment to the acquisition cost.

The Bank' management assesses at the end of each reporting period whether there is any indication that the goodwill may be impaired. In addition, the goodwill is tested for impairment at the same time every year. This accounting policy is in line with SBS Resolution 1967-2010.

(m) Securities, Bonds, and Obligations Issued

This includes liabilities for the issuance of redeemable subordinated bonds, subordinated bonds, financial lease bonds, corporate bonds; which are recorded at amortized costs determined by the effective interest method. The discounts granted or the generated income is amortized during the effectiveness term of these instruments.

Interest is recognized as expenses when accrued.

(n) Provisions and Contingencies

(i) Provisions

Provisions are recognized when Scotiabank Perú S.A.A. and Subsidiaries have a present obligation, either legal or assumed, as a result of past events, and when it is probable that an outflow of resources will be required to settle the obligation, and it is possible to reliably estimate its amount. Provisions are reviewed and adjusted in each period to reflect the best estimates as of the reporting date. When the effect of the time value of money is material, provisions are discounted using an interest rate reflecting the current market rate for time value of money and specific risks of liabilities.

The provision for severance payment (CTS) is calculated according to current legislation, on the total employees' indemnities and should be paid through deposits in authorized financial entities as chosen by them. The computation is made for the amount that should have to be paid as at the reporting date and is included in the "Provision for severance indemnities" account. It is presented in the consolidated balance sheet under "Other liabilities".

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(ii) Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements, unless the possibility of an outflow of economic resources is remote.

Contingent assets are not recognized in consolidated financial statements, and they are only disclosed when an inflow of economic benefits is probable.

(o) Income and Expense Recognition

Interest income and expenses are recognized in the corresponding fiscal year on an accrual basis, depending on the term of the generating transactions and the interest rate agreed with the clients. Commissions for banking services are recognized as income when earned.

When management considers that there are reasonable doubts about the collectibility of the principal of a loan, Scotiabank Perú S.A.A. and Subsidiaries suspend the recognition of interest in the income statement. The interest in suspense is recorded in memoranda accounts and recognized as earned when collected. When management considers that the financial situation of the debtor has improved and that the doubt about the collectibility of the principal has dissipated, it reestablishes the accounting of the interest on an accrual basis.

Interest income includes the return on fixed-income investments and trading securities, as well as the recognition of discounts and premiums on financial instruments. Dividends are recorded as income when declared.

The Scotiabank Perú S.A.A. and Subsidiaries' other income and expenses are recorded in the fiscal period in which they are accrued.

(p) Capital Stock

Common shares are classified as equity. Preferred shares were recorded as other debt instruments; with the difference between the redeemable amount of preferred shares and their par value being recorded in the capital account. Dividends on preferred shares are recorded as liabilities and charged against the income statement of the period.

(q) Earning per Share

Basic and diluted earnings per share result from dividing the net profit attributable to the common shareholders by the weighted average number of issued shares in the period, having deducted the treasury shares as of the date of the financial statements. Diluted earning per share corresponds to the basic earnings per share, adjusted for the dilutive effects of shares coming from the conversion of bonds or convertible shares, among others. As of March 31, 2010 and December 31, 2009, Scotiabank Perú S.A.A. and Subsidiaries did not have financial instruments with dilutive effects, therefore basic and diluted earning per share are the same.

(r) Consolidated Statement of Cash Flows

For the purposes of these consolidated financial statements, the balances of "Cash and due from banks" and "Interbank funds", of the assets, as of March 31, 2010 and 2009 were considered as cash and cash equivalents.

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- (s) Trust Funds  
Assets from trust operations where there is an engagement to return these assets to the clients and the Bank acts as trustee are not included in the consolidated financial statements since they do not belong to the Bank but are recorded in memoranda accounts for their corresponding control.
- (t) Repurchase Agreements  
Shares sold under repurchase agreements are presented in the consolidated financial statements as committed assets when transfer has been made subject to an agreement to repurchase the collateral and the legal ownership of corresponding investments has not been transferred; the liability with the counterparty is recorded under “borrowings and financial obligations” in the balance sheet. The difference between sale and repurchased price is treated as interest and accrued over the life of the agreements using the effective interest method.
- (u) Foreign Currency Transactions and Balances  
Foreign currency transactions are those transactions carried out in a currency that is different from the Nuevo sol. Foreign currency transactions are translated into nuevo sol using exchange rates reported at the dates of the transactions (note 4). Gains or losses on exchange differences resulting from the payment and receipt of such transactions and from the translation of monetary assets and liabilities stated in foreign currency at exchange rates reported at the closing of the period are recognized in the consolidated income statement.
- (v) New International Accounting Pronouncements  
Certain standards and interpretations have been issued and are effective beginning on or after 1 January 2008. In Perú, these standards are awaiting approval by the Consejo Normativo de Contabilidad (CNC):
- IFRS 9 “Financial Instruments”: Related to classification and measurement of financial assets, is mandatory from January 2013, earlier adoption is permitted. This NIIF does not replace IAS 39.
  - IFRIC 15 “Agreements for the Construction of Real Estate”: is effective from January 2009.
  - IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”: is mandatory from October 2008.
  - IFRIC 17 “Distribution to Non-Cash Assets to Owners”: is effective from July 2009.
  - IFRIC 18 “Transfers of Assets from Customers”: is mandatory from July 2009.
  - IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”: is effective from July 2010.
  - Amendments to certain accounting standards and interpretations issued earlier became effective from periods beginning on or after January 1, 2009.

The Scotiabank Perú S.A.A. and Subsidiaries’ management have not determined the potential impact of these standards in its consolidated financial statements, whose official approval in Peru is still pending by the CNC.

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The SBS by means of Official Letter 60202-2009, dated December 30, 2009, communicated the postponement of the application of International Financial Reporting Standards: IFRS 4 *Insurance Contracts*, IFRS 7 *Financial Instruments: Disclosures*, and IFRS 8 *Operating Segments*. This postponement will be effective until the SBS issues corresponding regulations as part of the process to harmonize its accounting regulations to IFRS.

(4) Balances in Foreign Currency

The consolidated balance sheets include balances of transactions in foreign currency, mainly in U.S. dollars (US\$), which are recorded in nuevos soles (S/.) at the exchange rate established by the SBS. As of March 31, 2010 and December 31, 2009, these rates were US\$1 = S/.2.841 and S/.2.890, respectively.

Foreign currency transactions in the country and international trade transactions referred to the concepts authorized by Banco Central de Reserva del Perú - BCRP (Central Bank), are channelled through an interbank foreign exchange market. As of March 31, 2010 and December 31, 2009, the buy and sell exchange rates used were US\$1= S/.2.84 and US\$1= S/. 2.842, respectively (US\$1= S/.2.888 buy rate, and US\$1= S/.2.891 sell rate as of December 31, 2009).

Foreign currency balances stated in thousands of U.S. dollars as of March 31, 2010 and December 31, 2009, are summarized as follows:

	03.31.2010			12.31.2009		
	U.S. Dollars	Euros	Other currencies	U.S. Dollars	Euros	Other currencies
<b>Assets:</b>						
Cash and due from banks	1,222,105	8,960	51	1,122,899	15,622	212
Trading and available-for-sale investments	32,218	-	-	46,980	57,963	-
Loan portfolio, net	2,965,952	-	-	2,829,385	-	-
Account receivable	64,731	30	167	32,218	432	-
Other assets	36,173	8,106	1,518	33,819	32	1,658
	4,321,179	17,096	1,736	4,065,301	74,049	1,870
<b>Liabilities:</b>						
Deposits and obligations	3,435,401	64,611	56	3,564,868	70,585	107
Borrowings and financial obligations	872,405	-	-	492,772	-	-
Securities, bonds, and obligations issued	83,305	-	-	83,133	-	-
Other liabilities	251,104	8,122	1,659	177,410	4,310	1,901
	4,642,215	72,733	1,715	4,318,183	74,895	2,008
Net (liability) asset position on consolidated balance sheet	( 321,036)	( 55,637)	21	( 252,882)	( 846)	(138)
Transactions with derivative instruments	354,759	-	-	269,904	-	-

As of March 31, 2010, Scotiabank Perú S.A.A. and Subsidiaries recorded under financial income, the gains on exchange differences of various operations amounting to S/. 57,716 thousand, (gains of S/. 39,005 thousand as of March 31, 2009), see note 19.

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As of March 31, 2010, Scotiabank Perú S.A.A. and Subsidiaries had contingent operations in foreign currency amounting to US\$3,546,771 thousand, equivalent to S/.10,076,376 thousand (US\$2,599,545 thousand equivalent to S/. 7,512,685 thousand as of December 31, 2009).

(5) Cash and Due From Banks

As of March 31, 2010, cash and due from banks include US\$1,137,853 thousand and S/.401,239 thousand (US\$976,420 thousand and S/.391,443 thousand as of December 31, 2009) destined to cover the legal cash reserves that the Bank and CrediScotia Financiera S.A. must set aside to cover deposits from third parties according to limits established by current legislation. These funds are held both at BCRP and kept in the Bank and CrediScotia Financera S.A. vault.

Deposits in local and foreign banks correspond, mainly, to balances in nuevos soles and in U.S. dollars, and small amounts in other currencies, with free withdrawal option and accrue interest at market rates. As of March 31, 2010, deposits in foreign banks, included deposits held at The Bank of Nova Scotia by US\$1,744 thousand and Canadian dollars by \$3 thousand (US\$8,899 thousand and Canadian dollars by \$12 thousand as of December 31, 2009).

As of March 31, 2010, revenue from interest on cash and due from banks amounted to S/.1,031 thousand (S/.3,277 as of March 31, 2009,) and is included as financial income item in the consolidated income statement (see note 19).

The funds of legal cash reserve held at BCRP do not accrue interest except for the enforceable amount in foreign currency that exceeds the minimum legal cash reserve. In March 2010, the daily average in excess for foreign currency amounted to US\$845,772 thousand (daily average US\$884,196 thousand in December 2009), and accrued interest in U.S. dollars at an annual rate of 0.1425% (annual rate of 0.1396% in December 31, 2009). According to the cash reserve provisions regulations issued by BCRP, legal cash reserve funds in local currency generate interest on the additional legal cash reserve exceeding the minimum legal reserve in nuevos soles. As of March 31, 2010, and December 31, 2009, there was no excess over legal reserve for the General Regime.

As of March 31, 2010, cash and due from banks included restricted funds of US\$6,478 thousand and S/.1,375 thousand (US\$2,720 thousand and S/.1,350 thousand as of December 31, 2009) and are mainly related to guarantee funds and restricted funds due to lawsuits against the Bank and CrediScotia Financiera S.A.

As of March 31, 2010, cash and due from banks did not include “overnight” operations agreed with Banco Central de Reserva del Perú-BCRP. As of December 31, 2009, included US\$28,200 thousand equivalent to S/.81,498 thousand, such operations accrued interest at an annual nominal rate of 0.1335%.

As of March 31, 2010, and December 31, 2009, Scotiabank Perú S.A.A. and Subsidiaries have no significant deposits with any commercial bank.



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- (6) Investments at Fair Value with Changes in Results and Available-for-Sale, net  
Is comprised of the following:

	<u>In thousands of S/.</u>	
	<u>03.31.2010</u>	<u>12.31.2009</u>
Investments at fair value with changes in results:		
BCRP certificates of deposit (a)	4,993	-
Peruvian Treasury Bonds (b)	41,475	86,034
	-----	-----
	46,468	86,034
	-----	-----
Available-for-sale investments:		
BCRP certificates of deposit (a)	3,672,709	2,826,398
Peruvian Treasury Bonds (b)	580,072	597,392
Listed shares	6,406	6,296
Unlisted shares	22,087	20,157
Mutual funds units (c)	76,542	74,386
Corporate bonds	7	525
Trading certificates of deposits	7,115	7,156
Investments in securitizations:		
Equity 2 (d)	960,084	970,724
Less:		
Provision for unlisted shares	( 14,778)	( 15,415)
Provision for investments in securitization	( 960,084)	( 968,449)
	-----	-----
	4,350,160	3,519,170
	-----	-----
Total investments at fair value and available-for-sale, net of provision	4,396,628	3,605,204
Plus:		
Accrued return on investments	11,794	31,850
	-----	-----
Total investments at fair value and available-for-sale, net	4,408,422	3,637,054
	=====	=====

- (a) BCRP certificates of deposit are bearer securities freely negotiable in local currency; they are acquired through public bids of BCRP and marketed in the Peruvian secondary market. As of March 31, 2010, annual interest rate in local currency ranged from 1.1806% to 2.13% (from 1.20% to 7.02% as of December 31, 2009) and had maturities between April and July 2010 (between January 2010 and July 2010, as of December 31, 2009).

Likewise, as of March 31, 2010, and December 31, 2009, the balance of available-for-sale certificates of deposit issued by BCRP did not include certificates with restricted availability.

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- (b) The Peruvian Treasury Bonds correspond to sovereign bonds issued in local currency by the Peruvian Ministry of Economy and Finance and represent internal public debt instruments of the Republic of Perú. As of March 31, 2010, these bonds accrued interest at annual rates ranging from 4.24% to 6.69% (from 4.30% to 6.17% annually as of December 31, 2009), with maturities between May 2015 and August 2037 (between March 2010 and August 2026 as of December 31, 2009).
- (c) As of March 31, 2010, mutual fund units included S/.57,141 thousand and US\$6,831 thousand corresponding to investments in mutual funds mainly managed by a subsidiary (US\$25,743 thousand as of December 31, 2009).
- (d) Equity 2:  
In May 2003, the Bank and Scotia Sociedad Titulizadora S.A. signed an addendum to the securitization trust framework agreement (Equity 2), through which they agreed to convert bonds and certificates of participation into certificates of securitization.

As of March 31, 2010 and December 31, 2009, the accrued interest on investment at fair value with changes in results investments amounted to S/.18,734 thousand and S/.31,323 thousand, respectively, and are included in the Financial Income item in the consolidated income statement (see note 19).

Management estimates the market value of investment at fair value with changes in results and available-for-sale investments based on quoted market prices at the Lima Stock Exchange or, when those are not available, by discounting the expected cash flows at an interest rate reflecting the risk of the security. In the opinion of the Scotiabank Perú S.A.A. and Subsidiaries' management the market value of securities and the provisions, recorded to have them at their estimated market value, are enough to cover any eventual losses as of March 31, 2010 and December 31, 2009.

Investment at fair value with changes in results and available-for-sale investments, as of March 31, 2010 and December 31, 2009, present the following maturities:

	<u>In thousands of S/.</u>	
	<u>03.31.2010</u>	<u>12.31.2009</u>
Up to 3 months	2,338,891	1,785,647
From 3 months to 1 year	1,473,013	1,160,488
Over 1 year	596,518	690,919
	-----	-----
	4,408,422	3,637,054
	=====	=====

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

(7) Loan Portfolio, net

Is comprised of the following:

	In thousands of S/.			
	03.31.2010	%	12.31.2009	%
Directs loans:				
Current loans	15,333,327	96	14,941,438	96
Refinanced loans	248,482	1	230,263	1
Restructured loans	117,456	1	127,079	1
Past due loans	271,415	2	286,947	2
Lawsuits loans	47,914	-	43,777	-
	16,018,594	100	15,629,504	100
		===		===
Plus (less):				
Accrued interest on current loans	136,893		144,791	
Non-accrued interest	( 446,276)		( 406,096)	
Provision for doubtful loans	( 774,321)		( 802,562)	
	14,934,890		14,565,637	
	2,535,721		2,439,911	
Indirect loans (note 18)				

As of March 31, 2010, and December 31, 2009, fifty-one percent of the direct and indirect loan portfolio of the Bank and CrediScotia Financiera S.A. were concentrated in 550 and 481 clients, respectively.

The loan portfolio (direct and indirect) is mainly collateralized by collateral received from clients, which are mainly composed of mortgages, industrial and merchant pledges, third-party letters of guarantees and securities. The value of these mortgages and pledges has been determined based on net realizable value in the market, less selling expenses according to SBS regulations.

Annual interest rates are regulated by the market and may be fixed freely by Scotiabank Perú S.A.A. and Subsidiaries. As of March 31, 2010 and December 31, 2009, the annual average effective rates for the main products were the following:

	%			
	03.31.2010		12.31.2009	
	Local currency	Foreign currency	Local currency	Foreign currency
Overdrafts (*)	42.16 – 58.54	26.72 – 31.73	37.71 – 72.49	23.10 - 30.15
Discounts and commercial loans	3.46 – 29.82	2.95 – 23.08	4.71 – 46.40	4.23 – 28.50
Consumer loans	15.93 – 54.87	6.94 - 46.61	16.17 – 59.20	8.27 – 46.10

(\*) For loans over S/.100 thousand and US\$100 thousand, respectively.

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As of March 31, 2010, and December 31, 2009, according to current SBS regulations, the loan portfolio was rated by risk as follows:

Risk Rating	03.31.2010				12.31.2009			
	N° of debtors	In thousands of S/.			N° de debtors	In thousands of S/.		
		Direct	Indirect	Total		Direct	Indirect	Total
Standard	760,643	14,657,148	2,500,515	17,157,663	788,182	14,284,289	2,415,096	16,699,385
Potential problem	69,337	483,793	25,233	509,026	67,687	458,482	16,278	474,760
Substandard	38,894	227,267	1,501	228,768	38,118	226,789	1,288	228,077
Doubtful	61,812	369,556	3,091	372,647	66,659	372,445	1,715	374,160
Loss	26,643	280,830	5,381	286,211	32,019	287,499	5,534	293,033
	-----	-----	-----	-----	-----	-----	-----	-----
	957,329	16,018,594	2,535,721	18,554,315	992,665	15,629,504	2,439,911	18,069,415
	=====	=====	=====	=====	=====	=====	=====	=====

As of March 31, 2010, and December 31, 2009, direct loans were distributed among the following sectors:

	In thousands of S/.			
	03.31.2010	%	12.31.2009	%
Mortgage and consumer loans	4,630,463	29	4,564,687	29
Manufacturing	2,253,162	14	2,142,275	14
Trade	1,799,976	11	1,676,551	11
Real estate business and lease service	831,074	5	683,559	4
Fishing	239,222	1	244,716	2
Mining	526,939	3	819,031	5
Transportation	706,678	4	692,139	4
Construction	209,701	1	204,725	1
Education, services, and other	290,045	2	274,012	2
Agriculture and livestock	200,195	1	193,402	1
Financial intermediation	477,640	3	523,063	3
Electricity, gas, and water	752,993	5	751,590	5
Hotel and restaurants	101,790	1	115,426	1
Public administration and defence	21,693	-	22,114	-
Other (mainly non-profit, healthcare and automotive)	2,977,023	20	2,722,214	18
	-----	----	-----	----
	16,018,594	100	15,629,504	100
	=====	=====	=====	=====

The movement of the provision for doubtful loans (direct) is as follows:



SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

- (8) Accounts Receivable, net  
Is comprised of the following:

	In thousands of S/.	
	03.31.2010	12.31.2009
Claims to SUNAT (a)	133,208	133,208
Accounts receivable from collections and warehousing services	51,464	57,114
Accounts receivable for differential of derivative financial instruments - forwards (b)	22,366	43,885
Accounts receivable from guarantee trusts, net (c)	15,944	15,103
Commissions receivable	15,828	14,853
Payments on behalf of the thirds parties, net	7,783	5,286
Rescinded finance lease agreements, net	4,503	7,588
Accounts receivable from principals	2,979	5,859
Advances to personnel	2,477	1,763
Other accounts receivable, net (d)	52,217	206,724
	308,769	491,383
	308,769	491,383

(a) Claims to SUNAT

The Scotiabank Perú S.A.A. and Subsidiaries tax proceedings as of March 31, 2010, correspond to the compensation of the credit balance against ITAN (Temporary Tax on net Assets) for years 2006 and 2005, see note 24c.

Likewise, it also includes the process for the reply on an assessment related to land object of a lease agreement under tax treatment of Law Decree 299; which was definitively resolved in favor of Scotiabank Perú S.A.A. and Subsidiaries by the Supreme Court; thus remaining only the issuance of final resolutions.

(b) Accounts receivable and payable for differential of derivative financial instruments - forwards

As of March 31, 2010, Scotiabank Perú S.A.A. and Subsidiaries hold sale and purchase "forward" transactions for a face value of US\$1,096,448 thousand and US\$1,451,207 thousand; respectively with maturities until April 2013 (as of December, 31, 2009, held forward transactions for US\$636,348 thousand and US\$906,252 thousand, respectively, with maturities until April 2013). Forward transactions in March 31, 2010, generated a net loss of S/.20,232 thousand (a net gain of S/. 12,421 thousand in March 31, 2009), see notes 19 and 20.

(c) Account receivable from guarantee trust

SBS Resolution 1796-2003, dated December 23, 2003, authorized the Bank, as Trustor, to sign on December 29, 2003, a Guarantee Trust Agreement. By means of this agreement, the Bank transferred a loan portfolio, provisions and guarantees corresponding to this portfolio. This trust guarantee was to support a financing operation with Banco de Credito del Perú for US\$10,000 thousand. This was initially a 4-year term agreement that could be extended upon agreement of both parties. Finally, the validity term of the trust agreement was established until December 29, 2010.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES  
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According to such agreement, the Bank may replace or dispose of assets provided that the net value of transferred loans maintains an amount equal or lower than the financing balance granted by the Beneficiary for the substitution of assets, and higher than ten and lower than fifteen times, for the disposal of assets. These obligations and others included in the trust agreement may affect the financing amount committed by the Beneficiary; however, as of March 31, 2010, the Bank had not yet requested any disbursement under the facility. Likewise, as of March 31, 2010, the Bank had transferred loans from the guarantee trust for a net value of S/.38,825 thousand (S/.48,841 thousand as of December 31, 2009).

The valuation of the provision for doubtful loans of the Guarantee Trust Agreement is calculated according to the criteria established in note 3e.

As of March 31, 2010 and December 31, 2009, the net balance of accounts receivable from trust amounted to S/.15,944 thousand and S/.15,103 thousand, respectively, and included accumulated provisions for S/.171,162 thousand and S/.212,067 thousand, respectively.

(d) Other accounts receivable, net

As of March 31, 2010 the balance of S/.52,217 thousand in other accounts receivable, net of corresponding provision for doubtful accounts, is composed of various accounts receivable. As of December 31, 2009, the balance of other accounts receivable, net of corresponding provision for doubtful accounts, is composed of: i) S/.157,608 thousand of accounts receivable from the sale of investments; ii) S/.8,612 thousand of accounts receivable from the sale of goods amounting to; and iii) S/.35,003 thousand of various accounts receivable.

(9) Goodwill

On July 15, 2008, the Bank acquired 100% of the capital stock of Banco del Trabajo S.A., currently CrediScotia Financiera S.A., and Recaudadora S.A., merged with Servicios, Cobranzas e Inversiones S.A.C. (both entities belonging to one shareholder). This transaction was recorded using the purchase accounting method.

The acquisition price of Banco del Trabajo S.A. and Recaudadora S.A. amounted to S/.297,780 thousand. For the acquisition of Banco del Trabajo S.A., the agreement has a price adjustment provision (earn out) depending whether said entity obtains, after the closing, the following results in a three-year period: US\$25,000 thousand the first year, US\$30,000 thousand the second year, and US\$35,000 thousand the third year. The contingent amount payable recorded by the Bank as an adjustment to the acquisition cost is S/.83,290 thousand, which was made in conformity with the agreement. The estimated market value of the carrying amounts of identifiable assets and liabilities of both entities at the acquisition date, the adjusted acquisition price and the goodwill are presented below:

	<u>In thousands of S/.</u>
Net assets acquired at fair value, net of fair value adjustments of S/. 10,943 thousand	103,596
Adjusted acquisition costs	382,414
	-----
Goodwill	278,818
	=====

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES  
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The generated goodwill is attributed to the high profitability of the business acquired and the significant synergies that are expected to be obtained after the acquisition of Banco del Trabajo S.A. and Recaudadora S.A.

(10) Property, Furniture, and Equipment, net

Is comprised of the following:

	In thousands of S/.				
	Balances as of 12.31.2009	Additions	Disposals	Reclassification / adjustments	Balances as of 03.31.2010
Cost:					
Land	215,359	-	( 890)	8	214,477
Property and premises	713,436	148	( 4,487)	( 210)	708,887
Furniture, fixture, and computing equipment	292,348	2,571	( 108)	1,572	296,383
Vehicles	5,193	-	-	-	5,193
Units in transit and replacing units	2,076	489	-	( 1,706)	859
Work-in-progress	1,018	1,142	-	( 83)	2,077
	1,229,430	4,350	( 5,485)	( 419)	1,227,876
	-----	=====	=====	=====	-----
Accumulated depreciation:					
Property and premises	388,109	8,297	( 804)	( 2,250)	393,352
Furniture, fixture, and computing equipment	213,616	6,750	( 72)	-	220,294
Vehicles	3,703	145	-	-	3,848
	605,428	15,192	( 876)	( 2,250)	617,494
	-----	=====	=====	=====	-----
Provision for impairment of property	103,471	-	( 2,766)	-	100,705
	520,531	-----	-----	-----	509,677
	-----	=====	=====	=====	-----

According to current legislation, banks in Peru cannot give as collateral goods that are part of their property, furniture, and equipment, except for those acquired through the issuance of leasing bonds to carry out finance lease operations.



SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES  
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(11) Other Assets, net

Is comprised of the following:

	<u>In thousands of S/.</u>	
	<u>03.31.2010</u>	<u>12.31.2009</u>
Tax credits and other (a)	308,203	337,903
Prepaid expenses and payments on account of income tax (b)	140,747	194,780
Transactions in process (c)	132,689	38,930
Deferred income tax and deferred employees' profit sharing (note 25)	75,090	78,922
Repossessed and liquid assets, net of accumulated depreciation and provision for impairment for S/.125,138 thousand (S/.136,583 thousand in 2009)	28,389	38,836
Inventories	13,485	12,537
Intangible assets, net of amortizations of S/.251,857 thousand (S/.260,188 thousand in 2009)	12,332	14,092
Other	8,623	8,623
	-----	-----
	719,558	724,623
	=====	=====

- (a) As of March 31, 2010 and December 31, 2009, tax credit mainly includes: (i) the value added tax (VAT) for S/.308,109 thousand and S/.331,627 thousand respectively, for the acquisition of assets that have been transferred under a finance lease, which has not been applied against operations subject to taxation; and (ii) for December 31, 2009 the ITAN that has not been applied to income tax for S/.5,564 thousand.
- (b) As of March 31, 2010, and December 31, 2009, prepaid expenses included mainly payments on account of income tax for S/.56,766 thousand (S/.105,044 thousand as of December 31, 2009). The Scotiabank Perú S.A.A. and Subsidiaries' management and its legal advisors estimate that these amounts will be applied in future fiscal periods.
- (c) Transactions in process are those carried out during the last days of the month and are reclassified in the following month under their respective accounts in the balance sheet; these transactions do not affect the results of Scotiabank Perú S.A.A. and Subsidiaries. As of March 31, 2010, the amount of S/.111,593 thousand corresponded to Treasury and S/.3,708 thousand for unsettled Unibanca transactions (S/.27,243 thousand and S/.987 thousand as of December 31, 2009; respectively).

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(12) Deposits and Obligations

As of March 31, 2010 and December 31, 2009, deposits and other obligations came from:

	In thousands of S/.			
	03.31.2010	%	12.31.2009	%
Individuals	6,339,079	35	6,614,148	37
Corporate clients	8,593,207	48	8,115,513	45
Non-profit organizations	1,952,169	11	2,321,195	13
Other	991,066	6	1,024,264	5
	17,875,521	100	18,075,120	100
	17,875,521	100	18,075,120	100

The Bank's deposits and other obligations in U.S. dollars represent 55% and 58% of the total deposits as of March 31, 2010 and December 31, 2009, respectively. The amount owed for deposits included accounts which have been pledged in favour of Scotiabank Perú S.A.A. and Subsidiaries for loan operations for S/.240,636 thousand and US\$186,157 thousand as of March 31, 2010 and for S/.222,972 thousand and US\$182,678 thousand as of December 31, 2009.

Likewise, as of March 31, 2010 and December 31, 2009, from the total of deposits and obligations of individuals and non-profit legal entities, the amounts of S/.4,821,127 thousand and S/.4,831,011 thousand respectively, are covered by the Peruvian deposit insurance fund, according to current legal regulations.

According to article 4 of the SBS Resolution 0657-99, deposits supported by the fund are the following:

- (a) Registered deposits, under any modality, of individuals and private non-profit legal entities;
- (b) Accrued interest on the above-mentioned deposits, as from their respective opening dates or their last renewal; and
- (c) Demand deposits corresponding to legal entities.

The maximum amount covered for each individual as of March 31, 2010, amounted to S/.83 thousand (S/.82 thousand as of December 31, 2009).

Scotiabank Perú S.A.A. and Subsidiaries freely establish deposits interest rates based on supply and demand, and according to the type of deposits. Current rates in effect as of March 31, 2010 and December 31, 2009 fluctuated as shown below for the following main products (annual effective rate):

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	%			
	03.31.2010		12.31.2009	
	Local currency	Foreign currency	Local currency	Foreign currency
Savings deposits	0.98 – 2.71	0.45 – 1.79	0.97 – 2.70	0.45 – 1.80
Time deposits	0.96 – 6.90	0.51 – 3.40	1.08 – 7.70	0.40 – 3.60
Bank certificates	-	0.26 - 1.38	-	0.40 – 1.70
Severance indemnities deposits	1.47 – 6.00	1.35 – 4.00	4.00 – 6.00	1.40 – 4.00

As of March 31, 2010 and December 31, 2009 the scheduled maturity dates of the time deposits were as follows:

	In thousands of S/.					
	03.31.2010			12.31.2009		
	Local currency	Foreign currency	Total	Local currency	Foreign currency	Total
Up to 1 month	1,399,352	1,756,119	3,155,471	1,299,816	2,075,981	3,375,797
More than 1 to 3 months	831,722	927,786	1,759,508	541,941	825,426	1,367,367
More than 3 to 6 months	823,179	1,074,975	1,898,154	954,768	890,085	1,844,853
More than 6 to 12 months	533,518	823,945	1,357,463	465,743	1,256,610	1,722,353
Over 12 months	79,855	411,765	491,620	110,398	559,357	669,755
	----- 3,667,626	----- 4,994,590	----- 8,662,216	----- 3,372,666	----- 5,607,459	----- 8,980,125
	=====	=====	=====	=====	=====	=====

Demand and savings deposits and other obligations have no contractual maturities.

(13) Borrowings and Financial Obligations

Is comprised of the following:

	In thousands of S/.	
	03.31.2010	12.31.2009
COFIDE credits lines (a):		
Mivivienda	185,149	184,863
Working capital and other	190,000	200,000
Ordinary loans from abroad (b):		
Related banks	350,658	39,890
Other banks	1,470,036	1,212,049
	----- 2,195,843	----- 1,636,802
Interest payable	14,988	20,127
	----- 2,210,831	----- 1,656,929
	=====	=====

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- (a) COFIDE - Corporación Financiera de Desarrollo S.A. (Finance Development Corporation) credit lines correspond to resources obtained for the granting of loans, mainly for the Fondo Mivivienda mortgage financing programs, which accrue at a fixed rate adjusted for the VAC index.
- (b) Ordinary loans correspond to debts to foreign banks, in which loans are held as of March 31, 2010, with two related foreign financial entities: Scotiabank Ltd Bahamas for US\$113,165 thousand and The Bank of Nova Scotia for US\$10,263 thousand (as of December 31, 2009 for US\$3,165 thousand and US\$10,638 thousand, respectively).

Borrowings and financial obligations accrue interest based on fixed rates, except for the syndicated loan described in the following paragraph. As of March 31, 2010, the borrowings of Scotiabank Perú S.A.A. and Subsidiaries accrued interest at average rates that range from 0.3839% and 7.500% p.a. (1.533 % and 7.50% p.a. as of December 31, 2009).

In June 2008, the Bank closed an agreement of a medium-term syndicated loan with resources from abroad, with the participation of 14 foreign banks. The loan amounted to US\$280,000 thousand at a Libor rate plus 1.25% annually, with a total term of 3 years payable as from the second year, in 3 equal semi-annual instalments finishing in June 2011. Through this agreement, the Bank committed to maintain, during the whole effectiveness period of the loan, the following financial ratios:

- i. Maintain a leverage ratio (risk weighted capital adequacy ratio) over 9.09%.
- ii. Maintain a non-performing due loan ratio lower than 4%.
- iii. Maintain a loan loss provision ratio over 90% from the total overdue portfolio.

As of March 31, 2010 and December 31, 2009, the scheduled maturity dates of the borrowings from banks and other financial institutions were as follows:

	<u>In thousands of S/.</u>	
	<u>03.31.2010</u>	<u>12.31.2009</u>
Up to 1 month	561,224	123,405
More than 1 to 3 months	378,752	3,589
More than 3 to 6 months	4,587	341,132
More than 6 to 12 months	450,253	505,693
More than 12 months to 5 years	816,015	683,110
	-----	-----
	2,210,831	1,656,929
	=====	=====

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(14) Securities, Bonds and Obligations Issued

Is comprised of the following:

<u>Issuance</u>	<u>Annual interest</u>	<u>Maturity</u>	<u>Outstanding balances</u> <u>in thousands of S/.</u>	
			<u>03.31.2010</u>	<u>12.31.2009</u>
Negotiable notes (a)				
Series A	5.25%	2017	142,050	-
Series B	LIBOR 3m + 2.75%	2017	355,125	-
			-----	
			497,175	
			-----	
Redeemable subordinated bonds (b)				
1st issuance	9.75% - 9.10%	2012 y 2013	198,127	201,460
Leasing bonds (c)				
1st issuance A	5.75%	2010	28,410	28,900
Redeemable subordinated bonds				
2nd issuance E	8.25%	2011	8,523	8,670
Corporate bonds (d)				
1st issuance A	5.688%	2012	30,000	30,000
1st issuance B	5.781%	2012	26,660	26,660
1st issuance A	6.344%	2013	100,000	100,000
3rd issuance A	6.813%	2013	150,000	150,000
5th issuance A	6.437%	2014	40,900	40,900
5th issuance B	6.594%	2014	25,150	25,150
5th issuance C	6.313%	2014	49,290	49,290
6th issuance A	4.656%	2012	30,140	30,140
			-----	-----
			452,140	452,140
			-----	-----
			1,184,375	691,170
Interest payable (e)			12,535	5,432
			-----	-----
			1,196,910	696,602
			=====	=====

- (a) In January 2010, SBP DPR Finance Company (special purpose entity established in Grand Cayman and consolidated by Scotiabank Perú S.A.A. and Subsidiaries) made a securitization agreement of Diversified Payment Right (DPR), in which SBP DPR Finance Company acquired the rights and future flows from remittances received from correspondent banks up to the deadline specified in the contract.

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SBP DPR Finance Company issued two series of long-term notes, Series “A” for US\$50,000 thousand and Series B for US\$125,000 thousand, both series with maturities in 2017. The Series “A” accrue interest at a fixed rate of 5.25% and Series “B” accrue interest at the three-month LIBOR rate plus 2.75%. The notes are guaranteed by remittances received by the Bank through SWIFT messages and are transferred to SBP DPR Finance Company. The issue of these notes has standard clauses on the compliance of financial ratios and other administrative matters, which, in Management’s opinion, do not affect the Bank’s operation and are being met.

- (b) During 2000, the Bank issued, through public auction, subordinated bonds for US\$70,000 thousand denominated Banco Wiese Sudameris Subordinated Bonds – First Issuance with SBS authorization – Resolution 366-2000. The issuance of these bonds concluded in 2001 and was executed in seven series (identified with letters A, B, C, D, E, F, and G) of 1,000 bonds per series at a par value of US\$10 thousand maturing in 2012 and 2013. The proceeds obtained were used to finance loan operations.
- (c) Former Banco Sudamericano authorized a global program on issuance of obligations up to an annual maximum outstanding amount of US\$100,000 thousand to be issued in local and foreign currency under the different modalities of debt, to be executed as from 2004. Thus, in 2005 the issuance of leasing bonds denominated Banco Sudamericano Leasing Bonds – Eleventh Issuance (11<sup>th</sup> Issuance) was approved up to an amount of US\$30,000 thousand, which were totally placed.
- (d) During the years 2009, 2008 and 2007, the Bank issued Corporate Bonds for S/.145,480 thousand within a term of 3 and 5 years. The proceeds were exclusively destined to the financing of loan operations.
- (e) As of March 31, 2010, interest payable on securities and obligations mainly included unpaid interest corresponding to securities issued by the Bank for S/.10,590 thousand (as of December 31, 2009, it includes, among others, cumulative dividends unpaid as of that date for preferred shares amounting to S/.5,432 thousand).

Subordinated bonds issued by the Bank do not have specific collateral; however, they have a general guarantee on shareholders’ equity of the Bank.

The redeemable subordinated bonds 2nd issuances come from the simple reorganization process between the Bank with Wiese Sudameris Leasing S.A. and Banco Sudamericano S.A.

As of March 31, 2010 and December 31, 2009, the maturity of securities issued, at par value, was as follows:

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	<u>In thousands of S/.</u>	
	<u>03.31.2010</u>	<u>12.31.2009</u>
Up to 1 month	-	4,220
More than 1 to 3 months	-	113
More than 3 to 6 months	-	111
More than 6 to 12 months	39,000	29,888
More than 12 months to 5 years	1,157,910	662,270
	-----	-----
	<u>1,196,910</u>	<u>696,602</u>
	=====	=====

(15) Provisions and Other Liabilities

Is comprised of the following:

	<u>In thousands of S/.</u>	
	<u>03.31.2010</u>	<u>12.31.2009</u>
Dividends payable to shareholders (note 16d)	191,116	-
Various accounts payable	165,402	164,820
Transactions in process (a)	160,702	76,178
Provisions for litigations and legal claims (b)	108,728	107,283
Income tax provision (note 24)	70,249	140,872
Accounts payable for differential of derivative financial instruments – “forwards” (note 8a)	47,711	47,591
Vacations, profit sharing and remunerations payable	46,509	68,794
Generic provision with charge to equity (c)	36,587	36,674
Deferred income for portfolio sale and other	32,946	22,602
Accounts payable to customers	26,962	39,670
Dividends from securities held in custody payable to customers	15,431	16,538
Deferred income tax and employees’ profit sharing (note 25)	7,821	7,804
Other provisions (d)	163,767	152,604
	-----	-----
	<u>1,073,931</u>	<u>881,430</u>
	=====	=====

(a) Transactions in process are mainly those carried out during the last days of the month and are reclassified in the following month to their definitive respective accounts in the consolidated balance sheet. These operations do not affect the results of Scotiabank Perú S.A.A. and Subsidiaries. As of March 31, 2010, liability transactions in process included S/.113,506 thousand related to Treasury operations (S/.32,342 thousand as of December 31, 2009).

(b) As of March 31, 2010 and December 31, 2009, Scotiabank Perú S.A.A. and Subsidiaries have various legal actions, which are related to civil and labor claims, among others. These legal actions are related to activities that are performed in the normal course of the Scotiabank Perú S.A.A. and Subsidiaries’ operations and are not anticipated to have any significant impact on operations or their results.

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- (c) Generic provision account mainly corresponds to reversals or recoveries of provisions recorded since 2002 charged to equity accounts, which, according to SBS Official Letter 23797-2003, shall be reallocated to deficit of provisions in other asset accounts of the Bank. Likewise, as of March 31, 2010, generic provision included S/.700 thousand (S/.10,686 thousand and US\$584 thousand as of December 31, 2009) established by the Bank's management and charged to the income statement of the period.
- (d) During 2009, based on the acquisition agreement of CrediScotia Financiera S.A., the Bank recorded the adjustment to the acquisition price of the aforementioned shares for S/. 83,290 thousand, see note 9.
- (16) Shareholders' Equity
- (a) General
- As of March 31, 2010, the regulatory net worth of the financial conglomerate, determined pursuant to the SBS legal regulations as well as the requirements set out in SBS Resolution 446-2000, amounted to S/.2,664,537 thousand (S/.2,404,602 thousand as of December 31, 2009).
- According to article 5 of SBS Resolution 446-2000, the regulatory net worth of the financial conglomerate shall not be lower than the sum of the individual equity requirements of each of the companies composing the consolidatable groups of the conglomerate's financial system.
- Likewise, as of March 31, 2010, the regulatory net worth of Scotiabank Perú S.A.A. and CrediScotia Financiera S.A., according to regulations amounted to approximately S/.2,113,828 thousand and S/.285,953 thousand, respectively (as of December 31, 2009 S/.1,883,445 thousand and S/.284,814 thousand; respectively). These figures are used to calculate certain legal limits and restrictions according to the Peruvian banking law applicable to the Bank's operations in Peru.
- As of March 31, 2010, risk weighted assets and contingent credits determined by Scotiabank Perú S.A.A. and CrediScotia Financiera S.A. according to legislation applicable to financial institutions amounted to approximately S/.14,629,918 thousand and S/.1,826,306 thousand, respectively (S/.14,780,472 thousand and S/.1,736,514 thousand, respectively as of December 31, 2009).
- The global limit specified in the Banking Law, establish that the regulatory net worth should be equal to or greater than 9.5% of total risk weighted assets and contingent credits corresponding to the sum of amount of regulatory net worth requirements for market and operational risks multiplied by 10.5 and contingent assets and risk weighted credit. As of March 31, 2010, the global limit of Scotiabank Peru S.A.A. and CrediScotia Financiera S.A. determined by current legal rules amounts to 13.53% and 15.16%; respectively (11.91% and 15.83%, respectively as of December 31, 2009).



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(b) Capital Stock

As of March 31, 2010 and December 31, 2009, the Bank's capital stock comprised 139,949,195 common shares. All shares have voting rights and a par value of S/.10.00 each. As of March 31, 2010, the quoted value of common shares of the Bank was S/.57.00 per share (as of December 31, 2009, was S/.146.40 for common shares). As of March 31, 2010 and December 31, 2009, monetary inflation adjustment corresponding to 2001 through 2004 and amounting to S/.28,019 thousand was pending of capitalization.

At the Board of Directors' meeting held on January 28, 2009 and pursuant to the delegation conferred by the General Shareholders' meeting dated February 27, 2006, the capital increase related to the capitalization of subordinated loans was approved to allow minority shareholders to maintain their proportion in the capital stock according to articles 213 and 214 of the Company Act, having agreed to increase the capital stock up to the amount of S/.3,491 thousand through the issuance of 73,428 nominal common shares with voting rights of a face value of S/.10.00 to be covered through cash contributions through the preferred subscription procedures established in such meeting.

At the Board of Directors' meeting dated March 25, 2009, after finishing the subscription and payment of 73,428 new common shares at a subscription price of S/.47.55, each of them represented the payment amounting to S/.3,491 thousand from which S/.734 thousand correspond to the increase of capital stock and S/.2,757 thousand represent a premium of issuance.

At Shareholders' meeting held on March 26, 2009, the decrease of capital in an amount of S/.96 thousand resulting from 9,650 preferred shares for a face value of S/.10.00 each is in process. Additionally, the increase of capital stock for an amount of S/.921,338 thousand for the capitalization of equity accounts. Likewise, it was delegated to the Board of Directors of the Bank the faculty of indicating when the increase should be made.

At the Board of Directors' meeting held on December 17, 2009, based on the authority conferred by the Shareholders' meeting indicated in the previous paragraph, the Board approved the capitalization of S/.893,319 thousand, of which S/.2,956 thousand corresponds to additional capital, S/.20,397 thousand corresponds to capital in progress and S/.869,966 thousand corresponds to retained earnings; by which the capital stock increased from S/.506,173 thousand to S/.1,399,492 thousand.

The shareholding in the Bank's capital stock as of March 31, 2010 and December 31, 2009, is as follows:

<u>Percentage of shareholding</u>	<u>03.31.2010</u>		<u>12.31.2009</u>	
	<u>Number of shareholders</u>	<u>Total percentage of shareholding</u>	<u>Number of shareholders</u>	<u>Total percentage of shareholding</u>
0.01 to 1	2,751	2.32	2,751	2.32
1.01 to 50	2	42.38	2	42.38
50.01 to 100	1	55.30	1	55.30
	-----	-----	-----	-----
	2,754	100.00	2,754	100.00
	=====	=====	=====	=====

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As of March 31, 2010, Banking Law requires that the capital stock of the Bank reaches the minimum amount of S/.22,517 thousand (S/.22,383 thousand as of December 31, 2009), at constant value. This amount shall be updated annually at the closing of each period, based on the wholesale price index (WPI), as published by the Instituto Nacional de Estadística e Informática (National Institute of Statistics).

(c) Legal Reserve

In accordance with the Banking Law, the Bank is required to have a legal reserve of at least 35% of its capital stock. This reserve is created by an annual transfer of no less than 10% of after-tax profits, and supersedes the reserve referred to in the Companies Act. On the other hand, as stipulated in the Banking Law, the amount of this reserve may also be increased with contributions made by the shareholders for this purpose.

At the Bank's annual obligatory general shareholders meeting held on March 17, 2010, it was decided to apply to legal reserve an amount of S/.63,705 thousand, corresponding to 10% of net profit for the year 2009. During 2009, there was no increase to the legal reserve balance since at the date of its establishment (March 2009), the reserve balance exceeded the minimum amount required.

(d) Retained Earnings

At the Bank's annual obligatory general shareholders' meeting held on March 17, 2010, the distribution of profits corresponding to year 2009 for a total of S/.637,053 thousand was agreed, as follows:

- (i) Distribution of dividends of common shares was agreed for S/.191,116 thousand corresponding to a dividend of S/.1.36560953 per share.
- (ii) Allocate 10% of net income, amounting of S/.63,705 thousand to increase the legal reserve.
- (iii) Non-distributed balance, amounting to S/.382,232 thousand will be held in the equity account of Retained earnings.

At the Bank's annual obligatory general shareholders' meeting held on March 26, 2009, the distribution of profits corresponding to year 2008 for a total of S/.598,648 thousand was agreed, as follows:

- (i) Payment of dividends in cash in favour of the holders of common shares, for an amount of S/.179,594 thousand, corresponding to dividend of US\$56.098 per share.
- (ii) Make a profit capitalization for S/.330,000 thousand previously authorized by SBS.
- (iii) Non-distributed balance, amounting to S/.89,054 thousand will be held in the equity account of Retained earnings.

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(17) Contingencies and Commitments

(a) Pending Reply to the Peruvian Tax Authorities' Assessment

In December 1999, the Bank received the 012-02-0000409 resolution from the Tax Authority, through which the authority made an observation on the use of a tax credit against value added tax, for S/.366,148 thousand, including accrued interest as of March 31, 2010, mainly in the case of former bank Banco Wiese Limitado. The authority considered that the tax credit obtained from the purchase and sale of gold between 1997 and 1998 was not correct. Tax Court has annulled the allegations of the Tax Authority at first instance, and has ordered the issuance of a new pronouncement. The Bank's management and its legal advisors estimate that no new material liabilities will arise as a result of that tax audit.

(b) Contingencies

In February 2006, previous to the Banco Wiese Sudameris (BWS) acquisition by The Bank of Nova Scotia ("BNS") from Banca Intesa S.p.A, BNS reached an agreement with Banca Intesa S.p.A. to not include the subsidiary Wiese Sudameris Leasing S.A. (currently denominated Gestiones y Recuperaciones de Activos S.A. "GYRASA") in the acquisition of BWS due to possible contingencies, and also transferred assets and liabilities from Wiese Sudameris Leasing S.A. to the Bank's leasing business.

In March 2006, BNS, BWS and Banca Intesa S.p.A. held an Indemnity agreement through which Scotiabank Perú S.A.A. will assume the costs resulting from any potential legal or tax contingency that may arise for GYRASA and/or Banca Intesa S.p.A with regards to transferred assets.

Additionally, Scotiabank Perú S.A.A. and Subsidiaries have several pending court claims related to their ongoing activities. In the opinion of management and its internal legal advisors, these claims will not result in additional liabilities to those recorded by the Bank; therefore, management considers that no additional provision is necessary for these contingencies (note 15a).

(c) Commitments

During 2009, 9,650 preferred shares (see note 16b) were redeemed at US\$560.98064 per share, thus the Bank paid US\$5,413 thousand. Additionally, these preferred shares had a guarantee fixed dividend of 10%, which at payment date represented US\$52.514 per share. The Bank paid for this concept an amount of US\$52.514 per share.

(18) Contingent and Memoranda Accounts

In the normal course of business, the Bank and CrediScotia Financiera S.A. perform contingent transactions with credit risk in off balance sheet (contingent assets). These transactions expose the Bank and CrediScotia Financiera S.A. to additional credit risk, beyond of the amounts presented in the consolidated balance sheet. Credit risk for contingent transactions are recorded in the Memoranda Accounts and are related with amounts that the Bank and CrediScotia Financiera S.A. would assume by the commitments that bank's customers have contracted; by which compliance the Bank and CrediScotia Financiera S.A. have been blamed. The Bank and CrediScotia Financiera S.A. apply the same credit policies to evaluate and grant direct loans as indirect loans.

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As of March 31, 2010 and December 31, 2009, the contingent and memoranda accounts comprised the following:

	<u>In thousands of S/.</u>	
	<u>03.31.2010</u>	<u>12.31.2009</u>
Indirect loans:		
Guarantees and standby letters of credit	2,112,912	1,923,625
Issued letters of credit	348,165	426,118
Due from bank acceptances	74,644	90,168
	-----	-----
	2,535,721	2,439,911
Unused credit lines	6,582,899	6,536,722
Financial derivative contracts	6,992,698	4,533,893
Other	543	110,404
	-----	-----
	16,111,861	13,620,930
	-----	-----
Memoranda accounts:		
Securities held in custody	5,199,457	4,822,299
Suspended interest on loans	767,335	631,231
Goods transferred in trust	3,975,973	4,733,417
Guarantees received	37,095,710	36,291,370
Qualification of assets and contingent	48,769,401	39,668,638
Securities in collection	9,426,756	9,165,928
Own securities in custody	1,686,793	1,680,801
Written off loans	4,240,272	3,691,713
Advised letters of credit	259,784	272,529
Securities granted as warranties	412,488	427,581
Trust and debt trust commissions	4,079,046	4,211,402
Control accounts	56,299,050	53,658,309
Other memoranda accounts	18,467,327	20,472,879
	-----	-----
	190,679,392	179,728,097
	-----	-----
	206,791,253	193,349,027
	=====	=====

Due to the fact that many of the indirect loans are expected to expire without any disbursement being required from the Scotiabank Perú S.A.A. and Subsidiaries, the total committed amounts do not necessarily represent future cash requirements. Likewise, guarantees received are stated at the value of the guarantee agreed as of the date of the loan contract. This balance does not necessarily represent the market value of guarantees received by the Bank and CrediScotia Financiera S.A.

Documentary credits, such as export and import letters of credit and guarantees and stand-by letters of credit are conditional commitments issued by the Bank and CrediScotia Financiera S.A. to guarantee the performance by a customer of an obligation to a third party.

As of March 31, 2010, loan balances covered by guarantees amount to S/.6,712,030 thousand (S/.6,597,529 thousand as of December 31, 2009).

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(19) Financial Income

Is comprised of the following:

	<u>In thousands of S/.</u>	
	<u>03.31.2010</u>	<u>03.31.2009</u>
Interest and commissions on loan portfolio	491,025	524,859
Income from investment valuation	20,264	47,362
Exchange difference from operations	57,716	39,005
Interest on cash and due from banks	1,031	3,277
Gains on derivative instruments, net	1,885	13,194
Other financial income	18,048	18,299
	-----	-----
	589,969	645,996
	=====	=====

(20) Financial Expenses

Is comprised of the following:

	<u>In thousands of S/.</u>	
	<u>03.31.2010</u>	<u>03.31.2009</u>
Interest on obligations	46,999	120,791
Loss on valuation of investments	2,883	8,013
Interest on deposits from financial entities	1,082	2,036
Interest on borrowings from banks and financial institutions	16,265	31,261
Interest on securities, bonds and obligations issued	12,699	12,000
Deposit insurance fund premiums	5,340	6,490
Loss on derivative instruments, net	22,117	773
Other financial expenses	22,248	26,770
	-----	-----
	129,633	208,134
	=====	=====

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(21) Income from financial services, net

Is comprised of the following:

	In thousand of S/.	
	03.31.2010	03.31.2009
Income:		
Income from services and maintenance of credit / debit cards	38,129	42,079
Income from deposit transactions, services and transfer fees	29,718	36,271
Income from purchased portfolio recoveries	11,438	17,897
Income from payment and collections services	6,828	8,816
Income from warehousing	8,413	12,420
Income from teleprocessing services	9,049	5,467
Income from remunerations of mutual fund and administration fees	7,191	3,841
Income from structuring and administration services	3,047	742
Income from brokerage service	1,753	1,414
Other fees and commissions from banking services	21,638	17,643
Income from leased property	-	1,217
Other various income	9,881	14,988
	147,085	162,795
Expenses:		
Credit / debit cards expenses	( 9,487)	( 8,253)
Insurance services expenses	( 1,721)	( 312)
Other expenses	( 13,346)	( 17,858)
Warehousing expenses	( 5,675)	( 6,008)
	( 30,229)	( 32,431)
Total income from financial services, net	116,856	130,364

(22) Administrative Expenses

Is comprised of the following:

	In thousands of S/.	
	03.31.2010	03.31.2009
Personnel and board of directors expenses	136,655	142,286
Expenses for services received from third parties	80,843	75,090
Taxes and contributions	14,213	14,426
	231,711	231,802
	231,711	231,802

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(23) Other Income, net

Is comprised of the following:

	In thousands of S/.	
	03.31.2010	03.31.2009
Income from recovery of accounts receivable and other	27,734	19,534
Income from previous periods	24,886	49,742
Income (expenses) from repossessed assets	9,322	( 1,559)
Other extraordinary expenses, net	( 4,097)	( 7,960)
Gain (loss) on sale of out of use goods	39	( 96)
	57,884	59,661
	57,884	59,661

(24) Tax Matters

(a) Tax returns of Scotiabank Perú S.A.A. and Subsidiaries, which remain subject to audits by local tax regulator are the following:

Company	Tax returns subject to audit
Scotiabank Perú S.A.A.	Tax returns for 2007 through 2009
Depósitos S.A.	Tax returns for 2005 through 2009
Scotia Sociedad Agente de Bolsa S.A.	Tax returns for 2005 through 2009
Scotia Fondos Sociedad Administradora de Fondos S.A.	Tax returns for 2005 through 2009
Scotia Sociedad Titulizadora S.A.	Tax returns for 2005 through 2009
Servicios, Cobranza e Inversiones S.A.C.	Tax returns for 2005 through 2009
CrediScotia Financiera S.A.	Tax returns for 2005 through 2009

Any major expenses exceeding the provisions made to cover tax obligations will be charged to the results of the periods in which those expenses are finally settled. In the opinion of Scotiabank Perú S.A.A. and Subsidiaries' management, as a result of this review no significant liabilities will arise affecting the consolidated financial statements as of March 31, 2010.

In accordance with current tax legislation, corporate income tax is calculated on the basis of the net taxable profit at a rate of 30%.

Income tax (current and deferred) per company is presented as follows:

The Bank and each subsidiary have determined the following Income Tax amounts for the three-month period ended March 31, 2010:

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Entity	In thousands of S/ Income tax
Scotiabank Perú S.A.A.	59,658
Depósitos S.A.	429
Scotia Sociedad Agente de Bolsa S.A.	332
Scotia Fondos Sociedad Administradora de Fondos S.A.	925
Scotia Sociedad Titulizadora S.A.	60
Servicios, Cobranza e Inversiones S.A.	2,032
CrediScotia Financiera S.A.	8,760

- (b) As from 2001, for income and value added tax purposes, transfer pricing for transactions carried out with economically-related parties, and with companies domiciled in territories with low or null taxation, shall be supported with documentation and information about the valuation methods used, and the criteria considered, for the pricing. The Scotiabank Perú S.A.A. and Subsidiaries' management consider that for income and value added tax purposes, pricing regarding transactions such as those aforementioned has been made in accordance with tax legislation; consequently, no significant liabilities will arise as of March 31, 2010.
- (c) As from 2005, a temporary tax on net assets has been established. Its taxable base is composed of the net asset value adjusted as of the ended period before the payment was made, deducting the depreciation, amortization, legal cash reserve, and specific provisions for credit risk. The tax rate applicable to the amount of assets that exceeds S/.1,000 thousand is 0.4%. It may be paid in cash or in nine consecutive monthly instalments. The amount actually paid may be used as a credit against advance payments of the income tax for taxable periods March to December of the fiscal period for which the tax was paid until maturity of each of the advance payments and against the payment for regularization of income tax of the corresponding taxable period.

Tax refunds can be made only in the cases where it can be demonstrated that tax loss has been incurred or where a lower payment of Income Tax has been determined based on general regime norms.

The Bank has opposed the Temporary Tax on Net Assets for years 2005 and 2006 for considering it unconstitutional. However, the Constitutional Court has resolved the majority of the proceedings filed by the Bank, declaring the constitutionality of the aforementioned tax; additionally, it ordered the Tax Administration not to collect accrued interest on late payment.

The amount of the debt for this item, excluding interest, is S/.122,958 thousand, which the Bank requested to SUNAT to compensate with its balance in favor of Income Tax. Once this request was denied, the Bank contested this denial and filed a claim action in order to revoke the administrative decision. To date, the process is in the second instance pending resolution and the Bank and its Legal Advisors consider that this process shall confirm the decision of the first instance that revoked the denial of compensation. Management considers that provisions recorded by the Bank are sufficient to cover any liability related to tax contingencies.



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(d) Tax on Financial Transactions (ITF, for its Spanish acronym) for 2010 and 2009 has been fixed at a rate of 0.06%. It is applied on each deposit and withdrawal made to and from a banking account, unless the account is tax-exempt.

(25) Deferred Income Tax and Employees' Profit Sharing

Deferred income tax of has been calculated according to IAS 12, and is attributed to the following items:

	Balance as of 12.31.2009	(Debit) credit to results	Balance as of 03.31.2010
<b>Assets:</b>			
Tax loss carry-forward	22,021	( 22,021)	-
Generic provision for doubtful loans	-	39,410	39,410
Provision for doubtful accounts	9,805	-	9,805
Provision for repossessed and liquid assets	1,439	-	1,439
Intangibles	3,560	-	3,560
Fixed assets	1,772	8	1,780
Vacations provision	11,609	( 303)	11,306
Transferred loan portfolio	20,160	( 723)	19,437
Provision for credit card rewards	2,867	164	3,031
Time deposits interest	1,747	-	1,747
Provision for debit card rewards	763	48	811
Property' revaluation surplus	-	( 21,910)	( 21,910)
Other	3,179	1,495	4,674
	-----	-----	-----
	78,922	(3,832)	75,090
	-----	-----	-----
<b>Liabilities:</b>			
Valuation of investments in associates	( 7,263)	( 7)	( 7,270)
Other	( 541)	( 10)	( 551)
	-----	-----	-----
	( 7,804)	( 17)	( 7,821)
	-----	-----	-----
Income tax and employees' profit sharing assets, net (*)	71,118	( 3,849)	67,269
	=====	=====	=====
(*) It comprises:			
Deferred employees' profit sharing	10,558	( 1,289)	9,269
Deferred income tax	60,560	( 2,560)	58,000
	-----	-----	-----
	71,118	( 3,849)	67,269
	=====	=====	=====

(26) Employees' Profit Sharing

According to Legislative Decree 677, the Bank's employees are entitled to a profit-sharing plan to be computed at 5% of the net income, similarly to employees of the companies of Scotiabank Perú S.A.A. and Subsidiaries. This profit sharing is treated as deductible expenses for income tax calculation purposes. As of March 31, 2010, the Bank established a consolidated legal employees' profit sharing for S/.11,204 thousand, which was recorded in the consolidated income statement (S/.4,910 thousand as of March 31,2009).



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(28) Financial Risk Management

The Scotiabank Perú S.A.A. and Subsidiaries' management, based on its experience and skills, controls risks related to market, liquidity, interest rate, currency and credit according to the following:

Market Risk

This is comprised of the risk of loss of value of the Scotiabank Perú S.A.A. and Subsidiaries portfolios due to fluctuations in interest rates and exchange rates, among others. Scotiabank Perú S.A.A. and Subsidiaries assumes market risk in its trading, financing, and investment activities.

The objective of Market Risk Management is to establish the policies, processes, and controls to balance profitability with the volatility in the market, i.e., maintain an appropriate risk level. The monitoring of such risks has had particular relevance during the international financial crisis and greater volatility in the market. In this sense, Market Risks Management plays an important role at Scotiabank Perú S.A.A. and Subsidiaries, applying the best practices of the market and the Scotiabank Perú S.A.A. and Subsidiaries with regard to risk management.

Treasury and trading activities management are limited by various limits that require adequate risk level which are periodically reviewed so that the needs and strategies of management are addressed, as well as variations in market conditions.

Trading activities are managed according to the following approved limits: maximum exposure limits for currency, maximum exposure limits for type of investment and term, VaR Limits (Value at Risk), "Delta Risk" Limits, Tolerance limits of expected maximum loss ("Stop Loss" and "Management Action Trigger" or MAT), among others.

Treasury activities, as part of the process of the Scotiabank Perú S.A.A. and Subsidiaries management assets and liabilities, identify, manage, and control the liquidity and interest rate risk arising from its financing and investment activities. Such trading activities are managed according to the following approved limits: accumulated limits on the analysis of interest and liquidity rate gaps; maximum exposure limits per currency, economic value and margin sensitivity limits; limit on minimum liquid assets per currency; limits on concentration of deposits; limits on deposits with banks; and limits on funding through "swaps", among others.

The Asset and Liability Committee (ALCO) supervise the Scotiabank Perú S.A.A. and Subsidiaries market risks with the participation of executive management. Among its main duties, ALCO defines the strategy for handling assets and liabilities, establishes and reviews market risk limits, reviews and manages the exposure of the Scotiabank Perú S.A.A. and Subsidiaries assets and liabilities to interest rate risk, and reviews and establishes hedging policies in order to maximize profits and protect shareholders' equity.

Additionally, the Risks Control Committee monitors market risks of Scotiabank Perú S.A.A. and Subsidiaries. Its main responsibilities are to:

- Approve policies and structures for the management of interest risk, as well as modifications made to them.
- Define the level of tolerance and the level of exposure to risk that Scotiabank Perú S.A.A. and Subsidiaries are able to assume in its business development.

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- Decide the necessary steps for the implementation of required corrective actions, in the case of the deviations in levels of tolerance to risk and the level of assumed exposures.
- Approve the exposures involving significant variations in the risk profile of the Bank or the equity managed under the responsibility of Scotiabank Perú S.A.A. and Subsidiaries.

The Global Risk Control Department of the Bank evaluates and approves market risk limits and reviews patterns and policies used for the management of market risk. Patterns, policies, and limits are subject to periodic formal reviews by this department.

Liquid Risks

This relates to the risk that Scotiabank Perú S.A.A. and Subsidiaries may not be able to comply with its financial obligations on a timely basis and at reasonable prices; this risk is managed by management of the Treasury. Among the financial obligations, there are deposits, payments of borrowings, obligations for derivative instrument agreements, settlement of securities taken as loans, and investment and borrowings commitments.

The ALCO supervises liquidity risk at the executive management level, and meets every month to review the Scotiabank Perú S.A.A. and Subsidiaries liquidity profile.

The main guidelines followed are managing liquidity risk are:

- Establishing limits for control of liquidity.
- Performing gap analysis: mismatch for maturity term.
- Diversifying financing sources.
- Keeping an appropriate level of liquid assets.
- Performing stress tests.
- Having a liquidity contingency plan.

Interest Rate Risk

This is comprised of the risk of loss due to variations in interest rates. Scotiabank Perú S.A.A. and Subsidiaries, through the Treasury, actively manages its interest rate exposure risk in order to improve its net interest income according to pre-established policies on tolerance to risk.

Interest rate risk exposure to each currency is controlled through:

- Measurement of mismatch of interest rate gap.
- Sensitivity analysis, to evaluate the effect of interest rate fluctuations over the current financial margin.
- Stress simulating scenarios for interest rates which allow Scotiabank Perú S.A.A. and Subsidiaries to analyze the impact that an extraordinary change may have on it.

Every month the Market Risk Management presents to the Risk Control Committee and the Board of Directors, the Interest Rate Risk Report detailing the exposure to such currency risk, as well as the results of measurement tools, use of limits and interest rate risk stress tests, among others issues related to market risk management in compliance with regulatory provisions of BNS and the Bank.

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Exchange Rate Risk

This comprised of the risk of loss due to adverse variations in exchange rates of currencies negotiated by Scotiabank Perú S.A.A. and Subsidiaries. This risk is managed by the Trading Management.

The Trading Management is responsible for managing foreign exchange operations and the Bank's forwards portfolio, in accordance with policies, procedures and controls designed to ensure profitable business opportunities, while considering the adequate levels of risk of Scotiabank Perú S.A.A. and Subsidiaries and the volatility of the market variables professionally and cautiously.

Market risks associated with this are conducted within the VaR limits and stress tests based on market variables. The consistency of such results is validated through periodic backtesting analysis where actual losses and/or gains are compared with those obtained through a model.

Risk in Investments Portfolio

Scotiabank Perú S.A.A. and Subsidiaries has both investment and trading portfolios, which are managed by the Treasury and Trading Management, respectively.

The investment portfolio is administered in order to manage liquidity and interest rate risks, long-term capital investment at longer terms or investment with more attractive returns. It is managed in accordance with approved policies and limits on the type and terms of investment. On the other hand, trading portfolio is acquired with the intention of being negotiated and generating benefits from differences in prices in the short term.

Investment portfolios are composed of liquid instruments, mainly certificates of deposits issued by the Banco Central de Reserva del Perú and Public Treasury Bonds of the Republic of Perú issued in local currency and foreign currency.

Credit Risk

Credit risk is controlled mainly through the evaluation and analysis of individual client transactions, considering aspects such as: payment capacity of the client, the economic environment, financial position, credit history, rating of risk given by Scotiabank Perú S.A.A. and Subsidiaries and other financial system companies, and quality of management. It also takes into account the updated value of guarantees, according to their realizable value and the recording of provisions, in conformity with regulations established by the SBS and BNS.

In order to mitigate credit risk, consideration is also given to the Bank's and conglomerate compliance with legal limits established by the SBS, BNS and internal operational policies, as well as portfolio analysis, according to aspects such as: levels of credit concentration, economic sector risk, overdue portfolio, products and rating in such case seeking to avoid credit concentrations in order to diversify credit and liquidity risk. Likewise, a review of the Bank's credit portfolio is carried out periodically to detect, on a timely basis, potential defaults and negative client credit developments in order to take necessary corrective measures.

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(29) Fair Value

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction, taking into consideration that the entity is a going concern.

When a financial instrument is traded in a liquid and active market, its quoted market price in an actual transaction provides the best evidence of its fair value.

When a quoted market price is not available, or may not be indicative of the fair value of the financial instrument, to determine such fair value, the current market value of another financial instruments that is substantially similar, discounted cash flow analysis or other estimation techniques may be used, all of which are based on subjective factors and, in some cases, on inexact factors; for this reason, any change in them or in the estimation methodology used could have a material effect on the fair values of financial instruments. Even though the Bank's management has used its best judgment in estimating the fair values of these financial instruments, a fair value is not an indication of net realizable gain or liquidation value.

A significant portion of the Scotiabank Perú S.A.A. and Subsidiaries assets and liabilities correspond to short-term financial instruments maturing in terms shorter than one year. The fair values of these financial instruments are equivalent to their corresponding book value at the period end.

Methodology and assumptions used depend on the terms and risks characteristics of the different financial instruments, as shown below:

- (a) Cash due from banks and interbank funds represent cash and short-term deposits that are not considered to be a significant credit risk.
- (b) Trading investments for financial intermediation are recorded at their estimated market value, which is the same as the accounting value.
- (c) Available-for-sale investments are generally listed or have a market value through future discounted cash flows. Available-for-sale investments in securitizations do not have a market value, for this reason, their fair value is determined by the net cost value of their accumulated provision according to SBS regulations, and corresponds to the value of recovery established by the Scotiabank Perú S.A.A. and Subsidiaries' management.
- (d) Market value of the portfolio of short-term loans are similar to carrying amounts, net of their corresponding provisions for doubtful accounts, due to their short-term character which is considered by management as the estimated recoverable amount as of the date of the consolidated financial statements. Additionally, portfolio of long-term loans accrues fixed interest rates which are similar to their market rates. Placements of Mivivienda mortgage loans are agreed-upon at a fixed interest rate.
- (e) Investments in associates are valued according to the equity method; such valuation is similar to the fair value of these instruments considering that they are not trading securities.

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- (f) The market value of deposits and obligations corresponds to their respective carrying amount mainly because interest rates are similar to those of other liabilities.
  - (g) Debts to banks and correspondent banks accrue interest at preferred rates that are similar to those in the market; therefore, carrying amounts are similar to their corresponding market values.
  - (h) Securities, bonds and obligations issued accrue interest at fixed and floating rates. Carrying amounts do not differ significantly from market values.
  - (i) As described in note 18, Scotiabank Perú S.A.A. and Subsidiaries have granted guarantees, stand-by letters, import and export documentary credits, and has received guarantees in support of the credits granted. Based on the level of commissions currently collected for granting contingent loans, and considering the maturity, and the interest rates and current creditworthiness of the counterparts, the Bank estimates that the difference between the book value and the fair value is not significant.
  - (j) Purchase and sale agreements in foreign currency at a future date are recorded in the books at their estimated market values; therefore, no differences with their respective fair values exist.
- (30) Trust Fund Activities  
The Bank offers structuring and administration services of trust operations and trust fees, and is in charge of the preparation of agreements related to these operations. Assets kept in trust are not included in the consolidated financial statements. The Bank is responsible for the appropriate management of these trusts based on the limits established by applicable laws and the respective agreement. As of March 31, 2010, the allocated value of assets in trusts and trust fees amounted to S/.2,141,767 thousand (S/.2,215,794 thousand in 2009).