

OFFERING MEMORANDUM



Scotiabank Perú

U.S.\$400,000,000

SCOTIABANK PERÚ S.A.A.

4.50% FIXED-TO-FLOATING RATE SUBORDINATED NOTES DUE 2027

Scotiabank Perú S.A.A. ("Scotiabank Perú") a commercial bank organized and existing under the laws of the Republic of Peru ("Peru") is offering U.S.\$400,000,000 aggregate principal amount of fixed-to-floating rate subordinated notes due 2027 (the "Notes"). The Notes will mature on December 13, 2027. The Notes will bear interest of 4.50% per year to, but excluding December 13, 2022, and from December 13, 2022, at a floating rate of three-month LIBOR plus 3.856% per year. Interest will be payable on June 13 and December 13 of each year, commencing on June 13, 2013, until December 13, 2022, and quarterly on each March 13, June 13, September 13 and December 13 thereafter.

Payments in respect of the Notes will be made without deduction of, withholding for or on account of, taxes imposed by Peru or other then-applicable jurisdictions, subject to certain exceptions. See "Description of the Notes—Payment of Additional Amounts." With the prior approval of the Peruvian *Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones* (Superintendency of Banks, Insurance and Private Pension Fund Administrators, or the "SBS"), or other then-applicable Peruvian governmental authority, if then required, Scotiabank Perú may redeem the Notes, in whole or in part, on December 13, 2017 or on any date occurring thereafter until December 13, 2022 by paying the greater of the outstanding principal amount of the Notes and the "make-whole" amount set forth in this offering memorandum ("Offering Memorandum"). With the prior approval of the SBS, or other then-applicable Peruvian governmental authority, if then required, Scotiabank Perú may also redeem the Notes, in whole or in part, on December 13, 2022 or on any interest payment date occurring thereafter at a redemption price equal to 100% of the principal amount of the Notes on such redemption date. Following the occurrence of certain changes in Peruvian or other then-applicable tax laws or regulations or regulatory events under Peruvian laws, with the prior approval of the SBS, or other then-applicable Peruvian governmental authority, if then required, Scotiabank Perú may redeem the Notes in whole, but not in part, at a redemption price equal to 101% of the principal amount of the Notes on such redemption date in the case of a redemption following a change in tax law, and at a redemption price equal to the "make-whole" amount set forth in this Offering Memorandum, in the case of a redemption following a regulatory event. See "Description of the Notes—Redemption Prior to Maturity."

The Notes will be Scotiabank Perú's direct, unsecured, subordinated obligations and will rank *pari passu* without preference among themselves. In the event of the bankruptcy, liquidation or dissolution of Scotiabank Perú under the General Law of the Financial and Insurance Systems and Organic Law of the SBS - Law No. 26702 (the "Peruvian Banking Law"), the Notes will rank junior in right of payment to the payment of all of Scotiabank Perú's Senior Obligations, *pari passu* in right of payment with Scotiabank Perú's Parity Securities, and senior in right of payment to Scotiabank Perú's Junior Securities. The terms "Senior Obligations," "Parity Securities" and "Junior Securities" are defined under "Description of the Notes—Certain Definitions." The Notes will be structurally subordinated to the existing and future obligations of Scotiabank Perú's subsidiaries, including trade payables. The Notes will not be guaranteed by Scotiabank Perú's parent company or any of its subsidiaries.

For a more detailed description of the Notes, see "Description of the Notes" beginning on page 133.

No public market currently exists for the Notes. Scotiabank Perú has applied to list the Notes on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market. See "Listing and General Information." This Offering Memorandum constitutes a prospectus for purposes of the Luxembourg Law dated 10 July 2005 on prospectuses for securities, as amended.

Investing in the Notes involves risks. See "Risk Factors" beginning on page 20 of this Offering Memorandum.

Price: 100% and accrued interest, if any, from December 13, 2012.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, (the "Securities Act"), or any U.S. state securities law and are being offered only to (1) qualified institutional buyers, or QIBs, under Rule 144A and (2) outside the United States in compliance with Regulation S. Prospective purchasers that are QIBs are hereby notified that the sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Any offer or sale of the Notes in any member state of the European Economic Area that has implemented Directive 2003/71/EC (the "Prospectus Directive") must be addressed to qualified investors (as defined in the Prospectus Directive). This Offering Memorandum has not been approved by a competent authority within the meaning of the Prospectus Directive. For more information about restrictions on transfer of the Notes, see "Notice to Investors" beginning on page 163.

Prior to the issuance of the Notes, Scotiabank Perú will register the Notes and this Offering Memorandum with the Peruvian Superintendency of the Securities Market (*Superintendencia del Mercado de Valores*, or "SMV"). In Peru, this offering will be considered a public offering directed exclusively to "institutional investors" (as such term is defined under the Seventh Final Disposition of CONASEV Resolution No. 141-98-EF/94.10, as amended). Prior to the issuance of the Notes, Scotiabank Perú will cause the Notes and this Offering Memorandum to be registered with the SMV in accordance with the procedure set forth in Section IV.2.A.b).4 of the *Manual para el Cumplimiento de los Requisitos Aplicables a Ofertas Públicas de Valores Mobiliarios* (Manual for Compliance with the Requirements Applicable to the Public Offering of Securities), as amended by SMV Resolution No. 004-2011-EF/94.01.1.

The Notes will be ready for delivery in book-entry form only through the facilities of The Depository Trust Company for the accounts of its participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System, and Clearstream Banking, société anonyme, on or about December 13, 2012.

BofA Merrill Lynch

Joint Book-Running Managers
Goldman, Sachs & Co.

Scotiabank

Peruvian Placement Agent

Scotia Bolsa

Offering Memorandum dated December 6, 2012

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You should only rely on the information contained in this Offering Memorandum. Scotiabank Perú has not authorized anyone to provide you with different information. Neither Scotiabank Perú nor Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co. or Scotia Capital (USA) Inc. (the "Initial Purchasers") are making an offer of the Notes in any jurisdiction where the offer is not permitted. This document may only be used where it is legal to sell the Notes (or beneficial interests therein). You should not assume that the information contained in this Offering Memorandum is accurate as of any date other than the date on the cover of this Offering Memorandum regardless of time of delivery or any sale of the Notes.

This Offering Memorandum has been prepared by Scotiabank Perú based upon its own information and information obtained from Peruvian authorities or published sources. Scotiabank Perú has taken all reasonable care to ensure: (a) that the information contained in this Offering Memorandum in relation to Scotiabank Perú, the Scotia Perú Group and the Notes is true and complete in all material respects and in accordance with the facts and does not omit anything that is likely to affect its import and (b) that there are no material facts the omission of which would make any statement herein misleading.

This Offering Memorandum contains descriptions of certain provisions of the Notes and other related documents. This Offering Memorandum does not purport to contain complete summaries of the terms of the Notes or such documents, and all information herein about the Notes and such documents is qualified in its entirety by reference to the Notes and such documents.

The Initial Purchasers assume no responsibility for, and make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Offering Memorandum. Nothing contained in this Offering Memorandum is or shall be relied upon as, or a promise or representation by the Initial Purchasers as to the past or future. The Initial Purchasers accept no responsibility in relation to the information in this Offering Memorandum or any other information provided by Scotiabank Perú (as defined below).

Unless otherwise indicated or the context otherwise requires, certain terms used herein shall have the following meanings:

- references in this Offering Memorandum to "Scotiabank Perú" shall refer to Scotiabank Perú S.A.A. on an unconsolidated basis; and

- references in this Offering Memorandum to the “Scotia Perú Group” shall refer to Scotiabank Perú S.A.A. and each of its Subsidiaries (as defined below) on a consolidated basis;
- “Subsidiaries” shall collectively mean the following wholly owned consolidated operating subsidiaries of Scotiabank Perú: CrediScotia Financiera S.A. (“CrediScotia”), Scotia Fondos Sociedad Administradora de Fondos S.A. (“Scotia Fondos”), Scotia Sociedad Agente de Bolsa S.A. (“Scotia Bolsa”), Scotia Sociedad Titulizadora S.A. (“Scotia Titulizadora”), Servicios Cobranzas e Inversiones S.A.C. (“SCI”) and Depósitos S.A. (“DEPSA”) as well as the special purpose vehicle SBP DPR Finance Company (“SBP DPR”).

This Offering Memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any Notes offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation. Neither the delivery of this Offering Memorandum nor any sale made hereunder shall under any circumstances imply that there has been no change in the affairs of Scotiabank Perú or the affairs of its Subsidiaries or that the information set forth in this Offering Memorandum is correct as of any date subsequent to the date of this Offering Memorandum.

This Offering Memorandum has been prepared by Scotiabank Perú solely for use in connection with the proposed offering of the Notes. Scotiabank Perú reserves the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the Notes offered by this Offering Memorandum. Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co. and Scotia Capital (USA) Inc. will act as Initial Purchasers with respect to the offering of the Notes. This Offering Memorandum is personal to you and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the Notes.

Scotiabank Perú has prepared this Offering Memorandum for use solely in connection with the proposed offering of the Notes. This Offering Memorandum does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the Notes (other than pursuant to CONASEV Resolution No. 079-2008-EF/94.01.1 and Resolution SMV No. 004-2011-EF/94.01.1) other than to the offeree to whom it has been delivered by the Initial Purchasers.

The distribution of this Offering Memorandum and the offering of the Notes in certain jurisdictions may be restricted by law. By coming into possession of this Offering Memorandum, you are required by Scotiabank Perú and the Initial Purchasers to inform yourself about and to observe any such restrictions. In particular, there are restrictions on the distribution of this Offering Memorandum and the offer and sale of the Notes (and any beneficial interest therein) in the United States, Peru and the United Kingdom.

You are advised that the Notes are not in any manner obligations of, or guaranteed by, The Bank of Nova Scotia (“BNS”) and/or any of its affiliates.

You must (1) comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this Offering Memorandum and the purchase, offer or sale of the Notes, and (2) obtain any required consent, approval or permission for the purchase, offer or sale by you of the Notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales, and neither Scotiabank Perú nor the Initial Purchasers or their agents have any responsibility therefore. See “Notice to Investors” for information concerning some of the transfer restrictions applicable to the Notes.

You acknowledge that:

- you have been afforded an opportunity to request from Scotiabank Perú, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this Offering Memorandum;

- you have not relied on the Initial Purchasers or their respective agents or any person affiliated with the Initial Purchasers or their respective agents in connection with your investigation of the accuracy of such information or your investment decision; and
- no person has been authorized to give any information or to make any representation concerning Scotiabank Perú or the Notes other than those as set forth in this Offering Memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by Scotiabank Perú, the Initial Purchasers or their agents.

The Notes have not been registered under the Securities Act, any U.S. state securities laws or the laws of any other jurisdiction (other than Peru). The Notes (or beneficial interests therein) may not be offered or sold in Peru except in compliance with the securities laws thereof. The Notes do not have the benefit of bank deposit insurance under the laws of Peru, the United States or any other jurisdiction. The Notes are not deposits with Scotiabank Perú.

Prior to the issuance of the Notes, Scotiabank Perú will register the Notes and this Offering Memorandum with the SMV. In Peru, this offering will be considered a public offering directed exclusively to “institutional investors” (as such term is defined under the Seventh Final Disposition of CONASEV Resolution No. 141-98-EF/94.10.1, as amended by CONASEV Resolution No. 079-2008-EF/94.01.1).

In making an investment decision, you must rely on your own examination of Scotiabank Perú’s business and the terms of this offering, including the merits and risks involved. The Notes have not been recommended by the Securities and Exchange Commission (the “SEC”) or any state securities commission or any Peruvian, or other regulatory authority, including the SMV. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense.

In connection with the offering outside Peru, the Initial Purchasers may over-allot Notes or effect transaction with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Initial Purchasers will undertake stabilization action at all. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, the Initial Purchasers may discontinue it at any time, but it must end no later than 30 days after the issuance of the Notes.

The Notes may not be transferred or resold except as permitted under the Securities Act and related regulations and applicable state securities laws. In making your purchase, you will be deemed to have made certain acknowledgements, representations and agreements set forth in this Offering Memorandum under the caption “Notice to Investors.” You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

This Offering Memorandum may only be used for the purpose for which it has been published. Neither the Initial Purchasers nor any of their agents is making any representation or warranty as to the accuracy or completeness of the information contained in this Offering Memorandum, and nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation, whether as to the past or the future.

See “Risk Factors,” following “Summary,” for a description of certain factors relating to an investment in the Notes, including information about Scotiabank Perú’s business. None of Scotiabank Perú, the Initial Purchasers or any of their representatives is making any representation to you regarding the legality of an investment by you under applicable legal investment or similar laws.

You are not to construe the contents of this Offering Memorandum or any previous or subsequent communications from Scotiabank Perú, the Initial Purchasers or any of their representatives as investment, legal, accounting, regulatory, tax or other advice. Before investing in the Notes, you should consult with your own business, legal, accounting, regulatory, tax and other advisors to determine the appropriateness and consequences of an investment in the Notes in your specific circumstances and arrive at an independent evaluation of the investment based upon, among other things, your own views as to the risks associated with the Notes, Scotiabank Perú and the Scotia Perú Group. If you are subject to legal restrictions, you should consult your legal advisors to determine whether and to what extent the Notes constitute legal investments for you.

The Notes will be available initially only in book-entry form. Scotiabank Perú expects that the Notes offered and sold in the United States to QIBs in reliance upon Rule 144A will be represented by beneficial interests in a permanent global note in fully registered form without interest coupons (the “Rule 144A Note”). Scotiabank Perú expects that the Notes offered and sold outside the United States to non-U.S. persons pursuant to Regulation S will be represented by beneficial interests in a permanent global note in fully registered form without interest coupons (the “Regulation S Note” and, together with the Rule 144A Note, the “Global Notes”). The Global Notes will be deposited with The Depository Trust Company. Notes shall be issued in minimum denominations of U.S.\$10,000 and integral multiples of U.S.\$1,000 in excess thereof. See “Description of the Notes” for further discussion of these matters.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (RSA 421-B) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO RESIDENTS OF PERU

IN PERU THIS OFFERING WILL BE CONSIDERED A PUBLIC OFFERING DIRECTED EXCLUSIVELY TO “INSTITUTIONAL INVESTORS” (AS SUCH TERM IS DEFINED UNDER THE SEVENTH FINAL DISPOSITION OF CONASEV’S RESOLUTION NO. 141-98-EF/94.10, AS AMENDED). PRIOR TO THE ISSUANCE OF THE NOTES, IT IS INTENDED THAT THE NOTES AND THIS OFFERING MEMORANDUM WILL BE REGISTERED WITH THE SMV IN ACCORDANCE WITH THE PROCEDURES SET FORTH IN SECTION IV.2.A.B).4 OF THE MANUAL FOR COMPLIANCE WITH THE REQUIREMENTS APPLICABLE TO THE PUBLIC OFFERING OF SECURITIES (*MANUAL PARA EL CUMPLIMIENTO DE LOS REQUISITOS APLICABLES A OFERTAS PÚBLICAS DE VALORES MOBILIARIOS*), AS AMENDED BY SMV RESOLUTION NO. 004-2011-EF/94.01.1, APPLICABLE TO U.S. OFFERINGS IN RELIANCE OF RULE 144A UNDER THE U.S. SECURITIES ACT WITH A LOCAL PERUVIAN COMPONENT. THE NOTES OFFERED HEREBY ARE SUBJECT TO TRANSFER AND RESALE RESTRICTIONS AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER CONASEV RESOLUTION NO. 079-2008-EF/94.01.1, AS AMENDED.

THE NOTES HAVE BEEN PROVISIONALLY REGISTERED WITH THE FOREIGN INVESTMENT AND DERIVATIVES INSTRUMENTS REGISTRY (*REGISTRO DE INSTRUMENTOS DE INVERSIÓN Y DE OPERACIONES DE COBERTURA DE RIESGO EXTRANJEROS*) OF THE SBS, IN ORDER TO MAKE THE NOTES ELIGIBLE FOR PERUVIAN PENSION FUND INVESTMENT, AS REQUIRED BY PERUVIAN LEGISLATION. DEFINITIVE REGISTRATION WILL BE CONDITIONED ON THE

DELIVERY OF THE FINAL OFFERING MEMORANDUM AND OTHER ANCILLARY DOCUMENTS TO THE SBS.

NOTICE TO RESIDENTS OF THE UNITED KINGDOM

This Offering Memorandum may be distributed only to, and is directed only at, and any offer subsequently made may only be directed at, persons who are “qualified investors” (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”), and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

NOTICE TO RESIDENTS OF THE EUROPEAN ECONOMIC AREA

In relation to any member state of the European Economic Area that has implemented the Prospectus Directive (each such member state, a “Relevant Member State”), this Offering Memorandum is only addressed to and is only directed at qualified investors in that Relevant Member State within the meaning of the Prospectus Directive.

This Offering Memorandum has been prepared on the basis that all offers of the Notes (or beneficial interests therein) in a Relevant Member State will be made pursuant to an exemption under the Prospectus Directive, as implemented in such Relevant Member State, from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within the European Economic Area of the Notes (or beneficial interests therein) that are the subject of the placement contemplated in this Offering Memorandum should do so in circumstances in which no obligation arises for Scotiabank Perú or any Initial Purchaser to produce a prospectus for such offer.

ENFORCEABILITY OF CIVIL LIABILITIES

Scotiabank Perú is a commercial bank organized and existing under the laws of Peru. Substantially all of Scotiabank Perú's directors and officers reside in Peru, and all or a significant portion of the assets of such persons may be, and substantially all of Scotiabank Perú's assets are, located outside the United States. As a result, it may not be possible for investors to effect service of process upon such persons or entities outside Peru or to enforce against them in the courts of jurisdictions other than Peru any judgments obtained in such courts that are predicated upon the laws of such other jurisdictions.

Scotiabank Perú has been advised by its Peruvian counsel, Payet Rey Cauvi Abogados, that any final and conclusive judgment for a fixed and definitive sum obtained against Scotiabank Perú in any foreign court having jurisdiction in respect of any suit, action or proceeding against Scotiabank Perú for the enforcement of any of Scotiabank Perú's obligations under the Notes that are governed by New York law will, upon request, be deemed valid and enforceable in Peru without the local court reopening the case provided that: (a) there is in effect a treaty between the country where said foreign court sits and Peru regarding the recognition and enforcement of foreign judgments or (b) in the absence of such a treaty, the following requirements are met:

- (i) the judgment does not resolve matters under the exclusive jurisdiction of Peruvian courts, and the matters contemplated in respect of this Offering Memorandum or the Notes are not such matters;
- (ii) such court had jurisdiction under its own private international conflicts of law rules and under general principles of international procedural jurisdiction;
- (iii) Scotiabank Perú has received service of process in accordance with the laws of the place where the proceeding took place, Scotiabank Perú was granted a reasonable opportunity to appear before such foreign court, and Scotiabank Perú was guaranteed due process rights;
- (iv) the judgment has the status of *res judicata* as defined in the jurisdiction of the court rendering such judgment;
- (v) no pending litigation in Peru between the same parties for the same dispute was initiated before the commencement of the proceeding that concluded with the foreign judgment;
- (vi) the judgment is not incompatible with another judgment that fulfills the requirements of recognition and enforceability established by Peruvian law unless such foreign judgment was rendered first;
- (vii) the judgment is not contrary to public order or good morals; and
- (viii) it is not proven that such foreign court denies enforcement of Peruvian judgments or engages in a review of the merits thereof.

There is no existing treaty between the United States and Peru for the reciprocal enforcement of foreign judgments. Scotiabank Perú has been advised by Payet Rey Cauvi Abogados, its Peruvian counsel, that in the absence of such treaty, the requirements listed above need to be fulfilled for the recognition of a foreign judgment in Peru, provided that such foreign judgment is previously (i) officially translated and (ii) apostilled or certified by the competent Peruvian consulate, and that there is no reason to believe that any obligation under the Notes, which are governed by New York law, would be contrary to Peruvian public policy, good morals, and international treaties binding upon Peru or generally accepted principles of international law.

In connection with the issuance of the Notes, Scotiabank Perú will appoint The Bank of Nova Scotia, at its registered office in New York, One Liberty Plaza, 165 Broadway, New York, N.Y. 10006, U.S.A. as Scotiabank Perú's agent upon whom process may be served in connection with any proceedings in New York.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains statements that constitute estimates and forward-looking statements, including but not limited to the sections “Summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business.” These statements appear in a number of places in this Offering Memorandum and include statements regarding Scotiabank Perú’s intent, belief or current expectations, and those of Scotiabank Perú’s officers, with respect to (among other things) Scotiabank Perú’s financial condition.

Scotiabank Perú’s estimates and forward-looking statements are based mainly on current expectations and estimates of future events and trends, which affect, or may affect, Scotiabank Perú’s business and results of operations. Although Scotiabank Perú believes that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to several risks and uncertainties and are based on information currently available to Scotiabank Perú.

Scotiabank Perú’s estimates and forward-looking statements may be influenced by the following factors, among others:

- changes in the demand from, and the financial condition of, Scotiabank Perú’s customers, and competitive conditions in the markets Scotiabank Perú serves;
- changes in economic, political and business conditions in Peru;
- changes in accounting principles, new legislation, intervention by regulatory authorities, government directives and monetary or fiscal policy in Peru;
- Scotiabank Perú’s ability to meet capital and other requirements;
- Scotiabank Perú’s ability to compete successfully;
- changes in Scotiabank Perú’s business and financial condition;
- Scotiabank Perú’s ability to successfully implement marketing strategies;
- Scotiabank Perú’s identification of business opportunities;
- Scotiabank Perú’s ability to develop and introduce new products and services;
- changes in the cost of products and Scotiabank Perú’s operating costs;
- Scotiabank Perú’s level of indebtedness and other financial obligations;
- Scotiabank Perú’s ability to obtain financing on satisfactory terms;
- Scotiabank Perú’s ability to attract new customers;
- inflation in Peru, devaluation or revaluation of the Nuevo Sol against the U.S. Dollar or other currencies and interest rate fluctuations;
- changes in the level of dollarization of the Peruvian economy;
- decline in international commodity prices;
- deterioration of the economic condition of Peru’s neighboring countries;

- credit and other risks of lending, investing and conducting Scotiabank Perú's activities, including increases in defaults by borrowers and other loan delinquencies and increases in the provision for loan losses;
- the recent extreme contraction of liquidity in the international financial markets and equity, debt and foreign exchange market volatility, which could lead to domestic volatility, declines in foreign direct and portfolio investment and potentially lower international reserves;
- increased cost or decreased availability of liquidity from loans provided by multilateral organizations, national and international commercial banks and issuance of securities into the local or international capital markets;
- present or future changes in laws and regulations, particularly the Peruvian Central Reserve Bank's (*Banco Central de Reserva del Perú*, or the "Central Bank") and the SBS rules, related to Scotiabank Perú and its capital requirements and Scotiabank Perú's lending and other activities, and tax matters;
- the potential change, amendment, expiration or non-renewal of the Peruvian value added tax ("VAT") exemption applicable to interest paid on securities, such as the Notes;
- Scotiabank Perú's ability to maintain existing business relationships, and to create new relationships; and
- other risk factors discussed under the "Risk Factors" in this Offering Memorandum.

The words "believe," "may," "may have," "would," "estimate," "continues," "anticipates," "should," "seeks," "intends," "hopes," and similar words are intended to identify estimates and forward-looking statements but are not an exclusive means of identifying such statements. Estimates and forward-looking statements refer only to the date when they were made, and Scotiabank Perú's undertakes no obligation to update or review any estimate or forward-looking statement due to new information, future events or any other factors. Estimates and forward-looking statements involve risks and uncertainties and do not guarantee future performance, as actual results or developments may be substantially different from the expectations described in the forward-looking statements. In light of the risks and uncertainties described above, the events referred to in the estimates and forward-looking statements included in this Offering Memorandum may or may not occur, and Scotiabank Perú's business performance and results of operation may differ materially from those expressed in Scotiabank Perú's estimates and forward-looking statements, due to factors that include but are not limited to those mentioned above. Investors are warned not to place undue reliance on any estimates or forward-looking statements in making decisions regarding investment in the Notes.

Neither Scotiabank Perú nor the Initial Purchasers undertake any obligation to update or revise any estimates or forward-looking statements, whether as a result of new information, future events or otherwise.

PRESENTATION OF FINANCIAL INFORMATION AND CERTAIN METRICS

The audited financial statements as of and for the years ended December 31, 2009, 2010 and 2011 of the Scotia Perú Group included herein (the “Annual Consolidated Financial Statements”) and the unaudited interim consolidated financial statements of the Scotia Perú Group as of and for the nine-month periods ended September 30, 2011 and 2012 included herein (the “Interim Consolidated Financial Statements” and, together with the Annual Consolidated Financial Statements, the “Consolidated Financial Statements”) included herein have been prepared and are presented in accordance with generally accepted accounting principles prescribed by the SBS for Peruvian financial entities (“Peruvian Banking GAAP”). In the absence of rules promulgated by the SBS, International Financial Reporting Standards (“IFRS-Peru”), as approved by the Peruvian *Consejo Normativo de Contabilidad* (Accounting Standards Board, or “CNC”), apply. Peruvian Banking GAAP varies in certain respects from IFRS-Peru and IFRS as issued by the International Accounting Standards Board or IASB (“IFRS-IASB”).

Unless otherwise specified, in accordance with Peruvian Banking GAAP, the Consolidated Financial Statements and other financial information contained in this Offering Memorandum are presented in consolidated form. Consolidation principles under Peruvian Banking GAAP are based upon the concept of control requiring consolidation of all controlled entities irrespective of the sector in which they operate. Under Peruvian Banking GAAP, an enterprise is required to consolidate special purpose entities (“SPEs”) when the substance of the relationship between them indicates that the enterprise controls the SPE.

Unless otherwise specified or the context otherwise requires, references in the Consolidated Financial Statements to “\$,” “U.S.\$,” “Dollars” and “U.S. Dollars” are to United States dollars, references to “C\$” are to Canadian dollars and references to “S/,” “Nuevo Sol” or “Nuevos Soles” are to Peruvian Nuevos Soles. Each Nuevo Sol is divided into 100 *céntimos* (cents).

Certain amounts and percentages that appear in this Offering Memorandum have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them. For the convenience of the reader, this Offering Memorandum presents translations of certain Nuevo Sol amounts into U.S. Dollars at specified rates. Unless otherwise stated, any balance sheet or income statement data in U.S. Dollars derived from the Consolidated Financial Statements have been translated from Nuevos Soles into Dollars at the rate of S/.2.597 = U.S.\$1.00 (being the exchange rate published by the SBS on September 28, 2012, the latest available date, as September 30, 2012 fell on a non-business day).

No representation is made that the Nuevo Sol or U.S. Dollar amounts in this Offering Memorandum could have been or could be converted into Dollars or Nuevos Soles, as the case may be, at any particular rate or at all. For a discussion of the effects on the Scotia Perú Group of fluctuating exchange rates, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

The statistical information and discussion and analysis presented in “Selected Statistical and Other Information” reflect the financial position of Scotiabank Perú and its subsidiary CrediScotia on a combined basis. The total assets of Scotiabank Perú’s remaining Subsidiaries (*e.g.*, Scotia Fondos, Scotia Bolsa, Scotia Titulizadora, SCI, DEPSA and SBP DPR) collectively represent less than 3% of the total assets of the Scotia Perú Group as of December 31, 2011, and have not been included in the selected statistical information and ratios in “Selected Statistical and Other Information.”

Further, Peruvian Banking GAAP does not require the Scotia Perú Group to prepare certain of the information required to be disclosed under the SEC’s Industry Guide 3, particularly daily average rates and volumes for certain balance sheet items. The disclosure regarding these items included in this Offering Memorandum has been prepared based solely on internal accounting records. This information has not been the subject of an audit or limited review performed by our independent auditors. Accordingly, the Scotia Perú Group cannot assure you that the disclosure relating to those items would not deviate materially from the disclosure included in this Offering Memorandum had such information been the subject of an audit or limited review by its independent auditors.

To be consistent with industry practice, we include certain items that are not defined under IFRS-Peru, IFRS-IASB or Peruvian Banking GAAP as part of our financial disclosure, including “Net Interest Margin,” “Return on Equity,” “Return on Average Shareholders’ Equity,” “Return on Assets,” “Return on Average Total Assets,” “Administrative Expenses as a Percentage of Gross Financial Income plus Income from Financial Services,” “Shareholders’ Equity as a Percentage of Period-End Total Assets,” “Total Past Due Loans as a Percentage of Total Loans,” “Provisions for Doubtful Loans as a Percentage of Total Loans,” “Provisions for Doubtful Loans as a Percentage of Total Past Due Loans,” “Dividend Payout Ratio,” and “Equity to Assets Ratio.” These items are not recognized under IFRS-Peru, IFRS-IASB or Peruvian Banking GAAP. Accordingly, these items do not have standardized meanings and may not be directly comparable to similarly-titled items adopted by other entities. Potential investors should not rely on information not recognized under IFRS-Peru, IFRS-IASB or Peruvian Banking GAAP in making an investment decision.

MARKET AND INDUSTRY INFORMATION

Market data and certain industry forecast data used in this offering memorandum were obtained from internal reports and studies, where appropriate, as well as estimates, market research, publicly available information, including information available from the SBS, and industry publications. Market share, deposit and other data obtained from the SBS is limited to the banking operations of Peruvian banks, including any foreign branches and representative offices of Peruvian banks, such as the Scotia Perú Group's branch in Panama, which has an international banking license. However, the SBS information is presented on an unconsolidated basis and excludes all Peruvian and foreign subsidiaries of Peruvian banks. Therefore, the SBS information as it relates to the Scotia Perú Group excludes the operations of Scotiabank Perú's Subsidiaries, CrediScotia, Scotia Fondos, Scotia Bolsa, Scotia Titulizadora, SCI, DEPSA or SBP DPR. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed. Similarly, studies, estimates and market research, while believed to be reliable and accurately extracted by the Scotia Perú Group for the purposes of this offering memorandum, have not been independently verified. However, we believe such data is accurate and agree that we are responsible for the accurate extraction of such information from such sources and its correct reproduction in this Offering Memorandum.

SUMMARY

The following summary should be read in conjunction with, and is qualified in its entirety by, the detailed information and the financial statements and notes thereto appearing elsewhere in this Offering Memorandum. You should see “Risk Factors” for a discussion of certain factors that should be considered in connection with an investment in the Notes.

Overview

Scotiabank Perú is a full service Peruvian bank providing a wide range of financial services and products tailored to the specific needs of its customers. Scotiabank Perú's operations can be broadly divided into two main business segments: (1) Retail Banking, which includes Preferred Banking, Personal and Standard Banking and Small Business Banking, and (2) Wholesale Banking, which includes Corporate Banking, Commercial Banking, Institutional Banking, Corporate Finance, Credit Solutions, Global Transaction Banking and Market & Economic Studies. Scotiabank Perú together with its subsidiaries form the Scotia Perú Group. The Scotia Perú Group provides additional specialized services, including Treasury & Global Markets, Consumer Finance and Micro Business Banking, credit and debit card services, special credit banking services, mutual fund management services, restructuring services and collection services on an integrated basis through Scotiabank Perú and its Subsidiaries. Scotiabank Perú's wholly owned consolidated operating subsidiaries are CrediScotia, Scotia Fondos, Scotia Bolsa, Scotia Titulizadora, SCI and DEPSA.

As of September 30, 2012, Scotiabank Perú was the second largest bank in Peru in terms of shareholders' equity and the third largest bank in Peru in terms of each of loans and deposits, according to information published by the SBS. For the nine-month period ended September 30, 2012, the Scotia Perú Group's net profit was S/.602.4 million and as of September 30, 2012 its total assets were S/.33,781.3 million. As of September 30, 2012, the Scotia Perú Group's direct net loan portfolio (*i.e.*, net of provisions, deferred income and accrued interest) and total deposits were S/.22,227.2 million and S/.21,283.3 million, respectively. In addition, as of September 30, 2012, the Scotia Perú Group's shareholders' equity was S/.4,400.0 million.

For the year ended December 31, 2011, the Scotia Perú Group's net profit was S/.788.5 million, an increase of 14.5%, or S/.100.1 million, as compared to a net profit of S/.688.4 million in 2010, which in turn represented a 8.1%, or S/.51.3 million, increase as compared to a net profit of S/.637.1 million in 2009. In addition, as of December 31, 2011, 2010, and 2009 the Scotia Perú Group's total assets were S/.32,131.2 million, S/.29,042.2 million and S/.24,188.4 million, respectively, and its annual return on total assets for such years was 2.5%, 2.4% and 2.6%, respectively.

As of December 31, 2011, 2010 and 2009, the Scotia Perú Group's direct net loan portfolio (*i.e.*, net of provisions, deferred income and accrued interest) was approximately S/.20,869.5 million, S/.17,148.2 million and S/.14,573.2 million, respectively. A substantial portion of the Scotia Perú Group's direct net loan portfolio as of each of September 30, 2012, December 31, 2011, 2010 and 2009 is attributable to Scotiabank Perú. Scotiabank Perú's non-performing loan ratio, which is past due loans and lawsuit loans as a percentage of total gross loans, was 1.63%, 1.48%, 1.51% and 2.21% as of September 30, 2012, and December 31, 2011, 2010 and 2009, respectively.

Based on information published by the SBS, the Scotia Perú Group's management estimates that, as of September 30, 2012, Scotiabank Perú served approximately 6.8% of all borrowers in the Peruvian banking and financial sector. In addition, based on information published by the SBS, Scotiabank Perú's management estimates that, as of September 30, 2012, Scotiabank Perú achieved a market share of 13.8% in terms of assets, 13.9% in terms of loans and 12.9% in terms of deposits of the total Peruvian banking and financial sector.

The Scotia Perú Group delivers its banking products through specialized distribution channels within each major business segment, each of which is targeted at different types of customers. In addition, the Scotia Perú Group has an extensive distribution network of over 281 branches, which includes over 92 CrediScotia branches and one branch in Panama, over 1,811 *cajeros corresponsales* (“correspondent tellers”), which are mini-branches on the premises of retailers where customers can make a wide range of banking transactions and obtain loans, over 577

Automatic Teller Machines (“ATMs”), and over 1,192 point-of-sale terminals in various commercial establishments located throughout Peru, which support the delivery of the Scotia Perú Group’s products and services. In addition, the Scotia Perú Group maintains a set of commercial resources and channels that provide customized services and complement the Scotia Perú Group’s specialized distribution network. Such commercial resources and channels include branches, specialized external sales forces, contact centers with inbound and outbound capabilities, alliances with retail companies for the provision of specialized loans and credit cards, promotional activities partners and business centers.

Competitive Strengths

The Scotia Perú Group’s main competitive strengths include the following:

Ability to Benefit from Relationship with BNS

The Scotia Perú Group benefits from its relationship with BNS, which is an international banking group based in Toronto, Canada. The relationship of the Scotia Perú Group with BNS is manifested through the integration of the Scotia Perú Group’s and BNS’s internal control procedures and best practices methodologies, which provides the Scotia Perú Group with internal control procedures that it believes are fully adequate. BNS also reviews and approves the Scotia Perú Group’s annual strategic plan. In addition, certain of the Scotia Perú Group’s key officers and managers undergo training programs within BNS, allowing the Scotia Perú Group to benefit from the experience and established success of BNS. Its relationship with BNS allows the Scotia Perú Group to continue to grow, develop its risk management and other policies, strengthen its management team and structures, maintain a strong capital structure and diversify its operations. The Notes are not in any manner obligations of, or guaranteed by, BNS and/or any of its affiliates.

Strong Presence in the Peruvian Banking Industry

As of September 30, 2012, Scotiabank Perú was the second largest bank in Peru in terms of shareholders’ equity and the third largest bank in Peru in terms of each of loans and deposits, each according to information published by the SBS. The Scotia Perú Group’s strong presence in the Peruvian banking industry allows it to reach a wide spectrum of clients, maximize revenue and gain market share. In particular, during 2011 and the nine-month period ended September 30, 2012, the Scotia Perú Group has continued to grow and consolidate its position in the Peruvian banking industry. Based on information published by the SBS, Scotiabank Perú’s management estimates that, as of September 30, 2012, Scotiabank Perú achieved a market share of 13.8% in terms of assets, 13.9% in terms of loans and 12.9% in terms of deposits of the total Peruvian banking and financial sector.

Diversified Product Portfolio that Responds to Market Conditions

The Scotia Perú Group provides its customers with a broad portfolio of products and services at competitive prices, and seeks to create strong relationships with its clients as a strategic partner in their businesses. The Scotia Perú Group continuously evaluates the economic environment and market conditions in order to identify new opportunities, generate innovative products and services that respond to changing economic conditions and address the needs of its clients. For example, in 2008 after identifying an opportunity in the market and in response to the increasing demand for automobile financing in Peru, the Scotia Perú Group established new programs and products specifically tailored to meet the needs of clients seeking automobile financing, such as the establishment of its automobile credit centers, the integration of its financing approval process and the creation of certain strategic alliances with automobile retailers. Such programs and actions have resulted in an increase in Scotiabank Perú’s market share of the automobile financing market from less than 2.0% of automobile loans originated in 2007 to 11.3% of automobile loans originated for the nine-month period ended September 30, 2012, in terms of performing loans, according to information published by the SBS. Through its focus on the changing needs of its clients, the Scotia Perú Group seeks to capitalize on new opportunities, maximize the loyalty and confidence of its client base and strengthen its market position.

Strong Presence in Consumer Finance and Micro Business Banking

The Scotia Perú Group serves the consumer finance and micro-finance markets in Peru primarily through its specialized financial institution, CrediScotia, with 92 branches and 1,192 points-of-sale at retail stores as of September 30, 2012. This specialized financial institution is in charge of servicing medium- to low-income individuals and micro businesses with a wide range of products and services including the Única credit card, consumer finance loans and micro-finance working capital loans). CrediScotia estimates that the client base of its Consumer Finance and Micro Business Banking divisions consists of more than 1.3 million customers.

CrediScotia offers standard service platforms, including bank tellers, ATMs, correspondent tellers and other services, which fit the preferences and financial habits of this client base. As of September 30, 2012, Scotia Perú Group is the third largest financial group in Peru in consumer finance (16.6% of market share) and micro-finance (17.8% of market share), and the second largest financial group Peru in small business (23.4% of market share).

Strong Branch, ATM and Correspondent Teller Network

The Scotia Perú Group has an extensive distribution network of over 281 branches, which includes over 92 CrediScotia branches, over 1,811 correspondent tellers, over 577 ATMs, and over 1,192 point-of-sale terminals in various commercial establishments located throughout Peru, such as drugstores and local businesses. Furthermore, as part of its Retail Banking segment, Scotiabank Perú maintains two Wealth Centers, which are specifically tailored to meet the needs of and provide customized services to Scotiabank Perú's Preferred Banking clients. Scotiabank Perú also maintains an off-shore branch in Panama, through which Scotiabank Perú provides specialized products and services, such as financing, investment services and foreign trade services. The Scotia Perú Group complements this extensive distribution network with additional electronic channels: Home Banking, Telebanking, Mobile Banking, TV Banking and Mobile Payments. This extensive distribution network provides the Scotia Perú Group greater contact with its customers and, in turn, provides the Scotia Perú Group's customers with increased banking flexibility and accessibility.

Expertise in Large-Scale Use of External Sales Forces

Scotia Perú Group has developed an external sales force that has allowed growth in various business segments and service areas, such as Retail Banking, without significantly increasing the Scotia Perú Group's payroll expenses. This specialized and multi-segment sales force is primarily responsible for the acquisition of new customers and cross-sales with such new clients. The compensation of the external sales force is tied to sales, which contributes to the variability of expenses, and is one of the key characteristics of the Scotia Perú Group's successful business model. As of September 30, 2012, the external sales force generated approximately 50% of the Retail Banking sales, including small business, mortgage and personal loans and credit cards.

Ability to Deliver High Profitability, while Maintaining Asset Quality

The Scotia Perú Group believes that its strong deposit base and diversified loan portfolio, which includes a balanced mix of corporate and personal credit, have allowed it to achieve strong revenue growth and low default rates without depending on a single client or economic segment. The Scotia Perú Group's growth has been accompanied by high levels of profitability. In 2011, the Scotia Perú Group's net profit grew by 14.5% and its operating margin increased by 23.4%. The Scotia Perú Group's annual return on average shareholders' equity for 2011 was 21.0%, compared to 21.5% for 2010. The Scotia Perú Group's return on average shareholders' equity as of September 30, 2012 was 20.2%, based on net profit during the twelve-month period ended September 30, 2012.

Ability to Identify Successful Strategic Opportunities and to Capitalize on Synergies

The Scotia Perú Group has grown partially through the successful completion of mergers and acquisitions. These transactions have allowed the Scotia Perú Group to develop the expertise and ability to identify successful strategic opportunities and to capitalize on synergies obtained from such strategic business combinations. In addition, the Scotia Perú Group has a proven track record of successfully integrating different corporate cultures while maintaining and promoting its own corporate values and brand.

Experienced Management Team

The Scotia Perú Group seeks to attract professionals to its senior management who are highly competent and experienced, as well as committed to the Scotia Perú Group's interests and objectives. The Scotia Perú Group's current senior officers have extensive experience in the financial markets and the Peruvian banking and financial sector. During the last five years Scotiabank Perú has been recognized by *Global Finance Magazine* as the "Best Foreign Exchange Bank" in Peru. Since 2009, Scotiabank Perú has been recognized as one of the 30 best workplaces in Peru by *The Great Place to Work Institute* which also recognized Scotiabank Perú as one of the 30 best workplaces in Latin America in 2011. Since 2010, Scotiabank Perú has been named Best International Trade Bank in Peru by *Trade Finance Magazine*. In 2009 and 2010, Scotiabank Perú received a *Premio Creatividad Empresarial* (Entrepreneur Creativity Award) from the *Universidad Peruana de Ciencias Aplicadas* for its participation in Peru's image campaign "Peru Now" and its virtual version "Peru Now" in the World Expo Shanghai 2010. In 2011, Scotiabank Perú was ranked 13th among the 250 largest Latin American Banks by *AméricaEconomía* and CrediScotia was ranked 10th among the Best Latin American & Caribbean Microfinance Institutions by Microfinance Information Exchange, Inc.

Business Strategy

The main components of the Scotia Perú Group's strategy include the following:

Continue to Expand the Scotia Perú Group's Retail Banking Activities and Customer Base

The Scotia Perú Group believes that there continues to be significant opportunities for growth in the Peruvian retail banking segment. The banking industry in Peru has significant growth potential because a relatively small portion of the Peruvian population currently has access to banking services. The Scotia Perú Group intends to continue to capitalize on the potential growth provided by this underpenetrated segment of the population, which is comprised mostly of lower-income individuals, by providing new and affordable banking services, as well as by strengthening its advisory services. In addition, the Scotia Perú Group intends to continue to expand its branch network. The Scotia Perú Group also intends to expand and strengthen its relationships with existing middle-market customers who currently utilize only a limited portion of its banking services. In particular, Scotiabank Perú intends to enhance its focus on its *Plan Abono* service, which is aimed at public employees and private sector employees whose salaries are deposited with Scotiabank Perú, by cross-selling new products and services to such customers and offering benefit packages.

Disciplined Loan Portfolio Growth

The Scotia Perú Group intends to continue to grow in a sustainable and disciplined manner, with a strong capital base and a diverse range of deposits. The Scotia Perú Group intends to attract new clients and maintain existing clients by providing customized products and solutions in a prudent and profitable way, rapidly and with creativity and transparency. The Scotia Perú Group intends to increase the size of its loan portfolio by generating and retaining the business of corporate clients and individuals. In addition, by extending and diversifying its client base, the Scotia Perú Group intends to diversify its funding sources.

Continue to Improve Operating Efficiencies

The Scotia Perú Group maintains a disciplined approach to reducing costs and generating efficiencies. The Scotia Perú Group intends to continue to improve its operational efficiency through the development of new business plans, increased employee training, streamlining the organizational structure of certain segments and divisions and increasing sales monitoring and responses. In particular, the Scotia Perú Group plans to continue to invest in technology in order to enhance the application, documentation and monitoring of its lending operations, automate certain of its key operations, strengthen its distribution network and achieve greater efficiencies in all of its processes.

Continue to Improve Risk Management and Internal Controls While Growing Loan Portfolio

The Scotia Perú Group believes that its risk management and internal control procedures are fully adequate. In order to ensure that it maintains best practices, responsibility for these policies and controls is undertaken based on determinations of the Scotia Perú Group's internal committees, such as the Asset and Liability Committee ("ALCO") or the Risk Control Committee, which have well-defined roles and responsibilities. The structure of the Scotia Perú Group's internal committees, each of which is supervised by its board of directors, allows for the exchange of know-how and expertise between the different parties with responsibility for risk management and internal controls. This enhances the speed and efficiency of the Scotia Perú Group's internal processes to generate, process and grant credit. Additionally, it also improves the process that monitors credit, market, operational and business risks. In addition, the Scotia Perú Group benefits significantly from its relationship with BNS in terms of maintaining best practices in relation to risk management. The Scotia Perú Group will continue to share knowledge with BNS as to internal control policies, management tools, analytics and procedures, and plans to continue to improve its risk management policies and internal controls.

Analyze Acquisition Opportunities

The Scotia Perú Group has grown largely through the successful completion of mergers and acquisitions. These transactions have allowed the Scotia Perú Group to develop the expertise and ability to identify successful strategic opportunities and to capitalize on synergies obtained from such strategic business combinations. The Scotia Perú Group will continue to analyze acquisition opportunities in its target market, helping it to expand into activities that complement its current business, produce synergies and increase profitability.

Continue to be an Innovator in the Market

The Scotia Perú Group intends to continue to be an innovator in the Peruvian banking industry by offering new products and services that distinguish it from its main competitors. For example, Scotiabank Perú was a pioneer in implementing correspondent tellers, which has greatly enhanced the ability of retail customers to access the Scotia Perú Group's products and services. The Scotia Perú Group will continue to seek innovative products and services that are tailored to the specific needs of its target customers and that reflect developments in the Peruvian economy.

Continue to Grow Wholesale Banking Activities

Scotiabank Perú intends to selectively grow Wholesale Banking, which includes Corporate Banking, Commercial Banking, Institutional Banking, Corporate Finance, Credit Solutions, Global Transaction Banking and Market & Economic Studies, by strengthening its position as a market leader in the Peruvian wholesale banking market, maintaining its leadership in the foreign exchange market and expanding its position in the market for derivative products.

Scotiabank Perú intends to continue to strengthen its relationship with its Wholesale Banking clients while increasing its presence in the corporate sector with more sophisticated products, strengthened medium-term lending operations, structured loans and derivatives, and in the capital markets by growing its project finance division and its arranger and brokerage services in connection with debt instruments. In addition, Scotiabank Perú intends to focus on increasing fee-based revenues from certain value-added services and products that are complementary to its lending activities, including capital markets services, foreign exchange ("FX") services, derivatives services and transactional advisory services, such as cash management, trade finance and global custody services.

History and Developments

Scotiabank Perú began its operations on May 13, 2006, as a result of the acquisition and integration by BNS of Banco Sudamericano S.A. ("Banco Sudamericano") and a majority interest in Banco Wiese Sudameris S.A. ("Banco Wiese Sudameris"). In the fourth quarter of 2005, BNS, already a significant shareholder of Banco Sudamericano, increased its interest in Banco Sudamericano to 100% and announced that it was acquiring 78% of Banco Wiese Sudameris through a merger of Banco Sudamericano into Banco Wiese Sudameris. Intesa Sanpaolo S.p.A. (the "Intesa Group") would hold the remaining 22% of Banco Wiese Sudameris.

At the time of their respective acquisitions, Banco Sudamericano, which began its operations in 1992 and prior to such date operated for an additional 11 years as Financiera Sudamericana and Banco Wiese Sudameris, which was founded in 1942, were established players in the Peruvian banking and financial sector. The transactions were approved by the SBS and closed in 2006. Upon the completion of these acquisitions, BNS merged Banco Sudamericano into Banco Wiese Sudameris, under the name “Scotiabank Perú” and held a 77.7% interest in Scotiabank Perú. In 2008, BNS acquired the Intesa Group’s remaining shares in Scotiabank Perú, increasing BNS’s ownership of Scotiabank Perú to approximately 97.7%.

In July 2008, Scotiabank Perú acquired 100% of the shares of Banco del Trabajo (“Bantra”), the Peruvian commercial banking division of Grupo Altas Cumbres. At the time of this acquisition, Bantra was the ninth largest commercial bank in Peru with a 3.3% market share of the consumer credit market and 13.2% market share of all small and middle-market business loans in Peru, according to information published by the SBS. This acquisition included assets of Bantra with a carrying amount as of June 30, 2008, of approximately S/.1,330 million according to financial information published by the SBS. In September 2008, Scotiabank Perú changed the name of Bantra to “CrediScotia Financiera S.A.” This transaction provided the Scotia Perú Group with a significant presence in the consumer finance and micro-finance markets in Peru.

In connection with Scotiabank Perú’s acquisition of Bantra, in July 2008, Scotiabank Perú also acquired 100% of the shares of Recaudadora S.A. (“RECSA”), a subsidiary of Grupo Altas Cumbres. At the time of this acquisition, RECSA provided collection and marketing services, similar to the services provided by SCI, an existing subsidiary of Scotiabank Perú. In January 2009, Scotiabank Perú merged RECSA into SCI in order to consolidate their similar operations and strengthen their business.

Ownership Structure

The Scotia Perú Group is part of and controlled by BNS, which, through various of its subsidiaries (together with BNS, the “BNS Group”), holds 97.75% of the common shares of Scotiabank Perú as of September 30, 2012. BNS is a Canadian financial institution and one of the Canadian banks with the largest international presence. The remaining 2.25% of the common shares of Scotiabank Perú are publicly listed and traded on the Lima Stock Exchange (*Bolsa de Valores de Lima*) (“BVL”) under the symbol “ScotiaC1.”

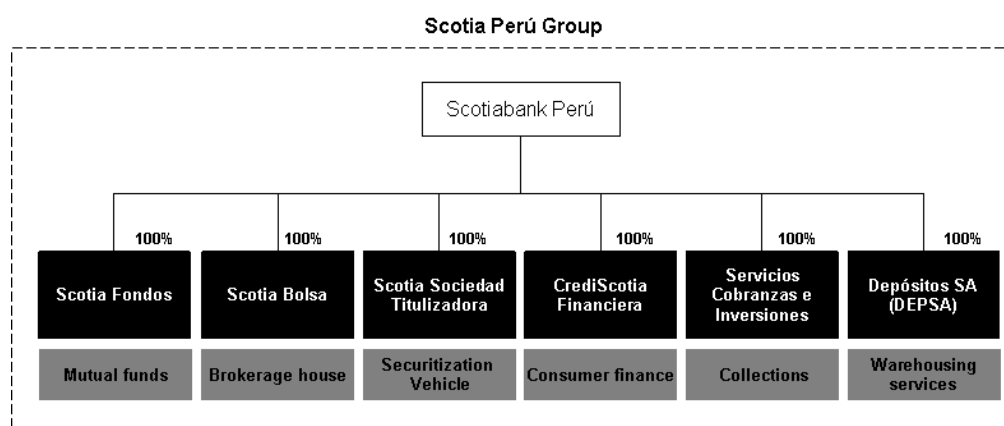
The following table sets forth the holdings of ordinary shares in Scotiabank Perú as of September 30, 2012:

SHAREHOLDER	Share (%)	Place of Incorporation
BNS Group		
NW Holdings Ltd.	55.32%	Bahamas
Scotia Perú Holdings S.A.	40.11%	Peru
The Bank of Nova Scotia	2.32%	Canada
Total BNS Group	97.75%	
Others.....	2.25%	
Total	100.00%	

Corporate Structure

Scotiabank Perú currently has six wholly owned consolidated operating subsidiaries, which are CrediScotia, Scotia Fondos, Scotia Bolsa, Scotia Titulizadora, SCI and DEPSA.

The following chart sets forth the basic corporate organization of Scotiabank Perú and its wholly owned consolidated operating subsidiaries as of September 30, 2012:



Corporate Information

Scotiabank Perú is a *sociedad anónima abierta* (open stock corporation) incorporated on February 2, 1943, organized under the laws of the Republic of Peru and conducts its financial operations in accordance with the Peruvian Banking Law. The operations of Scotiabank Perú are supervised by the SBS and the Central Reserve Bank of Peru (the “Central Bank”). Scotiabank Perú is registered under No.11008578 at the Registry of Corporations at the Superintendence of Public Registries of Peru. The legal name of Scotiabank Perú is Scotiabank Perú S.A.A., Scotiabank Perú’s principal executive offices are located at Avenida Dionisio Derteano 102, Lima 27, Peru, and the telephone number is +(511) 211-6000.

The Peruvian Banking and Financial Sector

As of September 30, 2012, Peru’s banking and financial sector was comprised of 16 commercial banking institutions and 11 financial institutions. Based on information published by the SBS, Scotiabank Perú’s management estimates that, as of September 30, 2012, Scotiabank Perú achieved a market share of approximately 13.8% in terms of assets, approximately 13.9% in terms of loans and approximately 12.9% in terms of deposits of the total Peruvian banking and financial sector.

The following table sets forth market share information for each of the major Peruvian commercial banks and financial institutions as of September 30, 2012:

Major Peruvian Commercial Banks and Financial Institutions as of September 30, 2012

	Assets	Deposits	Loans
Banco de Crédito del Perú	34.3%	34.6%	32.8%
Banco Bilbao Vizcaya Argentaria Banco Continental	21.7%	22.9%	22.3%
Scotiabank Perú	13.8%	12.9%	13.9%
Interbank	10.3%	10.3%	10.4%
Banco Interamericano de Finanzas	2.6%	2.9%	2.7%
Mi Banco	2.4%	2.7%	3.1%
Citibank del Perú	2.4%	2.1%	1.5%
HSBC	1.6%	2.2%	1.6%
CrediScotia	1.7%	1.4%	2.3%
Others	9.2%	8.0%	9.5%
Total	100.0%	100.0%	100.0%

Source: SBS

The following table sets forth return on equity (“ROE”), return on assets (“ROA”), efficiency ratio and non-performing loan ratio for each of Scotiabank Perú and the Peruvian banking and financial sector as a whole for the periods presented.

	As of December 31,			As of September 30,
	2009	2010	2011	2012
ROE⁽¹⁾				
Scotiabank Perú	23.80%	21.52%	21.48%	20.05%
Banking and financial sector ⁽²⁾	24.46%	24.35%	25.03%	22.98%
ROA⁽³⁾				
Scotiabank Perú	2.76%	2.76%	2.79%	2.74%
Banking and financial sector ⁽²⁾	2.27%	2.37%	2.37%	2.24%
Efficiency Ratio⁽⁴⁾				
Scotiabank Perú	37.29%	37.48%	38.88%	38.94%
Banking and financial sector ⁽²⁾	42.78%	41.80%	47.61%	47.70%
Non-Performing Loan Ratio⁽⁵⁾				
Scotiabank Perú	2.21%	1.51%	1.48%	1.63%
Banking and financial sector ⁽²⁾	1.56%	1.49%	1.47%	1.72%

Based on unconsolidated figures for the banking and financial sector, including branches abroad (“*Banca Múltiple con Sucursales en el Exterior*”).

- (1) ROE is calculated as net profit for the last twelve months as a percentage of average shareholders’ equity, computed as the simple average of the last twelve months.
- (2) The Peruvian banking and financial sector currently includes 15 major commercial banking institutions, including Scotiabank Perú.
- (3) ROA is calculated as net profit for the last twelve months as a percentage of average total assets, computed as the simple average of the last twelve months.
- (4) Efficiency ratio is calculated as operating expenses divided by total financial income, which consists of gross financial income, income from financial services, net, and other income, net for the last twelve months.
- (5) Non-performing loan (direct loans) ratio is calculated as past due loans and lawsuit loans as a percentage of total gross loan portfolio, computed using the ending balance of the period indicated.

Source: SBS for the banking and financial sector

The following table sets forth Scotiabank Perú's market share and rank in the Peruvian banking system in terms of total assets, total deposits, total loans, shareholders' equity and net profit for the periods presented.

	As of December 31,						As of September 30,	
	2009		2010		2011		2012	
	Rank	Market share	Rank	Market share	Rank	Market share	Rank	Market share
Total assets	3	15.93%	3	15.29%	3	15.46%	3	14.38%
Total deposits.....	3	16.39%	3	15.06%	3	15.05%	3	13.26%
Total loans	3	15.18%	3	14.78%	3	15.00%	3	14.62%
Shareholders' equity	2	20.12%	2	20.11%	2	20.77%	2	20.63%
Net profit	3	19.62%	3	18.07%	3	18.20%	3	17.42%

Based on unconsolidated figures for the banking sector, excluding branches abroad.

Source: SBS

The following table sets forth Scotiabank Perú's ranking among Peruvian financial institutions in terms of ROE, ROA, efficiency ratio and non-performing loan rates for the dates indicated:

Scotiabank Perú Ranking ⁽¹⁾	As of December 31,			As of
	2009	2010	2011	September 30,
				2012
ROE ⁽²⁾	6	8	7	5
ROA ⁽³⁾	7	6	4	3
Efficiency ratio ⁽⁴⁾	2	2	2	2
Non-performing loan rates ⁽⁵⁾	7	6	6	4

Based on unconsolidated figures for the banking and financial sector, including branches abroad ("*Banca Múltiple con Sucursales en el Exterior*").

(1) Rank among all banks in the Peruvian banking and financial sector.

(2) ROE is calculated as net profit for the last twelve months as a percentage of average shareholders' equity, computed as the simple average of the last twelve months.

(3) ROA is calculated as net profit for the last twelve months as a percentage of average total assets, computed as the simple average of the last twelve months.

(4) Efficiency ratio is calculated as operating expenses divided by total financial income, which consists of gross financial income, income from financial services, net, and other income, net for the last twelve months.

(5) Non-performing loan ratio is calculated as past due loans and lawsuit loans as a percentage of total gross loan portfolio, computed using the ending balance of the period indicated.

Source: SBS

THE OFFERING

The following is a brief summary of certain terms of this offering. Some of the terms and conditions described below are subject to important limitations and exceptions. For a more complete description of the terms of the Notes, see “Description of the Notes” in this Offering Memorandum.

You are advised that the Notes are not in any manner obligations of, or guaranteed by, The Bank of Nova Scotia (“BNS”) and/or any of its affiliates.

Issuer	Scotiabank Perú S.A.A.
Notes.....	U.S.\$400,000,000 aggregate principal amount of fixed-to-floating rate subordinated Notes due 2027.
Maturity	December 13, 2027.
Issue Date	December 13, 2012.
Interest	The Notes will bear interest at the rate of 4.50% per annum to, but excluding December 13, 2022, and from December 13, 2022, at a floating rate of three-month LIBOR plus 3.856% per year. Interest will be payable on June 13 and December 13 of each year, commencing on June 13, 2013, until December 13, 2022, and quarterly on each March 13, June 13, September 13 and December 13 thereafter, commencing on March 13, 2023.
Issue Price.....	100% of the principal amount, plus accrued interest, if any, from December 13, 2012.
Ranking.....	The Notes will be direct, unsecured subordinated obligations of Scotiabank Perú. In the event of Scotiabank Perú’s bankruptcy, liquidation, or dissolution under Peruvian law, the Notes will rank: • junior in right of payment to all of Scotiabank Perú’s existing and future Senior Obligations; • <i>pari passu</i> among themselves; • at least <i>pari passu</i> with all of Scotiabank Perú’s Parity Securities; and • senior in right of payment to Scotiabank Perú’s Junior Securities.

As of September 30, 2012, Scotiabank Perú had total Senior Obligations of approximately S/.26.2 billion (approximately U.S.\$10.1 billion), of which S/.0.4 billion (approximately U.S.\$0.2 billion) represents bank deposits. Payments on the Notes will be subordinated to the payment of Senior Obligations, which include employee liabilities (such as payroll), bank deposits and other types of saving instruments and taxes, among other types of obligations. The Indenture (as defined in “Description of the Notes”) will permit Scotiabank Perú to incur additional Senior Obligations.

“Senior Obligations” means (i) all claims of Scotiabank Perú’s unsubordinated creditors and other claims and obligations that rank senior in right of payment under mandatory provisions of Peruvian law, including all labor claims of Scotiabank Perú’s employees, all claims of Scotiabank Perú’s depositors and all claims of the Peruvian social security administration (*Seguro Social de Salud - EsSalud*) for healthcare obligations and claims for taxes, and (ii) all claims of all of Scotiabank Perú’s other creditors, except those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of holders of Parity Securities.

“Parity Securities” means (i) all securities or other subordinated obligations that qualify as consolidated Tier II Regulatory Capital (as defined in “Description of the Notes”), and (ii) any other securities or obligations that rank (pursuant to mandatory provisions of law or otherwise) or are expressed to rank, *pari passu* with Scotiabank Perú’s obligations under the Notes.

“Junior Securities” means (i) all hybrid instruments that qualify as consolidated Tier I Regulatory Capital (as defined in “Description of the Notes”) and Tier II Regulatory Capital, as applicable, (ii) all classes of capital stock and preferred stock, and (iii) any other securities or obligations that rank *pari passu* with any class of Scotiabank Perú’s capital stock with respect to the payment of dividends and distributions of assets upon liquidation, dissolution or winding up.

Make-Whole Redemption..... Scotiabank Perú may (with the prior approval of the SBS or any other then-applicable Peruvian Governmental Authority (as defined in “Description of the Notes—Certain Definitions—Peruvian Governmental Authority”), if then required) redeem the Notes, in whole or in part, on December 13, 2017 or on any date occurring thereafter until December 13, 2022, by paying the greater of the outstanding principal amount of the Notes and a “make-whole” amount, in each case plus any accrued and unpaid interest on the principal amount of the Notes up to, but not including, the date of redemption, plus Additional Amounts (as defined in “Description of the Notes”), if any. See “Description of the Notes—Redemption Prior to Maturity—Make-Whole Redemption.”

Optional Redemption..... Scotiabank Perú may (with the prior approval of the SBS or any other then-applicable Peruvian Governmental Authority, if then required) redeem the Notes in whole or in part on December 13, 2022 or on any interest payment date occurring thereafter at a redemption price equal to 100% of the principal amount of the Notes on such redemption date plus any accrued and unpaid interest on the principal amount of the Notes up to, but not including, the date of redemption, and additional amounts, if any. See “Description of the Notes—Redemption Prior to Maturity—Optional Redemption.”

Optional Redemption for Taxation or Regulatory Reasons Scotiabank Perú may (with the prior approval of the SBS or any other then-applicable Peruvian Governmental Authority, if then required) redeem the Notes in whole, but not in part, upon giving not less than 30 nor more than 60 days’ notice to the holders of the Notes, following the occurrence of certain changes in Peruvian or

other then-applicable tax laws or regulations or regulatory events under Peruvian laws, at a redemption price equal to 101% of the principal amount of the Notes on such redemption date, in case of redemption following a change in tax law, and at a redemption price equal to a “make-whole” amount, in case of redemption following a Regulatory Event (as defined in “Description of the Notes”), in each case plus any accrued and unpaid interest on the principal amount of the Notes up to, but not including, the date of redemption, plus additional amounts, if any. See “Description of the Notes—Redemption upon Tax Event or Regulatory Event.”

Covenants The Indenture governing the Notes will contain covenants that, among other things:

- limit Scotiabank Perú’s ability to consolidate with or merge into any other corporation or convey or transfer Scotiabank Perú’s properties and assets substantially as an entirety to any person; and
- require Scotiabank Perú to furnish to the trustee certain supplementary and periodic information, documents and reports.

These covenants are subject to a number of important limitations and exceptions. See “Description of the Notes—Covenants.”

Acceleration Event If Scotiabank Perú fails to make payment of principal or of interest or Additional Amounts, if any, on the Notes (and, in the case of payment of interest or Additional Amounts, such failure to pay continues for 30 days), each holder of the Notes has the right to demand and collect under the Indenture, and Scotiabank Perú will pay to the holders of the Notes the applicable amount of such due and payable principal, accrued interest and Additional Amounts, if any, on the Notes. **There is no right of acceleration in the case of a default in any payment on the Notes (whether when due upon stated maturity, upon redemption or otherwise) or the performance of any of Scotiabank Perú’s other obligations under the Indenture or the Notes.**

Acceleration of any payments due under the Notes will occur only if the SBS or any other then-applicable Peruvian Governmental Authority, enters a decree or order for “Intervention” (as defined in “Regulatory Environment—Intervention by the SBS and Liquidation”) or for the appointment of a custodian, conservator, receiver, liquidator, assignee, trustee, sequestrator or other similar official in any liquidation, insolvency or similar proceeding with respect to Scotiabank Perú or all or substantially all of Scotiabank Perú’s property and such decree or order has been communicated by the SBS to Scotiabank Perú. In the event that Scotiabank Perú becomes subject to Intervention, the rate at which interest will accrue on the Notes (to the extent the Notes have not been used to absorb losses) during the Intervention and liquidation process will be limited to the legal interest rate for Dollar-denominated indebtedness determined by the Central Bank. See “Description of the Notes—Peruvian Bankruptcy Considerations.”

	Pursuant to the Peruvian Banking Law, upon an acceleration event of the Notes, the SBS will have the power to interrupt Scotiabank Perú's operations in order to prevent, or to control and reduce the effects of, Scotiabank Perú's failure. Upon Intervention by the SBS and subsequent liquidation, the Notes may be used to absorb losses. See "Description of the Notes—Peruvian Bankruptcy Considerations."
Loss Absorption.....	Pursuant to the Peruvian Banking Law, as amended, and regulations promulgated thereunder, the SBS may decree that, in the case of an intervention by the SBS or Scotiabank Perú's liquidation, the principal amount and/or interest on the Notes be used to absorb Scotiabank Perú's losses. If the SBS were to do so, any Scotiabank Perú losses would be absorbed first by current and retained earnings, donations and premiums on the issuance of shares, and legal and voluntary reserves, then by common and preferred shares, followed by hybrid instruments that qualify as Tier I and Tier II Regulatory Capital (as applicable) and finally by redeemable subordinated debt that qualifies as Tier II Regulatory Capital, such as the Notes.
Book-Entry; Form and Denomination	The Notes will be issued in the form of one or more global Notes without coupons, registered in the name of a nominee of The Depository Trust Company ("DTC"), as depository, for the accounts of its participants including Euroclear Bank S.A./N.V. ("Euroclear"), and Clearstream Banking, <i>société anonyme</i>, Luxembourg ("Clearstream"). The Notes will be issued in minimum denominations of U.S.\$10,000 and integral multiples of U.S.\$1,000 in excess thereof. The Notes will not be issued in definitive form except under certain limited circumstances. See "Description of the Notes—Book-Entry System; Delivery and Form—Certificated Notes."
Use of Proceeds	The net proceeds from the offering will be used to strengthen Scotiabank Perú's capital structure and for general corporate purposes.
Further Issuances	Subject to the limitations contained in the Indenture, Scotiabank Perú may from time to time, without notice to or consent of the holders of the Notes, create and issue an unlimited principal amount of additional Notes of the same series as the Notes offered hereby.
Governing Law; Submission to Jurisdiction.....	The Notes are being issued by Scotiabank Perú as redeemable subordinated Notes under Article 233 of the Peruvian Banking Law and will be governed by the law of New York. Scotiabank Perú will submit to the non-exclusive jurisdiction of the United States federal and state courts located in the Borough of Manhattan in The City of New York in respect of any action arising out of or based on the Notes.
Listing.....	Application has been made to list the Notes on the Luxembourg Stock Exchange (and to trade on the Euro MTF Market). The approval for such listing is not a condition to the consummation of this offering.

Peruvian SMV Registration	Prior to the issuance of the Notes, Scotiabank Perú will register the Notes with the SMV. In Peru, this offering will be considered a public offering directed exclusively to “institutional investors” (as such term is defined under the Seventh Final Disposition of CONASEV Resolution No. 141-98-EF/94.10.1, as amended).
Peruvian SBS Registration	Scotiabank Perú has provisionally registered the Notes with the Foreign Investment and Derivatives Instruments Registry (<i>Registro de Instrumentos de Inversión y de Operaciones de Cobertura de Riesgo Extranjeros</i>) of the SBS, in order to make the notes eligible for Peruvian pension fund investment, as required by Peruvian legislation. Definitive registration will be conditioned on the delivery of the final offering memorandum and other ancillary documents to the SBS.
Trustee, Transfer Agent, Security Registrar, Calculation Agent and Paying Agent.....	The Bank of New York Mellon
Luxembourg Paying Agent, Luxembourg Transfer Agent and Luxembourg Listing Agent	The Bank of New York Mellon (Luxembourg) S.A.
Transfer Restrictions; No Registration Rights...	The Notes have not been registered under the Securities Act and are subject to restrictions on transfer and resale. The Notes may only be offered and sold in accordance with any applicable law and (1) to persons who are QIBs, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (2) to non-U.S. Persons (as defined in Regulation S of the Securities Act) in offshore transactions in reliance on Regulation S under the Securities Act. In Peru, the Notes offered are subject to transfer and resale restrictions, and may not be transferred or resold except as permitted under CONASEV Resolution N° 079-2008-EF/94.01.1 Scotiabank Perú will not be required to, nor does Scotiabank Perú intend to, register the Notes for resale under the Securities Act or to offer to exchange the Notes for Notes registered under the Securities Act or the securities laws of any jurisdiction.
No Established Trading Market	The Notes are a new issue of securities with no established trading market. Scotiabank Perú cannot assure you that an active or liquid trading market for the Notes will develop. If an active or liquid trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected.
Risk Factors	Investing in the Notes involves substantial risks and uncertainties. See “Risk Factors” and other information included in this Offering Memorandum for a discussion of factors you should carefully consider before deciding to purchase any Notes.

SUMMARY FINANCIAL INFORMATION

The following summary of consolidated financial and operating data as of and for each of the years ended December 31, 2009, 2010 and 2011 have been derived from the audited Annual Consolidated Financial Statements and notes thereto included herein. The information provided below should be read in conjunction with the Annual Consolidated Financial Statements and the notes thereto. As indicated above, the Annual Consolidated Financial Statements have been prepared in accordance with Peruvian Banking GAAP, which differs in certain respects from IFRS-IASB and IFRS-Peru. For a description of certain significant differences between Peruvian Banking GAAP and IFRS-IASB, see Appendix A. The financial and operating data as of and for each of the years ended December 31, 2009, 2010 and 2011 are not necessarily indicative of future performance.

	For the years ended December 31,			
	2009	2010	2011	2011
INCOME STATEMENT DATA:				(U.S.\$ in thousands) ⁽¹⁾
Financial income	2,393,258	2,300,422	2,811,216	1,082,486
Financial expenses	(592,218)	(440,349)	(533,480)	(205,422)
Gross financial income	1,801,040	1,860,073	2,277,736	877,064
Provision for doubtful loans, net of recoveries	(561,700)	(423,289)	(540,571)	(208,152)
Net financial income	1,239,340	1,436,784	1,737,165	668,912
Income from financial services, net	490,790	449,729	589,932	227,159
Operating margin	1,730,130	1,886,513	2,327,097	896,071
Administrative expenses ⁽²⁾	(996,800)	(1,020,659)	(1,177,973)	(453,590)
Net operating margin	733,330	865,854	1,149,124	442,481
Provisions, depreciation and amortization	(110,393)	(205,439)	(141,500)	(54,486)
Operating results	622,937	660,415	1,007,624	387,995
Other income, net	219,767	315,049	97,774	37,649
Net income before income tax	842,704	975,464	1,105,398	425,644
Income tax	(205,651)	(287,104)	(316,903)	(122,027)
Net profit	637,053	688,360	788,495	303,617
Basic and diluted earnings per share (in Nuevos Soles)	4.561	3.523	3.472	—
	As of December 31,			
	2009	2010	2011	2011
BALANCE SHEET DATA:				(U.S.\$ in thousands) ⁽¹⁾
Assets				
Cash and due from banks	3,857,207	8,110,442	7,308,230	2,814,105
Interbank funds	143,205	192,580	123,220	47,447
Investments at fair value through profit or loss and available-for-sale	3,637,054	1,708,204	1,659,254	638,912
Loan portfolio, net	14,573,225	17,148,245	20,869,482	8,035,996
Accounts receivable, net	483,795	356,569	488,318	188,032
Investments in associates	72,196	86,914	97,358	37,488
Goodwill	278,818	278,818	278,818	107,362
Property, furniture, and equipment, net	520,531	496,544	513,141	197,590
Other assets, net	622,396	663,889	793,394	305,504
Total assets	24,188,427	29,042,205	32,131,215	12,372,436
Liabilities and shareholders' equity				
Deposits and obligations	18,075,120	19,419,546	21,423,211	8,249,215
Interbank funds	20,001	36,005	189,204	72,855
Borrowings and financial obligations	1,656,929	3,782,680	4,024,030	1,549,492
Securities, bonds and obligations issued	696,602	1,317,058	1,470,937	566,399
Provisions and other liabilities	779,203	1,031,567	981,101	377,782
Shareholders' equity	2,960,572	3,455,349	4,042,732	1,556,693
Total liabilities and shareholders' equity	24,188,427	29,042,205	32,131,215	12,372,436
Contingent and memoranda accounts	193,349,027	209,460,337	183,966,617	70,838,127

- (1) Amounts stated in U.S. Dollars have been translated from Nuevos Soles at the exchange rate of S/2.597 per U.S.\$1.00 as of September 28, 2012, the latest available date, as September 30, 2012 fell on a non-business day. See "Foreign Exchange Rates" for additional information on the exchange rate.
- (2) Administrative expenses in 2009 include employees' profit sharing of S/35.7 million, which has been reclassified from income tax for comparative purposes due to a local regulation change. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Accounting Policies—Employees' Profit Sharing."

The following summary of consolidated financial and operating data as of September 30, 2012 and for each of the nine-month periods ended September 30, 2011 and 2012 have been derived from the Interim Consolidated Financial Statements and notes thereto included in this Offering Memorandum. This information should be read in conjunction with the Interim Consolidated Financial Statements and the notes thereto. As noted above, the Interim Consolidated Financial Statements have been prepared in accordance with Peruvian Banking GAAP, which differs in certain respects from IFRS-IASB and IFRS-Peru. For a description of certain significant differences between Peruvian Banking GAAP and IFRS-IASB, see Appendix A. The financial and operating data as of and for the nine-month periods ended September 30, 2011 and 2012 are not necessarily indicative of future performance.

	For the nine-month period ended September 30,		
	2011	2012	2012
	(S/. in thousands)		(U.S.\$ in thousands) ⁽¹⁾
INCOME STATEMENT DATA:			
Financial income	2,072,785	2,407,744	927,125
Financial expenses	(409,112)	(474,085)	(182,551)
Gross financial income	1,663,673	1,933,659	744,574
Provision for doubtful loans, net of recoveries	(380,874)	(493,089)	(189,869)
Net financial income	1,282,799	1,440,570	554,705
Income from financial services, net	437,630	477,739	183,959
Operating margin	1,720,429	1,918,309	738,664
Administrative expenses	(873,708)	(980,974)	(377,734)
Net operating margin	846,721	937,335	360,930
Provisions, depreciation and amortization	(115,803)	(110,551)	(42,569)
Operating results	730,918	826,784	318,361
Other income, net	59,922	45,715	17,603
Net income before income tax	790,840	872,499	335,964
Income tax	(234,343)	(270,104)	(104,006)
Net profit	556,497	602,395	231,958
Basic and diluted earnings per share (in Nuevos Soles)	2.291	2.133	—
As of September 30, 2012			
	(S/. in thousands)		(U.S.\$ in thousands) ⁽¹⁾
Assets			
Cash and due from banks	7,589,451	2,922,392	
Interbank funds	267,117	102,856	
Investments at fair value through profit or loss and available-for-sale	1,456,027	560,657	
Loan portfolio, net	22,227,179	8,558,791	
Accounts receivable, net	455,897	175,548	
Investments in associates	107,269	41,305	
Goodwill	278,818	107,362	
Property, furniture, and equipment, net	516,131	198,741	
Other assets, net	883,368	340,148	
Total Assets	33,781,257	13,007,800	
Liabilities and shareholders' equity			
Deposits and obligations	21,283,282	8,195,334	
Interbank funds	85,137	32,783	
Borrowings and financial obligations	5,258,596	2,024,873	
Securities, bonds and obligations issued	1,728,715	665,658	
Provisions and other liabilities	1,025,520	394,887	
Shareholders' equity	4,400,007	1,694,265	
Total liabilities and shareholders' equity	33,781,257	13,007,800	
Contingent and memoranda accounts	212,469,174	81,813,313	

(1) Amounts stated in U.S. Dollars have been translated from Nuevos Soles at the exchange rate of S/.2.597 per U.S.\$1.00 as of September 28, 2012, the latest available date, as September 30, 2012 fell on a non-business day. See "Foreign Exchange Rates" for additional information on the exchange rate.

The following selected financial ratios and data as of and for each of the years ended December 31, 2011, 2010 and 2009 and for the nine-month period ended September 30, 2012 have been derived from the Annual Consolidated Financial Statements and the Interim Consolidated Financial Statements and the notes thereto included herein. This information should be read in conjunction with the Annual Consolidated Financial Statements and the Interim Consolidated Financial Statements and the notes thereto, respectively. As indicated above, this information has been prepared in accordance with Peruvian Banking GAAP, which differs in certain respects from IFRS-IASB and IFRS-Peru. For a description of certain significant differences between Peruvian Banking GAAP and IFRS-IASB, see Appendix A. The financial and operating data as of and for each of the years ended December 31, 2009, 2010 and 2011 and the nine-month period ended September 30, 2012 are not necessarily indicative of future performance.

	As of and for the years ended December 31,			As of and for the nine months ended September 30,
	2009	2010	2011	2012
<i>(\$/ in thousands, except as otherwise indicated)</i>				
OTHER FINANCIAL DATA:				
Total operating margin ⁽¹⁾	1,730,130	1,886,513	2,327,097	1,918,309
Dividends	191,116	204,059	236,549	— ⁽²⁾
Average interest-earning assets ⁽³⁾	24,027,179	25,897,589	29,657,788	31,436,334
Average total assets ⁽⁴⁾	24,983,528	26,615,316	30,586,710	32,470,712
Average shareholders' equity ⁽⁵⁾	2,720,412	3,207,961	3,749,041	4,131,652
Risk-weighted assets and contingent credits ⁽⁶⁾	14,780,472	16,453,820	21,230,475	23,323,607
Total regulatory capital ⁽⁷⁾	1,883,445	2,018,359	2,455,924	3,050,453
SELECTED FINANCIAL RATIOS				
Profitability and Efficiency				
Return on average shareholders' equity ⁽⁸⁾	23.4%	21.5%	21.0%	20.2%
Return on average total assets ⁽⁹⁾	2.6%	2.6%	2.6%	2.5%
Dividend payout ratio ⁽¹⁰⁾	30.0%	30.0%	30.0%	—
Net interest margin ⁽¹¹⁾	7.5%	7.2%	7.7%	8.1%
Total provisions as a percentage of total operating margin ⁽¹²⁾	(6.4%)	(10.9%)	(6.1%)	(3.2%)
Efficiency ratio ⁽¹³⁾	64.0%	65.0%	56.7%	57.0%
Net fee income as a percentage of total operating margin ⁽¹⁴⁾	28.4%	23.8%	25.4%	24.9%
Capitalization and Balance Sheet Structure				
Equity-to-assets ratio ⁽¹⁵⁾	10.9%	12.1%	12.3%	12.6%
Total regulatory capital as a percentage of risk-weighted assets	12.7%	12.3%	11.6%	13.1%
Total loans as a percentage of total deposits	86.5%	94.3%	103.0%	110.2%
Total deposits as a percentage of total assets	74.7%	66.9%	66.7%	63.0%
Credit Quality				
Reserve for loan losses as a percentage of total gross loans ⁽¹⁶⁾	5.5%	4.2%	4.1%	4.2%
Reserve for loan losses as a percentage of past due loans (coverage ratio) ⁽¹⁶⁾	214.4%	235.3%	231.7%	210.0%
Past due loans as a percentage of total gross loans	2.6%	1.8%	1.8%	2.0%

- (1) Operating margin is the aggregate of gross financial income after provisions for doubtful loans, net of recoveries, and income from financial services, net.
- (2) The dividend will be determined at the end of the fiscal year.
- (3) Average interest-earning assets include deposits in the Central Bank, deposits in other banks, interbank funds, investment securities and loans and the sum is calculated based on the simple average between the value of interest-earning assets at the end of the period and the value of interest-earning assets at the end of the previous corresponding period.
- (4) Average total assets is defined as the simple average between the value of total assets at the end of the period and the value of total assets at the end of the previous corresponding period.
- (5) Average shareholders' equity is defined as the simple average between the value of shareholders' equity at the end of the period and the value of shareholders' equity at the end of the previous corresponding period.
- (6) Includes on- and off-balance sheet assets of Scotiabank Perú as reported to the SBS.
- (7) Regulatory capital is calculated according to the guidelines adopted by the SBS. For details, see "Regulatory Environment—Implementation of Basel Principles—Capital Adequacy."
- (8) Net profit for the last twelve months as a percentage of average shareholders' equity, computed as the simple average of the last twelve months.
- (9) Net profit for the last twelve months as a percentage of average total assets, computed as the simple average of the last twelve months.
- (10) Declared dividends per share divided by net profit per share.
- (11) Net interest income for the last twelve months as a percentage of average interest-earning assets, computed as the simple average between the value of total assets at the end of the period and the value of total assets at the end of the previous corresponding period.
- (12) Total provisions includes provisions for doubtful accounts receivable, provisions for liquid and repossessed assets, depreciation and amortization.
- (13) Salaries and employee benefits, general and administrative expenses, and depreciation and amortization divided by total operating margin.
- (14) Fees and commissions from banking services, net, as a percentage of total operating margin.
- (15) Average equity divided by average total assets, both calculated as the simple average between the end of the period and the previous corresponding period.
- (16) Reserve for loan losses includes reserves with respect to direct loans.

RISK FACTORS

This section does not describe all the risks of an investment in the Notes. Additional risks and uncertainties not currently known to the Scotia Perú Group or that the Scotia Perú Group currently considers immaterial could also materially and adversely affect the Scotia Perú Group's business, financial condition and results of operations. Any of the following risks could result in a material adverse effect on the Scotia Perú Group's business, financial condition or results of operations, and affect your investment. Before making any investment decision, you should carefully read this Offering Memorandum in its entirety, including the risk factors set forth below. In general, investing in the securities of issuers in emerging market countries, such as Peru, involves risks not typically associated with investing in the securities of U.S. companies.

Risk Factors Relating to the Scotia Perú Group and its Business

The operations of the Scotia Perú Group are supervised and regulated by the SBS and the Central Bank, which may take actions that could have a material adverse effect on the Scotia Perú Group's business, financial condition and results of operations.

The operations of the Scotia Perú Group are supervised and regulated by the SBS and the Central Bank. The Peruvian Constitution and the Peruvian Banking Law grant the SBS the authority to oversee and control banks and other financial institutions. The SBS and the Central Bank have, as applicable, general administrative responsibilities over the Scotia Perú Group, including authority to set doubtful loan provisions and capitalization and deposit reserve requirements. The Central Bank has, on numerous occasions, changed the deposit reserve requirements applicable to Peruvian commercial banks and both the rate of interest paid on deposit reserves and the amount of deposit reserves on which no interest is payable by the Central Bank. Also, the Scotia Perú Group could be required to increase its level of provisions in response to pro-cyclical provisioning requirements that could be activated by regulators under certain favorable macroeconomic conditions. In August 2011, Daniel Schydrowsky was appointed the new chairman of the SBS by President Humala. The Scotia Perú Group cannot predict whether the current or any future chairman of the SBS will implement changes in policies or regulations affecting financial institutions such as Scotiabank Perú and its Subsidiaries. Potential changes in bank supervision and regulation could have a material adverse effect on the Scotia Perú Group's business, financial condition and results of operations. For a more detailed description of Peruvian banking regulations, see "Regulatory Environment."

The allowances of the Scotia Perú Group for impairment losses may not be adequate to cover the future losses to its loan portfolio or other assets, which could have a material adverse effect on the Scotia Perú Group's business, financial condition and results of operations.

The Scotia Perú Group records allowances for impairment losses on loans and other assets. The amount of allowances recorded is based on the Scotia Perú Group's current assessment of and expectations concerning various factors affecting the quality of its loan portfolio and follows SBS guidelines. These factors include, among other things, the Scotia Perú Group's borrowers' financial condition, repayment abilities and repayment intentions, the realizable value of any collateral, the prospects for support from any guarantor, Peru's economy, government macroeconomic policies, interest rates and the legal and regulatory environment. As the recent global financial crisis has demonstrated, many of these factors are beyond the control of the Scotia Perú Group. In addition, as these factors evolve, the models the Scotia Perú Group use to determine the appropriate level of allowance for impairment losses on loans and other assets require recalibration, which can lead to increased provision expense. The Scotia Perú Group believes its allowance is adequate as of the date hereof for all known losses. If its assessment of and expectations concerning the above mentioned factors differ from actual developments, or if the quality of its loan portfolio deteriorates or the future actual losses exceed its estimates, the Scotia Perú Group's allowance for impairment losses may not be adequate to cover actual losses and it may need to make additional provisions for impairment losses, which could materially and adversely affect the Scotia Perú Group's business, financial condition and results of operations.

The operations of the Scotia Perú Group requires the maintenance of banking and other licenses and any noncompliance with applicable license and operating obligations could have an adverse effect on the Scotia Perú Group's business, results of operations and financial condition.

All banks established in Peru require licensing by the SBS. Scotiabank Perú and each of its Subsidiaries has a current license for all of its banking and other operations, as applicable. Although Scotiabank Perú believes it and each of its Subsidiaries is currently in compliance with its existing material license and reporting obligations to the SBS and otherwise, there is no assurance that Scotiabank Perú and each of its Subsidiaries will be able to maintain the necessary licenses in the future. The loss of a license, a breach of the terms of a license by Scotiabank Perú or any Subsidiaries or failure to obtain any further required licenses in the future could have a material adverse effect on the Scotia Perú Group's business, financial condition and results of operations. If Scotiabank Perú loses its general banking license, then Scotiabank Perú will be unable to perform banking operations.

The Scotia Perú Group relies on its information technology systems to conduct its business and a failure, interruption or breach of its information systems could have an adverse effect on its business, financial condition and results of operations.

The Scotia Perú Group relies on its information technology systems to conduct its business. Any failure, interruption or breach in security of the Scotia Perú Group's information systems could result in failures or interruptions in the Scotia Perú Group's risk management, general ledger, deposit servicing, loan organization and/or other important operations. Although the Scotia Perú Group has developed back-up systems and a fully equipped disaster recovery center, and may continue some of its operations through branches in case of emergency, if the Scotia Perú Group's information systems failed, even for a short period of time, then it could be unable to serve some or all of its customers' needs on a timely basis. Likewise, a temporary shutdown of the Scotia Perú Group's information systems could result in costs that are required for information retrieval and verification. In addition, failure to update and develop the Scotia Perú Group's existing information systems as effectively as its competitors may result in a loss of the competitive advantages that it believes its information systems provide.

If the Scotia Perú Group experiences a data security breach and confidential customer information is disclosed and accessed by third parties, the Scotia Perú Group and its customers could be adversely affected. The collection of data and processing of transactions require the Scotia Perú Group to receive and store a large amount of personally identifiable data. This type of data is subject to legislation and regulation in various jurisdictions. Recently, data security breaches suffered by well-known companies and institutions have attracted a substantial amount of media attention, prompting U.S. state and federal legislative proposals addressing data privacy and security. If similar proposals are adopted in Peru, the Scotia Perú Group may be subject to more extensive requirements to protect the personally identifiable information that it processes in connection with its services. The Scotia Perú Group may become exposed to potential liabilities with respect to the data that it collects, manages and processes, and may incur legal costs if its information security policies and procedures are not effective or if it is required to defend its methods of collection, processing and storage of personal data. Security breaches, lawsuits or adverse publicity relating to the Scotia Perú Group's methods of handling personal data could have a material adverse effect on the Scotia Perú Group's business, financial condition and results of operations due to the costs and negative market reaction relating to such developments.

No assurance can be given that such failures, interruptions or breaches will not occur or that the Scotia Perú Group will adequately address them if they do occur. Accordingly, the occurrence of any failures, interruptions or breaches could have a materially adverse effect on the Scotia Perú Group's business, financial condition and results of operations, including as a result of the Scotia Perú Group facing significant fines, customer notice obligations or costly litigation, maintaining or upgrading its information technology systems, or performing other information technology services on a timely basis.

The Scotia Perú Group's interest-earning assets and the interest rates the Scotia Perú Group pays on its interest-bearing liabilities could be adversely affected by volatility in interest rates or exchange rates, which could have an adverse effect on the Scotia Perú Group's business, financial condition and results of operations.

The interest rates the Scotia Perú Group earns on its interest-earning assets and the interest rates it pays on its interest-bearing liabilities could be affected differently by changes in market interest rates and by exchange rates

because the Peruvian economy is highly dollarized. This difference could result in an increase in financial expense relative to financial income, which would reduce the Scotia Perú Group's net financial income. See "Business—Risk Management." Furthermore, an increase in interest rates may reduce the demand for loans from the Scotia Perú Group and its ability to originate loans. A decrease in the general level of interest rates may affect the Scotia Perú Group through, among other things, increased pre-payments on its loan portfolio and increased competition for deposits. Interest rates are highly sensitive to many factors beyond the Scotia Perú Group's control, including monetary policies and domestic and international economic and political conditions.

If the Scotia Perú Group is unable for any reason to re-price its assets and liabilities in an expedited or effective manner or if interest rates rise as a result of economic or other reasons and its assets are not appropriately match-funded, then the Scotia Perú Group's financial income margins will be affected. While the Scotia Perú Group has implemented several policies to manage interest rate risk exposure, the Scotia Perú Group cannot assure you that such measures would be adequate to address volatility in market interest rates, which could have a material adverse effect on the Scotia Perú Group's business, financial condition and results of operations.

Global liquidity needs could have a material adverse effect on the Scotia Perú Group's ability to raise long-term funding, which could have an adverse effect on the Scotia Perú Group's business, financial condition or results of operations.

Global liquidity needs have increased recently following the banking crisis and the European debt crisis in international markets, which could reduce the Scotia Perú Group's ability to raise longer-term funding due to effects on the Peruvian capital markets. If the Scotia Perú Group is unable to raise funds through such channels, it may have to raise funds in the short-term money market. Short-term fundraising reduces the Scotia Perú Group's ability to diversify funding sources and could have a material adverse effect on the Scotia Perú Group's funding profile, liquidity profile, financial condition and results of operations. There can be no assurance that the Scotia Perú Group will be successful in obtaining additional sources of funds on acceptable terms or at all.

The Scotia Perú Group engages in transactions with certain related parties that could result in conflicts of interest.

Certain related parties of the Scotia Perú Group have been involved, directly or indirectly, in credit transactions with the Scotia Perú Group. In accordance with the Peruvian Banking Law, certain related parties of the Scotia Perú Group include directors, certain principal executive officers and holders that own, directly or indirectly, more than 4% of the Scotia Perú Group's shares, and companies controlled (for purposes of the Peruvian Banking Law) by any of them. Directors, certain principal executive officers and their spouses are considered related parties for a period of twelve months after leaving the Scotia Perú Group. Under the Peruvian Banking Law, all loans to related parties must be made on terms no more favorable than those offered to third parties. The SBS regulates and closely monitors related-party transactions and establishes a limit on aggregate related-party transactions equivalent to 30% of a bank's regulatory capital or 50% of the bank's regulatory capital if the excess is supported by letters of credit issued by foreign financial entities. Scotiabank Perú's related-party loans (including loans to members of the BNS Group and to non-BNS Group related parties) equaled 18.7%, 39.0%, and 28.4% of its regulatory capital as of December 31, 2010, December 31, 2011, and September 30, 2012, respectively.

As of September 30, 2012, loans and other contingent credits to related parties of Scotiabank Perú were S/.142.2 million in outstanding loans. In addition, as of September 30, 2012, loans and other credits to employees of Scotiabank Perú amounted to S/.8.6 million. See "Selected Statistical and Other Information—Loan Portfolio—Loan Risk Categories."

The Scotia Perú Group believes that it is in full compliance with all related-party transaction requirements imposed by the Peruvian Banking Law and the SBS. Although the Scotia Perú Group intends to continue entering into transactions with related parties and employees on terms similar to those that would be offered by or to an unaffiliated third-party, such financial transactions create the potential for, or could result in, conflicts of interest. For further information on the Scotia Perú Group's transactions with related parties, see "Related-Party Transactions."

A devaluation or depreciation of the Nuevo Sol could have a material adverse effect on the Scotia Perú Group's business, financial condition and results of operations.

Peru's economy is a dual-currency economy. People and companies may receive loans, open deposit accounts and, frequently, undertake transactions in U.S. Dollars as well as Nuevos Soles. The degree of dollarization (which generally refers to the degree to which the Dollar has displaced the Nuevo Sol in the economy) in the banking and financial sector has been declining since 2002, but remains relatively high at 48.2% of total loans and 41.8% of total deposits as of September 30, 2012. As a result, the Scotia Perú Group is exposed to the effects of fluctuation in the prevailing foreign currency exchange rates on its financial position.

As with the banking and financial sector, a significant portion of the Scotia Perú Group's financial assets and liabilities are denominated in, or indexed to, foreign currencies, primarily U.S. Dollars. If the Peruvian currency is devalued or if it depreciates, then the Scotia Perú Group would incur losses on its liabilities denominated in, or indexed to, foreign currencies ("Foreign Currency Liabilities"), such as the Scotia Perú Group's U.S. Dollar-denominated long-term loans and other debt, and would experience gains on its monetary assets denominated in, or indexed to, foreign currencies ("Foreign Currency Assets"). Therefore, if the Scotia Perú Group's Foreign Currency Liabilities significantly exceed the Scotia Perú Group's Foreign Currency Assets, including any financial instruments entered into for hedging purposes, then a devaluation or depreciation of the Peruvian currency could materially and adversely affect the Scotia Perú Group's business, financial condition and results of operations, which, in turn, could have a material adverse effect on the Scotia Perú Group's ability to make payments on the Notes. In addition, the Scotia Perú Group's lending operations depend significantly upon the Scotia Perú Group's capacity to obtain lower cost of funds indexed to the U.S. Dollar than the rates charged to the Scotia Perú Group's customers.

As of December 31, 2011 and September 30, 2012, 50.0% and 49.6%, respectively, of the Scotia Perú Group's loans to clients were denominated in U.S. Dollars. If there were to be a depreciation of the Nuevo Sol, it would be more difficult for the Scotia Perú Group's clients with income denominated in Nuevos Soles to repay their U.S. Dollar-denominated loans (in particular mortgages and other loans of retail customers). An increased credit default by the Scotia Perú Group's customers would have a negative effect on its revenues.

The risk from this "dollarization" of deposits derives from the banking and financial sector's potential need of U.S. Dollars to pay for deposits, which would require the Central Bank to provide U.S. Dollars to the banks. In the past, during periods of political turmoil or uncertainty, such as the run-up to presidential elections in 2011, the Scotia Perú Group has experienced temporary shifts in the currency mix of its deposit base from Nuevos Soles or U.S. Dollars. However, as of December 31, 2011 and September 30, 2012, Peruvian foreign reserves were U.S.\$48.8 billion and U.S.\$61.2 billion, respectively, according to the Central Bank, and, according to the SBS, U.S. Dollar-denominated deposits in the Peruvian banking and financial sector were U.S.\$22.1 billion and U.S.\$22.4 billion, respectively, which foreign reserves the Scotia Perú Group's management believes are an amount sufficient to provide support to the Peruvian banking and financial sector. As of December 31, 2011 and September 30, 2012, deposits and other obligations in U.S. dollars represented 49.6% and 45.8% of the Scotia Perú Group's total deposits, respectively.

Scotia Perú Group has also put into place asset and liability manage strategies to appropriately manage its exposure to dollarization. The Scotia Perú Group can make no assurance that Peru will be able to maintain adequate foreign reserves, that Peru will not impose exchange controls should its foreign reserves decline, or that the Scotia Perú Group strategies will be sufficient to manage existing or future dollarization risks.

A decline in Peru's foreign reserves to inadequate levels could (among other economic circumstances) lead to a devaluation of the Nuevo Sol. Devaluation is a systemic risk because, as of September 30, 2012, the Peruvian banking and financial sector had 48.2% of its direct loans denominated in U.S. Dollars, according to the SBS, compared to 51.0% as of December 31, 2011. A sudden and significant devaluation of the Nuevo Sol could have a material adverse effect on the Scotia Perú Group's business, financial condition and results of operations. Despite any decline in the value of the Nuevo Sol, and absent any change in foreign exchange regulations, the Scotia Perú Group would be expected to continue to repay foreign currency-denominated deposits in such foreign currency. Therefore, any decline in the value of the Nuevo Sol against any one or more foreign currency(ies) could have a material adverse effect on the Scotia Perú Group's business, financial condition and results of operations.

The adoption of new international banking guidelines may require the Scotia Perú Group to need additional capital and could cause its cost of funds to increase, which could have a material adverse effect on the Scotia Perú Group's business, financial condition and results of operations.

In June 2004, the Basel Committee on Banking Supervision (the "Basel Committee") set forth a new capital adequacy framework ("Basel II") to replace the Basel Capital Accord issued in 1988. Among the changes implemented by Basel II is the use, in certain cases, of external credit assessments for determining risk-weightings. New regulations based on Basel II were enacted in July 2009 and were implemented in full as of July 1, 2010. See "Regulatory Environment." Scotiabank Perú cannot assure you that such guidelines will not require the Scotia Perú Group to need additional capital in order to maintain its asset base or will not cause its cost of funds to increase.

With regard to risk-weightings to be applied to exposures to sovereign states, Basel II replaces the existing approach with a system that would use external credit assessments for determining risk-weightings. External risk assessments also apply, either directly or indirectly and to varying degrees, to the risk-weighting of exposures to banks, securities firms and corporations. Basel II could require financial institutions lending to Peruvian banks to be subject to higher capital requirements as a result of the credit risk rating of Peru, possibly resulting in higher borrowing costs for Peruvian banks, such as Scotiabank Perú, or unavailability of funds from these sources. In addition, given that many banks in the Peruvian market have assets in foreign currency-denominated Peruvian government securities, assignment of 100% risk-weighting to such securities could have a material adverse effect on the banking and financial sector as a result of declining risk-based capital ratios.

In December 2009, the Basel Committee announced its intention to issue a new framework ("Basel III"), related to the regulation, supervision and risk management of global banks. In December 2010 the full text of Basel III was published that presents the details of global regulatory standards on bank capital adequacy and liquidity agreed by the Governors and Heads of Supervision, and endorsed by the G20 Leaders. Among the changes adopted by Basel III were raising the quality, consistency and transparency of the capital base; enhancing risk coverage; introducing enhancing risk coverage; reducing procyclicality and promoting countercyclical buffers; and addressing systemic risk and interconnectedness.

On July 20, 2011, the SBS issued SBS Resolution 8425-2011, establishing the final methodologies and the implementation schedule of the additional capital requirements, which include requirements to cover concentration, interest rate and systemic risk. Additionally, pro-cyclical capital requirements were also established. These new requirements will be implemented over a period of five years beginning July 2012. On an unconsolidated basis, on September 30, 2012, Scotiabank Perú's additional capital—adjusted by the adequacy factor of 40%—was approximately S/316 million, which is equivalent to 13% of the required capital for credit risk, market risk and operational risk. During the five-year implementation period, the additional capital requirement will rise annually, as a ratio of the credit risk, market risk and operational risk, reaching 17%, 22%, 26% and 31% in each respective year leading up to the end of the adequacy period and remaining at 31% for the following years. The amounts of Scotiabank Perú's additional capital requirements would be approximately S/.502 million by July 2013, S/.729 million by July 2014, S/.1,001 million by July 2015 and S/.1,332 million by July 2016, which is the end of the adequacy period. The Scotia Perú Group does not expect the adoption of this new framework to have a material effect on its operations. However, Scotiabank Perú cannot assure you that its assumptions will turn out to be correct, nor that the adoption of the new Basel III framework will not have an adverse effect on the Scotia Perú Group's business, financial condition and results of operations.

The trading activities of the Scotia Perú Group are subject to factors beyond its control and losses from its exposures could result in a material adverse effect on the Scotia Perú Group's business, financial condition and results of operations.

As part of its treasury operations, the Scotia Perú Group trades various financial instruments and other assets, including debt, equity, fixed income, currency and related derivatives, as both agent and principal, and derives a proportion of its non-financial income from dealing profits. The Scotia Perú Group has established position limits for Nuevo Sol and foreign currency-denominated securities in accordance with its overall risk management policy and with the SBS requirements. However, the Scotia Perú Group is exposed to numerous factors that are beyond its control, including overall market trading activity, interest rate levels, the credit risk of its counterparties and general market volatility. In addition, a significant part of the Scotia Perú Group's trading is related to customer

transactions and the Scotia Perú Group may still be exposed to a number of risks related to the movement of market prices in the underlying instruments, including the risk of unfavorable market price movements relative to its long or short positions, a decline in the market liquidity of the related instruments, volatility in market prices, interest rates or foreign currency exchange rates relating to these positions, and the risk that the instruments with which the Scotia Perú Group chooses to hedge certain positions do not track the market value of those positions. If the Scotia Perú Group incurs any losses from these exposures, then it could reduce the Scotia Perú Group's dealing profits or cause it to suffer losses from dealing activities, either of which could have a materially adverse effect on the Scotia Perú Group's business, financial condition and results of operations.

The Scotia Perú Group faces strong competition from existing and new competitors in the Peruvian banking and financial sector, which could put pressure on the Scotia Perú Group's margins and reduce its profitability, and which could have a material adverse effect on the Scotia Perú Group's business, financial condition and results of operations.

The Scotia Perú Group has experienced increased competition, which has put pressure on margins. Competition comes primarily from highly liquid multinational commercial banks with innovative local technology and marketing resources and local pension funds that lend to the Scotia Perú Group's corporate customers through the capital markets. The Scotia Perú Group has also experienced an increase in competition from financial companies and microfinance entities. In addition, larger Peruvian companies have gained access to new sources of capital, through local and international capital markets, and the Scotia Perú Group's traditional and new competitors have increasingly made inroads into the higher margin middle market and retail banking sectors. An increase in off-shore funding, which is not taken into account in local official figures, distorts the relative market share figures for the banking and financial sector, most especially with respect to the wholesale segment. Competition is also reflected in the expansion of customer service channels: branches, ATMs, correspondent tellers, internet banking, mobile banking and TV banking.

The increased competition may affect the Scotia Perú Group's loan growth and/or reduce the average interest rates that the Scotia Perú Group can charge its customers. Competitors may also direct greater resources and be more successful in the development and/or marketing of technologically advanced products and services that may compete directly with the Scotia Perú Group's products and services, adversely affecting the acceptance of the Scotia Perú Group's products and/or leading to adverse changes in the spending and saving habits of the Scotia Perú Group's customer base. The Scotia Perú Group may not be able to maintain its market share if it is not able to match its competitors' loan pricing or keep pace with the competitors' development of new products and services.

Leading local competitors include Banco de Crédito del Perú and BBVA Continental. New market participants include Banco Falabella and Banco Ripley (Chile) in 2007, Banco Azteca (Mexico), Banco Santander (Spain), and Deutsche Bank (Germany) in 2008. Also, in 2010 Banco Itaú (Brazil), Banco Latinoamericano de Comercio Exterior – Bladex (Colombia), Morgan Stanley Bank N.A. (U.S.), and Bank of Tokyo – Mitsubishi UFJ (Japan) opened representative offices in Peru. In 2011, the Industrial and Commercial Bank of China – ICBC was authorized to organize a banking subsidiary in Peru denominated ICBC Perú Bank. Banco Cencosud (Chile) started its operations in Peru in June 2012 and is expected to become a main competitor in the credit card business. Finally, Bancolombia has also shown interest in entering the Peruvian banking and financial sector. The recent entry of new competitors into the market could have a material adverse effect on the market share of Scotiabank Perú and its Subsidiaries.

A deterioration in loan quality and reduced diversification in the Scotia Perú Group's loan portfolio could have a material adverse effect on its business, financial condition and results of operations.

Given that a significant percentage of the Scotia Perú Group's revenues are related to banking activities, a deterioration of loan quality may have an adverse impact on the financial condition and/or results of operations of the Scotia Perú Group. While loan portfolio risk associated with lending to certain economic sectors or clients in certain market segments can be mitigated through adequate diversification policies, the Scotia Perú Group's pursuit of opportunities in which it can charge higher interest rates, thereby increasing revenues, may reduce diversification of the loan portfolio and expose the Scotia Perú Group to greater credit risk.

In addition, certain concentrations of borrowers' commercial sectors is unavoidable in Peru—principally in the natural resources and fishing sectors—and deteriorations in such sectors could have a material adverse effect on the Scotia Perú Group's deposits, loan performance and other business. The Scotia Perú Group's strategy in recent years has been to focus on the retail banking segment in Peru due to the high growth opportunities and profit potential in such segment. Additionally, in the past two years, the Scotia Perú Group has made significant efforts to expand its presence in the corporate banking segment in Peru and expects to continue to do so in the near future. As of September 30, 2012, Retail Banking loans accounted for 57.8% of the Scotia Perú Group's loan portfolio. Although the Scotia Perú Group has approached such strategy with conservative credit assessments, risk-adjusted pricing methodologies and a strong capital support, higher than average exposure to the retail banking segment could be accompanied by greater credit risk due to higher risk profiles compared, particularly, to loans to large corporate customers. Given the significant recent growth of the Scotia Perú Group's loan portfolio, historical loss experience may not be indicative of future doubtful loan experience.

The Scotia Perú Group's internal controls may not adequately discover and rectify fraud, unauthorized transactions or other operational errors from employers or outsiders, which could have a material adverse effect on the Scotia Perú Group's business, financial condition and results of operations.

Similar to other financial institutions, the Scotia Perú Group is susceptible to, among other things, fraud by employees or outsiders, unauthorized transactions by employees and other operational errors (including clerical or record keeping errors and errors resulting from faulty computer or telecommunications systems). Given a high volume of transactions that may occur at a financial institution, errors may be repeated or compounded before they are discovered and rectified. In addition, a number of banking transactions are not fully automated, which may further increase the risk that human error or employee tampering will result in losses that may be difficult to detect quickly or at all. While the Scotia Perú Group believes that it maintains a system of internal controls designed to monitor and control operational risk, there can be no assurance that the Scotia Perú Group will not suffer losses from such risks. Losses from the failure of the Scotia Perú Group's system of internal controls to discover and rectify such matters could have a material adverse effect on its business, financial condition and results of operations.

The Scotia Perú Group's anti-money laundering and anti-terrorist financing measures might not prevent third parties from using the Scotia Perú Group as a conduit for such activities, which could damage the Scotia Perú Group's reputation or expose the Scotia Perú Group to fines, sanctions or legal enforcement, which could have a material adverse effect on the Scotia Perú Group's business, financial condition and results of operations.

The Scotia Perú Group complies with applicable anti-money laundering and anti-terrorist financing laws and regulations. The Scotia Perú Group has also adopted various policies and procedures, including internal controls and "know-your-customer" ("KYC") procedures, aimed at preventing money laundering and terrorist financing. The Scotia Perú Group believes that its anti-money laundering policies and procedures are based upon, and are in compliance in all material respects with, the applicable provisions of Peruvian law. In addition, as the Scotia Perú Group to a degree relies upon its correspondent banks having their own appropriate anti-money laundering and anti-terrorist financing procedures, Scotiabank Perú employs what it believes are commercially reasonable procedures for monitoring its correspondent banks. However, such measures, procedures and compliance may not be completely effective in preventing third parties from using Scotiabank Perú (and its correspondent banks) or the Scotia Perú Group as a conduit for money laundering (including illegal cash operations) or terrorist financing without Scotiabank Perú's (and its correspondent banks') or the Scotia Perú Group's knowledge. If the Scotia Perú Group is associated with money laundering (including illegal cash operations) or terrorist financing, then its reputation could suffer and/or it could become subject to fines, sanctions and/or legal enforcement (including being added to any "blacklists" that would prohibit certain parties from engaging in transactions with the Scotia Perú Group), which could have a materially adverse effect on its business, financial condition and results of operations.

The global economic environment including the unavailability of credit in the international market could lead to reduced economic activity among the customers of the Scotia Perú Group and restrict ability of the Scotia Perú Group to access capital markets for financing, which could have an adverse effect on the Scotia Perú Group's business, financial condition and results of operations.

Liquidity shortage in the global financial system could have an impact on the business and financial condition of the Scotia Perú Group. The effect of any liquidity shortages on the Scotia Perú Group and its customers cannot

be predicted. A deteriorated global economy could lead to reduced economic activity among the Scotia Perú Group's customers, which could have a negative effect on its revenues and Scotiabank Perú's payment order business. Factors such as unemployment, inflation levels and the availability of credit could also have a material adverse effect on the economic activity of its customers and therefore on its business, financial condition and results of operations. Scotiabank Perú's ability to access the capital markets may be restricted at a time when it would need financing, which could have an impact on its flexibility to react to changing economic and business conditions.

Scotia Perú Group's acquisitions and strategic partnerships may not perform as expected, which could have a material adverse effect on its business, financial condition and results of operations.

Acquisitions and strategic partnerships, such as the Scotia Perú Group's alliances with various retailers to establish correspondent tellers at such locations, may not perform as expected since the Scotia Perú Group's assessment could be based on assumptions with respect to operations, profitability and other matters that may subsequently prove to be incorrect. Future acquisitions, investments and alliances may not produce the anticipated synergies or perform in accordance with the Scotia Perú Group's expectations, which could have a material adverse effect on its business, financial condition and results of operations.

Risk Factors Relating to Peru

Economic, social and political developments in Peru could result in a materially adverse effect on the Scotia Perú Group's business, financial condition and results of operations.

Any claims against Scotiabank Perú under the Notes would be unsecured claims payable from, among other sources, Scotiabank Perú's funds in Peru. The ability of Scotiabank Perú to make any such payments from Peru will depend, among other factors, upon the Peruvian government not having imposed prohibitive foreign exchange controls, Scotiabank Perú's ability to obtain U.S. Dollars in Peru and/or Scotiabank Perú's ability to secure any applicable necessary approval from the relevant authority, which could be affected by the circumstances described below (among others). Furthermore, Scotiabank Perú and its Subsidiaries are predominantly engaged in business in Peru and the Scotia Perú Group's results of operations and financial condition are to a large extent dependent upon the overall level of economic activity and political stability in Peru.

Although in recent years Peru has undergone significant political and economic reform to foster domestic and foreign investment and competition and increase stability and economic growth, Peru is generally considered by international investors to be an emerging market.

Investors should also note that emerging economies such as Peru's are subject to rapid change and that the information set out in this Offering Memorandum may become outdated relatively quickly. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment in the Notes is appropriate. Generally, investment in emerging markets is only suitable for investors who fully appreciate the significance of the risks involved and investors are urged to consult with their own legal and financial advisors before making an investment in the Notes.

The Scotia Perú Group's business, financial condition and results of operations may also be adversely affected by changes in Peru's political climate to the extent that such changes affect the nation's economic policies, growth, stability, outlook or regulatory environment. Former President García, much like his predecessor Alejandro Toledo, gained the support of the country's business sector by maintaining business-friendly and open-market economic policies that sustained and even fostered economic growth, while controlling the inflation rate at historically low levels.

Presidential elections were held in Peru in April 2011. On July 28, 2011, Ollanta Humala was sworn in as the new president of Peru for a five-year term through 2016, after winning a run-off election. President Humala has stated that Peru will continue applying the economic policies of previous governments, a responsible fiscal policy and autonomous monetary policy and to date, President Humala has continued the business-friendly and open-market economic policies of his predecessor. Furthermore, the appointment of cabinet ministers with government experience and public announcements from government officials have partially dissipated concerns that Peru's

economic policy framework would change drastically. Additionally, continuity in Central Bank administration was confirmed with the appointment of Julio Velarde as its Chairman. However, Scotiabank Perú cannot assure you that the current or any future Peruvian administration will maintain business-friendly and open-market economic policies or policies that stimulate economic growth and social stability. Any changes in the Peruvian economy or the Peruvian government's economic policies may have a material adverse effect on the Scotia Perú Group's business, financial condition and results of operations.

In addition, social demands and conflicts could have an effect on the Peruvian economy. The informal sector of the Peruvian economy is large and persistent levels of poverty continue to require the deployment of significant public funds for social spending. In addition, public protests as to the environmental concerns in respect of economic developments, such as the protest in past months as to Minas Conga, a mining project in the northern state of Cajamarca, Peru, with estimated investments of approximately US\$4.8 billion, could result in the cessation of certain projects.

A decline in the prices of certain commodities in the international markets could have a material adverse effect on the Scotia Perú Group's business, financial condition and results of operations.

The extent to which the Peruvian economy is affected by the deteriorated global financial condition could affect the political situation in Peru. In 2011, natural resource exports, in particular metals, fishmeal and agricultural products, represented 77.4% of Peru's total exports, according to Central Bank figures. A decline in commodity prices in the international markets, especially metals, would have an adverse impact on government finances, which could affect both investor confidence and the sustainability of government expenditure and social programs. Thus, a decline in commodity prices could, ultimately, affect the political environment in Peru, especially as regional and local governments are particularly reliant on tax revenue from mining concerns. Over the past decade there have been fairly frequent protests in different parts of the country surrounding investment in natural resource projects. By potentially affecting private sector demand and investor confidence, lower commodity prices could also affect the banking and financial sector, leading to, for example, lower credit demand, deteriorating asset quality and currency devaluation. A decline in commodity prices could also materially affect the finances of the Scotia Perú Group's clients that rely on revenue from natural resources.

An economic recession in Peru could have a material adverse effect on the Scotia Perú Group's business, financial condition and results of operations.

If Peru's economy were to go into recession, some segments of the Scotia Perú Group's retail portfolio, particularly those of small and medium businesses, which are more vulnerable to economic cycles and represent a segment with which the Scotia Perú Group has not experienced a previous recession, could show higher default rates and may have a material adverse effect on the Scotia Perú Group's ability to fulfill its obligations under the Notes. In a scenario of economic recession and higher default rates, the Scotia Perú Group would expect less demand for loans from its clients, and the Scotia Perú Group would restrict some of its credit policies, particularly regarding small and medium businesses, potentially hindering the growth of its loan portfolio and affecting its operating results. Scotiabank Perú cannot assure you that a future recession will not have a negative effect on the Scotia Perú Group's business, financial condition and results of operations.

Developments in Latin America and other emerging markets could have a material adverse effect on the Scotia Perú Group's business, financial condition and results of operations.

Emerging markets such as Peru are subject to greater risks than more developed markets and financial turmoil in other emerging markets (or the global markets generally) could disrupt business as well as cause the price of the Notes to suffer. Moreover, financial turmoil or political events in any emerging market country and, in particular, in other Latin American countries, tends to adversely affect prices in stock markets and prices for debt securities of all emerging market countries as investors move their money to more developed markets. An increase in the perceived risks associated with investing in emerging economies could dampen capital flows to Peru and adversely affect Peru's economy, and the price of the Notes may be subject to fluctuations that may not necessarily be related to economic conditions in Peru or the financial performance of Scotiabank Perú. There can be no assurance that investors' interest in Peru will not be negatively affected by events in other emerging markets or the global economy in general (for example, the continuing global market crisis).

Inflation and a high level of dollarization of the Peruvian economy hampers monetary policy, which in turn could reduce growth in the Peruvian economy and could have a material adverse effect on the Scotia Perú Group's business, financial condition and results of operations.

Reform of the Central Bank and of Peru's monetary policy has been a centerpiece of the economic program Peru began in the early 1990s. These reforms were implemented to address the high rates of inflation that Peru, along with other South American countries, experienced during the 1980s and early 1990s.

Inflation has since been brought down significantly. Over the five-year period ended on December 31, 2012, the Peruvian economy experienced annual inflation averaging 3.1% per year as measured by the Peruvian Consumer Price Index. Annual inflation peaked at 5.8% in 2008, which was mainly due to the effects on domestic prices of the increase in international prices of raw materials such as cereals and oil. There can be no assurance that inflation will remain in line with the expectations of the Scotia Perú Group's management or will not increase significantly over time. If Peru experiences substantial inflation in the future, then the Scotia Perú Group's costs may increase, and then, if not accompanied by a corresponding increase in interest rates, its operating and net margins may decrease, and this decrease could have a material adverse effect on Scotiabank Perú's business, financial condition, results of operations, and ability to fulfill its obligations with respect to the Notes. Inflationary pressures may also curtail the Scotia Perú Group's ability to access foreign financial markets and may lead to further government intervention in the economy, including the introduction of government policies that could have a material adverse effect on the overall performance of the Peruvian economy.

The Central Bank's primary goal is to maintain a stable monetary environment. To conduct monetary policy, the Central Bank establishes a target inflation rate for each fiscal year and announces this target rate in order to shape market expectations. The target annual inflation rate since 2007 was lowered to 2.0%, plus or minus 1.0%.

The minimum legal reserve requirement for Nuevo Sol- and foreign currency-denominated deposits is 9.0%. Foreign currency-denominated deposits are currently subject to a 55% marginal rate, whereas Nuevo Sol-denominated deposits collected from the general public (except for foreign financial institutions, which are subject to a 55% special rate) are not subject to a marginal rate. As of September 30, 2012 and December 31, 2011, 39.4% and 38.7%, respectively, of total foreign currency liabilities subject to reserve requirements and 16.1% and 14.3%, respectively, of total local currency liabilities subject to reserve requirements were kept by local banking institutions as reserves according to information published by the Central Bank. Effective January 25, 2010, amounts due to central banks, foreign governments, foreign governmental agencies, multilateral lending agencies or foreign financial entities with an average term of less than three years are subject to a 35% special rate. Financial institutions may satisfy the minimum reserve requirements with funds that they hold in vaults or that they have deposited in their accounts at the Central Bank. They also must keep at least 3.0% of their local and foreign currency deposited in the Central Bank. Any increase in the level of reserve requirements in U.S. dollars could materially increase the cost of short-term funding and thus could have a material adverse effect on the Scotia Perú Group's business, financial condition and results of operations.

The Central Bank relies primarily upon open market operations to regulate the liquidity of the banking and financial sector and promotes the perception of the Central Bank as a lender of last resort by imposing above-market rates and commissions on discount window transactions.

Despite the positive impact that it may have on reducing cross border transaction costs and preserving purchasing power, the high level of dollarization of the Peruvian economy has hampered monetary policy by undermining the Central Bank's ability to control the money supply. U.S. dollarization generally refers to the degree to which the U.S. Dollar is used as a currency as an alternative to the Nuevo Sol in the economy. Since the 1990s, the Peruvian economy has remained highly dollarized even with the decline in inflation rates. According to the SBS, as of December 31, 2011, deposits denominated in foreign currency equaled 46.9% of total deposits and credits denominated in foreign currency equaled 50.2% of total credits in the Peruvian banking and financial sector. The continued demand for local currency for transactions that take place in the Peruvian economy has preserved local currency as the main channel through which the Central Bank can affect aggregate demand and thus control inflation. The Central Bank expects that, as it continues to meet its inflation targets, confidence in the value of the local currency will grow, gradually restoring the Nuevo Sol as the principal means of savings; however, no assurance can be given in that regard.

Adverse structural changes to the Peruvian banking and financial sector or the implementation by the Peruvian government of policies that would discriminate between foreign and domestic banks could have an adverse effect on the Scotia Perú Group's business, financial condition and operations.

The Peruvian banking and financial sector has gone through major structural changes as a result of the financial liberalization program that started in the early 1990s. As part of its economic program, the Fujimori administration undertook to overhaul Peru's banking and financial sector. Its first measures included liberalizing interest rates and eliminating exchange rate controls. In 1996, Congress passed the Peruvian Banking Law, which adopted a policy of nondiscrimination between foreign and national banks, and between state and private banks, opened the financial market to foreign banks and insurance companies, liberalized market entry barriers for domestic banks and tightened prudential standards and disclosure requirements.

As of September 30, 2012, the Peru's banking and financial sector was composed of 84 financial institutions, including 16 commercial banks, 13 municipal and 11 rural savings and loan associations, 10 small business development non-bank institutions, 11 financial companies, 2 leasing companies and 3 state-owned banks (not including the Central Bank): Banco de la Nación, the Corporación Financiera de Desarrollo (the Development Finance Corporation, or "COFIDE") and Banco Agropecuario. As of September 30, 2012, the Peruvian banking and financial sector also included 14 insurance companies and 4 private pension fund managers. Of the 16 commercial banks in operation, 12 were foreign-owned.

In 2006, HSBC Peru, a wholly owned subsidiary of HSBC Bank Plc, created a banking operation in Peru. During 2007, the SBS authorized each of Banco Falabella (Chile), Banco Ripley (Chile), Banco Azteca (Mexico) and Banco Santander (Spain) to initiate banking operations in Peru. In 2008, Deutsche Bank AG received authorization from the SBS to establish banking operations in Peru. Currently, all such banking institutions have commenced operations. Given the size and profitability of the Peruvian banking industry, Scotiabank Perú expects that additional foreign banks will enter the Peruvian market.

If the general macroeconomic conditions in Peru, and the Peruvian banking and financial sector in particular, were to suffer a crisis or if the government implemented a policy of discrimination between foreign and domestic banks, the Scotia Perú Group cannot assure you that this would not result in bank failures, reduced liquidity and/or weaker public confidence in the Peruvian banking and financial sector.

Changes to banking laws or regulations, or the Scotia Perú Group's failure to adopt adequate responses to such changes, could have a material adverse effect on the Scotia Perú Group's business, financial condition and results of operations.

The Scotia Perú Group is subject to a number of banking and other regulations designed to maintain the safety and soundness of banks, ensure their compliance with economic and other obligations and limit their exposure to risk. These regulations include Peruvian laws and regulations as well as laws and regulations of certain other countries where the Scotia Perú Group operates (including the United States, in which Scotiabank Perú maintains correspondent banking accounts). These regulations may increase the Scotia Perú Group's cost of doing business or limit its activities. In addition, a breach of regulatory guidelines could expose it to potential liabilities or sanctions, including the loss of necessary licenses. The SBS and the Central Bank, in particular, have general administrative responsibilities over the Scotia Perú Group, including designation of capitalization and reserve requirements.

Changes in banking laws or regulations could have a material effect on the Scotia Perú Group's business, financial condition and results of operations. New banking laws and regulations issued from regulatory institutions have only recently been adopted. For example, in the past several years, the Central Bank has, on numerous occasions, changed the deposit reserve requirements applicable to Peruvian commercial banks as well as the rate of interest paid on deposit reserves and the amount of deposit reserves on which no interest is payable by the Central Bank. The manner in which those laws and regulations are applied to the operations of financial institutions is still evolving. Laws or regulations might be adopted, enforced or interpreted in a manner that could have a material adverse effect on the Scotia Perú Group's business, financial condition, cash flows and results of operations. Moreover, any failure to adopt adequate responses to such changes in the regulatory framework could have a material adverse effect on the Scotia Perú Group's business, financial condition and results of operations.

The implementation of restrictive exchange rate policies could have a material adverse effect on the Scotia Perú Group's business, financial condition and results of operations.

While the Peruvian government currently imposes no restrictions on a company's ability to transfer U.S. Dollars or other foreign currencies from Peru to other countries, to convert Peruvian currency into foreign currencies or to remit dividends abroad, Peru has had restrictive exchange controls in the past and there can be no assurance that the Peruvian government will continue to permit such transfers, conversion or remittances without restriction. Any such restrictive exchange rate policy could affect the Scotia Perú Group's ability to engage in foreign exchange activities, and could also have a material adverse effect on the Scotia Perú Group's business, financial condition and results of operations and the Scotia Perú Group's ability to obtain U.S. Dollars in Peru in order to make payments on the Notes.

A default by the Peruvian government on its obligations could have a material adverse effect on the Peruvian banking and financial sector and the Scotia Perú Group's business, financial condition and results of operations.

As of December 31, 2011, the Scotia Perú Group held an aggregate principal amount of S/.920.9 million of securities issued by the Peruvian government and S/.545.8 million was invested in negotiable and non-negotiable Central Bank certificates of deposit and certificated notes (compared to S/.912.5 million and S/.713.5 million, respectively, as of December 31, 2010). In addition to any direct losses that the Scotia Perú Group might incur, a default by the Peruvian government in making payments on its debt would likely have a significant material adverse effect on the Peruvian banking and financial sector generally and thus could significantly affect the Scotia Perú Group's business, financial condition and results of operations.

The Scotia Perú Group is subject to more limited financial reporting and securities disclosure requirements than banks regulated in the United States.

Financial reporting and securities disclosure requirements in Peru differ in certain significant respects from those required in the United States. Accordingly, the information about the Scotia Perú Group available to you will not be the same as the information available to holders of securities issued by a U.S. company. In addition, Scotiabank Perú is a publicly listed company in Peru, and as a result is subject to the disclosure and reporting rules contained in the Peruvian securities market law and the internal regulations of the BVL. These laws and regulations are more limited than those in the United States in certain important respects. Moreover, although Peruvian law imposes restrictions on insider trading and price manipulation, applicable Peruvian laws are different from those in the United States, and the Peruvian securities markets are not as highly regulated and supervised as the U.S. securities markets.

Peruvian accounting standards differ materially from IFRS-IASB.

Peruvian Banking GAAP for financial entities is established by the SBS and differs in certain respects from IFRS-IASB and other accounting standards with which potential investors may be familiar. In the absence of rules promulgated by the SBS, IFRS-Peru, as approved by the CNC, apply. The Annual Consolidated Financial Statements and the Interim Consolidated Financial Statements contained herein, which have been prepared in accordance with Peruvian Banking GAAP, may differ in certain respects from those reported based upon IFRS-IASB and other accounting standards with which potential investors may be familiar. See "Significant Differences Between Peruvian Banking GAAP and IFRS-IASB" set forth in Appendix A for a description of certain significant differences between Peruvian Banking GAAP and IFRS-IASB.

The Scotia Perú Group has not prepared a quantitative reconciliation of the specific differences among Peruvian Banking GAAP, IFRS-IASB, or any other accounting standards. Accordingly, Scotiabank Perú cannot assure you that all existing differences have been identified and that the differences described in Appendix A are in fact the most significant differences. In addition, Scotiabank Perú cannot estimate the net effect that applying IFRS-IASB, or any other accounting standards would have on the Scotia Perú Group's consolidated results of operations or consolidated financial position or any component thereof. The effect of such differences may be, individually or in the aggregate, material, and in particular, as a result of such differences, various items including but not limited to, total shareholders' equity might be materially different if reported under IFRS-IASB or other accounting standards. Differences in the presentation of the Annual Consolidated Financial Statements, as well as differences in the

information provided in the footnotes to the Annual Consolidated Financial Statements, have not been reported. See “Significant Differences Between Peruvian Banking GAAP and IFRS-IASB” set forth in Appendix A for a description of certain significant differences between Peruvian Banking GAAP and IFRS-IASB.

The climatic phenomenon El Niño and other natural phenomena such as earthquakes and floods could have a material adverse effect on lending volume and the quality of the Scotia Perú Group’s loan portfolio to segments of the Peruvian economy that are most likely to be negatively affected.

El Niño is a Pacific Ocean weather anomaly that results in heavy rains on the northern and middle coast of Peru, and drought in the southern highlands, as well as various effects the world over. The impact of a strong El Niño, which typically occurs every two to seven years, includes abnormally bad weather, flooding and drought, with significant impact in fishing and agriculture activities. Past El Niños have had a significant material adverse effect on Peru’s economy. In like manner, past El Niños have adversely impacted the agricultural and fishing loan portfolios of the Scotia Perú Group, which, as of September 30, 2012, represented 1.9% and 1.6% of the Scotia Perú Group’s total loan portfolio, respectively. The strongest El Niño events of the 20th and 21st centuries occurred in 1982–1983 and in 1997–1998.

Peru has also experienced other natural phenomena in the past, including earthquakes and floods. Most recently, on August 15, 2007, a strong earthquake, measuring 7.9 on the Richter scale, hit the central coast of Peru, heavily affecting the Ica province in particular. A major earthquake could potentially damage infrastructure necessary for the Scotia Perú Group’s operations. If such events occur in the future, the Scotia Perú Group may suffer damage to, or destruction of, properties and equipment, as well as temporary disruptions to its services, which could negatively affect its business, financial condition and results of operations.

The clients of the Scotia Perú Group could also be affected by such natural disasters, which in turn could affect their ability to repay their loans or force them to withdraw their deposits with the Scotia Perú Group.

Market volatility in the international capital markets and political uncertainty could affect the Peruvian capital markets and the Peruvian banking and financial sector.

In recent years the performance of the BVL has been affected by volatility in the international capital markets and by political uncertainty surrounding the global economy. The general index of the BVL (the “IGBVL”) decreased by 59.8% in 2008, increased by 101.0% in 2009, increased by 65.0% in 2010, and decreased by 16.7% in 2011, according to figures published by the BVL. The IGBVL increased by 11.3% as of September 30, 2012, as compared to December 31, 2011. In recent years, the BVL has experienced increased participation from retail investors that react rapidly to the effects from international markets. The volatility in the international markets, caused by events such as the recent European debt crisis and the banking crisis in the international markets, could have a material adverse effect on the Peruvian banking and financial sector as well. Scotiabank Perú cannot assure you that future market volatility will not affect the Peruvian banking and financial sector, including the Scotia Perú Group, or that such volatility will not have an adverse effect on its business, financial condition or results of operations.

The stability of the Peruvian banking and financial sector depends on public confidence in Peruvian banking and financial institutions.

Financial institutions depend on public confidence in the Peruvian banking and financial sector. In the event of adverse developments affecting Peru’s economic, political or social conditions or if a bank faces liquidity problems, the general public may withdraw deposits and savings from the troubled bank or from banks generally, thereby precipitating a liquidity crisis, as occurred in Peru in the late 1990s. If depositors withdraw significant holdings from banks generally, including Scotiabank Perú and its Subsidiaries, there could be a substantial adverse impact on the manner in which financial institutions, including Scotiabank Perú and its Subsidiaries, conduct their business, on their ability to operate as financial intermediaries and on their financial condition, which would have a material adverse effect on the Scotia Perú Group’s results of operations and financial condition.

Risk Factors Relating to the Notes

The Notes will be unsecured and subordinated.

The Notes will be unsecured and subordinated and rank junior in payment and in liquidation to all of Scotiabank Perú's existing and future Senior Obligations.

In the event of any distribution to creditors of Scotiabank Perú:

- in a liquidation or dissolution of Scotiabank Perú;
- in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to Scotiabank Perú or its property;
- in an assignment for the benefit of creditors; or
- in any marshaling of Scotiabank Perú's assets and liabilities,

the holders of Senior Obligations will be entitled to receive payment in full of all obligations due in respect of Senior Obligations (including interest after the commencement of any bankruptcy proceeding at the rate specified in the applicable Senior Obligations) before the holders of Notes will be entitled to receive any payment with respect to the Notes.

As a result of the subordination provisions described above, in the event of a bankruptcy, liquidation or reorganization of Scotiabank Perú, holders of Notes may recover ratably less than creditors of Scotiabank Perú who are holders of Senior Obligations.

As of September 30, 2012, Scotiabank Perú had outstanding total Senior Obligations of approximately S/.26.2 billion (approximately U.S.\$10.1 billion), of which S/.0.4 billion (approximately U.S.\$0.2 billion) represented bank deposits.

Scotiabank Perú may incur, and neither the Indenture nor applicable laws prohibit it from incurring, additional indebtedness, including non-subordinated indebtedness, from time to time.

Under applicable SBS regulations, the obligations of Scotiabank Perú under the Notes can be accelerated only in certain very limited circumstances, and your remedies will accordingly be limited if Scotiabank Perú does not satisfy its obligations under the Notes.

Under SBS regulations governing subordinated debt issued by Peruvian banks, payment of principal may be accelerated only in specified instances involving Scotiabank Perú's bankruptcy, liquidation or dissolution. There is no right of acceleration in the case of a default in the performance of any of Scotiabank Perú's covenants, including a default in the payment of principal or interest. See "Description of the Notes—Acceleration Event" and "—Peruvian Bankruptcy Considerations."

Scotiabank Perú may redeem the Notes in whole upon a Tax Event, which includes a change, amendment, expiration or failure to renew the Peruvian Value Added Tax Law, and will provide Scotiabank Perú with the right to redeem the Notes; as a result, Scotiabank Perú may have an incentive to redeem the Notes prior to their final maturity.

If a Tax Event (as defined in "Description of the Notes") occurs, Scotiabank Perú may redeem the Notes in whole, but not in part, at a redemption price equal to 101% of the aggregate principal amount of the Notes to be redeemed, *plus* any accrued and unpaid interest on the principal amount of the Notes, up to, but not including, the date of redemption, *plus* additional amounts. A Tax Event would occur if there is a change, amendment, expiration or non-renewal of the VAT exemption applicable to interest paid on securities, such as the Notes, issued through an

international offering by companies incorporated or established in Peru. See “Description of the Notes—Redemption Prior to Maturity—Redemption upon Tax Event or Regulatory Event.”

An amendment to the Peruvian Value Added Tax Law introduced on June 9, 2011, exempts from Peruvian VAT the payment of interest generated by certain securities. This exemption is set to expire on December 31, 2012. In the event that this exemption changes, is amended, expires or is not renewed, Scotiabank Perú would have the right to redeem the Notes. In the event that the Notes are redeemed, you may not be able to reinvest the redemption proceeds in other securities with yields similar to those of the Notes redeemed.

The Notes may be used to absorb losses incurred by Scotiabank Perú.

Scotiabank Perú is issuing the Notes with the intention and purpose of increasing the amount of its regulatory capital. In order to be eligible for treatment as Tier II Regulatory Capital, the Notes must satisfy a number of conditions. One such condition relates to the availability of the Notes and the proceeds therefrom to absorb losses that Scotiabank Perú may incur. To that end, the amount outstanding under the Notes may be used by the SBS to absorb losses in the case of an intervention by the SBS or the liquidation of Scotiabank Perú, provided that current and retained earnings, donations and premiums on the issuance of shares, voluntary and mandatory reserves, capital stock of Scotiabank Perú and hybrid instruments that qualify as Tier I or Tier II regulatory capital (as applicable) have been exhausted to absorb losses. See “Description of the Notes—Loss Absorption.” If the Notes are used for this purpose, the Noteholders would lose all rights to the amounts absorbed.

When the remaining term to maturity of the Notes becomes less than five years, the Notes may no longer qualify as regulatory capital in Peru; as a result, Scotiabank Perú could have an incentive to redeem the Notes prior to their final maturity.

Under current Peruvian banking regulations, dated subordinated debt progressively ceases to qualify as regulatory capital when the remaining time to maturity on such debt becomes less than five years. Accordingly, beginning on or about the tenth anniversary of the issuance of the Notes, Scotiabank Perú may have an incentive to redeem them, and consequently your ability to earn returns on your investments in the Notes may be terminated prior to their final maturity.

The Notes constitute a new issuance of securities for which there is no existing market, and Scotiabank Perú cannot assure you that you will be able to sell your Notes in the future.

The Notes constitute a new issue of securities for which there is no existing market, and there can be no assurance regarding the future development of a market for the Notes, the ability of the investors in the Notes to sell their Notes (or beneficial interests therein) or the price at which such Notes (or beneficial interests therein) may be sold. While Scotiabank Perú has filed an application to list the Notes on the Luxembourg Stock Exchange and trade on the Euro MTF Market, there can be no assurance that such application will be approved.

The Initial Purchasers are not obligated to facilitate trading in the Notes (or beneficial interests therein) and any such activities, if commenced, may be discontinued at any time, for any reason, without notice. If the Initial Purchasers do not facilitate trading in the Notes (or beneficial interests therein) for any reason, then there can be no assurance that another firm or person will do so. In addition, trading or resale of the Notes (or beneficial interests therein) could be negatively affected by other factors described in this Offering Memorandum arising from this transaction or the market for securities of Peruvian issuers generally. As a result, Scotiabank Perú cannot assure you as to the liquidity of any trading market for the Notes and as a result, you may be required to bear the financial risk of your investment in the Notes indefinitely.

Scotiabank Perú cannot assure you that the credit ratings for the Notes will not be lowered, suspended or withdrawn by the rating agencies.

The credit ratings of the Notes may change after issuance. Such ratings are limited in scope, and do not address all material risks relating to an investment in the Notes, but rather reflect only the views of the rating agencies at the time the ratings are issued. Moreover, a downgrade in a company’s rating may result from issues not relating to its

capacity to repay indebtedness, as was the case when on March 8, 2012, Fitch downgraded 1,068 of the 1,105 hybrid bonds it rates as a result of a change in its rating methodology.

An explanation of the significance of ratings may be obtained from the rating agencies. Scotiabank Perú cannot assure you that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any lowering, suspension or withdrawal of such ratings could have an adverse effect of the market price and marketability of the Notes.

You may not be able to effectively enforce your rights as a Noteholder in Peru.

Your rights under the Notes will be subject to the insolvency and administrative laws of Peru, and Scotiabank Perú cannot assure you that you will be able to effectively enforce your rights in such bankruptcy, insolvency or similar proceedings. In addition, the bankruptcy, insolvency, administrative and other laws of Peru may be materially different from, or in conflict with, each other, including in the areas of rights of creditors, priority of government entities and other third-party and related-party creditors, ability to obtain post-bankruptcy filing loans or to pay interest and the duration of proceedings. The laws of Peru may not be as favorable to your interests as the laws of jurisdictions with which you are familiar. The application of these laws, or any conflict among them, could call into question what and how Peruvian laws should apply. Such issues may adversely affect your ability to enforce your rights under the Notes in Peru or limit any amounts that you may receive.

The Notes are subject to restrictions on transfer.

The Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws. You may not offer the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws, or pursuant to an effective registration statement. In Peru, the Notes are subject to transfer and resale restrictions and shall not be transferred or resold except as permitted under CONASEV Resolution No. 079-2008-EF/94.01.1, as amended. For a discussion of certain restrictions on resale and transfer, see “Notice to Investors” and “Plan of Distribution.” It is your obligation to ensure that your offers and sales of the Notes within the United States and other countries comply with applicable securities laws. See “Notice to Investors.”

The ability of investors to enforce civil liabilities under U.S. securities laws may be limited.

All of the Scotia Perú Group’s assets and those of its directors and executive officers are located outside the United States. As a result, it may not be possible for investors in Scotiabank Perú’s securities to effect service of process within the United States upon such persons or to enforce in U.S. courts or outside the United States judgments obtained against such persons outside the United States.

Scotiabank Perú is a commercial bank organized and existing under the laws of Peru and there is no existing treaty between the United States and Peru for the reciprocal enforcement of foreign judgments. It is not clear whether a foreign court would accept jurisdiction and impose civil liability if proceedings were commenced in a foreign jurisdiction predicated solely upon U.S. federal securities laws. See “Enforceability of Civil Liabilities.”

Uncertainty in the value of LIBOR or the development of a market view that LIBOR has been or is being manipulated could adversely affect the market value, liquidity and secondary market value of the Notes.

Regulators and law-enforcement agencies from a number of governments, including entities in the United States, Japan, Canada and the United Kingdom, are conducting civil and criminal investigations into whether the banks that contribute to the British Bankers’ Association (the “BBA”) in connection with the calculation of the London Interbank Offered Rate (“LIBOR”) may have been under-reporting or otherwise manipulating or attempting to manipulate LIBOR. Actions by the BBA, regulators or law-enforcement agencies may affect LIBOR (and/or the determination thereof) in unknown ways, including, among other ways, by changing the methodology of setting LIBOR. Any of such actions or other effects from such investigations could adversely affect the liquidity and value of the Notes. For example, any uncertainty in the value of LIBOR or the development of a market view that LIBOR

has been or is being manipulated by BBA member banks could adversely affect the market value of the Notes and their liquidity in the secondary market and their market value.

U.S. Foreign Account Tax Compliance Act Withholding

Pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code or similar law implementing an intergovernmental approach thereto (the Foreign Account Tax Compliance Act, or “FATCA”), Scotiabank Perú and other financial institutions through which payments on the Notes are made may be required to withhold U.S. tax at a rate of 30% on all, or a portion of, payments made after December 31, 2016, in respect of (i) any Notes treated as debt for U.S. federal tax purposes that are issued or materially modified more than six months after the relevant regulations are finalized and (ii) any Notes treated as equity or that do not have a fixed term for U.S. federal tax purposes, whenever issued if (x) the issuer is a foreign financial institution (“FFI”) (as defined in FATCA) that, in order to avoid withholding on payments to it, enters into and complies with an agreement with the U.S. Internal Revenue Service (“IRS”) to provide certain information about its account holders (so that the Issuer would be a “Participating FFI”) and (y) any FFI to or through which payment on such Notes is made is not a Participating FFI or otherwise exempt from FATCA withholding.

The application of FATCA to interest, principal or other amounts paid with respect to the Notes is not clear. If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes, neither the Issuer nor any paying agent, nor any other person would, pursuant to the conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may, if FATCA is implemented as currently proposed by the IRS, receive less interest or principal than expected.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on proposed regulations and official guidance that is subject to change. Holders of Notes should consult their own tax advisers on how these rules may apply to payments they receive under the Notes.

FOREIGN EXCHANGE RATES

Foreign exchange rates for the Nuevo Sol have been relatively stable in recent years. The following table sets forth the period-average and period-end buying rates for U.S. Dollars for the years ended December 31, 2007 through December 31, 2011, and through the date indicated in the table below, based on information published by the SBS. On November 23, 2012, the S/. to U.S.\$ exchange rate was S/.2.588 to U.S.\$1.00.

	Low	High	Period-Average ⁽¹⁾	Period-End
Year Ended:				
December 31, 2007	2.967	3.165	3.038	2.995
December 31, 2008	2.692	3.154	2.923	3.137
December 31, 2009	2.851	3.258	3.011	2.888
December 31, 2010	2.786	2.880	2.824	2.808
December 31, 2011	2.693	2.832	2.754	2.695
Month Ended:				
January 31, 2012	2.688	2.696	2.692	2.688
February 29, 2012	2.676	2.690	2.683	2.676
March 31, 2012	2.666	2.675	2.670	2.666
April 30, 2012	2.639	2.667	2.656	2.639
May 31, 2012	2.635	2.708	2.669	2.708
June 2012	2.640	2.707	2.671	2.670
July 2012	2.619	2.652	2.634	2.628
August 2012	2.609	2.628	2.615	2.609
September 2012	2.593	2.611	2.602	2.597
October 2012	2.577	2.601	2.587	2.591
November 2012 (through November 23, 2012)	2.588	2.615	2.603	2.588

(1) Calculated as the average of the day-end exchange rates during the relevant period.

Source: SBS

A significant devaluation of the Nuevo Sol in relation to the U.S. Dollar would adversely affect Scotiabank Perú's ability to meet its U.S. Dollar-denominated obligations, including the Notes offered hereby, while appreciation of the Nuevo Sol in relation to the U.S. Dollar could adversely affect the ability of some of Scotiabank Perú's clients, mainly exporters, to meet their obligations with Scotiabank Perú, which could in turn affect Scotiabank Perú's business and results of operations. See "Risk Factors—Risk Factors Relating to the Scotia Perú Group and its Business—A devaluation or depreciation of the Nuevo Sol could have a material adverse effect on the Scotia Perú Group's business, financial condition and results of operations."

In the past, Peru's economy has suffered balance of payment deficits and shortages in foreign exchange reserves. While the Peruvian government does not currently restrict the ability of either Peruvian or non-Peruvian persons or entities to convert Nuevos Soles to U.S. Dollars, it may do so in the future. Any such restrictive exchange control policy could adversely affect Scotiabank Perú's ability to make payments in U.S. Dollars, and could also have a material adverse effect on Scotiabank Perú's financial condition and results of operations.

USE OF PROCEEDS

Scotiabank Perú estimates that the net proceeds from this offering will be approximately U.S.\$396.2 million after deducting the Initial Purchasers' discounts and commissions and the estimated offering expenses payable by Scotiabank Perú. The net proceeds from the offering will be used to strengthen Scotiabank Perú's capital structure and for general corporate purposes.

CAPITALIZATION

The following table sets forth Scotiabank Perú's regulatory capital as of September 30, 2012, which information has been derived from the Interim Consolidated Financial Statements. This table should be read in conjunction with the Interim Consolidated Financial Statements and the notes thereto included in this Offering Memorandum.

	As of September 30, 2012			
	Actual	As adjusted for the offering ⁽¹⁾	Actual	As adjusted for the offering ⁽¹⁾
	(S/. in thousands)		(U.S.\$ in thousands) ⁽²⁾	
Regulatory capital and capital adequacy ratio				
Capital stock.....	2,852,822	2,852,822	1,098,507	1,098,507
Additional paid in capital	368,523	368,523	141,903	141,903
Legal reserves	479,029	479,029	184,455	184,455
Gains on equity method instruments	28,771	28,771	11,078	11,078
Less: goodwill	(278,818)	(278,818)	(107,362)	(107,362)
Less: investment in subsidiaries and other deductions ⁽⁷⁾	(399,874)	(382,770)	(153,975)	(147,389)
Total basic regulatory capital	3,050,453	3,067,557	1,174,606	1,181,192
Subordinated debt ⁽³⁾	61,508	61,508	23,684	23,684
Subordinated bonds ⁽⁴⁾	5,196	5,196	2,001	2,001
Notes ⁽⁵⁾	—	1,038,800	—	400,000
Provisions for doubtful loans ⁽⁶⁾	292,202	292,202	112,515	112,515
Less: investment in subsidiaries and other deductions ⁽⁷⁾	(358,906)	(376,010)	(138,200)	(144,786)
Total supplementary regulatory capital	—	1,021,696	—	393,414
Total regulatory capital⁽⁸⁾.....	3,050,453	4,089,253	1,174,606	1,574,606
Risk-weighted assets ⁽⁹⁾ and contingent credits.....	23,323,607	23,323,607	8,980,981	8,980,981
Capital ratios				
Regulatory capital ratio ⁽⁸⁾	12.28%	16.46%	12.28%	16.46%

(1) As adjusted for the Notes issued in the current offering.

(2) For the convenience of the reader, these figures have been translated into U.S. Dollars at S/2.597 = U.S.\$1.00, the buying rates for U.S. Dollars as published by the SBS on September 28, 2012, the latest available date, as September 30, 2012 fell on a non-business day. Such translation should not be construed as a representation that the Nuevo Sol amounts have been converted into U.S. Dollars pursuant to the requirements of IFRS-IASB or generally accepted accounting principles in any country.

(3) Represents a subordinated loan received by a foreign financial institution.

(4) Represents the present balance of subordinated debt issued in October 2001.

(5) Represents the issuance of the Notes in the present offering in an aggregate principal amount of U.S.\$400,000,000.

(6) SBS rules allow banks using the standardized method for capital adequacy purposes to include loan loss reserves of up to 1.25% of risk-weighted assets in the calculation of regulatory capital.

(7) SBS rules require that 50% of investment in subsidiaries and certain other deductions be deducted from basic regulatory capital and 50% from supplementary regulatory capital unless there is insufficient supplementary regulatory capital to cover the deduction, in which case the difference is deducted from basic regulatory capital. As of September 30, 2012, the portion of investment in subsidiaries and other deductions subject to such requirement totaled S/752,019 thousand. In addition, as of September 30, 2012, S/6,760 thousand in other deductions were deducted from basic regulatory capital, in accordance with SBS rules.

(8) Regulatory capital and regulatory capital ratio are calculated according to the guidelines adopted by the SBS and are calculated on an unconsolidated basis. As part of the implementation of Basel II, the SBS minimum regulatory capital requirement, expressed as a percentage of risk-weighted assets, has been progressively increased from 9.5% effective July 2009, to 9.8% effective July 2010, and to 10% from July 2011 onwards. For further details, see "Regulatory Environment—Implementation of Basel Principles—Capital Adequacy."

(9) Risk-weighted asset figures adjusted for the offering assume the proceeds from the offering are invested in assets that are 100% risk-weighted.

SELECTED FINANCIAL INFORMATION

The following summary of consolidated financial and operating data as of and for each of the years ended December 31, 2009, 2010 and 2011 have been derived from the audited Annual Consolidated Financial Statements and notes thereto included herein. The information provided below should be read in conjunction with the Annual Consolidated Financial Statements and the notes thereto. As indicated above, the Annual Consolidated Financial Statements have been prepared in accordance with Peruvian Banking GAAP, which differs in certain respects from IFRS-IASB and IFRS-Peru. For a description of certain significant differences between Peruvian Banking GAAP and IFRS-IASB, see Appendix A. The financial and operating data as of and for each of the years ended December 31, 2009, 2010 and 2011 are not necessarily indicative of future performance.

	For the years ended December 31,			
	2009	2010	2011	2011

- (1) Amounts stated in U.S. Dollars have been translated from Nuevos Soles at the exchange rate of S/.2.597 per U.S.\$1.00 as of September 28, 2012, the latest available date, as September 30, 2012 fell on a non-business day. See "Foreign Exchange Rates" for additional information on the exchange rate.
- (2) Administrative expenses in 2009 include employees' profit sharing of S/.35.7 million, which has been reclassified from income tax for comparative purposes due to a local regulation change. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Accounting Policies—Employees' Profit Sharing."

The following summary of consolidated financial and operating data as of September 30, 2012 and for each of the nine-month periods ended September 30, 2011 and 2012 have been derived from the Interim Consolidated Financial Statements and notes thereto included in this Offering Memorandum. This information should be read in conjunction with the Interim Consolidated Financial Statements and the notes thereto. As noted above, the Interim Consolidated Financial Statements have been prepared in accordance with Peruvian Banking GAAP, which differs in certain respects from IFRS-IASB and IFRS-Peru. For a description of certain significant differences between Peruvian Banking GAAP and IFRS-IASB, see Appendix A. The financial and operating data as of and for the nine-month periods ended September 30, 2011 and 2012 are not necessarily indicative of future performance.

	For the nine-month period ended September 30,		
	2011	2012	2012
	(S/. in thousands)		(U.S.\$ in thousands) ⁽¹⁾
INCOME STATEMENT DATA:			
Financial income	2,072,785	2,407,744	927,125
Financial expenses	(409,112)	(474,085)	(182,551)
Gross financial income	1,663,673	1,933,659	744,574
Provision for doubtful loans, net of recoveries	(380,874)	(493,089)	(189,869)
Net financial income	1,282,799	1,440,570	554,705
Income from financial services, net	437,630	477,739	183,959
Operating margin	1,720,429	1,918,309	738,664
Administrative expenses	(873,708)	(980,974)	(377,734)
Net operating margin	846,721	937,335	360,930
Provisions, depreciation and amortization	(115,803)	(110,551)	(42,569)
Operating results	730,918	826,784	318,361
Other income, net	59,922	45,715	17,603
Net income before income tax	790,840	872,499	335,964
Income tax	(234,343)	(270,104)	(104,006)
Net profit	556,497	602,395	231,958
Basic and diluted earnings per share (in Nuevos Soles)	2.291	2.133	—

	As of September 30, 2012	
	(S/. in thousands)	(U.S.\$ in thousands) ⁽¹⁾
BALANCE SHEET DATA:		
Assets		
Cash and due from banks	7,589,451	2,922,392
Interbank funds	267,117	102,856
Investments at fair value through profit or loss and available-for-sale	1,456,027	560,657
Loan portfolio, net	22,227,179	8,558,791
Accounts receivable, net	455,897	175,548
Investments in associates	107,269	41,305
Goodwill	278,818	107,362
Property, furniture, and equipment, net	516,131	198,741
Other assets, net	883,368	340,148
Total Assets	33,781,257	13,007,800
Liabilities and shareholders' equity		
Deposits and obligations	21,283,282	8,195,334
Interbank funds	85,137	32,783
Borrowings and financial obligations	5,258,596	2,024,873
Securities, bonds and obligations issued	1,728,715	665,658
Provisions and other liabilities	1,025,520	394,887
Shareholders' equity	4,400,007	1,694,265
Total liabilities and shareholders' equity	33,781,257	13,007,800
Contingent and memoranda accounts	212,469,174	81,813,313

(1) Amounts stated in U.S. Dollars have been translated from Nuevos Soles at the exchange rate of S/.2.597 per U.S.\$1.00 as of September 28, 2012, the latest available date, as September 30, 2012 fell on a non-business day. See "Foreign Exchange Rates" for additional information on the exchange rate.

The following selected financial ratios and data as of and for each of the years ended December 31, 2011, 2010 and 2009 and for the nine-month period ended September 30, 2012 have been derived from the Annual Consolidated Financial Statements and the Interim Consolidated Financial Statements and the notes thereto included herein. This information should be read in conjunction with the Annual Consolidated Financial Statements and the Interim Consolidated Financial Statements and the notes thereto, respectively. As indicated above, this information has been prepared in accordance with Peruvian Banking GAAP, which differs in certain respects from IFRS-IASB and IFRS-Peru. For a description of certain significant differences between Peruvian Banking GAAP and IFRS-IASB, see Appendix A. The financial and operating data as of and for each of the years ended December 31, 2009, 2010 and 2011 and the nine-month period ended September 30, 2012 are not necessarily indicative of future performance.

	As of and for the years ended December 31,			As of and for the nine months ended September 30,
	2009	2010	2011	2012
<i>(S/. in thousands, except as otherwise indicated)</i>				
OTHER FINANCIAL DATA:				
Total operating margin ⁽¹⁾	1,730,130	1,886,513	2,327,097	1,918,309
Dividends	191,116	204,059	236,549	— ⁽²⁾
Average interest-earning assets ⁽³⁾	24,027,179	25,897,589	29,657,788	31,436,334
Average total assets ⁽⁴⁾	24,983,528	26,615,316	30,586,710	32,470,712
Average shareholders' equity ⁽⁵⁾	2,720,412	3,207,961	3,749,041	4,131,652
Risk-weighted assets and contingent credits ⁽⁶⁾	14,780,472	16,453,820	21,230,475	23,323,607
Total regulatory capital ⁽⁷⁾	1,883,445	2,018,359	2,455,924	3,050,453
SELECTED FINANCIAL RATIOS				
Profitability and Efficiency				
Return on average shareholders' equity ⁽⁸⁾	23.4%	21.5%	21.0%	20.2%
Return on average total assets ⁽⁹⁾	2.6%	2.6%	2.6%	2.5%
Dividend payout ratio ⁽¹⁰⁾	30.0%	30.0%	30.0%	—
Net interest margin ⁽¹¹⁾	7.5%	7.2%	7.7%	8.1%
Total provisions as a percentage of total operating margin ⁽¹²⁾	(6.4%)	(10.9%)	(6.1%)	(3.2%)
Efficiency ratio ⁽¹³⁾	64.0%	65.0%	56.7%	57.0%
Net fee income as a percentage of total operating margin ⁽¹⁴⁾	28.4%	23.8%	25.4%	24.9%
Capitalization and Balance Sheet Structure				
Equity-to-assets ratio ⁽¹⁵⁾	10.9%	12.1%	12.3%	12.6%
Total regulatory capital as a percentage of risk-weighted assets	12.7%	12.3%	11.6%	13.1%
Total loans as a percentage of total deposits	86.5%	94.3%	103.0%	110.2%
Total deposits as a percentage of total assets	74.7%	66.9%	66.7%	63.0%
Credit Quality				
Reserve for loan losses as a percentage of total gross loans ⁽¹⁶⁾	5.5%	4.2%	4.1%	4.2%
Reserve for loan losses as a percentage of past due loans (coverage ratio) ⁽¹⁶⁾	214.4%	235.3%	231.7%	210.0%
Past due loans as a percentage of total gross loans	2.6%	1.8%	1.8%	2.0%

- (1) Operating margin is the aggregate of gross financial income after provisions for doubtful loans, net of recoveries, and income from financial services, net.
- (2) The dividend will be determined at the end of the fiscal year.
- (3) Average interest-earning assets include deposits in the Central Bank, deposits in other banks, interbank funds, investment securities and loans and the sum is calculated based on the simple average between the value of interest-earning assets at the end of the period and the value of interest-earning assets at the end of the previous corresponding period.
- (4) Average total assets is defined as the simple average between the value of total assets at the end of the period and the value of total assets at the end of the previous corresponding period.
- (5) Average shareholders' equity is defined as the simple average between the value of shareholders' equity at the end of the period and the value of shareholders' equity at the end of the previous corresponding period.
- (6) Includes on- and off-balance sheet assets of Scotiabank Perú as reported to the SBS.
- (7) Regulatory capital is calculated according to the guidelines adopted by the SBS. For details, see "Regulatory Environment—Implementation of Basel Principles—Capital Adequacy."
- (8) Net profit for the last twelve months as a percentage of average shareholders' equity, computed as the simple average of the last twelve months.
- (9) Net profit for the last twelve months as a percentage of average total assets, computed as the simple average of the last twelve months.
- (10) Declared dividends per share divided by net profit per share.
- (11) Net interest income for the last twelve months as a percentage of average interest-earning assets, computed as the simple average between the value of total assets at the end of the period and the value of total assets at the end of the previous corresponding period.
- (12) Total provisions includes provisions for doubtful accounts receivable, provisions for liquid and repossessed assets, depreciation and amortization.
- (13) Salaries and employee benefits, general and administrative expenses, and depreciation and amortization divided by total operating margin.
- (14) Fees and commissions from banking services, net, as a percentage of total operating margin.
- (15) Average equity divided by average total assets, both calculated as the simple average between the end of the period and the previous corresponding period.
- (16) Reserve for loan losses includes reserves with respect to direct loans.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with “Selected Financial Information” and the Consolidated Financial Statements, which are included herein. The Consolidated Financial Statements and the related notes thereto have been prepared in accordance with Peruvian Banking GAAP, which differs in certain respects from IFRS-IASB and IFRS-Peru. See also “Forward-Looking Statements,” “Summary Financial Information” and “Selected Statistical and Other Information.” For a discussion of the Scotia Perú Group’s significant accounting policies, see “Significant Accounting Policies” below and Note 2 to the Interim Consolidated Financial Statements. For information regarding the calculation of the average interest rates and average balances of certain of the Scotia Perú Group’s interest-earning assets and interest-bearing liabilities, as described herein, see “Selected Statistical and Other Information.”

The Scotia Perú Group’s financial condition and results of operations depend significantly upon the macro-economic conditions prevailing in Peru and you should (among other things) consider various other factors, including those set forth under “Forward-Looking Statements” and “Risk Factors—Risk Factors Relating to the Scotia Perú Group and its Business.”

Unless otherwise indicated, the results of operations detailed herein are presented for Scotiabank Perú and its Subsidiaries on a consolidated basis.

Introduction

The Consolidated Financial Statements include the financial statements of Scotiabank Perú and its consolidated operating Subsidiaries, which are companies in which Scotiabank Perú owns more than 50% of the voting shares and has the power to control their financial and operating policies.

Peruvian Economic Conditions

The Scotia Perú Group’s operations are principally located in Peru and, as a result, the Scotia Perú Group is significantly affected by economic, political and social conditions in Peru. The Scotia Perú Group’s business, financial position and results of operations may be affected by the general conditions of the Peruvian economy, general price instability and inflation, interest rates, regulations, taxation, social instability, political unrest and other developments in or affecting Peru. In addition, the Scotia Perú Group’s business, financial position and results of operations may be affected by developments in the global economy, including the current economic slowdown in growth. See “Risk Factors—Risk Factors Relating to Peru.”

In recent years, the Scotia Perú Group has benefited from Peru’s stable economic environment, resulting in increased volumes of bank loans and deposits due to sustained GDP growth. According to information published by the Central Bank, from 2000 to 2007 GDP growth averaged 5.1% and was 9.8% in 2008. Annual GDP growth in 2009 was 0.9%, while annual GDP growth in 2010 and 2011 was 8.8% and 6.9%, respectively. During the first nine months of 2012, GDP has grown by 6.3%. This growth has been accompanied by generally low annual inflation and improving trade and fiscal balances. According to information published by the Central Bank, annual inflation averaged 2.2% from 2000 to 2007 and was 5.8% in 2008. Annual inflation in 2009, 2010 and 2011 was 2.9%, 1.5% and 3.4%, respectively. For the 12-month period ended September 30, 2012, inflation was 3.7%. According to information published by the Central Bank, the trade balance averaged 3.7% of GDP from 2005 to 2007. In 2008, the trade balance still recorded a surplus of 2.0% of GDP despite the sharp downturn in metal prices, which resulted from the international financial crisis that year. The trade balance in 2009, 2010 and 2011 was 4.7%, 4.4% and 5.3%, respectively. The government achieved a fiscal surplus of 1.9% of GDP in 2011, compared to fiscal deficits of 0.3% in 2010 and 1.3% in 2009, and built up reserves of approximately U.S.\$61.2 billion as of September 30, 2012 according to information published by the Central Bank. During the nine months of 2012, the fiscal surplus decreased by 27.6% as compared to the same period in 2011, according to Central Bank figures, which may partially reflect relatively higher than average government spending as a result of increased public investment by the current administration.

As of the date of this Offering Memorandum, S&P, Fitch and Moody's have recognized significant improvement in the Peruvian economy and currently rate Peru's sovereign debt investment grade. S&P rates Peru's sovereign debt "BBB," Fitch rates Peru's sovereign debt "BBB+" and Moody's rates Peru's sovereign debt "Baa2."

Peru's banking and financial sector has grown and strengthened significantly during this period of economic growth. Outstanding loans throughout the Peruvian banking and financial sector have more than tripled from S/.37.1 billion at the end of 2001 to S/.128.4 billion at the end of 2011, according to information published by the SBS. Similarly, deposits in the Peruvian banking and financial sector have grown from S/.44.8 billion at the end of 2001 to S/.126.1 billion at the end of 2011, according to information published by the SBS. Despite this growth, the Peruvian banking and financial sector remains significantly under-penetrated. Although the performance of the Peruvian economy and banking and financial sector is subject to significant risks, Scotiabank Perú's management believes that despite current global market conditions, there are opportunities for continued growth.

Prior to 1991, Peru exercised control over the foreign exchange markets by imposing multiple exchange rates and placing restrictions on the possession and use of foreign currencies. In 1991, the Fujimori administration eliminated all foreign exchange controls and the exchange rates were unified. Currently, foreign exchange rates are determined by market conditions, with regular operations by the Central Bank in the foreign exchange market in order to reduce volatility in the value of Peru's currency against the U.S. Dollar. Despite recent global economic conditions, the Nuevo Sol has maintained a fairly stable appreciation trend against the U.S. Dollar over the past few years from S/.2.888, S/.2.808 and S/.2.695 as of December 31, 2009, 2010 and 2011, respectively, and S/.2.597 as of September 28, 2012, the latest available date, as September 30, 2012 fell on a non-business day.

During the five-year period ended December 31, 2011, inflation has been relatively stable at rates of 1.8% in 2007, 5.8% in 2008, 2.9% in 2009, 1.5% in 2010, and 3.4% in 2011. The relatively high inflation rate in 2008 was largely a result of a worldwide increase in oil and soft-commodity prices. Inflation for the 12-month period ended September 30, 2012 was 3.7%.

The following table sets forth Peruvian GDP growth, inflation rates, interest rates and exchange rates for the years ended December 31, 2009, 2010 and 2011, and for the nine-month period ended September 30, 2012:

	Year ended December 31,			For the nine-month period ended September 30,
	2009	2010	2011	2012
	<i>(in percentages, except where indicated)</i>			
GDP growth	0.9	8.8	6.9	6.3
Inflation rate.....	2.9	1.5	3.4	3.7
Interbank domestic currency interest rate	3.3	3.0	4.2	4.2
Appreciation (devaluation) of Nuevo Sol				(3.6)
against the U.S. Dollar.....	(7.6)	(2.2)	(4.2)	
Exchange rate (end of period, S/. per U.S.\$)	2.888	2.808	2.695	2.597
Exchange rate (average, S/. per U.S.\$)	3.011	2.824	2.754	2.656

(1) GDP growth between January and May 2012.

Source: Central Bank and SBS

The current administration of President Ollanta Humala has designed a package and a number of measures to counter the risks posed by the global economic slowdown and financial market turbulence. The government registered a fiscal surplus of 1.9% of GDP in 2011, and, as of September 30, 2012, has a U.S.\$7.2 billion Fiscal Stabilization Fund that can be used to implement countercyclical measures.

Political uncertainty and risk of policy change generally accompany elections. Presidential and congressional elections took place in 2011, and after an initial period of uncertainty, the new administration has largely confirmed that it will continue the basic tenets of fiscal and monetary policy that have governed the country over the previous administrations. The next presidential elections will take place in 2016. However, events of social unrest have taken place over the past decade and pose a moderate risk for the business climate. See "Risk Factors—Risk Factors Relating to Peru—Economic, social and political developments in Peru could result in a materially adverse effect on the Scotia Perú Group's business, financial condition and results of operations."

Significant Accounting Policies

In the preparation and presentation of the Consolidated Financial Statements, Scotiabank Perú's management has complied with the regulations established by the SBS in force in Peru as of December 31, 2009, 2010 and 2011 and September 30, 2011 and 2012, respectively.

Certain of the accounting practices the Scotia Perú Group employs, which conform to Peruvian Banking GAAP may differ in certain significant respects from generally accepted accounting principles in other countries. See "Risk Factors—Risk Factors Relating to Peru—Peruvian accounting standards differ materially from IFRS-IASB" and Appendix A, which summarizes the significant differences between Peruvian Banking GAAP and IFRS-IASB.

Significant accounting principles and practices used in the preparation of the Consolidated Financial Statements are described below. For further details on these accounting principles, see Note 2 to the Consolidated Financial Statements.

Basis for Presentation and Use of Estimates

The Consolidated Financial Statements have been prepared from the Scotia Perú Group's accounting records, which are maintained in Nuevos Soles as of the date of the transactions, in accordance with Peruvian Banking GAAP.

The preparation of the Consolidated Financial Statements requires Scotiabank Perú's management to make estimates that affect the reported amounts of assets and liabilities, income and expenses and disclosure of material contingencies in the notes of the Consolidated Financial Statements. Actual results could differ from those estimates. The most significant estimates used in the preparation of the Consolidated Financial Statements are related to the calculation of the provision for doubtful loans, the valuation of investments, valuation of realizable assets, and repossessed assets, the provision for contingencies and the valuation of derivative financial instruments. The accounting criteria used for each of these items are described below.

Recognition of Income and Expenses

Financial income and expenses are recognized on a monthly basis in the corresponding fiscal year in accordance with the accrual method of accounting. When management considers that there are reasonable doubts about the collectability of the principal of a loan, each of Scotiabank Perú and CrediScotia, as applicable, suspend the recognition of interest in the consolidated income statement. Suspended interests are recorded in memoranda accounts and recognized as earned when collected. When management determines that the financial situation of the debtor has improved and that the doubt about the collectability of the principal has dissipated, it reestablishes the accounting of the interest on an accrual basis.

Commissions for banking services are recognized as income when earned. Financial 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 registered as income when declared. Scotiabank Perú's and its Subsidiaries' other income and expenses are recognized as earned or incurred in the fiscal period in which they are accrued.

Provision for Credit Losses

Scotiabank Perú's management determines the provision for loans in accordance with the guidelines established by the SBS. In accordance with such criteria, Scotiabank Perú's management periodically conducts a formal review and analysis of the loan portfolio. All the loans are classified under the following categories: Standard, Potential Problems, Substandard, Doubtful, or Loss based upon the economic and financial situation of the obligor and other relevant information.

For Wholesale Banking (corporate, large and medium companies), the rating classification takes into consideration several factors, including the payment history of the particular loans, the history of the Scotia Perú Group's dealings with the borrower, the management strength and performance of the borrower, operating history,

repayment capability and availability of funds of the borrower, status of any collateral or guarantee, the borrower's financial position, the borrower's historical and projected financial condition, general risk of the sector in which the borrower operates, the borrower's risk classification made by other financial institutions, and other relevant factors. For Retail Banking (small business, micro business, revolving consumer, non-revolving consumer and mortgage loans), the rating classification takes into consideration factors such as the level of compliance with credit payment, which is reflected by the number of delinquent days and their classification in other banking and financial sector entities if rating alignment is applicable. The Retail Banking portfolio is classified through an automatic rating process.

The Scotia Perú Group establishes provisions for loans in accordance with regulations established by the SBS. The SBS establishes two types of provisions for loan portfolios: generic and specific provisions. These provisions provide specific percentages that vary depending on the risk classification of the loan, the risk classification of the debtor and the type of collateral or guarantees used in connection with the transaction. The specific provision is recorded for direct loans, credit risk equivalent exposure of indirect loans and finance lease transactions with a risk category higher than "Standard." The generic provision for doubtful loans is recorded in a preventative manner for direct loans, credit risk equivalent exposure of indirect loans and finance lease transactions that are rated as "Standard" loans. The generic provision has two components: a fixed component and a pro-cyclical component. The fixed component of the generic provision is recorded at all times. The pro-cyclical component of the generic provision is recorded during certain periods established by the SBS, and is linked to Peru's GDP growth fluctuations. The pro-cyclical component of the generic provision was activated from December 2008 to August 2009, temporarily suspended from September 2009 to August 2010 and re-activated from September 2010.

The calculation of the provision for a loan is determined primarily on the basis of such loan's risk classification using the loan provisions and the type of collateral securing such loans, including the liquidity, accessibility and net realizable value of such collateral, as determined by an independent appraisal. According to regulations established by the SBS, collateral is classified as: "preferred readily realizable collateral" (*i.e.*, cash deposits and rights in letters of credit); "preferred easily realizable collateral" (*i.e.*, treasury bonds issued by the central government, bearer securities listed on the BVL and certain other instruments); and "preferred collateral" (*i.e.*, primary liens/pledges on financial instruments, securities and personal property, first agricultural and mining pledges, export credit insurance and certain other financial instruments and interests). The Scotia Perú Group only accepts collateral that is relatively liquid, has legally documented ownership, has no liens outstanding and has up-to-date independent appraisals. In addition, in the case of loans guaranteed by financial institutions or insurance companies, the guarantor's credit classification is also a factor in calculating the provision requirement in respect of such loans.

The following table sets forth the loan provisions (generic and specific provisions) for Wholesale Banking (corporate, large and medium companies) and Retail Banking (small business, micro business, revolving consumer, non-revolving consumer and mortgage loans):

Level of Risk Classification	Wholesale and Retail Loans			
	Without collateral	With preferred collateral	With preferred easily realizable collateral	With highly-liquid collateral
Standard ⁽¹⁾				
Corporate loans	0.70%	0.70%	0.70%	0.70%
Large company loans	0.70%	0.70%	0.70%	0.70%
Medium company loans	1.00%	1.00%	1.00%	1.00%
Small business loans	1.00%	1.00%	1.00%	1.00%
Micro business loans	1.00%	1.00%	1.00%	1.00%
Consumer loans ⁽²⁾	1.00%	1.00%	1.00%	1.00%
Mortgage loans	0.70%	0.70%	0.70%	0.70%
Potential problem	5.00%	2.50%	1.25%	1.00%
Substandard	25.00%	12.50%	6.25%	1.00%
Doubtful ⁽³⁾	60.00%	30.00%	15.00%	1.00%
Loss ⁽⁴⁾	100.00%	60.00%	30.00%	1.00%

(1) Corresponds to the fixed component of the generic provision for debts classified as standard.

(2) Include revolving and non-revolving consumer loans.

(3) Doubtful loans are outstanding loans that the management of Scotiabank Perú has determined have a loss probability greater than 60%.

(4) Loss relates to outstanding loans that the management of Scotiabank Perú has determined have a loss probability of 100%.

The following table sets forth the pro-cyclical component of the generic provision for debtors classified as Standard:

Type of Loan	Pro-cyclical Component
Corporate ⁽¹⁾	0.40%
Large company ⁽¹⁾	0.45%
Medium company	0.30%
Small business	0.50%
Micro business	0.50%
Revolving consumer ⁽²⁾	1.50%
Non-revolving consumer ⁽²⁾	1.00%
Mortgage ⁽¹⁾	0.40%

- (1) For corporate, large company and mortgage loans that have highly-liquid collateral, the pro-cyclical component rate is 0.3%. For all other types of credits with highly-liquid collateral, the pro-cyclical component is 0% for the portion covered by such collateral.
- (2) For consumer loans supported by payroll discount agreements, the pro-cyclical component rate is 0.25%.

The provision for a direct loan is presented as an asset deduction, while allowances for indirect loans are recorded as liabilities. In the case of borrowers in countries where there is an increased risk related to servicing external debt, an assessment of the political and economic situation is made, and an additional allowance for country risk may be added (for a more detailed description of the doubtful loan reserves regulation, see “Regulatory Environment”).

The Scotia Perú Group believes its provisions for credit losses are adequate, considering the current economic environment.

Investments

The Scotia Perú Group records its investments according to SBS Resolution 10639-2008, as amended, which superseded Resolution 1914-2004 and became effective on March 1, 2009. The accounting effect of the changes introduced by the amendments was recorded prospectively. Investments of Scotiabank Perú are classified and valued as follows:

- (i) *Investments at Fair Value Through Profit or Loss.* Investments classified at fair value through profit or loss are debt or equity securities that (a) were acquired principally for the purpose of selling in the near future or (b) 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 investments are initially valued at fair value at the trade date, with transaction costs reflected in the consolidated income statement. These investments are subsequently re-measured at fair value, and all gains and losses from changes therein are recognized in the consolidated income statement.
- (ii) *Available-for-Sale Investments.* Investments classified as available-for-sale investments are all investment instruments that are not classified as investments at fair value through profit or loss or investments in associates. Available-for-sale investments are initially valued at fair value plus direct and incremental transaction costs. These investments are subsequently re-measured at fair value, and changes therein are recognized in equity in the “unrealized earnings” account until the securities are either sold or impaired. When available-for-sale securities are sold, cumulative gains or losses previously recognized in equity are recognized in the consolidated income statement.
- (iii) *Investments in Associates.* Investments classified as investments in associates are equity shares acquired in order to participate with and/or have significant influence over such companies and institutions. Investments in associates are initially valued at fair value plus transactions costs directly attributable to their acquisition, and are subsequently remeasured applying the equity participation method, meaning that the carrying amount of the investment will be increased or decreased by proportional recognition of the period’s results obtained post-acquisition date.

Derivative Financial Instruments

The Scotia Perú Group values and accounts for derivatives in accordance with the guidelines established by the SBS. These regulations establish accounting criteria for held-for-trading, hedging and embedded derivatives. Derivative financial instruments are initially registered at fair value and are subsequently re-measured at their fair value. All derivatives are accounted for as assets when fair value is positive and as liabilities when fair value is negative. Gains and losses for changes in their fair values are recorded in the consolidated income statement. In addition to their recognition in the consolidated balance sheet, derivative instruments described above are recognized in contingent accounts at their notional amounts converted into local currency at the exchange rate established by the SBS at the end of the period.

Realizable Assets, Received as Payment and Repossessed Assets

Realizable assets, received as payment, and repossessed assets mainly consist of property, plant and equipment received as payment for doubtful loans. Realizable assets not granted as financial leases are initially recorded at the lower of its cost or market value, repossessed assets are initially recognized at the lower amount of the value determined by a court or arbitrator, recovery value, estimated market value or the value of the unpaid amount of debt. Simultaneously with the determination of value, a provision equivalent to 20% of the cost of such asset is recorded. If the asset is impaired by a percentage greater than 20%, then the required initial provision may be recorded at an amount equivalent to the amount effectively impaired. For additional details regarding the Scotia Perú Group's accounting for realizable assets received as payment and repossessed assets, see Note 2(k) of the Consolidated Financial Statements.

Income Tax

Current income tax is calculated on the basis of taxable income as determined by Peruvian Banking GAAP and is recorded according to applicable tax regulations. Deferred income tax reflects the effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts determined for tax purposes. Deferred income tax is calculated on the basis of tax rates and regulations that are expected to be applied when the deferred tax asset is realized or the deferred tax liability is settled. Provisions for deferred income tax and the measurement of deferred tax assets and deferred tax liabilities reflect the tax consequences that arise from the manner in which the Scotia Perú Group expects to recover or settle the carrying amount of assets and liabilities at the consolidated balance sheet date.

Deferred tax assets and liabilities are recognized without taking into consideration the time in which it is estimated that temporary differences will be realized or settled. Deferred assets are recognized when sufficient future tax benefits are probable for the realization of the deferred assets.

Employees' Profit Sharing

Employees' profit sharing is calculated on the same basis of calculating taxable income based on income tax principles as required by tax authorities.

Until December 31, 2010, employees' profit sharing reflected the effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts determined for tax purposes. On January 21, 2011, the SBS issued Official Letter 4049-2011, which established a change in treatment of employees' profit sharing indicating that this should be recorded according to International Accounting Standard ("IAS") 19 *Employee Benefits*, as approved by the CNC to be applied beginning January 1, 2011. As a result, employees' profit sharing is now recognized as personnel expenses and liabilities and not as deferred assets or liabilities. Accordingly, the balances of deferred assets employee's profit sharing were applied to retained earnings.

Results of Operations for the Nine-Month Periods Ended September 30, 2011 and 2012

The following discussion is based upon information contained in the Interim Consolidated Financial Statements and should be read in conjunction therewith. As mentioned, the Interim Consolidated Financial Statements have been prepared in accordance with Peruvian Banking GAAP, which differs in certain respects from IFRS-IASB and IFRS-Peru.

The following table sets forth, for the nine-month periods ended September 30, 2011 and 2012, certain consolidated income statement information for the Scotia Perú Group:

	For the nine-month period ended September 30,	
	2011	2012
	<i>(S/. in thousands)</i>	
Financial income.....	2,072,785	2,407,744
Financial expenses	(409,112)	(474,085)
Gross financial income	1,663,673	1,933,659
Provision for doubtful loans, net of recoveries	(380,874)	(493,089)
Net financial income	1,282,799	1,440,570
Income from financial services, net	437,630	477,739
Operating margin	1,720,429	1,918,309
Administrative expenses	(873,708)	(980,974)
Net operating margin	846,721	937,335
Provisions, depreciation and amortization	(115,803)	(110,551)
Operating results	730,918	826,784
Other income, net.....	59,922	45,715
Net income before income tax	790,840	872,499
Income tax	(234,343)	(270,104)
Net profit.....	556,497	602,395
Basic and diluted earnings per share (in Nuevos Soles)	2.291	2.133

The Scotia Perú Group's net profit increased 8.3%, or S/.45.9 million, to S/.602.4 million for the first nine months of 2012, compared to S/.556.5 million for the same period in 2011. This increase was primarily due to an increase in gross financial income of 16.2%, or S/.270.0 million, to S/.1,933.7 million for the first nine months of 2012 from S/.1,663.7 million for the first nine months of 2011, which in turn was primarily due to an increase in interest earned from loans, primarily attributable to an increase in the volume of Retail Banking and Commercial Banking loans. This increase in gross financial income was offset by: (i) an increase in provisions for doubtful loans, net of the recovery of such provisions, of S/.112.2 million and (ii) an increase in administrative expenses of S/.107.3 million due to an increase in the number of employees. These results are explained further below.

Gross Financial Income

Gross financial income represents principally the difference between financial income on interest-earning assets and the interest paid on interest-bearing liabilities. The following table sets forth the principal components of the Scotia Perú Group's gross financial income for the nine-month periods ended September 30, 2011 and 2012:

	For the nine-month period ended September 30,	
	2011	2012
	<i>(S/. in thousands)</i>	
Financial income		
Interest and commissions on loan portfolio.....	1,800,869	2,103,767
Interest on deposits in Central Bank and other banks.....	33,308	50,908
Gains for valuation of trading and available-for-sale investments.....	68,250	58,451
Gains on exchange differences from various operations.....	132,233	114,215
Exchange gains on derivative financial instruments, net.....	330	21,151
Other financial income ⁽¹⁾	37,795	59,252
Total financial income.....	2,072,785	2,407,744
Financial expense		
Interest on obligations.....	183,888	238,630
Interest from securities, bonds and obligations issued.....	61,139	72,151
Interest on deposits of financial entities.....	6,126	9,598
Interest on borrowings from banks and other financial institutions.....	65,848	79,446
Premiums for the Deposit Insurance Fund.....	17,536	18,537
Commissions on financial obligations.....	10,566	14,372
Loss on valuation of investments.....	11,299	9,891
Other financial expenses ⁽²⁾	52,710	31,460
Total financial expense.....	409,112	474,085
Gross financial income.....	1,663,673	1,933,659

(1) Includes gains in associates, other commissions, gains from negotiation of investments and other income from financial leases.

(2) Includes other commissions and other expense from Wholesale Banking loans, credit cards and interbank funds.

The Scotia Perú Group's gross financial income increased 16.2%, or S/.270.0 million, in the first nine months of 2012 as compared to the same period in 2011, from S/.1,663.7 million to S/.1,933.7 million. These results are explained further below.

Financial Income. Financial income increased 16.2%, or S/.335.0 million, to S/.2,407.7 million in the first nine months of 2012 as compared to S/.2,072.8 million for the same period in 2011, which was primarily due to an increase of 16.8%, or S/.302.9 million, in interest and commissions revenues on the Scotia Perú Group's loan portfolio. This increase, in turn, was primarily due to an increase in the volume of loans in Retail Banking and Commercial Banking in Scotiabank Perú, and Consumer Finance and Micro Business Banking in CrediScotia in the first nine months of 2012 as compared to the same period in 2011, as a result of an increase in the borrowing capacity of the Peruvian population, which was consistent with an increase in per-capita income.

The monthly average nominal interest rate earned on loans issued by Scotiabank Perú and CrediScotia on a combined basis for the twelve-month period ended September 30, 2012 was 12.21%, compared to 11.85% for the same period ended September 30, 2011. This increase was primarily due to an increase in the percentage of Retail Banking loans in the loan portfolio, which have higher yields than Wholesale Banking loans. The monthly average nominal interest rate earned by Scotiabank Perú on its Nuevo Sol-denominated loans for the twelve-month period ended September 30, 2012, was 12.61%, compared to 12.05% for the same period ended September 30, 2011. This increase was primarily due to an increase in the volume and balances of Retail Banking loans as well as higher yields on Wholesale loans. The monthly average nominal interest rate earned by Scotiabank Perú on its foreign currency-denominated loans for the twelve-month period ended September 30, 2012 was 6.53%, compared to 6.52% for the same period ended September 30, 2011. This increase was primarily due to an increase in the volume of and interest rates earned by leases, partially offset by higher volumes of mortgages with lower interest rates as a result of increased market competition, as compared to other foreign currency-denominated loans. The monthly average nominal interest rate earned by CrediScotia on its loans for the twelve-month period ended September 30, 2012, was

30.59%, compared to 32.56% for the same period ended September 30, 2011. This decrease was primarily due to a decrease in credit card interest rates.

The monthly average balance of Scotiabank Perú's and CrediScotia's loan portfolio on a combined basis for the twelve-month period ended September 30, 2012 was S/.22,540.1 million, an increase of 15.3% as compared to S/.19,553.3 million for the same period ended September 30, 2011. This increase was primarily due to an increase in the volume of loans in Retail Banking and Commercial Banking. In addition, the monthly average balances of Scotiabank Perú's Nuevo Sol-denominated loan portfolio and foreign currency-denominated loan portfolio consistently increased during the period from 2009 to September 30, 2012.

The monthly average nominal interest rate earned by Scotiabank Perú and CrediScotia on a combined basis on their deposits with the Central Bank for the twelve-month period ended September 30, 2012 was 0.94%, compared to 0.81% for the same period ended September 30, 2011. This increase was primarily due to an increase in the balance of CrediScotia's Nuevo Sol-denominated deposits with the Central Bank, which were in excess of reserve requirements and which earn higher interest rates than foreign currency-denominated deposits, as well as a slight increase in the interest rate for Scotiabank Perú's Nuevo Sol-denominated deposits.

The monthly average balance of Scotiabank Perú's and CrediScotia's deposit portfolio on a combined basis with the Central Bank for the twelve-month period ended September 30, 2012 was S/.5,759.3 million, compared to S/.5,942.7 million for the same period ended September 30, 2011. This increase was primarily due to higher reserve requirements.

For additional information regarding Scotiabank Perú's and CrediScotia's assets and liabilities, interest earned and paid amounts, and nominal interest rates for Scotiabank Perú's and CrediScotia's interest-earning assets and interest-bearing liabilities on a combined basis, please see "Selected Statistical and Other Information."

Financial Expense. Financial expense increased 15.9%, or S/.65.0 million, to S/.474.1 million for the first nine months of 2012 as compared to S/.409.1 million for the same period in 2011. This increase was primarily due to an increase in borrowings from foreign banks and other financial institutions, an increase in interest rates paid by Scotiabank Perú and CrediScotia for time deposits and an increase in the balances of CrediScotia's time deposits.

The average interest rate paid by Scotiabank Perú and CrediScotia on a combined basis on interest-bearing liabilities was 1.91% for the twelve-month period ended September 30, 2012, compared to 1.72% for the same period ended September 30, 2011. This increase was primarily due to an increase in time deposit interest rates.

The monthly average balance of Scotiabank Perú's and CrediScotia's interest-bearing liabilities on a combined basis totaled S/.27,492.6 million for the twelve-month period ended September 30, 2012, an increase of 10.21% compared to S/.24,946.3 million for the same period ended September 30, 2011. This increase was primarily due to increase in borrowings from foreign banks and other financial institutions as well as an increase in the average balances of Scotiabank Perú's demand and savings deposits and CrediScotia's Nuevo Sol-denominated time deposits resulting from an increase in interest rates.

The average interest rate paid on foreign currency-denominated interest-bearing liabilities by Scotiabank Perú was 1.18% for the twelve-month period ended September 30, 2012, compared to 1.21% for the same period ended September 30, 2011. This decrease was primarily due to a decrease in savings deposits interest rates and a decrease in interest rates due to banks.

The monthly average balance of foreign currency-denominated interest-bearing liabilities of Scotiabank Perú totaled S/.14,897.6 million for the twelve-month period ended September 30, 2012, an increase of 2.9% as compared to S/.14,477.1 million for the same period ended September 30, 2011. This increase was primarily due to an increase in borrowings from foreign banks and other financial institutions. The monthly average balance of Scotiabank Perú's foreign currency-denominated interest-bearing liabilities consistently increased during the period from 2009 to September 30, 2012.

The average interest rate paid on Nuevo Sol-denominated interest-bearing liabilities by Scotiabank Perú was 2.10% for the twelve-month period ended September 30, 2012, compared to 1.83% for the same period ended September 30, 2011. In particular, the monthly average nominal interest rate paid on Nuevo Sol-denominated time deposits by Scotiabank Perú was 3.12% for the twelve-month period ended September 30, 2012, compared to 2.45% for the same period ended September 30, 2011. These increases were primarily due to increased competition as financial institutions offered higher interest rates in order to attract Nuevo Sol-denominated deposits.

The monthly average balance of Nuevo Sol-denominated interest-bearing liabilities of Scotiabank Perú totaled S/9,979.4 million for the twelve-month period ended September 30, 2012, an increase of 16.87% as compared to S/8,538.7 million for the same period ended September 30, 2011. This increase was primarily due to an increase in interest rates for Nuevo Sol-denominated time deposits as compared to interest rates for foreign currency-denominated time deposits.

The average interest rate paid on interest-bearing liabilities by CrediScotia was 5.35% for the twelve-month period ended September 30, 2012, compared to 5.07% for the same period ended September 30, 2011. In particular, the monthly average nominal interest rate paid on time deposits by CrediScotia was 4.83% for the twelve-month period ended September 30, 2012, compared to 4.34% for the same period ended September 30, 2011. These increases were primarily due to increased competition as financial institutions offered higher interest rates in order to attract Nuevo Sol-denominated deposits.

The monthly average balance of interest-bearing liabilities of CrediScotia totaled S/2,615.6 million for the twelve-month period ended September 30, 2012, an increase of 35.5% as compared to S/1,930.5 million for the same period ended September 30, 2011. This increase was primarily due to an increase in interest rates for time deposits.

For additional information regarding Scotiabank Perú's and CrediScotia's assets and liabilities, interest earned and paid amounts, and nominal interest rates for Scotiabank Perú's and CrediScotia's interest-earning assets and interest-bearing liabilities on a combined basis, please see "Selected Statistical and Other Information."

Provision for Doubtful Loans, Net of Recoveries

Provisions for doubtful loans, net of recoveries, charged as expenses increased 31.6%, or S/125.5 million, to S/523.2 million in the first nine months of 2012 from S/397.7 million in the same period in 2011, which was primarily due to an increase in the past due loans ratio for loans to medium-sized companies and Small Business Banking loans in Scotiabank and Micro Business Banking loans and credit cards in CrediScotia, which corresponded to the trend in the market as evidenced by the increase in the non-performing loan ratio of the banking and financial sector, which increased to 1.72% as of September 30, 2012 from 1.54% as of September 30, 2011. During the first nine months of 2012, loan write-offs and forgiveness amounted to S/431.5 million, an increase of 46.5% as compared to S/294.6 million in the same period in 2011, which was primarily due to an increase in write-offs for Consumer Banking and Small Business Banking loans.

The following table sets forth the movements in the Scotia Perú Group's provisions for doubtful loans for the nine-month periods ended September 30, 2011 and 2012:

	For the nine-month period ended September 30,	
	2011	2012
	<i>(S/ in thousands)</i>	
Provision for doubtful loans at the beginning of the period.....	773,501	905,679
Provisions for doubtful loans, net of recoveries	397,749	523,242
Transfers and other.....	(8,244)	11,082
Write-offs and forgiveness	(294,648)	(431,514)
Foreign exchange difference	(4,344)	(13,167)
Provision for doubtful loans at the end of the period	864,014	995,322

As of September 30, 2012, total provisions for doubtful loans as a percentage of total past-due loans (including lawsuit loans) decreased to 210% from 234% as of September 30, 2011. Total reserves as a percentage of

substandard loans (including substandard, doubtful and loss loans) increased to 104.1% as of September 30, 2012 from 103.1% as of September 30, 2011, which was primarily due to a 13.3% increase in the balance of loss loans as of September 30 2012 as compared to September 30, 2011.

Net Financial Income

Net financial income represents gross financial income less provisions for doubtful loans, net of the recoveries of such provisions. As a result of the factors explained above, the Scotia Perú Group's net financial income after provisions increased 12.3%, or S/.157.8 million, to S/.1,440.6 million in the first nine months of 2012 as compared to S/.1,282.8 million for the same period in 2011.

Income from Financial Services, Net

The following table reflects the components of the Scotia Perú Group's income from financial services, net for the nine-month periods ended September 30, 2011 and 2012:

	For the nine-month period ended September 30,	
	2011	2012
	<i>(S/. in thousands)</i>	
Fees and commissions from banking services ⁽¹⁾	438,832	463,605
Fees from trading, mutual fund management and other stock exchange-related services ⁽²⁾	28,813	30,783
Fees from warehousing services	35,807	37,747
Other various income	35,225	40,445
Expenses ⁽³⁾	(107,047)	(94,841)
Total financial services income, net.....	437,630	477,739

(1) Includes fees and commissions generated by the Scotia Perú Group in connection with (i) services and maintenance of debt and credit cards; (ii) deposit transactions, services and transfers; (iii) payment and collection services; (iv) teleprocessing services; (v) structuring and administration services; (vi) leased property services; (vii) purchased portfolios; and (viii) other fees from banking services.

(2) Includes remunerations of mutual fund administration fees and brokerage services.

(3) Includes expenses related to credit and debit cards, warehousing expenses, insurance expenses and other financial service-related expenses.

The Scotia Perú Group's income from financial services, net increased 9.2%, or S/.40.1 million, to S/.477.7 million in the first nine months of 2012 as compared to S/.437.6 million for the same period in 2011. This increase was primarily due to an increase in fees and commissions from banking services.

Fees and commissions generated from banking services grew 5.6%, or S/.24.8 million, to S/.463.6 million for the first nine months of 2012 as compared to S/.438.8 million for the same period in 2011, primarily due to an increase in fees and commissions in connection with services and maintenance of debt and credit cards and other fees from banking services, which was a result of an increase in banking activity in Peru. In addition, this increase was also due to a decrease in certain expenses related to financial services, primarily insurance services expenses.

Operating Margin

Operating margin represents the sum of net financial income after provisions for doubtful loans, net of recoveries and net financial services income. As a result of the factors detailed above, the Scotia Perú Group's operating margin increased 11.5%, or S/.197.9 million, to S/.1,918.3 million for the first nine months of 2012 as compared to S/.1,720.4 million for the same period in 2011.

Administrative Expenses

The following table reflects the components of the Scotia Perú Group's administrative expenses:

	For the nine-month period ended September 30,	
	2011	2012
	(S/. in thousands)	
Personnel and board of directors expenses	492,158	547,896
Expenses for services received from third parties.....	328,186	376,581
Taxes and contributions.....	53,364	56,497
Total administrative expenses	873,708	980,974

Scotia Perú Group's administrative expenses increased 12.3%, or S/.107.3 million, to S/.981.0 million for the first nine months of 2012, compared to S/.873.7 million for the same period in 2011, which was primarily due to an increase in personnel expenses. Personnel and board of directors expenses increased 11.3%, or S/.55.7 million, to S/.547.9 million for the first nine months of 2012 as compared to S/.492.2 million for the same period in 2011, which was primarily due to growth in the number of personnel.

Net Operating Margin

Net operating margin represents operating margin less administrative expenses. As a result of the factors detailed above, the Scotia Perú Group's net operating margin increased 10.7%, or S/.90.6 million, to S/.937.3 million for the first nine months of 2012 from S/.846.7 million for the same period in 2011.

Provisions, Depreciation and Amortization

Costs relating to provisions, depreciation and amortization relate to, among other things, provisions for doubtful and other accounts receivable, provisions for liquid and repossessed assets, costs related to the depreciation of property, furniture and equipment and the amortization of intangible assets. During the first nine months of 2012, the Scotia Perú Group's costs related to provisions, depreciation and amortization decreased 4.5%, or S/.5.3 million, to S/.111.0 million from S/.115.8 million for the same period in 2011, which was primarily due to the reversal at the close of 2011 of a S/.5.8 million provision that was registered at the end of June 2011 by a subsidiary of Scotiabank Perú for a specific transaction that was completed in November 2011 and, as a result the provision was no longer required.

Other Income, Net

Other income, net of expenses represents income generated by the Scotia Perú Group through non-banking and financial services related activities, such as the sale of repossessed collateral and fixed assets no longer used by the Scotia Perú Group, net of expenses related to such activities and certain other extraordinary expenses. During the first nine months of 2012, the Scotia Perú Group's other income, net of expenses decreased 23.7%, or S/.14.2 million, to S/.45.7 million from S/.59.9 million during the same period in 2011, which was primarily due to a decrease of S/.15.0 million in income from previous periods, which consists primarily in the recovery of accounts receivable and which decreased from S/.27.6 million during the first nine months of 2011 to S/.12.6 million during the same period in 2012, and a decrease of S/.10.0 million in profits from sales of credit portfolios, which decreased from S/.27.8 million during the first nine months of 2011 to S/.17.8 million during the same period in 2012, which was partially offset by a S/.4.1 million increase in income from repossessed assets.

Income Taxes

The Scotia Perú Group's income tax expenses increased 15.3%, or S/.35.8 million, to S/.270.1 million in the first nine months of 2012 from S/.234.3 million for the same period in 2011, which was primarily due to an increase in the Scotia Perú Group's taxable income and a higher deferred income tax expense recognized during the first nine months of 2011.

The statutory income tax rate payable in Peru in the nine-month period ended September 30, 2012 was 30% of taxable income. The Scotia Perú Group's effective tax rates in the nine-month period ended September 30, 2012 was 31.0%, an increase from 29.6% for the same period in 2011, which was primarily due to an increase in non-tax-deductible expenses and no additional deferred tax assets being booked during the nine-month period ended September 30, 2012 as compared to the same period in 2011.

Results of Operations for the Years Ended December 31, 2010 and 2011

The following discussion is based upon information contained in the Annual Consolidated Financial Statements and should be read in conjunction therewith. As mentioned, the Annual Consolidated Financial Statements have been prepared in accordance with Peruvian Banking GAAP, which differs in certain significant respects from IFRS-IASB.

The following table sets forth, for the years ended December 31, 2010 and 2011, certain consolidated income statement information for the Scotia Perú Group:

	Year ended December 31,	
	2010	2011
	<i>(S/. in thousands)</i>	
Financial income.....	2,300,422	2,811,216
Financial expenses	(440,349)	(533,480)
Gross financial income	1,860,073	2,277,736
Provision for doubtful loans, net of recoveries.....	(423,289)	(540,571)
Net financial income	1,436,784	1,737,165
Income from financial services, net	449,729	589,932
Operating margin	1,886,513	2,327,097
Administrative expenses	(1,020,659)	(1,177,973)
Net operating margin	865,854	1,149,124
Provisions, depreciation and amortization	(205,439)	(141,500)
Operating results	660,415	1,007,624
Other income, net.....	315,049	97,774
Net income before income tax.....	975,464	1,105,398
Income tax	(287,104)	(316,903)
Net profit.....	688,360	788,495
Basic and diluted earnings per share (in Nuevos Soles)	3.523	3.472

The Scotia Perú Group's net profit in 2011 increased to S/.788.5 million from S/.688.4 million in 2010, an increase of S/.100.1 million, or 14.5%. This increase was primarily due to higher revenues from financial income and fee-based services provided by the Scotia Perú Group as well as other factors detailed below.

Gross Financial Income

The following table sets forth the principal components of gross financial income of the Scotia Perú Group's gross financial income for the years ended December 31, 2010 and 2011:

	Year ended December 31,	
	2010	2011
	(S/. in thousands)	
Financial income		
Interest and commissions on loan portfolio	1,980,400	2,459,434
Interest on deposits in Central Bank and other banks	25,860	44,492
Gains for valuation of trading and available-for-sale investments	70,825	68,494
Gains on exchange differences from various operations	174,026	164,214
Exchange gains on derivative financial instruments, net	—	19,347
Other financial income ⁽¹⁾	49,311	55,235
Total financial income	2,300,422	2,811,216
Financial expense		
Interest on obligations	(191,569)	(252,330)
Interest from securities, bonds and obligations issued	(72,119)	(82,695)
Interest on deposits of financial entities	(5,919)	(8,083)
Interest on borrowings from banks and other financial institutions	(65,716)	(90,183)
Premiums for the Deposit Insurance Fund	(21,898)	(23,558)
Commissions on financial obligations	(12,524)	(14,882)
Exchange loss on derivative financial instruments, net	(19,225)	—
Loss on valuation of investments	(2,341)	—
Other finance expenses ⁽²⁾	(49,038)	(61,749)
Total financial expense	440,349	533,480
Gross financial income	1,860,073	2,277,736

(1) Includes gains in associates, other commissions, gains from negotiation of investments and other income from financial leases.

(2) Includes other commissions and other expense from Wholesale Banking loans, credit cards and interbank funds.

The Scotia Perú Group's gross financial income increased 22.5%, or S/.417.7 million, to S/.2,277.7 million in 2011 as compared to S/.1,860.1 million in 2010. These results are explained further below.

Financial Income. Financial income increased 22.2%, or S/.510.8 million, to S/.2,811.2 million in 2011 as compared to S/.2,300.4 million in 2010, which was primarily due to an increase in interest and commissions on the Scotia Perú Group's loan portfolio as well as higher monthly average balances, an increase in the volume of Retail Banking and Wholesale Banking loans and because the Nuevo-Sol denominated deposits of Scotiabank Perú and CrediScotia with the Central Bank have exceeded the minimum legal cash reverse requirements and, as a result, have accrued interest.

The monthly average nominal interest rate earned on loans issued by Scotiabank Perú and CrediScotia on a combined basis in 2011 was 12.02%, compared to 11.66% in 2010. This increase was primarily due to an increase in the volume and balances of Retail Banking loans and of Nuevo Sol-denominated loans issued by CrediScotia, which yielded higher interest rates than loans issued by Scotiabank Perú. The monthly average nominal interest rate earned by Scotiabank Perú on its Nuevo Sol-denominated loans in 2011 was 12.23%, compared to 11.40% in 2010. This increase was primarily due to an increase in the volume and balances of Retail Banking loans as well as higher yields on Wholesale loans. The monthly average nominal interest rate earned by Scotiabank Perú on its foreign currency-denominated loans in 2011 was 6.56%, compared to and 6.78% in 2010. This decrease was primarily the result of lower yields on mortgage and Wholesale Banking loans as a result of increased market competition in these areas. The monthly average nominal interest rate earned by CrediScotia on its loans in 2011 was 32.15%, compared to 34.68% in 2010. This decrease was primarily due to a decrease in credit card interest rates.

The monthly average balance of Scotiabank Perú's and CrediScotia's loan portfolio on a combined basis in 2011 was S/.20,419.3 million, an increase of 20.6% as compared to S/.16,937.7 million in 2010. This increase was primarily due to an increase in the volume and balances of Retail Banking loans, in particular loans issued to customers in the Small Business division.

The monthly average nominal interest rate earned by Scotiabank Perú and CrediScotia on a combined basis on their deposits with the Central Bank in 2011 was 0.68%, compared to 0.54% in 2010. This increase was primarily due to an increase in the balance of Nuevo Sol-denominated deposits with the Central Bank in excess of reserve requirements.

The monthly average balance of Scotiabank Perú's and CrediScotia's deposit portfolio on a combined basis with the Central Bank in 2011 was S/5,611.7 million in 2011, compared to S/4,212.5 million in 2010. This increase was primarily due to an increase in reserve requirements as a result of an increase in the balance of deposits and other obligations.

For additional information regarding Scotiabank Perú's and CrediScotia's assets and liabilities, interest earned and paid amounts, and nominal interest rates for Scotiabank Perú's and CrediScotia's interest-earning assets and interest-bearing liabilities on a combined basis, please see "Selected Statistical and Other Information."

Financial Expense. Financial expense increased 21.1%, or S/93.1 million, to S/533.5 million in 2011 as compared to S/440.3 million in 2010. The increase in 2011 was primarily due to an increase in the average volume of interest-bearing deposits, an increase in the volume of deposits and higher interest rates paid on time deposits. These results are further explained below.

The average interest rate paid by Scotiabank Perú and CrediScotia on a combined basis on interest-bearing liabilities was 1.76% in 2011, compared to 1.61% in 2010. This increase was primarily due to an increase in Nuevo Sol-denominated deposit interest rates, which was slightly offset by a decrease in foreign currency-denominated deposit interest rates.

The monthly average balance of Scotiabank Perú's and CrediScotia's interest-bearing liabilities on a combined basis totaled S/25,574.8 million in 2011, an increase of 17.07% as compared to S/21,845.7 million in 2010. This increase was primarily due to an increase in the average balance of deposits, as a result of an increase in demand deposits resulting from an increase in the volume of deposit transactions.

The average interest rate paid on foreign currency-denominated interest-bearing liabilities by Scotiabank Perú was 1.16% in 2011, compared to 1.34% in 2010. This decrease was primarily due to a decrease in foreign currency-denominated deposit interest rates, in particular interest rates paid in respect of foreign currency-denominated time deposits, which offset an increase in Nuevo Sol-denominated deposit interest rates.

The monthly average balance of foreign currency-denominated interest-bearing liabilities of Scotiabank Perú totaled S/14,793.5 million in 2011, an increase of 16.57% as compared to S/12,690.7 million in 2010. This increase was primarily due to an increase in the balance of foreign currency-denominated demand deposits for business customers and an increase in borrowings from foreign banks and other financial institutions.

The average interest rate paid by Scotiabank Perú on Nuevo Sol-denominated interest-bearing liabilities was 1.93% in 2011, compared to 1.40% in 2010. In particular, the monthly average nominal interest rate paid on Nuevo Sol-denominated time deposits by Scotiabank Perú was 2.84% in 2011, compared to 1.59% in 2010. These increases were primarily due to an increase in Nuevo Sol-denominated deposit interest rates, which was primarily due to market pressures as a result of an increase in the volume of Nuevo Sol-denominated loans.

The monthly average balance of Nuevo Sol-denominated interest-bearing liabilities of Scotiabank Perú totaled S/8,638.7 million in 2011, an increase of 10.42% as compared to S/7,823.8 million in 2010. This increase was primarily due to an increase in the average balance of saving and term deposits as a result of an increase in customers savings and an increase in transactions denominated in Nuevos Soles consummated by companies in Peru.

The average interest rate paid on interest-bearing liabilities by CrediScotia was 5.21% in 2011, compared to 5.38% in 2010. In particular, the monthly average nominal interest rate paid on time deposits by CrediScotia was 4.55% in 2011, compared to 4.22% in 2010. These increases were primarily due to an increase in Nuevo Sol-

denominated deposit interest rates, which was primarily due to market pressures as a result of an increase in the volume of Nuevo Sol-denominated loans.

The monthly average balance of interest-bearing liabilities of CrediScotia totaled S/.2,142.5 million in 2011, an increase of 60.95% as compared to S/.1,331.2 million in 2010. This increase was primarily due to an increase in the average balance of term deposits as a result of an increase in customers' savings and an increase in the use of Nuevos Soles by retail customers.

For additional information regarding Scotiabank Perú's and CrediScotia's assets and liabilities, interest earned and paid amounts, and nominal interest rates for Scotiabank Perú's and CrediScotia's interest-earning assets and interest-bearing liabilities on a combined basis, please see "Selected Statistical and Other Information."

Provision for Doubtful Loans, Net of Recoveries

Provisions for doubtful loans, net of recoveries, charged as expenses increased 29.8% to S/.558.1 million in 2011 from S/.429.8 million in 2010. The increase experienced in 2011 was primarily due to an increase in the past due loans ratio for Retail Banking loans, which corresponded to market trends as a result of the an amendment to SBS regulations, that became effective in July 2011, that revised the procedures relating to the classification of loans and the collateral and minimum rates to be applied in the calculation of required provisions for doubtful loans according to risk category, as well as an increase in the volume of loans, particularly in Retail Banking loans.

The following table sets forth the movements in the Scotia Perú Group's provisions for doubtful loans for the years ended December 31, 2010 and 2011:

	Year ended December 31,	
	2010	2011
	<i>(S/. in thousands)</i>	
Provisions for doubtful loans at the beginning of the year.....	870,206	773,501
Provisions for doubtful loans, net of recoveries	429,828	558,095
Transfers and other.....	(47,190)	1,843
Write-offs and forgiveness	(469,559)	(414,088)
Foreign exchange difference	(9,784)	(13,672)
Provisions for doubtful loans, net of recoveries at the end of the year	773,501	905,679

As of December 31, 2011, total provisions for doubtful loans as a percentage of total past-due loans (including lawsuit loans) decreased to 232% from 235% as of December 31, 2010. Total reserves as a percentage of substandard (including substandard, doubtful and loss loans) increased to 104.5% as of December 31, 2011 from 98.9% as of December 31, 2010.

Net Financial Income

As a result of the factors detailed above, the Scotia Perú Group's net financial income after provisions increased by 20.9%, or S/.300.4 million, to S/.1,737.2 million in 2011 as compared to S/.1,436.8 million in 2010.

Income from Financial Services, Net

The following table sets forth the components of the Scotia Perú Group's net income from financial services for the years ended December 31, 2010 and 2011:

	Year ended December 31,	
	2010	2011
	<i>(S/. in thousands)</i>	
Fees and commissions from banking services ⁽¹⁾	472,249	598,953
Fees from trading, mutual fund management and other stock exchange-related services ⁽²⁾	38,791	36,400
Fees from warehousing services	39,121	48,720
Other various income	42,317	47,762
Expenses ⁽³⁾	(142,749)	(141,903)
Total financial services income, net.....	449,729	589,932

- (1) Includes fees and commissions generated by the Scotia Perú Group in connection with (i) services and maintenance of debt and credit cards; (ii) deposit transactions, services and transfers; (iii) payment and collection services; (iv) teleprocessing services; (v) structuring and administration services; (vi) leased property services; (vii) purchased portfolios; and (viii) other fees from banking services.
- (2) Includes remunerations of mutual fund administration fees and brokerage services.
- (3) Includes expenses related to credit and debit cards, warehousing expenses, insurance expenses and other financial service-related expenses.

The Scotia Perú Group's net income from financial services increased 31.2%, or S/.140.2 million to S/.589.9 million in 2011 from S/.449.7 million in 2010, due to higher income from fees and commission from banking services, specifically for credit and debit cards, due to an increase in the volume of loans and transactions.

Fees and commissions generated from banking services increased 26.8%, or S/.126.7 million, to S/.599.0 million in 2011 as compared to S/.472.2 million in 2010. The increase experienced in 2011 was primarily due to increased revenues generated by the Scotia Perú Group's credit and debit card services, contingent operations, collection services and corporate finance fees, which helped offset a decrease in income generated from other financial services.

Fee income from trading, mutual fund management and other stock exchange-related services decreased 6.2%, or S/.2.4 million, to S/.36.4 million in 2011 from S/.38.8 million in 2010. These changes reflect changes in the volume of activity on the Peruvian stock exchange during such periods.

Operating Margin

As a result of the factors detailed above, the Scotia Perú Group's operating margin increased 23.4%, or S/.440.6 million, in 2011 to S/.2,327.1 million from S/.1,886.5 million in 2010.

Administrative Expenses

The Scotia Perú Group's administrative expenses increased 15.4%, or S/.157.3 million, to S/.1,178.0 million in 2011 from S/.1,020.6 million in 2010. The increase in administrative expenses in 2011 was primarily due to increases in contribution for a profit sharing plan for employees, from S/.55.1 million in 2010 to S/.69.4 million in 2011, and an increase in the number of employees of the Scotia Perú Group as well as an increase in services provided by third parties.

The following table sets forth the components of the Scotia Perú Group's administrative expenses for the years ended December 31, 2010 and 2011:

	Year ended December 31,	
	2010	2011
	<i>(S/. in thousands)</i>	
Personnel and board of directors expenses	609,749	666,423
Expenses for services received from third parties.....	355,412	444,162
Taxes and contributions.....	55,498	67,388
Total administrative expenses	1,020,659	1,177,973

Net Operating Margin

As a result of the factors detailed above, the Scotia Perú Group's operating margin increased 32.7%, or S/.283.3 million, in 2011 to S/.1,149.1 million from S/.865.9 million in 2010.

Provisions, Depreciation and Amortization

Costs relating to provisions, depreciation and amortization decreased 31.1%, or S/.63.9 million, to S/.141.5 million in 2011 from S/.205.4 million in 2010. The decrease in 2011 was primarily due to an increase in regulatory provision requirements that became effective in 2010 as a result of regulatory changes effected by the SBS.

Other Income, Net

Other income, net of expenses decreased 69.0%, or S/.217.3 million, to S/.97.8 million in 2011 from S/.315.0 million in 2010. The decrease in 2011 was primarily due to a decrease in the income from sales of repossessed assets and written off loans, as a result of a one-time transaction that the Workout Unit executed in 2010.

Income Taxes

The Scotia Perú Group's income tax expense was S/.316.9 million in 2011, an increase of 10.4%, or S/.29.8 million, as compared to S/.287.1 million in 2010. This increase in income tax expenses was primarily due to increases in taxable income during 2011.

The statutory income tax rate payable in Peru in 2011 and 2010 was 30% of taxable income. The Scotia Perú Group's effective tax rate in 2011 and 2010 was 29%, which was primarily due to an increase in tax exempt income and deferred tax assets that offset an increase in taxable income.

Results of Operations for the Years Ended December 31, 2009 and 2010

The following discussion is based upon information contained in the Annual Consolidated Financial Statements and should be read in conjunction therewith. As mentioned, the Annual Consolidated Financial Statements have been prepared in accordance with Peruvian Banking GAAP, which differs in certain significant respects from IFRS-IASB.

The following table sets forth, for the years ended December 31, 2009 and 2010, certain consolidated income statement information for the Scotia Perú Group:

	Year ended December 31,	
	2009	2010
	<i>(S/. in thousands)</i>	
Financial income.....	2,393,258	2,300,422
Financial expenses	(592,218)	(440,349)
Gross financial income	1,801,040	1,860,073
Provision for doubtful loans, net of recoveries	(561,700)	(423,289)
Net financial income	1,239,340	1,436,784
Income from financial services, net	490,790	449,729
Operating margin	1,730,130	1,886,513
Administrative expenses ⁽¹⁾	(996,800)	(1,020,659)
Net operating margin	733,330	865,854
Provisions, depreciation and amortization	(110,393)	(205,439)
Operating results	622,937	660,415
Other income, net.....	219,767	315,049
Net income before income tax	842,704	975,464
Income tax	(205,651)	(287,104)
Net profit	637,053	688,360
Basic and diluted earnings per share (in Nuevos Soles)	4.561	3.523

(1) Administrative expenses in 2009 include employees' profit sharing of S/.35.7 million, which has been reclassified from income tax for comparative purposes due to a local regulation change. See "—Significant Accounting Policies—Employees' Profit Sharing."

The Scotia Perú Group's net profit in 2010 increased to S/.688.4 million from S/.637.1 million in 2009, an increase of S/.51.3 million, or 8.1%, which was primarily due to higher revenues from financial and fee-based services as well as other factors detailed below.

Gross Financial Income

The following table sets forth the principal components of gross financial income of the Scotia Perú Group's gross financial income for the years ended December 31, 2009 and 2010:

	Year ended December 31,	
	2009	2010
	(S/. in thousands)	
Financial income		
Interest and commissions on loan portfolio	1,984,452	1,980,400
Interest on deposits in Central Bank and other banks	13,871	25,860
Gains for valuation of trading and available-for-sale investments	58,947	70,825
Gains on exchange differences from various operations	212,754	174,026
Exchange gains on derivative financial instruments, net	20,915	—
Other financial income ⁽¹⁾	102,319	49,311
Total financial income	2,393,258	2,300,422
Financial expense		
Interest on obligations	(353,963)	(191,569)
Interest from securities, bonds and obligations issued	(48,566)	(72,119)
Interest on deposits of financial entities	(5,943)	(5,919)
Interest on borrowings from banks and other financial institutions	(85,041)	(65,716)
Premiums for the Deposit Insurance Fund	(24,211)	(21,898)
Commissions on financial obligations	—	(12,524)
Exchange loss on derivative financial instruments, net	—	(19,225)
Loss on valuation of investments	(36,136)	(2,341)
Other finance expenses ⁽²⁾	(38,358)	(49,038)
Total financial expense	592,218	440,349
Gross financial income	1,801,040	1,860,073

(1) Includes gains in associates, other commissions, gains from negotiation of investments and other income from financial leases.

(2) Includes other commissions and other expense from Wholesale Banking loans, credit cards and interbank funds.

The Scotia Perú Group's gross financial income increased 3.3%, or S/.59.0 million, to S/.1,860.1 million in 2010 as compared to S/.1,801.0 million in 2009. These results are explained further below.

Financial Income. Financial income decreased 3.9%, or S/.92.8 million, to S/.2,393.3 million in 2010 as compared to S/.2,300.4 million in 2009. The decrease in 2010 was primarily due to a decrease in gains on exchange differences from various operations, a decrease in exchange gains on derivative financial instruments recorded in 2009 and a decrease in other financial income, which was partially offset by an increase in interest earned on deposits with the Central Bank and other banks in 2010 as compared to 2009.

The monthly average nominal interest rate earned on loans issued by Scotiabank Perú and CrediScotia on a combined basis in 2010 was 11.66%, compared to 12.53% in 2009. The decrease in 2010 was primarily due to an increase in investments in short-term Central Bank certificates of deposits, which was primarily caused by increased liquidity in the banking and financial system, and an increase in reserve requirements required by the Central Bank. The monthly average nominal interest rate earned by Scotiabank Perú on its Nuevo Sol-denominated loans in 2010 was 11.40%, compared to 13.68% in 2009. The decrease in 2010 was primarily due to an increase in investments in short-term Central Bank certificates of deposits, which offered lower rates of return than Nuevo Sol-denominated loans. The monthly average nominal interest rate earned by Scotiabank Perú on its foreign currency-denominated loans in 2010 was 6.78%, compared to 7.62% in 2009. This decrease was primarily the result of lower yields on mortgage and Wholesale Banking loans as a result of increased market competition in these areas. The monthly average nominal interest rate earned by CrediScotia on its loans in 2010 was 34.68%, compared to 34.83% in 2009. This decrease was primarily due to lower interest rates for loans to micro and small business and an increase in the volume and balance of such loans as compared to other loans in CrediScotia's loan portfolio.

The monthly average balance of Scotiabank Perú's and CrediScotia's loan portfolio on a combined basis in 2010 was S/.16,937.7 million, an increase of 7.4% as compared to S/.15,767.6 million in 2009. This increase was

primarily due to an increase in the volume of commercial loans as a result of an improvement in macroeconomic conditions in Peru during this period.

The monthly average nominal interest rate earned by Scotiabank Perú and CrediScotia on a combined basis on their deposits with the Central Bank in 2010 was 0.54%, compared to 0.18% in 2009. The monthly average balance of Scotiabank Perú's and CrediScotia's deposit portfolio on a combined basis with the Central Bank in 2010 was S/4,212.5 million, compared to S/3,563.8 million in 2009. These increases were primarily due to an increase in Nuevo Sol-denominated deposits with the Central Bank, which, beginning in October 2010, exceeded reserve requirements and earned interest.

Financial Expense. Financial expense decreased 25.6%, or S/151.9 million, to S/440.3 million in 2010 as compared to S/592.2 million in 2009. The decrease in 2010 was primarily due to lower interest paid on deposits, and on Nuevo Sol-denominated time deposits in particular.

The average interest rate paid by Scotiabank Perú and CrediScotia on a combined basis on interest-bearing liabilities was 1.61% in 2010, compared to 2.48% in 2009. This decrease was primarily due to the recovery of the economic environment and lower perceived risk, which reduced interest rates.

The monthly average balance of Scotiabank Perú's and CrediScotia's interest-bearing liabilities on a combined basis totaled S/21,845.7 million in 2010, an increase of 7.3% as compared to S/20,358.6 million in 2009. This increase was primarily due to an increase in the volume of time and saving deposits in local currency as customers moved deposits from foreign currency to local currency accounts, which offered more attractive interest rates and lower risk.

The average interest rate paid on foreign currency-denominated interest-bearing liabilities by Scotiabank Perú was 1.34% in 2010, compared to 2.07% in 2009. This decrease was primarily due to a decrease in foreign currency-denominated time deposit interest rates.

The monthly average balance of foreign currency-denominated interest-bearing liabilities of Scotiabank Perú totaled S/12,690.7 million in 2010, an increase of 1.85% as compared to S/12,460.7 million in 2009. This increase was primarily due to an increase in borrowings from foreign banks and other financial institutions.

The average interest rate paid on Nuevo Sol-denominated interest-bearing liabilities by Scotiabank Perú was 1.40% in 2010, compared to 2.39% in 2009. In particular, the monthly average nominal interest rate paid on Nuevo Sol-denominated time deposits by Scotiabank Perú was 1.59% in 2010, compared to 3.55% in 2009. These decreases were primarily due to reductions in Central Bank reference rates in 2009, which were fully reflected in Commercial and Retail Banking term deposits in 2010.

The monthly average balance of Nuevo Sol-denominated interest-bearing liabilities of Scotiabank Perú totaled S/7,823.8 million in 2010, an increase of 16.65% as compared to S/6,707.3 million in 2009. This increase was primarily due to an increase in the volume of savings deposits as customers increasingly invested in more secure instruments.

The average interest rate paid on interest-bearing liabilities by CrediScotia was 5.38% in 2010, compared to 7.28% in 2009. In particular, the monthly average nominal interest rate paid on time deposits by CrediScotia was 4.22% in 2010, compared to 6.60% in 2009. These decreases were primarily due to reductions in Central Bank reference rates in 2009, which were fully reflected in term deposits in 2010.

The monthly average balance of interest-bearing liabilities of CrediScotia totaled S/1,331.2 million in 2010, an increase of 11.81% as compared to S/1,190.6 million in 2009. This increase was primarily due to an increase in financial obligations owed to COFIDE for working capital.

For additional information regarding Scotiabank Perú's and CrediScotia's assets and liabilities, interest earned and paid amounts, and nominal interest rates for Scotiabank Perú's and CrediScotia's interest-earning assets and interest-bearing liabilities on a combined basis, please see "Selected Statistical and Other Information."

Provision for Doubtful Loans, Net of Recoveries

Provisions for doubtful loans, net of recoveries, charged as expenses decreased 23.5% to S/.429.8 million in 2010 from S/.561.8 million in 2009. The decrease experienced in 2010 was primarily due to a change in local regulations established by the SBS, which changed the collateral requirement and minimum rates of allowances for different types of loan to be applied according to the type of coverage and risk category.

The following table sets forth the movements in the Scotia Perú Group's provisions for doubtful loans for the years ended December 31, 2009 and 2010:

	Year ended December 31,	
	2009	2010
	<i>(S/. in thousands)</i>	
Provisions for doubtful loans at the beginning of the year.....	735,090	870,206
Provisions for doubtful loans, net of recoveries	561,760	429,828
Transfers and other.....	167,206	(47,190)
Write-offs and forgiveness	(564,766)	(469,559)
Foreign exchange difference	(29,084)	(9,784)
Provisions for doubtful loans, net of recoveries at the end of the year	870,206	773,501

As of December 31, 2010, total provisions for doubtful loans as a percentage of total past-due loans (including lawsuit loans) increased to 235% from 214% as of December 31, 2009. Total reserves as a percentage of substandard loans (including substandard, doubtful and loss loans) increased to 98.9% as of December 31, 2010 from 90.5% as of December 31, 2009.

Net Financial Income

As a result of the factors detailed above, the Scotia Perú Group's net financial income after provisions increased 15.9%, or S/.197.4 million, to S/.1,436.8 million in 2010 as compared to S/.1,239.3 million in 2009.

Income from Financial Services, Net

The following table sets forth the components of the Scotia Perú Group's net income from financial services for the years ended December 31, 2009 and 2010:

	Year ended December 31,	
	2009	2010
	<i>(S/. in thousands)</i>	
Fees and commissions from banking services ⁽¹⁾	513,112	472,249
Fees from trading, mutual fund management and other stock exchange-related services ⁽²⁾	27,935	38,791
Fees from warehousing services	41,082	39,121
Other various income	40,582	42,317
Expenses ⁽³⁾	(131,921)	(142,749)
Total financial services income, net.....	490,790	449,729

(1) Includes fees and commissions generated by the Scotia Perú Group in connection with (i) services and maintenance of debt and credit cards; (ii) deposit transactions, services and transfers; (iii) payment and collection services; (iv) teleprocessing services; (v) structuring and administration services; (vi) leased property services; (vii) purchased portfolios; and (viii) other fees from banking services.

(2) Includes remunerations of mutual fund administration fees and brokerage services.

(3) Includes expenses related to credit and debit cards, warehousing expenses, insurance expenses and other financial service-related expenses.

The Scotia Perú Group's net income from financial services decreased 8.4%, or S/.41.1 million, to S/.449.7 million in 2010 from S/.490.8 million in 2009, which was primarily due to a decrease in income from collection services, a decrease in income from processing services, a decrease in fees and commissions earned in connection with securities and maintenance of debt and credit cards and a decrease in structuring fees for investment banking financial transactions. In addition, higher expenses related to financial services income, such as insurance expenses and credit and debit card expenses, contributed to the decrease in net income from financial services.

Fees and commissions generated from banking services decreased 8.0%, or S/.40.9 million, to S/.472.2 million in 2010 as compared to S/.513.1 million in 2009. The decrease experienced in 2010 was primarily due to a decrease in revenues from collection services.

Fee income from trading, mutual fund management and other stock exchange-related services increased 38.9%, or S/.10.9 million, to S/.38.8 million in 2010 from S/.27.9 million in 2009. These changes reflect changes in the volume of activity on the Peruvian stock exchange during such periods.

Operating Margin

As a result of the factors detailed above, the Scotia Perú Group's operating margin increased 9.0%, or S/.156.4 million, in 2010 to S/.1,886.5 million from S/.1,730.1 million in 2009.

Administrative Expenses

The Scotia Perú Group's administrative expenses increased 2.4%, or S/.23.9 million, to S/.1,020.6 million in 2010 as compared to S/.996.8 million in 2009. The increase in administrative expenses in 2010 was primarily due to increases in contribution for a profit sharing plan for employees, from S/.25.9 million in 2009 to S/.55.1 million in 2010, and an increase in the number of employees of the Scotia Perú Group as well as an increase in services provided by third parties. Administrative expenses in 2009 included an employees' profit sharing of S/.35.7 million, which has been reclassified from income tax for comparative purposes due to a local regulation change. See "—Significant Accounting Policies—Employees' Profit Sharing."

The following table sets forth the components of the Scotia Perú Group's administrative expenses for the years ended December 31, 2009 and 2010:

	Year ended December 31,	
	2009	2010
	<i>(S/. in thousands)</i>	
Personnel and board of directors expenses	591,804	609,749
Expenses for services received from third parties.....	353,809	355,412
Taxes and contributions.....	51,187	55,498
Total administrative expenses	996,800	1,020,659

Net Operating Margin

As a result of the factors detailed above, the Scotia Perú Group's operating margin increased 18.1%, or S/.132.5 million, in 2010 to S/.865.9 million from S/.733.3 million in 2009.

Provisions, Depreciation and Amortization

Costs relating to provisions, depreciation and amortization increased 86.1%, or S/.95.0 million, to S/.205.4 million in 2010 as compared to S/.110.4 million in 2009. The increase in 2010 was primarily due to higher regulatory provision requirements for guarantee trusts as a result of certain regulatory provisions effected by the SBS in 2010.

Other Income, Net

Other income, net of expenses increased 43.3%, or S/.95.3 million, to S/.315.0 million in 2010 as compared to S/.219.8 million in 2009. The increase in 2010 was primarily due to an increase in the income from sales of repossessed assets and written off loans, as a result of a one-time transaction that the Workout Unit executed in 2010.

Income Taxes

The Scotia Perú Group's income tax expense was S/.287.1 million in 2010, an increase of 39.6% as compared to S/.205.7 million in 2009. This increase in income tax expenses was primarily due to increases in taxable income during 2010.

The statutory income tax rate payable in Peru in 2010 and 2009 was 30% of taxable income. The Scotia Perú Group's effective tax rates in 2010 and 2009 were 29% and 24%, respectively. The increase in the effective tax rate from 2009 to 2010 was primarily due to CrediScotia Financiera having a current tax loss in 2009.

Analysis of Financial Condition

Total assets

The following table presents the distribution of the Scotia Perú Group's assets at the dates indicated:

	As of December 31,			As of September 30
	2009	2010	2011	2012
	(S/. in thousands)			
Cash and due from banks.....	3,857,207	8,110,442	7,308,230	7,589,451
Interbank funds	143,205	192,580	123,220	267,117
Investments at fair value through profit or loss and available-for-sale.....	3,637,054	1,708,204	1,659,254	1,456,027
Loan Portfolio, net	14,573,225	17,148,245	20,869,482	22,227,179
Accounts receivable, net	483,795	356,569	488,318	455,897
Investments in associates	72,196	86,914	97,358	107,269
Goodwill	278,818	278,818	278,818	278,818
Property, furniture and equipment, net	520,531	496,544	513,141	516,131
Other assets, net	622,396	663,889	793,394	883,368
Total assets	24,188,427	29,042,205	32,131,215	33,781,257

As of September 30, 2012, the Scotia Perú Group had total assets of S/.33,781.3 million, an increase of 5.1%, or S/.1,650.0 million, as compared to total assets of S/.32,131.2 million as of December 31, 2011, which in turn increased by 10.6%, or S/.3,089.0 million, as compared to total assets of S/.29,042.2 million as of December 31, 2010. As of December 31, 2010, the Scotia Perú Group's total assets increased 20.1%, or S/.4,853.8 million, as compared to total assets of S/.24,188.4 million as of December 31, 2009.

As of September 30, 2012, the Scotia Perú Group's total direct and indirect net loans increased 7.1%, or S/.1,752.5 million, to S/.26,570.2 million as compared to S/.24,817.8 million of total direct and indirect net loans as of December 31, 2011, which in turn increased 20.6%, or S/.4,236.8 million, as compared to S/.20,581.0 million of total direct and indirect net loans as of December 31, 2010. As of December 31, 2010, the Scotia Perú Group's total direct and indirect loans increased 20.9%, or S/.3,567.9 million, from S/.17,013.1 million as of December 31, 2009.

From December 31, 2011 through September 30, 2012, the Peruvian banks increased approximately 8.37% in terms of deposits and approximately 9.1% in terms of total net loans, according to information published by the SBS. According to estimates of Scotiabank Perú's management, the ratios of financial intermediation in the Peruvian banking and financial sector, as measured by the sum of total loans as of December 31, 2011 divided by 2011 GDP, reached 26.4% in 2011, one of the lowest intermediation levels in the region.

As of September 30, 2012, the Scotia Perú Group's direct net loan portfolio (*i.e.*, net of provisions, deferred income and accrued interest) was S/.22,227.2 million. From December 31, 2011 to September 30, 2012, the Scotia Perú Group's total direct loan portfolio increased by 6.5%, or S/.1,357.7 million, and the provision for doubtful loans increased by 9.9%, or S/.89.6 million, in the same period. As of December 31, 2011, the Scotia Perú Group's total direct net loan portfolio was S/.20,869.5 million, which represented approximately 65.0% of total assets, an

increase of 21.7%, or S/3,721.2 million, as compared to S/17,148.2 million as of December 31, 2010, which in turn increased 17.7%, or S/2,575.0 million, from S/14,573.2 million as of December 31, 2009.

The Scotia Perú Group's total deposits with the Central Bank totaled S/6,082.1 million as of September 30, 2012. As of December 31, 2009, 2010 and 2011, the Scotia Perú Group's total deposits with the Central Bank were S/2,806.1 million, S/6,987.7 million and S/5,856.6 million, respectively.

As of September 30, 2012, the Scotia Perú Group's securities holdings, which include marketable securities and investments, was S/1,456.0 million. As of December 31, 2009, 2010 and 2011, the Scotia Perú Group's securities holdings (which include marketable securities and investments) were S/3,637.1 million, S/1,708.2 million and S/1,659.3 million, respectively.

Total Liabilities

The following table presents the distribution of the Scotia Perú Group's liabilities for the dates indicated:

	As of December 31,			As of September 30
	2009	2010	2011	2012
	<i>(S/. in thousands)</i>			
Deposits and obligations.....	18,075,120	19,419,546	21,423,211	21,283,282
Interbank funds.....	20,001	36,005	189,204	85,137
Borrowings and financial obligations.....	1,656,929	3,782,680	4,024,030	5,258,596
Securities, bonds and obligations issued.....	696,602	1,317,058	1,470,937	1,728,715
Provisions and other liabilities.....	779,203	1,031,567	981,101	1,025,520
Total liabilities.....	21,227,855	25,586,856	28,088,483	29,381,250

As of September 30, 2012, the Scotia Perú Group had total liabilities of S/29,381.3 million, an increase of 4.6%, or S/1,292.8 million, as compared to S/28,088.5 million as of December 31, 2011, which in turn increased by 9.8%, or S/2,501.6 million, as compared to S/25,586.9 million as of December 31, 2010, which in turn increased 20.5%, or S/4,359.0 million, from S/21,227.9 million as of December 31, 2009.

As of September 30, 2012, the Scotia Perú Group had total deposits of S/21,283.3 million, a decrease of 0.7%, or S/139.9 million, as compared to S/21,423.2 million as of December 31, 2011, which in turn represented an increase of 10.3%, or S/2,003.7 million, as compared to S/19,419.5 million as of December 31, 2010, which in turn represents an increase of 7.4%, or S/1,344.4 million, as compared to S/18,075.1 million as of December 31, 2009.

The Scotia Perú Group's funding strategy has been structured in order to maintain a diversified deposit base. As of September 30, 2012, approximately 32% of the Scotia Perú Group's deposits and obligations, on a consolidated basis, were provided by individual investor deposits, approximately 53% corresponded to corporate clients, and 15% corresponded to nonprofit organizations and others.

Liquidity and Capital Resources

Regulatory Capital and Capital Adequacy Ratios

The following tables sets forth Scotiabank Perú's regulatory capital, risk-weighted average assets and contingent credits and the regulatory capital ratio, calculated in accordance with local regulations in force as of December 31, 2009, 2010 and 2011 and as of September 30, 2012:

	As of December 31,			As of September 30,
	2009	2010	2011	2012
	(S/. in thousands)			
Capital stock.....	1,427,511	1,569,109	2,299,303	2,852,822
Additional paid in capital	212,341	368,523	368,523	368,523
Capital in progress.....	297,780	—	—	—
Legal reserve	268,455	332,160	400,180	479,029
Earnings with capitalization agreement.....	97,966	297,966	—	—
Gains on equity method instruments	18,018	26,432	36,398	28,771
Less: goodwill	(278,818)	(278,818)	(278,818)	(278,818)
Less: investment in subsidiaries and other deductions	(250,075)	(307,082)	(369,662)	(399,874)
Total basic regulatory capital	1,793,178	2,008,290	2,455,924	3,050,453
Subordinated debt ⁽¹⁾	68,421	66,503	63,828	61,508
Subordinated bonds ⁽²⁾	86,487	43,998	5,392	5,196
Provisions for doubtful loans ⁽³⁾	185,433	206,591	266,115	292,202
Less: investment in subsidiaries and other deductions	(250,074)	(307,023)	(335,335)	(358,906)
Total supplementary regulatory capital	90,267	10,069	—	—
Total regulatory capital⁽⁴⁾	1,883,445	2,018,359	2,455,924	3,050,453
Risk-weighted assets and contingent credits.....	14,780,472	16,453,820	21,230,475	23,323,607
Capital Ratios				
Regulatory capital ratio ⁽⁴⁾	11.91%	11.53%	10.94%	12.28%

(1) Represents a subordinated loan received by a foreign financial institution.

(2) Represents the present balance of subordinated debt issued in October 2001.

(3) SBS rules allow banks using the standardized method for capital adequacy purposes to include loan loss reserves of up to 1.25% of risk-weighted assets in the calculation of regulatory capital.

(4) Regulatory capital and regulatory capital ratio are calculated according to the guidelines adopted by the SBS and are calculated on an unconsolidated basis. As part of the implementation of Basel II, the SBS minimum regulatory capital requirement, expressed as a percentage of risk-weighted assets, has been progressively increased from 9.5% effective July 2009, to 9.8% effective July 2010, and to 10% from July 2011 onwards. For further details, see "Regulatory Environment—Implementation of Basel Principles—Capital Adequacy."

Liquidity Risk

The Scotia Perú Group manages its assets and liabilities to ensure that it has sufficient liquidity to meet its present and future financial obligations and that it is able to take advantage of appropriate business opportunities as they arise.

The growth of the Scotia Perú Group's deposit base over the years has enabled it to increase significantly its lending activity. The Scotia Perú Group is subject to SBS Resolution No. 472-2001, enacted in July 1998, which made Scotiabank Perú's Market Risk Unit responsible for liquidity management, and by which minimum liquidity ratios were established. The ratio of liquid assets as a percentage of short-term liabilities, as defined by the SBS, must exceed 8% for Nuevo Sol-based transactions and 20% for foreign currency-based transactions.

Scotiabank Perú's average daily ratios, which are calculated as the monthly average of daily balances of liquid assets divided by the monthly average of daily balances of short-term liabilities, during the month of September 2012 were 43.0% and 43.4% for Nuevo Sol and foreign currency-based transactions, respectively. Scotiabank Perú's average daily ratios for 2011, 2010 and 2009 were 46.4%, 58.7% and 36.1%, respectively, for Nuevo Sol-based transactions and 45.7%, 37.7% and 46.2%, respectively, for foreign currency-based transactions.

In 2008, Scotiabank Perú received a U.S.\$23.7 million subordinated loan from a foreign financial institution that matures in 2018.

Scotiabank Perú has never defaulted on payment of any of its debts or been forced to reschedule any of its obligations.

CrediScotia's average daily ratios during the month of September 2012 were 20.6% and 26.7% for Nuevo Sol and foreign currency-based transactions, respectively. CrediScotia's average daily ratios for 2011 and 2010 were 13.5% and 11.7%, respectively, for Nuevo Sol-based transactions and 33.7% and 42.1%, respectively, for foreign currency-based transactions.

CrediScotia has never defaulted on payment of any of its debts or been forced to reschedule any of its obligations.

The ability to replace interest-bearing deposits at their maturity is a key factor in determining liquidity requirements, as well as the exposure to interest and exchange rate risks. The Scotia Perú Group's principal source of funding is deposits. The Scotia Perú Group has developed a diversified and stable deposit base in each of its main business segments. The Scotia Perú Group's deposit funding strategy has focused on certain core products, namely demand deposits, savings deposits and time deposits. The Scotia Perú Group believes that funds from its deposit-taking operations generally will continue to meet the Scotia Perú Group's liquidity needs for the foreseeable future. To a lesser extent, the Scotia Perú Group also funds its operations through other types of deposits, securities and bond issuances, and short-term and long-term borrowings.

The following table sets forth the Scotia Perú Group's deposits and other sources of funds as of December 31, 2009, 2010 and 2011, and as of September 30, 2012.

	As of December 31,						As of September 30,	
	2009		2010		2011		2012	
	S/.	% of total funding	S/.	% of total funding	S/.	% of total funding	S/.	% of total funding
	<i>(S/. in thousands, except percentages)</i>							
Deposits								
Time deposits	8,980,125	44.0	9,063,650	37.0	9,402,416	34.9	9,135,141	32.3
Demand deposits	4,973,339	24.3	5,652,617	23.1	6,772,507	25.2	7,162,050	25.3
Savings deposits	3,383,981	16.6	3,942,311	16.1	4,461,212	16.6	4,262,223	15.1
Other deposits.....	737,675	3.6	760,968	3.1	787,076	2.9	723,868	2.6
Total Deposits	18,075,120	88.5	19,419,546	79.2	21,423,211	79.6	21,283,282	75.3
Borrowings and financial obligations	1,656,929	8.1	3,782,680	15.4	4,024,030	14.9	5,258,596	18.6
Securities, bonds and obligations issued.....	696,602	3.4	1,317,058	5.4	1,470,937	5.5	1,728,715	6.1
Total	20,428,651	100.0	24,519,284	100.0	26,918,178	100.0	28,270,593	100.0

Scotia Perú Group is required to keep deposits with the Central Bank, as legal reserves, determined as a percentage of the deposits and other liabilities owed to its clients. The requirement is currently approximately 9.0% of deposits and can vary from time to time. Since December 2009, the requirement was increased from 6.0% to 7.0% in July 2010, to 8.0% in August 2010, to 8.5% in September 2010 and to 9.0% in October 2010. Legal reserves are meant to ensure the availability of liquid funds to cover withdrawals of deposits. In addition, the Scotia Perú Group has significant investments of excess liquid funds in short-term Central Bank certificates of deposits.

Time Deposits

The Scotia Perú Group's primary funding source is from time deposits, which includes certificates of deposit issued to individuals, corporate and institutional clients. The Scotia Perú Group's portfolio of time deposits totaled S/.8,980.1 million, S/.9,063.7 million and S/.9,402.4 million as of December 31, 2009, 2010 and 2011, respectively, and S/.9,135.1 million as of September 30, 2012.

Demand Deposits

The Scotia Perú Group receives a significant amount of funding from demand deposits, which consist primarily of checking and account deposits made by the Scotia Perú Group's corporate and retail banking customers. Such demand deposits may or may not bear interest. The Scotia Perú Group's portfolio of demand deposits totaled S/4,973.3 million, S/5,652.6 million and S/6,772.5 million as of December 31, 2009, 2010 and 2011, respectively, and S/7,162.1 million as of September 30, 2012.

Savings Deposits

The Scotia Perú Group's funding from savings deposits consists mainly of interest-bearing savings account deposits from retail and corporate banking clients. The Scotia Perú Group's portfolio of savings deposits totaled S/3,384.0 million, S/3,942.3 million and S/4,461.2 million as of December 31, 2009, 2010 and 2011, respectively, and S/4,262.2 million as of September 30, 2012.

Funds from Borrowings and Financial Obligations

The Scotia Perú Group also funds its loan operations through borrowings and financial obligations. As of September 30, 2012, the Scotia Perú Group had borrowings and financial obligations of S/5,258.6 million. The Scotia Perú Group had borrowings and financial obligations of S/4,024.0 million, S/3,782.7 million and S/1,656.9 million in 2011, 2010 and 2009, respectively, on a consolidated basis.

Funds from Issuances of Securities, Bonds and Obligations

The Scotia Perú Group also obtains funding from the proceeds of issuances of debt instruments. The proceeds of these issuances have been used to finance the Scotia Perú Group's loan operations. As of September 30, 2012, the Scotia Perú Group had S/1,728.7 million of securities, bonds and obligations outstanding on a consolidated basis, with varying interest rates from 5.69% to 9.75% and three-month LIBOR plus 2.75%, and varying maturities from 2012 to 2017.

The following table presents a breakdown of the Scotia Perú Group's deposits at the Central Bank, and its short-term investments in Central Bank certificates and mid-term government bonds:

	As of December 31,			As of
	2009	2010	2011	September 30,
				2012
		(S/. in thousands)		
Funds at Central Bank				
Deposits	2,806,084	6,987,711	5,856,563	6,082,112
Certificates of deposits	2,826,398	713,459	545,770	1,164,586
Total funds at Central Bank	5,632,482	7,701,170	6,402,333	7,246,698

The Central Bank's discount window, which makes short-term loans to banks, is also available as a short-term funding source, but has not been used by the Scotia Perú Group.

The following table presents the Scotia Perú Group's outstanding principal amount of bonds issued, on a consolidated basis, as of December 31, 2009, 2010 and 2011, and as of September 30, 2012.

	As of December 31,			As of
	2009	2010	2011	September 30, 2012
	<i>(S/. in thousands)</i>			
Corporate bonds ⁽¹⁾	456,349	620,275	809,150	1,139,394
Leasing bonds ⁽²⁾	29,195	—	—	—
Subordinated debt ⁽³⁾	211,058	205,208	189,178	158,018
Negotiable notes ⁽⁴⁾	—	491,575	472,609	431,303
Total bonds	696,602	1,317,058	1,470,937	1,728,715

(1) The Scotia Perú Group's corporate bonds have varying interest rates from 4.66% to 7.72% and varying maturities from 2012 to 2019.

(2) The Scotia Perú Group's leasing bonds had an annual interest rate of 5.75% and matured in 2010.

(3) The Scotia Perú Group's subordinated debt has varying interest rates from 7.41% to 9.10% and varying maturities from 2013 to 2027.

(4) These include Series A Notes and Series B Notes issued by SBP DPR, an exempted company with limited liability incorporated under the laws of the Cayman Islands, in January 2010 and February 2010, respectively, pursuant to a securitization agreement. The Series A Notes and Series B Notes have an annual interest of 5.25% and three-month LIBOR plus 2.75%, respectively, and mature in 2017. The Series A Notes and Series B Notes are secured by substantially all of the assets of SBP DPR.

The Scotia Perú Group's risk management committee establishes guidelines for suitable asset and liability mix, proper implementation of liquidity strategies and funding and trading activities. The Scotia Perú Group accesses the local market with one of the highest credit ratings by local rating agencies.

Off-Balance Sheet Arrangements

The Scotia Perú Group has various contractual arrangements, such as contingent credit contracts, that are not recognized as liabilities on its financial statements but are required to be registered in off-balance sheet accounts. The Scotia Perú Group enters into these off-balance sheet arrangements to generate fees from guarantees, letters of credit and derivative transactions offered to customers.

The following table sets forth the Scotia Perú Group's off-balance sheet arrangements as of December 31, 2009, 2010 and 2011, and as of September 30, 2012.

	As of December 31,			As of
	2009	2010	2011	September 30,
	(S/. in thousands)			2012
Contingent accounts				
Contingent credits from indirect loans	2,439,911	3,432,761	3,948,281	4,343,038
Responsibilities under credit line agreements	6,536,722	16,593,711	14,467,629	15,655,428
Financial derivative contracts	4,435,664	9,028,305	6,808,862	10,983,961
Other	208,633	542	540	539
Total contingent accounts	13,620,930	29,055,319	25,225,312	30,982,966
Memoranda accounts				
Securities held in custody.....	4,822,299	5,819,445	6,932,796	6,528,055
Goods transferred as trust.....	4,733,417	3,862,591	3,906,930	3,857,417
Guarantees received	36,291,370	36,628,640	44,316,206	49,357,839
Securities in collection	9,165,928	10,731,022	12,126,698	12,714,822
Written-off loans.....	3,691,713	3,531,924	3,404,937	3,421,180
Other ⁽¹⁾	121,023,370	119,831,396	88,053,738	105,606,895
Total memoranda accounts	179,728,097	180,405,018	158,741,305	181,486,208
Total off-balance accounts	193,349,027	209,460,337	183,966,617	212,469,174

(1) This includes accounts related to loan and other control accounts, control of returned checks (including accounts related to returned checks), notified letters of credit, securities granted as warranties, trust and debt trust commissions and securities of the Scotia Perú Group in custody.

Off-balance sheet transactions expose the Scotia Perú Group to credit risk in addition to the amounts recognized in the financial statements. Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss because any other party to a financial instrument fails to perform in accordance with the terms of contract. The Scotia Perú Group applies the same credit policies in making commitments and assuming conditional obligations as it does for on-balance sheet instruments, including the requirement to obtain collateral to support off-balance sheet financial instruments when it is deemed necessary. Collateral held varies, but may include deposits held in financial institutions, securities or other assets.

Due to the fact that many of the contingent credits are expected to expire without any payment being required from the Scotia Perú Group, the total committed amounts do not necessarily represent future cash requirements.

Export and import letters of credit, guarantees and stand-by letters of credit are conditional commitments issued to guarantee the performance by a customer of an obligation to a third-party. Export and import letters of credit are mainly issued as credit enhancements for overseas commercial transactions. Risks associated with these credits are reduced by the participation of third parties.

Derivative operations are related to forward purchase and sale agreements for foreign currency operations. Foreign currency forwards are commitments to buy or sell currency at a future date at a contracted price and the seller commits to pay at a determined date a specific foreign currency amount. Risk arises from the possibility that the counterparty to the transaction does not perform as agreed and from the variations in the exchange rates in the currencies in which transactions are done. These agreements were entered into to satisfy client requirements and for trading and hedging purposes and are recognized in the Consolidated Financial Statements at fair market value.

There are also guarantees received that 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 Scotia Perú Group.

The Scotia Perú Group provides custody, trust, corporate administration, investment management and consulting services to third parties. Assets held in trust are not recorded in the financial statements, but stated as off-balance sheet accounts for control purposes.

Borrowing and Financial Obligations

The Scotia Perú Group's local and foreign borrowings and domestic obligations are summarized as follows as of December 31, 2011 and as of September 30, 2012:

	As of December 31, 2011	As of September 30, 2012
	<i>(S/. in thousands)</i>	
COFIDE credit lines ⁽¹⁾	686,023	670,176
Ordinary loans ⁽²⁾	3,338,007	4,588,420
Total	4,024,030	5,258,596

(1) Includes credit lines for Mivivienda and for working capital and other purposes as well as accrued interest.

(2) Includes accrued interest.

Certain loan agreements include standard clauses requiring the Scotia Perú Group to comply with financial ratios, use of funds criteria and other administrative matters. In Scotiabank Perú's management's opinion, such standard clauses do not limit the Scotia Perú Group's normal operation and are substantially fulfilled in the application of standard international banking practices.

Commitments and Contractual Obligations

The Scotia Perú Group enters into various commitments and contractual obligations which it recognizes on its balance sheet that may require future cash payments. The following table summarizes the commitments and contractual obligations of the Scotia Perú Group by remaining maturity as of December 31, 2011.

	Payments due by period			
	Total as of December 30, 2011	Less than 1 year	1-5 years	More than 5 years
	<i>(S/. in thousands)</i>			
Securities, bonds and obligations issued	1,470,937	251,188	980,461	239,288
Time deposits	9,402,415	8,670,550	378,224	353,641
Interbank funds	189,204	189,204	—	—
Due to banks and other financial institutions ⁽¹⁾	4,024,030	1,522,831	2,189,409	311,790
Total	15,086,586	10,633,773	3,548,094	904,719

(1) Includes mainly loans from foreign institutions, including related entities, to fund foreign trade operations and working capital, and credit lines granted by COFIDE to promote affordable housing in Peru.

The following table summarizes the commitments and contractual obligations of the Scotia Perú Group by remaining maturity as of September 30, 2012.

	Total as of September 30, 2012	Payments due by period		
		Less than 1 year	1-5 years	More than 5 years
		<i>(S/. in thousands)</i>		
Securities, bonds and obligations issued.....	1,728,715	259,280	1,160,431	309,004
Time deposits.....	9,135,141	8,284,201	502,577	348,363
Interbank funds.....	85,137	85,137	–	–
Due to banks and other financial institutions ⁽¹⁾	5,258,596	2,781,934	2,223,742	252,920
Total.....	16,207,589	11,410,552	3,886,750	910,287

(1) Includes mainly loans from foreign institutions, including related entities, to fund foreign trade operations and working capital, credit lines granted by COFIDE to promote affordable housing in Peru.

Trend Information

The Scotia Perú Group expects Peru's macroeconomic conditions to continue to improve. The Peruvian government's economic and monetary policies enabled the country to avoid a recession in 2008–2009 and paved the way for a solid and steady recovery since 2009. Many of the fiscal and monetary authorities that implemented these policies during the Alan García administration are still in office today under the Ollanta Humala administration, including the Minister of Finance and the President of the Central Bank. The Scotia Perú Group believes that Peru is on track for approximately 6.3% GDP growth in 2012, barring another external shock. The growth of the Peruvian economy is largely driven by domestic demand, led primarily by private sector investment, which adds resiliency to GDP growth. Stronger domestic demand has primarily been the result of improved conditions in the international and local credit markets, which have enhanced consumption and promoted private investment and, in turn, increased economic productive capacity. These factors should support continued growth of the banking activities of the Scotia Perú Group.

The Scotia Perú Group plans to capitalize on these expected positive market conditions and to continue to grow at or above the system-wide growth rates while maintaining increasing profitability. The Scotia Perú Group is focused on increasing its profitability by capitalizing on its leading corporate and retail banking platform and by effectively cross-selling fee-based services and products to existing clients. Despite significant growth over the last few years, the Scotia Perú Group continues to believe that there is still significant potential to develop the under-penetrated retail market in Peru by strengthening its advisory services and client and sales planning.

SELECTED STATISTICAL AND OTHER INFORMATION

The following tables present certain selected statistical information and ratios for Scotiabank Perú and CrediScotia, for the years ended December 31, 2009, 2010 and 2011 and for the nine-month period ended September 30, 2012, as described below. The selected statistical information should be read in conjunction with the information in the Consolidated Financial Statements included herein and the notes thereto. The Consolidated Financial Statements included herein include the Interim Consolidated Financial Statements for the period ended September 30, 2012. The statistical information and discussion and analysis presented below reflect the financial position of Scotiabank Perú and its subsidiary CrediScotia on a combined basis. The total assets of Scotiabank Perú's remaining Subsidiaries (*e.g.*, Scotia Fondos, Scotia Bolsa, Scotia Titulizadora, SCI, DEPSA and SBP DPR) collectively represent less than 3% of the total assets of Scotia Perú Group as of December 31, 2011, and have not been included in the selected statistical information and ratios in this section below.

Further, Peruvian Banking GAAP does not require the Scotia Perú Group to prepare certain of the information, particularly daily average rates and volumes for certain balance sheet items. This disclosure regarding these items included in this Offering Memorandum has been prepared based solely on internal accounting records. This information has not been the subject of an audit or limited review performed by our independent auditors. Accordingly, the Scotia Perú Group cannot assure you that the disclosure relating to those items would not deviate materially from the disclosure included in this Offering Memorandum had such information been the subject of an audit or limited review by its independent auditors.

Average Balance Sheets and Income from Interest-Earning Assets

The tables below set forth selected statistical information based upon Scotiabank Perú's and CrediScotia's average balance sheets prepared on a combined basis. Except as otherwise indicated, average balances, when used, have been classified by currency (Nuevos Soles or foreign currency (primarily U.S. Dollars)), rather than by the domestic or international nature of the balance. In addition, except where noted, such average balances are based upon the monthly average for each year, with any such balance denominated in Nuevos Soles having been converted into U.S. Dollars using the applicable exchange rate published by the SBS as of the date of such balance. Nominal average interest rates for the period ended September 30, 2012 have been prepared using the last twelve-months ended September 30, 2012.

The following tables set forth annual average balances for all of Scotiabank Perú's and CrediScotia's assets and liabilities, interest earned and paid amounts, and nominal interest rates for Scotiabank Perú's and CrediScotia's interest-earning assets and interest-bearing liabilities on a combined basis, all for the years ended December 31, 2009, 2010 and 2011, and for the twelve-month period ended September 30, 2012, as applicable. Loan fees, which are not material, are included in the tables as interest earned.

Average Balance Sheets

Assets, Interest Earned and Average Interest Rates ⁽¹⁾												
ASSETS:	Year ended December 31, 2009			Year ended December 31, 2010			Year ended December 31, 2011			Twelve months ended September 30, 2012		
	Average Balance ⁽²⁾	Interest Earned	Nominal Avg. Rate	Average Balance ⁽²⁾	Interest Earned	Nominal Avg. Rate	Average Balance ⁽²⁾	Interest Earned	Nominal Avg. Rate	Average Balance ⁽²⁾	Interest Earned	Nominal Avg. Rate
<i>Interest-earning assets:</i> ⁽³⁾												
Deposits in Central Bank												
Scotiabank Perú												
Nuevos Soles	87,003	439	0.50%	969,018	17,854	1.84%	1,235,298	29,485	2.39%	1,625,708	42,726	2.63%
Foreign Currency	3,336,727	5,533	0.17%	3,146,599	4,644	0.15%	4,122,523	4,526	0.11%	3,775,127	4,662	0.12%
Total Scotiabank Perú	3,423,730	5,971	—	4,115,617	22,499	—	5,357,820	34,012	—	5,400,835	47,388	0.00%
Total CrediScotia	140,114	507	0.36%	96,922	353	0.36%	253,911	3,975	1.57%	358,480	6,689	1.87%
Total	3,563,844	6,478	0.18%	4,212,539	22,852	0.54%	5,611,731	37,986	0.68%	5,759,315	54,077	0.94%
Deposits in other banks												
Scotiabank Perú												
Nuevos Soles	21,207	1,036	4.89%	7,400	604	8.16%	7,367	911	12.36%	8,899	1,244	13.98%
Foreign Currency	394,926	1,337	0.34%	197,685	191	0.10%	328,595	225	0.07%	421,816	245	0.06%
Total Scotiabank Perú	416,133	2,373	—	205,085	795	—	335,962	1,135	—	430,715	1,488	0%
Total CrediScotia	—	—	—	7,939	(325)	(4.10%)	8,557	(437)	(5.11%)	3,899	(587)	(15.05)%
Total	416,133	2,373	0.57%	213,024	469	0.22%	344,519	698	0.20%	434,614	901	0.21%
Investment securities												
Scotiabank Perú												
Nuevos Soles	2,495,602	117,452	4.71%	3,439,138	181,925	5.29%	2,336,385	206,682	8.85%	2,117,919	222,285	10.50%
Foreign Currency	1,337,730	16,113	1.20%	732,514	6,067	0.83%	832,066	6,016	0.72%	751,817	2,493	0.33%
Total Scotiabank Perú	3,833,332	133,566	3.48%	4,171,652	187,992	4.51%	3,168,452	212,698	6.71%	2,869,736	224,778	7.83%
Total CrediScotia	32,923	426	1.29%	66,341	1,281	1.93%	—	—	0.00%	—	1	192972.67%
Total	3,866,255	133,992	3.47%	4,237,993	189,273	4.47%	3,168,452	212,698	6.71%	2,869,736	224,779	7.83%
Total loans												
Scotiabank Perú												
Nuevos Soles	5,633,790	770,551	13.68%	5,949,809	678,232	11.40%	7,084,026	866,048	12.23%	8,150,124	1,027,670	12.61%
Foreign Currency	8,541,511	651,234	7.62%	9,009,899	610,994	6.78%	10,544,369	691,577	6.56%	11,129,212	726,773	6.53%
Total Scotiabank Perú	14,175,302	1,421,784	10.03%	14,959,708	1,289,225	8.62%	17,628,394	1,557,626	8.84%	19,279,336	1,754,443	9.10%
Total CrediScotia	1,592,256	554,546	34.83%	1,977,977	685,970	34.68%	2,790,864	897,235	32.15%	3,260,803	997,608	30.59%
Total	15,767,557	1,976,330	12.53%	16,937,685	1,975,195	11.66%	20,419,258	2,454,861	12.02%	22,540,139	2,752,051	12.21%
Other Assets												
Scotiabank Perú												
Nuevos Soles	342,361	3,911	1.14%	292,094	3,750	1.28%	432,753	4,597	1.06%	537,290	5,740	1.07%
Foreign Currency	430,078	5,057	1.18%	363,101	1,993	0.55%	263,206	1,513	0.57%	238,697	1,670	0.70%
Total Scotiabank Perú	772,440	8,968	1.16%	655,195	5,742	0.88%	695,959	6,110	0.88%	775,988	7,409	0.95%
Total CrediScotia	27,482	126	0.46%	36,890	396	1.07%	25,405	313	1.23%	26,916	385	1.43%
Total	799,922	9,094	1.14%	692,084	6,138	0.89%	721,364	6,423	0.89%	802,904	7,795	0.97%
Total interest-earning assets												
Scotiabank Perú												
Nuevos Soles	8,579,963	893,390	10.41%	10,657,460	882,365	8.28%	11,095,827	1,107,724	9.98%	12,439,940	1,299,665	10.45%
Foreign Currency	14,040,972	679,273	4.84%	13,449,798	623,888	4.64%	16,090,759	703,857	4.37%	16,316,669	735,843	4.51%
Total Scotiabank Perú	22,620,935	1,572,663	6.95%	24,107,257	1,506,253	6.25%	27,186,586	1,811,580	6.66%	28,756,609	2,035,508	7.08%
Total CrediScotia	1,792,775	555,605	30.99%	2,186,068	687,674	31.46%	3,078,737	901,086	29.27%	3,650,098	1,004,096	27.51%
Total	24,413,710	2,128,267	8.72%	26,293,325	2,193,927	8.34%	30,265,323	2,712,667	8.96%	32,406,708	3,039,604	9.38%
<i>Non-interest-earning assets:</i>												
Cash												
Scotiabank Perú												
Nuevos Soles	286,671	—	—	350,906	—	—	447,002	—	—	502,705	—	—
Foreign Currency	340,237	34	—	295,482	44	—	329,102	4	—	316,795	3	—
Total Scotiabank Perú	626,908	34	—	650,186	44	—	776,104	4	—	819,500	3	—
Total CrediScotia	16,533	—	—	22,650	—	—	39,526	—	—	55,288	—	—
Total	648,358	34	0.01%	669,038	44	0.01%	815,629	4	—	874,789	3	—
Premises and equipment												
Scotiabank Perú												
Nuevos Soles	480,100	—	—	435,684	—	—	430,828	—	—	427,587	—	—
Foreign Currency	—	—	—	—	—	—	—	—	—	—	—	—
Total Scotiabank Perú	480,100	—	—	435,684	—	—	430,828	—	—	427,587	—	—
Total CrediScotia	32,720	—	0.00%	29,834	—	—	32,104	—	—	37,588	—	—
Total	512,820	—	0.00%	465,518	—	—	462,932	—	—	465,175	—	—
Other non-interest-earning assets												
Scotiabank Perú												
Nuevos Soles	338,950	—	—	21,269	—	—	322,458	—	—	498,167	—	—
Foreign Currency	(1,434,521)	—	—	(1,325,139)	—	—	(1,309,512)	—	—	(1,192,406)	—	—
Total Scotiabank Perú	(1,095,570)	—	—	(1,303,869)	—	—	(987,053)	—	—	(694,239)	—	—
Total CrediScotia	(73,489)	—	—	(17,690)	—	—	(19,696)	—	—	(70,517)	—	—
Total	(1,169,059)	—	—	(1,321,559)	—	—	(1,006,748)	—	—	(764,755)	—	—
Total non-interest-earning assets												
Scotiabank Perú												
Nuevos Soles	1,105,721	—	—	807,859	—	—	1,200,288	—	—	1,428,459	—	—
Foreign Currency	(1,094,283)	34	—	(1,029,657)	44	—	(980,410)	4	—	(875,611)	3	—
Total Scotiabank Perú	11,439	34	—	(221,799)	44	—	219,879	4	—	552,848	3	—
Total CrediScotia	(24,237)	—	—	34,794	—	—	51,934	—	—	22,359	—	—
Total	(12,798)	34	(0.27%)	(187,006)	44	(0.02%)	271,813	4	—	575,209	3	—
Total average assets ⁴												
Scotiabank Perú												
Nuevos Soles	9,685,685	893,390	9.22%	11,465,319	882,365	7.70%	12,296,115	1,107,724	9.01%	13,868,399	1,299,665	9.37%
Foreign Currency	12,946,689	679,307	5.25%	12,420,140	623,932	5.02%	15,110,349	703,861	4.66%	15,441,060	735,846	4.77%
Total Scotiabank Perú	22,632,374	1,572,697	6.95%	23,885,459	1,506,297	6.31%	27,406,465	1,811,584	6.61%	29,309,459	2,035,511	6.94%
Total CrediScotia	1,768,538	555,605	31.42%	2,220,861	687,674	30.96%	3,130,671	901,086	28.78%	3,672,457	1,004,096	27.34%
Total	24,400,911	2,128,302	8.72%	26,106,321	2,193,971	8.40%	30,537,135	2,712,671	8.88%	32,981,916	3,039,607	9.22%

- (1) For purposes of this table, CrediScotia's foreign currency balances have been included in the Nuevos Soles classification. The Scotia Perú Group estimates these foreign currency balances at CrediScotia represent less than approximately 5% of total balances for CrediScotia for each respective period.
- (2) Figures for total loans include past due loans, but do not include accrued but unpaid interest on such past due loans in the year in which such loans became past due. Accrued but unpaid interest for years prior to the year in which a loan became past due is included.
- (3) As provided by Peruvian Banking GAAP, dividends are considered interest income.

Average Balance Sheets

Liabilities, Interest Paid and Average Interest Rates ⁽¹⁾												
LIABILITIES	Year ended December 31, 2009			Year ended December 31, 2010			Year ended December 31, 2011			Twelve months ended September 30, 2012		
	Average Balance	Interest Earned	Nominal Avg. Rate	Average Balance	Interest Earned	Nominal Avg. Rate	Average Balance	Interest Earned	Nominal Avg. Rate	Average Balance	Interest Earned	Nominal Avg. Rate
<i>(\$/ in thousands, except percentages)</i>												
<i>Interest-bearing liabilities:</i>												
<i>Demand deposits</i>												
Scotiabank Perú.....												
Nuevos Soles.....	2,189,046	14,553	0.66%	2,408,320	6,104	0.25%	3,133,501	20,742	0.66%	3,443,494	25,530	0.74%
Foreign Currency.....	2,275,336	2,967	0.13%	2,359,542	1,233	0.05%	3,143,497	2,129	0.07%	3,174,009	3,215	0.10%
Total Scotiabank Perú.....	4,464,382	17,519	0.39%	4,767,863	7,337	0.15%	6,276,998	22,871	0.36%	6,617,502	28,744	0.43%
Total CrediScotia.....	7,202	228	3.16%	8,867	—	0.00%	9,126	—	0.00%	13,263	—	0.00%
Total.....	4,471,583	17,747	0.40%	4,776,730	7,337	0.15%	6,286,124	22,871	0.36%	6,630,765	28,744	0.43%
<i>Savings deposits</i>												
Scotiabank Perú.....												
Nuevos Soles ⁽²⁾	1,341,046	15,039	1.12%	1,594,861	14,070	0.88%	1,924,547	17,128	0.89%	2,145,374	16,806	0.78%
Foreign Currency.....	1,803,312	10,926	0.61%	1,862,658	8,181	0.44%	2,142,036	8,885	0.41%	2,107,305	6,791	0.32%
Total Scotiabank Perú.....	3,144,359	25,965	0.83%	3,457,519	22,251	0.64%	4,066,583	26,014	0.64%	4,252,679	23,597	0.55%
Total CrediScotia.....	58,805	937	1.59%	67,666	1,571	2.32%	79,525	1,215	1.53%	78,435	1,070	1.36%
Total.....	3,203,164	26,902	0.84%	3,525,185	23,822	0.68%	4,146,108	27,229	0.66%	4,331,113	24,668	0.57%
<i>Time deposits</i>												
Scotiabank Perú.....												
Nuevos Soles.....	2,524,510	89,673	3.55%	3,217,772	51,163	1.59%	2,827,887	80,293	2.84%	3,416,469	106,622	3.12%
Foreign Currency.....	6,481,030	161,889	2.50%	5,334,720	72,269	1.35%	5,478,006	60,328	1.10%	4,910,129	60,108	1.22%
Total Scotiabank Perú.....	9,005,541	251,562	2.79%	8,552,492	123,432	1.44%	8,305,893	140,620	1.69%	8,326,598	166,730	2.00%
Total CrediScotia.....	938,472	61,897	6.60%	1,009,964	42,635	4.22%	1,521,166	69,278	4.55%	1,871,267	90,466	4.83%
Total.....	9,944,012	313,459	3.15%	9,562,455	166,067	1.74%	9,827,060	209,898	2.14%	10,197,865	257,196	2.52%
<i>Due to banks and correspondents and issued bonds</i>												
Scotiabank Perú.....												
Nuevos Soles.....	652,665	41,229	6.32%	602,888	37,850	6.28%	752,798	48,835	6.49%	974,094	61,079	6.27%
Foreign Currency.....	1,901,047	82,410	4.33%	3,133,780	88,693	2.83%	4,029,994	99,773	2.48%	4,706,181	105,943	2.25%
Total Scotiabank Perú.....	2,553,712	123,639	4.84%	3,736,668	126,543	3.39%	4,782,792	148,608	3.11%	5,680,275	167,022	2.94%
Total CrediScotia.....	186,142	23,614	12.69%	244,706	27,349	11.18%	532,722	41,037	7.70%	652,635	48,342	7.41%
Total.....	2,739,854	147,253	5.37%	3,981,375	153,892	3.87%	5,315,514	189,645	3.57%	6,332,910	215,364	3.40%
<i>Total interest-bearing liabilities</i>												
Scotiabank Perú.....												
Nuevos Soles.....	6,707,268	160,493	2.39%	7,823,841	109,187	1.40%	8,638,732	166,998	1.93%	9,979,430	210,036	2.10%
Foreign Currency.....	12,460,725	258,192	2.07%	12,690,700	170,376	1.34%	14,793,534	171,115	1.16%	14,897,624	176,057	1.18%
Total Scotiabank Perú.....	19,167,993	418,685	2.18%	20,514,541	279,563	1.36%	23,432,266	338,113	1.44%	24,877,053	386,093	1.55%
Total CrediScotia.....	1,190,621	86,676	7.28%	1,331,203	71,555	5.38%	2,142,539	111,531	5.21%	2,615,599	139,879	5.35%
Total.....	20,358,614	505,361	2.48%	21,845,744	351,118	1.61%	25,574,804	449,643	1.76%	27,492,653	525,973	1.91%
<i>Non-interest-bearing liabilities and shareholders' equity:</i>												
Scotiabank Perú.....												
Other liabilities												
Nuevos Soles.....	850,725	—	—	576,545	—	—	723,627	—	—	807,901	—	—
Foreign Currency.....	411,091	—	—	362,554	—	—	395,043	—	—	383,998	—	—
Total Scotiabank Perú.....	1,261,816	—	—	939,099	—	—	1,118,671	—	—	1,191,899	—	—
Total CrediScotia.....	104,312	—	—	160,173	—	—	173,199	—	—	165,884	—	—
Total.....	1,366,128	—	—	1,099,272	—	—	1,291,870	—	—	1,357,783	—	—
<i>Shareholders' equity</i>												
Scotiabank Perú.....												
Nuevos Soles.....	2,676,169	—	—	3,161,304	—	—	3,670,456	—	—	4,131,478	—	—
Foreign Currency.....	—	—	—	—	—	—	—	—	—	0	—	—
Total Scotiabank Perú.....	2,676,169	—	—	3,161,304	—	—	3,670,456	—	—	4,131,478	—	—
Total CrediScotia.....	—	—	—	—	—	—	4	—	—	2	—	—
Total.....	2,676,169	—	—	3,161,304	—	—	3,670,460	—	—	4,131,480	—	—
<i>Total non-interest-bearing liabilities and shareholders' equity</i>												
Scotiabank Perú.....												
Nuevos Soles.....	3,526,894	—	—	3,737,849	—	—	4,394,084	—	—	4,939,379	—	—
Foreign Currency.....	411,091	—	—	362,554	—	—	395,043	—	—	383,998	—	—
Total Scotiabank Perú.....	3,937,985	—	—	4,100,403	—	—	4,789,127	—	—	5,323,376	—	—
Total CrediScotia.....	104,313	—	—	160,173	—	—	173,203	—	—	165,887	—	—
Total.....	4,042,296	—	—	4,260,577	—	—	4,962,330	—	—	5,489,263	—	—
<i>Total average liabilities and shareholders' equity</i>												
Scotiabank Perú.....												
Nuevos Soles.....	10,234,161	160,493	1.57%	11,561,690	109,187	0.94%	13,032,816	166,998	1.28%	14,918,809	210,036	1.41%
Foreign Currency.....	12,871,816	258,192	2.01%	13,053,255	170,376	1.31%	15,188,577	171,115	1.13%	15,281,621	176,057	1.15%
Total Scotiabank Perú.....	23,105,978	418,685	1.81%	24,614,944	279,563	1.14%	28,221,393	338,113	1.20%	30,200,430	386,093	1.28%
Total CrediScotia.....	1,294,933	86,676	6.69%	1,491,376	71,555	4.80%	2,315,742	111,531	4.82%	2,781,486	139,879	5.03%
Total.....	24,400,911	505,361	2.07%	26,106,321	351,118	1.34%	30,537,135	449,643	1.47%	32,981,916	525,973	1.59%

- (1) For purposes of this table, CrediScotia's foreign currency balances have been included in the Nuevos Soles classification. The Scotia Perú Group estimates these foreign currency balances at CrediScotia represent less than approximately 5% of total balances for CrediScotia for each respective period.
- (2) Includes the amount paid to the Central Bank for the deposit insurance fund.

Net Financial Income and Expense: Volume and Rate Analysis

	2010/2009 ⁽¹⁾			2011/2010 ⁽¹⁾		
	Increase/(Decrease) due to changes in:			Increase/(Decrease) due to changes in:		
	Volume ⁽²⁾	Rate ⁽³⁾	Net	Volume ⁽²⁾	Rate ⁽³⁾	Net
Interest Income:						
<i>Interest-earning assets:</i>						
Deposits in Central Bank						
Scotiabank Perú						
Nuevos Soles	4,448	12,968	17,416	4,906	6,725	11,631
Foreign Currency	(315)	(573)	(888)	1,440	(1,558)	(118)
Total Scotiabank Perú	4,132	12,395	16,528	6,347	5,166	11,513
Total CrediScotia	(156)	3	(153)	573	3,049	3,621
Total	3,976	12,398	16,374	6,919	8,215	15,134
Deposits in other banks						
Scotiabank Perú						
Nuevos Soles	(675)	242	(433)	(3)	310	307
Foreign Currency	(668)	(478)	(1,146)	126	(93)	34
Total Scotiabank Perú	(1,342)	(236)	(1,579)	124	217	341
Total CrediScotia	—	(325)	(325)	(25)	(86)	(112)
Total	(1,342)	(562)	(1,904)	98	131	229
Investment securities						
Scotiabank Perú						
Nuevos Soles	44,406	20,066	64,473	(58,334)	83,091	24,757
Foreign Currency	(7,290)	(2,756)	(10,046)	825	(876)	(51)
Total Scotiabank Perú	37,116	17,310	54,427	(57,509)	82,215	24,705
Total CrediScotia	433	422	855	(1,281)	0	(1,281)
Total	37,549	17,732	55,281	(58,790)	82,215	23,425
Total loans ⁽³⁾						
Scotiabank Perú						
Nuevos Soles	43,223	(135,542)	(92,319)	129,292	58,525	187,817
Foreign Currency	35,711	(75,951)	(40,240)	104,058	(23,474)	80,584
Total Scotiabank Perú	78,934	(211,494)	(132,559)	233,350	35,051	268,400
Total CrediScotia	134,338	(2,914)	131,424	281,912	(70,646)	211,266
Total	213,272	(214,407)	(1,135)	515,262	(35,596)	479,666
Other Assets						
Scotiabank Perú						
Nuevos Soles	(574)	413	(161)	1,806	(958)	848
Foreign Currency	(788)	(2,277)	(3,065)	(548)	68	(480)
Total Scotiabank Perú	(1,362)	(1,864)	(3,226)	1,258	(890)	368
Total CrediScotia	43	226	269	(123)	41	(82)
Total	(1,319)	(1,638)	(2,956)	1,134	(849)	285
Total interest-earning assets						
Scotiabank Perú						
Nuevos Soles	216,320	(227,344)	(11,025)	36,294	189,065	225,359
Foreign Currency	(28,600)	(26,785)	(55,385)	122,505	(42,537)	79,968
Total Scotiabank Perú	187,720	(254,129)	(66,410)	158,799	146,529	305,327
Total CrediScotia	121,887	10,183	132,069	280,808	(67,396)	213,412
Total	309,607	(243,947)	65,660	439,607	79,133	518,740
Interest Expense:						
<i>Interest-bearing liabilities:</i>						
Demand deposits						
Scotiabank Perú						
Nuevos Soles	1,458	(9,906)	(8,448)	1,838	12,800	14,638
Foreign Currency	110	(1,843)	(1,734)	410	486	896
Total Scotiabank Perú	1,568	(11,750)	(10,182)	2,248	13,286	15,534
Total CrediScotia	53	(280)	(228)	0	0	0
Total	1,620	(12,030)	(10,410)	2,248	13,286	15,534
Savings deposits						
Scotiabank Perú						
Nuevos Soles	2,846	(3,815)	(968)	2,909	150	3,058
Foreign Currency	360	(3,105)	(2,745)	1,227	(523)	704
Total Scotiabank Perú	3,206	(6,920)	(3,714)	4,136	(373)	3,762
Total CrediScotia	141	492	634	275	(631)	(356)
Total	3,347	(6,427)	(3,080)	4,411	(1,004)	3,407
Time deposits						
Scotiabank Perú						
Nuevos Soles	24,625	(63,135)	(38,510)	(6,199)	35,329	29,130
Foreign Currency	(28,634)	(60,986)	(89,620)	1,941	(13,882)	(11,941)
Total Scotiabank Perú	(4,008)	(124,121)	(128,130)	(4,258)	21,447	17,189
Total CrediScotia	4,715	(23,977)	(19,262)	21,580	5,062	26,643
Total	707	(148,099)	(147,392)	17,322	26,509	43,831
Due to banks and correspondents and issued bonds						
Scotiabank Perú						
Nuevos Soles	(3,144)	(235)	(3,379)	9,412	1,573	10,985
Foreign Currency	53,439	(47,156)	6,283	25,365	(14,284)	11,080
Total Scotiabank Perú	50,294	(47,391)	2,904	34,776	(12,711)	22,065
Total CrediScotia	7,429	(3,693)	3,736	32,190	(18,503)	13,687
Total	57,724	(51,084)	6,640	66,966	(31,214)	35,752
Total interest-bearing liabilities						
Scotiabank Perú						
Nuevos Soles	26,718	(78,023)	(51,306)	11,372	46,438	57,810
Foreign Currency	4,765	(92,581)	(87,816)	28,231	(27,492)	739
Total Scotiabank Perú	31,483	(170,605)	(139,122)	39,603	18,946	58,550
Total CrediScotia	10,234	(25,355)	(15,120)	43,611	(3,636)	39,975
Total	41,717	(195,959)	(154,242)	83,215	15,311	98,525

- (1) For purposes of this table, CrediScotia's foreign currency balances have been included in the Nuevos Soles classification. The Scotia Perú Group estimates these foreign currency balances at CrediScotia represent less than approximately 5% of total balances for CrediScotia for each respective period.
- (2) Volume: corresponds to the impacts generated by changes in the volumes (balances or amounts) of assets and liabilities.
- (3) Rate: corresponds to the impacts generated by changes in interest rates applied to assets and liabilities.
- (4) Figures for total loans include past due loans, but do not include accrued but unpaid interest on such past due loans in the year in which such loans became past due. Accrued but unpaid interest for years prior to the year in which a loan became past due is included.

Interest-Earning Assets, Net Interest Margin and Yield Spread

The following table sets forth, by currency, the levels of average interest-earning assets, net financial income, gross yield, net interest margin and yield spread, all on a nominal basis as of December 31, 2009, 2010 and 2011 and September 30, 2012.

	As of December 31, ⁽¹⁾			As of September 30, ⁽¹⁾
	2009	2010	2011	2012
	(S/. in thousands, except percentages)			
Average interest-earning assets				
Scotiabank Perú				
Nuevos Soles	8,579,963	10,657,460	11,095,827	12,439,940
Foreign Currency	14,040,972	13,449,798	16,090,759	16,316,669
Total Scotiabank Perú	22,620,935	24,107,257	27,186,586	28,756,609
Total CrediScotia	1,792,775	2,186,068	3,078,737	3,650,098
Total	24,413,710	26,293,325	30,265,323	32,406,707
Interest earned				
Scotiabank Perú				
Nuevos Soles	893,390	882,365	1,107,724	1,299,665
Foreign Currency	679,307	623,932	703,861	735,846
Total Scotiabank Perú	1,572,697	1,506,297	1,811,584	2,035,511
Total CrediScotia	555,605	687,674	901,086	1,004,096
Total	2,128,302	2,193,971	2,712,671	3,039,607
Average interest-bearing liabilities				
Scotiabank Perú				
Nuevos Soles	6,707,268	7,823,841	8,638,732	9,979,430
Foreign Currency	12,460,725	12,690,700	14,793,534	14,897,624
Total Scotiabank Perú	19,167,993	20,514,541	23,432,266	24,877,054
Total CrediScotia	1,190,621	1,331,203	2,142,539	2,615,599
Total	20,358,614	21,845,745	25,574,805	27,492,654
Interest bearing liabilities				
Scotiabank Perú				
Nuevos Soles	160,493	109,187	166,998	210,036
Foreign Currency	258,192	170,376	171,115	176,057
Total Scotiabank Perú	418,685	279,563	338,113	386,093
Total CrediScotia	86,676	71,555	111,531	139,879
Total	505,361	351,118	449,643	525,973
Net interest income				
Scotiabank Perú				
Nuevos Soles	732,897	773,178	940,726	1,089,629
Foreign Currency	421,115	453,556	532,745	559,789
Total Scotiabank Perú	1,154,012	1,226,734	1,473,471	1,649,418
Total CrediScotia	468,929	616,119	789,556	864,217
Total	1,622,941	1,842,853	2,263,027	2,513,634
Gross yield⁽²⁾				
Scotiabank Perú				
Nuevos Soles	10.41%	8.28%	9.98%	10.45%
Foreign Currency	4.84%	4.64%	4.37%	4.51%
Total Scotiabank Perú	6.95%	6.25%	6.66%	7.08%
Total CrediScotia	30.99%	31.46%	29.27%	27.51%
Total	8.72%	8.34%	8.96%	9.38%
Net interest margin⁽³⁾				
Scotiabank Perú				
Nuevos Soles	8.5%	7.25%	8.48%	8.76%
Foreign Currency	3.0%	3.37%	3.31%	3.43%
Total Scotiabank Perú	5.1%	5.09%	5.42%	5.74%
Total CrediScotia	26.2%	28.2%	25.6%	23.68%
Total	6.6%	7.0%	7.5%	7.76%
Interest Expenses ratio⁽⁴⁾				
Scotiabank Perú				
Nuevos Soles	2.4%	1.40%	1.93%	2.10%
Foreign Currency	2.1%	1.34%	1.16%	1.18%
Total Scotiabank Perú	2.2%	1.36%	1.44%	1.55%
Total CrediScotia	7.3%	5.38%	5.21%	5.35%
Total	2.5%	1.61%	1.76%	1.91%
Yield spread⁽⁵⁾				
Scotiabank Perú				
Nuevos Soles	8.02%	6.88%	8.05%	8.34%
Foreign Currency	2.8%	3.30%	3.22%	3.33%
Total Scotiabank Perú	4.8%	4.89%	5.22%	5.53%
Total CrediScotia	23.7%	26.08%	24.06%	22.16%
Total	6.2%	6.74%	7.20%	7.47%
Net Yield⁽⁶⁾				
Scotiabank Perú				
Nuevos Soles	8.54%	7.25%	8.48%	8.76%
Foreign Currency	3.00%	3.37%	3.31%	3.43%
Total Scotiabank Perú	5.10%	5.09%	5.42%	5.74%
Total CrediScotia	26.16%	28.18%	25.65%	23.68%
Total	6.65%	7.01%	7.48%	7.76%

(1) For purposes of this table, CrediScotia's foreign currency balances have been included in the Nuevos Soles classification. The Scotia Perú Group estimates these foreign currency balances at CrediScotia represent less than approximately 5% of total balances for CrediScotia for each respective period.

(2) Gross yield is interest income for the last twelve months divided by average interest-earning assets.

(3) Net interest margin represents net interest income for the last twelve months divided by average interest-earning assets.

(4) Interest expenses ratio is cost on interest accrued for the last twelve months divided by average interest-bearing liabilities.

(5) Yield spread, on a nominal basis, represents the difference between gross yield on average interest-earning assets and average cost of interest-bearing liabilities.

(6) Net yield on interest-earning assets is the net interest-earnings for the last twelve months divided by the total interest-earning assets, with net interest earning equaling the difference between total interest earned for the last twelve months and total interest accrued for the last twelve months.

Interest-Earning Deposits With Other Banks

The following table sets forth the short-term funds deposited with other banks broken down by currency of Scotiabank Perú and CrediScotia on a combined basis as of December 31, 2009, 2010 and 2011 and as of September 30, 2012. Deposits held in countries other than Peru are denominated in several currencies; however, the substantial majority of such deposits are denominated in U.S. Dollars. These currencies were converted to U.S. Dollars using the applicable exchange rate published by the SBS as of the date of relevant balance.

	As of December 31,			As of
	2009	2010	2011	September 30,
	(S/. in thousands)			2012
Nuevo Sol-denominated:				
Central Bank	141,508	3,929,474	1,904,383	2,791,733
Commercial banks	18,979	21,110	25,543	10,144
Total Nuevo Sol-denominated	160,487	3,950,584	1,929,926	2,801,877
Foreign currency-denominated:				
Central Bank	2,664,576	3,058,236	3,952,180	3,290,380
Commercial banks	295,031	314,205	468,880	595,994
Total Foreign Currency-denominated	2,959,607	3,372,441	4,421,060	3,886,374
Total	3,120,094	7,323,025	6,350,986	6,688,251

Investment Portfolio

The following table sets forth trading and available for-sale investment securities of Scotiabank Perú and CrediScotia by type as of December 31, 2009, 2010 and 2011 and as of September 30, 2012.

	As of December 31,			As of
	2009	2010	2011	September 30,
	(S/. in thousands)			2012
Peruvian government bonds	687,482	912,536	920,884	268,278
Investment in Peruvian debt	—	—	—	—
Equity securities	11,552	9,085	12,884	8,902
Bonds	—	—	—	—
Peruvian Central Bank certificated notes	2,854,192	713,461	545,770	1,164,586
Foreign government bonds	—	—	—	—
Other investments	68,119	59,584	165,282	—
Total securities holdings	3,621,345	1,694,666	1,644,820	1,441,766

The monthly average nominal interest rate earned on Scotiabank Perú's Nuevo Sol-denominated portfolio was 4.71% in 2009, 5.29% in 2010, 8.85% in 2011 and 10.5% for the twelve-month period ended September 30, 2012. The monthly average nominal interest rate earned on Scotiabank Perú's foreign currency-denominated portfolio was 1.20% in 2009, 0.83% in 2010, 0.72% in 2011 and 0.33% for the twelve-month period ended September 30, 2012. The total monthly average nominal interest rate earned on Scotiabank Perú's and CrediScotia's portfolio was 3.47% in 2009, 4.47% in 2010, 6.71% in 2011 and 7.83% for the twelve-month period ended September 30, 2012.

The following table sets forth the maturities of Scotiabank Perú's and CrediScotia's investment securities by type as of September 30, 2012.

	Within 1 year	After 1 year but within 5 years	Maturing after 5 years but within 10 years	After 10 years	Total
	(S/. in thousands)				
Peruvian government bonds	55,831	—	115,956	96,491	268,278
Equity securities	—	—	—	8,902	8,902
Peruvian Central Bank certificate notes	1,164,586	—	—	—	1,164,586
Other investments	—	—	—	—	—
Total	1,220,417	—	115,956	105,393	1,441,766

Scotiabank Perú and CrediScotia determine that an available for-sale investment is impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires the management's judgment. In making this judgment, each of Scotiabank Perú and CrediScotia evaluate, among other factors, the normal volatility in the investment's price, evidence of deterioration in the financial health of the invested, industry and sector performance, changes in technology, and operational and financing cash flows. When a permanent impairment is present, the related unrealized loss is recognized in the consolidated income statement.

Loan Portfolio

Loans by Type of Loan

The following table sets forth Scotiabank Perú's and CrediScotia's loans by type of direct loan, as of December 31, 2009, 2010 and 2011 and as of September 30, 2012.

	As of December 31,			As of September 30,
	2009	2010	2011	2012
	<i>(S/. in thousands)</i>			
Loans.....	10,007,615	12,318,674	15,343,492	16,377,848
Leasing transactions	2,862,881	3,187,641	3,374,410	3,633,444
Credit cards	1,352,763	1,553,172	1,897,937	1,965,610
Discounted notes	318,230	375,853	416,710	374,746
Factoring	184,290	136,278	168,026	196,520
Advances and overdrafts	220,250	119,276	211,721	207,949
Refinances and restructured loans.....	357,341	302,291	271,557	228,308
Past due loans.....	405,956	328,691	390,924	473,980
Total gross loans:	15,709,326	18,321,876	22,074,777	23,458,405
Past due loans amounts.....	(405,956)	(328,691)	(390,924)	(473,980)
Total performing loans	15,303,370	17,993,185	21,683,853	22,984,425
Performing loans as a percentage of total gross loans	97.42%	98.21%	98.23%	97.98%

The classification of the loan portfolio as set forth in the table above is based upon the regulations of the SBS. These categories do not correspond to the classifications used in preparing the breakdown of the loan portfolio by business unit set forth under "Business." Pursuant to the guidelines of the SBS, loans are categorized as follows:

Loans and credit cards: Basic term loans documented by promissory notes and other extensions of credit, such as mortgage loans, credit cards and other consumer loans in various forms, including trade finance loans to importers and exporters on specialized terms adapted to the needs of the international trade transaction.

Leasing transactions: Involves the acquisition by Scotiabank Perú or CrediScotia of an asset and the leasing of that asset to a client thereof.

Discounted notes: Loans discounted at the outset (the client signs a promissory note or other evidence of indebtedness for the principal amount payable at a future date). Discounted loans also include discounting of drafts, where Scotiabank Perú or CrediScotia makes a loan supported by a draft signed by one party and discounted by another party, with recourse to both parties.

Factoring: Involves the sale of title of a company's accounts receivables to a bank or other financial institution. The receivables are sold without recourse, and the bank cannot collect from the seller in the event accounts prove uncollectible. Factoring involves the receipt of funds by the seller from the bank prior to the average maturity date, based upon the invoice amount of the receivable, less cash discounts, less an allowance for estimated claims and returns, among other items.

Advances and overdrafts: Extensions of credit to clients by way of an overdraft facility in the client's checking account. This category also includes secured short-term advances.

Refinanced and restructured loans: Includes loans with changes in their payment schedules due to payment difficulties. Under SBS regulations, refinanced loans consist of loans for which the debtor had experienced payment problems. Restructured loans are refinanced loans that are extended under the bankruptcy protection procedures for debtors of Law N° 27809, the *Ley General del Sistema Concursal*, as amended (the “Peruvian Corporate Restructuring Law”).

Past due loans: Includes overdue loans categorized according to SBS guidelines. This amount excludes amounts included in “Refinanced and restructured loans.”

Each of Scotiabank Perú and CrediScotia records a direct loan when a disbursement of funds is made to a client.

Loans by Economic Activity

The following table sets forth Scotiabank Perú’s and CrediScotia’s total loan portfolio composition, based upon the borrower’s principal economic activity as of December 31, 2009, 2010 and 2011 and as of September 30, 2012.

	As of December 31,						As of September 30,	
	2009		2010		2011		2012	
	Amount	% Total	Amount	% Total	Amount	% Total	Amount	% Total
Economic Activity	<i>(S/. in thousands, except percentages)</i>							
Mortgage and consumer loans	4,564,685	29%	5,304,905	29%	6,939,328	31%	7,779,237	33%
Trade	1,676,551	11%	2,191,813	12%	2,779,470	13%	2,965,326	13%
Manufacturing.....	2,142,277	14%	2,543,140	14%	2,742,342	12%	2,823,572	12%
Real estate business and lease service.....	758,791	4%	2,461,163	13%	1,886,416	9%	2,025,637	8%
Mining	819,031	5%	795,394	4%	997,006	5%	617,999	3%
Transportation and construction	896,864	6%	994,530	5%	1,236,017	5%	1,398,923	6%
Electricity, gas, and water	751,590	5%	724,983	4%	916,804	4%	896,988	4%
Financial intermediation.....	523,063	3%	599,113	3%	775,411	4%	713,301	3%
Education, services, and other	278,604	2%	391,672	2%	503,730	2%	496,568	2%
Fishing.....	244,716	2%	298,408	2%	420,839	2%	367,053	2%
Agriculture and livestock	193,402	1%	242,064	1%	368,882	2%	439,905	2%
Hotel and restaurants.....	115,426	1%	130,111	1%	238,505	1%	300,443	1%
Public administration and defense	22,114	—%	8,671	—%	7,678	—%	9,888	—%
Other.....	2,722,212	17%	1,635,909	10%	2,262,349	10%	2,623,565	11%
Total Gross Loans	15,709,326	100%	18,321,876	100%	22,074,777	100%	23,458,405	100%

Concentrations of Loan Portfolio and Lending Limits

Scotiabank Perú’s and CrediScotia’s loans and other contingent credits to the 20 customers (considered as economic groups) to which they collectively had the largest exposure as of September 30, 2012 were S/.4,440 million on that date on a combined basis. Total loans and other contingent credits outstanding and available to these customers ranged from S/.525 million to S/.108 million. Total loans and other contingent credits outstanding and available to Scotiabank Perú’s and CrediScotia’s 20 largest customers were classified in the following risk categories as of September 30, 2012: Standard 99%. See “—Classification of the Loan Portfolio.”

The Peruvian Banking Law imposes lending limits on loans made by each of Scotiabank Perú and CrediScotia to any single borrower. The lending limits of the Peruvian Banking Law depend on the nature of the borrower involved and the type of collateral received. The sum of loans to and deposits in either another Peruvian universal bank or Peruvian financial institution, plus any guarantees of third-party performance received by each of Scotiabank Perú and CrediScotia as lender, from such institution, may not exceed 30% of such lender’s regulatory capital on an unconsolidated basis, as defined by the SBS. The sum of loans to and deposits in non-Peruvian financial institutions, plus any guarantees of third-party performance received by each of Scotiabank Perú and CrediScotia as lender, from such institutions, are limited to either 5%, 10% or 30% of such lender’s regulatory capital on an unconsolidated basis, depending upon the governmental supervision to which the institution is subject and upon whether it is recognized by the Central Bank as an international bank of prime credit quality. The limits on lending to non-Peruvian financial institutions increase to 50% of such applicable lender’s regulatory capital on an unconsolidated basis if the amount by which such loans exceed the 5%, 10% or 30% limits is backed by certain letters of credit.

Loans to Peruvian non-residents or companies that are not financial institutions have a limit of 5% of each of Scotiabank Perú’s and CrediScotia’s regulatory capital on an unconsolidated basis; however, this limit increases to 10% if the additional 5% is guaranteed by a mortgage or with a pledge over certain publicly traded securities. The

limit rises to 30% if the additional amount is guaranteed by certain banks or by cash deposits in the applicable lender.

Lending on an unsecured basis to individuals or companies residing in Peru that are not financial institutions is limited to 10% of each of Scotiabank Perú's and CrediScotia's regulatory capital, on an unconsolidated basis. This limit rises to 15% if the additional 5% is guaranteed by a mortgage, pledge over certain securities and equipment or other collateral, and to 20% if the additional amount is either backed by certain debt instruments guaranteed by other local banks, or a foreign bank determined by the Central Bank of prime credit quality, or by other highly-liquid securities at market value. Finally, the single borrower lending limit for loans backed by a cash deposit at each of Scotiabank Perú or CrediScotia, as applicable, or by debt obligations of the Central Bank is 30% of each member of Scotiabank Perú's or CrediScotia's regulatory capital on an unconsolidated basis, as applicable.

With an unconsolidated regulatory capital (*Patrimonio Efectivo*) of S/.2,455.9 million as of December 31, 2011, Scotiabank Perú's legal lending limits vary from S/.245.6 million (10% of regulatory capital) to S/.736.8 million (30% of regulatory capital). As of September 30, 2012, Scotiabank Perú's unconsolidated regulatory capital was S/.3,050.5 million.

Legal limits related to regulatory capital, risk-weighted assets and contingent credits and regulatory capital ratios are also applicable to CrediScotia. As of December 31, 2011 and September 30, 2012, CrediScotia reported a regulatory capital ratio of 10.8% and 15.1%, respectively.

As of September 30, 2012, each of Scotiabank Perú and CrediScotia complied with the applicable legal lending limits in each of the jurisdictions where they operate (including the Peruvian Banking Law lending limits). Such limits are calculated quarterly based on each member of Scotiabank Perú's and CrediScotia's unconsolidated equity plus reserves for not specifically identified impaired loans at quarter end.

In the event that customers to which any of Scotiabank Perú and CrediScotia has significant credit exposure are not able to meet their obligations to such member of Scotiabank Perú or CrediScotia, as applicable, and any related collateral is not sufficient to cover such obligations, or if a reclassification of one or more of such loans or other contingent credits results in an increase in provisions for doubtful loans, there may be an adverse impact on the financial condition and results of operations of such member of Scotiabank Perú and/or CrediScotia, as applicable.

Loan Portfolio Denomination

The following table sets forth Scotiabank Perú's and CrediScotia's Nuevo Sol and foreign currency-denominated loan portfolio as of December 31, 2009, 2010 and 2011 and as of September 30, 2012.

	As of December 31,						As of September 30,	
	2009		2010		2011		2012	
Total loan portfolio:	(S/. in thousands, except percentages)							
Nuevo Sol-denominated.....	7,279,029	46%	8,638,346	47%	11,043,301	50%	11,814,896	50%
Foreign currency-denominated	8,430,297	54%	9,683,530	53%	11,031,476	50%	11,643,509	50%
Total gross loans	15,709,326	100%	18,321,876	100%	22,074,777	100%	23,458,405	100%

Maturity Composition of the Performing Loan Portfolio

The following table sets forth an analysis of Scotiabank Perú's and CrediScotia's performing loan portfolio, collectively as December 31, 2009, 2010 and 2011 and as of September 30, 2012, by type and by the time remaining to maturity. Loans are stated before deduction of the provisions for doubtful loans.

Maturity	As of December 31,			As of
	2009	2010	2011	September 30,
		<i>(S/. in thousands)</i>		2012
Up to 1 month	2,370,572	2,212,944	2,297,225	2,343,658
More than 1 to 3-months	2,663,500	3,464,565	3,660,599	3,589,835
More than 3 to 6 months.....	1,796,451	2,429,890	3,462,237	3,095,610
More than 6 to 12 months.....	2,131,043	2,547,658	3,278,409	3,672,789
Over 12 months	6,486,599	7,474,224	9,175,559	10,488,678
Overdue and lawsuit.....	405,956	328,691	390,924	473,980
Less accrued interest	(144,795)	(136,096)	(190,176)	(206,145)
Total gross loans	15,709,326	18,321,876	22,074,777	23,458,405

Classification of the Loan Portfolio

The target market of Scotiabank Perú is commercial and retail borrowers while CrediScotia focuses on retail borrowers such as emerging markets and micro-lending. This structure provides a service geared to the needs of each segment.

Each of Scotiabank Perú and CrediScotia classifies its loan portfolio in accordance with SBS regulations. All banks must classify their loan portfolio into one of eight types of credit; these categories are corporate, large and medium companies, small business, micro business, non-revolving consumer, revolving consumer and residential mortgage. Corporate loans category are made to companies that are required to have audited financial statements and sales over S/.200 million in the last two fiscal years. In addition, sovereign credits, Multilateral Development Banks (MDB), Government Entities, Intermediaries Counterparties, Financial System Companies, Trust Credit Insurance and Securities Funds are classified as Corporate loans. Large account loans are made to companies that are required to have financial statements, audited or unaudited, and sales between S/.20 million and S/.200 million in the last two fiscal years or have issued debt instruments. Medium account loans are made to companies that have an aggregate outstanding amount of over S/.300,000 in total loans received from the banking and financial sector in the last nine months. Small business loans are made to entities with an aggregate outstanding amount between S/.20,000 and S/.300,000 in total loans received from the banking and financial sector in the last nine months. Micro business loans are made to individuals or companies with a maximum aggregate outstanding amount S/.20,000 in total loans received from the banking and financial sector in the last nine months. Revolving and non-revolving consumer loans categories are generally loans granted to individuals, not including mortgages, with an aggregate outstanding amount of up to S/.300,000 in the last nine months, including credit card transactions, overdrafts on personal demand deposit accounts, financings and personal loans. Residential mortgage loans are loans to individuals for the purchase, construction, remodeling, subdivision or improvement of the individual's own home, in each case backed by a mortgage lien.

Regulations promulgated by the SBS also require Peruvian banks to classify all loans into one of five categories (Standard, Potential Problem, Substandard, Doubtful and Loss) depending upon the degree of risk of non-payment. Each of Scotiabank Perú and CrediScotia reviews its loan portfolio on a continuing basis, and the SBS reviews the portfolio as it deems necessary or prudent. In classifying its loans based upon risk of non-payment, each of Scotiabank Perú and CrediScotia, in compliance with SBS guidelines, assesses the following factors: the payment history of the particular loans; for the commercial portfolio, the history of Scotiabank Perú's dealings with the borrower, management, operating history, repayment capability and availability of funds of the borrower, status of any collateral or guarantee, the borrower's financial statements, general risk of the sector in which the borrower operates, the borrower's risk classification made by other financial institutions, and other relevant factors. For the retail portfolio, the days of delay determine how the loan is classified. The classification of the loan determines the amount of the required generic provision. The Peruvian Banking Law further requires banks to establish a generic provision of up to 1% of the bank's loan and credit portfolio classified as Standard.

Under current regulations, collateral is not subtracted from the amount of the loan or credit outstanding to determine the amount of the loan or credit to be reserved against. Instead, a lower loan provision is allowed to be made on the portion of the loan or credit that is secured. For the purpose of determining the amount of the required reserved, collateral is valued in accordance with SBS regulations, which require an appraisal of its expected market value. Only assets classified as (i) “preferred collateral” (*i.e.*, primary liens/pledges on financial instruments, securities and personal property, first agricultural and mining pledges, export credit insurance and certain other financial instruments and interests), (ii) “preferred easily realizable collateral” (*i.e.*, treasury bonds issued by the central government, bearer securities listed on the Lima Stock Exchange and certain others), or (iii) “preferred readily realizable collateral” (*i.e.*, cash deposits and rights in letters of credit) are acceptable as collateral. Such collateral must, according to SBS regulations, (1) be relatively liquid, (2) have legally documented ownership, (3) have no liens outstanding and (4) have constantly updated appraisals.

Loan Risk Categories

Standard (Class “A”). Borrowers of corporate, large business and medium company loans or credits that fall into this category have complied in a timely manner with their obligations and at the time of evaluation of the credit there is no reason to doubt that interest and principal on the loan will be paid in a timely fashion or that the status will change before the next evaluation. To place a loan or credit in Standard, a clear understanding of the use of proceeds and the origin of the cash flows to be used by the borrower to repay the loan or credit is required. Small business, micro business and revolving and non-revolving consumer loans warrant Standard classification if payments are current or up to 8 days past due. Residential mortgage loans warrant Standard classification if payments are current or up to 30 days past due. Loans or credits in this category require a reserve of up to 1% of the total of such loans or credits outstanding for risks of loss that have not been specifically identified.

Potential Problem (Class “B”). Corporate, large business and medium company loans or credits included in this category are those that at the time of evaluation demonstrate certain deficiencies that, if not corrected in a timely manner, imply risks with respect to the recovery of the loan. Certain common characteristics of loans or credits in this category include frequent delays in loan payments that are promptly cured, lack of information required to analyze the credit, outdated financial information, temporary economic or financial imbalances on the part of the debtor that could affect its ability to repay the loan, market conditions that could affect the economic sector in which the debtor operates, material overdue debts or pending judicial collection actions initiated by other financial institutions, noncompliance with originally contracted conditions, conflicts of interest within the debtor company, labor problems, unfavorable credit history, the borrower’s noncompliance with its internal policies, excessive reliance on one source of raw materials or one buyer of the debtor’s products, and low inventory turnover ratios or large inventories that are subject to competitive challenges or technological obsolescence. Small business, micro business and revolving and non-revolving consumer loans are categorized as Potential Problem if payments are between 9 and 30 days late. Residential Mortgage loans become Potential Problem when payments are between 31 and 90 days late. A 5% reserve on total loans outstanding in this category is required to cover risks of loss that have not been specifically identified. Except for consumer loans, when the loan, or a portion thereof, is secured with “preferred collateral,” the required reserve is 2.5%, and when secured with “preferred easily realizable collateral” collateral, the required reserve is 1.25%.

Substandard (Class “C”). Borrowers of corporate, large business and medium company loans or credits whose loans or credits are placed in this category demonstrate serious financial weakness, often with operating profits or available income insufficient to cover financial obligations on agreed upon terms, with no reasonable short-term prospects for a strengthening of the debtor’s financial capacity. Loans or credits demonstrating the same deficiencies that warrant classification as Potential Problem credits warrant classification as Substandard credits if those deficiencies are such that if they are not corrected in the near term, or if they could impede the recovery of principal and interest on the loan on the originally agreed terms. Additionally, corporate, large business and medium business loans are classified in this category when payments are between 60 and 120 days late. If payments on a small business, micro business or revolving or non-revolving consumer loan are between 31 and 60 days late, such loans are classified as Substandard. Residential mortgage loans are classified as Substandard when payments are between 91 and 120 days late. Corporate, large business, medium business, small business, micro business and residential mortgage loans or credits included in this class require a specific reserve of 25% of the outstanding amount (12.5% when secured with “preferred collateral” and 6.25% when secured with “preferred easily realizable collateral” collateral).

Doubtful (Class “D”). Borrowers of corporate, large account and medium business loans or credits included in this classification present characteristics of actual credit risk that make doubtful the recovery of the loan. Although the loan recovery is doubtful, if there is a reasonable possibility that in the near future the creditworthiness of the debtor might improve, a Doubtful categorization is appropriate. These credits are distinguished from Loss credits by the requirement that the debtor remain in operation, generate cash flow, and make payments on the loan, albeit at a rate less than that specified in its contractual obligations. Additionally, corporate, large account and medium business loans are classified in this category when payments are between 121 and 365 days late. Small business, micro business and revolving and non-revolving consumer loans are categorized as Doubtful if payments are between 61 and 120 days late. Residential mortgage loans are Doubtful when payments are between 121 and 365 days late. Loans or credits included in this class require a specific provision of 60% of the outstanding amount. Except for revolving and non-revolving consumer loans, to the extent that such loans are secured with “preferred collateral,” the required reserve is 30%, and to the extent that such loans are secured with “preferred easily realizable collateral,” the required reserve is 15%.

Loss (Class “E”). Corporate, large account and medium business loans or credits that are considered unrecoverable or that for any other reason should not appear on Scotiabank Perú’s or CrediScotia’s books as an asset based upon the originally contracted terms fall into this category. Additionally, corporate, large business and medium business loans are classified in this category when payments are more than 365 days late. Small business, micro business and revolving and non-revolving consumer loans are categorized as Loss if payments are more than 120 days late. Residential mortgage loans are moved into Loss when payments are more than 365 days late. Loans or credits included in this class require a specific reserve equal to 100% of the outstanding amount. Except for revolving and non-revolving consumer loans, to the extent that the loan is secured with “preferred collateral,” the required reserve is 60%, and when secured with “preferred easily realizable collateral,” the required reserve is 30%.

The following table sets forth Scotiabank Perú’s and CrediScotia’s loan portfolio risk classification as of December 31, 2009, 2010 and 2011 and as of September 30, 2012.

	As of December 31,			As of September 30,
	2009	2010	2011	2012
	(S/. in thousands)			
Level of Risk Classification				
A: Standard	16,729,440	20,533,691	24,642,943	26,163,612
B: Potential Problems.....	474,760	454,657	528,083	698,965
C: Substandard	228,077	163,757	202,753	241,025
D: Doubtful.....	374,160	273,661	282,937	299,871
E: Loss	368,263	354,326	390,108	423,846
Total gross loans	18,174,700	21,780,092	26,046,824	27,827,319
C+D+E	970,500	791,744	875,798	964,742

All of the Loss loans and substantially all of the Doubtful loans are past due. Substandard loans, although generally not past due, have demonstrated credit deterioration such that management has serious doubts as to the ability of the borrower to comply with the present loan repayment terms. The majority of these Substandard loans are to companies in the Peruvian construction and manufacturing sectors and, to a lesser extent, the agricultural sector. The construction sector loans are primarily secured by mortgages, whereas the manufacturing credits tend to be secured by liens or lease transactions. Each of Scotiabank Perú and CrediScotia considers the collateral securing these loans only for purposes of establishing loan loss reserves and not for purposes of classification.

Classification of the Loan Portfolio Based upon the Borrower’s Payment Performance

Each of Scotiabank Perú and CrediScotia classifies loans as past due at various times, depending on their type. Each of Scotiabank Perú and CrediScotia considers loans past due after no more than 15 days, except for consumer mortgage and leasing loans, and loans to micro businesses, which are considered past due after 30 days. Beginning January 1, 2001, the SBS issued accounting rules requiring Peruvian banks to consider overdrafts past due after 30 days. Accrued interest on past due loans is recognized only when and to the extent received. With the exception of discounted notes and overdrafts, the recognition of accrued but unpaid interest on a loan is reversed when it becomes past due.

The following table sets forth the repayment status of Scotiabank Perú's and CrediScotia's loan portfolio as of December 31, 2009, 2010 and 2011 and as of September 30, 2012.

	As of December 31,			As of
	2009	2010	2011	September 30,
				2012
		(S/. in thousands)		
Current	14,573,710	17,383,815	20,900,085	22,090,712
Past due:				
Overdue 1-15 days	476,822	438,722	568,997	638,061
Overdue 16-119 days	391,302	294,241	346,714	433,033
Overdue 120 days or more	267,492	205,098	258,981	296,599
Total past due loans	1,135,616	938,061	1,174,692	1,367,693
Total gross loans	15,709,326	18,321,876	22,074,777	23,458,405
Past due loan amounts as a percentage of total gross loans	7.23%	5.12%	5.32%	5.83%

In accordance with SBS regulations, each of Scotiabank Perú and CrediScotia classifies as past due only the amount of the past due installments on any consumer, mortgage and leasing credit, provided that no amount of such credit is past due for over 90 days. The entire amount of these loans will be considered past due if any amount is past due more than 90 days.

Past Due Loan Portfolio

The following table sets forth Scotiabank Perú's and CrediScotia's past due loan portfolio by type of loan as of December 31, 2009, 2010 and 2011 and as of September 30, 2012.

	As of December 31,			As of
	2009	2010	2011	September 30,
				0,
				2012
		(S/. in thousands)		
Past due loan amounts:				
Loans.....	336,087	267,595	328,242	415,340
Discounted notes	16,356	11,581	9,101	7,377
Advances and overdrafts in demand deposits	6,005	3,466	4,254	3,372
Refinanced loans	47,508	46,049	49,327	47,891
Total past due portfolio	405,956	328,691	390,924	473,980
Specific provisions	580,396	448,327	507,256	572,414
Generic provisions.....	289,810	325,174	398,423	422,908
Total provisions for loan losses	870,206	773,501	905,679	995,322
Total past due portfolio net of total reserves	(464,250)	(444,810)	(514,755)	(521,342)

Provision for Impairment Losses

The following table sets forth the changes in Scotiabank Perú's and CrediScotia's provisions for loans and movements for the years ended December 31, 2009, 2010 and 2011 and for the nine-month periods ended September 30, 2011 and 2012.

	Year ended December 31,			Nine-month period ended September 30,	
	2009	2010	2011	2011	2012
			(S/. in thousands)		
Provisions for loans at the beginning of the year	735,090	870,206	773,501	773,501	905,679
Provisions for loans, net of recovery	561,760	429,828	558,095	397,749	523,242
Transfers and other.....	167,206	(47,190)	1,843	(8,244)	11,082
Write-offs and forgiveness	(564,766)	(469,559)	(414,088)	(294,648)	(431,514)
Foreign exchange difference	(29,084)	(9,784)	(13,672)	(4,344)	(13,167)
Provisions for loans at the end of the year/period	870,206	773,501	905,679	864,014	995,322

For a discussion of the risk elements in the loan portfolio and the factors considered in determining the amount of specific reserves, see “—Classification of the Loan Portfolio.”

The provision for indirect credit losses are included in the other liabilities caption of Scotiabank Perú's and CrediScotia's consolidated balance sheet.

Allocation of Provision for Impairment Losses

The following table sets forth the amounts of Scotiabank Perú's and CrediScotia's provisions for doubtful loans attributable to Wholesale Banking and Retail Banking as of December 31, 2009, 2010 and 2011 and as of September 30, 2012.

	As of December 31,			As of September 30,
	2009	2010	2011	2012
			(S/. in thousands)	
Commercial loans.....	462,179	—	—	—
Consumer loans.....	290,292	262,762	321,865	370,090
Mortgage loans.....	35,956	45,168	59,595	69,212
Micro business loans.....	81,779	57,967	59,636	63,747
Government loans	—	—	—	—
Brokerage company loans	—	218	2	1
Banking company loans	—	3,800	12,464	11,799
Corporate loans	—	110,105	54,467	43,670
Large company loans	—	45,147	30,150	38,820
Medium company loans	—	144,230	215,176	204,053
Small business loans.....	—	104,103	152,323	193,930
Total reserves⁽¹⁾	870,206	773,501	905,679	995,322

- (1) As of December 31, 2009, the SBS required the allocation of provisions for four types of credit: commercial loans, consumer, mortgage and small business. Beginning as of July 31, 2010, the SBS required the allocation of provisions for ten types of credit: consumer loans, mortgage loans, micro business loans, government loans, brokerage company loans, banking company loans, corporate loans, large company loans, medium company loans and small business loans.

Deposits

The following table sets forth the components of Scotiabank Perú's and CrediScotia's deposit base as of December 31, 2009, 2010 and 2011 and as of September 30, 2012.

	As of December 31,			As of
	2009	2010	2011	September 30,
				2012
	<i>(S/. in thousands)</i>			
Demand deposits				
Nuevo Sol-denominated.....	2,458,529	2,955,848	3,653,736	3,846,630
Foreign currency-denominated	2,560,571	2,787,864	3,206,374	3,359,658
Total	5,019,100	5,743,712	6,860,110	7,206,288
Saving deposits				
Nuevo Sol-denominated.....	1,505,744	1,902,939	2,183,640	2,297,779
Foreign currency-denominated	1,886,272	2,044,868	2,277,946	1,967,909
Total	3,392,016	3,947,807	4,461,586	4,265,688
Time deposits				
Severance Indemnity Deposits (CTS)				
Nuevo Sol-denominated.....	3,258,466	4,163,116	4,283,954	4,820,685
Foreign currency-denominated	5,165,806	4,328,152	4,409,697	3,610,040
Total	8,424,272	8,491,268	8,693,651	8,430,725
Term Deposits				
Nuevo Sol-denominated.....	163,644	209,961	295,855	326,217
Foreign currency-denominated	421,423	417,933	438,211	420,902
Total	585,067	627,894	734,066	747,119
Bank Certificates				
Nuevo Sol-denominated.....	-	-	-	-
Foreign currency-denominated	20,230	14,357	13,083	12,239
Total	20,230	14,357	13,083	12,239
Other deposits				
Nuevo Sol-denominated.....	284,325	339,815	350,377	345,025
Foreign currency-denominated	453,349	446,527	436,698	378,844
Total	737,674	786,342	787,075	723,869
Total time deposits	9,767,243	9,919,861	10,227,875	9,135,141
Total deposits:				
Nuevo Sol-denominated.....	7,670,708	9,571,679	10,767,562	11,636,336
Foreign currency-denominated	10,507,651	10,039,701	10,782,009	9,749,592
Total	18,178,359	19,611,380	21,549,571	21,385,928

Return on Equity and Assets

The following table sets forth the components for the Scotia Perú Group's return on equity and assets for the years ended December 31, 2009, 2010 and 2011 and for the twelve-month period ended September 30, 2012.

	As of December 31,			As of
	2009	2010	2011	September 30,
				2012
			(in %)	
Return on average total assets ⁽¹⁾	2.55%	2.59%	2.58%	2.55%
Return on average shareholders' equity ⁽²⁾	23.42%	21.46%	21.03%	20.20%
Dividend payout ratio ⁽³⁾	30.00%	30.00%	30.00%	—
Equity to assets ratio ⁽⁴⁾	10.89%	12.05%	12.26%	12.63%

- (1) Net profit for the last twelve months as a percentage of average total assets, computed as the average of the beginning and end of period balances.
- (2) Net profit for the last twelve months as a percentage of average shareholders' equity, computed as the average of the beginning and end of period balances.
- (3) Dividends declared per share divided by net profit per share.
- (4) Equity divided by average total assets, both ending balances (spots).

Short-Term Borrowings

Scotiabank Perú and CrediScotia's collective short-term borrowings, other than deposits, amounted to S/.173 million as of December 31, 2009, S/.1,731 million as of December 31, 2010, S/.905 million as of December 31, 2011 and S/.1,287 million as of September 30, 2012.

BUSINESS

Overview

Scotiabank Perú is a full service Peruvian bank providing a wide range of financial services and products tailored to the specific needs of its customers. Scotiabank Perú's operations can be broadly divided into two main business segments: (1) Retail Banking, which includes Preferred Banking, Personal and Standard Banking and Small Business Banking, and (2) Wholesale Banking, which includes Corporate Banking, Commercial Banking, Institutional Banking, Corporate Finance, Credit Solutions, Global Transaction Banking and Market & Economic Studies. In addition, the Scotia Perú Group provides additional specialized services, including Treasury & Global Markets, Consumer Finance and Micro Business Banking, credit and debit card services, special credit banking services, mutual fund management services, stock brokerage services, restructuring services and collection services on an integrated basis through Scotiabank Perú and its Subsidiaries. Scotiabank Perú's wholly owned consolidated operating subsidiaries are CrediScotia, Scotia Fondos, Scotia Bolsa, Scotia Titulizadora, SCI and DEPSA. Each of Scotiabank Perú's main business segments and its significant operations is detailed below.

As of September 30, 2012, Scotiabank Perú was the second largest bank in Peru in terms of shareholders' equity and the third largest bank in Peru in terms of each of loans and deposits, according to information published by the SBS. For the nine-month period ended September 30, 2012, the Scotia Perú Group's net profit was S/.602.4 million and as of September 30, 2012 its total assets were S/.33,781.3 million. As of September 30, 2012, the Scotia Perú Group's direct net loan portfolio (*i.e.*, net of provisions, deferred income and accrued interest) and total deposits were S/.22,227.2 million and S/.21,283.3 million, respectively. In addition, as of September 30, 2012, the Scotia Perú Group's shareholders' equity was S/.4,400.0 million.

For the year ended December 31, 2011, the Scotia Perú Group's net profit was S/.788.5 million, an increase of 14.5%, or S/.100.1 million, as compared to a net profit of S/.688.4 million in 2010, which in turn represented a 8.1%, or S/.51.3 million, increase as compared to a net profit of S/.637.1 million in 2009. In addition, as of December 31, 2011, 2010, and 2009 the Scotia Perú Group's total assets were S/.32,131.2 million, S/.29,042.2 million and S/.24,188.4 million, respectively, and its annual return on total assets for such years was 2.5%, 2.4% and 2.6%, respectively.

As of December 31, 2011, 2010 and 2009, the Scotia Perú Group's direct net loan portfolio (*i.e.*, net of provisions, deferred income and accrued interest) was approximately S/.20,869.5 million, S/.17,148.2 million and S/.14,573.2 million, respectively. A substantial portion of the Scotia Perú Group's direct net loan portfolio as of each of September 30, 2012, December 31, 2011, 2010 and 2009 is attributable to Scotiabank Perú. Scotiabank Perú's non-performing loan ratio, which is past due loans and lawsuit loans as a percentage of total gross loans, was 1.63%, 1.48%, 1.51% and 2.21% as of September 30, 2012, December 31, 2011, 2010 and 2009, respectively.

Based on information published by the SBS, Scotiabank Perú Group's management estimates that, as of September 30, 2012, Scotiabank Perú served approximately 6.8% of all borrowers in the Peruvian banking and financial sector. In addition, based on information published by the SBS, Scotiabank Perú's management estimates that, as of September 30, 2012, Scotiabank Perú achieved a market share of 13.8% in terms of assets, 13.9% in terms of loans and 12.9% in terms of deposits of the total Peruvian banking and financial sector.

The Scotia Perú Group delivers its banking products through specialized distribution channels within each major business segment, each of which is targeted at different types of customers. In addition, the Scotia Perú Group has an extensive distribution network of over 281 branches, which includes over 92 CrediScotia branches and one branch in Panama, over 1,811 correspondent tellers, which are mini-branches on the premises of retailers where customers can make a wide range of banking transactions and obtain loans, over 577 ATMs, and over 1,192 point-of-sale terminals in various commercial establishments located throughout Peru, which support the delivery of the Scotia Perú Group's products and services. In addition, the Scotia Perú Group maintains a set of commercial resources and channels that provide customized services and complement the Scotia Perú Group's specialized distribution network. Such commercial resources and channels include branches, specialized external sales forces, contact centers with inbound and outbound capabilities, alliances with retail companies for the provision of specialized loans and credit cards, promotional activities partners and business centers.

Competitive Strengths

The Scotia Perú Group's main competitive strengths include the following:

Ability to Benefit from Relationship with BNS

The Scotia Perú Group benefits from its relationship with BNS, which is an international banking group based in Toronto, Canada. The relationship of the Scotia Perú Group with BNS is manifested through the integration of the Scotia Perú Group's and BNS's internal control procedures and best practices methodologies, which provides the Scotia Perú Group with internal control procedures that it believes are fully adequate. BNS also reviews and approves the Scotia Perú Group's annual strategic plan. In addition, certain of the Scotia Perú Group's key officers and managers undergo training programs within BNS, allowing the Scotia Perú Group to benefit from the experience and established success of BNS. Its relationship with BNS allows the Scotia Perú Group to continue to grow, develop its risk management and other policies, strengthen its management team and structures, maintain a strong capital structure and diversify its operations. The Notes are not in any manner obligations of, or guaranteed by, BNS and/or any of its affiliates.

Strong Presence in the Peruvian Banking Industry

As of September 30, 2012, Scotiabank Perú was the second largest bank in Peru in terms of shareholders' equity and the third largest bank in Peru in terms of each of loans and deposits, each according to information published by the SBS. The Scotia Perú Group's strong presence in the Peruvian banking industry allows it to reach a wide spectrum of clients, maximize revenue and gain market share. In particular, during 2011 and the nine-month period ended September 30, 2012, the Scotia Perú Group has continued to grow and consolidate its position in the Peruvian banking industry. Based on information published by the SBS, Scotiabank Perú's management estimates that, as of September 30, 2012, Scotiabank Perú achieved a market share of 13.8% in terms of assets, 13.9% in terms of loans and 12.9% in terms of deposits of the total Peruvian banking and financial sector.

Diversified Product Portfolio that Responds to Market Conditions

The Scotia Perú Group provides its customers with a broad portfolio of products and services at competitive prices, and seeks to create strong relationships with its clients as a strategic partner in their businesses. The Scotia Perú Group continuously evaluates the economic environment and market conditions in order to identify new opportunities, generate innovative products and services that respond to changing economic conditions and address the needs of its clients. For example, in 2008 after identifying an opportunity in the market and in response to the increasing demand for automobile financing in Peru, the Scotia Perú Group established new programs and products specifically tailored to meet the needs of clients seeking automobile financing, such as the establishment of its automobile credit centers, the integration of its financing approval process and the creation of certain strategic alliances with automobile retailers. Such programs and actions have resulted in an increase in Scotiabank Perú's market share of the automobile financing market from less than 2.0% of automobile loans originated in 2007 to 11.3% of automobile loans originated for the nine-month period ended September 30, 2012, in terms of performing loans, according to information published by the SBS. Through its focus on the changing needs of its clients, the Scotia Perú Group seeks to capitalize on new opportunities, maximize the loyalty and confidence of its client base and strengthen its market position.

Strong Presence in Consumer Finance and Micro Business Banking

The Scotia Perú Group serves the consumer finance and micro-finance markets in Peru primarily through its specialized financial institution, CrediScotia, with 92 branches and 1,192 points-of-sale at retail stores as of September 30, 2012. This specialized financial institution is in charge of servicing medium- to low-income individuals and micro businesses with a wide range of products and services including the Única credit card, consumer finance loans and micro-finance working capital loans). CrediScotia estimates that the client base of its Consumer Finance and Micro Business Banking divisions consists of more than 1.3 million customers.

CrediScotia offers standard service platforms, including bank tellers, ATMs, correspondent tellers and other services, which fit the preferences and financial habits of this client base. As of September 30, 2012, Scotiabank Perú is the third largest bank in Peru in consumer finance (16.6% of market share) and micro-finance (17.8% of market share), and the second largest bank in Peru in small business (23.4% of market share).

Strong Branch, ATM and Correspondent Teller Network

The Scotia Perú Group has an extensive distribution network of over 281 branches, which includes over 92 CrediScotia branches, over 1,811 correspondent tellers, over 577 ATMs, and over 1,192 point-of-sale terminals in various commercial establishments located throughout Peru, such as drugstores and local businesses. Furthermore, as part of its Retail Banking segment, Scotiabank Perú maintains two Wealth Centers, which are specifically tailored to meet the needs of and provide customized services to Scotiabank Perú's Preferred Banking clients. Scotiabank Perú also maintains an off-shore branch in Panama, through which Scotiabank Perú provides specialized products and services, such as financing, investment services and foreign trade services. The Scotia Perú Group complements this extensive distribution network with additional electronic channels: Home Banking, Telebanking, Mobile Banking, TV Banking and Mobile Payments. This extensive distribution network provides the Scotia Perú Group greater contact with its customers and, in turn, provides the Scotia Perú Group's customers with increased banking flexibility and accessibility.

Expertise in Large-Scale Use of External Sales Forces

Scotia Perú Group has developed an external sales force that has allowed growth in various business segments and service areas, such as Retail Banking, without significantly increasing the Scotia Perú Group's payroll expenses. This specialized and multi-segment sales force is primarily responsible for the acquisition of new customers and cross-sales with such new clients. The compensation of the external sales force is tied to sales, which contributes to the variability of expenses and is one of the pillars of the Scotia Perú Group's successful business model. As of September 30, 2012, the external sales force generated approximately 50% of the Retail Banking sales, including small business, mortgage and personal loans and credit cards.

Ability to Deliver High Profitability, while Maintaining Asset Quality

The Scotia Perú Group believes that its strong deposit base and diversified loan portfolio, which includes a balanced mix of corporate and personal credit, have allowed it to achieve strong revenue growth and low default rates without depending on a single client or economic segment. The Scotia Perú Group's growth has been accompanied by high levels of profitability. In 2011, the Scotia Perú Group's net profit grew by 14.5% and its operating margin increased by 23.4%. The Scotia Perú Group's annual return on average shareholders' equity for 2011 was 21.0%, compared to 21.5% for 2010. The Scotia Perú Group's return on average shareholders' equity as of September 30, 2012 was 20.2%, based on net profit during the twelve-month period ended September 30, 2012.

Ability to Identify Successful Strategic Opportunities and to Capitalize on Synergies

The Scotia Perú Group has grown partially through the successful completion of mergers and acquisitions. These transactions have allowed the Scotia Perú Group to develop the expertise and ability to identify successful strategic opportunities and to capitalize on synergies obtained from such strategic business combinations. In addition, the Scotia Perú Group has a proven track record of successfully integrating different corporate cultures while maintaining and promoting its own corporate values and brand.

Experienced Management Team

The Scotia Perú Group seeks to attract professionals to its senior management who are highly competent and experienced, as well as committed to the Scotia Perú Group's interests and objectives. The Scotia Perú Group's current senior officers have extensive experience in the financial markets and the Peruvian banking and financial sector. During the last five years Scotiabank Perú has been recognized by *Global Finance Magazine* as the "Best Foreign Exchange Bank" in Peru. Since 2009, Scotiabank Perú has been recognized as one of the 30 best workplaces in Peru by *The Great Place to Work Institute* which also recognized Scotiabank Perú as one of the 30

best workplaces in Latin America in 2011. Since 2010, Scotiabank Perú has been named Best International Trade Bank in Peru by *Trade Finance Magazine*. In 2009 and 2010, Scotiabank Perú received a *Premio Creatividad Empresarial* (Entrepreneur Creativity Award) from the *Universidad Peruana de Ciencias Aplicadas* for its participation in Peru's image campaign "Peru Now" and its virtual version "Peru Now" in the World Expo Shanghai 2010. In 2011, Scotiabank Perú was ranked 13th among the 250 largest Latin American Banks by *AméricaEconomía* and CrediScotia was ranked 10th among the Best Latin American & Caribbean Microfinance Institutions by Microfinance Information Exchange, Inc.

Effective Tools and CRM Platforms

The Scotia Perú Group benefits from the use of effective CRM platforms and other tools that provide the Scotia Perú Group with extensive information about its customers and help manage risks. Business Intelligence, a leading provider of information to the Scotia Perú Group, focuses on identifying and developing strategies to help the Scotia Perú Group attract new customers, maintain existing customers, identify and develop ways in which information can be analyzed and exploited for both reactive analysis and proactive analysis, as well as identify and develop marketing campaigns that ensure an efficient process of customer acquisition, upselling and cross-selling.

Business Strategy

The main components of the Scotia Perú Group's strategy include the following:

Expand the Scotia Perú Group's Retail Banking Activities and Customer Base

The Scotia Perú Group believes that there continues to be significant opportunities for growth in the Peruvian retail banking segment. The banking industry in Peru has significant growth potential because a relatively small portion of the Peruvian population currently has access to banking services. The Scotia Perú Group intends to continue to capitalize on the potential growth provided by this underpenetrated segment of the population, which is comprised mostly of lower-income individuals, by providing new and affordable banking services, as well as by strengthening its advisory services. In addition, the Scotia Perú Group intends to continue to expand its branch network. The Scotia Perú Group also intends to expand and strengthen its relationships with existing middle-market customers who currently utilize only a limited portion of its banking services. In particular, Scotiabank Perú intends to enhance its focus on its *Plan Abono* service, which is aimed at public employees and private sector employees whose salaries are deposited with Scotiabank Perú, by cross-selling new products and services to such customers and offering benefit packages.

Disciplined Loan Portfolio Growth

The Scotia Perú Group intends to continue to grow in a sustainable and disciplined manner, with a strong capital base and a diverse range of deposits. The Scotia Perú Group intends to attract new clients and maintain existing clients by providing customized products and solutions in a prudent and profitable way, rapidly and with creativity and transparency. The Scotia Perú Group intends to increase the size of its loan portfolio by generating and retaining the business of corporate clients and individuals. In addition, by extending and diversifying its client base, the Scotia Perú Group intends to diversify its funding sources.

Continue to Improve Operating Efficiencies

The Scotia Perú Group maintains a disciplined approach to reducing costs and generating efficiencies. The Scotia Perú Group intends to continue to improve its operational efficiency through the development of new business plans, increased employee training, streamlining the organizational structure of certain segments and divisions and increasing sales monitoring and responses. In particular, the Scotia Perú Group plans to continue to invest in technology in order to enhance the application, documentation and monitoring of its lending operations, automate certain of its key operations, strengthen its distribution network and achieve greater efficiencies in all of its processes.

Continue to Improve Risk Management and Internal Controls

The Scotia Perú Group believes that its risk management and internal control procedures are fully adequate. In order to ensure that it maintains best practices, responsibility for these policies and controls is undertaken based on determinations of the Scotia Perú Group's internal committees, such as the ALCO or the Risk Control Committee, which have well-defined roles and responsibilities. The structure of the Scotia Perú Group's internal committees, each of which is supervised by its board of directors, allows for the exchange of know-how and expertise between the different parties with responsibility for risk management and internal controls. This enhances the speed and efficiency of the Scotia Perú Group's internal processes to generate, process and grant credit. Additionally, it also improves the process that monitors credit, market, operational and business risks. In addition, the Scotia Perú Group benefits significantly from its relationship with BNS in terms of maintaining best practices in relation to risk management. The Scotia Perú Group will continue to share knowledge with BNS as to internal control policies, management tools, analytics and procedures, and plans to continue to improve its risk management policies and internal controls.

Analyze Acquisition Opportunities

The Scotia Perú Group has grown largely through the successful completion of mergers and acquisitions. These transactions have allowed the Scotia Perú Group to develop the expertise and ability to identify successful strategic opportunities and to capitalize on synergies obtained from such strategic business combinations. The Scotia Perú Group will continue to analyze acquisition opportunities in its target market, helping it to expand into activities that complement its current business, produce synergies and increase profitability.

Continue to be an Innovator in the Market

The Scotia Perú Group intends to continue to be an innovator in the Peruvian banking industry by offering new products and services that distinguish it from its main competitors. For example, Scotiabank Perú was a pioneer in implementing correspondent tellers, which has greatly enhanced the ability of retail customers to access the Scotia Perú Group's products and services. The Scotia Perú Group will continue to seek innovative products and services that are tailored to the specific needs of its target customers and that reflect developments in the Peruvian economy.

Continue to Grow Wholesale Banking Activities

Scotiabank Perú intends to selectively grow Wholesale Banking, which includes Corporate Banking, Commercial Banking, Institutional Banking, Corporate Finance, Credit Solutions, Global Transaction Banking and Market & Economic Studies, by strengthening its position as a market leader in the Peruvian wholesale banking market, maintaining its leadership in the foreign exchange market and expanding its position in the market for derivative products.

Scotiabank Perú intends to continue to strengthen its relationship with its Wholesale Banking clients while increasing its presence in the business sector with more sophisticated products, strengthened medium-term lending operations, structured loans and derivatives, and in the capital markets by growing its project finance division and its arranger and brokerage services in connection with debt instruments. In addition, Scotiabank Perú intends to focus on increasing fee-based revenues from certain value-added services and products that are complementary to its lending activities, including capital markets services, FX services, derivatives services and transactional advisory services, such as cash management, trade finance and global custody services.

History and Developments

Scotiabank Perú began its operations on May 13, 2006, as a result of the acquisition and integration by BNS of Banco Sudamericano and a majority interest in Banco Wiese Sudameris. In the fourth quarter of 2005, BNS, already a significant shareholder of Banco Sudamericano, increased its interest in Banco Sudamericano to 100% and announced that it was acquiring 78% of Banco Wiese Sudameris through a merger of Banco Sudamericano into Banco Wiese Sudameris. The Intesa Group would hold the remaining 22% of Banco Wiese Sudameris. At the time of their respective acquisitions, Banco Sudamericano and Banco Wiese Sudameris were established players in the

Peruvian banking and financial sector. At the time of the acquisition, Banco Sudamericano, which began its operations in 1992 and prior to such date operated for an additional 11 years as Financiera Sudamericana. Banco Sudamericano's operations were focused primarily on corporate banking, commercial banking, and small business financing. The transactions were approved by the SBS and closed in 2006. Upon the completion of these acquisitions, BNS merged Banco Sudamericano into Banco Wiese Sudameris, under the name "Scotiabank Perú" and held a 77.7% interest in Scotiabank Perú. In 2008, BNS acquired the Intesa Group's remaining shares in Scotiabank Perú, increasing BNS's ownership of Scotiabank Perú to approximately 97.6%.

In July 2008, Scotiabank Perú acquired 100% of the shares of Bantra, the Peruvian commercial banking division of Grupo Altas Cumbres. At the time of this acquisition, Bantra was the ninth largest commercial bank in Peru with a 3.3% market share of the consumer credit market and 13.2% market share of all small and middle-market business loans in Peru, according to information published by the SBS. This acquisition included assets of Bantra with a carrying amount as of June 30, 2008, of approximately S/1,330 million according to financial information published by the SBS. In September 2008, Scotiabank Perú changed the name of Bantra to "CrediScotia Financiera S.A." This transaction provided the Scotia Perú Group with a significant presence in the consumer finance and micro-finance markets in Peru.

In connection with Scotiabank Perú's acquisition of Bantra, in July 2008, Scotiabank Perú also acquired 100% of the shares of RECSA, a subsidiary of Grupo Altas Cumbres. At the time of this acquisition, RECSA provided collection and marketing services, similar to the services provided by SCI, an existing subsidiary of Scotiabank Perú. In January 2009, Scotiabank Perú merged RECSA into SCI in order to consolidate their similar operations and strengthen their business.

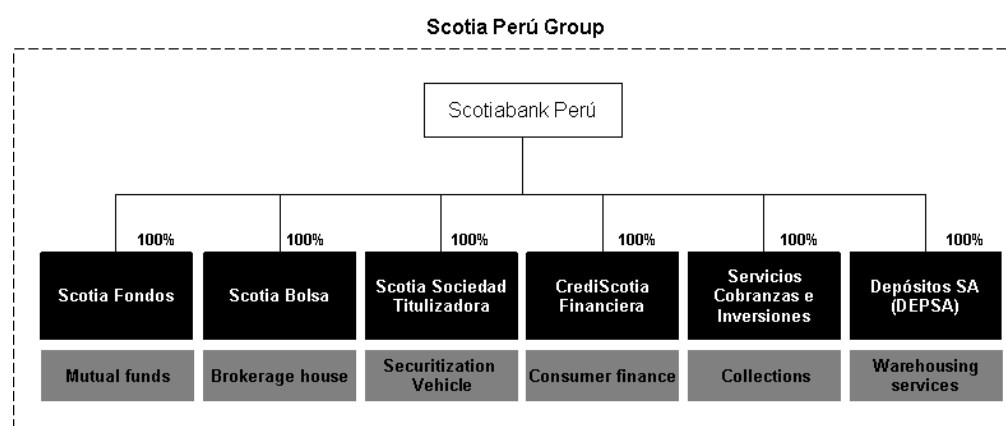
Corporate Information

Scotiabank Perú is a *sociedad anónima abierta* (open stock corporation) incorporated on February 2, 1943, organized under the laws of the Republic of Peru and conducts its financial operations in accordance with the Peruvian Banking Law. The operations of Scotiabank Perú are supervised by the SBS and the Central Bank. Scotiabank Perú is registered under No.11008578 at the Registry of Corporations at the Superintendence of Public Registries of Peru. The legal name of Scotiabank Perú is Scotiabank Perú S.A.A., Scotiabank Perú's principal executive offices are located at Avenida Dionisio Derteano 102, Lima 27, Peru, and the telephone number is +(511) 211-6000.

Scotiabank Perú's Subsidiaries

Scotiabank Perú currently has six wholly owned consolidated operating subsidiaries, which are CrediScotia, Scotia Fondos, Scotia Bolsa, Scotia Titulizadora, SCI and DEPSA.

The following chart sets forth the basic corporate organization of Scotiabank Perú and its wholly owned consolidated operating subsidiaries as of September 30, 2012:



Distribution Network

The Scotia Perú Group has an extensive retail distribution network that extends throughout Peru. The Scotia Perú Group's distribution channels include: an extensive network of over 282 branches, which includes over 92 CrediScotia branches, over 1,611 correspondent tellers, numerous alliances with retailers that provide the Scotia Perú Group with a valuable and convenient presence at such locations and over 577 ATMs throughout Peru, which is one of the largest ATM networks in the country. In addition, the Scotia Perú Group has over 1,192 point-of-sale terminals in various commercial establishments, such as drugstores and local businesses, and alternate electronic banking channels, such as Home Banking, Telebanking, Mobile Banking, TV Banking and Mobile Payments, which provide the Scotia Perú Group's customers with convenient and alternate banking channels. The Scotia Perú Group continuously evaluates its distribution network, monitoring profitability in order to improve operating efficiency and provide higher levels of customer satisfaction. The Scotia Perú Group maintains a set of commercial channels which includes branches, specialized external sales forces, contact centers with inbound and outbound responsibilities, retail company alliances used as loan and credit card issuers and promotional activities partners and business centers, such as the Vehicle Financing Center and the Mortgage Center.

Branches and Correspondent Tellers

As of September 30, 2012, the Scotia Perú Group had over 281 branches, which includes over 92 CrediScotia branches, 2 Wealth Centers that are specifically tailored to meet the needs of Scotiabank Perú's Preferred Banking retail clients, a Scotiabank Perú off-shore branch in Panama and over 1,811 correspondent tellers in various shops and other convenient locations throughout Peru, providing more flexibility and accessibility to the Scotia Perú Group's services.

As part of the expansion policy for this network, the Scotia Perú Group has opened 14 new branches since January 2012, and is planning further expansion in 2012 and 2013, primarily in the provinces.

ATMs, Points-of-Sale and Electronic Channels

As of September 30, 2012, the Scotia Perú Group had a network of over 577 ATMs distributed all over the country. In 2012, the Scotia Perú Group intends to expand into more than 50 neutral points, which are ATMs located in a different location than a branch, a strategy designed to maintain growth and better reach customers. As of the date of this Offering Memorandum, the Scotia Perú Group is on track to complete this expansion by the end of 2012.

In addition, the Scotia Perú Group has over 1,192 point-of-sale terminals in various commercial establishments, such as drugstores and local businesses, providing its customers with convenient and alternate banking channels. Moreover, the Scotia Perú Group has continued to build its strong presence in the field, opening almost 600 new point-of-sale terminals in 2012.

Scotiabank Perú offers electronic channels that are growing in service and popularity: Home Banking and Telebanking. The Home Banking channel is focused on individuals and offers several services to customers, such as online transfers to other banks in the Peruvian banking and financial sector and online financial statements, among others. The Telebanking channel services businesses, offering online services such as payroll and supplier electronic payments. The Scotia Perú Group seeks to innovate and add new functionalities to its electronic channels and is leading innovation in business channel development with the addition of Mobile Banking in 2012 and TV Banking and Mobile Payments in 2012.

Business Activities

Scotiabank Perú is a full service Peruvian bank providing a wide range of financial services and products tailored to the specific needs of its customers. Scotiabank Perú's operations can be broadly divided into two main business segments: (1) Retail Banking, which includes Preferred Banking, Personal and Standard Banking and

Small Business Banking, and (2) Wholesale Banking, which includes Corporate Banking, Commercial Banking, Institutional Banking, Corporate Finance, Credit Solutions, Global Transaction Banking and Market & Economic Studies. In addition, the Scotia Perú Group provides additional specialized services, including Treasury & Global Markets, Consumer Finance and Micro Business Banking, credit and debit card services, special credit banking services, mutual fund management services, restructuring services and collection services on an integrated basis in conjunction with its six consolidated, wholly owned Subsidiaries. Scotiabank Perú offers certain particular or specialized products and services either through itself or through its Subsidiaries.

The activities of each of Scotiabank Perú's main business segments, Retail Banking and Wholesale Banking, are described below.

Retail Banking

Through its Retail Banking segment, Scotiabank Perú provides traditional banking products and services to both individuals and small businesses. Its retail banking operations provide Scotiabank Perú with relatively inexpensive funding, fee income from services and credit opportunities.

In general, Scotiabank Perú offers its retail customers a full range of account services and available deposits. These include demand deposits, savings deposits, time deposits, investments, home banking, internet banking and insurance. Scotiabank Perú provides credit to retail customers through the following products: overdraft accounts, business loans, credit cards, automobile loans, mortgages, personal loans, payroll agreements and other credit facilities.

In addition, Scotiabank Perú provides other traditional retail products and services, such as credit and debit cards and mortgages, through certain of its other business segments and its Subsidiaries. These services are discussed further below.

Scotiabank Perú classifies retail customers as individuals and those companies with annual sales of less than U.S.\$2.0 million. Scotiabank Perú's Retail Banking segment is further divided into the following three divisions, each tailored to address the needs of specific retail customers: Preferred Banking (which services individuals with a high net worth); Personal and Standard Banking (which services all other individuals); and Small Business Banking (which services businesses with annual sales between U.S.\$150,000 and U.S.\$3.5 million). Each of these divisions provides specifically-designed products and specialized delivery systems for each of Scotiabank Perú's "retail market segments." The Scotia Perú Group also provides retail banking services through CrediScotia's Consumer Finance and Micro Business Banking divisions. Each division of the Retail Banking segment, as well as CrediScotia's Consumer Finance and Micro Business Banking divisions, is further discussed below.

As of September 30, 2012, the Retail Banking segment had approximately 42.7% of the total deposits of Scotiabank Perú.

Preferred Banking

The Preferred Banking division of Scotiabank Perú's Retail Banking segment provides specialized services to high-net worth individuals. In addition to providing customers with a full range of retail products and services, the Preferred Banking division provides certain specialized products and services tailored to the specific needs of its customers. These targeted products and services include specialized advisory services and savings plans that provide preferred interest rates. In addition, Preferred Banking customers have access to additional banking channels, such as mobile banking and dedicated customer representatives.

Personal and Standard Banking

The Personal and Standard Banking division of Scotiabank Perú's Retail Banking segment serves individuals who use Scotiabank Perú's products and services on a limited basis. In addition to providing customers with a full range of retail products and services, the Personal and Standard Banking division focuses on providing personal loans through innovative channels close to the customers, such as sales forces, payroll associated companies,

internal personnel referrals and, in the near future, mobile banking. In addition, Scotiabank Perú continues to develop an alternative transactional channel called “correspondent tellers” to service the Personal and Standard Banking division. The Personal and Standard Banking division continues to develop innovative products and services, such as payroll agreements and specialized credit cards associated with retail partners such as Jockey Plaza, one of the largest commercial centers in Peru.

Small Business Banking

The Small Business Banking division of Scotiabank Perú’s Retail Banking segment serves approximately 145,000 clients who have annual sales between U.S.\$150,000 and U.S.\$3.5 million. In addition to providing customers with a full-range of retail products, services and financing solutions are tailored to the needs of a growing business. Since 2008, Scotiabank Perú implemented an effective scoring system for determining the credit of Small Business Banking clients, which has improved efficiency and resulted in an increased customer base. According to Scotiabank Perú’s management, Scotiabank Perú gained approximately 9,000 new clients in the Small Business segment as of September 30, 2012, most of which have received approval for new credit facilities.

Wholesale Banking

According to Scotiabank Perú’s internal estimates, the Wholesale Banking segment represents a significant portion of Scotiabank Perú’s operations and provides a wide spectrum of banking products and services to a diverse range of corporate, commercial and institutional clients whose annual sales exceed U.S.\$4.5 million. According to Scotiabank Perú’s internal estimate, the Wholesale Banking segment serves approximately 6,000 clients from various business segments. The Wholesale Banking segment focuses on long-term commercial relationships with its customers by seeking the right balance between risk management and its revenue base by offering a wide array of products and services that allow this division to better serve clients.

Scotiabank Perú’s management estimates that its market share in the Wholesale Banking segment was 16.06% as of September 30, 2012.

Scotiabank Perú provides its Wholesale Banking customers with both traditional banking products such as credit facilities, short- and medium-term financing, local and foreign currency loans, foreign-trade related financing, foreign exchange services and loans, cash management products and services and certificates of deposit, as well as more sophisticated products, including asset management, brokerage services, derivative products, and underwriting facilities. Products and services may be offered in conjunction with Subsidiaries or other divisions of Scotiabank Perú and are often tailored to the specific needs of customers.

As of September 30, 2012, the Wholesale Banking segment had approximately 52.79% of the total deposits of Scotiabank Perú at such date. In addition, as of September 30, 2012, the Wholesale Banking segment’s total loans outstanding represented 47.33% of the total loan portfolio of Scotiabank Perú. In spite of the significant growth of the Wholesale Banking segment, Scotiabank Perú continues to seek to keep a balance between deposits and loans.

The Wholesale Banking segment is divided into three client oriented divisions: Corporate Banking, Commercial Banking and Institutional Banking; and into product and services divisions: Corporate Finance (which includes Fiduciary Trust Services), Credit Solutions, Global Transaction Banking (which includes Cash Management, Foreign Trade, Leasing and Correspondent Banking units) and Market & Economic Studies. Each of these is described in further detail below.

Corporate Banking

The Corporate Banking division of Scotiabank Perú’s Wholesale Banking segment maintains and manages relationships with some of Scotiabank Perú’s largest corporate clients. The Corporate Banking division has been a traditional strength of Scotiabank Perú’s lending activities, providing banking services to a significant portion of the major industrial and commercial enterprises in Peru. Scotiabank Perú’s Corporate Banking division provides a broad range of products and services including letters of credit, standby letters of credit, domestic collections, nationwide fund transfers and payments through Scotiabank Perú’s foreign exchange facilities. The Corporate

Banking division helps Scotiabank Perú's clients expand their business while assisting them in achieving their capital requirements through short-term strategies (including working capital and foreign trade), medium-term strategies, syndicated loans, club deals and debt offerings in the capital markets. As of September 30, 2012, the Corporate Banking segment had approximately 32.63% of the total deposits of Scotiabank Perú at such date. In addition, as of September 30, 2012, the Corporate Banking segment's total loans outstanding represented 29.90% of the total loan portfolio of Scotiabank Perú.

The Corporate Banking division focuses on the needs of Scotiabank Perú's top tier corporate clients. This division groups clients by sector.

The Corporate Banking division serves the following primary business sectors:

- Mining, Petroleum & Gas;
- Fishing and Agriculture;
- Financial Institutions; and
- Multinational Organizations.

In addition, the Corporate Banking division serves the following non-primary business sectors:

- Electricity, Telecommunications and Services;
- Commerce and Distribution;
- Textiles and Clothing;
- Food Industry; and
- Construction and Others.

Commercial Banking

The Commercial Banking division of Scotiabank Perú's Wholesale Banking segment serves businesses that have annual sales between U.S.\$4.5 million and U.S.\$50.0 million. The strategy of the Commercial Banking division is focused on the development of strong relationships with its clients through the expansion, consolidation and maintenance of their portfolios and careful management of credit risk.

The Commercial Banking division consists of the following sub-divisions: Medium I, Medium II, Large Business and Provincial Business. Medium I are businesses that have annual sales between U.S.\$8 million and U.S.\$20 million and are located in Lima, Medium II are businesses that have annual sales between U.S.\$3.5 million and U.S.\$8 million and are located in Lima, Large Business are businesses that have annual sales between U.S.\$20 million and U.S.\$45 million and are located in Lima and Provincial Business are businesses that have annual sales between U.S.\$3.5 million and U.S.\$45 million and are located in the provinces.

As of September 30, 2012, the Commercial Banking division had approximately 8.15% of the total deposits of Scotiabank Perú at such date. In addition, as of September 30, 2012, the Commercial Banking division's total loans outstanding represented 16.79% of the total loan portfolio of Scotiabank Perú.

Institutional Banking

The Institutional Banking division of Scotiabank Perú's Wholesale Banking segment provides banking services to government and nonprofit organizations, such as educational organizations, international organizations and labor unions in Perú. The Institutional Banking division provides the Scotia Perú Group with a unique opportunity to

cross-sell other banking products and services to such customers. As of September 30, 2012, the Institutional Banking division had approximately 11.97% of the total deposits of Scotiabank Perú at such date. In addition, as of September 30, 2012, the Institutional Banking division's total loans outstanding represented 0.63% of the total loan portfolio of Scotiabank Perú.

Corporate Finance

Scotiabank Perú's Corporate Finance division of Scotiabank Perú's Wholesale Banking segment provides a wide range of underwriting and financial advisory services to corporate clients and middle-market businesses. The Corporate Finance division focuses on the origination, structuring and execution of investment banking financial transactions for the Peruvian banking and capital markets. The division is grouped into three main product areas: project financing & structured lending (lending and syndications), debt capital markets (local and international bonds), and mergers & acquisitions (advisory and acquisition financing).

The Corporate Finance division also includes the Fiduciary Trust Services unit, which provides from Scotiabank Perú and its subsidiary, Scotia Titulizadora- fiduciary trust services in connection with the structuring and administration of trust operations. As of September 30, 2012, the allocated value of assets in trusts and trust fees of these entities amounted to S/1,771.8 million (U.S.\$682.0 million).

Credit Solutions

Scotiabank Perú's Credit Solutions division of Scotiabank Perú's Wholesale Banking segment is focused primarily on managing credit risk and the creditworthiness of clients' portfolios.

Global Transaction Banking ("GTB")

The GTB division of Scotiabank Perú's Wholesale Banking segment provides specialized products and services in connection with cash management, trade financing, leasing, short-term financing and correspondent banking. This sub-division works with the Retail Banking, Wholesale Banking and Commercial Banking segments to provide high quality and practical banking products and services to all of Scotiabank Perú's corporate, commercial and institutional clients by utilizing various distribution channels, with a special emphasis on virtual channels such as Telebanking and ScotiaCard Enterprises and the physical network of offices and bank cashier services. The GTB sub-division includes the following product units: Cash Management, Foreign Trade, Financial Leasing and Correspondent Banking services. These product units are described in further detail below.

- *Cash Management.* Through the Cash Management unit, the GTB sub-division provides products and electronic banking tools that provide immediate and detailed information for the conciliation of current account operations. The products and transactional services provided by this sub-division have also allowed for an increase in the creation of banking accounts for middle-market and small enterprises by providing these clients the necessary tools to improve their competitiveness and efficiency.
- *Foreign Trade.* Through the Foreign Trade unit, the GTB sub-division provides trade financing products and services to importers and exporters.
- *Financial Leasing.* Through the Financial Leasing unit, the GTB sub-division provides financial leasing and manages financial leasing operations. This product has been growing steadily over the past years as a result of three principal strategies: (i) an increase in the structured financing of large-scale projects for Scotiabank Perú's clients in the Corporate Banking division in which Scotiabank Perú has achieved a substantial presence, (ii) increased use of this product in the medium-enterprise, small business and micro-enterprise sectors, and (iii) the decentralization of Scotiabank Perú's internal approval and disbursement process, allowing Scotiabank Perú to strengthen its presence in the interior parts of Perú.
- *Correspondent Banking.* Through the Correspondent Banking unit, the GTB sub-division handles incoming business from foreign banks, such as receiving and making payments and rendering other services on behalf of foreign counterparties.

Market & Economic Studies

The Market & Economic Studies division of Scotiabank Perú's Wholesale Banking segment provides research services in connection with the macroeconomic environment and assists in the structuring and monitoring of debt instruments for various segments and divisions within in the Scotia Perú Group.

Other Activities

Treasury & Global Markets

In addition to the Corporate Banking division of Scotiabank Perú's Wholesale Banking segment, Scotiabank Perú operates a Treasury & Global Markets division. The products that Scotiabank Perú offers include Scotiabank Perú's proprietary investments in debt instruments, the FX market (spot, forward and currency investments), as well as sales and services in placements and deposits, debt instruments, the FX market, swaps, options, mutual funds, brokerage services and private and public placements of debt. Scotiabank Perú's Treasury & Global Markets division is further subdivided into the following sub-divisions, based on the services provided: Treasury Services, Brokerage Services and Mutual Fund Management. Scotiabank Perú provides the brokerages services and mutual funds management services through its wholly owned subsidiaries Scotia Bolsa and Scotia Fondos, respectively.

- *Treasury Services.* The Treasury Services sub-division consists of three main desks: the asset liability management ("ALM") desk, the trading desk and the distribution desk. The ALM desk is responsible for the management of assets and liabilities and investment portfolios. The trading desk is primarily focused on foreign currency and fixed income trading, along with a growing focus on derivative products. The distribution desk is in charge of the sale of financial products to Scotiabank Perú's corporate clients.
- *Brokerage Services.* Scotiabank Perú provides equity brokerage services through its subsidiary, Scotia Bolsa, which is a leading brokerage house on the BVL. According to data from the SMV, Scotia Bolsa transacted over S/3,753 million of trading volume on the BVL during 2011, which represented approximately 8.7% of the transactions effected on the BVL during such period. During the first nine months of 2012, Scotia Bolsa transacted over S/2,346 million of trading volume on the BVL, which represented approximately 10.6% of the transactions effected on the BVL during such period.
- *Mutual Funds Management.* Scotiabank Perú provides mutual funds management services through its subsidiary, Scotia Fondos, which was established in 1998. As of September 30, 2012, Scotia Fondos managed nine funds, with a total of S/2,705 million under management and a market share of 16.6%, according to data from the SMV. Neither Scotiabank Perú nor any of its Subsidiaries guarantees any minimum return on these investments.

Consumer Finance and Micro Business Banking

Through Scotiabank Perú's wholly owned subsidiary, CrediScotia, formerly known as Banco del Trabajo S.A., the Scotia Perú Group provides specialized micro-finance and financing services that are tailored toward emerging segments of the population that are not normally serviced by the traditional financial sector, entrepreneurs and micro businesses with a lower level of annual sales than those serviced by the Retail Banking–Small Business division of Scotiabank Perú. The objective of CrediScotia is to provide financial and advisory services with timely, flexible and simple access to clients that the Scotia Perú Group seeks to migrate to other main business segments and divisions of the Scotia Perú Group once such clients become more established. CrediScotia services its clients primarily through a network of 89 branches.

The Consumer Finance and Micro Business Banking divisions operated by CrediScotia serve businesses with annual revenues of less than U.S.\$150,000. In addition to providing clients with a full range of retail banking products and services, CrediScotia focuses on providing financing alternatives and solutions to small businesses, entrepreneurs and individuals who primarily derive their income from small family-run businesses. Since 2008, the Scotia Perú Group has launched several new products tailored for small businesses, such as the Enterprise Mortgage product, specialized automobile financing products and zero maintenance savings accounts.

The registered office of CrediScotia is Av. Paseo de la República N°3587, San Isidro, Lima, Perú. As of September 30, 2012, CrediScotia held S/.3,854.3 million in total assets, representing approximately 10.6% of the total assets of the Scotia Perú Group for such period. CrediScotias issued capital and legal reserves as of September 30, 2012 were S/.320.9 million and S/.31.4 million, respectively. CrediScotia registered a net profit after taxes of S/.72.7 million in 2011 and paid S/.32.4 million in dividends to Scotiabank Perú in respect of 2011.

Credit and Debit Cards

The Scotia Perú Group works with the two largest credit card brands in the world: Visa and MasterCard. In addition, the Scotia Perú Group issues specialized credit cards, such as the Scotiabank Jockey Card, which Scotiabank Perú issued in partnership with one of the largest commercial centers in the country, and the Única card operated by CrediScotia, through which the Scotia Perú Group provides clients with special benefits in conjunction with strategic retail partners. The Scotia Perú Group's share of the Peruvian credit card market as of December 31, 2011 was 21.0% based on the number of credit cards outstanding according to the SBS (including CrediScotia).

The market for credit cards in Peru has grown significantly as improving economic conditions have led to increased consumer spending. In the medium term, moderate growth is expected in the use of credit cards in Peru. Credit card sales are shifting toward lower-risk segments and segments with increased purchasing power. The outstanding balances owed on current credit cards issued by the Scotia Perú Group as of December 31, 2011 increased by 22.2% to S/.1,897.9 million as compared to S/.1,553.2 million as of December 31, 2010. In 2011, the Scotia Perú Group was the largest credit card issuer in Peru, based on outstanding credit cards, according to information published by the SBS. As of September 30, 2012, approximately 1.48 million credit cards were issued by Scotiabank Perú and CrediScotia (considering only credit holders).

The Scotia Perú Group provides various types of debit cards, including the ScotiaCard Debit Card, the Maestro Debit Card and the Electron Card. As of September 30, 2012, the Scotia Perú Group had approximately 1.56 million debit cards outstanding. As of September 30, 2012, the Scotia Perú Group had a market share of 13.7% in terms of the number of debit cards issued, according to information published by the SBS.

Workout Unit

The Workout Unit provides restructuring and collection services, with the purpose of recovering profits, minimizing losses, and reducing weaknesses in Scotiabank Perú's portfolio. The Workout Unit consists of five sub-units: Portfolios I, Portfolios II, Collections, Administrative Management and Risk Policies. The Portfolios I and II sub-units focus on the collection of non-performing commercial loans. The Collections sub-unit focuses on the monitoring and searching of alternate solutions for borrowers against whom Scotiabank Perú initiated a legal action to recover a debt. The Administrative Management sub-unit focuses on collecting write-offs and agricultural portfolios under the Agricultural Financial Rescue Program (*Programa de Rescate Financiero Agropecuario*) ("RFA") and Program Debt Restructuring (*Programa de Reestructuración de la Deuda Agraria*) ("PREDA") programs, as well as the sale of collateral in connection with defaulted loans held in the foreclosed assets portfolio. The recovery structure includes a specialized team that is trained to identify potential recoveries quickly. Scotiabank Perú's Risk Policies sub-unit establishes policies and guidelines for the Workout Unit, aligned to all regulatory requirements, as well as BNS policies and procedures, and focuses on supervising the actions undertaken by the Workout Unit.

The Workout Unit is important to the successful and seamless operation of the other segments and divisions of the Scotia Perú Group. During the last five years, the Workout Unit has generated significant recovery for the Scotia Perú Group and, as a result, has improved the profits of the Scotia Perú Group, improved risk assets, reduced the delinquent commercial portfolio and has considerably decreased the amount of collateral of non-performing loans held in trust by the Scotia Perú Group. The success of the Workout Unit has been compounded by the strong performance of the Peruvian economy in recent years.

Property and Real Estate Banking

The Scotia Perú Group provides financing services for real estate developers and builders, particularly in connection with the development of urban housing, residential projects, office buildings and commercial centers, through its Property and Real Estate Banking Unit. In addition, the Scotia Perú Group develops and provides retail mortgage products through this unit to retail banking customers.

Debt Collection and Investment Management Services

Through SCI, the Scotia Perú Group provides debt collection services, as well as investment management, to the various business segments and divisions of the Scotia Perú Group.

DEPSA

Through its wholly owned subsidiary DEPSA, Scotiabank Perú provides warrants, warehousing, documentation and logistics services. DEPSA is one of the principal participants in this market.

Competition and Market Position

As of September 30, 2012, Peru's banking and financial sector was comprised of 16 commercial banking institutions and 11 financial institutions. Based on information published by the SBS, Scotiabank Perú's management estimates that, as of September 30, 2012, Scotiabank Perú achieved a market share of 13.8% in terms of assets, 13.9% in terms of loans and 12.9% in terms of deposits of the total Peruvian banking and financial sector.

The following table sets forth market share information for each of the major Peruvian commercial banks and financial institutions as of September 30, 2012:

Major Peruvian Commercial Banks and Financial Institutions as of September 30, 2012	Assets	Deposits	Loans
Banco de Crédito del Perú	34.3%	34.6%	32.8%
Banco Bilbao Vizcaya Argentaria Banco Continental	21.7%	22.9%	22.3%
Scotiabank Perú	13.8%	12.9%	13.9%
Interbank	10.3%	10.3%	10.4%
Banco Interamericano de Finanzas	2.6%	2.9%	2.7%
Mi Banco	2.4%	2.7%	3.1%
Citibank del Perú	2.4%	2.1%	1.5%
HSBC	1.6%	2.2%	1.6%
CrediScotia	1.7%	1.4%	2.3%
Others	9.2%	8.0%	9.5%
Total	100.0%	100.0%	100.0%

Source: SBS

The following table sets forth return on equity (“ROE”), return on assets (“ROA”), efficiency ratio and non-performing loan ratio for each of Scotiabank Perú and the Peruvian banking and financial sector as a whole for the periods presented.

	As of December 31,			As of September 30,
	2009	2010	2011	2012
ROE⁽¹⁾				
Scotiabank Perú	23.80%	21.52%	21.48%	20.05%
Banking and financial sector ⁽²⁾	24.46%	24.35%	25.03%	22.98%
ROA⁽³⁾				
Scotiabank Perú	2.76%	2.76%	2.79%	2.74%
Banking and financial sector ⁽²⁾	2.27%	2.37%	2.37%	2.24%
Efficiency Ratio⁽⁴⁾				
Scotiabank Perú	37.29%	37.48%	38.88%	38.94%
Banking and financial sector ⁽²⁾	42.78%	41.80%	47.61%	47.70%
Non-Performing Loan Ratio⁽⁵⁾				
Scotiabank Perú	2.21%	1.51%	1.48%	1.63%
Banking and financial sector ⁽²⁾	1.56%	1.49%	1.47%	1.72%

Based on unconsolidated figures for the banking and financial sector, including branches abroad (“*Banca Múltiple con Sucursales en el Exterior*”).

- (1) ROE is calculated as net profit for the last twelve months as a percentage of average shareholders’ equity, computed as the simple average of the last twelve months.
- (2) The Peruvian banking and financial sector currently includes 15 major commercial banking institutions, including Scotiabank Perú.
- (3) ROA is calculated as net profit for the last twelve months as a percentage of average total assets, computed as the simple average of the last twelve months.
- (4) Efficiency ratio is calculated as operating expenses divided by total financial income, which consists of gross financial income, income from financial services, net, and other income, net for the last twelve months.
- (5) Non-performing loan (direct loans) ratio is calculated as past due loans and lawsuit loans as a percentage of total gross loan portfolio, computed using the ending balance of the period indicated.

Source: SBS for the banking and financial sector

The following table sets forth Scotiabank Perú’s market share and rank in the Peruvian banking system in terms of total assets, total deposits, total loans, shareholders’ equity and net profit for the periods presented.

	As of December 31,				As of September 30,			
	2009		2010		2011		2012	
	Rank	Market share	Rank	Market share	Rank	Market share	Rank	Market share
Total assets	3	15.93%	3	15.29%	3	15.46%	3	14.38%
Total deposits.....	3	16.39%	3	15.06%	3	15.05%	3	13.26%
Total loans	3	15.18%	3	14.78%	3	15.00%	3	14.62%
Shareholders’ equity	2	20.12%	2	20.11%	2	20.77%	2	20.63%
Net profit	3	19.62%	3	18.07%	3	18.20%	3	17.42%

Based on unconsolidated figures for the banking sector, excluding branches abroad.

Source: SBS

The following table sets forth Scotiabank Perú's ranking among Peruvian financial institutions in terms of ROE, ROA, efficiency ratio and non-performing loan rates for the dates indicated:

Scotiabank Perú Ranking ⁽¹⁾	As of December 31,			As of
	2009	2010	2011	September 30,
				2012
ROE ⁽²⁾	6	8	7	5
ROA ⁽³⁾	7	6	4	3
Efficiency ratio ⁽⁴⁾	2	2	2	2
Non-performing loan rates ⁽⁵⁾	7	6	6	4

Based on unconsolidated figures for the banking and financial sector, including branches abroad ("*Banca Múltiple con Sucursales en el Exterior*").

(1) Rank among all banks in the Peruvian banking and financial sector.

(2) ROE is calculated as net profit for the last twelve months as a percentage of average shareholders' equity, computed as the simple average of the last twelve months.

(3) ROA is calculated as net profit for the last twelve months as a percentage of average total assets, computed as the simple average of the last twelve months.

(4) Efficiency ratio is calculated as operating expenses divided by total financial income, which consists of gross financial income, income from financial services, net, and other income, net for the last twelve months.

(5) Non-performing loan ratio is calculated as past due loans and lawsuit loans as a percentage of total gross loan portfolio, computed using the ending balance of the period indicated.

Source: SBS

Peru's banking industry experienced consolidation following the economic downturn in 1998, with the number of institutions declining from a peak of 25 banks. During 1999, Banco de Lima-Sudameris merged with Banco Wiese Ltda. and formed Banco Wiese Sudameris, Bancosur merged with Banco Santander and formed Banco Santander Central Hispano Perú, Banco del País merged with Banco Nuevo Mundo and Banco del Progreso merged with Norbank, while Banco Banex was liquidated and Banco Solventa was converted into a financial company. During 2000, Banco Orion and Banco Serbanco were liquidated. In 2001, Banco Internacional del Perú ("Interbank") and Banco Latino agreed to merge, NBK Bank merged with Banco Financiero and Banco Nuevo Mundo was liquidated. In December 2002, Banco de Crédito del Perú ("BCP") acquired Banco Santander Central Hispano Perú and merged it into itself in March 2003. In the first quarter of 2005, BCP acquired the onshore and offshore loan portfolio of Bank Boston's Peruvian branch (Bank Boston, N.A. Sucursal del Perú). In 2006, the BNS Group acquired Banco Sudamericano and Banco Wiese Sudameris and merged both banks under the Scotiabank brand name, as discussed above. In 2006 HSBC Perú, a wholly owned subsidiary of HSBC Bank Plc, started a banking operation in Peru. In 2007, the SBS authorized each of Banco Falabella Perú (from Chile), Banco Ripley Perú (from Chile), Banco Azteca del Perú (from Mexico) and Banco Santander Perú (from Spain) to start banking operations in Peru. In 2008, Deutsche Bank AG received authorization from the SBS to establish banking operations in Peru. All five of these banking institutions have commenced operations in Peru. In 2010 Banco Itaú BBA (Brazil), Banco Latinoamericano de Comercio Exterior – Bladex (Colombia), Morgan Stanley Bank N.A. (U.S.), and Bank of Tokyo – Mitsubishi UFJ (Japan) opened representative offices in Peru. In 2011, the Industrial and Commercial Bank of China – ICBC was authorized to organize a banking subsidiary in Peru-denominated ICBC Perú Bank. Banco Cencosud (Chile) started its operations in Peru in June 2012. Finally, Bancolombia has also shown interest in entering the Peruvian banking and financial sector. The Scotia Perú Group expects that additional foreign banks will enter the Peruvian market and banks will continue to face an increasingly competitive environment given the attractiveness and profitability of this industry.

In addition, the excess liquidity and increased competition has put a pressure on margins. In response to this pressure, certain banks, such as Scotiabank Perú, are reorienting their product mix to concentrate more on the higher margin retail and commercial banking segments. Scotiabank Perú does not intend to pursue unprofitable lending opportunities solely in order to maintain market share. As such, Scotiabank Perú will seek to maintain its close relationships with its corporate clients, focusing on providing timely service and setting competitive prices.

Funding Sources

The Scotia Perú Group's funding sources are diversified. The Scotia Perú Group pursues new sources of funding in the same way that it sells its products: by contacting prospective funding sources, and disclosing its financial statements and ratings, as well as information about its products and services. In addition, ALCO

continually monitors the Scotia Perú Group's exposure to all of its funding sources in order to minimize its risks. For more information on the Scotia Perú Group's funding sources, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

Risk Management

The Scotia Perú Group is exposed to various risks inherent to banking activities on a daily basis and during its normal course of operations. The most significant risks to the Scotia Perú Group are market risk, credit risk and operational risk. The manner in which the Scotia Perú Group manages and identifies these risks is essential for its profitability.

The Scotia Perú Group has specific risk management policies, procedures and internal controls that enable the Scotia Perú Group to identify, evaluate and manage market risk, credit risk and operational risk. The Risk Control Committee, the ALM Committee, the Audit Committee and the Credit Executive Committee are responsible for the development, defining and evaluation of risk management policies and limits. These committees assist the Board of Directors of Scotiabank Perú, which revises and adopts the strategies, policies, norms and limits in risk management. In addition, the Scotia Perú Group's extensive risk management network includes Risk Management Units, which include the Credit Unit (Corporate and Commercial Credit and Retail Credit), the Market Risk Unit, the Operational Risk Unit, the Workout Unit, the Portfolio Risk Management Unit and the Risk Policy and Project Unit. In addition, a Compliance Unit exists under the Legal Division. These units are independent from the Scotia Perú Group's business segments and units and are responsible for the design and application of the risk management processes and framework for the Scotia Perú Group.

Scotiabank Perú's management believes that its risk management policy, which is permanently updated to align with local regulations and the standards of BNS, is conservative; it endeavors to limit the Scotia Perú Group's absolute losses as much as possible without reducing the efficiency of operations. The Scotia Perú Group constantly strives to improve risk management practices, ensuring independence of roles and responsibilities.

Market Risk Management

Market risk is the risk of loss to future earnings, fair values, and future cash flows, related to financial instruments, whether or not recorded on the Scotia Perú Group's balance sheet, as a result of adverse changes in market conditions, as well as fluctuations in interest rates, foreign currency exchange rates, commodity prices, financing terms, and other relevant variations in market conditions and pricing terms. Market risk is attributed to all financial instruments, including securities, loans, deposits, borrowings, investments and derivative instruments. Special emphasis is placed on managing exposure due to mismatched positions in maturities, currencies and interest rates.

The objective of the Scotia Perú Group's market risk management policy is to avoid excessive exposure of earnings and equity to loss and to reduce the volatility inherent in financial instruments. In managing its market risk, the Scotia Perú Group reviews, monitors and analyzes the effect of changes in market prices on financial instruments, which can directly or indirectly impact the value of its assets, liabilities and derivative positions. The Scotia Perú Group uses a combination of various measurement tools and methodologies to conduct risk management, which consider the size and complexity of both its the portfolio and the risks related to it. In addition, the Scotia Perú Group has established maximum exposure limits by currency and investment type.

The following analyses, among others, are conducted for each risk factor: value at risk ("VaR"); stress testing; economic value and annual income analysis; interest rate, liquidity and cash flow gaps per currency; and evaluation of liquid assets. In addition, Scotiabank Perú has established VaR limits, stop-loss and management action trigger limit alerts as a function of the maximum potential losses that the Scotia Perú Group is willing to assume in the portfolio of each type of security in unfavorable market scenarios. The Scotia Perú Group also uses the delta risk model on a daily basis to measure interest rate sensitivity of each portfolio position to interest rate fluctuations.

The risk analysis for the trading fixed income and foreign exchange portfolio is performed through the use of various metrics, including the degree of portfolio liquidity, which measures the frequency of trading of the securities

in the portfolio, and the fixed income VaR and foreign exchange VaR, which estimate the potential loss of value that could result from holding a position for a specified period of time within a given level of statistical confidence in usual market conditions.

The Scotia Perú Group has migrated from parametric to historical simulation methodology, which complies with regulatory requirements and satisfies the standards of BNS. The calculation and back-testing of this measurement tool is currently performed by a system provided by BNS. The statistical models are validated on a daily basis. High-risk scenarios are frequently revised to ensure that market risks are not underestimated. Risks are calculated with a confidence interval of 99%, meaning that there is only a 1% probability that financial losses could be greater than the risk information presented. As of September 30, 2012, Scotiabank Perú's VaR was S/1,628.0 thousand for its foreign exchange trading portfolio, with a 99% confidence interval. In addition, as of September 30, 2012, Scotiabank Perú's trading fixed income portfolio's VaR was S/277.5 thousand, with a 99% confidence level.

Interest Rate Risk Management

The Scotia Perú Group's primary market risk exposure is related to variations in interest rates, since such fluctuations affect net financial income and earnings as a result of the term structure repricing assets compared to liabilities.

One method used by Scotiabank Perú to measure interest rate risk is to quantify the impact of interest rate changes over the interest margin, or the interest rate sensitivity gap. Interest rate sensitivity is the relationship between market interest rates and net financial income due to the maturity or repricing characteristics of interest-earning assets and interest-bearing liabilities. For any given period, interest rate sensitivity is offset when an equal amount of such assets and liabilities mature or reprice in that period. Any mismatch of interest-earning assets and interest-bearing liabilities is known as a gap. A negative gap denotes liability sensitivity and normally means that a decrease in interest rates would have a positive effect on net financial income, while an increase in interest rates would have a negative effect on net financial income. The interest margin exposure is usually analyzed for a period limited to a 12-month horizon. These relationships are applicable as of a particular date only, and significant swings can occur on a daily basis as a result of market forces and decisions by the Scotia Perú Group's management.

In performing its evaluations the Scotia Perú Group extends the period of analysis, considering expected terms to maturity of interest rate-sensitive assets and liabilities, to determine variations in their economic value due to interest rates changes. The Scotia Perú Group also performs stress tests, which allow analysis of the impact on the Scotia Perú Group of a potential extraordinary change in interest rates. These tests monitor interest rate risk through the analysis of the impact of variations of the interest rate curve on economic value and annual net profit. The methodology used by the Scotia Perú Group accounts for parallel and non-parallel shifts in interest rate curves. The model applied is aligned with the standards of BNS and meets Basel II standards.

Liquidity Risk Management

Scotiabank Perú maintains an ample supply of liquid assets, which include: cash, current accounts with the Central Bank or other local financial institutions, interbank loans, bonds and securities. These assets, together with Scotiabank Perú's deposits, permit it to fund its operations. The Scotia Perú Group's liquidity contingency plan meets the standards of BNS and reflects certain preventive measures taken in response to the Scotia Perú Group's ongoing review and monitoring of possible liquidity threats and stress.

Exchange Rate Risk Management

Scotiabank Perú's Trading Desk is responsible for the management of exchange risk that may result in loss to the Scotia Perú Group as a result of fluctuations in the exchange rates of currencies in which it operates. The Trading Desk manages such risk through the administration of foreign exchange and Scotiabank Perú's forward portfolio in accordance with the policies, procedures and controls established by the Scotia Perú Group that are designed to identify profitable opportunities in accordance with the levels of risk established by the Scotia Perú Group.

Market risks with fluctuations in exchanges rates are monitored, measured and managed within VaR limits and in combination with stress tests based on market variables. The consistency of these results is validated via periodical backtesting analysis where actual gains or losses are compared with those obtained through the model.

Credit Risk Management

The Scotia Perú Group maintains credit review and approval policies based on conservative criteria, as well as based on applicable Peruvian laws and regulations and the guidelines established by BNS. The Scotia Perú Group's loan portfolio is analyzed on a continuous basis to ensure its diversification and compliance with the internal limits established by the Scotia Perú Group and BNS to prevent a possible overconcentration of transactions in certain business segments or types of clients, and ensure the receivables provided as collateral are of a high quality. The Scotia Perú Group also evaluates the updated value of guarantees in accordance with their realizable value and the recording of provisions to ensure compliance with local regulations and regulations established by BNS.

The Scotia Perú Group frequently updates its commercial and retail lending policies. In May 2008, Scotiabank Perú implemented Moody's Financial Analyst, an important tool used by BNS for the standardization of information of the financial statements of borrowers. This tool permits the centralization and standardization of the information regarding the borrower's financial statements on a server, and may be used to generate metrics for portfolio management and credit control. Also, in February 2010, Scotiabank Perú implemented Moody's Risk Advisor, a complementary tool used by BNS to assign an internal rating for the corporate and commercial portfolios. In addition, the Scotia Perú Group has established lending limits that are specifically tailored to its various types of customers and the type of financing sought. These limits are reviewed periodically to ensure they are in line with market practices and the internal limits established by BNS. The Scotia Perú Group has a strictly enforced policy that requires that all loan officers adhere to the lending limits established by it. The Scotia Perú Group has internal compliance and audit review procedures that ensure that all financing transactions entered into adhere to the Scotia Perú Group's policy and lending limits. In addition, the Scotia Perú Group requires that all employees involved in its credit operations periodically undergo specialized training programs aimed at reinforcing the knowledge required to attend to the Scotia Perú Group's clients effectively and at improving the Scotia Perú Group's credit risk management process.

In addition, Scotiabank Perú's Credit Unit has implemented credit risk management procedures tailored to each of Scotiabank Perú's different business segments and areas to better identify and address credit risks that may arise in connections with corporate and commercial clients and retail transactions. For example, the credit approval process for corporate and commercial borrowers of Scotiabank Perú is based on a case-by-case basis, primarily on an analysis of the borrower's repayment capacity, the historical and projected financial condition of the borrower and the industry and market conditions. Additional significant factors considered in the credit assessment process include an analysis of the company's current management, banking references and past experiences in similar transactions, as well as the quality of the collateral to be provided. The credit assessment process for retail banking customers involves an analysis of the client's financial track record (behavior) and their repayment ability. In addition, in each instance, loan approval is subject to a number of credit scoring models, which assign a probability of default that relates to the expected returns of each market sector. In 2009, Scotiabank Perú implemented TRIAD, which is a behavior system for the management of credit risk specifically tailored to the needs of the Retail Banking segment. In addition, as required by regulatory requirements, scores and parameters have been improved for consumer finance transactions, in order to better identify borrowers that are overleveraged or have a high credit risk.

Operational Risk Management

The Scotia Perú Group defines operational risks as those dealing with the possibility of suffering financial losses due to deficiencies in internal procedures, information technology or personnel, or the occurrence of adverse external events, which include legal risks. The increased sophistication of the banking environment and business, coupled with advances in technology, has resulted in more complex organization risk profiles where the operational risk category is more clearly defined. In order to address these risks, the Scotia Perú Group's management has developed a set of policies to develop and implement an enterprise-wide process for ongoing identification, assessment, mitigation, monitoring and reporting of actual and potential risks and events. The operational risk policies provide for ongoing identification, measurement monitoring, management and mitigation of operational risk and require the use of best practices, give responsibility for managing risk to each business segment, establish an

effective organizational structure through which operational risks are managed and identify key risk indicators that are to be reviewed on a regular basis. The Scotia Perú Group utilizes certain specialized methodologies to monitor, identify, evaluate, document and reduce such risks.

Operational risk management is an ongoing, enterprise-wide process carried out by people at every level of the Scotia Perú Group. It is designed to identify, assess, mitigate, monitor and report actual and potential risks and events, and provides reasonable assurance to the Board of Directors and senior management on the state of the Scotia Perú Group's exposure to and management of the Bank's operational risk.

The Scotia Perú Group has sound and prudent principles in place to manage the significant operational risks to which it is exposed in the conduct of its business activities. The governing principles and fundamental components of the Scotia Perú Group's operational risk management approach consist of:

- The Scotia Perú Group has a central operational risk function responsible for developing and implementing methods to identify, assess, measure and monitor operational risks through loss data gathering and analysis, self-assessments and key risk indicators, and for reporting the results to the Scotia Perú Group and senior management.
- The Board of Directors is advised of the major aspects of the Scotia Perú Group's operational risks as a distinct risk category, and approves the Scotia Perú Group's operational risk management policy.
- The Scotia Perú Group's operational risk management approach is subject to effective and comprehensive internal audits.
- Senior management across business lines and functional units are responsible for implementing the operational risk management framework approved by the Board of Directors.
- Before new products, activities, processes and systems are introduced or undertaken, the operational risk inherent in them is subject to adequate assessment procedures.
- The Scotia Perú Group has policies, processes and procedures to control and/or mitigate material operational risks.

The Scotia Perú Group's operational risk management framework includes:

- Governance and oversight by the Board of Directors and senior management;
- Senior management oversight via the operational risk committee;
- Independent review;
- Robust internal control practices;
- Ongoing identification, monitoring and management of risk;
- Measurement of risk;
- Risk mitigation; and
- Risk reporting, including reporting to the Board of Directors and management regarding the quality and effectiveness of the Scotia Perú Group's controls and operational processes.

Operational risk is managed within a robust system of internal control. Individual business lines are accountable for the management and control of the operational risks to which they are exposed. Management uses

an inventory of operational risks to identify, assess and manage operational risk for the Scotia Perú Group's significant operations.

The Scotia Perú Group has contingency and business continuity plans to ensure its ability to operate on an ongoing basis and assist in limiting losses in the event of severe business disruption. The Scotia Perú Group is committed to taking reasonable measures to provide for the continuity of business under conditions that have the potential to disrupt operations. In 2007, the Scotia Perú Group established a business continuity management program, which develops contingency plans to avoid or mitigate the impact of events that may cause disruption in one or more business units. The objectives of this program are to protect the operations, staff, reputation and assets of the Scotia Perú Group, minimize the impact of an incident or disaster, and provide acceptable customer service levels until normal operations are resumed. As part of the business continuity management program, the Scotia Perú Group has established an alternative location with 73 ready-to-use worksites for the business units, which would be used in the case of an accident or disaster, such as a fire or terrorist attack that affects a business unit's primary location.

Related-Party Exposures

Certain related parties of Scotiabank Perú have been involved, directly or indirectly, in credit transactions with Scotiabank Perú. In accordance with the Peruvian Banking Law, Scotiabank Perú related parties include directors, certain principal executive officers, and the spouses of directors and executive officers, holders of more than 4% of the shares of Scotiabank Perú, and companies controlled (for purposes of Peruvian Banking Law) by any of them. Directors, certain principal executive officers and their spouses are considered related parties for a period of twelve months after leaving Scotiabank Perú. Under Peruvian Banking Law, all loans to related parties must be provided on terms no more favorable than the best terms that the bank offers to the public. The Scotia Perú Group believes it is in full compliance with all related-party transaction requirements imposed by the Peruvian Banking Law and the SBS.

As of September 30, 2012, loans and other contingent credits to Scotiabank Perú related parties were S/.142.2 million in outstanding loans. In addition, as of September 30, 2012, loans and other credits to employees of Scotiabank Perú amount to S/.8.6 million.

Anti-Money Laundering Policies

Peru has long-standing laws criminalizing money laundering activities, and such laws were further strengthened in 1996 with the adoption of the Peruvian Banking Law, which incorporated the guidelines of the Organization of American States directly into Peruvian law, and Law No. 28306, which revised functions assigned to the Financial Intelligence Unit ("UIF"), a public entity in charge of directing anti-money laundering actions and monitoring information that public and private companies are required to provide. The UIF has the authority to request detailed reports with respect to the movement of funds and the identity of depositors. In accordance with certain regulations, mainly Law No. 28306 and SBS Resolution No. 838-2008, financial institutions must adopt internal mechanisms, appoint a full-time compliance officer reporting directly to the board of directors and conduct special personnel training programs and procedures to detect and report unusual or suspicious transactions as defined therein.

The Scotia Perú Group has monitoring systems, programs and processes in place to comply with Peruvian law and aim to identify and report money laundering and terrorist financing operations. Such systems, programs and processes meet the standards of BNS and, in certain instances, are identical to those used by the international operations of BNS. For example, the Scotia Perú Group maintains screening policies to avoid working with fictitious banks that do not have a physical presence in the country in which they operate. In addition, the Scotia Perú Group has established anti-money laundering and terrorism prevention (*Prevención del Lavado de Activos y Financiamiento del Terrorismo* ("PLA/FT")) processes that complement its Anti-Money Laundering Unit (*Unidad de Prevención de Lavado de Efectivos*) ("UPLA"). The UPLA monitors the Scotia Perú Group's compliance with regulations, develops and updates the PLA/FT manual, norms and control procedures, developing personnel training procedures and evaluating unusual transactions. The Scotia Perú Group also utilizes the World-Check system, which is based on an on-line scanning process of the Scotia Perú Group's customer information data against the lists or institutions that represent a high legal or reputational risk on a global level.

A KYC policy is also strictly applied to every relationship established between the Scotia Perú Group and any of its customers. The KYC policy applied by the Scotia Perú Group is the same as the policy applied by BNS. This policy seeks to ensure that the products and services offered by the Scotia Perú Group are not used for illegal transactions.

Insurance

Scotiabank Perú's management considers its insurance coverage adequate for a banking group of its size and in its area of business and for the type of transactions that it conducts. The Scotia Perú Group's policy is to follow recommendations made by its insurance consultants. The Scotia Perú Group is also included in certain insurance coverage held by BNS. The Scotia Perú Group's policies cover: (1) facilities, equipment and property, (2) transportation of funds, (3) life insurance, (4) corporate insurance, (5) general liability, and (6) certain financial transactions and exposures.

Information Technology

In recent years, the Scotia Perú Group has made significant investments in IT that have reduced its operating risk and increased the efficiency of its operations. The Scotia Perú Group has developed sophisticated back-up recovery procedures and other security measures, such as firewalls and anti-virus software, to help secure its systems from internal and external breach.

The Scotia Perú Group considers its technology platform to be an important competitive strength and has continued to invest in this area to maintain its competitive position in the banking and financial sector. The Scotia Perú Group's management believes that the Scotia Perú Group's investments in IT, including storage capacity, band-width and other IT services, have increased the Scotia Perú Group's competitiveness because it is able to better identify and implement advanced systems that support the operations and systems used by its management.

Employees

As of September 30, 2012, the Scotia Perú Group had approximately 9,737 full-time employees, on a consolidated basis, compared to approximately 9,320 and 8,388 as of December 31, 2011 and 2010, respectively. The increase in 2011 was primarily due to new branches and business initiatives.

Under Peruvian law, all employees in Peru (including banking sector employees) have the right to belong to a labor union. Until the mid-1990s, employees from the banking sector were collectively represented by the Federation of Banking Employees (*Federación de Empleados Bancarios*, the "FEB"). Since the mid-1990s, the percentage of banking employees who are members of the FEB has declined to below 50%, primarily because of the substantial reduction in the size of the state-owned banking businesses during this period. As a result, the last collective bargaining agreement that was signed with the FEB expired on June 30, 1995 and was not renewed. Since that date, Scotiabank Perú and its subsidiaries have, individually, signed collective bargaining agreements with their respective unionized employees, which are renewed periodically. As of September 30, 2012, the Scotia Perú Group had 209 unionized employees. Since the Scotia Perú Group began its operations in 2006, there has not been a strike by union employees.

Litigation and Administrative Proceedings

The Scotia Perú Group is routinely involved in legal and administrative proceedings as part of the normal course of business, most frequently as plaintiff seeking recovery of overdue credits. In addition, the Scotia Perú Group is a defendant in various lawsuits brought by customers seeking indemnification for damages, and, among others, former employees bringing various labor suits disputing salary adjustments. These proceedings arise in connection with the ordinary course of the Scotia Perú Group's operations and do not materially impact the Scotia Perú Group's ability to conduct operations or meet its forecasted goals.

For the purpose of the Consolidated Financial Statements, the Scotia Perú Group has various contingent liabilities, including contingent liabilities relating to ordinary commercial and civil litigation outstanding as of

September 30, 2012, amounting to S/.113.6 million. The Scotia Perú Group has established accounting provisions only with respect to those contingent liabilities whose likelihood of becoming an actual liability was considered “probable.”

Although it is impossible to accurately estimate the total amount of potential costs the Scotia Perú Group may incur in connection with the legal proceedings to which it is a defendant, the Scotia Perú Group’s management believes that its provisions for such proceedings are sufficient to meet probable and reasonably-estimated losses in the event of unfavorable court decisions. The Scotia Perú Group has recorded provisions for tax-related lawsuits where it is contesting the position of the central and/or municipal government, as the case may be, based on grounds of illegality or unconstitutionality. The Scotia Perú Group can make no assurance that the outcome of such proceedings will be favorable. However, after consultation with outside legal counsel, the Scotia Perú Group does not believe that the ultimate outcome of such proceedings will, individually or in the aggregate, have a material adverse effect on its operations or financial condition.

REGULATORY ENVIRONMENT

Peruvian Regulation

Peruvian banking regulation follows the standards set by the Basel Committee on Banking Supervision. Peruvian banks and other Peruvian financial institutions are primarily governed by two banking regulatory authorities: the SBS and the Central Bank. The Peruvian Constitution establishes that the SBS's main function and responsibility is to protect depositors of the Peruvian banking and financial sector, while the main function of the Central Bank is to preserve monetary stability.

The regulatory framework for the operations of the Peruvian banking and financial sector is set forth in the Peruvian Banking Law. In accordance with the Peruvian Banking Law, the SBS is responsible for issuing banking regulations and for monitoring the Peruvian banking and financial sector. The SBS supervises and regulates financial institutions such as commercial banks, financial companies, financial leasing companies, small business financial companies, savings and loan corporations, financial services companies such as trust companies and investment banks, insurance companies, and private pension fund managers (other financial institutions such as stock brokerage houses and mutual fund managers are subject to different legal frameworks and to the supervision of the SMV). The SBS became operational in 1931.

Financial institutions must seek the authorization of the SBS before initiating operations. The SBS has administrative and financial autonomy, and its head office is located in Lima. The current chairman of the SBS was appointed by President Humala in August 2011.

The SBS enforces the Peruvian Banking Law on an ongoing basis through periodic resolutions. The Peruvian Banking Law provides for more stringent loan loss reserve standards, brings asset risk-weighting in line with the Basel Committee on Banking Supervision guidelines and broadens the supervision of financial institutions by the SBS to include holding companies.

On a periodic basis, banks are required to provide the SBS with all relevant information that is necessary to allow for off-site evaluation of its financial performance, including audited and unaudited financial statements on a consolidated basis, Board of Directors' reports, auditor's reports, and other reports that reflect the operation of a bank's business. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and semi-annual basis, depending on the nature of the information to be reported.

The SBS is also responsible for conducting on-site examinations of banks on an annual basis, implementing the provisions of the Peruvian Banking Law and other related legislation, examining all banking operations, and analyzing the relationship between assets, liabilities, net worth, profit and loss accounts and all other factors affecting a bank's financial structure.

The SBS has the power to impose administrative sanctions on financial institutions and their directors and employees upon any violation of the rules that govern the activities of the Peruvian banking and financial sector. Sanctions may vary from monetary fines to license cancellation. The SBS may also sanction directors and other officers of financial institutions for breaching SBS regulations.

The Central Bank was founded in 1922 and performs the functions common to a central or reserve bank, such as issuing bank Notes, implementing governmental monetary policies, regulating the money supply, managing official gold and foreign exchange reserves and managing the interbank cash clearance system. The Central Bank exercises its power and authority independently and is responsible for its affairs in accordance with the government's policies. The Central Bank is empowered to determine the inflation target and to adopt a monetary policy in accordance thereof, and is also responsible for establishing mandatory minimum liquidity reserves.

Implementation of Basel Principles

In order to implement the Basel II Framework, the SBS has approved a two-phase schedule based on a mandatory phase and a voluntary phase. During the first phase, which started in 2008 and ended in June 2009, the SBS performed quantitative impact studies and drafted the most relevant regulations. On June 22, 2008, President Garcia issued Legislative Decree No. 1028, which contains certain amendments to the current Peruvian Banking Law, most of which are aimed at adapting it to Basel II standards.

To conform to Basel II standards, the methodology for measuring credit, market and operational risks has been amended to permit standardized and internal model-based methods for measuring market and credit risks. Peruvian financial institutions will also be able to request validation and approval to implement the internal ratings-based (“IRB”) methodology. Only those financial institutions that apply to use the IRB methodology will follow the second implementation phase of the Basel II standards.

The second phase consists of a validation process and an approval by the SBS of the IRB methodology. Once the SBS has validated and approved the IRB methodology, the financial institution in question will use regulatory capital floors to calculate its capital requirements. The amount of required capital (*patrimonio efectivo*) shall not be less than the percentage of capital requirements obtained under the alternative methodology.

	First Year	Second Year	Third Year
Basic IRB and Internal Models of Credit Risk	95%	90%	80%
Advanced Models of Credit Risk and/or Operational Risk	90%	80%	—

Capital adequacy

Under the provisions of article 199 of the Peruvian Banking Law, and on an unconsolidated basis, the regulatory capital (*patrimonio efectivo*) shall not be lower than 10% of its total risk-weighted assets, which is equivalent to the sum of (i) ten times the regulatory capital allocated to cover market risks, (ii) ten times the regulatory capital allocated to cover operational risks and (iii) the total amount of credit risk-weighted assets.

According to articles 184 and 185 of the Peruvian Banking Law, the regulatory capital (*patrimonio efectivo*) will be constituted by the sum of (i) basic capital and (ii) supplementary capital.

Basic capital or tier 1 capital is comprised of paid-in capital (which includes common stock and non-cumulative perpetual preferred shares), legal reserves, supplementary capital premiums, voluntary reserves, which may be reduced only with prior SBS approval, and retained earnings with capitalization agreements (earnings that the general shareholders’ meeting or the Board of Directors, as the case may be, have committed to capitalize as common stock). It also includes other elements that have the characteristics of permanence and loss absorption issued in accordance with regulations enacted by the SBS. Basic capital excludes losses of past years and of the current year, any deficit due to provisions and goodwill resulting from corporate reorganizations, and the acquisition of investments. Basic capital is also subject to certain additional deductions (*e.g.*, 50% of the investments in shares and subordinated debt issued by other local or foreign financial institutions or financial insurance companies, etc.).

Supplementary capital is constituted by the sum of Tier II and Tier III Regulatory Capital. Tier II regulatory capital consists of voluntary reserves (which could be reduced without any prior consent from the SBS), the eligible portion of redeemable subordinated debt instruments that have mixed debt and equity features, and the generic loan loss provision (up to certain limits). Tier II Regulatory Capital is subject to certain deductions foreseen by the Peruvian Banking Law (*e.g.*, 50% of the investments in shares and subordinated debt issued by other local or foreign financial institutions or financial insurance companies, etc.). Tier III Regulatory Capital consists of redeemable subordinated debt that is incurred for the exclusive purpose of covering market risk.

Additional regulatory capital requirements

SBS Resolution 8425-2011, enacted in July 2011, has established additional capital requirements for financial institutions to cover risks not contemplated in the first pillar of Basel II, which addresses the maintenance of

regulatory capital, (“Pillar 1”) (e.g., concentration, interest rate, systemic risk). Additionally, pro-cyclical capital requirements were also established. These new requirements will be implemented over a period of five years starting in July 2012.

Credit risks

According to article 186 of the Peruvian Banking Law, and SBS Resolution No. 14354-2009, enacted in November 2009, financial institutions are allowed to use the standardized methodology and, with the prior approval of the SBS, the IRB methodology for calculating their regulatory capital requirement for credit risk. The Scotia Perú Group will eventually adopt the IRB methodology once it is fully implemented and after having received prior approval from the SBS.

According to the Peruvian Banking Law, as of July 1, 2009, financial institutions would have been allowed to use the IRB methodology instead of the standardized methodology after receiving prior approval from the SBS. However, the full implementation of both standardized and IRB methodologies by Peruvian financial institutions is still subject to the issuance of further regulations.

Market risks

Regulations for the supervision of market risks enacted in May 1998 require financial institutions to establish internal policies and procedures to monitor these risks, as well as market risk exposure limits. Regulations define market risks as the probable loss derived from exposure to various classes of commodities, securities, foreign exchange, derivative operations or commercial assets that banks may hold in their portfolios, which may not be reflected in their balance sheets. On June 2009, the SBS enacted SBS Resolution No. 6328-2009, which defines the methodology to be applied, and the requirements to be satisfied, to calculate the regulatory capital requirement for market risks under the standard methodology and the IRB methodology.

Since July 1, 2009, financial institutions have been allowed to use the IRB methodology, rather than the standardized methodology, subject to prior approval from the SBS.

Operational risk

SBS Resolution No. 2115-2009, enacted in April 2009, defines the methodology to be applied, and the requirements to be satisfied, by financial institutions in calculating their regulatory capital requirement for operational risk under the IRB methodology, the alternative standardized methodology and the advanced methodologies. The IRB methodology uses a bank’s gross operational margin as an “exposure indicator” and its application does not require the prior approval by the SBS. Application of the alternative standardized methodology or the advanced methodologies requires compliance with certain provisions included in SBS Resolution No. 2115-2009 and prior approval from the SBS.

SBS Resolution No. 2116-2009, enacted in April 2009, which approves the guidelines for managing operational risk, defines “operational risk” as the possibility of suffering losses due to inadequate procedures, failures of personnel, information technology or external events, including, without limitation, legal risks (but excluding strategic and reputational risk). It also establishes that a bank’s board of directors is responsible for designing the general policies to manage operational risk and that a bank’s management is in charge of implementing such policies. Finally, it provides that each bank is obligated to create a database of all of such bank’s losses due to operational risk, classifying such losses by event.

Provision for Credit Losses

Procedures relating to loan provisions are set out in regulations issued by the SBS. Pursuant to SBS Resolution No. 11356-2008, enacted in November 2008 and in force since July 2010, as amended, banks must consider certain criteria with respect to the borrower, including the securities; the credit category; the borrower’s liquidity, including whether the borrower has adequate equity and a low amount of outstanding debt relative to their ability to generate profits; whether the borrower or its industry is susceptible to significant variation in cash flow; whether the borrower

has a history of prompt payments on its debt; and whether the borrower is part of an economic sector that demonstrates a trend towards growth.

Risk Categories according to days of delay:

Classification		Corporate, Large Business, Medium Business	Small Business, Micro Business, Revolving Consumer, Non revolving Consumer	Residential Mortgage
Class "A"	Standard	0 to 30	0 to 8	0 to 30
Class "B"	Potential Problem	31 to 60	9 to 30	31 to 60
Class "C"	Substandard	61 to 120	31 to 63	61 to 120
Class "D"	Doubtful	121 to 365	61 to 120	121 to 365
Class "E"	Loss	366+	121+	366+

SBS regulations require the following minimum reserves to be recorded for statutory purposes for all types of credit: a 1% reserve on loans and credits classified as Standard with respect to which no credit issues have been identified, and a 5%, 25%, 60% and 100% specific reserve on loans for the unsecured portion and credits in risk categories Potential Problem, Substandard, Doubtful and Loss, respectively. Whenever such loans or credits, or any portion thereof, are secured with "preferred" collateral, required reserves for risk categories Potential Problem, Substandard, Doubtful and Loss are 2.5%, 12.5%, 30% and 60%, respectively. The amount of the reserve for any such loans or credits, or portions thereof, secured with "self-liquidity" collateral may be reduced by 50%. Loans or credits, or the portions thereof, secured with "preferred readily realizable collateral" collateral, require at least a 1% reserve. When the collateral is insufficient to secure the outstanding balances, the higher percentage requirements are applicable to the unsecured portion of the loans or credits. In the case of consumer loans, the required reserves are as follows: a 1% reserve on loans classified as Standard with respect to which no credit issues have been identified, and a 5%, 25%, 60% and 100% specific reserve on loans in risk categories Potential Problem, Substandard, Doubtful and Loss, respectively.

SBS regulations require Peruvian banks to maintain two types of loan loss reserves: (a) "generic" loan loss reserves (*provisiones genéricas*) on their total direct and indirect loan portfolio that is classified as category I at an allowance rate of (i) 0.7% for corporate loans, big business loans and residential mortgage loans, and (ii) 1.0% for medium business loans, small business loans, micro business loans, revolving consumer loans and non-revolving consumer loans, and (b) specific reserves (*provisiones específicas*) on their total direct and indirect loan portfolio classified under categories II through V described above at an allowance rate of 5%, 25%, 60%, and 100%. These percentages may be reduced if the loans are secured with certain types of collateral and for certain special types of loans, provided that certain requirements set forth under SBS Resolution No. 11356-2008, as amended, are satisfied.

As of December 31, 2008, banks were required to make dynamic loan loss reserves (*provisiones procíclicas*) based on the behavior of Peru's annualized average GDP over the last 30 months as determined and published by the Central Bank. On September 10, 2009, the SBS, through Circular No. B-2181-2009, announced the suspension of the pro-cyclical requirements. This suspension was lifted on September 28, 2010, through Circular No. B-2193-2010 as the annualized average change in GDP over the last 30 months was 5.86%, 0.86% above the required minimum of 5% to activate the rule.

Banks must report loan classifications on a monthly basis to the SBS. The worst classification assigned to a single person by any bank affects classification and allowance requirements for all other banks, which means that all banks are bound by the worst classification that is assigned to any given debtor by any bank in the Peruvian banking and financial sector.

Risk of Over-Indebtedness by Consumer Banking Customers

According to SBS Resolution No. 6941-2008, as amended, banks and other financial entities must adopt a system to manage the risk of over-indebtedness that (a) allows the mitigation of such risk before and after making the loan, (b) permits the performance of a permanent monitoring of the portfolio to identify over-indebted borrowers and (c) includes the periodic evaluation of the control mechanisms being used and of the corrective actions or required improvements, as the case may be. The board of directors of such banks and other financial entities are responsible for (i) establishing and reviewing the policies and proceedings for the identification, measuring, treatment, control, reporting and monitoring of the risk from the level of indebtedness of its consumer banking

customers and (ii) causing the management to adopt the necessary measures to monitor and control such risks. In addition, the board of directors must cause the bank and/or financial entity to have an organizational structure that guarantees total independence between the risk and the commercial divisions and that the incentive schemes for employees' performance does not cause a conflict of interest with risk management policies.

Banks and financial entities that are in the process of implementing a system to manage the risk of over-indebtedness or are not able to monitor, control and identify the risk of over-indebtedness are obliged to maintain a special loan loss reserve.

Lending Limits

Under article 206 of the Peruvian Banking Law, the total amount of direct and indirect credits and financings granted in favor of a person shall not exceed 10% of a bank's regulatory capital. A person is defined for the purposes therein as a person or group of persons or entities representing a common or single risk.

The 10% limit indicated above may be raised to 15%, 20% and 30%, depending on the type of collateral securing the excess over each limit. Accordingly, the limit can be extended to 15% when the excess is secured by a mortgage, pledge, warrant or trust it may be extended to 20% when the excess is collateralized with securities listed on the Selective Index of the BVL, and it may be extended to 30% when the excess is secured with deposits that are maintained and pledged with the bank.

Other special lending limits have been considered, such as lending to related parties or affiliates (30% of regulatory capital), to local banks (30%), and to foreign banks (from 5% for non-regulated banks to 30% for first category international banks (as defined by the Central Bank from time to time), which may also be raised to 50% when backed by letters of credit). There are other limits that require banks to diversify their portfolio in different types of assets, benefiting liquid and low risk assets.

Lending to Related Parties

The Peruvian Banking Law regulates and limits transactions with related parties and affiliates of financial institutions on an unconsolidated basis. In 1997, the SBS and the SMV enacted regulations defining indirect ownership, related parties and economic groups. These regulations serve as the basis for determining limits on transactions with related parties and affiliates and also provide the basis for the development of specific standards for the supervision of financial and mixed conglomerates formed by financial institutions.

Under article 202 of the Peruvian Banking Law, the aggregate amount of loans to related-party borrowers cannot exceed 30% of a bank's regulatory capital. For purposes of this test, a related-party borrower includes any corporation holding, directly or indirectly, 4% or more of a bank's shares, directors, certain principal executive officers or persons affiliated with the administrators of the bank. All loans to related parties must be made on an arm's-length basis with terms no more favorable than the best terms that the bank offers to the public.

Also, under article 201 of the Peruvian Banking Law, the total amount of loans to directors, employees or close relatives of any such persons may not exceed 7% of a bank's regulatory capital per person. All loans made to any single related-party borrower may not exceed 0.35% of the regulatory capital (*i.e.*, 5% of the overall 7% limit).

Country Risk Reserve Requirements

SBS Resolution No. 505-2002, enacted in June 2002, requires the establishment of reserves to cover exposure to country risk, which includes sovereign risk, transfer risk and expropriation or nationalization risk, all of which may affect operations with companies or individuals in foreign countries. The SBS has also established guidelines indicating the procedures and responsibilities that are necessary for coping with country risk.

Integral Risk Management

SBS Resolution No. 11356-2008, enacted in November 2008 and effective since July 2010, contains guidelines for integral risk management of financial institutions. Integral risk management is a process intended to identify potential events that can affect banks and to manage those events according to its nature and risk level. This new regulation covers all kinds of risks that could affect a banking operation, such as operational, market, credit, strategic, liquidity, legal and reputational risks.

Investments in Financial Instruments

Investment in financial instruments by Peruvian banks is restricted to those financial instruments listed in the Peruvian Banking Law, such as equity instruments traded on a stock exchange, debt instruments (to the extent that certain requirements are satisfied), sovereign debt instruments and quotas in mutual and investment funds, among others.

Pursuant to SBS Regulation No. 10639-2008, effective as of March 2009, investments in financial instruments by Peruvian banks shall be classified into any of the following categories: (a) investments at fair value with changes in results (short-term), (b) investments available for-sale, (c) investments until maturity (long-term) and (d) investments in subsidiaries and affiliates.

Financial instruments are valued at their market value, provided that there is an active market for them. If there is no active market for a financial instrument, then such financial instrument will be valued pursuant to methodologies and models developed by banks that allow the determination of the fair value of such financial instruments or, as approved by the SBS, pursuant to the valuations made by valuation entities or other sources of information that publish market prices or sell pricing services. Banks will evaluate, at each balance sheet date, if there is evidence that a financial instrument in which it has invested has reduced in value and will make the corresponding provisions. For such purposes, a bank will reduce the value of a financial instrument if there is objective evidence of a deterioration of such financial instruments as a consequence of an event occurring after its initial registration on a bank's balance sheet and to the extent that such event has a material adverse effect (that can be measured with confidence) on the future cash flows of the financial instrument.

Reserve Requirements Required by the Central Bank

Under the Peruvian Banking Law, all financial institutions regulated by the SBS (except for small business development non-bank institutions) are required to maintain a legal reserve (*encaje*) for certain obligations. The Central Bank may require additional and marginal reserves. The exact level and method of calculation of the reserve requirement is set by the Central Bank, which has issued different sets of regulations for foreign and local currency-denominated obligations of banks. Among others, the following liabilities are subject to the reserve requirement: demand and time deposits, savings accounts, certain bonds and funds administered by the bank and amounts due to foreign banks and other foreign financial companies (in certain circumstances). Subject to certain requirements, the regulation excludes from the reserve requirement mid-term and long-term funding (*i.e.*, liabilities with a minimum average maturity of more than three years and subject to a cap, which is the greater of S/.400 million or 2.5 times the bank's regulatory capital) from foreign financial institutions, other central banks, governments or multilateral lending agencies.

Since September 2012, the minimum legal reserve requirement for Nuevo Sol- and foreign currency-denominated deposits is 9.0%. Foreign currency and Nuevo Sol-denominated deposits collected from the general public are subject to a marginal rate of 55% and 30%, respectively. Deposits in all currencies collected from a foreign financial institution are subject to (i) a 20% special rate and a 120% marginal rate for Nuevo Sol-denominated deposits, and (ii) a 60% special rate for foreign currency-denominated deposits. Local and foreign currency borrowings from certain foreign sources with an original maturity of three years or less are subject to (i) a 20% special rate and a 120% marginal rate for local currency borrowings, and (ii) a 60% special rate for foreign currency borrowings. Financial institutions may satisfy the minimum reserve requirements with funds that they hold in vaults or that they have deposited in their accounts at the Central Bank.

They must also keep at least 3.0% of their local and foreign currency deposited in the Central Bank. The Central Bank oversees compliance with the reserve requirements.

The Central Bank also establishes the interest rate payable on reserves that exceed the minimum legal reserve requirement applicable to both Nuevo Sol- and foreign currency-denominated deposits. The current applicable interest rate for (a) local currency reserves, different from those described below, is the overnight deposits interest rate, minus 100 basis points, and (b) foreign currency-denominated deposits is a 60% one-month LIBOR interest rate. Currently, no interest rate is payable in respect of Nuevo Sol-denominated deposits to certain foreign sources, such as financial institutions, hedge funds, brokerage firms, pension funds and others with a foreign parent company, except for those authorized by the SBS to collect deposits from the general public in Peru. The applicable interest rate is expected to be periodically revised by the Central Bank in accordance with monetary policy objectives.

In the past few months, the Central Bank has on numerous occasions changed the deposit reserve requirements applicable to Peruvian commercial banks and both the rate of interest paid on deposit reserves and the amount of deposit reserves on which no interest is payable by the Central Bank.

Deposit Insurance Fund

Bank deposits are protected by the Deposit Insurance Fund (*Fondo de Seguro de Depósitos*) or “FSD,” against bank failure. Specifically, savings deposit accounts maintained by individuals, savings deposit accounts maintained by non-profit entities and checking accounts are covered in full up to an amount that is revised quarterly by SBS. For the period between September 2012 and November 2012, the maximum coverage amount is S/91,034 per person per bank.

The FSD was established in 1991 and was organized as a private corporation in 1996. Its governing body is led by a representative of the SBS. The additional members are appointed by the Central Bank (one member), the Ministry of Economy and Finance (one member) and by financial institutions (three members). The SBS provides the necessary administrative and operational resources. The financial resources available to the FSD pursuant to the Peruvian Banking Law include, among others, the original contribution from the Central Bank, insurance premiums paid by banks, unclaimed bank deposits after ten years and fines imposed by the SBS for violations of the Peruvian Banking Law.

In addition, the FSD may, in extraordinary situations, borrow with authorization from the Treasury or borrow long-term government securities from the Treasury.

Anti-Money Laundering Rules

Money laundering is considered a criminal act in Peru. A special legal framework was established in April 2002, which follows the 40 recommendations of the Financial Action Task Force on Money Laundering (“FATF”) established by the G-7. Since then, this legal framework has been amended in order to improve and increase the efficiency of the Peruvian anti-money laundering system.

Money laundering includes a wide range of serious offenses such as tax evasion, financing terrorism, drug trafficking, corruption and other criminal activities. A special set of anti-money laundering rules applies specifically to banks, which includes specific rules for customer and employee due-diligence and record-keeping. In March 2008, the SBS enacted additional anti-money laundering provisions pursuant to which, among other things, banks must establish a set of policies and procedures specifically aimed to prevent asset laundering and the financing of terrorist activities. In November 2008, the SBS modified the anti-money laundering provisions to include, among other changes, the obligations of Peruvian banks to verify that their branches and foreign subsidiaries comply with the anti-money laundering and terrorism financing provisions enacted by the SBS and with the recommendations of the FATF.

The government agency responsible for supervising the anti-money laundering system is the Peruvian UIF, which was absorbed by the SBS in July 2007. The chairman of this agency is appointed by the chairman of the SBS.

Disclosure of Material Information

All banks that are organized as corporations (the only exception being the Peruvian branches of foreign banks) are listed on the BVL. As a result, they are subject to the disclosure and reporting rules contained in the Peruvian securities market law and the internal regulations of the BVL.

Under these rules, listed companies such as banks are required to disclose to the market on a timely manner (within 24 hours) all information that investors are reasonably likely to consider material. Special regulation provides for specific parameters to determine what is considered relevant information. Banks are also subject to full disclosure and reporting obligations under the banking regulatory framework.

Subordinated Debt as a Component of Regulatory Capital of Scotiabank Perú

Subject to certain requirements set forth under Peruvian law, the full amount of redeemable subordinated debt, such as the Notes, or a portion thereof, may qualify as a component of Tier II Regulatory Capital of Scotiabank Perú, according to Peruvian law. By issuing redeemable subordinated debt, Scotiabank Perú will increase its regulatory capital base, which will in turn increase its lending capacity.

As a component of Tier II Regulatory Capital, the amount of outstanding redeemable subordinated debt, such as the Notes, including principal and/or interest, may be used to absorb losses that are incurred by Scotiabank Perú. Accordingly, during an Intervention or liquidation proceeding and upon instruction of the SBS, any losses of Scotiabank Perú would be absorbed first by current and retained earnings, donations and premiums on the issuance of shares and legal and voluntary reserves, then by common and preferred shares, followed by hybrid instruments that qualify as Tier I and Tier II Regulatory Capital (as applicable), and finally by redeemable subordinated debt that qualifies as Tier II Regulatory Capital, such as the Notes.

The only portion of redeemable subordinated debt that is eligible to be included in Tier II Regulatory Capital in its entirety is the aggregate outstanding amount of subordinated debt that has a term to maturity equal to or greater than five years. The percentage of redeemable subordinated debt eligible to be included in Tier II Regulatory Capital decreases at a 20% discount rate per annum during the five-year period prior to maturity as follows:

Maturity	Discount Rate
Less than or equal to one year	100%
More than one year but less than two years	80%
More than two years but less than three years	60%
More than three years but less than four years	40%
More than four years but less than five years	20%

As a result, from December 2022, the outstanding aggregate principal amount of the Notes, if not previously redeemed, will no longer qualify as Tier II regulatory capital in its entirety and from December 2026, the outstanding aggregate principal amount of the Notes, if not previously redeemed, will no longer qualify as Tier II regulatory capital at all.

Intervention by the SBS and Liquidation

Pursuant to the Peruvian Banking Law, the SBS has the power to interrupt the operations of a bank in order to prevent, or to control and reduce the effects of, a bank failure. Accordingly, the SBS may intervene in a bank's business by adopting either a temporary surveillance regime or a definitive intervention regime ("Intervention") depending on how critical the situation is deemed to be by the SBS. Either of these actions may be taken upon the occurrence of certain events, including (a) suspension of payments, (b) repeated failure to comply with instructions from the SBS or the Central Bank, (c) repeated violation of the Peruvian Banking Law or the Bank's by-laws, (d) unauthorized or unsound management, or (e) deficit of regulatory capital (to the extent that if it is in excess of 50%, then an Intervention is mandatory). Less drastic measures, such as (i) placing additional requirements, (ii) ordering a capital increase or an asset divestiture, or (iii) imposing a financial restructuring plan, may be adopted by the SBS when the situation allows for them.

An Intervention may halt a bank's operations up to 45 days, and may be extended for a second period of up to 45 additional days, during which time the SBS may institute measures such as (a) canceling losses by reducing reserves, capital and subordinated debt, (b) segregating certain assets and liabilities for transfer to another financial institution, and (c) merging the intervened bank with another acquiring institution. After an Intervention, the SBS will proceed to dissolve and liquidate the bank unless the preceding option (c) was applied.

Beginning on the date on which a resolution of the SBS subjecting a bank to an Intervention regime is issued, and continuing until such Intervention is concluded (which period ends when the liquidation process begins), the Peruvian Banking Law prevents any creditor of the bank from (a) initiating any judicial or administrative procedure for the collection of any amount owed by the bank, (b) enforcing any judicial decision rendered against the bank to secure payment of any of its obligations, (c) constituting a lien or attachment over any of the assets of the bank to secure payment of any of its obligations, or (d) making any payment, advance or compensation or assuming any obligation on behalf of the bank, with the funds or assets that may belong to it and are held by third parties, except for (i) set-off compensation payments that are made between regulated entities of the Peruvian banking and financial sector and insurance systems, and (ii) set-off of reciprocal obligations arising from repurchase agreements and operations with financial derivatives entered into with local or foreign financial and insurance institutions.

During liquidation, claims of bank creditors rank as follows:

First order – Labor claims:

- 1st* Employee remunerations.
- 2nd* Social benefits, contributions to the private and public pension system and other labor claims against the bank accrued until the date when the dissolution is declared, retirement pensions or the capital required to redeem those pensions or to secure them by purchasing annuities.

Second order – Claims for bank deposits and other types of saving instruments provided under the Peruvian Banking Law, in the portion not covered by the Deposit Insurance Fund (*Fondo de Seguro de Depósitos*).

Third order – Taxes:

- 1st* Claims by the Peruvian social security administration (*Seguro Social de Salud - EsSalud*) related to health care benefits for which the bank is responsible as employer.
- 2nd* Taxes.

Fourth order – Unsecured and non-privileged credits:

- 1st* All unsecured and non-privileged credits against the bank, ranked on the basis of (i) the date they were assumed or incurred by the bank whereby obligations assumed or incurred on an earlier date shall rank senior in right of payment to obligations assumed or incurred by the bank at a later date, and (ii) obligations assumed or incurred by the bank on a date that cannot be determined shall rank junior in right of payment to all the obligations comprised in (i) above and *pari passu* among themselves.
- 2nd* The legal interest on the bank's obligations that may accrue during the liquidation.
- 3rd* Subordinated debt.

Except for the first and second categories under unsecured and non-privileged credits, all claims within an order will be ranked *pari passu* among themselves. Each category of creditors will collect in the order indicated above, whereby distributions in one order will be subject to completing full distribution in the prior order. Any security interest created before the issuance of the resolution declaring the bank's dissolution and the initiation of the liquidation process shall survive in order to guarantee the obligation it secures. The secured creditors shall retain the

right to collect from the proceeds of the sale of the collateral, on a preferred basis (except with respect to labor claims, savings and deposits, which are privileged claims), subject to certain rules established under Article 119 of the Peruvian Banking Law. See “Risk Factors—Risk Factors Relating to the Notes—The Notes will be unsecured and subordinated.”

Creditors representing at least 30% of the total amount of credits may submit a restructuring plan for consideration and approval of the SBS. Such restructuring plan may establish that losses will be absorbed by holders of subordinated debt. Peruvian banks are not subject to the regime of insolvency and bankruptcy otherwise applicable to corporations in general.

MANAGEMENT

Board of Directors

Scotiabank Perú is managed by its Board of Directors, Chairman, Chief Executive Officer and Vice-Presidents. The members of the Board of Directors are elected annually.

As of September 30, 2012, the Board of Directors of Scotiabank Perú were:

Name	Position	Board Member Since⁽¹⁾
Mr. Peter Cardinal	Chairman of the Board	March 2006-March 2008 & March 2010
Mr. Carlos González-Taboada	Chief Executive Officer/Vice Chairman of the Board	2003
Mr. Roberto Calda	Director	2006
Mr. Gianfranco Castagnola	Director	2007
Mr. Raúl Salazar	Director	1999
Mr. James Callahan	Director	2006
Santiago Perdomo Maldonado	Director	2012

(1) References to service on the Board of Directors of Scotiabank Perú prior to 2006 refer to service on the Board of Directors of either Banco Sudamericano or Banco Wiese Sudameris, as applicable.

Peter Cardinal, Chairman of the Board

Peter Cardinal has served as Chairman of the Board of Scotiabank Perú since March 2010. He also served as Director from March 2006 to March 2008. Mr. Cardinal received a Certified Public Accountant (“CPA”) degree from University of Western Ontario. Mr. Cardinal also serves as President of the Board of Directors of Grupo Financiero Scotiabank Inverlat S.A. de C.V., Mexico, Scotiabank Puerto Rico, San Juan and Scotiabank Chile and as Director of BanCaribe, Venezuela and Scotiabank Colombia. In addition, Mr. Cardinal has served as Executive Vice President–Latin America of The Bank of Nova Scotia, as President of the Board of Directors of Scotia Inverlat Casa de Bolsa S.A. de C.V., Scotiabank Inverlat S.A., Institución de Banca Múltiple and the Canadian Chamber of Commerce in Mexico, and as Director of Banco Sudamericano in Perú and Scotiabank El Salvador. Mr. Cardinal has 47 years of experience in the Scotia Perú Group.

Carlos González-Taboada, Chief Executive Officer and Vice Chairman of the Board

Carlos González-Taboada has served as CEO and Vice Chairman of the Board of Directors of Scotiabank Perú since August 2003. Mr. González-Taboada received a CPA from Universidad de Buenos Aires and a degree in Banking and Technology Organization from Universidad Argentina de la Empresa. Mr. González-Taboada has held various managerial and executive positions at several banks and financial institutions. In addition, Mr. González-Taboada serves as Chairman of the Board of Directors of Scotia Fondos, Scotia Titulizadora, DEPSA, SCI, Promociones de Proyectos Inmobiliarios y Comerciales S.A., CrediScotia Financiera Profuturo AFP S.A., Scotia Perú Holdings S.A., Nuevo Banco Comercial S.A. (NBC-Uruguay) and Banco de Antigua Guatemala, as Director of Corporación Andina de Fomento and as Advisor and Chairman of the Committee Regarding the Market and Investors of Banco Patagonia (Argentina).

Roberto Calda, Director

Roberto Calda has served as Director of the Board of Scotiabank Perú since March 2006. He was Chairman of the Board of Banco Sudamericano from January 1993 through March 2006. Mr. Calda received a degree in Mechanical Engineering from the National Engineering University in Lima. Mr. Calda serves as Director on the boards of various financial organizations.

Gianfranco Castagnola, Director

Gianfranco Castagnola has served as Director of the Board of Scotiabank Perú since March 2007. He received a Bachelor's degree in Economics from Universidad del Pacífico in Lima and a Master's degree in Public Policy from Harvard University in the United States. In addition, Mr. Castagnola is a businessman who has held various managerial and executive positions at several organizations.

Raúl Salazar, Director

Raúl Salazar has served as member of the Board of Directors of Scotiabank Perú since September 1999. Mr. Salazar received a Bachelor's degree in Economics from Universidad San Luis Gonzaga de Ica in Peru and a Master's degree in Science of Economics from Iowa State University in the United States. In addition, Mr. Salazar serves on the Board of Directors of Profuturo AFP S.A., as well as several other financial institutions and companies. He served as Alternate Executive Director of the International Monetary Fund and Executive President of the Andean Reserve Fund.

James Callahan, Director

James Callahan has served as Director of the Board of Scotiabank Perú since March 2009, and has previously served as Alternate Director of the Board from September 2006 to March 2009. Mr. Callahan received a Bachelor's degree in Political Science from the State University of New York in the United States, a diploma in Advanced Studies in Comparative Public Administration from College d'Europe in Belgium, and a Master's degree in Business Administration ("MBA") from Syracuse University in the United States. Mr. Callahan has 34 years of experience in international banking. Mr. Callahan has held various managerial and executive positions at various financial institutions during his career. Mr. Callahan is currently serving as the General Manager of Scotiabank Chile, and Director of the Canadian-Peruvian Chamber and the Association of Banks and Financial Institutions.

Santiago Perdomo Maldonado, Director

Santiago Perdomo Maldonado has served as Director of the Board of Scotiabank Perú since September, 2012. Mr. Perdomo graduated with a Bachelor's Degree in Business Administration from Colegio de Estudios Superiores de Administración in Bogota, Colombia. Mr. Perdomo has been Chief Executive Officer of Banco Colpatria – Red Multibanca Colpatria since September 1994, where he previously served as Executive Vice President and Corporate Banking Manager. Mr. Perdomo is a member of the Board of Management of the Colombia Financial Institutions Association (*Asociación Gremial de Instituciones Financieras de Colombia*) and other institutions. Mr. Perdomo served as the Manager of Colpatria Administradores de Fondos y Cesantías, Corredora Bursátil (Colombia) and at Citibank (Colombia).

The business address of the members of our Board of Directors is: Scotiabank Perú S.A.A., Av. Dionisio Derteano 102, San Isidro, Lima, Peru.

Senior Management

As of the date of this Offering Memorandum, Scotiabank Perú's principal executives were as follows:

Name	Position	Year Joined the Scotia Perú Group⁽¹⁾
Mr. Carlos González-Taboada	CEO, General Manager, Country Head Peru and Special Advisor, Latin America	2003
Mr. Hubert de la Feld	Senior Vice President and Chief Operating Officer	2002
Mr. Stephen Bagnarol	Senior Vice President of Corporate and Commercial Banking	2011
Mr. Cesar Calderón	Senior Vice President of Operations and Administration	1999
Mr. Sergio Quiñones	Senior Vice President – Chief Risk Officer	2012
Mr. Juan Manuel Santa Maria	Senior Vice President of Retail Banking	2001
Mrs. Rina Alarcón	Vice President of Human Resources	2006
Mr. Luis Bianchi	Vice President of Commercial and Institutional Banking	1999
Mr. Luis Felipe Flores	Vice President of Treasury	2010
Ms. Flor Olano	Vice President of Audit, Security and Investigations	2009
Mr. Francisco Rivadeneira	Vice President, Legal Counsel, Compliance and Corporate Secretary	2003
Mr. Yván Rosas Ferreccio	Vice President & Chief Financial Officer	2012
Ms. Gina Rodríguez Larraín	Senior Manager Institutional and Corporate Relations	2011
Mrs. Lucía Lence	Customer Ombudsman	1999

(1) References to executive positions held at Scotiabank Perú prior to 2006 refer to executive positions held at either Banco Sudamericano or Banco Wiese Sudameris, as applicable.

Carlos González-Taboada's biography is provided above.

Hubert de la Feld, Senior VP and Chief Operating Officer

Hubert de la Feld has served as the Senior Vice President and Chief Operating Officer of Scotiabank Perú since November 2011. Prior to November 2011, Mr. de la Feld served as the Senior Vice President of the Capital Market division of Scotiabank Perú's Wholesale segment since June 2009 and as Senior Vice President in charge of the Retail Banking Segment since August 2002. Mr. de la Feld received a Ph.D. in Political Science from Università degli Studi di Padova in Italy and a degree in International Relations from Johns Hopkins University in the United States. He serves as Vice Chairman Director on the board of various institutions, including CrediScotia, Scotia Fondos, Scotia Titulizadora, DEPSA and Profuturo AFP S.A. He has served as General Manager of Banque Sudameris in Paraguay and Miami and as Executive Director of the Retail Sector of Sudameris Bank in Brazil.

Stephen J. Bagnarol, Senior VP, Corporate and Commercial Banking

Stephen Bagnarol has served as Senior Vice President of Corporate Banking and Commercial Banking since June 2011. Mr. Bagnarol holds a Bachelor's degree in Political Science and Psychology and an MBA, both from York University in Canada. Mr. Bagnarol has previously served as Vice President and CEO of Scotiabank, Panamá.

César Calderón, Senior VP, Operations and Administration

César Calderón has served as Senior Vice President of Operations and Administration since March 2003 and previously as Vice President of Operations and Administration since March 2003. He received an MBA from CENTRUM at Pontificia Universidad Católica del Perú, a degree in Industrial Engineering from Pontificia Universidad Católica del Perú, and attended the Senior Management Program at University of Piura. Mr. Calderón serves as Director of various institutions, including CrediScotia, Scotia Fondos, Scotia Titulizadora, DEPSA, SCI

and Profuturo AFP S.A. Mr. Calderon has held various managerial and executive positions other divisions of Scotiabank Perú.

Sergio Quiñones, Chief Risk Officer and Senior VP

Sergio Quiñones has served as Senior Vice President – Chief Risk Officer since February 2012. He previously held the position of Vice President of Corporate and Commercial Credit from April 2009 to January 2012 and served as Manager Corporate and Commercial Credit from April 2003 to July 2006 at Banco Wiese Sudameris. Mr. Quiñones holds a Bachelor's degree in Economics from Pontificia Universidad Católica del Peru, an MBA in Global Management from Thunderbird School of Global Business and Tecnológico de Monterrey and attended the Senior Management Program at University de Piura. Mr. Quiñones is Director of SCI and Alternate Director of CrediScotia. Previously, he served as Assistant General Manager of The Bank of Nova Scotia, Toronto and Director of Commercial Credit of Bank Santander and Citibank N.A.

Juan Manuel Santa María, Senior VP, Retail Banking

Juan Manuel Santa María has served as Senior Vice President of Retail Banking of Scotiabank Perú since October 2012 after serving as Vice President of Marketing from October 2007 to October 2012. He received a Bachelor's degree in Industrial Engineering from University of Lima and an MBA from ESAN University in Peru. Mr. Santa María serves as Director and Alternate Director of various institutions, including CrediScotia and Profuturo AFP S.A. Mr. Santa María has and continues to hold positions at various financial institutions and corporations.

Rina Alarcón, VP, Human Resources

Rina Alarcón has served as the Vice President of Human Resources since May 2006. Mrs. Alarcón received an engineering degree from the University of Lima, and received an MBA from ESAN University in Peru. Mrs. Alarcón has held various managerial and executive positions in various financial institutions. She has also worked as a consultant for various companies in the mining sector and as an Associate Professor of Finance at the University of Lima.

Luis Bianchi, VP, Commercial and Institutional Banking

Luis Bianchi has served as Vice President of Commercial and Institutional Banking since May 2006. Mr. Bianchi received an MBA from CENTRUM at Pontificia Universidad Católica del Peru, attended the CEO's Management Program at Northwestern University (Kellogg School of Management) in the United States and received a graduate degree in Management Development from Universidad de Piura. Mr. Bianchi is a Certified Public Accountant. Mr. Bianchi has held various managerial and executive positions at various financial institutions and corporations across Peru.

Luis Felipe Flores, VP, Treasury

Luis Felipe Flores has served as Vice President of Treasury since August 2010, reporting directly to the Chief Executive Officer since June 2011. Formerly, he served as Treasury Manager from May 2006 to August 2010 and Capital Markets Finance Manager from November 2005 to May 2006. Mr. Flores received a Bachelor's of Science degree in Economics from Universidad de Lima and attended the Management Development Program at Universidad de Piura. Mr. Flores has previously served as Head of Global Markets for Standard Chartered Bank in Peru and Treasury Manager at Banco Financiero.

Flor Olano, VP, Audit, Security and Investigation

Flor Olano has served as Vice President of Audit, Security and Investigation of Scotiabank Perú since January 2009 and as Chief Auditor since 2005. Ms. Olano joined from Banco Sudamericano at the time of its acquisition by Scotiabank Perú. Ms. Olano has held managerial positions in various departments of Scotiabank Perú. Ms. Olano held senior audit and compliance roles at Citibank and Arthur Andersen.

Francisco Rivadeneira, VP, Legal, Compliance and Corporate Secretary

Francisco Rivadeneira has served as Vice President of Legal Counsel, Compliance and Corporate Secretary of Scotiabank Perú since July 2012. Prior to that, Mr. Rivadeneira served as Vice President of Legal Consultancy of Scotiabank Perú from May 2003 to July 2012 and as General Secretary from July 2002 to May 2003. Mr. Rivadeneira joined Scotiabank Perú in June 1995. He received a law degree from Pontificia Universidad Católica del Perú and an MBA from Universidad del Pacífico. Mr. Rivadeneira serves as Director of various institutions, including Profuturo AFP S.A. and as Alternate Director of various institutions, including CrediScotia and Scotia Perú Holdings S.A. Mr. Rivadeneira has held various managerial positions at institutions across Peru.

Yván Rosas Ferreccio, VP and Chief Financial Officer

Yván Rosas has served as Vice President & Chief Financial Officer since October 2012. Prior to October 2012, Mr. Rosas served as Planning and Control Manager since April 2003 and Control Manager since June 2000. Mr. Rosas is a Chartered Public Accountant and Auditor. He attended Universidad del Pacífico, received an International MBA from the Instituto de Empresa in Madrid, Spain, and took International Business Courses at the London Business School. Mr. Rosas served as Director of Business Profitability and Decision Support of The Bank of Nova Scotia, as Comptroller of Orión Corporación de Crédito Banco, Project Leader and Financial Analyst of IBM Andino, IBM del Perú and IBM Spain, and he served at Anderson Consulting and Cosapi Organización Empresarial.

Lucía Lence, Customer Ombudsman

Lucía Lence has served as Customer Ombudsman of Scotiabank Perú since May 2006. Ms. Lence received a degree in Economics from Universidad Nacional Mayor de San Marcos and an MBA from Universidad Católica del Perú and has attended specialty programs at ESAN University in Peru, Pontificia Universidad Católica del Perú and IBM in Peru. Ms. Lence has held managerial positions in various departments of Scotiabank Perú.

Gina Rodríguez Larraín, Senior Manager, Institutional and Corporate Relations

Gina Rodríguez Larraín has served as Manager of Institutional Relations and Social Responsibility at Scotiabank Perú since July 2011. She formerly held the position of Institutional and Corporate Projection Manager at Scotiabank Perú. Ms. Rodriguez Larrain studied Business Administration at Babson College – Boston in the United States, Corporate Identity at Universidad de Lima, Financial Statements Analysis at CENTRUM and Management Accounting at ESAN University in Peru. She has served as Executive Director of Asociación Operación Sonrisa and Manager of Image and Institutional Relations at Banco Sudamericano.

OWNERSHIP

The Scotia Perú Group is part of and controlled by BNS, which, through various of its subsidiaries (the “BNS Group”), holds 97.75% of the common shares of Scotiabank Perú as of September 30, 2012. BNS is a Canadian financial institution and one of the Canadian banks with the largest international presence. The remaining 2.25% of the common shares of Scotiabank Perú are publicly listed and traded on the BVL (*Bolsa de Valores de Lima*) under the symbol “ScotiaC1.”

The following table sets forth the holdings of ordinary shares in Scotiabank Perú as of September 30, 2012:

SHAREHOLDER	Share (%)	Place of Incorporation
BNS Group		
NW Holdings Ltd.	55.32%	Bahamas
Scotia Perú Holdings S.A.	40.11%	Peru
The Bank of Nova Scotia	2.32%	Canada
Total BNS Group	97.75%	
Others.....	2.25%	
Total	100.00%	

RELATED-PARTY TRANSACTIONS

The Scotia Perú Group has entered into various transactions with related parties. Under the Peruvian Banking Law, all loans to related parties must be provided on terms no more favorable than the best terms that the Scotia Perú Group offers to the public. The Scotia Perú Group believes that it is in full compliance with this requirement and all other related-party transaction requirements under the Peruvian Banking Law.

The following is a summary of such commitments with members of the BNS Group, categorized by transaction type, as of and for the years ended December 31, 2009, 2010 and 2011 and as of and for the nine months ended September 30, 2011 and 2012:

	As of and for the year ended December 31,			As of and for the nine months ended September 30,	
	2009 ⁽¹⁾	2010 ⁽²⁾	2011 ⁽³⁾	2011 ⁽⁴⁾	2012 ⁽⁵⁾
	<i>(S/. in thousands)</i>				
Related-party transactions with members of the BNS Group					
Assets					
Cash and due from banks	25,751	17,253	7,159	5,757	9,060
Liabilities					
Borrowings and financial obligations.....	39,891	877,259	1,377,125	1,417,497	1,817,763
Income					
Interest expenses	1,878	1,962	13,324	9,514	15,775

- (1) Amounts in U.S. Dollars as of and for the year ended December 31, 2009, have been translated to Nuevos Soles at the exchange rate of S/.2.890 per U.S.\$1.00. Amounts in Canadian dollars as of and for the year ended December 31, 2009, have been translated to Nuevos Soles at the exchange rate of S/.2.740636 per C\$1.00, based on information published by SBS, except for interest expenses, which were translated to Nuevos Soles at the applicable exchange rate for that period.
- (2) Amounts in U.S. Dollars as of and for the year ended December 31, 2010, have been translated to Nuevos Soles at the exchange rate of S/.2.809 per U.S.\$1.00. Amounts in Canadian dollars as of and for the year ended December 31, 2010, have been translated to Nuevos Soles at the exchange rate of S/.2.809843 per C\$1.00, based on information published by SBS, except for interest expenses, which were translated to Nuevos Soles at the applicable exchange rate for that period.
- (3) Amounts in U.S. Dollars as of and for the year ended December 31, 2011, have been translated to Nuevos Soles at the exchange rate of S/.2.696 per U.S.\$1.00. Amounts in Canadian dollars as of and for the year ended December 31, 2011, have been translated to Nuevos Soles at the exchange rate of S/.2.641584 per C\$1.00, based on information published by SBS, except for interest expenses, which were translated to Nuevos Soles at the applicable exchange rate for that period.
- (4) Amounts in U.S. Dollars as of and for the nine months ended September 30, 2011, have been translated to Nuevos Soles at the exchange rate of S/.2.773 per U.S.\$1.00. Amounts in Canadian dollars as of and for the year ended September 30, 2011, have been translated to Nuevos Soles at the exchange rate of S/.2.64195 per C\$1.00, based on information published by SBS, except for interest expenses, which were translated to Nuevos Soles at the applicable exchange rate for that period.
- (5) Amounts in U.S. Dollars as of and for the nine months ended September 30, 2012, have been translated to Nuevos Soles at the exchange rate of S/.2.598 per U.S.\$1.00. Amounts in Canadian dollars as of and for the year ended September 30, 2011, have been translated to Nuevos Soles at the exchange rate of S/.2.64293 per C\$1.00, based on information published by SBS, except for interest expenses, which were translated to Nuevos Soles at the applicable exchange rate for that period.

On an unconsolidated basis and in accordance with the Peruvian Banking Law, the SBS regulates and closely monitors loans to related parties and has established a limit on related-party loans equivalent to 30% of a bank's regulatory capital or 50% of the bank's regulatory capital if the excess is supported by letters of credit issued by foreign financial entities. Scotiabank Perú's total related-party loans (including loans to members of the BNS Group and to non-BNS Group related parties) were 28.4% of its regulatory capital as of September 30, 2012, 39.0% of its regulatory capital as of December 31, 2011, and 18.7% of its regulatory capital as of December 31, 2010. Scotiabank Perú intends to continue to enter into transactions with related parties on terms similar to those that would be offered by or to an unaffiliated third-party.

DESCRIPTION OF THE NOTES

The Notes will be issued pursuant to an indenture to be dated as of December 13, 2012 among The Bank of New York Mellon, as trustee, paying agent, transfer agent, calculation agent and security registrar, The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg paying agent and Luxembourg transfer agent, and Scotiabank Perú (the “Indenture”).

The Indenture provides for the issuance of the Notes but does not limit the aggregate principal amount of Notes that may be issued under the Indenture, and provides that, subject to certain conditions, additional Notes may be issued under the Indenture from time to time. The Indenture does not limit the amount of additional indebtedness or other obligations that Scotiabank Perú may incur. At Scotiabank Perú’s option, this additional indebtedness may consist of additional Notes (“Additional Notes”) issued by it in one or more transactions, which shall have identical terms (other than issue date, issue price and in certain cases, first interest payment date) as the Notes issued hereby; provided, however, that if the Additional Notes are not fungible with the Notes for U.S. federal income tax purposes (including for purposes of Sections 1471 to 1474 of the Code, as defined below), the Additional Notes will have separate CUSIP and ISIN numbers. Holders of Additional Notes will vote together with holders of the Notes issued hereby as one class.

Scotiabank Perú urges you to read each of the Indenture and the form of the Notes for additional details regarding your rights as a holder of the Notes. Capitalized terms not otherwise defined in this “Description of the Notes” have the meanings ascribed to them in the Indenture. You may obtain a copy of the Indenture and the form of the Notes by contacting the trustee at the address indicated in this Offering Memorandum and, for so long as the Notes are admitted to listing on the Official List of the Luxembourg Stock Exchange (the “LSE”) and to trading on the Euro MTF Market, the alternative market of the LSE, at the office of the paying agent in Luxembourg.

The Notes will represent obligations of Scotiabank Perú and are not guaranteed by, and do not represent interests in or obligations of, the Subsidiaries or any other person. In particular, the Notes are not in any manner obligations of, or guaranteed by, BNS and/or any of its affiliates.

General

The Notes:

- are Scotiabank Perú’s direct, unsecured subordinated obligations, junior in right of payment to all existing and future Senior Obligations in accordance with the subordination provisions of the Indenture;
- are initially issued in an aggregate principal amount of U.S.\$400,000,000;
- will be at least *pari passu* in right of payment with Scotiabank Perú’s Parity Securities; and
- are senior in right of payment to the payment of Scotiabank Perú’s Junior Securities.

Acceleration of any payments due under the Notes will occur only upon the occurrence and continuation of an Acceleration Event. There is no right of acceleration in the case of a default in any payment on the Notes (whether when due, upon redemption or otherwise) or the performance of any of Scotiabank Perú’s other obligations under the Indenture or the Notes.

As of September 30, 2012, Scotiabank Perú, on an unconsolidated basis, had total Senior Obligations of approximately S/26.2 billion (approximately U.S.\$10.1 billion), of which S/0.4 billion (approximately U.S.\$0.2 billion) represents bank deposits. As indicated above and as discussed in detail below under the caption “—Subordination,” payments on the Notes will be subordinated to the payment of Senior Obligations, which includes employee liabilities (such as payroll), bank deposits and other types of saving instruments and taxes, among other types of obligations. The Indenture will permit Scotiabank Perú to incur additional Senior Obligations.

Principal, Maturity and Interest

Scotiabank Perú will issue U.S.\$400,000,000 in aggregate principal amount of Notes in this offering. The Notes will mature on December 13, 2027, and unless previously redeemed, the aggregate principal amount of the Notes will be due and payable on December 13, 2027. Scotiabank Perú will issue the Notes only in fully registered form in the form of beneficial interests in one or more global Notes registered in the name of Cede & Co., as nominee of The Depository Trust Company, or DTC. Scotiabank Perú will issue Notes in denominations of U.S.\$10,000 and integral multiples of U.S.\$1,000 in excess of U.S.\$10,000.

Through December 13, 2022 Scotiabank Perú will pay interest on the Notes semi-annually on each June 13 and December 13, commencing on June 13, 2013, to the person in whose name such Note was registered at the close of business on the immediately preceding May 29 or November 28, as the case may be (whether or not a Business Day). After December 13, 2022, Scotiabank Perú will pay interest on the Notes quarterly on March 13, June 13, September 13 and December 13 of each year to the person in whose name such Note was registered at the close of business on the immediately preceding February 26, May 29, August 29 and November 28, as the case may be (whether or not a Business Day). However, interest not punctually paid or duly made available for payment, if any, will be paid instead to the person in whose name the Note is registered on a special record date rather than on the regular record date. In the case of interest due at the date of maturity, Scotiabank Perú will pay interest to the persons to whom principal is payable, whether or not the date of maturity is an interest payment date.

The Notes will bear interest from December 13, 2012 or from the most recent interest payment date on which Scotiabank Perú has paid or provided for interest on the Notes. From and including December 13, 2012 to but excluding December 13, 2022, the Notes will bear interest at the rate per annum set forth on the cover page of this Offering Memorandum (the “fixed rate period”). Scotiabank Perú will make the first interest payment on June 13, 2013. During the period from and including December 13, 2022 to but excluding the date of maturity or earlier redemption date (the “floating rate period”), the interest rate per annum for the Notes will be reset quarterly on the first day of each Interest Reset Period and will be equal to three-month LIBOR *plus* 3.856%, as determined by the calculation agent. The Bank of New York Mellon will initially act as calculation agent. During the fixed rate period, interest will be computed on the basis of a 360-day year of twelve 30-day months. During the floating rate period, interest will be computed on the basis of a 360-day year and the actual number of days elapsed. The amount of interest for each day the Notes are outstanding (the “Daily Interest Amount”) during the floating rate period will be calculated by dividing the interest rate in effect for that day by 360 and multiplying the result by the principal amount of the Notes. The amount of interest to be paid on the Notes for each interest period during the floating rate period will be calculated by adding the Daily Interest Amounts for each day in the interest period. Except as described below for the first interest period, on each interest payment date, Scotiabank Perú will pay interest for the period commencing on and including the immediately preceding interest payment date and ending on and including the day preceding the next interest payment date.

In the event that an interest payment date occurring during the fixed rate period is not a Business Day, Scotiabank Perú will pay interest on the next day that is a Business Day, with the same force and effect as if paid on such interest payment date, and no interest shall accrue on the amount so payable for the period from and after such interest payment date. In the event that an interest payment date occurring during the floating rate period is not a Business Day, Scotiabank Perú will pay interest on the next day that is a Business Day, and the amount paid on such day will include interest accrued to but excluding such next Business Day, unless it would thereby fall in the next succeeding calendar month, in which case such interest payment date will be brought forward to the immediately preceding Business Day. If the date of maturity or earlier redemption date falls on a day that is not a Business Day, the payment of principal and interest, if any, may be made on the next succeeding Business Day and no interest shall accrue on the amount so payable for the period from and after such date of maturity or earlier redemption date.

Any money that Scotiabank Perú pays to the paying agent for the purpose of making payments on the Notes that remains unclaimed two years after the payments were due will, at its written request, be returned to Scotiabank Perú. After that time any holder of a Note can only look to Scotiabank Perú for payment on the Notes.

All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upwards (e.g.,

9.876545% (or .09876545) being rounded to 9.87655% (or .0987655)) and all dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one-half cent being rounded upwards).

The interest rate on the Notes will in no event be higher than the maximum rate permitted by Peruvian or New York law (as the same may be modified by United States law of general application).

The calculation agent will, upon the written request of the holder of any Note, provide the interest rate then in effect. All calculations of the calculation agent, in the absence of manifest error, shall be conclusive for all purposes and binding on Scotiabank Perú and holders of the Notes. Scotiabank Perú may appoint a successor calculation agent.

Payment of Additional Amounts

All payments in respect of the Notes will be made free and clear of and without any deduction or withholding for or on account of any present or future Taxes (as defined below), unless the withholding or deduction of such Taxes is required by law or the official interpretation thereof, or by the administration thereof or pursuant to any agreement between Scotiabank Perú and the United States or any authority thereof. If Scotiabank Perú is required by any law of any Taxing Jurisdiction (as defined below) to withhold or deduct any Taxes from or in respect of any sum payable under the Notes, Scotiabank Perú shall (i) pay such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts receivable by holders of any Notes after such withholding or deduction shall equal the respective amounts which would have been receivable by such holder in the absence of such withholding or deduction, (ii) make such withholding or deduction, and (iii) pay the full amount withheld or deducted to the relevant tax or other authority in accordance with applicable law.

No such Additional Amounts will be payable in respect of any Note:

(i) to the extent that such Taxes are imposed or levied by reason of such holder (or the beneficial owner) having some connection with the Taxing Jurisdiction other than the mere holding (or beneficial ownership) of such Note, receiving principal or interest payments on the Notes or enforcing rights thereunder (including but not limited to citizenship, nationality, residence, domicile, or existence of a business, permanent establishment, a dependent agent, a place of business or a place of management present or deemed present in the Taxing Jurisdiction);

(ii) to the extent that any Taxes are imposed other than by deduction or withholding from payments of principal, premium, if any, or interest on or in respect of the Notes;

(iii) in the event that the holder (or beneficial owner) fails to comply with any certification, identification or other reporting requirement concerning nationality, residence, identity or connection with the Taxing Jurisdiction if (1) compliance is required by applicable law, regulation, administrative practice or treaty as a precondition to exemption from all or part of the taxes, (2) if the certification, identification or other reporting requirement does not concern nationality, residence or identity with the Taxing Jurisdiction, the holder (or beneficial owner) is able to comply with these requirements without undue hardship and (3) Scotiabank Perú has given the holders (or beneficial owners) at least 30 calendar days prior notice that they will be required to comply with such requirement;

(iv) in the event that the holder fails to surrender (where surrender is required) its Note for payment within 30 days after Scotiabank Perú has made available a payment of principal or interest, provided that Scotiabank Perú will pay Additional Amounts to which a holder would have been entitled had the Note been surrendered on the last day of such 30-day period;

(v) to the extent that such Taxes are imposed by reason of an estate, inheritance, gift, personal property, value added, use or sales tax or any similar taxes, assessments or other governmental charges;

(vi) where such withholding or deduction of Taxes is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other directive on the taxation of

savings implementing the conclusions of the European Council of Economic and Finance Ministers (“ECOFIN”) meeting of June 3, 2003 or any law implementing or complying with, or introduced in order to conform to, such directive;

(vii) by or on behalf of a holder who has been able to avoid such withholding or deduction of Taxes by presenting the relevant Note to another available paying agent of Scotiabank Perú in a member state of the European Union;

(viii) where such withholding or deduction is imposed on or in respect of any Note pursuant to sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”) or any successor law or regulation implementing or complying with, or introduced in order to conform to, such sections; or

(ix) any combination of items (i) to (viii) above.

Notwithstanding the language above in (v), Additional Amounts will be payable in respect of any Note to the extent that a Peruvian value added tax (“VAT”) is imposed on the holders of the Notes for payments of interest on the Notes, which would result in any deduction or withholding on any payment of interest on the Notes. For a discussion regarding the application of Peruvian VAT over payments of interest see “—Value Added Tax.”

Any reference to payments on the Notes shall be deemed also to include any Additional Amounts. However, no holder of a Note shall be entitled to receive any Additional Amounts greater than the amounts necessary in order that the net amounts receivable by such holder after such withholding or deduction equal the respective amounts which would have been receivable by such holder in the absence of such withholding or deduction, subject to the exceptions above.

Furthermore, for Peruvian law purposes, Scotiabank Perú will be treated as assuming the obligation of any Taxes and any Additional Amounts in respect thereof, subject to conditions and exclusions described above.

“Taxes” means, with respect to payments on the Notes, all taxes, withholdings, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Peru, or in the event that Scotiabank Perú appoints additional paying agents, by the jurisdictions of such additional paying agents, or the jurisdiction of any successor corporation (each, a “Taxing Jurisdiction”), or any political subdivision thereof or any authority or agency therein or thereof having power to tax.

For a discussion of Peruvian withholding taxes applicable to payments under or with respect to the Notes, see “Taxation.”

Value Added Tax

Payments of interest under the Indenture will not be subject to Peruvian VAT, pursuant to an amendment introduced to the Peruvian Value Added Tax Law on June 9, 2011, which exempts from VAT the payment of interest generated by securities if such securities are registered in the Securities Public Registry (“*Registro Público del Mercado de Valores*”) and issued by a Peruvian entity in an international offering, and if (i) such offering has a local tranche within Peru and (ii) the offering is made pursuant to Supreme Decree No. 093-2002-EF (*Texto Unico Ordenado de la Ley del Mercado de Valores*, the Peruvian Securities Law) and Legislative Decree No. 862 (*Ley de Fondos de Inversión y sus Sociedades Administradoras*, the Peruvian Investment Fund Law).

Should this exemption expire on December 31, 2012 or at any other date, or should it be eliminated at any time after the date of the Indenture, then pursuant to the Peruvian Value Added Tax Law the VAT shall constitute a tax payable directly by Scotiabank Perú and shall not be transferred or attributed to the Noteholders under any circumstance, and Scotiabank Perú shall not carry out any withholding or deduction on payments of interest on the Notes for the purpose of paying any applicable VAT. See “Risk Factors—Risk Factors Relating to the Notes—Scotiabank Perú may redeem the Notes in whole upon a Tax Event, which includes a change, amendment, expiration or failure to renew the Peruvian Value Added Tax Law, and will provide Scotiabank Perú with the right

to redeem the Notes; as a result, Scotiabank Perú may have an incentive to redeem the Notes prior to their final maturity.”

Should tax legislation, judicial or administrative criteria change in Peru, or should Scotiabank Perú be obliged to withhold any payment of interest for the purpose of performing VAT payments, then such amounts shall be considered Additional Amounts and will be subject to the provisions described in “—Payment of Additional Amounts.”

Redemption Prior to Maturity

Make-Whole Redemption

On December 13, 2017 or on any date occurring thereafter until December 13, 2022, subject to the prior approval of the SBS or any other then-applicable Peruvian Governmental Authority, if then required, Scotiabank Perú may at its option redeem the Notes in whole or in part, at a price equal to the greater of (1) 100% of the principal amount of such Notes on such redemption date and (2) the sum of the present value of each remaining scheduled payment of principal and interest on the Notes to December 13, 2022 (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at a rate equal to the Treasury Rate plus 50 basis points (the “Make-Whole Amount”), plus in each case any accrued and unpaid interest on the principal amount of the Notes up to, but not including, the date of redemption, plus Additional Amounts, if any (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Optional Redemption

On December 13, 2022, or on any interest payment date occurring thereafter, subject to the prior approval of the SBS or any other then-applicable Peruvian Governmental Authority, if then required, Scotiabank Perú may at its option redeem the Notes in whole or in part, at a redemption price equal to 100% of the aggregate principal amount of the Notes to be redeemed, plus any accrued and unpaid interest on the principal amount of the Notes, up to, but not including, the date of redemption, plus Additional Amounts, if any (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Redemption upon Tax Event or Regulatory Event

At any time with the prior approval of the SBS, or any other then-applicable Peruvian Governmental Authority, if then required, Scotiabank Perú may redeem the Notes in whole, but not in part, following the occurrence of a Tax Event (as defined below) or Regulatory Event (as defined below). In the case of redemption following a Tax Event, Scotiabank Perú will redeem the Notes at a redemption price equal to 101% of the aggregate principal amount of the Notes to be redeemed, *plus* any accrued and unpaid interest on the principal amount of the Notes, up to, but not including, the date of redemption, *plus* Additional Amounts, if any. In the case of redemption following a Regulatory Event, Scotiabank Perú may redeem the Notes at a redemption price equal to the Make-Whole Amount (as defined under the caption “—Make-Whole Redemption” above), *plus* any accrued and unpaid interest on the principal amount of the Notes, up to, but not including, the date of redemption, *plus* Additional Amounts, if any (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

In the case of a Tax Event, before giving notice of redemption, Scotiabank Perú shall deliver to the trustee an officers’ certificate stating that Scotiabank Perú is entitled to effect such redemption in accordance with the terms set forth in the Indenture and setting forth in reasonable detail a statement of the facts relating thereto. The statement will be accompanied by a written opinion of counsel to the effect, among other things, that:

(i) as a result of a Tax Event, Scotiabank Perú has become obligated to pay or will be liable for Additional Amounts payable in respect of the Notes in excess of the gross amount of Additional Amounts payable in respect of such Notes prior to such Tax Event; and

(ii) such obligation cannot be avoided by taking reasonable measures available to Scotiabank Perú (such measures not involving any material cost to Scotiabank Perú or the incurring of any material tax or penalty).

In the case of a Tax Event or a Regulatory Event, Scotiabank Perú is required, prior to exercising the right of redemption, to deliver to the trustee an officers' certificate together with a written legal opinion of Peruvian counsel of recognized standing, selected by Scotiabank Perú, in a form satisfactory to the trustee confirming that such right of redemption has been authorized by the SBS or any other then-applicable Peruvian Governmental Authority if then required.

"Tax Event" means (a) any change in or amendment (including any announced prospective change) to the laws, treaties or regulations of Peru or any political subdivision or governmental authority thereof, (b) any judicial decision, official administrative announcement or regulatory procedure, of Peru (each, an "Administrative Action"), (c) any amendment to or change in the official position or the official interpretation of such Administrative Action that provides for a position with respect to such Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body having appropriate jurisdiction, irrespective of the manner in which such amendment or change is made known, which amendment or change is effective or such pronouncement or decision is announced on or after the date of issuance of the Notes, or (d) any change, amendment, expiration or non-renewal of the Peruvian VAT exemption applicable to interest paid on securities, such as the Notes, issued through an international offering by companies incorporated or established in Peru (as described in "Taxation—Peruvian Tax Considerations—Value Added Tax" below). See "Risk Factors—Risk Factors Relating to the Notes—Scotiabank Perú may redeem the Notes in whole upon a Tax Event, which includes a change, amendment, expiration or failure to renew the Peruvian Value Added Tax Law, and will provide Scotiabank Perú with the right to redeem the Notes; as a result, Scotiabank Perú may have an incentive to redeem the Notes prior to their final maturity."

"Regulatory Event" means that, as a result of (i) any change in, or amendment to, the laws (or any regulations or rulings issued thereunder) of Peru or any political subdivision thereof or any regulatory authority therein or (ii) any change in the application, administration or official interpretation of such laws, regulations or rulings, including, without limitation, the holding of a court of competent jurisdiction, which change or amendment becomes effective on or after the issuance date of the Notes, Scotiabank Perú will no longer be entitled to treat the full, or the applicable portion of, principal amount of the Notes as Tier II Regulatory Capital pursuant to Peruvian banking regulations. See "Regulatory Environment—Subordinated Debt as a Component of Regulatory Capital of Scotiabank Perú."

Notice of Redemption

In the event that Scotiabank Perú exercises its option to redeem the Notes (subject to obtaining the approval of the SBS or any other then-applicable Peruvian Governmental Authority, if then required), Scotiabank Perú will give the trustee notice of redemption at least 15 days prior to the date of delivery of notice of redemption to the holders (unless a shorter period of time is agreed upon), and the trustee is obligated to provide to the holders written notice of redemption not less than 30 nor more than 60 days prior to the redemption date; provided it receives timely notice of redemption from Scotiabank Perú.

Notice of redemption will be given as described in the Indenture and under the caption "—Notices" below. If the redemption price in respect of any Notes is improperly withheld or refused and is not paid by Scotiabank Perú, interest on the Notes will continue to be payable until the redemption price is paid in full.

Open Market Purchases

With the prior approval of the SBS or any other then-applicable Peruvian Governmental Authority (if then required), Scotiabank Perú may at any time purchase any Notes in the open market or otherwise in any manner and at any price, which Notes may be delivered to the trustee to be promptly cancelled by it; provided that, in the event that Scotiabank Perú does not purchase the entire aggregate principal amount of the Notes outstanding, following any such purchase at least U.S.\$50.0 million in aggregate principal amount of the Notes must remain outstanding. Upon cancellation, the cancelled Notes will no longer be considered part of Scotiabank Perú's Regulatory Capital.

Any such Note not delivered to the trustee to be cancelled may be resold in compliance with all relevant laws, regulations and directives.

Subordination

The Notes will constitute Scotiabank Perú's direct, unsecured, subordinated obligations and will rank *pari passu* without preference among themselves. In the event of Scotiabank Perú's bankruptcy, insolvency, liquidation, dissolution, winding up or equivalent proceeding under the Peruvian Banking Law, the Notes will rank:

- junior in right of payment to the payment of all of Scotiabank Perú's Senior Obligations;
- *pari passu* in right of payment with Scotiabank Perú's Parity Securities; and
- senior in right of payment to the payment of Scotiabank Perú's Junior Securities.

The Indenture provides that, in the event of Scotiabank Perú's bankruptcy, unless all holders of its Senior Obligations have been paid in full, no payment or other distribution may be made in respect of the Notes. If the trustee under the Indenture or any holders of the Notes receive any payment or distribution that is prohibited under these provisions, then the trustee or the holders will have to repay that money to, or hold that money in trust for the benefit of, holders of Scotiabank Perú's Senior Obligations. See "Risk Factors—Risk Factors Relating to the Notes—The Notes will be unsecured and subordinated."

Loss Absorption

Pursuant to the Peruvian Banking Law, as amended, and regulations promulgated thereunder, the SBS may decree that in the case of Intervention (as defined below) by the SBS or the liquidation of Scotiabank Perú the principal amount and/or interest on the Notes be used to absorb losses of Scotiabank Perú. If the SBS were to do so, any losses of Scotiabank Perú would be absorbed first by current and retained earnings, donations and premiums on the issuance of shares and legal and voluntary reserves, then by common and preferred shares, followed by hybrid instruments which qualify as Tier I and Tier II Regulatory Capital (as applicable) and finally by redeemable subordinated debt which qualifies as Tier II Regulatory Capital, such as the Notes.

Peruvian Bankruptcy Considerations

Pursuant to the Peruvian Banking Law, the SBS has the power to interrupt the operations of a bank in order to prevent it from, or to control and reduce the effects of, a bank failure. Accordingly, the SBS may intervene in a bank's business by adopting either a temporary surveillance regime or a definitive intervention regime ("Intervention") depending on how critical the situation is deemed to be by the SBS. Either of these actions may be taken upon the occurrence of certain events, including (a) suspension of payments; (b) repeated failure to comply with instructions from the SBS or the Central Bank; (c) repeated violation of the Peruvian Banking Law or the bank's by-laws; (d) unauthorized or unsound management; or (e) deficit of regulatory capital (provided that if the deficit is in excess of 50%, then an Intervention is mandatory). Less drastic measures, such as (i) placing additional requirements, (ii) ordering a capital increase or an asset divestiture, or (iii) imposing a financial restructuring plan, may be adopted by the SBS when the situation allows for them.

An Intervention may halt a bank's operations for up to 45 days, which may be extended for a second period of up to 45 additional days, during which time the SBS may institute measures such as (a) canceling losses by reducing reserves, capital and subordinated debt; (b) segregating certain assets and liabilities for transfer to another financial institution; and (c) merging the intervened bank with another acquiring institution. After an Intervention, the SBS will proceed to dissolve and liquidate the bank unless the preceding option (c) was applied.

Beginning on the date on which a resolution of the SBS subjecting a bank to an Intervention regime is issued, and continuing until such Intervention is concluded (which period ends when the liquidation process begins), the Peruvian Banking Law prevents any creditor of the bank from: (a) initiating any judicial or administrative procedure for the collection of any amount owed by the bank, (b) enforcing any judicial decision rendered against

the bank to secure payment of any of its obligations, (c) constituting a lien or attachment over any of the assets of the bank to secure payment of any of its obligations, or (d) making any payment, advance or compensation or assuming any obligation on behalf of the bank, with the funds or assets that may belong to it and are held by third parties, except for: (i) set-off compensation payments that are made between regulated entities of the Peruvian banking and financial sector and insurance systems, and (ii) set-off of reciprocal obligations arising from repurchase agreements and operations with financial derivatives entered into with local or foreign financial and insurance institutions, provided that certain requirements under applicable law are met.

During liquidation, claims of bank creditors rank as follows:

First order – Labor claims:

- 1st* Employee remunerations.
- 2nd* Social benefits, contributions to the private and public pension system and other labor claims against the bank accrued until the date when the dissolution is declared, retirement pensions or the capital required to redeem those pensions or to secure them by purchasing annuities.

Second order – Claims for bank deposits and other types of saving instruments provided under the Peruvian Banking Law, in the portion not covered by the Deposit Insurance Fund (*Fondo de Seguro de Depósitos*).

Third order – Taxes:

- 1st* Claims by the Peruvian social security administration (*Seguro Social de Salud - EsSalud*) related to health care benefits for which the bank is responsible as employer.
- 2nd* Taxes.

Fourth order – Unsecured and non-privileged credits:

- 1st* All unsecured and non-privileged credits against the bank, ranked on the basis of (i) the date they were assumed or incurred by the bank whereby obligations assumed or incurred on an earlier date shall rank senior in right of payment to obligations assumed or incurred by the bank at a later date, and (ii) obligations assumed or incurred by the bank on a date that cannot be determined shall rank junior in right of payment to all the obligations comprised in (i) above and *pari passu* among themselves.
- 2nd* The legal interest on the bank's obligations that may accrue during the liquidation.
- 3rd* Subordinated debt.

Except for the first and second categories under unsecured and non-privileged credits, all claims within an order will be ranked *pari passu* among themselves. Each category of creditors will collect in the order indicated above, whereby distributions in one order will be subject to completing full distribution in the prior order. Any security interest created before the issuance of the resolution declaring the bank's dissolution and the initiation of the liquidation process shall survive in order to guarantee the obligation it secures. The secured creditors shall retain the right to collect from the proceeds of the sale of the collateral, on a preferred basis (except with respect to labor claims, savings and deposits, which are privileged claims), subject to certain rules established under Article 119 of the Peruvian Banking Law. See "Risk Factors—Risk Factors Relating to the Notes—The Notes will be unsecured and subordinated."

Creditors representing at least 30% of total amount of credits may submit a restructuring plan for consideration and approval of the SBS. Such restructuring plan may establish that losses will be absorbed by holders of subordinated debt. Peruvian banks are not subject to the regime of insolvency and bankruptcy otherwise applicable to corporations in general.

Highly Leveraged Transactions; Change of Control

The Indenture does not include any debt covenants or other provisions which afford holders of the Notes protection in the event of a highly leveraged transaction or a change of control.

Indebtedness, Liens, Dividends, Investments, Transactions with Affiliates, Reserves and Maintenance of Properties

The Indenture does not limit Scotiabank Perú's ability to incur additional indebtedness (including Additional Notes), its ability to grant liens on its assets and properties, its payment of dividends, its ability to make investments or enter into transactions with its affiliates or require it to create or maintain any reserves.

Scotiabank Perú may not dispose of and must maintain and keep in good condition any tangible property useful in the conduct of its business, unless such disposal or the discontinuance of its maintenance is, in Scotiabank Perú's judgment, desirable in the conduct of its business and not disadvantageous in any material respect to the holders of the Notes.

Covenants

Scotiabank Perú has agreed to restrictions on its activities for the benefit of holders of the Notes, including the following:

Consolidation, Merger, Sale or Conveyance

Scotiabank Perú may not consolidate with or merge into any other corporation or convey or transfer its properties and assets substantially as an entirety to any person, unless:

- (1) the successor corporation (if not Scotiabank Perú) shall be a corporation organized and existing under the laws of (A) Peru, (B) the United States of America or any state thereof, or (C) any country member of the Organisation for Economic Co-operation and Development or the G-20 and any state thereof (to the extent applicable), and shall expressly assume by a supplemental indenture, delivered to and in a form satisfactory to the trustee, the due and punctual payment of the principal of, premium, if any and interest on all the outstanding Notes and the performance of every covenant in the Indenture on Scotiabank Perú's part to be performed or observed;
- (2) immediately after giving effect to such transaction, no default under the Indenture or the Notes, and no event which, after notice or lapse of time or both would become a default under the Indenture or the Notes, shall have happened and be continuing; and
- (3) Scotiabank Perú shall have delivered to the trustee an officers' certificate and an opinion of counsel, each stating that such consolidation, merger, conveyance or transfer and such supplemental indenture comply with the foregoing provisions relating to such transaction and all conditions precedent in the Indenture relating to such transaction have been complied with.

In case of any such consolidation, merger, conveyance or transfer, such successor corporation will succeed to and be substituted for Scotiabank Perú as obligor on the Notes with the same effect as if it had issued the Notes. Upon the assumption of its obligations by any such successor corporation in such circumstances, Scotiabank Perú will be discharged from all obligations under the Notes and the Indenture.

Periodic Reports

Scotiabank Perú will provide or cause to be provided to the trustee any financial statements or other reports which may be filed with the SMV or SBS, or which are otherwise made available to the public in such language or form as such financial statements are prepared. In addition, to the foregoing (and without duplication), and so long as any Notes are outstanding, Scotiabank Perú will furnish to the trustee:

(1) within 120 days following the end of each of its fiscal years, an English version (or accompanied by an English translation thereof) of its consolidated audited income statements, balance sheets, statements of shareholders equity and cash flow statements and the related notes thereto for the two most recent fiscal years in accordance with Peruvian Banking GAAP or in accordance with such accounting standards as may from time to time be required for Peruvian banks, together with an audit report thereon by its independent auditors; and

(2) within 60 days following the end of the first three fiscal quarters in each of its fiscal years, an English version (or accompanied by an English translation thereof) of its quarterly reports containing unaudited consolidated balance sheets, statements of income, statements of shareholders equity and statements of cash flows and the related notes thereto, in each case for the quarterly period then ended and the corresponding quarterly period in the prior fiscal year and prepared in accordance with Peruvian Banking GAAP or in accordance with such accounting standards as may from time to time be required for Peruvian banks;

provided that such information shall be deemed to have been delivered on the date on which the Bank has posted it in an accessible manner on its website on the internet (it being understood that the Bank shall promptly notify the trustee in writing that the Bank has posted such information on such website).

In addition, Scotiabank Perú shall furnish to the holders (or beneficial owners) of the Notes and to prospective investors, upon the requests of such holders (or beneficial owners), any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as such Notes are not freely transferable under the Exchange Act by “persons” who are not “affiliates” under the Securities Act.

In addition, if and so long as the Notes are admitted to listing on the Official List of the LSE and to trading on the Euro MTF Market and the rules of the LSE so require, copies of such reports and information furnished to the trustee will also be made available at the specified office of the paying agent in Luxembourg.

Listing

In the event that the Notes are admitted to listing on the Official List of the LSE and to trading on the Euro MTF Market, Scotiabank Perú will use its reasonable best efforts to maintain such listing, provided that if, as a result of the European Union regulated market amended Directive 2001/34/EC (the “Transparency Directive”) or any legislation implementing the Transparency Directive Scotiabank Perú could be required to publish financial information either more regularly than it otherwise would be required to or according to accounting principles which are materially different from the accounting principles which it would otherwise use to prepare its published financial information, or Scotiabank Perú determines that it is unduly burdensome to maintain a listing on the LSE, it may delist the Notes from the Euro MTF Market in accordance with the rules of the LSE and seek an alternative admission to listing, trading and/or quotation for the Notes on a different section of the LSE or by such other listing authority, stock exchange and/or quotation system inside or outside the European Union as Scotiabank Perú may decide. Although Scotiabank Perú cannot assure you as to the liquidity that may result from a listing on the LSE, delisting the Notes from the LSE may have a material effect on the ability of holders of the Notes to resell the Notes in the secondary market.

Acceleration Event

If Scotiabank Perú fails to make payment of principal or of interest or Additional Amounts, if any, on the Notes (and, in the case of payment of interest or Additional Amounts, such failure to pay continues for 30 days), each holder of the Notes has the right to demand and collect under the Indenture and Scotiabank Perú will pay to the holders of the Notes the applicable amount of such due and payable principal, accrued interest and Additional Amounts, if any, on the Notes. **There is no right of acceleration in the case of a default in any payment on the Notes (whether when due, upon redemption or otherwise) or the performance of any of Scotiabank Perú’s other obligations under the Indenture or the Notes.**

Acceleration of any payments due under the Notes will occur only upon the occurrence and continuation of an Acceleration Event. In the event that Scotiabank Perú becomes subject to Intervention, the rate at which interest will accrue on the Notes (to the extent the Notes have not been used to absorb losses) during the Intervention and

liquidation process will be limited to the legal interest rate for dollar-denominated indebtedness determined by the Central Bank.

Pursuant to the Peruvian Banking Law, upon Intervention by the SBS, the operations of Scotiabank Perú will be interrupted in order to prevent, or to control and reduce the effects of, a Scotiabank Perú failure. Upon Intervention by the SBS and subsequent liquidation, the Notes may be used to absorb losses. See “—Loss Absorption.”

Modification of the Indenture

Subject to applicable Peruvian Banking Law, and with the prior approval of the SBS (if then required), Scotiabank Perú and the trustee may, without the consent of the holders of the Notes, amend, waive or supplement the Indenture or the Notes for certain specified purposes, including, among other things, curing ambiguities, defects, omissions or inconsistencies, to conform the text of the Indenture or the Notes to any provision in this “Description of the Notes” or making any other change as will not adversely affect the interests of any holder of the Notes in any material respect.

Without the consent of any holder of the Notes, Scotiabank Perú and the trustee may amend the Indenture to evidence the assumption by a successor corporation of Scotiabank Perú’s covenants contained in the Indenture and the Notes, to add to its covenants, or to surrender any right or power conferred by the Indenture upon Scotiabank Perú, for the benefit of the holders of the Notes, to add to the rights of the holders of the Notes and to evidence and provide for the acceptance of a successor trustee.

In addition, with certain exceptions and subject to applicable Peruvian Banking Law, and with the prior approval of the SBS (if then required), Scotiabank Perú and the trustee may amend, waive or supplement the Indenture or the Notes with the consent of the holders of at least a majority in aggregate principal amount of the Notes then outstanding, but no such modification may be made without the consent of the holder of each outstanding Note affected thereby which would:

- (i) change the maturity of any payment of principal of or any installment of interest on any Note, or reduce the principal amount thereof or the interest or premium payable thereon, or change the method of computing the amount of principal thereof or interest or premium, if any, payable thereon on any date or change any place of payment where, or the coin or currency in which, any principal or interest or premium thereon are payable, or impair the right of holders to institute suit for the enforcement of any such payment on or after the date when due; or
- (ii) reduce the percentage in aggregate principal amount of the outstanding Notes, the consent of whose holders is required for any such amendment, supplement or waiver, or the consent of whose holders is required for any waiver of compliance with certain provisions of the Indenture or certain defaults thereunder and their consequences provided for in the Indenture; or
- (iii) modify any of the provisions of certain sections of the Indenture with respect to the Notes, including the provisions summarized in this paragraph, except to increase any such percentage or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the holder of each outstanding Note affected thereby.

Any amendment to, or waiver of, the subordination provisions of the Indenture that adversely affects the rights of the holders of the Notes will require the consent of the holders of at least 75% in aggregate principal amount of Notes then outstanding.

The Indenture provides that the Notes owned by Scotiabank Perú or any of its affiliates shall be deemed not to be outstanding for, among other purposes, consenting to any such modification.

Registrar, Calculation Agent, Transfer Agent and Paying Agents

The Bank of New York Mellon will act as Scotiabank Perú’s agent as security registrar for the Notes. The Bank of New York Mellon will also act as Scotiabank Perú’s agent as paying agent, transfer agent and calculation

agent for the Notes. Scotiabank Perú has the right at any time to vary or terminate the appointment of any paying agents and to appoint additional or successor paying agents in respect of the Notes. Registration of transfers of the Notes will be effected without charge, but upon payment (with the giving of such indemnity as Scotiabank Perú and the security registrar may require) in respect of any tax or other governmental charges that may be imposed in relation to it. Scotiabank Perú will not be required to register or cause to be registered the transfer of the Notes after the Notes have been called for redemption. Application has been made to admit the Notes for listing on the Official List of the LSE and to trading on the Euro MTF Market. As long as the Notes are listed on this market, Scotiabank Perú will also maintain a paying agent and a transfer agent in Luxembourg.

The Trustee

The Bank of New York Mellon is the trustee under the Indenture. The Indenture provides that during the existence of a default under the Notes or the Indenture, the trustee will exercise the rights and powers vested in it by the Indenture, using the same degree of care and skill as a prudent person would exercise or use under the circumstances in the conduct of his own affairs. In the absence of a default under the Notes or the Indenture, the trustee need only perform the duties specifically set forth in the Indenture. The Indenture does not contain limitations on the rights of the trustee under the Indenture, should it become Scotiabank Perú's creditor, to obtain payment of claims. The trustee is not precluded from engaging in other transactions and, if it acquires any conflicting interest, it is not required to eliminate such conflict or resign. The address of the trustee is The Bank of New York Mellon, 101 Barclay Street, Floor 4 East, New York, New York 10286.

Notices

From and after the date the Notes are listed on the Euro MTF Market and so long as a listing on the Euro MTF Market is maintained or is required by the rules of the LSE, all notices to holders of Notes will be published in English:

(1) in a leading newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on a website of the LSE (which is <http://www.bourse.lu>); or

(2) if such Luxembourg publication or publication on the website of the Luxembourg Stock Exchange at <http://www.bourse.lu> is not practicable, in one other leading English language newspaper being published on each day in morning editions, whether or not it shall be published in Saturday, Sunday or holiday editions.

Notices shall be deemed to have been given on the date of publication as aforesaid or, if published on different dates, on the date of the first such publication.

Notices to be given to holders of a global note will be given only to DTC in accordance with its applicable policies as in effect from time to time. Notices to be given to holders of Notes not in global form will be sent by mail to the respective addresses of the holders as they appear in the security register maintained by the security registrar, and will be deemed given when mailed. Neither the failure to give notice to a particular holder, nor the defect in a notice given to a particular holder, will affect the sufficiency of any notice given to another holder.

Governing Law; Submission to Jurisdiction

The Notes are being issued as redeemable subordinated debt under Article 233 of the Peruvian Banking Law, and the Indenture provides that it and the Notes will be governed by, and be construed in accordance with, the laws of the State of New York, excluding choice of law principles of such laws which would require the application of the laws of a jurisdiction other than the State of New York (other than Section 5-1401 of the New York General Obligations Law).

Scotiabank Perú has consented to the jurisdiction of any court of the State of New York or any United States Federal court sitting, in each case, in the Borough of Manhattan, The City of New York, New York, United States, and any appellate court from any of these courts, and to the courts of its own corporate domicile, in respect of actions brought against it as defendants, and has waived any immunity from the jurisdiction of these courts over any

suit, action or proceeding that may be brought by the trustee or a holder based upon the Indenture and the Notes and has waived any right to be sued in any other jurisdiction to which Scotiabank Perú may be entitled on account of place of residence and domicile. Scotiabank Perú has appointed The Bank of Nova Scotia, at its registered office in New York, which, as of the date hereof, is One Liberty Plaza, 165 Broadway, New York, N.Y. 10006, U.S.A. as its initial authorized agent upon which all writs, process and summonses may be served in any suit, action or proceeding brought by the trustee or a holder based upon the Indenture or the Notes against Scotiabank Perú in any court of the State of New York or any United States Federal court sitting in the Borough of Manhattan, The City of New York and has agreed that such appointment shall be irrevocable so long as any of the Notes remain outstanding or until the irrevocable appointment by Scotiabank Perú of a successor in The City of New York as its authorized agent for such purpose and the acceptance of such appointment by such successor.

Certain Definitions

“*Acceleration Event*” means that the SBS has entered a resolution, decree, order or any other administrative act for the Intervention of Scotiabank Perú or for the appointment of a custodian, conservator, receiver, liquidator, assignee, trustee, sequestrator or other similar official in any liquidation, insolvency or similar proceeding with respect to Scotiabank Perú or all or substantially all of its property, in each case pursuant to the Peruvian Banking Law; and such resolution decree, order or administrative act has been communicated by the SBS to Scotiabank Perú.

“*Business Day*” means a day that is a day other than Saturday, Sunday or a day on which banking institutions in New York City, United States or Lima, Peru, generally are authorized or required by law, regulation or executive order to remain closed.

“*Comparable Treasury Issue*” means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a maturity of December 13, 2022.

“*Comparable Treasury Price*” means, with respect to any redemption date (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotation or (2) if the Quotation Agent obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

“*Designated LIBOR Page*” means Reuters Screen “LIBOR 01” Page, or any successor service (or any other service or services of major banks for the purpose of displaying the London interbank offered rates for U.S. dollar deposits).

“*Determination Date*” means, with respect to any Interest Reset Period, the second London Banking Day preceding the first day of such Interest Reset Period.

“*G-20*” means the Group of Twenty (G-20) Finance Ministers and Central Bank Governors.

“*Independent Investment Banker*” means one of the Reference Treasury Dealers appointed by Scotiabank Perú.

“*Interest Reset Period*” means each period during the floating rate period commencing on and including an interest payment date and ending on but excluding the next succeeding interest payment date. The first Interest Reset Period shall commence on and include December 13, 2022.

“*Junior Securities*” means (i) all hybrid instruments of Scotiabank Perú which qualify as consolidated Tier I and Tier II Regulatory Capital, as applicable, (ii) all classes of Scotiabank Perú’s capital stock and preferred stock, and (iii) any other securities or obligations of Scotiabank Perú which rank *pari passu* with any class of Scotiabank Perú’s capital stock with respect to the payment of dividends and distributions of assets upon liquidation, dissolution or winding up.

“LIBOR” means, with respect to any Interest Reset Period, the rate (expressed as a percentage per annum) for deposits in United States dollars for a three-month period beginning on the second London Banking Day after the Determination Date that appears on the Designated LIBOR Page as of 11:00 a.m., London time, on the Determination Date. If the Designated LIBOR Page does not include this rate or is unavailable on the Determination Date, the calculation agent will determine LIBOR as follows:

- Scotiabank Perú will select the principal London office of each of four major banks in the London interbank market, and request each bank to provide its offered quotation (expressed as a percentage per annum) as of approximately 11:00 a.m., London time, on the Determination Date to prime banks in the London interbank market for deposits in a Representative Amount in United States dollars for a three-month period beginning on the second London Banking Day after the Determination Date. Scotiabank Perú will notify the calculation agent in writing of each such quotation. If at least two offered quotations are so provided, the calculation agent will compute LIBOR for the Interest Reset Period as the arithmetic mean of those quotations.
- If fewer than two quotations are so provided, Scotiabank Perú will select three major banks in New York City, and request that each bank provide its rate (expressed as a percentage per annum), as of approximately 11:00 a.m., New York City time, on the Determination Date for loans in a Representative Amount in United States dollars to leading European banks for a three-month period beginning on the second London Banking Day after the Determination Date. Scotiabank Perú will notify the calculation agent in writing of each such quotation. If at least two rates are so provided, the calculation agent will compute LIBOR for the Interest Reset Period as the arithmetic mean of those rates.
- If fewer than two rates are so provided, then LIBOR for the Interest Reset Period will be LIBOR in effect with respect to the immediately preceding Interest Reset Period or, in the case of the first Interest Reset Period, 1.644%.

The calculation agent may conclusively rely on any quotations that Scotiabank Perú provides to it and any information obtained from the Designated LIBOR Page.

“London Banking Day” means any day in which dealings in United States dollars are transacted or, with respect to any future date, are expected to be transacted in the London interbank market.

“Parity Securities” means (i) all securities or other subordinated obligations of Scotiabank Perú which qualify as consolidated Tier II Regulatory Capital of Scotiabank Perú and (ii) any other securities or obligations of Scotiabank Perú which rank (pursuant to mandatory provisions of law or otherwise) or are expressed to rank, *pari passu* with Scotiabank Perú’s obligations under the Notes.

“Person” means an individual, partnership, corporation, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

“Peruvian Banking GAAP” means generally accepted accounting principles as prescribed by the SBS for banks licensed to operate in Peru, consistently applied, which are in effect, as modified, from time to time.

“Peruvian Banking Law” means the *Ley General del Sistema Financiero y de Seguros y Orgánica de la Superintendencia de Banca y Seguros*, Law 26702, as amended, replaced or supplemented from time to time.

“Peruvian Governmental Authority” means the government of Peru or any political subdivision thereof, whether federal, state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other Person exercising executive, legislative, judicial, taxing, regulatory or administrative powers, or functions of or pertaining to a government with jurisdiction, over Scotiabank Perú.

“Quotation Agent” means an internationally recognized investment bank other than the Reference Treasury Dealers appointed by Scotiabank Perú.

“*Reference Treasury Dealer*” means Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Scotia Capital (USA) Inc., or their respective affiliates which are primary United States government securities dealers and not less than two other leading primary United States government securities dealers in New York City reasonably designated by Scotiabank Perú; provided, however, that if any of the foregoing shall cease to be a primary United States government securities dealer in New York City (a “Primary Treasury Dealer”), Scotiabank Perú will substitute therefor another Primary Treasury Dealer.

“*Reference Treasury Dealer Quotation*” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Quotation Agent, of the bid and asked price for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Quotation Agent by such Reference Treasury Dealer at 3:30 p.m. New York time on the third business day preceding such redemption date.

“*Regulatory Capital*” has the meaning assigned to the term *patrimonio efectivo* under the Peruvian Banking Law and in regulations issued by the SBS, as the same may be amended, restated, supplemented or replaced from time to time.

“*Representative Amount*” means a principal amount that is representative for a single transaction in the relevant market at the relevant time.

“*SBS*” means the Peruvian Superintendency of Banks, Insurance and Private Pension Fund Administrators (*Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones*).

“*Senior Obligations*” means (i) all claims of Scotiabank Perú’s unsubordinated creditors and other claims and obligations that rank senior in right of payment under mandatory provisions of Peruvian law, including all labor claims of Scotiabank Perú’s employees, all claims of Scotiabank Perú’s depositors and all claims of the Peruvian social security administration (*Seguro Social de Salud*) for healthcare obligations and claims for taxes, and (ii) all claims of all of Scotiabank Perú’s other creditors, except those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of holders of Parity Securities.

“*SMV*” means the Peruvian Superintendency of the Securities Markets (*Superintendencia del Mercado de Valores*, formerly CONASEV), or any successor thereto.

“*Subsidiary*” means any corporation or other business entity of which Scotiabank Perú owns or controls (either directly or through one or more other Subsidiaries) more than 50% of the issued share capital or other ownership interests, in each case having ordinary voting power to elect or appoint directors, managers or trustees of such corporation or other business entity (whether or not capital stock or other ownership interests or any other class or classes shall or might have voting power upon the occurrence of any contingency).

“*Tier I Regulatory Capital*” means the tier 1 regulatory capital (*patrimonio efectivo básico o de nivel 1*) of Scotiabank Perú calculated in accordance with article 184(A) of the Peruvian Banking Law, as amended, restated, supplemented or replaced from time to time.

“*Tier II Regulatory Capital*” means the tier 2 regulatory capital (*patrimonio efectivo de nivel 2*) of Scotiabank Perú calculated in accordance with article 184(B) of the Peruvian Banking Law, as amended, restated, supplemented or replaced from time to time.

“*Treasury Rate*” means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Book-Entry System; Delivery and Form

The Notes are being offered and sold in connection with the initial offering thereof solely to “qualified institutional buyers,” as that term is defined in Rule 144A under the Securities Act, pursuant to Rule 144A, and in offshore transactions to persons other than “U.S. persons,” as defined in Regulation S under the Securities Act, in reliance on Regulation S. Following the initial offering of the Notes, the Notes may be resold to qualified institutional buyers pursuant to Rule 144A, non-U.S. persons in offshore transactions in reliance on Regulation S, and pursuant to Rule 144 under the Securities Act, as described under “Notice to Investors.”

The Global Notes

Rule 144A Global Note

Notes offered and sold to qualified institutional buyers pursuant to Rule 144A will initially be issued in the form of one or more registered Notes in global form, without interest coupons. The Rule 144A global note will be deposited on the date of the closing of the sale of the Notes with, or on behalf of, The Depository Trust Company, or DTC and registered in the name of Cede & Co., as nominee of DTC, and will remain in the custody of The Bank of New York Mellon, as custodian pursuant to the FAST Balance Certificate Agreement between DTC and The Bank of New York Mellon, as custodian. Interests in the Rule 144A global note will be available for purchase only by qualified institutional buyers.

Regulation S Global Note

Notes offered and sold in offshore transactions to non-U.S. persons in reliance on Regulation S under the Securities Act will initially be issued in the form of one or more registered notes in global form, without interest coupons. The Regulation S global note will be deposited upon issuance with, or on behalf of, a custodian for DTC in the manner described in the preceding paragraph for credit to the respective accounts of the purchasers, or to such other accounts as they may direct, at Euroclear Bank S.A./N.V., as operator of the Euroclear System (“Euroclear”) or Clearstream Banking, *société anonyme* (“Clearstream”) as participants in DTC.

Investors may hold their interests in the Regulation S global note directly through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations which are participants in such systems. After the expiration of the Restricted Period (defined below under “—Exchanges Among the Global Notes”), investors may also hold such interests through organizations other than Euroclear or Clearstream that are participants in the DTC system. Euroclear and Clearstream will hold such interests in the Regulation S global note on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective depositaries. Such depositaries, in turn, will hold such interests in the Regulation S global note in customers’ securities accounts in the depositaries’ names on the books of DTC.

Except as set forth below, the Rule 144A global note and the Regulation S global note, collectively referred to in this section as the “global notes,” may be transferred, in whole and not in part, solely to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in respect of the global notes may not be exchanged for Notes in physical, certificated form (referred to as “certificated notes”) except in the limited circumstances described below.

The Notes will be subject to certain restrictions on transfer and will bear a restrictive legend as set forth under “Notice to Investors.”

All interests in the global notes, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems.

Exchanges Among the Global Notes

Prior to the 40th day after the later of the commencement of the offering of the Notes and the date of the closing of the sale of the Notes (through and including the 40th day, the “Restricted Period”), transfers by an owner of a beneficial interest in respect of the Regulation S global note to a transferee who takes delivery of this interest through the Rule 144A global note will be made only in accordance with applicable procedures and upon receipt by the trustee of a written certification from the transferor of the beneficial interest in the form provided in the Indenture to the effect that such transfer is being made to a person whom the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A. Such written certification will no longer be required after the expiration of the Restricted Period.

Transfers by an owner of a beneficial interest in respect of the Rule 144A global note to a transferee who takes delivery of such interest through the Regulation S global note, whether before or after the expiration of the Restricted Period, will be made only upon receipt by the trustee of a certification from the transferor in the form provided in the Indenture to the effect that such transfer is being made in accordance with Regulation S or (if available) Rule 144 under the Securities Act and that, if such transfer is being made prior to the expiration of the Restricted Period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream.

Any beneficial interest in respect of one of the global notes that is transferred to a person who takes delivery in the form of an interest in another global note will, upon transfer, cease to be an interest in such global note and become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other global note for as long as it remains such an interest.

Certain Book-Entry Procedures for the Global Notes

The descriptions of the operations and procedures of DTC, Euroclear and Clearstream set forth below are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to change by them from time to time. Neither Scotiabank Perú, the trustee, any paying agent, security registrar, calculation agent, transfer agent nor the Initial Purchasers take any responsibility for these operations or procedures, and investors are urged to contact the relevant system or its participants directly to discuss these matters.

DTC has advised Scotiabank Perú that it is (i) a limited purpose trust company organized under the laws of the State of New York, (ii) a “banking organization” within the meaning of the New York Banking Law, (iii) a member of the Federal Reserve System, (iv) a “clearing corporation” within the meaning of the Uniform Commercial Code, as amended, and (v) a “clearing agency” registered pursuant to Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitates the clearance and settlement of securities transactions between participants through electronic book-entry changes to the accounts of its participants, thereby eliminating the need for physical transfer and delivery of certificates. DTC’s participants include securities brokers and dealers (including the initial purchasers), banks and trust companies, clearing corporations and certain other organizations. Indirect access to DTC’s system is also available to other entities such as banks, brokers, dealers and trust companies, or indirect participants that clear through or maintain a custodial relationship with a participant, either directly or indirectly. Investors who are not participants may beneficially own securities held by or on behalf of DTC only through participants or indirect participants.

Scotiabank Perú expects that pursuant to procedures established by DTC (i) upon deposit of each global note, DTC will credit the accounts of participants designated by the Initial Purchasers with an interest in the global note and (ii) ownership of the Notes will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC (with respect to the interests of participants) and the records of participants and the indirect participants (with respect to the interests of persons other than participants).

The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Accordingly, the ability to transfer interests in the Notes represented by a global note to such persons may be limited. In addition, because DTC can act only on behalf of its participants, who in turn act on behalf of persons who hold interests through participants, the ability of a person having an interest in Notes

represented by a global note to pledge or transfer such interest to persons or entities that do not participate in DTC's system, or to otherwise take actions in respect of such interest, may be affected by the lack of a physical definitive security in respect of such interest.

So long as DTC or its nominee is the registered owner of a global note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by the global note for all purposes under the Indenture. Except as provided below, owners of beneficial interests in respect of a global note will not be entitled to have Notes represented by such global note registered in their names, will not receive or be entitled to receive physical delivery of certificated Notes, and will not be considered the owners or holders thereof under the Indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the trustee thereunder. Accordingly, each holder owning a beneficial interest in respect of a global note must rely on the procedures of DTC and, if such holder is not a participant or an indirect participant, on the procedures of the participant through which such holder owns its interest, to exercise any rights of a holder of Notes under the Indenture or such global note. Scotiabank Perú understands that under existing industry practice, in the event that Scotiabank Perú requests any action of holders of Notes, or a holder that is an owner of a beneficial interest in respect of a global note desires to take any action that DTC, as the holder of such global note, is entitled to take, DTC would authorize the participants to take such action and the participants would authorize holders owning through such participants to take such action or would otherwise act upon the instruction of such holders. Neither Scotiabank Perú nor the trustee or any paying agent, calculation agent, security registrar or transfer agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of Notes by DTC, or for maintaining, supervising or reviewing any records of DTC relating to such Notes.

Payments with respect to the principal of, premium, if any, liquidated damages, if any, and interest on any Notes represented by a global note registered in the name of DTC or its nominee (and, with respect to interest payments, held by DTC or its nominee on the applicable record date) will be payable by the trustee to or at the direction of DTC or its nominee in its capacity as the registered holder of the global note representing such Notes under the Indenture. Under the terms of the Indenture, Scotiabank Perú and the trustee, the calculation agent, the paying agents, the security registrar and the transfer agents may treat the persons in whose names the Notes, including the global notes, are registered as the owners thereof for the purpose of receiving payment thereon and for any and all other purposes whatsoever. Accordingly, neither Scotiabank Perú nor the trustee, any paying agent, calculation agent, security registrar or transfer agent has or will have any responsibility or liability for the payment of such amounts to owners of beneficial interests in respect of a global note (including principal, premium, if any, liquidated damages, if any, and interest). Payments by the participants and the indirect participants to the owners of beneficial interests in respect of a global note will be governed by standing instructions and customary industry practice and will be the responsibility of the participants or the indirect participants and DTC.

Transfers between participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds. Transfers between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Notes, cross-market transfers between the participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depository. However, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant global notes in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a global note from a participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. Cash received in

Euroclear or Clearstream as a result of sales of interest in a global note by or through a Euroclear or Clearstream participant to a participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the global notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and such procedures may be discontinued at any time. Neither Scotiabank Perú nor the trustee or any calculation agent, paying agent, security registrar or transfer agent will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Certificated Notes

If (i) Scotiabank Perú notifies the trustee in writing that DTC is no longer willing or able to act as a depositary or DTC ceases to be registered as a clearing agency under the Exchange Act and a successor depositary is not appointed within 90 days of such notice or cessation, (ii) Scotiabank Perú, at its option, notifies the trustee in writing that it elects to cause the issuance of certificated notes under the Indenture, (iii) upon the request of any holder subsequent to the occurrence of any default under the Indenture or (iv) upon the occurrence of certain other events as provided in the Indenture, then, upon surrender by DTC of the global notes, certificated notes will be issued to each person that DTC identifies as the beneficial owner of the Notes represented by the global notes. Upon any such issuance, the trustee is required to register such certificated notes in the name of such person or persons (or the nominee of any thereof) and cause the same to be delivered thereto.

Neither Scotiabank Perú nor the trustee, any calculation agent, paying agent, security registrar or transfer agent shall be liable for any delay by DTC or any participant or indirect participant in identifying the beneficial owners of the related Notes and each such person may conclusively rely on, and shall be protected in relying on, instructions from DTC for all purposes (including with respect to the registration and delivery, and the respective principal amounts, of the Notes to be issued).

Replacement of Notes

In case of mutilated, destroyed, lost or stolen Notes, application for replacement thereof may be made to the trustee or Scotiabank Perú. Any such Note shall be replaced by the trustee in compliance with such procedures, on such terms as to evidence and indemnification as the trustee and Scotiabank Perú may require and subject to any applicable law or regulation. All such costs as may be incurred in connection with the replacement of any Notes shall be borne by the applicant. Mutilated Notes must be surrendered before new ones will be issued.

BENEFIT PLAN CONSIDERATIONS

The Notes may be purchased and held by or with the assets of an employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), an individual retirement account or other plan subject to Section 4975 of the Code, or an entity that is deemed to hold the assets of such plans (collectively, “Plans”) a governmental plan (as defined in Section 3(32) of ERISA), church plan (as defined in Section 3(33) of ERISA) or non-U.S. plan (as described in Section 4(b)(4) of ERISA) that is subject to state, local, other federal or non-U.S. law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code (“similar laws”). A fiduciary of an employee benefit plan subject to ERISA must determine that the purchase and holding of Notes is consistent with its fiduciary duties under ERISA.

In addition, Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of a Plan and persons who have specified relationships to the Plan, *i.e.*, “parties in interest” as defined in ERISA or “disqualified persons” as defined in Section 4975 of the Code (collectively referred to as “parties in interest”), unless exemptive relief is available under a class exemption issued by the U.S. Department of Labor or a statutory exemption. Parties in interest that engage in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code. Scotiabank Perú and its current and future affiliates, may be parties in interest with respect to many Plans. Thus, each fiduciary who is, or is acting on behalf of, a Plan or a plan subject to similar laws must determine whether an investment in the Notes might constitute or give rise to a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or any similar law. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable depending in part on the type of Plan fiduciary making the decision to acquire any Notes and the circumstances under which such decision is made. Included among these exemptions are Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code (relating to transactions between a person that is a party in interest (other than a fiduciary or an affiliate that has or exercises discretionary authority or control or renders investment advice with respect to assets involved in the transaction) solely by reason of providing services to the plan, provided that there is adequate consideration for the transaction), Prohibited Transaction Class Exemption (“PTCE”) 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a qualified professional asset manager), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by in-house asset managers). There can be no assurance that any of these exemptions or any other exemption will be available with respect to any particular transaction involving any Notes. Each purchaser or holder of the Notes, and each fiduciary who causes any entity to purchase or hold the Notes will be deemed by its purchase and holding to have represented and warranted on each day such purchaser or holder holds such Notes, that either (i) it is neither a Plan nor a plan subject to similar laws and it is not purchasing or holding Notes on behalf of or with the assets of any Plan or plan subject to similar laws; or (ii) its acquisition, holding and subsequent disposition of the Notes shall not constitute or give rise to a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any similar law.

Fiduciaries of any Plans or plans subject to similar law should consult their own legal counsel before purchasing the Notes. Each purchaser of Notes will have exclusive responsibility for ensuring that its purchase, holding and subsequent disposition of the Notes does not violate the fiduciary or prohibited transaction rules of ERISA, the Code or any similar laws. Nothing herein shall be construed as a representation that an investment in the Notes would meet any or all of the relevant legal requirements with respect to investments by, or is appropriate for, Plans or plans subject to similar law generally or any particular Plan or plan subject to similar law.

TAXATION

The following discussion summarizes certain Peruvian and U.S. federal income tax considerations that may be relevant to you if you purchase, own or sell the Notes. This summary is based on laws, regulations, rulings and decisions now in effect in each of these jurisdictions, including any relevant tax treaties. Any change could apply retroactively and could affect the continued validity of this summary.

This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules.

You should consult your tax advisor about the tax consequences of acquiring, holding and disposing of the Notes, including the relevance to your particular situation of the considerations discussed below, as well as of state, local or other tax laws.

Peruvian Tax Considerations

The following summary of certain Peruvian tax matters as in force on the date of this Offering Memorandum describes the principal tax consequences of an investment in the Notes by a person or an entity who is not domiciled in Peru for tax purposes. This summary does not intend to be a comprehensive description of all of the tax considerations that may be relevant to a decision to make an investment in the Notes. In addition, it does not intend to describe any tax consequences: (i) arising under the laws of any taxing jurisdiction other than Peru or (ii) applicable to a person or entity domiciled in Peru or to the permanent establishment of foreign entities in Peru.

For Peruvian tax purposes, a legal entity is domiciled in Peru if it has been incorporated in Peru or if it is considered a permanent establishment in Peru of a foreign entity. All entities incorporated in Peru are subject to Peruvian income tax on its worldwide income, whereas permanent establishments of non-Peruvian legal entities and all non-Peruvian legal entities are only liable for the Peruvian income tax in relation to income earned from a Peruvian source.

On the other hand, as a general rule, a non-Peruvian individual is deemed domiciled in Peru for tax purposes if such individual has resided or has remained in Peru for more than 183 calendar days during any twelve month period (changes in resident status enter in force in the following fiscal year). A Peruvian individual is liable for Peruvian income tax on worldwide income, while a non-Peruvian individual is only liable for Peruvian income tax in relation to income earned from a Peruvian source.

Income tax

Payment of interest

Interest, commissions, premiums and other financial expenses in connection with the Notes are subject to Peruvian income tax, as Peruvian source income, when the issuer is incorporated in Peru.

Therefore, accrued interest on the Notes received by non-domiciled holders that are legal entities will be subject to Peruvian income tax withholding at a rate of 4.99%. If the parties are considered “related,” the applicable withholding rate is 30%.

Similarly, if the interest on the Notes is received by non-domiciled holders that are individuals, it will be subject to Peruvian income tax withholding at a rate of 4.99% provided that (i) the parties to the transaction are not considered “related” and (ii) interest does not derive from a transaction “from or through a tax haven.” If these requirements are not met, the applicable withholding tax is 30%.

Sale or redemption of the Notes

Proceeds received by a non-Peruvian holder arising from the sale, exchange or disposition of a beneficial interest in the Global Notes held through a Clearing System will not be subject to Peruvian withholding or capital gain tax. In the event that the beneficial interests in the Global Note are exchanged for definitive notes, any capital gain arising from the sale, exchange or disposition of these Notes by non-Peruvian holders would be subject to Peruvian income tax at a rate of 5% only if these two requirements are satisfied: (i) the Notes are registered in the Securities Public Registry and (ii) the Notes are negotiated in a Peruvian Stock Market. Otherwise, capital gains will be taxable at a rate of 30%.

Taxable capital gain would be the result of the positive difference between the sale value and the acquisition value of the Notes, taking into consideration that the acquisition value has to be certified by the Peruvian Tax Administration through a request submitted by the seller. This certification is not needed in case of sales made through the Peruvian Stock Market and for early redemptions of the Notes made by the issuer.

The Peruvian Income Tax Law provides a temporal exemption on the assessment of income tax on capital gains resulting in the sale of securities issued by Peruvian entities performed by individuals (Peruvian or non-Peruvian), for the first S/.18,250 (5 UIT) gained in a calendar year. This exemption will be in effect until December 31, 2012. Nevertheless, it is customary to extend the validity of this type of exemption for an additional term when the previous term expires.

Prospective purchasers of the Notes should discuss with their own tax advisors the application of any income tax described herein to their particular situations.

Value Added Tax

Interest paid on the Notes are currently exempted from VAT. According to Supreme Decree No. 099-2011-EF, interest paid on securities, such as the Notes, issued through an international offering by companies incorporated or established in Peru will be exempt from VAT when (i) such Notes and this offering circular are registered with the SMV; (ii) the international offering has a “placement tranche” in Peru, and (iii) the international offering is executed, as the case may be, pursuant to Supreme Decree No. 093-2002-EF (*Texto Unico Ordenado de la Ley del Mercado de Valores*) and Legislative Decree No. 862 (*Ley de Fondos de Inversión y sus Sociedades Administradoras*). This exemption applies to all the Notes issued pursuant to this offering circular. The aforementioned exemption will only be in effect until December 31, 2012. Although it is customary to extend these VAT exemptions, the Bank cannot assure that the exemption will be renewed after December 31, 2012.

If the requirements set forth are not satisfied, the interest paid on the Notes issued hereunder will be subject to VAT at a rate of 18%. Nonetheless, holders of Notes are not responsible for VAT payment in any event as Scotiabank Perú will pay Additional Amounts (as described in “Description of the Notes”) to the extent VAT is imposed on the holders of the Notes for payment of interest on the Notes.

Financial Transaction Tax

Deposits in and withdrawals from accounts held in Peruvian banks or other financial institutions, whether in Nuevos Soles or foreign currency, are levied with a financial transactions tax (“FTT”) at a 0.005% rate. Therefore, FTT will levy the price paid for and the interest resulting from the Notes if deposited in or withdrawn from a Peruvian bank or other financial institution, as the case may be.

U.S. Federal Income Tax Considerations

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, YOU ARE HEREBY NOTIFIED THAT THIS TAX DISCLOSURE WAS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING BY THE COMPANY OF THE NOTES, AND IT CANNOT BE USED BY ANY U.S. TAXPAYER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE ASSERTED

AGAINST THE HOLDER UNDER THE CODE. U.S. TAXPAYERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following is a description of certain U.S. federal income tax consequences that may be relevant to the acquisition, ownership and disposition of the Notes by U.S. Holders, as defined below. This description addresses only the U.S. federal income tax considerations applicable to U.S. Holders that purchase Notes pursuant to this offering for the “issue price,” which will equal the first price to the public (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the Notes is sold for money and that will hold the Notes as capital assets (generally, assets held for investment). This description does not address tax considerations applicable to holders that may be subject to special tax rules, including:

- certain financial institutions;
- insurance companies;
- real estate investment trusts or regulated investment companies;
- dealers or traders in securities;
- tax-exempt entities;
- persons that will hold the Notes as part of a “conversion” transaction or as a position in a “straddle” for U.S. federal income tax purposes;
- persons that have a “functional currency” other than the U.S. Dollar; or
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in a partnership (including any entity classified as a partnership for U.S. federal income tax purposes) that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships and partners in such partnerships should consult their tax advisors concerning the U.S. federal income tax consequences to them of the acquisition, ownership and disposition of the Notes by the partnership.

This description is based on the Code, existing, proposed and temporary U.S. Treasury Regulations and judicial and administrative interpretations thereof, in each case as of the date hereof. U.S. tax laws and the interpretation thereof are subject to change, which change could apply retroactively and could affect the tax consequences described below.

For purposes of this description, a “U.S. Holder” is a beneficial owner of the Notes for U.S. federal income tax purposes that is:

- a citizen or individual resident of the United States;
- a corporation created or organized in or under the laws of the United States or any state thereof, including the District of Columbia;
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (1) that has validly elected to be treated as a U.S. person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control.

This discussion does not address any U.S. federal tax consequences other than U.S. federal income tax consequences (such as the estate and gift tax, alternative minimum tax considerations, or the Medicare tax on net investment income). This discussion also does not address U.S. state, local and non-U.S. tax consequences. You should consult your tax advisor with respect to the U.S. federal, state, local and non-U.S. tax consequences of acquiring, owning or disposing of the Notes, in your particular circumstances.

Although the matter is not free from doubt, the Notes should be treated as debt for U.S. federal income tax purposes. It is possible, however, that the Internal Revenue Service (“IRS”) would take the position that the Notes should be treated as equity for these purposes because of the limited acceleration rights and loss absorption features of the Notes. If the Notes are treated as equity for U.S. federal income tax purposes, you may be subject to materially adverse U.S. federal income tax consequences, including being subject to greater amounts of U.S. tax and to additional U.S. tax form filing requirements, if Scotiabank Perú is classified as a “passive foreign investment company,” or “PFIC,” at any time that you hold Scotiabank Perú’s Notes. In general, a non-U.S. corporation will be classified as a PFIC for any taxable year if at least (i) 75% of its gross income is classified as “passive income” or (ii) 50% of the average quarterly value of its assets produce or are held for the production of passive income. The application of the PFIC rules to banks is not entirely clear under present U.S. federal income tax law. Banks generally derive a substantial part of their income from assets that are interest bearing or that otherwise could be considered passive under the PFIC rules. The IRS issued a notice in 1989 (the “Notice”) and has proposed Treasury Regulations (the “Proposed Regulations”) that exclude from passive income any income derived in the active conduct of a banking business by a qualifying foreign bank, or the “active bank exception.” The Notice and Proposed Regulations have different requirements for qualifying as an active foreign bank, and for determining the banking income that may be excluded from passive income under the active bank exception. Moreover, the Proposed Regulations have been outstanding since 1994 and will not be effective unless finalized. No determination has been made as to whether Scotiabank Perú qualifies as an “active foreign bank” or whether Scotiabank Perú is currently, or may become, a PFIC in the future. U.S. Holders should consult their tax advisers regarding the potential recharacterization of the Notes as equity and the application of the PFIC rules. The balance of the discussion assumes that Scotiabank Perú’s position that the Notes are debt will be respected.

In certain circumstances Scotiabank Perú may be obligated to make payments on the Notes in excess of stated interest and principal. Scotiabank Perú intends to take the position that there is no more than a remote chance that Scotiabank Perú will make the payments and the Notes should accordingly not be treated as contingent payment debt instruments for U.S. federal income tax purposes because of these additional payments. Assuming such position is respected, you would be required to include in income the amount of any such additional payment at the time such payments are received or accrued in accordance with your method of accounting for U.S. federal income tax purposes. If the IRS successfully challenged this position, and the Notes were treated as contingent payment debt instruments, you could be required to accrue interest income at a rate higher than the stated interest rate on the note and to treat as ordinary income, rather than capital gain, any gain recognized on a sale, exchange or redemption of the note. You are urged to consult your own tax advisors regarding the potential application to the Notes of the contingent payment debt instrument rules and the consequences thereof.

Payments of Interest

Based on applicable Treasury Regulations relating to the accrual of interest and original issue discount on debt instruments that provide for “alternative payment schedules” (such as debt instruments that provide the issuer with an optional right to redeem the debt instruments), Scotiabank Perú intends to treat the Notes, for U.S. federal income tax purposes, as maturing on December 13, 2022. Under this treatment, interest paid on a Note (including any Additional Amounts) will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. Holder’s method of accounting for federal income tax purposes. If, however, Scotiabank Perú does not redeem the Notes on December 13, 2022, then contrary to the assumption made in this paragraph, each Note will be treated as retired and reissued on December 13, 2022 for an amount equal to its adjusted issue price on that date. You are urged to consult your own tax advisors regarding any U.S. federal income tax consequences that may occur.

The amount of interest taxable as ordinary income will include any amounts withheld in respect of Peruvian taxes. Interest income earned by a U.S. Holder with respect to a Note will constitute foreign-source income for U.S. federal income tax purposes, which may be relevant to a U.S. Holder in calculating the U.S. Holder’s foreign tax

credit limitation. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. In addition, certain Peruvian taxes withheld from interest income on a Note may be eligible for credit against the U.S. Holder's U.S. federal income tax liability, subject to generally applicable limitations and conditions, or, at the election of the U.S. Holder, for deduction in computing the U.S. Holder's taxable income. Generally, only income taxes (or taxes in lieu of income taxes) qualify for the foreign tax credit. The rules governing foreign tax credits are complex and, therefore, U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits in their particular circumstances.

Sale, Exchange, Retirement or Other Taxable disposition

Upon the sale, exchange, retirement or other taxable disposition of a note, a U.S. Holder will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange, retirement or other taxable disposition and the U.S. Holder's tax basis in the note. Gain or loss, if any, will generally be U.S.-source income for purposes of computing a U.S. Holder's foreign tax credit limitation. For these purposes, the amount realized does not include any amount attributable to accrued interest, which will be taxed as interest. The U.S. Holder's tax basis in a Note generally will equal the U.S. Holder's cost for acquiring the note. The U.S. Holder's gain or loss will be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange, retirement or other taxable disposition the note has been held for more than one year. If you are a non-corporate U.S. holder, the maximum marginal U.S. federal income tax rate applicable to long-term capital gain is currently lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income (other than certain dividends). The deductibility of capital losses is subject to significant limitations.

Backup Withholding and Information Reporting

Information returns may be filed with the IRS in connection with payments on the Notes and the proceeds from a sale or other disposition of the Notes, unless such U.S. holder is exempt from information reporting and, when required, demonstrates this fact. Any such payments or proceeds to a U.S. holder that are subject to information reporting generally will be subject to U.S. backup withholding if the U.S. Holder fails to provide its taxpayer identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS. U.S. Holders should consult their tax advisors concerning the application of information reporting and backup withholding rules.

Foreign Asset Reporting

Pursuant to the Hiring Incentives to Restore Employment Act of 2010 and recently promulgated temporary regulations thereunder, certain U.S. holders are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by U.S. financial institutions). U.S. holders are urged to consult their tax advisors regarding their information reporting obligations, if any, with respect to their ownership and disposition of the Notes.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement among Scotiabank Perú and the Initial Purchasers, Scotiabank Perú will sell to the Initial Purchasers, and each of the Initial Purchasers will agree, severally and not jointly, to purchase from Scotiabank Perú, the principal amount of Notes set forth opposite its name below.

Initial Purchaser	Principal Amount of Notes
Merrill Lynch, Pierce, Fenner & Smith Incorporated	U.S.\$133,334,000
Goldman, Sachs & Co.	U.S.\$133,333,000
Scotia Capital (USA) Inc.	U.S.\$133,333,000
Total	U.S.\$400,000,000

In addition, Scotia Sociedad Agente de Bolsa S.A. is acting as placement agent solely with respect to the placement of the Notes in Peru.

Subject to the terms and conditions set forth in the purchase agreement, the Initial Purchasers will agree, severally and not jointly, to purchase all of the Notes sold under the purchase agreement if any of these Notes are purchased.

Scotiabank Perú will agree to indemnify the several Initial Purchasers and their controlling persons against certain liabilities in connection with this offering, including liabilities under the Securities Act, or to contribute to payments the Initial Purchasers may be required to make in respect of those liabilities.

The Initial Purchasers are offering the Notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Notes, and other conditions contained in the purchase agreement, such as the receipt by the Initial Purchasers of officer's certificates and legal opinions. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The Initial Purchasers propose initially to offer the Notes at the offering price set forth on the cover page of this Offering Memorandum. After the initial offering, the offering price or any other term of the offering may be changed. The expenses of the offering, not including the underwriting discount, are estimated at U.S.\$1.6 million and are payable by Scotiabank Perú.

Notes Are Not Being Registered

The Notes have not been registered under the Securities Act or any state securities laws. The Initial Purchasers propose to offer the Notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S. The Initial Purchasers will not offer or sell the Notes except to persons they reasonably believe to be qualified institutional buyers or pursuant to offers and sales to non-U.S. persons that occur outside of the United States within the meaning of Regulation S. In addition, until 40 days following the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act. Each purchaser of the Notes will be deemed to have made acknowledgments, representations and agreements as described under "Notice to Investors."

New Issue of Notes

The Notes are a new issue of securities with no established trading market. Although Scotiabank Perú has applied to have the Notes listed on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market, Scotiabank Perú cannot assure you that an active market for the Notes will develop. Scotiabank Perú has been advised by the Initial Purchasers that they may make a market in the Notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. Scotiabank Perú cannot assure you that the liquidity of the trading market for the Notes. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, Scotiabank Perú's operating performance and financial condition, general economic conditions and other factors. See "Risk Factors—Risk Factors Relating to the Notes—The Notes constitute a new issuance of securities for which there is no existing market, and Scotiabank Perú cannot assure you that you will be able to sell your Notes in the future."

Settlement

Scotiabank Perú expects that delivery of the Notes will be made to investors on or about December 13, 2012, which will be the fifth business day following the date of this Offering Memorandum (such settlement being referred to as "T+5"). Under Rule 15c6-1 under the Securities Exchange Act of 1934, trades in the secondary market are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes prior to the delivery of the Notes hereunder will be required, by virtue of the fact that the Notes initially settle in T+5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes prior to their date of delivery hereunder should consult their advisors.

No Sales of Similar Securities

Scotiabank Perú has agreed that, for a period of 60 days after the date of this Offering Memorandum, Scotiabank Perú will not, without first obtaining the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman, Sachs & Co., directly or indirectly, issue, sell, offer to contract or grant any option to sell, pledge, transfer or otherwise dispose of, any of Scotiabank Perú's debt securities substantially similar to the Notes offered hereby in the international capital markets, except for the Notes sold to the Initial Purchasers pursuant to the purchase agreement.

Short Positions

In connection with the offering, the Initial Purchasers may purchase and sell the Notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the Initial Purchasers of a greater principal amount of Notes than they are required to purchase in the offering. The Initial Purchasers must close out any short position by purchasing Notes in the open market. A short position is more likely to be created if the Initial Purchasers are concerned that there may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, the Initial Purchasers' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market.

Neither Scotiabank Perú nor any of the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither Scotiabank Perú nor any of the Initial Purchasers make any representation that the Initial Purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

Scotia Capital (USA) Inc., which will act as an Initial Purchaser with respect to the offering of the Notes, is an affiliate of Scotiabank Perú. In addition, Scotia Sociedad Agente de Bolsa S.A., Scotiabank Perú's wholly owned subsidiary, is acting as placement agent solely with respect to the placement of the Notes in Peru.

Affiliates of the Initial Purchasers are lenders and arrangers under certain of Scotiabank Perú's debt facilities. Some of the Initial Purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with Scotiabank Perú or its affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of Scotiabank Perú or its affiliates. Certain of the Initial Purchasers or their affiliates that have a lending relationship with Scotiabank Perú routinely hedge their credit exposure to Scotiabank Perú consistent with their customary risk management policies. Typically, such Initial Purchasers and their affiliates would hedge such exposure by entering into transactions that consist of either the purchase of credit default swaps or the creation of short positions in Scotiabank Perú's securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Notice to Prospective Investors in the United Kingdom

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are "qualified investors" (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

Notice to Prospective Investors in Peru

In Peru, this offering will be considered a public offering directed exclusively to institutional investors under CONASEV Resolution No. 079-2008-EF/94.01.1, as amended. Prior to the issuance of the Notes, it is intended that the Notes and this Offering Memorandum will be registered with the SMV in accordance with the procedure set forth in SMV Resolution No. 004-2011-EF/94.01.1, applicable to international offerings with a placement tranche in Peru executed in reliance with Rule 144A of the Securities Act. In order to purchase the Notes, institutional investors in Peru must sign a statement representing that they understand (i) differences which exist among the accounting and tax treatment in Peru and the country or countries where the notes will be traded, and (ii) the terms and conditions of the Notes.

Notice to Prospective Investors in the EEA

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each, a "Relevant Member State") an offer to the public of any Notes that are the subject of the offering contemplated by this Offering Memorandum may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any Notes may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- to any legal entity that is a qualified investor as defined in the Prospectus Directive;
- by the Initial Purchasers to fewer than 100 natural or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150, or legal persons (other than “qualified investors” as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Notes shall result in a requirement for the publication by Scotiabank Perú or any representative of a prospectus pursuant to Article 3 of the Prospectus Directive.

Any person making or intending to make any offer of Notes within the EEA should only do so in circumstances in which no obligation arises for Scotiabank Perú or any of the Initial Purchasers to produce a prospectus for such offer. Neither Scotiabank Perú nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the Initial Purchasers that constitute the final offering of Notes contemplated in this Offering Memorandum.

For the purposes of this provision, and your representation below, the expression an “offer to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Notes to be offered so as to enable an investor to decide to purchase any Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

Each person in a Relevant Member State who receives any communication in respect of, or who acquires any Notes under, the offer of Notes contemplated by this Offering Memorandum will be deemed to have represented, warranted and agreed to and with Scotiabank Perú and each Initial Purchaser that:

- it is a “qualified investor” within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and
- in the case of any Notes acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the Notes acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than “qualified investors” (as defined in the Prospectus Directive), or in circumstances in which the prior consent of the representatives has been given to the offer or resale; or (ii) where Notes have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Notes to it is not treated under the Prospectus Directive as having been made to such persons.

Any offer or sale of the Notes in any member state of the European Economic Area that has implemented the Prospectus Directive must be addressed to qualified investors (as defined in the Prospectus Directive).

Notice to Prospective Investors in Hong Kong

The Notes may not be offered or sold in Hong Kong, by means of any document, other than (a) to “professional investors” as defined in the Securities and Futures ordinance (Cap. 571, Laws of Hong Kong) and any rules made under that Ordinance or (b) in other circumstances that do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32, Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of the issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the Securities that are intended to be disposed of only to

persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) or any rules made under that Ordinance.

Notice to Prospective Investors in Singapore

This Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Future Act, Chapter 289 of Singapore (the “SFA”), (ii) to a “relevant person” as defined in Section 275(2) of the SFA, or any person pursuant to Section 275 (1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of any other applicable provision of the SFA.

Where the Notes are subscribed and purchased under Section 275 of the SFA by a relevant person that is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor (as defined in Section 4A of the SFA)) whose sole purpose is to hold investments and each beneficiary is an accredited investor;

shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferable within six months after that corporation or that trust has acquired the Notes under Section 275 of the SFA except:

- to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA) and in accordance with the conditions, specified in Section 275 of the SFA;
- (in the case of a corporation) where the transfer arises from an offer referred to in Section 275(1A) of the SFA, or (in the case of a trust) where the transfer arises from an offer that is made on terms that such rights or interests are acquired at a consideration of not less than \$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets;
- where no consideration is or will be given for the transfer; or
- where the transfer is by operation of law.

By accepting this Offering Memorandum, the recipient hereof represents and warrants that he is entitled to receive it in accordance with the restrictions set forth above and agrees to be bound by limitations contained herein. Any failure to comply with these limitations may constitute a violation of law.

Notice to Prospective Investors in Switzerland

The Notes may not be offered or sold, directly or indirectly, in Switzerland except in circumstances that will not result in the offer of the Notes being a public offering in Switzerland within the meaning of the Swiss Federal Code of Obligations (“CO”). Neither this prospectus supplement and the accompanying prospectus nor any other offering or marketing material relating to the Notes constitutes a prospectus as that term is understood pursuant to Article 652a or 1156 CO, and neither this prospectus supplement and the accompanying prospectus nor any other offering material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland. The Notes are not authorized by or registered with the Swiss Financial Market Supervisory Authority as a foreign collective investment scheme. Therefore, investors do not benefit from protection under the Swiss Federal Act on Collective Investment Schemes or supervision by the Swiss Financial Market Supervisory Authority.

NOTICE TO INVESTORS

The Notes have not been registered, and will not be registered, under the Securities Act or any state securities laws, and the Notes may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the Notes are being offered and sold only:

- in the United States to qualified institutional buyers (as defined in Rule 144A) pursuant to Rule 144A under the Securities Act; and
- outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

The Notes are being offered in Peru only to “institutional investors” (as such term is defined in the Seventh Final Disposition of CONASEV Resolution No. 141-98-EF/94.10.1, as amended).

Purchasers’ Representations and Restrictions on Resale and Transfer

Each purchaser of Notes (other than the Initial Purchasers in connection with the initial issuance and sale of Notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

- it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made pursuant to Rule 144A or (b) a non-U.S. person that is outside the United States;
- it acknowledges that the Notes have not been registered under the Securities Act or with any securities regulatory authority of any state and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- it understands and agrees that Notes initially offered in the United States to qualified institutional buyers will be represented by a global note and that Notes offered outside the United States pursuant to Regulation S will also be represented by a global note;
- it will not resell or otherwise transfer any of such Notes except (a) to Scotiabank Perú or any of its Subsidiaries, (b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or 904 of Regulation S under the Securities Act, (d) pursuant to an exemption from registration under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States and other jurisdictions;
- either (i) it is neither an employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), an individual retirement account or other plan subject to Section 4975 of the Code, or an entity that is deemed to hold the assets of such plans (collectively, “Plans”) nor a governmental, church or non-U.S. plan that is subject to state, local, other federal or non-U.S. law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code (“similar laws”) and it is not purchasing or holding Notes on behalf of or with the assets of any Plan or plan subject to similar laws; or (ii) its acquisition, holding and subsequent disposition of the Notes shall not constitute or give rise to a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any similar law;
- it agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes;

- it acknowledges that prior to any proposed transfer of Notes (other than pursuant to an effective registration statement) the holder of such Notes may be required to provide certifications relating to the manner of such transfer as provided in the Indenture including transfers pursuant to Rule 144A or Regulation S;
- it acknowledges that the trustee, registrar or transfer agent for the Notes may not be required to accept for registration or transfer of any Notes acquired by it, except upon presentation of evidence satisfactory to Scotiabank Perú that the restrictions set forth herein have been complied with;
- it acknowledges that Scotiabank Perú, the Initial Purchasers and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the Notes are no longer accurate, it will promptly notify Scotiabank Perú and the Initial Purchasers; and
- if it is acquiring the Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

Representations and Restrictions on Resale and Transfer of Peruvian Purchasers

Each purchaser of Notes in Peru must represent in writing that it is an “institutional investor” (as such term is defined under the Seventh Disposition of CONASEV’s Resolution No. 141-98-EF/94.10, as amended) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed to comply with the transfer and resale restrictions set forth under CONASEV’s Resolution No. 079-2008-EF/94.01.1, as amended.

Legends

The following is the form of restrictive legend that will appear on the face of the Rule 144A global note and that will be used to notify transferees of the foregoing restrictions on transfer. This legend will only be removed with Scotiabank Perú’s consent. If Scotiabank Perú so consents, it will be deemed to be removed.

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE OR OTHER SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, PLEDGED, OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, (A) IS A “QUALIFIED INSTITUTIONAL BUYER” (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN “OFFSHORE TRANSACTION” PURSUANT TO RULE 903 OR 904 OF REGULATION S AND, WITH RESPECT TO (A) AND (B), EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO SUCH ACCOUNT, (2) AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT (A)(I) TO THE ISSUER OR ANY SUBSIDIARY THEREOF, (II) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, (III) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (IV) IN AN OFFSHORE TRANSACTION COMPLYING WITH THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (V) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE), AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS, (3)(I) REPRESENTS THAT IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS NEITHER A EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), AN INDIVIDUAL RETIREMENT ACCOUNT OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, OR AN ENTITY THAT IS DEEMED TO HOLD THE ASSETS OF SUCH PLANS (THE “CODE”) (COLLECTIVELY, “PLANS”) A

GOVERNMENTAL, CHURCH OR NON-U.S. PLAN THAT IS SUBJECT TO STATE, LOCAL, OTHER FEDERAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAWS") AND IT IS NOT PURCHASING OR HOLDING THE SECURITIES ON BEHALF OF OR WITH THE ASSETS OF ANY PLAN OR PLAN SUBJECT TO SIMILAR LAWS; OR (II) REPRESENTS THAT ITS ACQUISITION, HOLDING AND SUBSEQUENT DISPOSITION OF THE SECURITIES SHALL NOT CONSTITUTE OR GIVE RISE TO A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA, SECTION 4975 OF THE CODE OR ANY SIMILAR LAW, AND (4) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

THIS LEGEND MAY ONLY BE REMOVED AT THE OPTION OF THE ISSUER.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH PARAGRAPH 2A(V) ABOVE, THE ISSUER RESERVES THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS, OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

The following is the form of restrictive legend that will appear on the face of the Regulation S global note and that will be used to notify transferees of the foregoing restrictions on transfer:

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS. PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S ("REGULATION S") UNDER THE SECURITIES ACT), THIS SECURITY MAY NOT BE REOFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S), EXCEPT TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF THE INDENTURE REFERRED TO HEREIN.

LEGAL MATTERS

Certain U.S. legal matters relating to the issuance of the Notes will be passed upon for Scotiabank Perú by Allen & Overy LLP, New York, New York, and Peruvian legal matters will be passed upon for Scotiabank Perú by Payet Rey Cauvi Abogados, Lima, Peru. Certain legal matters will be passed upon for the Initial Purchasers by Milbank, Tweed, Hadley & McCloy LLP, New York, New York and Rubio Leguía Normand, Lima, Peru.

LISTING AND GENERAL INFORMATION

Listing

Scotiabank Perú has applied to admit to listing the Notes on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market. If listed and so long as the rules of the Luxembourg Stock Exchange require, notice of any optional redemption, change of control or any change in the rate of interest payable on the Notes will be published on the website of the Luxembourg Stock Exchange at www.bourse.lu (or if the rules so require, in a leading daily newspaper of general circulation in Luxembourg, which Scotiabank Perú expects to be *Luxemburger Wort*).

Scotiabank Perú accepts responsibility for the information contained in this Offering Memorandum. To the best of Scotiabank Perú's knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

Scotiabank Perú has appointed The Bank of New York Mellon (Luxembourg) S.A. as the Luxembourg listing, transfer and paying agent for the Notes in Luxembourg. Scotiabank Perú reserves the right to vary such appointment. So long as the Notes are listed on the Luxembourg Stock Exchange and traded on the Euro MTF Market, Scotiabank Perú will maintain a paying agent in Luxembourg.

Copies of the Indenture in respect of this offering will be available at the expense of Scotiabank Perú at the corporate trust office of the trustee and at the offices of the Luxembourg paying agent.

Clearing Information

The Global Notes representing the Notes will be accepted into the applicable systems used by DTC, Euroclear and Clearstream. The CUSIP, ISIN and Common Code numbers for the Notes are as follows:

144A note CUSIP	144A note ISIN	144A note Common Code
80928H AA1	US80928HAA14	086481413
Regulation S Note CUSIP	Regulation S Note ISIN	Regulation S Note Common Code
P8542T AP2	USP8542TAP23	086481448

Authorization

Scotiabank Perú's Board of Directors authorized the issuance of the Notes and their generic terms and conditions in a meeting on April 30, 2012. Scotiabank Perú has obtained all other consents and authorizations necessary under Peruvian law for the issuance of the Notes.

Litigation

Other than as set forth in this Offering Memorandum, Scotiabank Perú is not involved in any litigation or arbitration proceeding that is material in the context of the issuance of the Notes. Scotiabank Perú is not aware of

any material litigation or arbitration proceeding that is pending or threatened other than as set forth in this Offering Memorandum.

Financial Information

Scotiabank Perú has prepared, and intends to continue to prepare, audited fiscal year-end consolidated financial statements and quarterly unaudited interim consolidated financial statements while the Notes are outstanding, both in conformity with Peruvian Banking GAAP. There has been no material adverse change in the Scotia Perú Group's business, financial condition, results of operations or prospects since September 30, 2012, the date of the Scotia Perú Group last Interim Consolidated Financial Statements. Copies of Scotiabank Perú's articles of incorporation, latest audited annual and unaudited quarterly interim reports may be obtained, and copies of offering documents referred to herein (including the forms of the Notes and the Indenture) will be available free of charge at the corporate trust office of the trustee and at the offices of the Luxembourg paying agent.

INDEPENDENT ACCOUNTANTS

The Annual Consolidated Financial Statements of the Scotia Perú Group as of and for each of the years ended December 31, 2009, 2010 and 2011 included in this Offering Memorandum have been audited by Caipo y Asociados S. Civil de R.L. (a member of the network of firms affiliated with KPMG International Cooperative, a Swiss entity), independent auditors, as stated in their reports appearing herein.

With respect to the Interim Consolidated Financial Statements of the Scotia Perú Group as of September 30, 2012 and for the nine-month periods ended September 30, 2011 and 2012 included herein, Caipo y Asociados S. Civil de R.L. have reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their separate report included herein states that they did not audit and they do not express an opinion on the unaudited Interim Consolidated Financial Statements. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

AVAILABLE INFORMATION

Scotiabank Perú will furnish, upon prior written request of any registered owner of a Note, or Noteholder, or beneficial owner of a Note, or note owner, such information as is specified in paragraph (d)(4) of Rule 144A under the Securities Act: (a) to such Noteholder or note owner, (b) to a prospective purchaser of such Note (or beneficial interest therein) who is a qualified institutional buyer designated by such Noteholder or note owner or (c) to the trustee for delivery to such Noteholder or note owner or such prospective purchaser so designated, in each case in order to permit compliance by such Noteholder or note owner with Rule 144A in connection with the resale of such Note (or a beneficial interest therein) in reliance upon Rule 144A unless, at the time of such request, (1) Scotiabank Perú is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, or (2) Scotiabank Perú qualifies for the exemption to Rule 12g3-2(b).

We will be required to file certain information in Spanish with the SMV, such as quarterly and annual reports and notices of material events (*Hechos de Importancia*). All such reports and notices are available at www.smv.gob.pe. The documents filed with the SMV are not and will not form part of this offering memorandum and are not incorporated by reference herein.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

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SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Interim Consolidated Financial Statements

September 30, 2012

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

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Interim Consolidated Financial Statements September 30, 2012

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INDEPENDENT AUDITORS' REVIEW REPORT
ON INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders and Board of Directors of
Scotiabank Perú S.A.A.

Introduction

We have reviewed the accompanying consolidated balance sheet of Scotiabank Perú S.A.A. (a subsidiary of The Bank of Nova Scotia – BNS, an entity established in Canada) and Subsidiaries as of September 30, 2012 and the related interim consolidated statements of income, changes in shareholders' equity and cash flows for the nine-month periods ended September 30, 2012 and 2011, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated 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 consolidated 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.

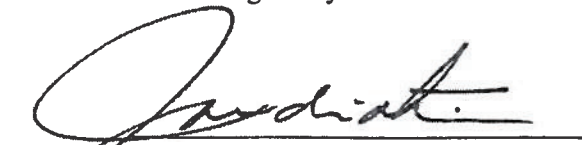
Conclusion

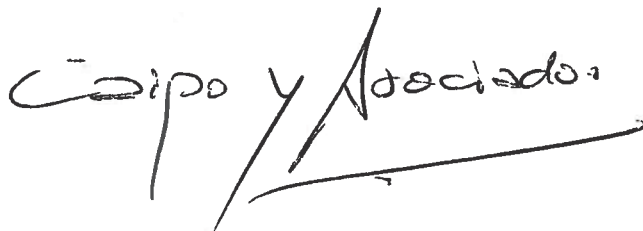
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the financial position of Scotiabank Perú S.A.A. and Subsidiaries as of September 30, 2012, and the consolidated results of their operations and their consolidated cash flows for the nine-month periods ended September 30, 2012 and 2011, in conformity with accounting standards established for financial entities in Peru by the SBS, as discussed in notes 2 and 3 to the interim consolidated financial statements.

Lima, Peru

November 23, 2012

Countersigned by:


Javier Candiotti (Partner)
Peruvian Certified Public Accountant
Registration N° 11177



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SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Interim Consolidated Balance Sheet

As of September 30, 2012 and December 31, 2011

(Stated in thousands of nuevos soles)

<u>Assets</u>	<u>09.30.2012</u> (Unaudited)	<u>12.31.2011</u> (Audited)	<u>Liabilities and shareholders' equity</u>
Cash and due from banks (note 5):			Deposits and obligations (note 12):
Cash	658,557	719,889	Demand deposits
Deposits with Banco Central de Reserva del Perú	6,082,112	5,856,563	Savings deposits
Deposits with local and foreign banks	629,226	503,139	Time deposits
Clearing	162,959	212,121	Other obligations
Accrued interest and due from banks	56,597	16,518	
	-----	-----	
	7,589,451	7,308,230	
Interbank funds	267,117	123,220	Interbank funds
Investments at fair value through profit or loss and available-for-sale (note 6)	1,456,027	1,659,254	Borrowings and financial obligations (note 13)
Loan portfolio, net (note 7)	22,227,179	20,869,482	Securities, bonds and obligations issued (note 14)
Accounts receivable, net (note 8)	455,897	488,318	Provisions and other liabilities (note 15)
Investments in associates	107,269	97,358	Total liabilities
Goodwill (note 9)	278,818	278,818	Shareholders' equity (note 16):
Property, furniture, and equipment, net (note 10)	516,131	513,141	Capital stock
Other assets, net (note 11)	883,368	793,394	Additional paid-in capital
	-----	-----	Legal reserve
Total assets	33,781,257	32,131,215	Unrealized earnings
	=====	=====	Retained earnings
			Total shareholders' equity
			Contingencies (note 17)
			Total liabilities and shareholders' equity
Contingent and memoranda accounts (note 18):			Contingent and memoranda accounts (note 18):
Contingent accounts	30,982,966	25,225,312	Contingent accounts
Memoranda accounts	181,476,142	158,741,305	Memoranda accounts
	-----	-----	
	212,459,108	183,966,617	
	=====	=====	

See the accompanying notes to the interim consolidated financial statements.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Interim Consolidated Income Statement

For the nine-month periods ended September 30, 2012 and 2011

(Stated in thousands of nuevos soles)

	<u>2012</u> (Unaudited)	<u>2011</u> (Unaudited)
Finance income (note 19)	2,407,744	2,072,785
Finance expenses (note 20)	(474,085)	(409,112)
	-----	-----
Gross finance income	1,933,659	1,663,673
	-----	-----
Provision for doubtful loans, net of recoveries (note 7)	(493,089)	(380,874)
	-----	-----
Net finance income	1,440,570	1,282,799
Income from finance services, net (note 21)	477,739	437,630
	-----	-----
Operating margin	1,918,309	1,720,429
Administrative expenses (note 22)	(980,974)	(873,708)
	-----	-----
Net operating margin	937,335	846,721
	-----	-----
Provision for doubtful and other accounts receivable realizable, and repossessed assets, and other assets	(54,550)	(65,278)
Depreciation of property, furniture, and equipment	(48,925)	(44,615)
Amortization of intangible assets	(7,076)	(5,910)
	-----	-----
	(110,551)	(115,803)
	-----	-----
Operating results	826,784	730,918
Other income, net (note 23)	45,715	59,922
	-----	-----
Net income before income tax	872,499	790,840
Deferred income tax (note 25)	24,048	47,911
Income tax (note 24)	(294,152)	(282,254)
	-----	-----
Net profit	602,395	556,497
	=====	=====
Earnings per share (in nuevos soles) (note 27)	2.133	2.291
	=====	=====
Weighted average of common shares issued (in thousands of shares) (note 27)	282,480	242,941
	=====	=====

See the accompanying notes to the interim consolidated financial statements.

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SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Interim Consolidated Statement of Changes in Shareholders' Equity

For the nine-month periods ended September 30, 2012 and 2011

(Stated in thousands of nuevos soles)

	Capital stock (note 16.b)	Additional paid - in capital (note 16.b)	Legal reserve (note 16.c)	Unrealiz earnings
Balances as of December 31, 2010 (Audited)	1,569,109	368,553	332,160	16,9
Application to legal reserve	-	-	68,020	-
Dividend distribution	-	-	-	-
Capitalization of retained earnings	730,198	-	-	-
Unrealized losses on available-for-sale investments and other	-	-	-	15,4
Reversal of deferred employees' profit sharing	-	-	-	-
Net profit	-	-	-	-
Balances as of September 30, 2011 (Unaudited)	<u>2,299,307</u>	<u>368,553</u>	<u>400,180</u>	<u>32,4</u>
Balances as of December 31, 2011 (Audited)	2,299,303	368,553	400,180	42,4
Application to legal reserve	-	-	78,849	-
Dividend distribution	-	-	-	-
Capitalization of retained earnings	553,515	-	-	-
Unrealized losses on available-for-sale investments and other	-	-	-	(8,57
Net profit	-	-	-	-
Balances as of September 30, 2012 (Unaudited)	<u>2,852,818</u>	<u>368,553</u>	<u>479,029</u>	<u>33,84</u>

See the accompanying notes to the interim consolidated financial statements.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Interim Consolidated Statement of Cash Flows

For the nine-month periods ended September 30, 2012 and 2011

(stated in thousands of nuevos soles)

	2012 (Unaudited)	2011 (Unaudited)
Cash flows from operating activities		
Net profit	602,395	556,497
Adjustments to reconcile net profit to net cash from operating activities:		
Provision for doubtful loans, net of recoveries	493,089	380,874
Impairment of investments and other assets	916	-
Provision for contingencies and indirect loans	7,079	44,564
Depreciation and amortization	56,001	50,525
Net recovery for realizable and repossessed assets	(2,254)	(1,022)
Net provision (recovery) for accounts receivable	1,890	(11,363)
Provision for severance indemnities	29,068	26,338
Provision for income tax	270,104	234,343
(Gain) loss on sale of property, furniture, and equipment	(5,978)	3,025
(Gain) loss on sale of realizable and repossessed assets	(5,833)	2,442
Net changes in assets and liabilities:		
Net decrease (increase) in interest, commissions, and other accounts receivable	29,875	(38,237)
Net increase in interest, commissions, and other accounts payable	30,359	19,145
Net increase in other assets	(82,134)	(70,978)
Net decrease in other liabilities	(272,912)	(242,042)
Net cash and cash equivalents from operating activities	1,151,665	954,111
Cash flows from investing activities		
Acquisition of property, furniture, and equipment	(58,802)	(77,805)
Acquisition of other non-financial assets	(4,837)	(4,645)
Proceeds from the sale of property, furniture, and equipment	8,267	348
Proceeds from the sale of other non-financial assets	17,156	9,970
Net cash and cash equivalents applied to investing activities	(38,216)	(72,132)
Cash flows from financing activities		
Net increase in loan portfolio	(1,854,264)	(2,980,260)
Net decrease (increase) in investments	173,786	(362,109)
Net (decrease) increase in deposits and obligations	(149,341)	1,044,875
Net increase in borrowings, financial obligations and interbank funds	1,130,498	508,171
Net increase in securities, bonds and obligations issued	247,538	115,894
Payment of dividends	(236,548)	(204,059)
Net cash and cash equivalents applied to financing activities	(688,331)	(1,877,488)
Net increase (decrease) in cash and cash equivalents	425,118	(995,509)
Cash and cash equivalents at beginning of the period	7,431,450	8,303,022
Cash and cash equivalents at end of the period	7,856,568	7,307,513

See the accompanying notes to the interim consolidated financial statements.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

(1) Operations

Scotiabank Perú S.A.A. (hereinafter the Bank) is a subsidiary of Bank of Nova Scotia - BNS (a financial entity from Canada), which holds directly and indirectly 97.75% of the Bank's capital stock as of September 30, 2012. 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 55.32% and 40.11%, 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, hereinafter the SBS). 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 (hereinafter the Banking Law). This law establishes the requirements, rights, obligations, guarantees, restrictions, and other operating conditions that Peruvian banking and insurance legal entities are governed.

The Bank's registered office address is Av. Dionisio Derteano N° 102, San Isidro, Lima, Peru. As of September 30, 2012, the Bank performed its activities through a national network of 190 branches, and one branch abroad (181 branches, and one branch abroad of December 31, 2011).

The accompanying interim consolidated financial statements include those corresponding to the Bank and other companies that are part of the consolidated group (hereinafter Scotiabank Perú S.A.A. and Subsidiaries), which are detailed as follows: 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; Scotia Sociedad Agente de Bolsa S.A., engaged in intermediation activities in the Peruvian securities market; Depósitos S.A., engaged in warehousing services; Scotia Fondos Sociedad Administradora de Fondos S.A., engaged in mutual funds management; Scotia Sociedad Titulizadora S.A., engaged in the management of trusts; SBP DPR Finance Company, special purpose entity, and Promoción de Proyectos Inmobiliarios y Comerciales S.A. engaged in purchasing and selling of goods in general. The latter is an inactive company.

Below are the main balances of the Bank and other companies mentioned in the previous paragraph as of September 30, 2012 and December 31, 2011, indicating the Bank's shareholding percentage, as well as relevant information in this regard:

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

As of September 30, 2012:

Entity	Activity	Percentage of shareholding	In thousands of S/.		
			Assets	Liabilities	Shareholders' equity
Scotiabank Perú S.A.A.	Banking	-	31,184,378	26,784,371	4,400,007
CrediScotia Financiera S.A.	Finance	100.00	3,854,337	3,332,878	521,459
Scotia Sociedad Agente de Bolsa S.A.	Stock market broker	100.00	147,394	61,587	85,807
Servicios, Cobranzas e Inversiones S.A.C.	Collection services	100.00	131,985	56,845	75,140
Depósitos S.A.	Warehousing	100.00	66,635	25,512	41,123
Scotia Fondos Sociedad Administradora de Fondos S.A.	Administration of mutual funds	100.00	31,111	7,510	23,601
Scotia Sociedad Titulizadora S.A.	Securitization	100.00	3,248	133	3,115
SBP DPR Finance Company	Special purpose entity	-	886,450	886,450	-

As of December 31, 2011:

Entity	Activity	Percentage of shareholding	In thousands of S/.		
			Assets	Liabilities	Shareholders' equity
Scotiabank Perú S.A.A.	Banking	-	29,585,936	25,543,206	4,042,730
CrediScotia Financiera S.A.	Finance	100.00	3,496,436	3,047,004	449,432
Servicios, Cobranzas e Inversiones S.A.C.	Collection services	100.00	134,115	28,612	105,503
Scotia Sociedad Agente de Bolsa S.A.	Stock market broker	100.00	144,944	76,601	68,343
Depósitos S.A.	Warehousing	100.00	59,089	17,316	41,773
Scotia Fondos Sociedad Administradora de Fondos S.A.	Administration of mutual funds	100.00	32,910	4,918	27,992
Scotia Sociedad Titulizadora S.A.	Securitization	100.00	3,441	187	3,254
SBP DPR Finance Company	Special purpose entity	-	810,097	810,097	-

Approval of Consolidated Financial Statements

The interim consolidated financial statements as of September 30, 2012 were approved by the Bank's management, held on November 13, 2012. These interim consolidated financial statements have been prepared based on the individual financial statements of companies that are part of Scotiabank Perú S.A.A. and Subsidiaries and that will be presented for approval of the corresponding Board of Directors and General Shareholders' meeting within the terms established by law. The individual financial statements that are part of the consolidated financial statements as of December 31, 2011 were approved on March 28, 2012 by the corresponding General Shareholders' meeting within the terms established by law.

(2) Basis for the Preparation of Financial Statements(a) Statement of Compliance

The accompanying interim consolidated financial statements have been prepared from the accounting records of Scotiabank Perú S.A.A. and Subsidiaries and are presented in accordance with current legal regulation and accounting principles authorized by the SBS and, in the absence of such applicable SBS standards, the International Financial Reporting Standards (IFRS), made official in Peru by the Peruvian Accounting Board (CNC) are applied. The IFRSs include the International Accounting Standards (IAS) and the pronouncements of the Interpretations Committee (SIC and IFRIC).

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

(b) Basis of Measurement

The interim 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 through profit or loss are measured at fair value.
- Available-for-sale financial instruments are measured at fair value.

(c) Presentation Currency

The interim consolidated financial statements are presented in nuevos soles (S/.) according to SBS standards. Financial information is presented in nuevos soles (S/.) and has been rounded to the nearest thousand (S/. 000), except as otherwise indicated. The presentation currency does not differ from the functional currency.

(d) Critical Accounting Estimates and Criteria

The preparation of the interim 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 for each circumstance. Since these are estimates, final results might differ.

The significant estimates related to the accompanying interim 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, goodwill, intangible assets, provision for realizable assets, received as payment and repossessed assets, and the valuation of derivative instruments through profit or loss. Accounting criteria is described in note 3.

(3) Accounting Principles and Practices

The primary accounting principles and practices applied to prepare the interim 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) Policies for Consolidation

The consolidated financial statements include the financial statements of entities comprising Scotiabank Perú S.A.A. and Subsidiaries, described in note 1, after eliminating significant balances and transactions among the consolidated companies, and the profits and losses resulting from those transactions. All subsidiaries have been consolidated from its date of incorporation or acquisition.

Subsidiaries are all companies over which the Bank holds shareholding over 50% of its voting shares; likewise, those where they are able to manage its financial and operating policies.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

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

The financial statements of the subsidiaries and special purpose entity have been included for consolidation purposes and represent 14.11% and 13.65%, of Scotiabank Perú S.A.A. and Subsidiaries' total assets before intra-company eliminations as of September 30, 2012 and December 31, 2011, respectively. As of those dates, there is no non-controlling interest resulting from the consolidation process.

(b) Financial Instruments

A financial instrument is a contract that generates 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. 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 except for gains and losses related to available for sale investments that are recorded in the unrealized gains (losses) account. 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 them on a net basis or to realize the asset, and settle the liability simultaneously.

The financial assets and liabilities presented in the interim consolidated balance sheet correspond to balances of cash and due from banks, interbank funds, investments, loan portfolio, accounts receivable and liabilities in general, except for the provision of income tax. 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 follow is established in SBS Resolution 1349-2008, which is consistent with IAS 39 *Financial Instruments: Recognition and Measurement* and establishes the accounting criteria for held-for-trading, hedging, and embedded derivatives operations, 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.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

(ii) Hedging

Derivative instruments for 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.

The effectiveness of a hedge shall be measured reliably on a prospective basis at the moment the derivative instrument is designated to be used for hedging purposes and retrospectively on a monthly minimum basis. A hedge is considered to be effective if the results of the retrospective tests are within a range of 80%-125% of effectiveness.

In the event the SBS considers the documentation to be unsatisfactory or finds weaknesses in the methodologies used, it can immediately request the designation 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 recognized in the income consolidated statement. These embedded derivatives are separated from the derivative host and measured at fair value with changes in fair value recognized in the consolidated income statement, unless Scotiabank Perú S.A.A. and Subsidiaries choose to designate the hybrid contract (host and embedded derivatives) at fair value recognized in the consolidated income statement.

As of September 30, 2012 and December 31, 2011, Scotiabank Perú S.A.A. and Subsidiaries did not have 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.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

(d) Investments

Scotiabank Perú S.A.A. and Subsidiaries apply the recording and valuation criteria of investments established in SBS Resolution 10639-2008 *Regulations for Classification and Valuation of Investments of Financial System Companies* which is in line with the classification and valuation criteria stated in IAS 39 *Financial Instruments: Recognition and Measurement*, except for investments in associates; which are not within the scope of IAS 39, as detailed below:

(i) Investments at Fair Value through Profit or Loss

Debt securities and equity shares are classified as Investments at Fair Value through Profit or Loss if they have been acquired principally for the purpose of selling in a 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 recognized on trade date, when Scotiabank Perú S.A.A. and Subsidiaries enter into contractual arrangements with counterparties to purchase securities, and they are normally derecognized when sold. Measurement is initially made at fair value, without including transaction cost, which is recognized in the consolidated income statement. Subsequently, fair values are re-measured, and all gains and losses from changes therein are recognized in the consolidated income statement.

Interest income is recognized using the effective interest rate method. Dividends are recognized in the consolidated income statement when the right to receive the payment has been established.

Investments at fair value through profit or loss that are given in guarantee or transferred through a repurchase agreement shall be reclassified as available-for-sale investments. Once these transactions are concluded, instruments shall be reclassified at their initial category, transferring the unrealized earnings from shareholders' equity to the consolidated income statement.

(ii) Available-for-Sale Investments

Available-for-Sale Investments are all other investment instruments that are not classified as Investments at Fair Value through Profit or Loss, Held-to-Maturity Investments and Investments in Associates. Likewise, investment instruments will be included in this category when the SBS explicitly requires it.

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

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

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 amortization, and its current fair value, less any impairment loss on that asset previously recognized in the consolidated income statement) is removed from equity and recognized in the consolidated income statement of the period. 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.

Gains or losses from foreign exchange differences related to equity shares shall be recognized in the "unrealized earnings" account in equity while those related to debt instruments shall be recognized in the consolidated income statement.

Interest income is recognized 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 investment securities are included in the calculation of their effective interest rates. Dividends are recognized in the consolidated income statement when the right to receive payment has been established.

(iii) Investments in Associates

The account includes equity shares acquired 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 direct and incremental transaction costs. They 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.

When variations in the equity are due to concepts other than the results of the year; these variations shall be recorded directly in the shareholders' equity. Dividends are recorded reducing the investment carrying amount.

Investment instruments held by companies can be reclassified within categories of classification. Investment instruments at fair value through profit or loss cannot be reclassified except: (1) for equity shares with no market quote lacking of reliable fair value estimations or (2) investment instruments transferred through a repurchase agreement or given in guarantee.

(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 that support such credit facilities are issued and may become direct loans and generate a liability against third parties. Changes in loan payment conditions due to debtors' payment difficulties are considered refinancing or restructuring.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

Finance lease operations are accounted for using the financial method, recording the amount of the receivable installments as loans. Corresponding finance income is recorded on an accrual basis in conformity with the lease agreement terms. Initial direct costs are recognized immediately as expenses.

The Portfolio Risk Management's Debtor Classification Unit is responsible for conducting, the evaluation and rating of the loan portfolio on a permanent basis. Each debtor receives a credit risk rating according to the guidelines established by the SBS Resolution 11356-2008 and its amendments.

Loan Portfolio Classification

The Bank and CrediScotia Financiera S.A. classify their loan portfolio in two groups: Wholesale Banking (corporate, large companies and medium companies) and Retail Banking (small business, micro business, revolving consumer, non-revolving consumer and mortgage loans). These classifications are made considering the nature of the client (corporate, government or individual), the purpose of credit, and business size measured by revenues and indebtedness, among other indicators.

Credit Risk Rating Categories

The categories of credit risk rating established by SBS Resolution 11356-2008 and amendments are as follows: Standard, Potential Problem, Substandard, Doubtful, and Loss.

For the Wholesale Banking portfolio, the Bank and CrediScotia Financiera S.A. mainly consider the payment capacity of debtor, cash flow, level of compliance with obligations, rating designated by other companies in the financial system, financial position, and quality management. For Retail Banking portfolio, the rating is based mainly on the level of compliance with credit payments, which is reflected by number of delinquent days and their classification in other financial system entities if rating alignment is applicable. Retail Banking portfolio is classified through an automatic rating process. The Bank has included in the automatic rating process wholesale debtors loan portfolio with credits up to US\$100 thousand.

Provisions for Doubtful Loans

According to current SBS regulations, the Bank and CrediScotia Financiera S.A. determine generic and specific provisions for doubtful loans. The generic provision is recorded in a preventive manner for standard risk direct loans, credit risk equivalent exposure of indirect loans, and additionally the procyclical component when the SBS orders its application. Specific provisions are recorded for direct loans and credit risk equivalent exposure of indirect loans for which a specific risk, higher than standard, has been identified.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

The equivalent credit risk exposure of indirect loans is determined by multiplying indirect loans by the different types of Credit Conversion Factors (CCF), as follows:

<u>Description</u>	<u>CCF (%)</u>
i) Confirmations of irrevocable letters of credit for up to a year, when the issuing bank is a first level entity from a foreign financial system.	20
ii) Standby letters of credit that support obligations to do or not do.	50
iii) Import credit guarantees, and those not included in the previous item, as well as bank acceptances.	100
iv) Undisbursed loans granted and unused credit lines.	-
v) Other not considered above.	100

The requirements of the provisions for doubtful loans are determined by considering the risk rating of the debtor, if it is backed by collateral or not, and depending on the type of collateral.

The Bank and CrediScotia Financiera S.A. apply the following percentages to determine provisions for the loan portfolio:

<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				
-Corporate loans	0.70	0.70	0.70	0.70
- Large company loans	0.70	0.70	0.70	0.70
- Medium company loans	1	1	1	1
- Small business loans	1	1	1	1
- Micro 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	2.50	1.25	1
Substandard	25	12.50	6.25	1
Doubtful	60	30	15	1
Loss	100	60	30	1

(*) Include revolving and non- revolving consumer loans.

Procyclical Component

The rates of procyclical component to calculate provisions for direct loans and credit risk equivalent exposure of indirect loans for debtors classified as Standard are as follows:

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

<u>Type of Credit</u>	<u>Procyclical component %</u>
Corporate loans	0.40
Large company loans	0.45
Medium company loans	0.30
Small-business loans	0.50
Micro business loans	0.50
Revolving consumer loans	1.50
Non-revolving consumer loans	1.00
Mortgage loans	0.40

For corporate, large company and mortgage loans that have preferred readily realizable collateral, the procyclical component rate is 0.3%. For all other types of credits with preferred readily realizable collateral, the procyclical component is 0% for the portion covered by such collateral.

For consumer loans supported by payroll discount agreements, the procyclical component rate is 0.25%.

The SBS can activate or deactivate the application of the procyclical component whether the average annual percentage of Gross Domestic Product (GDP) is above or below 5%. Likewise other conditions for activation or deactivation are set out in Annex I of SBS Resolution 11356-2008. The application of the procyclical component was activated from December 2008 to August 2009, deactivated from September 2009 to August 2010 and re-activated from September 2010.

The SBS has established that during the deactivation of the procyclical component, financial institutions cannot, under any circumstances, generate profits caused by the reversals of such provisions, which should only be used to record specific mandatory provisions.

Provisions for direct loans are presented deducting balances from the corresponding asset, and provisions for indirect loans are presented as liabilities. In the opinion of management, provisions booked by the Bank and CrediScotia Financiera S.A. are sufficient to cover losses of the loan portfolio at the consolidated reporting date.

(f) Securities Trading Transactions Carried Out by Customers

Securities trading transactions conducted by the subsidiary Scotia Sociedad Agente de Bolsa S.A. through its customers are recorded as accounts receivable or accounts payable, as appropriate, if, at their settlement date, 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.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

Fees in favor of the Lima Stock Exchange and SMV (Market Securities Superintendency) for these securities trading transactions are recorded in consolidated balance sheet accounts (they do not affect the income or expenses of Scotiabank Perú S.A.A. and Subsidiaries).

Reporting operations, loans of consumable property, and over-the-counter transactions conducted by Scotia Sociedad Agente de Bolsa S.A. through third parties acting as buyers and/or sellers and whose operations are waiting for settlement (collection or payment) are recorded in memoranda accounts.

(g) Property, Furniture, and Equipment

Property, furniture, and equipment are recorded at the historical acquisition cost, less accumulated depreciation and impairment losses. Disbursements incurred after acquisition of property, furniture, and equipment are capitalized only when there are probable future economic benefits associated with the asset are generated for Scotiabank Perú S.A.A. and Subsidiaries, and costs can be reliably measured.

Maintenance and repair expenses are recorded in the consolidated income statement in the period 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 in operative condition.

Depreciation is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:

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

Cost and accumulated depreciation of disposed or sold assets are eliminated from respective accounts, and any resulting gain or loss is included to results in the period they are incurred.

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

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

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

Realizable assets include assets purchased specifically for granting financial leases which are recorded initially at their acquisition cost. Further, realizable assets not granted financial leases are recorded at the lower of its cost or market value. Likewise, realizable assets also include repossessed assets.

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

According to the current legislation, the treatment to record provisions for this type of assets is as follows:

- Repossessed assets, received as payment and repossessed assets are initially recorded at cost and at the same time, a provision equivalent to 20% of the cost. If net realizable value, according to a valuation report, is impaired by more than 20%; then the required initial provision shall be an amount equivalent to the amount effectively impaired.
- For plant and equipment, the Bank records a monthly provision equivalent to 1/18 of the cost in books, less the aforementioned initial provision. 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 carrying amount obtained in the eighteenth or twelfth month, depending on if there is or is not an extension approved by the SBS, respectively.

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

Valuation reports of real estate may not be aged over a year.

(i) Impairment of Assets

Scotiabank Perú S.A.A. and Subsidiaries review the value of their long-term assets to determine if there is impairment, when existing events or circumstantial economic changes indicate that the value of an asset might not be recoverable. When the carrying amount 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.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

The recoverable amount of an asset is the higher between its net selling price and its value in use. Net selling price is the expected amount at which an asset will be sold 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

Current income tax is determined based on the taxable income and recorded according to tax legislation applicable to the Bank and each company that is part of Scotiabank Perú S.A.A. and Subsidiaries 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 that is part of 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 that is part of Scotiabank Perú S.A.A. and Subsidiaries, when the deferred tax asset is realized or the deferred tax liability is settled (note 25).

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

(k) Intangible Assets

Intangible assets are mainly related to the acquisition and development cost of computing software shown in the "Other assets" item and are amortized using the straight-line method over a period of 3 years.

Costs related to the development or maintenance of computing software are recognized in the consolidated income statement when they are incurred. However, costs that are directly related to a single and identifiable computing software, package or program, controlled by management 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.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

(l) Goodwill

Goodwill is the difference between the acquisition cost (amount paid) versus identifiable fair values of its subsidiary. 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 compliance with some future assumptions, and at the moment of the initial accounting, its occurrence has not arisen 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.

Goodwill is not amortized and is only reduced in cases of impairment, which is reviewed at least annually, or more frequently, when there are events or circumstantial changes indicating that the goodwill balance might not be recoverable.

(m) Securities, Bonds, and Obligations Issued

This includes the liability for the issuance of redeemable subordinated bonds and corporate bonds. They are recorded at amortized costs determined by the effective interest method. Discounts granted or income generated during the bonds issuance is amortized during the terms of these instruments.

Interest is recognized in the consolidated income statement 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, from 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 estimate 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, for its Spanish acronym) 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. Calculation is made for the amount that should have to be paid as of the reporting date and it is included in the "Provision for severance indemnities" account. It is presented in the consolidated balance sheet under "Other liabilities".

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

(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 the 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 clients. Commissions for banking services are recognized as income when earned.

When management considers that there are reasonable doubts about the collectability of the principal of a loan, the Bank and CrediScotia Financiera S.A. suspend the recognition of interest in the consolidated income statement. 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 collectability of the principal has dissipated it re-establishes the accounting of the interest on an accrual basis.

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

Brokerage service fees for buying and selling securities on the stock market are recorded in the "finance services income" account when these transactions have been performed. These transactions are settled within three days after execution. Revenues from sales of securities and its cost are recognized when the seller has transferred all the risks and rewards of ownership to the buyer and are recorded in the account "other income, net" on the consolidated income statement.

Revenues from warehousing services are recognized when the service is rendered, can be reliably measured and it is probable that economic benefits arising from the rendering of this service will be received.

Other income and expenses of Scotiabank Perú S.A.A. and Subsidiaries are recognized as earned or incurred in the period they are accrued.

(p) Capital Stock

Common shares are classified as equity.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

(q) Employees' Profit Sharing

Up to December 31, 2010 employees' profit sharing comprised both current and deferred employees' profit sharing. They were determined using the same criteria used to determine the current and deferred income tax, respectively, and were recorded according to legislation applicable to that date for each company that is part of Scotiabank Perú S.A.A. and Subsidiaries.

The SBS with Official Letter 4049-2011, dated January 21, 2011, established a change in treatment of employees' profit sharing indicating that this should be recorded according to IAS 19 *Employee Benefits*. Consequently, this profit sharing should be recognized as personnel expense and liability related with benefits to employees and shall not recognize deferred assets or liability as a result of temporary differences between financial and tax bases.

Starting in January 1, 2011, employees' profit sharing shall be recognized as personnel expense and liability corresponding to services of the employee, therefore, temporary differences between financial and tax bases shall not be recognized as from that date. As of December 31, 2010 balances amounted to S/. 14,048 thousand for deferred employees' profit sharing was applied to retained earnings.

(r) Earnings per Share

Basic and diluted earnings per share result from dividing the net income attributable to the common shareholders by the weighted average number of issued shares in the period, less the weighted average number of treasury shares. Shares resulting from the capitalization of the previous year's profits are included in the calculation of the weighted average number of common shares as at the beginning of the following fiscal year regardless of the issuance date.

Diluted earnings per share correspond 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 September 30, 2012 and December 31, 2011, the Bank does not have financial instruments with dilutive effects; therefore, basic and diluted earnings per shares are the same.

(s) Consolidated Statement of Cash Flows

For presentation purposes of this consolidated financial statement, the balances of cash and due from banks and interbank funds of assets as of September 30, 2012 and 2011, were considered as cash and cash equivalents.

(t) Trust Funds

Assets and income from trust operations, where there is an obligation to return the assets to clients and the Bank and Scotia Sociedad Titulizadora S.A. act as trustee, are not included in the consolidated financial statements since they belong do not to the Bank nor Scotia Sociedad Titulizadora S.A., and are recorded in memoranda accounts for control purposes (note 18). Commissions on those activities are included in income from finance services (note 21).

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

(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 current exchange rates at the dates of the transactions (note 4). Gains or losses on exchange differences resulting from the payment 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

i) Pronouncements of the Peruvian Accounting Board – CNC.

The CNC through Resolution 051-2012-EF/30 issued on August 29, 2012, approved the application from the day following of their issuance or later, according to the effective date specified in each specific standard of the year 2012, IFRSs 1 to 13, IASs 1 to 41, pronouncements from 7 to 32 (except for superseded pronouncements) issued by the interpretations committee (SIC) and all the interpretations from 1 to 20 of the current Interpretations Committee (IFRIC). This pronouncement supersedes Resolution 048-2011-EF/30 issued on January 6, 2012.

ii) Amendments not yet adopted by the CNC.

A number of amendments to standards have been improved by the IASB but are not effective internationally, as well as they have not yet been approved by the CNC as of September 30, 2012; among them we can mention:

- IFRS 1 *First-time Adoption of International Financial Reporting Standards*, published on 13 March 2012 and effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.
- IFRS 10 Consolidated Financial Statements, effective on or after January 1, 2013, which is aligned with the effective date of the IFRS.
- IFRS 11 Joint Arrangements, effective on or after January 1, 2013, which is aligned with the effective date of the IFRS.
- IFRS 12 Disclosure of Interests in Other Entities, effective on or after January 1, 2013, which is aligned with the effective date of the IFRS.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

iii) SBS pronouncements.

By means of Official Letter SBS 15014-2011, dated March 28, 2011, the SBS established that entities under its supervision shall prepare financial statements and complementary information in conformity with IFRS beginning on January 2012. As of the date of this report, Scotiabank Perú S.A.A. and CrediScotia Financiera S.A. are evaluating the effects on the preparation of its financial statements that may arise from the application of IFRS until the SBS issue the corresponding regulation within the framework of the IFRS harmonization process.

(4) Balances in Foreign Currency

Consolidated balance sheet includes 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 September 30, 2012 and December 31, 2011, these rates were US\$1 = S/. 2.598 and S/. 2.696, respectively.

Foreign currency transactions in the country and international trade transactions referred to the concepts authorized by Banco Central de Reserva del Perú, are channeled through an interbank foreign exchange market. As of September 30, 2012, the buy and sell exchange rates used were US\$ 1 = S/. 2.597 and US\$ 1 = S/. 2.598, respectively (US\$ 1 = S/. 2.695 buy rate and US\$ 1 = S/. 2.697 sell rate as of December 31, 2011).

Foreign currency balances stated in thousands of U.S. dollars and other currencies as of September 30, 2012 and December 31, 2011, are summarized as follows:

	09.30.2012			12.31.2011		
	U.S. Dollars	Euros	Other currencies	U.S. Dollars	Euros	Other currencies
Assets:						
Cash and due from banks	1,584,859	32,276	615	1,740,477	13,957	2,547
Investments at fair value through profit or loss and available-for-sale investments	739	-	-	42,689	39,285	-
Loan portfolio, net	4,370,310	-	-	3,986,438	-	-
Accounts receivable, net	19,018	-	-	20,733	-	-
Other assets	36,697	12,473	17	39,458	2,852	-
	6,011,623	44,749	632	5,829,795	56,094	2,547
Liabilities:						
Deposits and obligations	3,695,640	58,750	81	3,944,858	55,734	22
Borrowings and financial obligations	1,960,956	-	-	1,452,873	-	-
Securities, bonds and obligations issued	10,177	-	-	70,170	-	-
Other liabilities	259,070	18,170	518	282,935	18	2,001
	5,925,843	76,920	599	5,750,836	55,752	2,023
Net assets (liabilities) position on balance sheet	85,780	(32,171)	33	78,959	342	524
Transactions with derivative instruments	(152,685)	32,144	-	(129,743)	-	-

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

As of September 30, 2012 and 2011, Scotiabank Perú S.A.A. and Subsidiaries recorded under finance income, gains on foreign exchange difference of various operations amounting to S/. 114,215 thousand and S/. 132,233 thousand respectively, see note 19.

As of September 30, 2012, Scotiabank Perú S.A.A. and Subsidiaries have contingent operations in foreign currency amounting to US\$ 7,967,507 thousand, equivalent to S/. 20,699,583 thousand (US\$ 6,023,998 thousand equivalent to S/. 16,240,699 thousand as of December 31, 2011).

(5) Cash and Due from Banks

It comprises the following:

	In thousands of S/.	
	09.30.2012	12.31.2011
Cash (a)	658,557	719,889
Banco Central de Reserva del Perú (a)	6,082,112	5,856,563
Deposits with local banks (b)	45,964	44,155
Deposits with foreign banks (b)	583,262	458,984
Clearing	162,959	212,121
Restricted funds (c)	53,583	14,403
Accrued interest on cash and due from banks (d)	2,719	1,819
Other cash and due from banks	295	296
	7,589,451	7,308,230

- (a) As of September 30, 2012, funds held in cash and deposits with Banco Central de Reserva del Perú (BCRP) include US\$ 1,169,706 thousand and S/. 1,826,985 thousand (US\$ 1,159,010 thousand and S/. 1,091,220 thousand as of December 31, 2011) of legal cash reserve 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 Banco Central de Reserva del Perú (BCRP) and kept in the Bank and CrediScotia Financiera S.A. vaults.

Cash reserves held at BCRP do not accrue interest, except for amounts in local and foreign currency exceeding the minimum legal cash reserve. As of September 30, 2012, the excess of legal cash reserve in local and foreign currency accrued interest at annual rates of 2.45% and 0.13%, respectively (2.45% in local currency and 0.17% in foreign currency as of December 31, 2011). Interest accrued from the excess in foreign currency in 2012 amounts to US\$ 1,234 thousand (US\$ 1,559 thousand for year 2011). Interest accrued for the excess in local currency in 2012 amounts to S/. 13,332 thousand (S/. 7,456 thousand for year 2011).

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

As of September 30, 2012, deposits with BCRP include “overnight” operations of US\$ 180,000 thousand and S/. 25,000 thousand; such operations accrued interest at an annual nominal rate of 0.17% and 3.45%, respectively (US\$ 395,000 thousand at an annual nominal rates of 0.06%, as of December 31, 2011).

- (b) Deposits at 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 September 30, 2012, deposits in foreign banks, included deposits held at The Bank of Nova Scotia for US\$ 3,445 thousand and Canadian dollars for US\$ 42 thousand (US\$ 677 thousand and Canadian dollars for US\$ 2,019 thousand as of December 31, 2011).

As of September 30, 2012 and December 31, 2011, Scotiabank Perú S.A.A. and Subsidiaries have no significant deposits with any commercial banks.

- (c) As of September 30, 2012, restricted funds for US\$ 20,088 thousand and S/. 1,393 thousand (US\$ 4,588 thousand and S/. 2,035 thousand as of December 31, 2011), mainly relate to guarantee funds and restricted funds due to lawsuits against the Bank and CrediScotia Financiera S.A.

As of September 30, 2012 and 2011, interest revenue from cash and due from banks amounted to S/. 46,005 thousand and S/. 29,553 thousand respectively and it is included as finance income item in the consolidated income statement (see note 19).

(6) Investments at Fair Value through Profit or Loss and Available-for-Sale Investments

It comprises:

	<u>In thousands of S/.</u>	
	<u>09.30.2012</u>	<u>12.31.2011</u>
Investments at fair value through profit or loss:		
Peruvian Treasury Bonds (a)	55,831	85,846
Available-for-sale investments:		
BCRP certificates of deposit (b)	1,164,586	545,770
Peruvian Treasury Bonds (a)	212,447	835,038
Mutual funds (c)	14,261	179,714
Unlisted shares	7,877	11,739
Listed shares	1,025	1,145
Other	-	2
	-----	-----
Total investment at fair value through profit or loss and available-for-sale investments	<u>1,456,027</u>	<u>1,659,254</u>

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

- (a) 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 September 30, 2012, these bonds accrue interest at annual rates ranging from 2.75% to 5.38% (from 4.16% to 6.48% annually as of December 31, 2011), with maturities between September 2013 and August 2037 (between September 2013 and August 2037 as of December 31, 2011).
- (b) BCRP certificates of deposit are securities freely negotiable in local currency; they are acquired through BCRP public bids and traded in the Peruvian secondary market. As of September 30, 2012, these certificates accrue interest based on the BCRP reference rate which ranged from 4.07% to 4.25% annually (from 4.15% to 4.24% as of December 31, 2011) and have maturities between October 2012 and August 2013 (between January and December 2012, as of December 31, 2011).

Likewise, as of September 30, 2012 and December 31, 2011, the Bank did not have certificates of deposit issued by the BCRP with restricted availability.

- (c) As of September 30, 2012, the participants in mutual funds included S/. 13,326 thousand and US\$ 360 thousand corresponding to investments in mutual funds managed mainly by a subsidiary (held S/. 69,512 thousand and US\$ 40,876 thousand as of December 31, 2011).

As of September 30, 2012 and 2011, the accrued interest on investments amounted to S/. 58,451 thousand and S/. 68,250 thousand, respectively, and is included in the finance income item in the consolidated income statement (see note 19).

Investment at fair value through profit or loss and available-for-sale investments as of September 30, 2012 and December 31, 2011, have the following maturities:

	<u>In thousands of S/.</u>	
	<u>09.30.2012</u>	<u>12.31.2011</u>
Up to 3 months	544,156	473,724
3 to 12 months	690,522	337,603
Over 12 months	221,349	847,927
	-----	-----
	<u>1,456,027</u>	<u>1,659,254</u>
	=====	=====

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

(7) Loan Portfolio, net

It comprises the following:

	In thousands of S/.			
	09.30.2012	%	12.31.2011	%
Direct loans:				
Current loans	22,746,181	97	21,410,972	97
Refinanced loans	185,142	1	198,713	1
Restructured loans	43,166	-	72,844	-
Past due loans	322,386	1	286,650	2
Loans in litigation	151,594	1	104,274	-
	-----	----	-----	----
	23,448,469	100	22,073,453	100
	=====	=====	=====	=====
Plus (less):				
Accrued interest on loans	206,130		190,176	
Non-accrued interest	(432,098)		(488,468)	
Provision for doubtful loans	(995,322)		(905,679)	
	-----		-----	
	22,227,179		20,869,482	
	=====		=====	
Indirect loans (note 18)	4,343,038		3,948,281	
	=====		=====	

As of September 30, 2012 and December 31, 2011, fifty-one percent of the direct and indirect loan portfolio of the Bank and CrediScotia Financiera S.A. was concentrated in 1,676 and 1,245 clients, respectively.

The loan portfolio (direct and indirect) of the Bank and CrediScotia Financiera S.A. is mainly backed up with collateral received from clients, mainly consisting 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 the SBS regulations.

The Bank and CrediScotia Financiera S.A. freely establish the interest rate of loan portfolio based on the supply and demand, and type of loan. The annual average effective of main products fluctuated as follows:

	%			
	09.30.2012		12.31.2011	
	Local currency	Foreign currency	Local currency	Foreign currency
Overdrafts (*)	55.00 - 85.00	30.00 - 55.00	55.00 - 85.00	30.00 - 55.00
Discounts and commercial loans	5.44 - 43.90	3.49 - 28.30	3.05 - 41.39	1.56 - 29.88
Consumer loans	14.35 - 46.30	9.43 - 20.66	14.71 - 67.49	7.29 - 30.81

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

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

As of September 30, 2012 and December 31, 2011, according to current SBS regulations, the loan portfolio of Scotiabank Perú S.A.A. and CrediScotia Financiera S.A. risk-based ratings are as follows:

Risk rating	09.30.2012				12.31.2011			
	N° of debtors	In thousands of S/.			N° of debtors	In thousands of S/.		
		Direct	Indirect	Total		Direct	Indirect	Total
Standard	890,905	21,812,412	4,315,388	26,127,800	899,057	20,691,588	3,926,265	24,617,853
Potential problem	55,483	680,352	18,613	698,965	48,501	515,510	12,573	528,083
Substandard	32,084	235,829	5,196	241,025	30,657	199,387	3,366	202,753
Doubtful	53,978	299,305	566	299,871	54,637	281,057	1,880	282,937
Loss	24,995	420,571	3,275	423,846	22,497	385,911	4,197	390,108
	-----	-----	-----	-----	-----	-----	-----	-----
	1,057,445	23,448,469	4,343,038	27,791,507	1,055,349	22,073,453	3,948,281	26,021,734
	=====	=====	=====	=====	=====	=====	=====	=====

As of September 30, 2012 and December 31, 2011, direct loans were distributed by sectors as follows:

	In thousands of S/.			
	09.30.2012	%	12.31.2011	%
Mortgage and consumer loans	7,779,237	33	6,939,328	31
Trade	2,965,326	13	2,779,470	13
Manufacturing	2,823,572	12	2,742,342	12
Real estate business and lease service	2,025,637	9	1,886,416	9
Transportation	1,060,147	4	923,083	4
Electricity, gas, and water	896,988	4	916,804	4
Financial intermediation	713,301	3	775,411	4
Mining	617,999	3	997,006	5
Education, services, and other	486,632	2	502,406	2
Agriculture and livestock	439,905	2	368,882	2
Fishing	367,053	2	420,839	2
Construction	338,776	1	312,934	1
Hotel and restaurants	300,443	1	238,505	1
Public administration and defense	9,888	-	7,678	-
Other (mainly non-profit, healthcare and automotive)	2,623,565	11	2,262,349	10
	-----	----	-----	----
	23,448,469	100	22,073,453	100
	=====	=====	=====	=====

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

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

	In thousands of S/.		Total
	Specific	Generic	
Balances as of December 31, 2010	448,327	325,174	773,501
Additions charged to income statement	517,213	174,402	691,615
Recovery of provisions	(197,415)	(96,451)	(293,866)
Transfers and other	14,738	(22,982)	(8,244)
Write-offs and forgiveness	(294,648)	-	(294,648)
Foreign exchange difference	(2,430)	(1,914)	(4,344)
Balances as of September 30, 2011	485,785	378,229	864,014
Balances as of December 31, 2011	507,256	398,423	905,679
Additions charged to income statement	710,384	195,988	906,372
Recovery of provisions	(215,704)	(167,426)	(383,130)
Transfers and other	9,548	1,534	11,082
Write-offs and forgiveness	(431,514)	-	(431,514)
Foreign exchange difference	(7,556)	(5,611)	(13,167)
Balances as of September 30, 2012	572,414	422,908	995,322

As of September 30, 2012, the provision for foreign exchange credit risk and the procyclical provision amounted to S/. 937 thousand and S/. 121,141 thousand (S/. 1,165 thousand and S/. 113,598 thousand, respectively as of December 31, 2011).

Scotiabank Perú S.A.A. and CrediScotia Financiera S.A. recorded the provision for doubtful loans according to the policy described in note 3e. In the opinion of the management of Scotiabank Perú S.A.A. and CrediScotia Financiera S.A., the provision for doubtful loans recorded as of September 30, 2012 and December 31, 2011 is recorded according to the current SBS standards effective as of that date.

As of September 30, 2012 and December 31, 2011, direct loan portfolio had the following maturities:

	In thousands of S/.					
	09.30.2012			12.31.2011		
	Local currency	Foreign currency	Total	Local currency	Foreign currency	Total
Up to 1 month	1,217,033	1,116,674	2,333,707	1,004,576	1,291,325	2,295,901
1 to 3 months	1,636,993	1,952,842	3,589,835	1,799,566	1,861,033	3,660,599
3 to 6 months	1,732,824	1,362,786	3,095,610	2,236,794	1,225,443	3,462,237
6 to 12 months	2,441,478	1,231,311	3,672,789	2,057,608	1,220,801	3,278,409
Over 12 months	4,635,176	5,853,502	10,488,678	3,865,363	5,310,196	9,175,559
Overdue and loans in litigation	286,037	187,943	473,980	216,009	174,915	390,924
Less accrued interest	(140,686)	(65,444)	(206,130)	(136,647)	(53,529)	(190,176)
	11,808,855	11,639,614	23,448,469	11,043,269	11,030,184	22,073,453

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(8) Accounts Receivable, net

It comprises the following:

	In thousands of S/.	
	09.30.2012	12.31.2011
Tax claims (a)	225,666	268,667
Accounts receivable for differential of derivative financial instruments (b)	105,681	55,996
Accounts receivable for collection and warehousing services	53,111	49,358
Commissions receivable	17,143	17,172
Advances to personnel	6,985	2,146
Payments on behalf of third parties, net	4,570	4,772
Accounts receivable from guarantee trusts, net	3,418	-
Accounts receivable from sale of investments	983	41,950
Accounts receivable from brokerage customers	916	2,712
Other accounts receivable, net (c)	37,424	45,545
	=====	=====
	455,897	488,318
	=====	=====

(a) Scotiabank Perú S.A.A. and Subsidiaries tax proceedings as of September 30, 2012 and December 31, 2011, correspond to the compensation of the credit balance against ITAN (Temporary Tax on net Assets) for years 2006 and 2005 (see note 24e).

(b) As of September 30, 2012, Scotiabank Perú S.A.A. had held for trading derivative instruments with sale and purchase transactions for a notional value of US\$ 2,196,589 thousand and US\$ 2,076,048 thousand; respectively, and maturities until July 2017 (as of December 31, 2011, hold sale and purchase transactions for a notional value of US\$ 1,348,492 thousand and US\$ 1,218,749 thousand, respectively, and maturities until April 2013). These derivative instruments generated net gains of S/. 21,151 thousand and S/. 330 thousand respectively, as of September 30, 2012 and 2011 see note 19.

(c) As of September 30, 2012, the balance of other accounts receivable, net of the related provision for doubtful accounts, is mainly composed of: i) accounts receivable from property rental for S/. 1,400 thousand (S/. 1,708 thousand as of December 31, 2011); and ii) various accounts receivable for S/. 36,024 thousand (S/. 43,837 thousand as of December 31, 2011).

(9) Goodwill

In 2008, the Bank acquired 100% of the capital stock of Banco del Trabajo S.A., currently CrediScotia Financiera S.A., and recognized goodwill as of September 30, 2012 and December 31, 2011 of S/. 278,818 thousand which includes a purchase price adjustment (earn-out) of S/. 83,290 thousand, calculated in accordance with the purchase agreement.

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According to SBS standards, such goodwill has been assessed by management, concluding that there is no impairment as of September 30, 2012 and December 31, 2011.

(10) Property, Furniture, and Equipment, net

It comprises the following:

	In thousands of S/.				Balance as of 09.30.12
	Balance as of 12.31.11	Additions	Disposals	Reclass. & Adjust.	
Cost:					
Land	153,994	596	(989)	-	153,601
Property and premises	710,461	2,197	(5,041)	16,868	724,485
Furniture, fixture, and IT	349,183	20,358	(5,093)	4,250	368,698
Vehicles	5,110	-	(34)	-	5,076
Units in transit and replacing units	6,367	14,176	-	(7,323)	13,220
Work-in-progress	9,306	21,475	-	(18,393)	12,388
	<u>1,234,421</u>	<u>58,802</u>	<u>(11,157)</u>	<u>(4,598)</u>	<u>1,277,468</u>
Accumulated depreciation:					
Property and premises	471,812	24,324	(3,993)	-	492,143
Furniture, fixture, and IT	246,291	24,050	(4,841)	-	265,500
Vehicles	3,177	551	(34)	-	3,694
	<u>721,280</u>	<u>48,925</u>	<u>(8,868)</u>	<u>-</u>	<u>761,337</u>
	<u>513,141</u>				<u>516,131</u>

According to current legislation, banks and finance companies in Perú cannot give as collateral the 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.

(11) Other Assets, net

It comprises the following:

	In thousands of S/.	
	09.30.2012	12.31.2011
Tax credits and other (a)	354,738	367,973
Deferred income tax (note 25)	184,248	164,800
Transactions in process (b)	111,588	78,662
Prepaid expenses (c)	96,433	118,220
Income tax prepayment, net	81,982	-
Reposessed and realizable assets, net of accumulated depreciation and provision for impairment for S/. 127,339 thousand (S/. 129,743 thousand in 2011)	21,679	28,135
Intangible assets, net of amortizations of S/. 197,986 thousand (S/. 191,726 thousand in 2011)	17,965	16,376
Inventories	3,155	6,995
Other	11,580	12,233
	<u>883,368</u>	<u>793,394</u>

- (a) As of September 30, 2012 and December 31, 2011, tax credit mainly includes the value added tax (VAT) from acquisition of assets that have been transferred under finance leases, which have not yet been applied to taxable operations.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

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- (b) Transactions in process are 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 transactions do not affect the results of Scotiabank Perú S.A.A. and Subsidiaries. As of September 30, 2012, they comprise S/. 93,501 thousand related to treasury transactions, S/. 11,453 thousand for invoices in transit for services received and S/. 2,096 thousand for Unibanca unsettled transactions (as of December 31, 2011 for S/. 61,920 thousand, S/. 1,373 thousand and S/. 3,852 thousand, respectively).
- (c) As of September 30, 2012, prepaid expenses include mainly: (i) deferred loan origination costs, fees paid to external sales of S/. 52,654 thousand (S/. 49,876 thousand as of December 31, 2011); (ii) prepaid rent of S/. 5,904 thousand (S/. 6,499 thousand as of December 31, 2011); (iii) prepaid commissions of received borrowings for S/. 9,255 thousand (S/. 11,931 thousand as of December 31, 2011); (iv) advertising and marketing services for S/. 6,400 thousand (S/. 7,341 thousand as of December 31, 2011); and, (v) commissions on financing of S/. 12,702 thousand (S/. 13,091 thousand as of December 31, 2011).

(12) Deposits and Obligations
It comprises the following:

	In thousands of S/.			
	09.30.2012	%	12.31.2011	%
Individuals	6,841,354	32	6,954,267	32
Corporate clients	11,187,477	53	11,213,141	53
Non-profit organizations	1,924,970	9	2,129,085	10
Other	1,329,481	6	1,126,718	5
	=====	-----	=====	-----
	21,283,282	100	21,423,211	100
	=====	=====	=====	=====

Deposits and other obligations in U.S. dollars represent 45% and 50% of the total deposits as of September 30, 2012 and December 31, 2011, respectively. Deposits included accounts pledged in favor of Scotiabank Perú S.A.A. and CrediScotia Financiera S.A. for credit operations for S/. 326,456 thousand and US\$ 185,393 thousand as of September 30, 2012 and S/. 301,583 thousand and US\$ 191,905 thousand as of December 31, 2011.

Likewise, as of September 30, 2012 and December 31, 2011, from the total of deposits and obligations from individuals and non-profit legal entities, the amounts of S/. 5,456,405 thousand and S/. 5,493,735 thousand, respectively, are covered by the Peruvian Deposit Insurance Fund (FSD, for its Spanish acronym), according to current legal regulations.

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

- (a) Registered deposits, under any modality, from individuals and private non-profit legal entities;

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

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- (b) Accrued interest on the above-mentioned deposits, as from their respective opening dates or their last renewal date; and
- (c) Demand deposits corresponding to legal entities.

The maximum amount covered for each individual as of September 30, 2012, and December 31, 2011 amounted to S/. 91 thousand.

The Bank and CrediScotia Financiera S.A. freely establish deposits interest rates based on supply and demand, and the type of deposits. Effective annual rates for main products fluctuated as follows:

	09.30.2012		12.31.2011	
	Local currency	Foreign currency	Local currency	Foreign currency
Savings deposits	0.74 - 1.69	0.33 - 0.67	0.96 - 2.97	0.45 - 1.71
Term deposits	3.44 - 6.37	0.87 - 2.41	1.28 - 5.81	0.73 - 3.08
Bank certificates	-	0.26 - 0.74	-	0.18 - 1.04
Severance indemnities (CTS) deposits	2.74 - 6.00	1.85 - 4.00	1.50 - 6.00	1.42 - 4.00

As of September 30, 2012 and December 31, 2011, the scheduled maturity dates of the time deposits were as follows:

	09.30.2012			12.31.2011		
	Local currency	Foreign currency	Total	Local currency	Foreign currency	Total
Up to 1 month	1,720,439	2,308,849	4,029,288	2,029,422	2,214,016	4,243,438
1 to 3 months	1,439,190	509,645	1,948,835	1,066,844	1,300,964	2,367,808
3 to 6 months	780,599	333,686	1,114,285	503,051	370,236	873,287
6 to 12 months	659,035	477,816	1,136,851	602,510	592,888	1,195,398
Over 12 months	492,697	413,185	905,882	339,600	382,885	722,485
	5,091,960	4,043,181	9,135,141	4,541,427	4,860,989	9,402,416

Demand deposits, savings deposits and severance indemnities (CTS, for its Spanish acronym) deposits have no contractual maturities.

CrediScotia Financiera S.A. has issued short-term Negotiable Certificate of Deposits (CDN, for its Spanish acronym) as follows:

Issuance	Annual interest	Maturity	Outstanding balance in thousands of S/.	
			09.30.2012	12.31.2011
2nd Program CDN	4.50% - 4.84%	2012	-	150,000
3rd Program CDN	4.41% - 4.97%	2013	190,000	107,740
			190,000	257,740

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

(13) Borrowings and Financial Obligations

It comprises the following:

	In thousands of S/.	
	09.30.2012	12.31.2011
COFIDE credits lines (a)		
Mivivienda	282,176	254,012
Working capital and other	388,000	432,000
Ordinary loans from abroad (b):		
Related banks	1,817,763	1,377,124
Other banks	2,750,346	1,938,419
	-----	-----
	5,238,285	4,001,555
Interest payable	20,311	22,475
	-----	-----
	<u>5,258,596</u>	<u>4,024,030</u>

(a) COFIDE - Corporación Financiera de Desarrollo S.A. (Finance Development Corporation) credit lines correspond to resources obtained for loans granting, mainly for Fondo Mivivienda mortgage financing programs, which accrue a fixed interest rate adjusted to the VAC index. Likewise, as of September 30, 2012, this line includes borrowings with COFIDE include funds obtained in local currency to be used for working capital in the short term, which accrue interest at rates between 6.10% and 6.75% (between 6.60% and 8.05% as of December 31, 2011).

(b) As of September 30, 2012, ordinary loans correspond to debts with related foreign financial entities: Scotiabank Ltd. Bahamas for US\$ 693,165 thousand and The Bank of Nova Scotia for US\$ 6,513 thousand (as of December 31, 2011 for US\$ 503,165 thousand and US\$ 7,638 thousand, respectively).

As of September 30, 2012, this line includes borrowings agreed with various foreign financial institutions for US\$ 866,941 thousand and S/. 43,382 thousand (US\$ 593,998 thousand as of December 31, 2011), which accrue interest at annual average rates ranging from 1.92% to 7.50% in foreign currency and 8.08% in local currency (from 1.91% to 7.50% in foreign currency as of December 31, 2011).

Likewise, as of September 30, 2012, the Bank maintains borrowings agreed with foreign financial institutions for US\$ 175,000 thousand maturing between June and September 2017. From this amount, US\$ 62,500 thousand accrue interest as at fixed rate of 3.88%; while US\$ 112,500 thousand accrue interest at a variable rate of 3-month LIBOR plus a spread between 2.49% and 2.64%. These transactions contain standard clauses of compliance with financial ratios and other administrative matters. In the opinion of the management those clauses do not affect the Bank's operations and are being met.

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As of September 30, 2012 and December 31, 2011 the scheduled maturity dates of borrowings from banks and other financial institutions were as follows:

	In thousands of S/.	
	09.30.2012	12.31.2011
Up to 1 month	716,228	237,514
1 to 3 months	484,902	467,379
3 to 6 months	1,001,411	380,893
6 to 12 months	578,811	361,040
Over 12 months	2,477,244	2,577,204
	<u>5,258,596</u>	<u>4,024,030</u>

(14) Securities, Bonds and Obligations Issued

It comprises the following:

Issuance	Annual interest	Maturity	Outstanding balance in thousands of S/.	
			09.30.2012	12.31.2011
Negotiable notes (a)				
Series A	5.25%	2017	123,063	134,800
Series B	3m LIBOR + 2.75%	2017	307,658	337,000
			<u>430,721</u>	<u>471,800</u>
Redeemable subordinated bonds				
1st Issuance (b)	9.10%	2013	25,980	188,563
1st Issuance A (c)	7.41%	2027	130,000	-
			<u>155,980</u>	<u>188,563</u>
Corporate bonds (d)				
1st Issuance A-First program	5.69%	2012	-	30,000
1st Issuance A-First program	6.34%	2013	100,000	100,000
1st Issuance B-First program	5.78%	2012	-	26,660
2nd Issuance A-First program	7.72%	2014	60,000	60,000
2nd Issuance B-First program	6.28%	2014	50,000	50,000
2nd Issuance C-First program	5.53%	2015	50,000	-
3rd Issuance A-First program	6.81%	2013	150,000	150,000
5th Issuance A-First program	6.44%	2014	40,900	40,900
5th Issuance B-First program	6.59%	2014	25,150	25,150
5th Issuance C-First program	6.31%	2014	49,290	49,290
6th Issuance A-First program	4.66%	2012	-	30,140
7th Issuance A-First program	7.19%	2017	60,000	60,000
8th Issuance A-First program	7.31%	2017	100,000	100,000
1st Issuance A-Second program	5.72%	2017	100,000	-
1st Issuance B-Second program	5.19%	2017	50,000	-
1st Issuance C-Second program	5.16%	2017	50,000	-
3rd Issuance A-Second program	6.78%	2018	75,920	75,920
3rd Issuance B-Second program	5.56%	2019	100,000	-
5th Issuance A-Second program	5.09%	2017	58,000	-
			<u>1,119,260</u>	<u>798,060</u>
Interest payable and obligations			<u>1,705,961</u>	<u>1,458,423</u>
			<u>22,754</u>	<u>12,514</u>
			<u>1,728,715</u>	<u>1,470,937</u>

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- (a) In January 2010, SBP DPR Finance Company (special purpose entity established in Grand Cayman and consolidated by Scotiabank Group) made a securitization agreement of Diversified Payment Rights (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. 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" accrues interest at a fixed rate of 5.25% and Series "B" accrues interest at the three-month LIBOR rate plus 2.75%. The notes are guaranteed by remittances received through SWIFT messages and are transferred to SBP DPR Finance Company. These contracts and transactions contain standard clauses of compliance with financial ratios and other administrative matters. In the opinion of the management those clauses do not affect the Bank's operations and are being met.
- (b) During 2000, the Bank issued, through public auction, subordinated bond for US\$ 70,000 thousand denominated Banco Wiese Sudameris Subordinated Bonds – First Issuance with SBS authorization – Resolution N° 366-2000. The issuance of these bonds concluded in 2011 and was executed in seven series (identified with letter G) of 1,000 bonds per series at a par value of US\$10 thousand maturing in October 2013. The proceeds were exclusively destined to finance loan operations.
- (c) In July 2012, CrediScotia Financiera S.A. issued subordinated bonds for S/. 130,000 thousand through public auction with SBS authorization - Resolution No. 4873-2012. Bonds have maturity in July 2027 and a put option from the tenth years. The proceeds were exclusively destined to finance credit operations.
- (d) From 2007 to date, the Bank and CrediScotia Financiera S.A. have issued corporate bonds for S/. 959,260 and S/. 160,000 thousand, respectively within terms ranging from 1 to 7 years. Proceeds were exclusively destined to credit operations financing.

As of September 30, 2012 and 2011, the interest expense from issued securities of the Bank and Subsidiaries amounted to S/. 72,151 thousand and S/. 61,139 thousand, respectively and it is included as finance expenses item in the consolidated financial statements (see note 20).

Subordinated bonds issued by the Bank and CrediScotia Financiera S.A. do not have specific collateral; however, they have a generic guarantee on shareholders' equity of each company separately.

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As of September 30, 2012 and December 31, 2011, the maturities of issued securities were as follows:

	In thousands of S/.	
	09.30.2012	12.31.2011
Up to 3 months	3,750	30,446
3 to 6 months	49,588	188,472
6 to 12 months	302,240	30,600
Over 12 months	1,373,137	1,221,419
	-----	-----
	1,728,715	1,470,937
	=====	=====

(15) Provisions and Other Liabilities

It comprises the following:

	In thousands of S/.	
	09.30.2012	12.31.2011
Other accounts payable (a)	188,688	131,843
Transactions in process (b)	158,730	102,539
Provisions for litigations and legal claims (c)	113,566	119,757
Accounts payable for differential of derivative financial instruments (note 8b)	105,553	51,904
Generic provision (d)	72,346	63,702
Provision for indirect loans	54,545	52,562
Put option (e)	53,418	53,106
Dividends, vacations, profit sharing and remunerations payable	52,213	104,692
Accounts receivable from principals	24,623	49,970
Dividends payable to principals	17,279	19,068
Deferred income on portfolio sale and other	13,863	12,096
Deferred income tax (note 25)	2,831	5,038
Income tax provision	1,231	98,130
Other provisions (f)	166,634	116,694
	-----	-----
	1,025,520	981,101
	=====	=====

- (a) As at September 30, 2012, this account was composed mainly of accounts payable to: i) suppliers for S/. 131,511 thousand; ii) tax agencies for S/. 10,766 thousand; iii) purchase of investments for S/. 24,929 thousand; iv) insurance companies for services agreed-upon by customers for S/. 7,855 thousand; and v) merchants for purchases with credit cards issued for S/. 6,407 thousand (S/. 82,248 thousand, S/. 7,820 thousand, S/. 12,729 thousand, S/. 7,400 thousand, and S/. 12,014 thousand; respectively as of December 31, 2011).

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- (b) 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 consolidated balance sheet accounts. These operations do not affect the results of Scotiabank Perú S.A.A. and Subsidiaries. As of September 30, 2012, liability transactions in process mainly include S/. 109,584 thousand related to Treasury transactions, S/. 3,968 thousand related to credit card operations, S/. 283 thousand related to the clearing process at the electronic clearinghouse, and S/. 7,017 thousand related to debit purchase transactions (as of December 31, 2011, the amounts of S/. 53,076 thousand, S/. 15,710 thousand, S/. 1,380 thousand, and S/. 4,123 thousand, respectively).
- (c) As of September 30, 2012 and December 31, 2011, Scotiabank Perú S.A.A. and Subsidiaries have various legal actions underway, which are related to civil and labor claims, among others. These legal actions resulted from activities and operations performed during the normal course of Scotiabank Perú S.A.A. and Subsidiaries' operations, it is not anticipated they will have any significant impact on operations or results.
- (d) As of September 30, 2012, the generic provision account corresponds to:
 - i) reversals or recoveries of provisions recorded since 2002 charged to equity accounts, which, according to SBS Official Letter 23797-2003, shall be reallocated to deficits of provisions in other asset accounts of the Bank for S/. 40,565 thousand (S/. 40,594 thousand as of December 31, 2011); and ii) generic provision made with charge to income statement of the period for S/. 31,781 thousand (S/. 23,108 thousand as of December 31, 2011).
- (e) As of September 30, 2012 and December 31, 2011, the Bank has signed a put option contract on its own common shares held in a trust, entitling the trustee the right to sell to the Bank all of these shares at a price calculated based on this contract. This option is effective from September 15, 2006 through December 31, 2015.
- (f) As of September 30, 2012, the balance of other provisions mainly include:
 - i) provisions for personnel expenses for S/. 112,738 thousand (S/. 31,615 thousand as of December 31, 2011), ii) deposit insurance fund premiums for S/. 6,183 thousand (S/. 6,001 thousand as of December 31, 2011), iii) the balance of the adjustment to the acquisition cost (earn out) of the shares of CrediScotia Financiera S.A. for S/. 28,579 thousand (S/. 55,169 thousand as of December 31, 2011) and iv) the balance of the provisions for cross border for S/. 269 thousand (S/. 3,608 thousand as of December 31, 2011).

The adjustment to the acquisition cost was determined in conformity with the purchase agreement; which allowed the possibility to adjust the acquisition cost upon achievement of certain results indicated in the purchase agreement. The payment of the contingent amount shall be made based on the criteria set out in that agreement, to that effect in March 2011 and April 2012, the Bank made the first and second payment amounting to US\$ 10,000 thousand each.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

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(16) Shareholders' Equity

(a) General

The regulatory capital of Scotiabank Perú S.A.A. and CrediScotia Financiera S.A. are determined in accordance with the Banking Law and as of September 30, 2012 amounts to S/. 3,050,453 thousand and S/. 524,682 thousand, respectively (S/. 2,455,924 thousand and S/. 346,099 thousand, respectively as of December 31, 2011). This figure is used to calculate certain legal limits and restrictions according to the Peruvian Banking Law applicable to the financial institutions' operations in Perú.

As of September 30, 2012, credit risk weighted assets and contingent credits determined by Scotiabank Perú S.A.A. and CrediScotia Financiera S.A. according to the legislation applicable to financial institutions amounted to S/. 23,323,607 thousand and S/. 3,339,347 thousand, respectively (S/. 21,230,475 thousand and S/. 3,213,061 thousand, respectively, as of December 31, 2011).

As at September 30, 2012, the Banking Law established as a global limit that the regulatory capital shall be equal to or greater than 10% of the total risk weighted assets and contingent credits, which corresponds to the sum of: the amount of regulatory capital requirements for market risk multiplied by 10, plus the amount of the regulatory capital requirements for operational risk multiplied by 10, plus the risk weighted credit related assets and contingencies.

As of September 30, 2012, the regulatory capital of Scotiabank Perú S.A.A. and CrediScotia Financiera S.A. represents 12.28% and 15.14% respectively of the total aforementioned risk weighted assets and contingent credits (10.94% and 10.77% respectively as of December 31, 2011).

Likewise, by means of SBS Resolution 2115-2009, the SBS approved the rules for the regulatory capital requirement for operational risk, effective July 1, 2009. In this respect, as of the date of this report, Scotiabank Perú S.A.A. and CrediScotia Financiera S.A. have applied the alternative standard method for the calculation of the regulatory capital requirement for operational risk.

Finally, by means of SBS Resolution 8425-2011 and amendments, dated July 20, 2011, the SBS approved the methodology for the calculation of additional regulatory capital requirement, which establishes that this requirement shall be equal to the sum of the regulatory capital requirements, calculated for each of the following components: i) economic cycle, ii) concentration risk, iii) market risk concentration, iv) interest rate risk in the banking books, and v) other risks. This additional requirement will come into force progressively as from July 2012.

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(b) Capital Stock

As of September 30, 2012 and December 31, 2011, the Bank's capital stock comprised 282,480,263 and 227,128,755 common shares respectively. All shares have voting rights and a par value of S/. 10.00 each. As of September 30, 2012 and December 31, 2011, the quoted value of common shares of the Bank was S/. 38.60 and S/. 36.50 per share, respectively. As of September 30, 2012 and December 31, 2011, the monetary inflation adjustment of 2001 through 2004 amounting to S/. 28,019 thousand is pending of capitalization.

Pursuant to the delegation conferred by the General Shareholders' meeting held on March 31, 2011, the Board of Directors approved a capital stock increase for an amount to S/. 395,397 thousand and S/. 158,118 thousand, respectively from the 2011 and 2010 retained earnings capitalization; consequently the capital stock will be increased to S/. 2,824,803 thousand and will be comprised through the issuance of 282,480 thousand common shares, with a par value of S/. 10.00 each.

Likewise, in the year 2011, the Board of Directors approved a capital stock increase for an amount to S/. 730,198 thousand from the previous years retained earnings capitalization of through the issuance of 73,020 thousand common shares, with a par value of S/. 10.00 each. Consequently, the capital stock increased to S/. 2,271,287 thousand and was comprised by 227,129 thousand common shares, with a par value of S/. 10.00 each.

Shares participation on the Bank's capital stock as of September 30, 2012 and December 31, 2011, is as follows:

Percentage of shareholding	09.30.2012		12.31.2011	
	Number of shareholders	%	Number of shareholders	%
0.01 to 1	2,089	2.25	2,279	2.29
1.01 to 50	2	42.43	2	42.39
50.01 to 100	1	55.32	1	55.32
	-----	-----	-----	-----
	2,092	100.00	2,282	100.00
	=====	=====	=====	=====

As of September 30, 2012, the Banking Law requires that the capital stock of the Bank shall reach the minimum amount of S/. 25,001 thousand (S/. 24,853 thousand as of December 31, 2011), which is a constant value and 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).

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

(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 28, 2012, it was decided to apply to the legal reserve an amount of S/. 78,849 thousand, corresponding to 10% of net profit for the year 2011.

At the Bank's Annual Obligatory General Shareholders' meeting, held on March 31, 2011, it was decided to apply to the legal reserve an amount of S/. 68,020 thousand, corresponding to 10% of net profit for the year 2010.

(d) Retained Earnings

At the Bank's Annual Obligatory General Shareholders' meeting, held on March 28, 2012, the distribution of net profit 2011 for a total of S/. 788,493 thousand was approved, as follows:

- (i) Cash dividends payment for S/. 236,548 thousand.
- (ii) Allocate 10% of net income, amounting to S/. 78,849 thousand, to increase the legal reserve.
- (iii) Remaining balance, amounting to S/. 473,096 thousand will be held in the retained earnings account.

At the Bank's Annual Obligatory General Shareholders' meeting, held on March 31, 2011, the distribution of net profit 2010 for a total of S/. 680,197 thousand was approved, as follows:

- (i) Cash dividends payment for S/. 204,059 thousand.
- (ii) Allocate 10% of net income, amounting to S/. 68,020 thousand, to increase the legal reserve.
- (iii) Remaining balance, amounting to S/. 408,118 thousand will be held in the retained earnings account.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

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(17) Contingencies

In February 2006, previous to the acquisition of Banco Wiese Sudameris (BWS) 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. signed an indemnity agreement through which Scotiabank Perú S.A.A. would 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 has several pending court claims related to their ongoing activities. In the opinion of management and their internal legal advisors, these claims will not result in liabilities additional to those recorded by the Bank and its Subsidiaries; therefore, management considers that no additional provision is necessary for these contingencies (note 15c).

(18) Contingent and Memoranda Accounts

In the normal course of business, the Bank and CrediScotia Financiera S.A. perform transactions under consolidated off balance sheet credit risk (contingent assets). These transactions expose the Bank and CrediScotia Financiera S.A. to additional credit risk, beyond the amounts presented in the consolidated balance sheet. Credit risk for contingent transactions are recorded in memoranda accounts of the consolidated balance sheet and they relate to the probability that one of the participants of the respective contract does not comply with the agreed terms. The related contracts consider the amounts that the Bank and CrediScotia Financiera S.A. would assume credit losses in contingent transactions. The Bank and CrediScotia Financiera S.A. apply the same credit policies to evaluate and grant direct loans as indirect loans.

Many of the indirect loans are expected to expire without any withdrawal required by the Bank and CrediScotia Financiera S.A. The total committed amounts do not necessarily represent future cash outflows. Also, documentary credits, like 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 a customer obligation before a third party.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

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As of September 30, 2012 and December 31, 2011, the contingent and memoranda accounts comprised the following:

	In thousands of S/.	
	09.30.2012	12.31.2011
Indirect loans:		
Guarantees and stand-by letters of credit	3,772,138	3,421,005
Issued letters of credit	490,890	479,787
Due from bank acceptances	80,010	47,489
	-----	-----
	4,343,038	3,948,281
Unused credit lines	15,655,428	14,467,629
Financial derivative contracts	10,983,961	6,808,862
Other	539	540
	-----	-----
	30,982,966	25,225,312
	-----	-----
Memoranda accounts:		
Guarantees received	49,357,839	44,316,206
Loans and other control	23,461,571	21,316,765
Control of returned checks	21,777,227	20,238,257
Securities in collection	12,714,822	12,126,698
Securities held in custody	6,528,055	6,932,796
Suspended interest on loans	4,797,420	2,664,017
Goods transferred in trust	3,857,417	3,906,930
Written-off loans	3,421,180	3,404,937
Own securities in custody	2,735,205	3,657,501
Trust and debt trust commissions	2,660,245	2,028,553
Securities granted as warranties	743,404	766,951
Notified letters of credit	595,022	426,926
Other memoranda accounts	48,826,735	36,954,768
	-----	-----
	181,476,142	158,741,305
	-----	-----
	212,459,108	183,966,617
	=====	=====

Guarantees received from credit operations are recorded 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. As of September 30, 2012, loan balances covered by guarantees amount to S/. 10,491,899 thousand (S/. 9,414,316 thousand as of December 31, 2011).

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

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(19) Finance Income

It comprises the following:

	<u>In thousands of S/.</u>	
	<u>09.30.2012</u>	<u>09.30.2011</u>
Interest and commissions on loan portfolio	2,103,767	1,800,869
Gain on exchange difference from operations	114,215	132,233
Interest from trading and available for sale investments	58,451	68,250
Interest on cash and due from banks	46,005	29,553
Gains on derivative instruments, net	21,151	330
Gains in associates	8,004	7,213
Interest and commissions on interbank funds	4,903	3,755
Other finance income	51,248	30,582
	-----	-----
	<u>2,407,744</u>	<u>2,072,785</u>

(20) Finance Expenses

It comprises the following:

	<u>In thousands of S/.</u>	
	<u>09.30.2012</u>	<u>09.30.2011</u>
Interest on obligations	238,630	183,888
Interest on borrowings from banks and financial institutions	79,446	65,848
Interest on issued securities	72,151	61,139
Deposit insurance fund premiums	18,537	17,536
Commissions on financial obligations	14,372	10,566
Loss on valuation of investments	9,891	11,299
Interest on deposits of financial entities	9,598	6,126
Interest and commissions on interbank funds	3,015	3,241
Other finance expenses	28,445	49,469
	-----	-----
	<u>474,085</u>	<u>409,112</u>

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

(21) Income from Finance Services, net

It comprises the following:

	<u>In thousands of S/.</u>	
	<u>09.30.2012</u>	<u>09.30.2011</u>
Income:		
Income from services and maintenance fees of credit / debit cards	126,576	122,898
Income from deposit transactions, services and transfer fees	111,129	111,940
Other fees and commissions from banking services	78,453	67,361
Income from commissions from collections services	60,488	60,121
Income from purchased portfolio recoveries	54,066	49,484
Income from warehousing	37,747	35,807
Income from teleprocessing services	24,052	19,099
Income from remunerations of mutual funds and administration fees	20,354	20,003
Income from brokerage services	10,429	8,810
Income from structuring and administration services	6,682	5,968
Income from leased property	2,159	1,961
Other various income	40,445	35,225
	-----	-----
	572,580	538,677
	-----	-----
Expenses:		
Credit / debit cards expenses	(34,102)	(32,957)
Warehousing expenses	(23,597)	(20,295)
Insurance services expenses	(1,456)	(9,339)
Other expenses	(35,686)	(38,456)
	-----	-----
	(94,841)	(101,047)
	-----	-----
Total income from finance services, net	477,739	437,630
	=====	=====

(22) Administrative Expenses

It comprises the following:

	<u>In thousands of S/.</u>	
	<u>09.30.2012</u>	<u>09.30.2011</u>
Personnel and board of directors expenses	547,896	492,158
Expenses for services received from third parties	376,581	328,186
Taxes and contributions	56,497	53,364
	-----	-----
	980,974	873,708
	=====	=====

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

(23) Other Income, net

It comprises the following:

	<u>In thousands of S/.</u>	
	<u>09.30.2012</u>	<u>09.30.2011</u>
Income from recovery of accounts receivable and other	27,509	34,970
Income from previous periods	12,558	27,552
Income from repossessed assets, net	6,961	2,902
Proceeds on sale of out of use goods	(3,129)	(60)
Other extraordinary expenses, net	(4,442)	(5,442)
	-----	-----
	45,715	59,922
	=====	=====

(24) Tax Matters

- (a) In accordance with current tax legislation, corporate income tax is calculated applying the statutory income tax rate of 30%. The income tax (current and deferred) of each company composing Scotiabank Perú S.A.A. and Subsidiaries has been determined as follows:

	<u>In thousands of S/.</u>	
	<u>09.30.2012</u>	<u>09.30.2011</u>
Scotiabank Perú S.A.A.	206,674	188,091
CrediScotia Financiera S.A.	45,615	30,642
Servicios, Cobranza e Inversiones S.A.	10,591	9,542
Depósitos S.A.	3,359	1,357
Scotia Fondos Sociedad Administradora de Fondos S.A.	2,286	2,436
Scotia Sociedad Agente de Bolsa S.A.	1,482	2,141
Scotia Sociedad Titulizadora S.A.	97	134

- (b) The tax authority has the right to audit and, if applicable, to modify the income tax calculated by each company composing Scotiabank Perú S.A.A. and Subsidiaries during the next four years after the year the income tax return was filed. Income tax returns of Scotiabank Perú S.A.A. and Subsidiaries that have not yet been reviewed by the tax authority are the following:

<u>Company</u>	<u>Tax returns subject to audit</u>
Scotiabank Perú S.A.A.	2007 through 2011
CrediScotia Financiera S.A.	2007, 2008, 2010 and 2011
Scotia Sociedad Agente de Bolsa S.A.	2007 through 2011
Scotia Fondos Sociedad Administradora de Fondos S.A.	2007 through 2011
Scotia Sociedad Titulizadora S.A.	2007 through 2011
Depósitos S.A.	2007, 2008, 2010 and 2011
Servicios, Cobranzas e Inversiones S.A.C.	2007, 2008, 2010 and 2011

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

Due to the possibility of various interpretations by the tax authority of the current regulation, it is not possible to determine, to date, whether a future tax audit will result or not in future liabilities; therefore, any taxes, surcharges and sanctions that might arise from eventual tax audits would be applied to results of the period in which they are determined. However, it is the opinion of management and its legal advisors that any possible additional tax settlement would not be significant to the financial statements of Scotiabank Perú S.A.A. and Subsidiaries.

- (c) The total or partial distribution of dividends, or other types of profit distribution, is subject to a 4.1% income tax withholding, except for the distribution of profits made in favor of domiciled entities.
- (d) 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 pricing. 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 September 30, 2012.
- (e) In 2005, a tax named Temporary Tax on Net Assets (ITAN, for its Spanish acronym) was established. Taxable base is composed of the net asset value adjusted as of the closing of the period before the payment was made, deducting the depreciations, amortizations, legal cash reserve, and specific provisions for credit risk. Since 2009, the tax rate applicable to the amount of assets exceeding S/. 1,000 thousand is 0.4 %. It may be paid in cash or in nine consecutive monthly installments. The amount actually paid may be used as partial payments of income tax for taxable periods June to December of the fiscal period for which the tax was paid until maturity of each of the partial payments and against the payment for regularization of income tax of the corresponding taxable period.

Tax refunds can be requested 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 requested the compensation of the ITAN 2005 and 2006 against previous years tax credits (balances in favor). These requests were resolved in favor of the Bank by the Tax Court. However, the SUNAT on a misinterpretation of the rules only partially offset the ITAN, applying only part of the Bank's tax credits and without considering the legal procedures and precedents applicable to the case, which strongly support the Bank's position.

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The mentioned SUNAT compensation resulted in a coercive collection of the uncompensated debt, and the Bank decided to make a payment under protest of S/. 135,459 thousand; an amount which according to the Bank's management and its advisors will be returned by the tax authority, plus interest, when we receive the Tax Court's favorable findings regarding the applied compensation methodology.

- (f) Tax on Financial Transactions (ITF) since 2011 was 0.005%. This tax is applied on each deposit and withdrawal made to and from a banking account, unless the account is tax-exempt.
- (g) According to Legislative Decree 972, starting from January 1, 2010, the tax exemption on capital gains and interest from securities issued by legal entities incorporated or established in the country was eliminated. Capital interest and gains coming from bonds issued by the Peruvian Government, as well as capital interest and gains coming from BCRP Certificates, except for those originated by legal cash reserve deposits are income tax-exempt.
- (h) The reconciliation of the tax rate and the effective tax rate is as follows:

	09.30.2012		09.30.2011	
	S/. 000	%	S/. 000	%
Net income before income tax	872,499	100.00	790,840	100.00
Income tax (theoretical)	261,750	30.00	237,252	30.00
Tax effect on deductions: Permanent differences	8,354		(2,909)	
Current and deferred income tax, at effective rate	270,104	30.96	234,343	29.63

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

(25) Deferred Income Tax

Deferred income tax has been calculated applying the balance sheet method, and is attributed to the following items:

	In thousands of S/.			
	Balance as of 12.31.11	(Debit) credit to equity	(Debit) credit to results	Balance as of 09.30.12
Assets:				
Generic provision for loans	108,142	-	15,283	123,425
Transferred loan portfolio	19,283	-	(2,749)	16,534
Provision for vacations	12,720	-	(263)	12,457
Provision for inventories and repossessed assets	9,318	-	(294)	9,024
Provision for account receivable	4,242	-	2,705	6,947
Provision for credit card rewards	2,819	-	(90)	2,729
Provision for debit card rewards	674	-	(21)	653
Fixed assets	324	-	122	446
Intangibles	341	-	-	341
Other	6,937	-	4,755	11,692
	-----	-----	-----	-----
	164,800	-	19,448	184,248
	-----	-----	-----	-----
Liabilities:				
Valuation of investments in associates	(4,745)	3,269	4,396	2,920
Other	(293)	-	204	(89)
	-----	-----	-----	-----
	(5,038)	3,269	4,600	2,831
	-----	-----	-----	-----
Total deferred income tax asset, net	159,762	3,269	24,048	187,079
	=====	=====	=====	=====

(26) Employees' Profit Sharing

According to Legislative Decree 677, banks' employees are entitled to a profit-sharing plan 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 September 30, 2012 and 2011, a consolidated legal employees' profit sharing of S/. 51,250 thousand and S/. 50,018 thousands respectively have been determined and are presented in administrative expenses item in the income statement.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

(27) Earnings per Share

As of September 30, 2012 and 2011, the calculation of weighted average of basic and diluted earnings per share is as follows:

	Ordinary shares (in thousands)	Average basic shares (in thousands)	Effective days until year-end	Weighted average of common shares (in thousands)
2012 -				
Balances as of January 1, 2012	227,129	282,480	273	282,480
Capitalization of retained earnings of period 2010	15,812	-	-	-
Capitalization of retained earnings of period 2011	39,539	-	-	-
Balances as of September 30, 2012	282,480	282,480		282,480
2011 -				
Balances as of January 1, 2011	154,109	242,941	273	242,941
Capitalization of retained earnings of period 2009	48,020	-	-	-
Capitalization of retained earnings of period 2010	40,812	-	-	-
Balances as of September 30, 2011	242,941	242,941		242,941

As of September 30, 2012 and 2011, earnings per share calculated based on the average number of shares amounted to S/. 2.133 and S/. 2.291, respectively.

(28) Financial Risk Management

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 portfolios of 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 assume 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 Risk Management plays an important role at Scotiabank Perú S.A.A. and Subsidiaries, applying the best practices of the market and the Scotiabank Group with regard to risk management.

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Treasury and trading activities management are limited by various limits that require adequate risk levels, 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) supervises 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 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.
- 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.

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Liquidity 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 Scotiabank Perú S.A.A. and Subsidiaries' liquidity profile.

The main guidelines followed to manage 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 comprises 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 risks 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.

Exchange Rate Risk

This is 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.

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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 back testing 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 have 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 Peru 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 and follow-up of the 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 Scotiabank Perú S.A.A. and Subsidiaries' 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 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 carrying amount 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) Investments at fair value through profit or loss are recorded at their estimated market value, which is the same as the carrying amount.
- (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 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.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

- (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.
 - (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 fixed and floating rates and have maturities of short and long term. The fair value of these financial instruments have been calculated based on discounted future cash flows, using the current interest rate for liabilities with similar characteristics in Scotiabank Perú S.A.A. and Subsidiaries. Consequently, the estimated market value does not differ significantly from carrying amount.
 - (h) Securities, bonds and obligations issued accrue interest at fixed rates. The fair value of these financial instruments have been calculated based on discounted future cash flows, using the current interest rate for liabilities with similar characteristics in Scotiabank and Subsidiaries. Consequently, the estimated market value does not differ significantly from carrying amount.
 - (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, Scotiabank Perú S.A.A. and Subsidiaries estimate that the difference between the carrying amount 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 market values.
- (30) Trust Fund Activities
Scotiabank Perú S.A.A. and Scotia Sociedad Titulizadora S.A. offer 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. Scotiabank Perú S.A.A. and Scotia Sociedad Titulizadora S.A. are responsible for the appropriate management of these trusts based on the limits established by applicable laws and the respective agreement. As of September 30, 2012, the allocated value of assets in trusts and trust fees amounted to S/. 1,771,775 thousand (S/. 1,401,134 thousand as of December 31, 2011).
- (31) Subsequent Event
At the Bank's Board of Directors' meeting, held on April 30, 2012 and pursuant to the delegation conferred by the General Shareholders' meeting held on March 29, 2012, the Board agreed to issue subordinated debt up to an amount of US\$ 400,000 thousand; as of to date, the issuance process is in progress. By means of Resolution 8093-2012 dated October 22, 2012, the SBS approved the issuance mentioned above.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Consolidated Financial Statements

As of December 31, 2011 and 2010

(Including Independent Auditors' Report)

**(TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN SPANISH)**

(TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN SPANISH)

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

**Consolidated Financial Statements
December 31, 2011 and 2010**

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(TRANSLATION OF A REPORT ORIGINALLY ISSUED IN SPANISH)

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of
Scotiabank Perú S.A.A.

We have audited the accompanying consolidated financial statements of Scotiabank Perú S.A.A. (a subsidiary of The Bank of Nova Scotia – BNS, an entity established in Canada) and Subsidiaries which comprise the consolidated balance sheets as of December 31, 2011 and 2010, and the consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting standards established by Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones - SBS (Superintendency of Banking, Insurance, and Private Pension Fund Administrators) for financial institutions in Peru. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

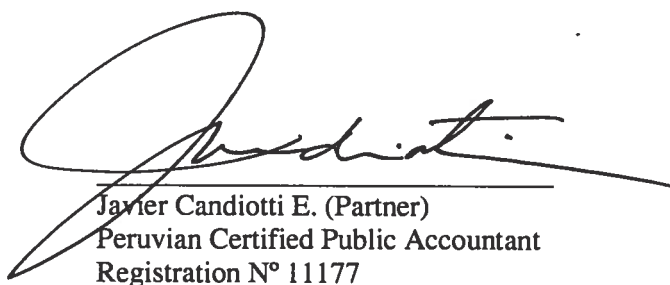
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Scotiabank Perú S.A.A. and Subsidiaries as of December 31, 2011 and 2010, and the consolidated results of their operations and their consolidated cash flows for the years then ended, in accordance with accounting standards established by the SBS for financial institutions in Peru.

Lima, Peru

February 27, 2012

Cajero & Asociados

Countersigned by:



Javier Candiotti E. (Partner)
Peruvian Certified Public Accountant
Registration N° 11177

(TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN SPANISH)

. 1 .

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Consolidated Balance Sheet

As of December 31, 2011 and 2010

(stated in thousands of nuevos soles)

<u>Assets</u>	<u>2011</u>	<u>2010</u>	<u>Liabilities and shareholders' equity</u>
Cash and due from banks (note 5):			Deposits and obligations (note 12):
Cash	719,889	604,948	Demand deposits
Deposits with Banco Central de Reserva del Perú	5,856,563	6,987,711	Savings deposits
Deposits with local and foreign banks	503,139	376,991	Time deposits
Clearing	212,121	120,934	Other obligations
Accrued interest and due from banks	16,518	19,858	
	-----	-----	
	7,308,230	8,110,442	Interbank funds
Interbank funds	123,220	192,580	Borrowings and financial obligations (note 13)
Investments at fair value through profit or loss and available-for-sale (note 6)	1,659,254	1,708,204	Securities, bonds and obligations issued (note 14)
			Provisions and other liabilities (note 15)
Loan portfolio, net (note 7)	20,869,482	17,148,245	Total liabilities
Accounts receivable, net (note 8)	488,318	356,569	Shareholders' equity (note 16):
Investments in associates	97,358	86,914	Capital stock
Goodwill (note 9)	278,818	278,818	Additional capital
Property, furniture, and equipment, net (note 10)	513,141	496,544	Legal reserve
Other assets, net (note 11)	793,394	663,889	Unrealized earnings
	-----	-----	Retained earnings
Total assets	32,131,215	29,042,205	Total shareholders' equity
	=====	=====	Contingencies and commitments (note 17)
Contingent and memoranda accounts (note 18):			Total liabilities and shareholders' equity
Contingent accounts	25,225,312	29,055,319	Contingent and memoranda accounts (note 18):
Memoranda accounts	158,741,305	180,405,018	Contingent accounts
	-----	-----	Memoranda accounts
	183,966,617	209,460,337	
	=====	=====	

See the accompanying notes to the consolidated financial statements.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Consolidated Income Statement

For the years ended December 31, 2011 and 2010

(stated in thousands of nuevos soles)

	<u>2011</u>	<u>2010</u>
Finance income (note 19)	2,811,216	2,300,422
Finance expenses (note 20)	(533,480)	(440,349)
	-----	-----
Gross finance income	2,277,736	1,860,073
	-----	-----
Provision for doubtful loans, net of recoveries (note 7)	(540,571)	(423,289)
	-----	-----
Net finance income	1,737,165	1,436,784
Income from finance services, net (note 21)	589,932	449,729
	-----	-----
Operating margin	2,327,097	1,886,513
Administrative expenses (note 22)	(1,177,973)	(1,020,659)
	-----	-----
Net operating margin	1,149,124	865,854
	-----	-----
Provision for doubtful and other accounts receivable realizable, and repossessed assets, and other assets	(72,809)	(139,837)
Depreciation of property, furniture, and equipment	(60,164)	(58,627)
Amortization of intangible assets	(8,527)	(6,975)
	-----	-----
	(141,500)	(205,439)
	-----	-----
Operating results	1,007,624	660,415
Other income, net (note 23)	97,774	315,049
	-----	-----
Net income before income tax	1,105,398	975,464
Deferred income tax (note 25)	75,545	22,808
Income tax (note 24)	(392,448)	(309,912)
	-----	-----
Net profit	788,495	688,360
	=====	=====
Earning per share (in nuevos soles) (note 27)	3.472	3.523
	=====	=====
Weighted average of common shares issued (in thousands of shares) (note 27)	227,129	195,418
	=====	=====

See the accompanying notes to the consolidated financial statements.

(TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN SPANISH)

. 3 .

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Consolidated Statement of Changes in Shareholders' Equity

For the years ended December 31, 2011 and 2010

(stated in thousands of nuevos soles)

	Capital stock (note 16.b)	Additional capital (note 16.b)	Capital in progress (note 16.b)	Legal reserve (note 16.c)
Balances as of December 31, 2009	1,427,511	212,371	297,780	268,455
Application to legal reserve	-	-	-	63,705
Dividend distribution	-	-	-	-
Capital increase	141,598	156,182	(297,780)	-
Capital cash contribution	-	-	178,036	-
Refund of capital contribution to shareholders	-	-	(178,036)	-
Unrealized losses on available-for-sale investments and other	-	-	-	-
Net profit	-	-	-	-
Balances as of December 31, 2010	1,569,109	368,553	-	332,160
Application to legal reserve	-	-	-	68,020
Dividend distribution	-	-	-	-
Capitalization of retained earnings	730,198	-	-	-
Treasury shares	(4)	-	-	-
Unrealized gains on available-for-sale investments and other	-	-	-	-
Application of reduction of the deferred employees' profit sharing from previous years	-	-	-	-
Net profit	-	-	-	-
Balances as of December 31, 2011	2,299,303	368,553	-	400,180

See the accompanying notes to the consolidated financial statements.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Consolidated Statement of Cash Flows

For the years ended December 31, 2011 and 2010

(stated in thousands of nuevos soles)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Net profit	788,495	688,360
Adjustments to reconcile net profit to net cash from operating activities:		
Provision for doubtful loans, net of recoveries	540,571	423,289
Impairment of investments and other assets	-	4,370
Provision for contingencies and indirect loans	28,379	38,516
Depreciation and amortization	68,691	65,602
Recovery of provision for realizable and repossessed assets	(1,102)	(8,405)
Recovery of provision for accounts receivable	(55,809)	(34,699)
Provision for fringe benefits	35,468	31,995
Loss (gain) on the sale of property, furniture, and equipment	3,648	(14,414)
Loss (gain) on sale of realizable and repossessed assets	13,100	(7,471)
Net changes in assets and liabilities:		
Net (increase) decrease in interest, commissions, and other accounts receivable	(82,300)	150,842
Net (decrease) increase in interest, commissions, and other accounts payable	(30,730)	33,722
Net increase in other assets	(131,466)	(49,370)
Net decrease in other liabilities	(101,668)	(24,909)
	-----	-----
Cash and cash equivalents from operating activities	1,075,277	1,297,428
	-----	-----
Cash flows from investing activities		
Acquisition of property, furniture, and equipment	(80,764)	(60,861)
Acquisition of other non-financial assets	(11,253)	(5,824)
Proceeds from the sale of property, furniture, and equipment	356	35,908
Proceeds from the sale of other non-financial assets	25,588	49,600
	-----	-----
Cash and cash equivalents (applied to) from investing activities	(66,073)	18,823
	-----	-----
Cash flows from financing activities		
Net increase in loan portfolio	(4,296,461)	(3,017,071)
Net decrease in investments	71,321	1,910,142
Net increase in deposits and obligations	2,003,732	1,344,157
Net increase in borrowings, financial obligations and interbank funds	394,550	2,141,755
Net increase in securities, bonds and obligations issued	150,141	620,456
Dividend paid	(204,059)	(191,116)
Capital cash contribution	-	178,036
	-----	-----
Cash and cash equivalents (applied to) from financing activities	(1,880,776)	2,986,359
	-----	-----
Net (decrease) increase in cash and cash equivalents	(871,572)	4,302,610
Cash and cash equivalents at beginning of the year	8,303,022	4,000,412
	-----	-----
Cash and cash equivalents at end of the year	<u>7,431,450</u>	<u>8,303,022</u>

See the accompanying notes to the consolidated financial statements.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2011 and 2010

(1) Operations

Scotiabank Perú S.A.A. (hereinafter the Bank) is a subsidiary of The Bank of Nova Scotia - BNS (a financial entity from Canada), which holds directly and indirectly 97.71% of the Bank's capital stock as of December 31, 2011 and 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 55.32% and 40.07%, 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, hereinafter the SBS). 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 (hereinafter the Banking Law). This law establishes the requirements, rights, obligations, guarantees, restrictions, and other operating conditions that Peruvian banking and insurance legal entities are governed.

The Bank's registered office address is Av. Dionisio Derteano N° 102, San Isidro, Lima, Peru. As of December 31, 2011, the Bank performed its activities through a national network of 181 branches, and one branch abroad (as of December 31, 2010, it had 169 Peruvian branches and one branch abroad).

The accompanying consolidated financial statements include those corresponding to the Bank and other companies that are part of the consolidated group (hereinafter Scotiabank Perú S.A.A. and Subsidiaries), which are detailed as follows: 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; Scotia Sociedad Agente de Bolsa S.A., engaged in intermediation activities in the Peruvian securities market; Depósitos S.A., engaged in warehousing services; Scotia Fondos Sociedad Administradora de Fondos S.A., engaged in mutual funds management; Scotia Sociedad Titulizadora S.A., engaged in the management of trusts; SBP DPR Finance Company, special purpose entity, and Promoción de Proyectos Inmobiliarios y Comerciales S.A. engaged in purchasing and selling of goods in general. The latter is an inactive company.

Below are the main balances of the Bank and other companies mentioned in the previous paragraph as of December 31, 2011 and 2010, indicating the Bank's shareholding percentage, as well as relevant information in this regard:

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2011:

Entity	Activity	Percentage of shareholding	In thousands of S/.		
			Assets	Liabilities	Shareholders' equity
Scotiabank Perú S.A.A.	Banking	-	29,585,936	25,543,206	4,042,730
CrediScotia Financiera S.A.	Finance	100.00	3,496,436	3,047,004	449,432
Servicios, Cobranzas e Inversiones S.A.C.	Collection services	100.00	134,115	28,612	105,503
Scotia Sociedad Agente de Bolsa S.A.	Stock market broker	100.00	144,944	76,601	68,343
Depósitos S.A.	Warehousing	100.00	59,089	17,316	41,773
Scotia Fondos Sociedad Administradora de Fondos S.A.	Administration of mutual funds	100.00	32,910	4,918	27,992
Scotia Sociedad Titulizadora S.A.	Securitization	100.00	3,441	187	3,254
SBP DPR Finance Company	Special purpose entity	-	810,097	810,097	-

As of December 31, 2010:

Entity	Activity	Percentage of shareholding	In thousands of S/.		
			Assets	Liabilities	Shareholders' equity
Scotiabank Perú S.A.A.	Banking	-	27,302,105	23,854,920	3,447,185
CrediScotia Financiera S.A.	Finance	100.00	2,618,968	2,270,815	348,153
Servicios, Cobranzas e Inversiones S.A.C.	Collection services	100.00	170,970	30,953	140,017
Scotia Sociedad Agente de Bolsa S.A.	Stock market broker	100.00	148,811	85,398	63,413
Depósitos S.A.	Warehousing	100.00	59,182	19,194	39,988
Scotia Fondos Sociedad Administradora de Fondos S.A.	Administration of mutual funds	100.00	28,215	3,594	24,621
Scotia Sociedad Titulizadora S.A.	Securitization	100.00	3,350	32	3,318
SBP DPR Finance Company	Special purpose entity	-	843,994	843,994	-

Approval of Consolidated Financial Statements

The consolidated financial statements as of December 31, 2011 were approved by the Bank's management, held on February 29, 2012. These consolidated financial statements have been prepared based on the separate financial statements of companies that are part of Scotiabank Perú S.A.A. and Subsidiaries and they will be presented for approval to the corresponding Board of Directors and General Shareholders' Meeting within the terms established by law. The separate financial statements that are part of the consolidated financial statements as of December 31, 2010 were approved by the corresponding General Shareholders' Meeting within the terms established by law.

(2) Basis for the Preparation of Financial Statements(a) Statement of Compliance

The accompanying consolidated financial statements have been prepared from the accounting records of Scotiabank Perú S.A.A. and Subsidiaries and are presented in accordance with current legal devices and accounting principles authorized by the SBS and, in the absence of such applicable SBS standards, the International Financial Reporting Standards (IFRS), made official in Peru by the Peruvian Accounting Board (CNC) are applied. The IFRSs include the International Accounting Standards (IAS) and the pronouncements of the Interpretations Committee (SIC and IFRIC).

In Peru, the CNC authorized as of December 31, 2011, current IASs 1 to 41, IFRSs 1 to 8, SICs 7 to 32 (except for superseded SICs), and all the pronouncements from 1 to 19 issued by the current Interpretations Committee (IFRIC), as well as the modifications until May 2010 of IFRSs 1, 3 and 7, IASs 1 and 34, and IFRIC 13.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) 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 through profit or loss are measured at fair value.
- Available-for-sale financial instruments are measured at fair value.

(c) Presentation Currency

The consolidated financial statements are presented in nuevos soles (S/.) under SBS standards. Financial information is presented in nuevos soles (S/.) and has been rounded to the nearest thousand (S/. 000), except as otherwise indicated.

(d) 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 for each circumstance. Since these are estimates, final results might differ; however, it is the management's opinion that no significant adjustments will arise on 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, goodwill, intangible assets, provision for realizable assets, received as payment and repossessed assets, and the valuation of derivative financial instruments through profit or loss. Accounting criteria is 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 the previous period, unless otherwise indicated, are the following:

(a) Policies for Consolidation

The consolidated financial statements include the financial statements of entities comprising Scotiabank Perú S.A.A. and Subsidiaries, described in note 1, after eliminating significant balances and transactions among the consolidated companies, and the profits and losses resulting from those transactions. All subsidiaries have been consolidated from its date of incorporation or acquisition.

Subsidiaries are all companies over which the Bank holds shareholding over 50% of its voting shares; likewise, those where they are able to manage its financial and operating policies.

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

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Financial statements of the subsidiaries and special purpose entity have been included for consolidation purposes and represent 13.65% and 12.40%, respectively, of the total Bank's assets before eliminations as of December 31, 2011 and 2010. As of those dates, there is not minority interest resulting from the consolidation process.

(b) Financial Instruments

A financial instrument is a contract that generates 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. 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 them 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 of 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 follow is established in SBS Resolution 1349-2008 which is consistent with IAS 39 *Financial Instruments: Recognition and Measurement* which establishes accounting criteria for held-for-trading, hedging, and embedded derivative operations, 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 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

Notes to the Consolidated Financial Statements

The effectiveness of a hedge shall be measured reliably on a prospective basis at the moment the derivative instrument is designated to be used for hedging purposes and retrospectively on a monthly minimum basis. A hedge is considered to be effective if the results of the retrospective tests fall within a range of 80%-125% of effectiveness.

In the event the SBS considers the documentation to be unsatisfactory or finds weaknesses in the methodologies used, it can be immediately requested the designation 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 changes in fair value recognized in the consolidated 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 income statement.

As of December 31, 2011 and 2010, Scotiabank Perú S.A.A. and Subsidiaries did not have 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

Scotiabank Perú S.A.A. and Subsidiaries applies the recording and valuation criteria of investments established in SBS Resolution 10639-2008 *Regulations for Classification and Valuation of Investments of Financial System Companies* which is in line with the classification and valuation criteria stated in IAS 39 *Financial Instruments: Recognition and Measurement* as detailed below:

(i) Investments at Fair Value through Profit or Loss

Debt securities and equity shares are classified as Investments at Fair Value through Profit or Loss if they have been acquired principally for the purpose of selling in a 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 recognized on trade date, when Scotiabank Perú S.A.A. and Subsidiaries enter into contractual arrangements with counterparties to purchase securities, and they are normally derecognized when sold. Measurement is initially made

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at fair value, without including transaction cost, which is recognized in the consolidated income statement. Subsequently, fair values are re-measured, and all gains and losses from changes therein are recognized in the consolidated income statement.

Interest income is recognized using the effective interest rate method. Dividends are recognized in the consolidated income statement when the right to receive the payment has been established.

Investment at fair value through profit or loss that are given in guarantee or transferred through a repurchase agreement shall be reclassified as available-for-sale investments. Once these transactions are concluded, instruments shall be reclassified at their initial category, transferring the unrealized earnings from shareholders' equity to the consolidated income statement.

(ii) Available-for-Sale Investments

Available-for-Sale Investments are all other investment instruments that are not classified as Investments at Fair Value through Profit or Loss, Held-to-Maturity Investments and Investments in Associates. Likewise, investment instruments will be included in this category when the SBS explicitly requires it.

Available-for-Sale Investments are initially recognized on the trade date and measured at fair value plus direct and incremental transaction costs. They are subsequently re-measured at fair value, and changes therein are recognized in equity in the "unrealized earnings" account until the securities are either sold or impaired. When available-for-sale securities are sold, cumulative gains or losses previously recognized in equity are recognized in the consolidated 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 amortization, and its current fair value, less any impairment loss on that asset previously recognized in the consolidated income statement) is removed from equity and recognized in the consolidated income statement of the period. 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.

Gains or losses from foreign exchange differences related to equity shares shall be recognized in the "unrealized earnings" account in equity while those related to debt instruments shall be recognized in the income statement.

Interest income is recognized 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 investment securities are included in the calculation of their effective interest rates. Dividends are recognized in the consolidated income statement when the right to receive payment has been established.

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(iii) Investments in Associates

The account includes equity shares acquired 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 direct and incremental transaction costs. They 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.

When variations in the equity are due to concepts other than the results of the year; these variations shall be recorded directly in the shareholders' equity. Dividends are recorded reducing the investment carrying amount.

Investment instruments held by companies can be reclassified. Investment instruments at fair value through profit or loss cannot be reclassified except: (1) for equity shares with no market quote lacking of reliable fair value estimations or (2) investment instruments transferred through a repurchase agreement or given in guarantee.

(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 that support such credit facilities are issued and may become direct loans and generate a liability against third parties. Changes in loan payment conditions due to debtors' payment difficulties are considered refinancing or restructuring.

Finance leases operations are accounted for using the financial method, recording the amount of the receivable installments as loans. Corresponding finance income is recorded on an accrual basis in conformity with the lease agreement terms. Initial direct costs are recognized immediately as expenses.

The Debtor Evaluation and Classification Unit is responsible for conducting, the evaluation and rating of the loan portfolio on a permanent basis. Each debtor receives a credit risk rating according to the guidelines established by the SBS Resolution 11356-2008 and its amendments.

Loan Portfolio Classification

The Bank and CrediScotia Financiera S.A. classify their loan portfolio in two groups: Wholesale Banking (corporate, large companies and medium companies) and Retail Banking (small business, micro business, revolving consumer, non-revolving consumer and mortgage loans). These classifications are made considering the nature of the client (corporate, government or individual), the purpose of credit, and business size measured by revenues, indebtedness, among other indicators.

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Credit Risk Rating Categories

The categories of credit risk rating established by SBS Resolution 11356-2008 and amendments are as follows: Standard, Potential Problem, Substandard, Doubtful, and Loss.

For the Wholesale Banking portfolio, the Bank and CrediScotia Financiera S.A. mainly consider the payment capacity of debtor, cash flow, level of compliance with obligations, rating designated by other companies in the financial system, financial position, and quality management. For Retail Banking portfolio, the rating is based mainly on the level of compliance with credit payments, which is reflected by number of delinquent days and their classification in other financial system entities if rating alignment is applicable. Retail Banking portfolio is classified through an automatic rating process. The Bank, on its own initiative and pursuant to a more conservative approach, has included in the automatic rating process for wholesale debtors loan portfolio with credits up to US\$100 thousand.

Provisions for Doubtful Loans

According to current SBS regulations, the Bank and CrediScotia Financiera S.A. determine generic and specific provisions for doubtful loans. The generic provision is recorded in a preventive manner for standard risk direct loans, credit risk equivalent exposure of indirect loans, and additionally the procyclical component when the SBS orders its application. Specific provision is recorded for direct loans and credit risk equivalent exposure of indirect loans for which a specific risk, higher than standard, has been identified.

The equivalent credit risk exposure of indirect loans is determined by multiplying indirect loans by the different types of Credit Conversion Factor (CCF), as follows:

<u>Description</u>	<u>CCF (%)</u>
i) Confirmations of irrevocable letters of credit for up to a year, when the issuing bank is a first level entity from a foreign financial system.	20
ii) Standby letters of credit that support obligations to do or not do.	50
iii) Import credit guarantees, and those not included in the previous item, as well as bank acceptances.	100
iv) Undisbursed loans granted and unused credit lines.	0
v) Other not considered above.	100

The requirements of the provisions for doubtful loans are determined by considering the risk rating of the debtor, if it is backed by collaterals or not, and depending on the type of collateral.

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The Bank and CrediScotia Financiera S.A. apply the following percentages to determine provisions for the loan portfolio:

<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				
-Corporate loans	0.70	0.70	0.70	0.70
- Large company loans	0.70	0.70	0.70	0.70
- Medium company loans	1	1	1	1
- Small business loans	1	1	1	1
- Micro 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	2.50	1.25	1
Substandard	25	12.50	6.25	1
Doubtful	60	30	15	1
Loss	100	60	30	1

(*) Include revolving and non- revolving consumer loans.

Procyclical Component

The rates of procyclical component to calculate provisions for direct loans and credit risk equivalent exposure of indirect loans for debtors classified as Standard are as follows:

<u>Type of Credit</u>	<u>Procyclical component %</u>
Corporate loans	0.40
Large company loans	0.45
Medium company loans	0.30
Small-business loans	0.50
Micro business loans	0.50
Revolving consumer loans	1.50
Non-revolving consumer loans	1.00
Mortgage loans	0.40

For corporate, large company and mortgage loans that have preferred readily realizable collateral, the procyclical component rate is 0.3%. For all other types of credits with preferred readily realizable collateral, the procyclical component is 0% for the portion covered by such collateral.

For consumer loans supported by payroll discount agreements, the procyclical component rate is 0.25%.

The SBS can activate or deactivate the application of the procyclical component whether the average annual percentage of Gross Domestic Product (GDP) is above or below 5%. Likewise other conditions for activation or deactivation are set out in Annex I of SBS Resolution 11356-2008. The application of the procyclical component was activated from December 2008 to August 2009, deactivated from September 2009 to August 2010 and re-activated from September 2010.

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SBS has established that during the deactivation of the procyclical component, financial institutions cannot, under any circumstances, generate profits caused by the reversals of such provisions, which should only be used to record specific mandatory provisions.

Provisions for direct loans are presented deducting balances from the corresponding asset, and provisions for indirect loans are presented as liabilities. In the opinion of management, provisions booked by the Bank and CrediScotia Financiera S.A. are sufficient to cover losses of the loan portfolio at the consolidated reporting date.

(f) Securities Trading Transactions Carried Out by Principals

Securities Trading Transactions conducted by the subsidiary Scotia Sociedad Agente de Bolsa S.A. through their principals 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.

Charges in favor of the Lima Stock Exchange and CONASEV (Peruvian Securities and Exchange Commission) for these securities trading transactions are recorded in balance sheet accounts (they do not affect the income or expenses of Scotiabank Perú S.A.A. and Subsidiaries).

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

(g) Property, Furniture, and Equipment

Property, furniture, and equipment are recorded at the historical acquisition cost, less accumulated depreciation and impairment losses. Disbursements incurred after acquisition of property, furniture, and equipment are capitalized only when there are probable future economic benefits associated with the asset are generated for Scotiabank Perú S.A.A. and Subsidiaries, and costs can be reliably measured.

Maintenance and repair expenses are charged to income in the period 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 in operative condition.

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Depreciation is determined based on the straight-line method using the following estimated useful lives:

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

Cost and accumulated depreciation of disposed or sold assets are eliminated from respective accounts, and any resulting gain or loss is included to results in the period they are incurred.

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

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

Realizable assets, received as payment, and repossessed assets (note 11) are regulated by SBS Resolution 1535-2005. This caption mainly includes property, plant, and equipment received as payment for doubtful loans, and are initially recorded at the value determined by the court, arbitrator, recovery value, estimated market value or the value of unpaid debt amount; the lower.

According to current legislation, the treatment to record provisions for this type of assets is as follows:

- Realizable assets, received as payment and repossessed assets are initially recorded at cost and at the same time, a provision equivalent to 20% of the cost. If net realizable value, according to a valuation report, is impaired by more than 20%; then the required initial provision shall be an amount equivalent to the amount effectively impaired.
- For plant and equipment, the Bank records a monthly provision equivalent to 1/18 of the cost in books, less the aforementioned initial provision. 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 carrying amount 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 recognized in the consolidated income statement when the net realizable value is lower than net carrying amount. In cases where the net realizable value is higher than the net carrying amount, the higher value shall not be recognized in the books.

Valuation reports of real estate may not be aged over a year.

(i) Impairment of Assets

Scotiabank Perú S.A.A. and Subsidiaries review the value of their long-term asset to determine if there is impairment, when existing events or circumstantial economic changes indicate that the value of an asset might not be recoverable. When the carrying amount 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 between its net selling price and its value in use. Net selling price is the expected amount at which an asset will be sold 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

Current income tax is determined based on the taxable income and recorded according to tax legislation applicable to the Bank and each company that are part of Scotiabank Perú S.A.A. and Subsidiaries 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 that is part of Scotiabank Perú S.A.A. and Subsidiaries. Deferred income tax is determined based on tax rates and legislation expected to be applied by Scotiabank Perú S.A.A. and Subsidiaries, 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. Deferred income tax asset is only recognized if it is probable there would be future tax benefits, so that the deferred asset can be used.

(k) Intangible Assets

Intangible assets are mainly related to 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 management 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

Goodwill is the difference between the acquisition cost (amount paid) versus identifiable fair values of its subsidiary (note 9). 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 arisen 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.

Goodwill is not amortized and is only reduced in cases of impairment, which is reviewed annually, or more frequently, when there are events or circumstantial changes indicating that the goodwill balance might not be recoverable.

(m) Securities, Bonds, and Obligations Issued

This includes the liability for the issuance of redeemable subordinated bonds and corporate bonds. They are recorded at amortized costs determined by the effective interest method. Discounts granted or income generated during the bonds issuance is amortized during the terms of these instruments

Interest is recognized in results 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, from 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 estimate 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.

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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. Calculation is made for the amount that should have to be paid as of the reporting date and it is included in the "Provision for fringe benefits" account. It is presented in the balance sheet under "Other liabilities".

(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 the consolidated interim 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 profit or loss corresponding fiscal year on an accrual basis, depending on the effectiveness of the generating transactions and the interest rate agreed with 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, the Bank and CrediScotia Financiera S.A. suspend the recognition of interest in the income statement. 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 return on fixed-income investments and trading securities, as well as recognition of discounts and premiums on financial instruments. Dividends are registered as income when declared.

Brokerage service fees for buying and selling securities on the stock market are recorded in the "finance services income" account when these transactions have been performed. These transactions are settled within three days after execution.

Revenues from sales of securities and its cost are recognized when the seller has transferred all the risks and rewards of ownership to the buyer and are recorded in the account "other income, net" on the consolidated income statement.

Revenues from warehousing services are recognized when the service is rendered, can be reliably measured and it is probable that economic benefits arising from the rendering of this service will be received.

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

(p) Capital Stock

Common shares are classified as equity. Preferred shares, if any, are recorded as other debt instruments; 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 to income of the period.

(q) Employees' Profit Sharing

Up to December 31, 2010 employees' profit sharing comprised both current and deferred employees' profit sharing. They were determined using the same criteria used to determine the current and deferred income tax, respectively, and were recorded according to legislation applicable to that date for each company that is part of Scotiabank Perú S.A.A. and Subsidiaries.

The SBS with Official Letter 4049-2011, dated January 21, 2011, established a change in treatment of employees' profit sharing indicating that this should be recorded according to IAS 19 *Employee Benefits*. Consequently, this profit sharing should be recognized as personnel expense and liability related with benefits to employees and shall not recognize deferred assets or liability as a result of temporary differences between financial and tax bases.

Starting in January 1, 2011, employees' profit sharing shall be recognized as personnel expense and liability corresponding to services of the employee, therefore, temporary differences between financial and tax bases shall not be recognized as from that date. As of December 31, 2010 balances amounted to S/. 14,338 thousand for deferred employees' profit sharing was applied to retained earnings.

(r) Earning per Share

Basic and diluted earning per share result from dividing the net income attributable to the common shareholders by the weighted average number of issued shares in the period, less the weighted average number of treasury shares. Shares resulting from the capitalization of the previous year's profits are included in the calculation of the weighted average number of common shares as at the beginning of the following fiscal year regardless of the issuance date.

Diluted earning per share corresponds to the basic earning per share, adjusted for the dilutive effects of shares coming from the conversion of bonds or convertible shares, among others. As of December 31, 2011 and 2010, the Bank does not have financial instruments with dilutive effects; therefore, basic and diluted earning per shares are the same.

(s) Consolidated Statement of Cash Flows

For presentation purposes of this consolidated financial statement, the balances of cash and due from banks and interbank funds of assets as of December 31, 2011 and 2010, were considered as cash and cash equivalents.

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(t) Reclassifications

Certain entries of the 2010 consolidated financial statements have been reclassified to make them comparable to those in this period. Until 2010, employees' profit sharing expense (amounting to S/.51,061 thousand in 2010) were presented in the income statement after net income before tax. Effective 2011, these expenses are part of personnel expenses (see note 3.q).

(u) Trust Funds

Assets and income from trust operations, where there is an obligation to return the assets to clients and the Bank and Scotia Sociedad Titulizadora S.A. act as trustee, are not included in the consolidated financial statements since they belong to neither the Bank nor Scotia Sociedad Titulizadora S.A., and are recorded in memoranda accounts for corresponding control (note 18). Commissions on those activities are included in income from finance services (note 21).

(v) 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 current exchange rates at the dates of the transactions (note 4). Gains or losses on exchange differences resulting from the payment 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.

(w) New International Accounting Pronouncements

i) Pronouncements of the Peruvian Accounting Board -CNC

The CNC, through Resolution 048-2011-EF/30 published on January 6, 2012, approved the application of the 2011 version of the IFRS issued by the International Accounting Standards Board (IASB). The CNC authorized current IASs 1 to 41, IFRSs 1 to 13, pronouncements from 7 to 32 (except for superseded pronouncements) issued by the interpretations committee (SIC) and all the interpretations from 1 to 19 of the current Interpretations Committee (IFRIC); as well as the modifications as of October 2011 of the IAS, IFRS and IFRIC issued internationally.

ii) New standards and interpretations not yet approved by the CNC

New standards and amendments to standards and interpretations that are effective internationally have not yet been approved by the CNC as of December 31, 2011:

- IFRS 10 *Consolidated Financial Statements*. Effective date: January 1, 2013.
- IFRS 11 *Joint Arrangements*. Effective date: January 1, 2013.

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- IFRS 12 *Disclosure of Interests in Other Entities*. Effective date: January 1, 2013.
- IFRS 13 *Fair Value Measurement*. Effective date: January 1, 2013.

Certain standards have also been improved, among them we can mention:

- IFRS 9 *Financial Instruments: Classification and Measurement*. Effective date: January 01, 2015.
- IAS 19 *Employee Benefits*. Effective date: January 1, 2013.
- IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. Effective date: January 1, 2013.
- IAS 1 *Presentation of Financial Statements – presentation of other comprehensive income items*. Effective date: July 1, 2012.
- IAS 24 (revised), *Related party disclosure*. Effective date: January 1, 2011.
- IFRS 7 *Financial Instruments: disclosures– requirement to present additional disclosures for the derecognition of financial assets*. Effective date: July 1, 2011.
- IAS 12 *Deferred Income Tax: recovery of underlying assets*. Effective date: January 1, 2012.

iii) SBS pronouncements

- By means of Official Letter SBS 15014-2011, dated March 28, 2011, the SBS established that entities under its supervision shall prepare financial statements and complementary information in conformity with IFRS beginning January 2012. As of the date of this report, the Bank is evaluating the effects on the preparation of its financial statements that may arise from the application of IFRS until the SBS issues the corresponding regulation within the framework of the IFRS harmonization process.
- By means of SBS Resolution 914-2010, the SBS extended the application of IFRS 7 *Financial Instruments: Disclosures* and IFRS 8 *Operating Segments*. This postponement is effective until the SBS issues corresponding regulation as part of the process to harmonize its accounting regulations to IFRS.

As indicated in note 2.a, the standards and interpretations detailed above will only be applicable to Scotiabank Perú S.A.A. and Subsidiaries, in absence of applicable SBS regulations (covered in the regulatory Accounting Manual). Management has not determined the effect on the preparation of its consolidated financial statements in case such standards were adopted by the SBS.

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(4) Balances in Foreign Currency

Consolidated balance sheet includes 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 December 31, 2011 and 2010, these rates were US\$1 = S/. 2.696 and S/. 2.809, respectively.

Foreign currency transactions in the country and international trade transactions referred to the concepts authorized by Banco Central de Reserva del Perú, are channeled through an interbank foreign exchange market. As of December 31, 2011, the buy and sell exchange rates used were US\$ 1 = S/. 2.695 and US\$ 1= S/. 2.697, respectively (US\$ 1= S/. 2.808 buy rate and US\$ 1= S/. 2.809 sell rate as of December 31, 2010).

Foreign currency balances stated in thousands of U.S. dollars and other currencies as of December 31, 2011 and 2010, are summarized as follows:

	2011			2010		
	U.S. Dollars	Euros	Other currencies	U.S. Dollars	Euros	Other currencies
Assets:						
Cash and due from banks	1,740,477	13,957	2,547	1,298,226	17,471	117
Investments at fair value through profit or loss and available-for-sale investments	42,689	39,285	-	32,138	30,740	-
Loan portfolio, net	3,986,438	-	-	3,351,313	-	-
Accounts receivable, net	20,733	-	-	33,489	116	129
Other assets	39,458	2,852	-	100,512	3,056	-
	5,829,795	56,094	2,547	4,815,678	51,383	246
Liabilities:						
Deposits and obligations	3,944,858	55,734	22	3,504,742	70,427	28
Borrowings and financial obligations	1,452,873	-	-	1,392,216	-	-
Securities, bonds and obligations issued	70,170	-	-	73,054	-	-
Other liabilities	282,935	18	2,001	272,071	4,987	-
	5,750,836	55,752	2,023	5,242,083	75,414	28
Net asset (liability) position on balance sheet	78,959	342	524	(426,405)	(24,031)	218
Transactions						
with derivative instruments	129,743	-	-	435,783	22,579	-

In 2011, Scotiabank Perú S.A.A. and Subsidiaries recorded under finance income, gains on foreign exchange difference of various operations amounting to S/. 164,214 thousand (gains of S/. 174,026 thousand in the year 2010); see note 19.

As of December 31, 2011, Scotiabank Perú S.A.A. and Subsidiaries have contingent operations in foreign currency amounting to US\$ 6,023,998 thousand, equivalent to S/. 16,240,699 thousand (US\$ 5,976,267 thousand equivalent to S/. 16,787,334 thousand as of December 31, 2010).

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(5) Cash and Due from Banks

It comprises

	In thousands of S/.	
	2011	2010
Cash (a)	719,889	604,948
Banco Central de Reserva del Perú (a)	5,856,563	6,987,711
Deposits with local banks (b)	44,155	69,332
Deposits with foreign banks (b)	458,984	307,659
Clearing	212,121	120,934
Restricted Funds (c)	14,403	17,110
Accrued return on cash and due from banks (d)	1,819	2,567
Other cash and due from banks	296	181
	=====	=====
	7,308,230	8,110,442
	=====	=====

- (a) As of December 31, 2011, funds held in cash and deposits with Banco Central de Reserva del Perú (BCRP) include US\$ 1,159,010 thousand and S/. 1,091,220 thousand (US\$ 776,042 thousand and S/. 659,440 thousand as of December 31, 2010) of legal cash reserve 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 Banco Central de Reserva del Perú (BCRP) and kept in the Bank and CrediScotia Financiera S.A. vaults.

Cash reserves held at BCRP do not accrue interest, except for amounts in local and foreign currency exceeding the minimum legal cash reserve. As of December 31, 2011, the excess of legal cash reserve in local and foreign currency accrued interest at annual rates of 2.45% and 0.17%, respectively (1.20% in local currency and 0.16% in foreign currency as of December 31, 2010). Interest accrued from the excess in foreign currency in 2011 amounts to US\$ 1,559 thousand (US\$ 1,552 thousand for year 2010). Interest accrued for the excess in local currency in 2011 amounts to S/. 7,456 thousand (in 2010, this excess became interest-bearing from October, accruing interest for S/. 425 thousand for the period October to December 2010 period).

As of December 31, 2011, deposits with BCRP include “overnight” operations of US\$ 395,000 thousand; such operations accrued interest at an annual nominal rate of 0.06% (US\$ 406,000 thousand and S/. 652,700 thousand at annual nominal rates of 0.19% and between 2.20% and 3.00% respectively, as of December 31, 2010).

- (b) Deposits at 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 December 31, 2011, deposits in foreign banks, included deposits held at The Bank of Nova Scotia for US\$ 677 thousand and Canadian dollars for \$ 2,019 thousand (US\$ 6,093 thousand and Canadian dollars for \$ 49 thousand as of December 31, 2010).

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2011 and 2010, Scotiabank Perú S.A.A. and Subsidiaries have no significant deposits with any commercial banks.

(c) As of December 31, 2011, restricted funds for US\$ 4,588 thousand and S/. 2,035 thousand (US\$ 5,476 thousand and S/. 1,727 thousand as of December 31, 2010), mainly relate to guarantee funds and restricted funds due to lawsuits against the Bank and CrediScotia Financiera S.A.

(d) During 2011, interest revenue from cash and due from banks amounted to S/. 39,130 thousand (S/. 23,690 thousand during year 2010) and it is included as finance income item in the consolidated income statement (see note 19).

(6) Investments at Fair Value through Profit or Loss and Available-for-Sale Investments

It comprises:

	<u>In thousands of S/.</u>	
	<u>2011</u>	<u>2010</u>
Investments at fair value through profit or loss:		
Peruvian Treasury Bonds (a)	85,846	43,215
BCRP certificates of deposit (b)	-	49,921
	-----	-----
	85,846	93,136
	-----	-----
Available-for-sale investments:		
Peruvian Treasury Bonds (a)	835,038	869,323
BCRP certificates of deposit (b)	545,770	663,538
Mutual funds (c)	179,714	73,097
Unlisted shares	11,739	7,963
Listed shares	1,145	1,140
Other	2	7
	-----	-----
Total investment at fair value through profit or loss and available-for-sale investments	1,659,254	1,708,204
	=====	=====

(a) 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 Peru. As of December 31, 2011, these bonds accrue interest at annual rates ranging from 4.16% to 6.48% (from 4.42% to 6.76% annually as of December 31, 2010), with maturities between September 2013 and August 2037 (between May 2015 and August 2037 as of December 31, 2010).

(b) BCRP certificates of deposit are securities freely negotiable in local currency; they are acquired through BCRP public bids and traded in the Peruvian secondary market. As of December 31, 2011, these certificates accrue interest based on the BCRP reference rate which ranged from 4.15% to 4.24% annually (as of December 31, 2010, accrued interest at fixed rates between 0.09% and 2.88% annually) and have maturities between January and December 2012 (between January and June 2011, as of December 31, 2010).

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Likewise, as of December 31, 2011 and 2010, the Bank did not have certificates of deposit issued by BCRP with restricted availability.

- (c) As of December 31, 2011, the participants in mutual funds included S/. 69,512 thousand and US\$ 40,876 thousand corresponding to investments in mutual funds managed mainly by a subsidiary (held S/. 11,548 thousand and US\$ 21,911 thousand as of December 31, 2010).

As of December 31, 2011 and 2010, the accrued interest on investments amounted to S/. 68,494 thousand and S/. 70,825 thousand, respectively, and is included in the finance income item in the consolidated income statement.

Management estimates the market value of investment at fair value through profit or loss 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 Management of Scotiabank Perú S.A.A. and Subsidiaries, 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 December 31, 2011 and 2010.

Investment at fair value through profit or loss and available-for-sale investments as of December 31 have the following maturities:

	In thousands of S/.	
	2011	2010
Less than 3 month	473,724	149,939
3 months to 1 year	337,603	634,887
12 months +	847,927	923,378
	-----	-----
	1,659,254	1,708,204
	=====	=====

- (7) Loan Portfolio, net
It comprises the following:

	In thousands of S/.			
	2011	%	2010	%
Direct loans:				
Current loans	21,410,972	97	17,689,305	97
Refinanced loans	198,713	1	226,376	1
Restructured loans	72,844	-	75,915	-
Past due loans	286,650	2	257,343	2
Lawsuits loans	104,274	-	71,348	-
	-----	---	-----	---
	22,073,453	100	18,320,287	100
	=====		=====	
Plus (less):				
Accrued interest on current loans	190,176		136,096	
Non-accrued interest	(488,468)		(534,637)	
Provision for doubtful loans	(905,679)		(773,501)	
	-----		-----	
	20,869,482		17,148,245	
	=====		=====	
Indirect loans (note 18)	3,948,281		3,432,761	
	=====		=====	

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2011 and 2010, fifty-one percent of the direct and indirect loan portfolio of the Bank was concentrated in 1,245 and 705 clients, respectively.

The Bank's loan portfolio (direct and indirect) is mainly backed up with collaterals received from clients, mainly consisting 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 set at Scotiabank Perú S.A.A. and CrediScotia Financiera S.A.'s discretion. As of December 31, the annual average effective rates of main products fluctuated as follows:

	%			
	2011		2010	
	Local currency	Foreign currency	Local currency	Foreign currency
Overdrafts (*)	55.00 - 85.00	30.00 - 55.00	55.00 - 85.00	30.00 - 55.00
Discounts and commercial loans	3.05 - 41.39	1.56 - 29.88	3.05 - 40.60	1.56 - 30.20
Consumer loans	14.71 - 67.49	7.29 - 30.81	15.60 - 49.10	7.86 - 38.40

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

As of December 31, according to current SBS regulations, the loan portfolio of Scotiabank Perú S.A.A. and CrediScotia Financiera S.A. risk-based ratings are as follows:

Risk rating	2011				2010			
	N° of debtors	In thousands of S/.			N° of debtors	In thousands of S/.		
		Direct	Contingent	Total		Direct	Contingent	Total
Standard	899,057	20,691,588	3,926,265	24,617,853	785,605	17,098,035	3,408,612	20,506,647
Potential problem	48,501	515,510	12,573	528,083	48,003	440,509	14,148	454,657
Substandard	30,657	199,387	3,366	202,753	29,521	162,084	1,673	163,757
Doubtful	54,637	281,057	1,880	282,937	53,863	272,241	1,420	273,661
Loss	22,497	385,911	4,197	390,108	23,285	347,418	6,908	354,326
	1,055,349	22,073,453	3,948,281	26,021,734	940,277	18,320,287	3,432,761	21,753,048

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

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As of December 31, direct loans were distributed by sectors as follows:

	In thousands of S/.			
	2011	%	2010	%
Mortgage and consumer loans	6,939,328	31	5,304,905	29
Trade	2,779,470	13	2,191,813	12
Manufacturing	2,742,342	12	2,543,140	14
Real estate business and lease service	1,886,416	9	2,461,163	13
Mining	997,006	5	795,394	4
Transportation	923,083	4	751,016	4
Electricity, gas, and water	916,804	4	724,983	4
Financial intermediation	775,411	4	599,113	3
Education, services, and other	502,406	2	390,083	2
Fishing	420,839	2	298,408	2
Agriculture and livestock	368,882	2	242,064	1
Construction	312,934	1	243,514	1
Hotel and restaurants	238,505	1	130,111	1
Public administration and defense	7,678	-	8,671	-
Other (mainly non-profit, healthcare and automotive)	2,262,349	10	1,635,909	10
	<u>22,073,453</u>	<u>100</u>	<u>18,320,287</u>	<u>100</u>

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

	In thousands of S/.		
	Specific	Generic	Total
Balances as of December 31, 2009	580,396	289,810	870,206
Additions charged to income statement	593,960	92,382	686,342
Recovery of provisions	(215,779)	(40,735)	(256,514)
Transfers and other	(34,040)	(13,150)	(47,190)
Write-offs and forgiveness	(469,559)	-	(469,559)
Foreign exchange difference	(6,651)	(3,133)	(9,784)
Balances as of December 31, 2010	<u>448,327</u>	<u>325,174</u>	<u>773,501</u>
Additions charged to income statement	670,089	206,541	876,630
Recovery of provisions	(213,853)	(104,682)	(318,535)
Transfers and other	24,391	(22,548)	1,843
Write-offs and forgiveness	(414,088)	-	(414,088)
Foreign exchange difference	(7,610)	(6,062)	(13,672)
Balances as of December 31, 2011	<u>507,256</u>	<u>398,423</u>	<u>905,679</u>

As of December 31, 2011, the provision for foreign exchange credit risk and the procyclical provision amounted to S/. 1,165 thousand and S/. 113,598 thousand (S/. 1,139 thousand and S/. 65,423 thousand, respectively as of December 31, 2010).

Scotiabank Perú S.A.A. and CrediScotia Financiera S.A. recorded the provision for doubtful loans according to the policy described in note 3.e.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

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In the opinion of the management of Scotiabank Perú S.A.A. and CrediScotia Financiera S.A., the provision for doubtful loans recorded as of December 31, 2011 and 2010 is recorded according to current SBS standards effective as of that date.

As of December 31, direct loan portfolio had the following maturities:

	In thousands of S/.					
	2011			2010		
	Local currency	Foreign currency	Total	Local currency	Foreign currency	Total
Less than 1 month	1,004,576	1,291,325	2,295,901	887,479	1,323,876	2,211,355
1-3 months	1,799,566	1,861,033	3,660,599	1,414,959	2,049,606	3,464,565
3-6 months	2,236,794	1,225,443	3,462,237	1,277,775	1,152,115	2,429,890
6-12 months	2,057,608	1,220,801	3,278,409	1,573,409	974,249	2,547,658
Over 12 months	3,865,363	5,310,196	9,175,559	3,405,943	4,068,281	7,474,224
Overdue and lawsuit	216,009	174,915	390,924	171,360	157,331	328,691
Less accrued interest	(136,647)	(53,529)	(190,176)	(94,108)	(41,988)	(136,096)
	<u>11,043,269</u>	<u>11,030,184</u>	<u>22,073,453</u>	<u>8,636,817</u>	<u>9,683,470</u>	<u>18,320,287</u>

(8) Accounts Receivable, net

It comprises the following:

	In thousands of S/.	
	2011	2010
Tax claims (a)	268,667	133,208
Accounts receivable for differential of derivative financial instruments - forwards (b)	55,996	30,789
Accounts receivable for collection and warehousing services	49,358	45,013
Commissions receivable	17,172	16,615
Payments on behalf of third parties, net	4,772	4,703
Accounts receivable from principals	2,712	15,880
Accounts receivable from guarantee trusts, net (c)	-	11,132
Advances to personnel	2,146	2,094
Other accounts receivable, net (d)	87,495	97,135
	<u>488,318</u>	<u>356,569</u>

- (a) Scotiabank Perú S.A.A. and Subsidiaries tax proceedings as of December 31, 2011 and 2010, correspond to the compensation of the credit balance against ITAN (Temporary Tax on net Assets) for years 2006 and 2005 (see note 24e).

Likewise, it also includes the process related to the reply on an assessment related of the land 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. It only remains the issuance of final resolutions.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

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(b) As of December 31, 2011, Scotiabank Perú S.A.A. holds sale and purchase forward operations for a total notional value of US\$ 1,348,492 thousand and US\$ 1,218,749 thousand; respectively, with maturities until April 2013 (as of December, 31, 2010, held forward operations for US\$ 1,392,761 thousand and US\$ 1,851,123 thousand, respectively, with maturities until April 2013). Forward operations in 2011, generated net gain of S/. 19,347 thousand (net loss of S/. 19,225 thousand in 2010), see notes 19 and 20.

(c) The SBS, by means of Resolution 1796-2003, authorized the Bank to transfer to a guarantee trust a loan portfolio, provisions and guarantees related to this portfolio. This guarantee trust was to support a financing operation with Banco de Credito del Peru for US\$ 10,000 thousand. The term of the trust agreement was December 29, 2012, which could be extended upon agreement of both parties. This agreement allows the Bank to replace or remove assets from the trust, in compliance with the terms of the contract. As of December 31, 2011, the Bank had not yet requested any withdraw of this facility. During 2011, the Bank had transferred loans to the guarantee trust for a net value of S/. 17,244 thousand (S/. 52,747 thousand during 2010).

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

As of December 31, 2011, the accounts receivable from the trust were fully provided for (net balance of S/. 11,132 thousand as of December 31, 2010) and accumulated provisions as of that date amount to S/. 118,252 thousand (S/. 143,821 thousand as of December 31, 2010).

(d) As of December 31, 2011, the balance of other accounts receivable, net of the related provision for doubtful accounts, is mainly composed of: i) accounts receivable from the sale of investments for S/. 41,950 thousand (S/. 14,195 thousand as of December 31, 2010); ii) accounts receivable from property rental for S/. 1,708 thousand (S/. 2,278 thousand as of December 31, 2010); and iii) various accounts receivable for S/. 43,837 thousand (S/. 80,662 thousand as of December 31, 2010).

(9) Goodwill

In 2008, the Bank acquired 100% of the capital stock of Banco del Trabajo S.A., currently CrediScotia Financiera S.A., and recognized goodwill as of December 31, 2011 and 2010 of S/. 278,818 thousand which includes a purchase price adjustment (earn-out) of S/. 83,290 thousand, calculated in accordance with the purchase agreement.

According to SBS standards, such goodwill is recorded at cost and has been assessed by management, concluding that there is no impairment as of December 31, 2011 and 2010.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(10) Property, Furniture, and Equipment, net

It comprises the following:

	In thousands of S/.				Balance as of 12.31.11
	Balance as of 12.31.10	Additions	Disposals	Reclass. & Adjust.	
Cost:					
Land	153,994	-	-	-	153,994
Property and premises	685,353	3,969	(1,160)	22,299	710,461
Furniture, fixture, and IT	309,352	47,177	(11,863)	4,517	349,183
Vehicles	6,208	404	(1,502)	-	5,110
Units in transit and replacing units	2,946	7,802	-	(4,381)	6,367
Work-in-progress	13,330	21,412	-	(25,436)	9,306
	1,171,183	80,764	(14,525)	(3,001)	1,234,421
Accumulated depreciation:					
Property and premises	441,976	30,852	(1,008)	(8)	471,812
Furniture, fixture, and IT	228,736	28,585	(11,024)	(6)	246,291
Vehicles	3,927	727	(1,477)	-	3,177
	674,639	60,164	(13,509)	(14)	721,280
	496,544				513,141

According to current legislation, banks and finance companies in Peru cannot give as collateral the 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.

(11) Other Assets, net

It comprises the following:

	In thousands of S/.	
	2011	2010
Tax credits and other (a)	367,973	329,899
Deferred income tax (note 25)	164,800	89,921
Prepaid expenses (b)	118,220	96,790
Transactions in process (c)	78,662	68,283
Reposessed and realizable assets, net of accumulated depreciation and provision for impairment for S/. 129,743 thousand (S/. 130,918 thousand in 2010)	28,135	24,521
Intangible assets, net of amortizations of S/. 191,726 thousand (S/. 190,452 thousand in 2010)	16,376	10,925
Inventories	6,995	12,869
Deferred employees' profit sharing	-	15,734
Other	12,233	14,947
	793,394	663,889

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- (a) As of December 31, 2011 and 2010, tax credit mainly includes the value added tax (VAT) for S/. 350,331 thousand and S/. 322,899 thousand, respectively, from acquisition of assets that have been transferred under finance leases, which have not yet been applied to taxable operations.
- (b) As of December 31, 2011, prepaid expenses include mainly: (i) deferred loan origination costs, mainly to fees paid to external sales of S/. 49,876 thousand (S/. 37,080 thousand in 2010); (ii) prepaid rent of S/. 6,499 thousand (S/. 6,032 thousand in 2010); (iii) prepaid commissions of received borrowings for S/. 11,931 thousand (S/. 11,683 thousand in 2010); (iv) advertising and marketing services for S/. 7,341 thousand (S/. 1,973 thousand in 2010); and, (v) commissions on financing of S/. 13,019 thousand.
- (c) Transactions in process are 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 transactions do not affect the results of Scotiabank Perú S.A.A. and Subsidiaries. As of December 31, 2011, they comprise S/. 61,920 thousand related to treasury transactions and S/. 1,373 thousand for invoices in transit for services received and S/. 3,852 thousand for Unibanca unsettled transactions (as of December 31, 2010 for S/. 56,276 thousand, S/. 301 thousand and S/. 1,850 thousand, respectively).

(12) Deposits and Obligations

It comprises the following:

	In thousands of S/.			
	2011	%	2010	%
Individuals	6,954,267	32	6,470,634	33
Corporate clients	11,213,141	53	9,821,637	51
Non-profit organizations	2,129,085	10	2,144,642	11
Other	1,126,718	5	982,633	5
	-----	----	-----	----
	21,423,211	100	19,419,546	100
	=====	=====	=====	=====

Deposits and other obligations in U.S. dollars represent 50% and 51% of the total deposits as of December 31, 2011 and 2010, respectively. Deposits included accounts pledged in favor of Scotiabank Perú S.A.A. and Subsidiaries for credit operations for S/. 301,583 thousand and US\$ 191,905 thousand as of December 31, 2011 and S/. 277,877 thousand and US\$198,195 thousand as of December 31, 2010.

Likewise, as of December 31, 2011 and 2010, from the total of deposits and obligations from individuals and non-profit legal entities, the amounts of S/. 5,493,735 thousand and S/. 5,081,394 thousand, respectively, are covered by the Peruvian Deposit Insurance Fund, according to current legal regulations.

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

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

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- (a) Registered deposits, under any modality, from 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 date; and
- (c) Demand deposits corresponding to legal entities.

The maximum amount covered for each individual as of December 31, 2011, amounted to S/. 92 thousand (S/. 86 thousand as of December 31, 2010).

The Bank and CrediScotia Financiera S.A. freely establish deposits interest rates based on supply and demand, and the type of deposits. Effective annual rates for main products at December 31 were:

	%			
	2011		2010	
	Local currency	Foreign currency	Local currency	Foreign currency
Savings deposits	0.96 - 2.70	0.45 - 1.71	0.97 - 2.62	0.45 - 1.66
Term deposits	1.28 - 5.81	0.73 - 3.08	1.29 - 5.67	0.84 - 3.03
Bank certificates	-	0.18 - 1.04	-	0.28 - 1.04
Severance indemnities (CTS) deposits	1.50 - 6.00	1.42 - 4.00	1.47 - 6.00	1.35 - 4.00

As of December 31, the scheduled maturity dates of the term deposits were as follows:

	In thousands of S/.					
	2011			2010		
	Local currency	Foreign currency	Total	Local currency	Foreign currency	Total
Up to 1 month	2,029,422	2,214,016	4,243,438	2,286,473	2,504,849	4,791,322
1-3 months	1,066,844	1,300,964	2,367,808	618,384	442,233	1,060,617
3-6 months	503,051	370,236	873,287	230,367	714,117	944,484
6-12 months	602,510	592,888	1,195,398	129,811	609,304	739,115
Over 12 months	339,600	382,885	722,485	1,038,173	489,939	1,528,112
	4,541,427	4,860,989	9,402,416	4,303,208	4,760,442	9,063,650

Demand deposits, savings deposits and severance indemnities (CTS) deposits have no contractual maturities.

As of December 31, 2011, CrediScotia Financiera S.A. issued the Second Program of short-term Negotiable Certificates of Deposits for an amount up to S/. 200,000 thousand. As of December 31, 2010, CrediScotia Financiera S.A., made the Program's First Issuance for an amount of S/. 50,000 thousand.

At the Board of Directors' meeting of CrediScotia Financiera S.A. held on March 30, 2011, the Third Program of short-term Negotiable Certificates of Deposits was approved for an amount up to S/. 300,000 thousand or equivalent amount in U.S. dollars. From that

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

amount, on July 8, S/. 47,740 thousand were issued and on August 19, 2011 the amount of S/. 60,000 thousand was issued.

At the Board of Directors' meeting of CrediScotia Financiera S.A. held on October 28, 2008, the Second Program of short-term Negotiable Certificates of Deposits was approved for an amount up to S/. 200,000 thousand or equivalent amount in U.S. dollars. This program had a term of two years beginning on the registration date of the program in the Public Registry of Stock Market of the Superintendency of Securities and Exchange.

(13) Borrowings and Financial Obligations

It comprises the following:

	<u>In thousands of S/.</u>	
	<u>2011</u>	<u>2010</u>
COFIDE credits lines (a)		
Mivivienda	254,012	197,869
Working capital and other	432,000	300,000
Ordinary loans from abroad (b):		
Related banks	1,377,124	877,258
Other banks	1,938,419	2,391,286
	-----	-----
	4,001,555	3,766,413
Interest payable	22,475	16,267
	-----	-----
	4,024,030	3,782,680
	=====	=====

(a) COFIDE - Corporación Financiera de Desarrollo S.A. (Finance Development Corporation) credit lines correspond to resources obtained for loans granting, mainly for Fondo Mivivienda mortgage financing programs, which accrue a fixed interest rate adjusted to the VAC index. Likewise, as of December 31, 2011 and 2010, this line includes borrowings with COFIDE include funds obtained in local currency to be used for working capital in the short term, which accrue interest at rates between 6.60% and 8.05% (between 4.45% and 7.25% as of December 31, 2010).

(b) As of December 31, 2011, ordinary loans correspond to debts with related foreign financial entities: Scotiabank Ltd. Bahamas for US\$ 503,165 thousand and The Bank of Nova Scotia for US\$ 7,638 thousand (as of December 31, 2009 for US\$ 303,165 thousand and US\$ 9,138 thousand, respectively).

As of December 31, 2011, this line includes borrowings of Bank agreed with various foreign financial institutions for US\$ 593,998 thousand (US\$ 726,294 thousand as of December 31, 2010), accrued interest at annual average rates that range from 1.91% to 7.50% (from 0.59% to 7.50% as of December 31, 2010).

During 2010, the Bank negotiated borrowings with two foreign financial institutions for US\$ 125,000 thousand maturing in September 2017. From this amount, US\$ 62,500 thousand accrue interest at a fixed rate of 3.88%; while US\$ 62,500 thousand accrue interest at a variable rate of 3-month LIBOR plus a spread of 2.10%. These transactions contain standard clauses of compliance with financial

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

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ratios and other administrative matters. In the opinion of the management those clauses do not affect the Bank's operations and are being met.

In June 2008, the Bank agreed a medium-term syndicated loan from abroad. The loan amounted to US\$ 280,000 thousand and accrues interest at LIBOR rate plus 1.25% annually which was paid off in June 2011.

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

	In thousands of S/.	
	2011	2010
Up to 1 month	237,514	560,770
1-3 months	467,379	786,303
3-6 months	380,893	760,629
6-12 months	361,040	252,258
Over 12 months	2,577,204	1,422,720
	<u>4,024,030</u>	<u>3,782,680</u>

(14) Securities, Bonds and Obligations Issued

It comprises the following:

Issuance	Annual interest	Maturity	Outstanding balance in thousands of S/.	
			2011	2010
Negotiable notes (a)				
Series A	5.25%	2017	134,800	140,450
Series B	3m LIBOR + 2.75%	2017	337,000	351,125
			<u>471,800</u>	<u>491,575</u>
Redeemable subordinated bonds (b)				
1st Issuance	9.75% - 9.10%	2012 & 2013	188,563	196,140
2nd Issuance E	8.25%	2011	-	8,427
			<u>188,563</u>	<u>204,567</u>
Corporate bonds (c)				
1st Issuance A	5.69%	2012	30,000	30,000
1st Issuance B	5.78%	2012	26,660	26,660
1st Issuance A	6.34%	2013	100,000	100,000
1st Issuance B	6.28%	2014	60,000	-
2nd Issuance A	7.72%	2014	50,000	-
3rd Issuance A	6.81%	2013	150,000	150,000
3rd Issuance A	6.81%	2013	75,920	-
5th Issuance A	6.44%	2014	40,900	40,900
5th Issuance B	6.59%	2014	25,150	25,150
5th Issuance C	6.31%	2014	49,290	49,290
6th Issuance A	4.66%	2012	30,140	30,140
7th Issuance A	7.19%	2017	60,000	60,000
8th Issuance A	7.31%	2017	100,000	100,000
			<u>798,060</u>	<u>612,140</u>
Interest payable and obligations (d)			<u>1,458,423</u>	<u>1,308,282</u>
			<u>12,514</u>	<u>8,776</u>
			<u>1,470,937</u>	<u>1,317,058</u>

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

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- (a) In January 2010, SBP DPR Finance Company (special purpose entity established in Grand Cayman and consolidated by Scotiabank Group) made a securitization agreement of Diversified Payment Rights (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. 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 through SWIFT messages and are transferred to SBP DPR Finance Company. These contracts and transactions contain standard clauses of compliance with financial ratios and other administrative matters. In the opinion of the management those clauses do not affect the Bank's operations and are being met.
- (b) During 2000, the Bank issued, through public auction, subordinated bond 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 2011 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 were exclusively destined to finance loan operations.
- Redeemable subordinated bonds 2nd issuance from the Simple Reorganization made by the Bank with Wiese Sudameris Leasing S.A. and Banco Sudamericano S.A. Those bonds were paid off in July 2011.
- (c) From 2007 to date, the Bank and CrediScotia Financiera S.A. have issued Corporate Bonds for S/. 688,060 and S/. 110,000 thousand, respectively within terms ranging from 1 to 7 years. Proceeds were exclusively destined to credit operations financing.
- (d) As of December 31, 2011, interest payable on securities and obligations mainly include unpaid interest on securities issued by the Bank and CrediScotia Financiera S.A. for S/. 12,514 thousand (S/. 8,776 thousand as of December 31, 2010).

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

As of December 31, the maturities of issued securities were as follows:

	In thousands of S/.	
	2011	2010
Up to 3 months	30,446	-
3-6 months	188,472	-
6-12 months	30,600	17,203
Over 12 months	1,221,419	1,299,855
	-----	-----
	1,470,937	1,317,058
	=====	=====

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(15) Provisions and Other Liabilities

It comprises the following:

	<u>In thousands of S/.</u>	
	<u>2011</u>	<u>2010</u>
Various accounts payable (a)	131,843	175,935
Provisions for litigations and legal claims (b)	119,757	113,877
Transactions in process (c)	102,539	115,431
Dividends, vacations, profit sharing and remunerations payable	104,692	99,972
Income tax provision	98,130	120,443
Generic provision (d)	63,702	64,383
Put option (e)	53,106	52,527
Provision for indirect loans	52,562	28,747
Accounts payable for differential of derivative financial instruments - forwards (note 8b)	51,904	31,916
Accounts receivable from principals	49,970	46,786
Dividends payable to principals	19,068	19,176
Deferred income on portfolio sale and other	12,096	15,541
Deferred income tax (note 25)	5,038	9,606
Deferred employees' profit sharing	-	1,686
Other provisions (f)	116,694	135,541
	-----	-----
	981,101	1,031,567
	=====	=====

(a) As at December 31, 2011, this account was composed mainly of accounts payable to: (i) suppliers for S/. 91,880 thousand; ii) tax agencies for S/. 7,820 thousand; iii) purchase of investments for S/. 12,729 thousand; iv) insurance companies for services agreed-upon by customers for S/. 7,400 thousand; for S/. 12,014 thousand (S/. 62,140 thousand, S/. 8,379 thousand, S/. 8,826 thousand, S/. 7,341 thousand, and S/. 7,556 thousand; respectively as of December 31, 2010).

(b) As of December 31, 2011 and 2010, Scotiabank Perú S.A.A. and Subsidiaries have various legal actions underway, which are related to civil and labour claims, among others. These legal actions resulted from activities and operations performed during the normal course of Scotiabank Perú S.A.A. and Subsidiaries' operations, it is not anticipated they will have any significant impact on operations or results.

(c) 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 consolidated balance sheet accounts. These operations do not affect the results of Scotiabank Perú S.A.A. and Subsidiaries. As of December 31, 2011, liability transactions in process mainly include S/. 53,076 thousand related to Treasury transactions, S/. 15,710 thousand related to credit card operations, S/. 1,380 thousand related to the clearing process at the Electronic Clearinghouse, and S/. 4,123 thousand related to debit purchase transactions (as of December 31, 2010, the

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amounts of S/. 55,647 thousand, S/. 15,419 thousand, S/. 10,369 thousand, and S/. 578 thousand, respectively).

- (d) As of December 31, 2011, the generic provision account corresponds to:
 - i) reversals or recoveries of provisions recorded since 2002 charged to equity accounts, which, according to SBS Official Letter 23797-2003, shall be reallocated to deficits of provisions in other asset accounts of the Bank for S/. 40,594 thousand (S/. 45,862 thousand as of December 31, 2010); and ii) generic provision made with charge to income statement of the period for S/. 23,108 thousand (S/. 18,521 thousand as of December 31, 2010).
- (e) As of December 31, 2011 and 2010, the Bank has signed a put option contract on its own common shares held in a trust, entitling the trustee the right to sell to the Bank all of these shares at a price calculated based on this contract. This option is effective from September 15, 2006 through December 31, 2015 and its carrying amount does not differ significantly from its estimated market value.
- (f) As of December 31, 2011, the balance of other provisions mainly include:
 - i) provisions for personnel expenses for S/. 31,615 thousand (S/. 27,633 thousand as of December 31, 2010), ii) deposit insurance fund premiums for S/. 6,001 thousand (S/. 5,560 thousand as of December 31, 2010), iii) the balance of the adjustment to the acquisition cost (earn out) of the shares of CrediScotia Financiera S.A. for S/. 55,169 thousand (S/. 83,290 thousand as of December 31, 2010) and iv) the balance of the provisions for indirect loans for S/. 3,608 thousand (S/. 1,104 thousand as of December 31, 2010).

The adjustment to the acquisition cost was determined in conformity with the purchase agreement; which allowed the possibility to adjust the acquisition cost upon achievement of certain results indicated in the purchase contract. The payment of the contingent amount shall be made based on the criteria set out in that agreement. In March 2011, the Bank made the first payment amounting to US\$ 10,000 thousand.

(16) Shareholders' Equity

(a) General

The regulatory net worth of Scotiabank Perú S.A.A. and CrediScotia Financiera S.A. are determined in accordance with the Banking Law and as of December 31, 2011 amounts to S/. 2,455,924 thousand and S/. 346,099 thousand respectively (S/. 2,018,359 thousand and S/. 292,139 thousand, respectively as of December 31, 2010). This figure is used to calculate certain legal limits and restrictions according to the Peruvian Banking Law applicable to the financial institutions' operations in Peru.

As of December 31, 2011, credit risk weighted assets and contingent credits determined by Scotiabank Perú S.A.A. and CrediScotia Financiera S.A. according to the legislation applicable to financial institutions amounted to S/. 21,230,475 thousand and S/. 3,213,061 thousand (S/. 16,453,820 thousand and S/. 2,368,519 thousand as of December 31, 2010).

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As at December 31, 2011, the Banking Law established as a global limit that the regulatory capital shall be equal to or greater than 10% of the total risk weighted assets and contingent credits, which corresponds to the sum of: the amount of regulatory capital requirements for market risk multiplied by 10, plus the amount of the regulatory capital requirements for operational risk multiplied by 10, plus the risk weighted credit related assets and contingencies (9.8% as of December 31, 2010).

As of December 31, 2011, the regulatory capital of Scotiabank Perú S.A.A. and CrediScotia Financiera S.A. represents 10.94% and 10.77% respectively of the total aforementioned risk weighted assets and contingent credits (11.53% and 12.33% respectively as of December 31, 2010).

Likewise, by means of Resolution 2115-2009, the SBS approved the rules for the Regulatory Net Worth Requirement for Operational Risk, effective July 1, 2009. On this respect, as of the date of this report, Scotiabank Perú S.A.A. and CrediScotia Financiera S.A. have applied the alternative standard method for the calculation of the regulatory net worth requirement for operational risk.

Finally, by means of SBS Resolution 8425-2011 and amendments, dated July 20, 2011, the SBS approved the methodology for the calculation of additional regulatory net worth requirement, which establishes that this net worth shall be equal to the sum of the regulatory net worth requirements, calculated for each of the following components: i) economic cycle, ii) concentration risk, iii) market risk concentration, iv) interest rate risk in the banking books, and v) other risks. This additional requirement will come into force progressively as from July 2012.

(b) Capital Stock

As of December 31, 2011, the Bank's capital stock comprised 227,128,755 common shares (154,108,966 common shares as of December 31, 2010). All shares have voting rights and a par value of S/. 10.00 each. As of December 31, 2011 and 2010, the quoted value of common shares of the Bank was S/. 36.50 and S/. 78.00 per share, respectively. As of December 31, 2011 and 2010, the monetary inflation adjustment of 2001 through 2004 amounting to S/.28,019 thousand is pending of capitalization.

At the Bank's Board of Directors' meeting, held on August 25, 2011 and pursuant to the delegation conferred by the General Shareholders' meeting held on March 31, 2011, the Board approved a capital stock increase amounting to S/. 250,000 thousand from the capitalization of retained earnings corresponding to fiscal period 2010 through the issuance of 25,000 thousand common shares, with a par value of S/. 10.00, each. Consequently, capital stock increases to S/. 2,271,287 thousand and will be represented by 227,129 thousand common shares with a par value of S/. 10.00, each.

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At General Shareholders' meeting, held on March 31, 2011, an agreement was reached to increase capital stock by S/. 480,198 thousand for the capitalization of retained earnings from previous years through the issuance of 48,019,798 new shares, with a par value of S/. 10.00 and delegate the Board of Directors the powers to determine other formal aspects that may be required for implementation.

At the Board of Directors' meeting, held on June 16, 2010 and pursuant to the delegation conferred by the General Shareholders' meeting, held on March 26, 2009, the Board approved a capital stock increase amounting to S/. 141,598 thousand. This increase was made after completion of the subscription of shares for S/. 297,780 thousand equivalent to 14,159,771 new common shares, which were subscribed and paid. Out of the total subscribed amount, S/. 141,598 thousand corresponds to capital stock increase and S/. 156,182 thousand represents the premium paid as additional capital. The amount of S/. 297,780 thousand was provided initially by a shareholder to whom other shareholders reimbursed S/. 178,036 thousand subscribed by them.

Shares participation on the Bank's capital stock as of December 31, is as follows:

Percentage of shareholding	2011		2010	
	Number of shareholders	%	Number of shareholders	%
0.01 to 1	2,279	2.29	2,514	2.29
1.01 to 50	2	42.39	2	42.39
50.01 to 100	1	55.32	1	55.32
	-----	-----	-----	-----
	2,282	100.00	2,517	100.00
	=====	=====	=====	=====

As of December 31, 2011, the Banking Law requires that the capital stock of the Bank shall reach the minimum amount of S/. 24,853 thousand (S/. 23,176 thousand as of December 31, 2010), which is a constant value and 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 31, 2011, it was decided to apply to legal reserve an amount of S/. 68,020 thousand, corresponding to 10% of net profit for the year 2010.

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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 2009.

(d) Retained Earnings

At the Bank's Annual Obligatory General Shareholders' meeting, held on March 31, 2011, the distribution of net profit 2010 for a total of S/. 680,197 thousand was agreed, as follows:

- (i) Cash dividends payment for S/. 204,059 thousand.
- (ii) Allocate 10% of net income, amounting to S/. 68,020 thousand to increase the legal reserve.
- (iii) Remaining balance, amounting to S/. 408,118 thousand will be held in the retained earnings account.

At the Bank's Annual Obligatory General Shareholders' meeting, held on March 17, 2010, the distribution of 2009 profits for a total of S/. 637,053 thousand was as follows:

- (i) Cash dividends payment for S/. 191,116 thousand.
- (ii) Allocate 10% of net income, amounting to S/. 63,705 thousand to increase the legal reserve.
- (iii) Remaining balance, amounting to S/. 382,232 thousand will be held in the retained earnings account.

Afterwards, at the Board of Directors' meeting, held on March 30, 2010, the Board agreed to allocate retained earnings up to S/. 200,000 thousand as profits with capitalization agreement.

(17) Contingencies and Commitments

In February 2006, previous to 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. signed an indemnity agreement through which Scotiabank Perú S.A.A. would 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 has several pending court claims related to their ongoing activities. In the opinion of management and their internal legal advisors, these claims will not result in liabilities additional to those recorded by the

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Bank and its Subsidiaries; therefore, management considers that no additional provision is necessary for these contingencies (note 15.b).

(18) Contingent and Memoranda Accounts

In the normal course of business, the Bank and CrediScotia Financiera S.A. perform transactions under consolidated off balance sheet credit risk (contingent assets). These transactions expose the Bank and CrediScotia Financiera S.A. to additional credit risk, beyond the amounts presented in the consolidated balance sheet. Credit risk for contingent transactions are recorded in memoranda accounts of the consolidated balance sheet and they relate to the probability that one of the participants of the respective contract does not comply with the agreed terms. The related contracts consider the amounts that the Bank and CrediScotia Financiera S.A. would assume credit losses in contingent transactions. The Bank and CrediScotia Financiera S.A. apply the same credit policies to evaluate and grant direct loans as indirect loans.

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

	In thousands of S/.	
	2011	2010
Indirect loans:		
Guarantees and stand-by letters of credit	3,421,005	2,881,937
Issued letters of credit	479,787	483,284
Due from bank acceptances	47,489	67,540
	-----	-----
	3,948,281	3,432,761
Unused credit lines	14,467,629	16,593,711
Financial derivative contracts	6,808,862	9,028,305
Other	540	542
	-----	-----
	25,225,312	29,055,319
Memoranda accounts:		
Securities held in custody	6,932,796	5,819,445
Suspended interest on loans	2,664,017	1,236,582
Goods transferred in trust	3,906,930	3,862,591
Guarantees received	44,316,206	36,628,640
Securities in collection	12,126,698	10,731,022
Own securities in custody	3,657,501	1,907,208
Written-off loans	3,404,937	3,531,924
Notified letters of credit	426,926	215,718
Securities granted as warranties	766,951	554,791
Trust and debt trust commissions	2,028,553	2,664,771
Control of returned checks	20,238,257	50,760,169
Loans and other control	21,316,765	17,136,682
Other memoranda accounts	36,954,768	45,355,475
	-----	-----
	158,741,305	180,405,018
	-----	-----
	183,966,617	209,460,337
	=====	=====

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Many of the indirect loans are expected to expire without any withdraw required by the Bank and CrediScotia Financiera S.A. The total committed amounts do not necessarily represent future cash outflows. Also, documentary credits, like 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 a customer obligation before a third party.

Guarantees received from credit operations are recorded 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. As of December 31, 2011, loan balances covered by guarantees amount to S/. 9,414,316 thousand (S/. 8,434,235 thousand as of December 31, 2010).

(19) Finance Income

It comprises the following:

	<u>In thousands of S/.</u>	
	<u>2011</u>	<u>2010</u>
Interest and commissions on loan portfolio	2,459,434	1,980,400
Gain on exchange difference from operations	164,214	174,026
Income from investment valuation	68,494	70,825
Interest on cash and due from banks	39,130	23,690
Gains on derivative instruments, net	19,347	-
Gains in associates	11,634	6,679
Interest and commissions on interbank funds	5,362	2,170
Other finance income	43,601	42,632
	<u>2,811,216</u>	<u>2,300,422</u>

(20) Finance Expenses

It comprises the following:

	<u>In thousands of S/.</u>	
	<u>2011</u>	<u>2010</u>
Interest on obligations	252,330	191,569
Interest on borrowings from banks and financial institutions	90,183	65,716
Interest on issued securities	82,695	72,119
Deposit insurance fund premiums	23,558	21,898
Loss on derivative instruments, net	-	19,225
Commissions on financial obligations	14,882	12,524
Interest on deposits of financial entities	8,083	5,919
Interest and commissions on interbank funds	3,971	1,716
Other finance expenses	57,778	49,663
	<u>533,480</u>	<u>440,349</u>

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(21) Income from Finance Services, net

It comprises the following:

	<u>In thousands of S/.</u>	
	<u>2011</u>	<u>2010</u>
Income:		
Income from services and maintenance fees of credit / debit cards	163,054	150,434
Income from deposit transactions, services and transfer fees	148,505	147,330
Other fees and commissions from banking services	91,980	25,626
Income from commissions from collections services	81,179	64,193
Income from purchased portfolio recoveries	70,360	37,386
Income from warehousing	48,720	39,121
Income from teleprocessing services	27,249	34,851
Income from remunerations of mutual funds and administration fees	25,836	28,987
Income from structuring and administration services	13,747	8,848
Income from brokerage services	10,564	9,804
Income from leased property	2,879	3,581
Other various income	47,762	42,317
	-----	-----
	731,835	592,478
	-----	-----
Expenses:		
Credit / debit cards expenses	(44,278)	(43,888)
Insurance services expenses	(11,866)	(11,692)
Other expenses	(57,549)	(63,631)
Warehousing expenses	(28,210)	(23,538)
	-----	-----
	(141,903)	(142,749)
	-----	-----
Total income from finance services, net	589,932	449,729
	=====	=====

(22) Administrative Expenses

It comprises the following:

	<u>In thousands of S/.</u>	
	<u>2011</u>	<u>2010</u>
Personnel and board of directors expenses	666,423	609,749
Expenses for services received from third parties	444,162	355,412
Taxes and contributions	67,388	55,498
	-----	-----
	1,177,973	1,020,659
	=====	=====

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(23) Other Income, net

It comprises the following:

	<u>In thousands of S/.</u>	
	<u>2011</u>	<u>2010</u>
Income from recovery of accounts receivable and other	40,958	142,419
Income from repossessed assets	11,277	25,575
Other extraordinary (expenses) income, net	(7,269)	634
Income from previous periods	53,079	131,534
Net (loss) gain on sale of out of use goods	(271)	14,887
	<u>97,774</u>	<u>315,049</u>

(24) Tax Matters

- (a) In accordance with current tax legislation, corporate income tax for the years 2011 and 2010 is calculated applying the statutory income tax rate of 30%. The income tax of each company composing Scotiabank Perú S.A.A. and Subsidiaries has been determined for fiscal years 2011 and 2010 as follows:

	<u>In thousands of S/.</u>	
	<u>2011</u>	<u>2010</u>
Scotiabank Perú S.A.A.	314,754	244,967
CrediScotia Financiera S.A.	61,805	36,903
Servicios, Cobranza e Inversiones S.A.	13,433	19,584
Depósitos S.A.	3,681	3,105
Scotia Fondos Sociedad		
Administradora de Fondos S.A.	3,193	3,915
Scotia Sociedad Agente de Bolsa S.A.	2,284	2,479
Scotia Sociedad Titulizadora S.A.	170	229

- (b) The tax authority has the right to audit and, if applicable, to modify the income tax calculated by each company composing Scotiabank Perú S.A.A. and Subsidiaries during the next four years after the year of the income tax return was filed. Income tax returns of Scotiabank Perú S.A.A. and Subsidiaries that have not yet been reviewed by the tax authority are the following:

<u>Company</u>	<u>Tax returns subject to audit</u>
Scotiabank Perú S.A.A.	2007 through 2011
CrediScotia Financiera S.A.	2007, 2008, 2010 and 2011
Scotia Sociedad Agente de Bolsa S.A.	2007 through 2010
Scotia Fondos Sociedad	
Administradora de Fondos S.A.	2007 through 2010
Scotia Sociedad Titulizadora S.A.	2007 through 2010
Depósitos S.A.	2007, 2008, 2010 and 2011
Servicios, Cobranzas e Inversiones S.A.C.	2007, 2008, 2010 and 2011

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Due to the possibility of various interpretations by the tax authority of the current regulation, it is not possible to determine, to date, whether a future tax audit will result or not in future liabilities; therefore, any taxes, surcharges and sanctions that might arise from eventual tax audits would be applied to results of the period in which they are determined. However, it is the opinion of management and its legal advisors that any possible additional tax settlement would not be significant to the financial statements of Scotiabank Perú S.A.A. and Subsidiaries.

- (c) The total or partial distribution of dividends, or other types of profit distribution, is subject to a 4.1% income tax withholding, except for the distribution of profits made in favor of domiciled entities.
- (d) 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 pricing. 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 December 31, 2011.
- (e) In 2005, a tax named Temporary Tax on Net Assets (ITAN, for its Spanish acronym) was established. Taxable base is composed of the net asset value adjusted as of the closing of the period before the payment was made, deducting the depreciations, amortizations, legal cash reserve, and specific provisions for credit risk. Since 2009, the tax rate applicable to the amount of assets exceeding S/. 1,000 thousand is 0.4 %. It may be paid in cash or in nine consecutive monthly installments. The amount actually paid may be used as partial payments of income tax for taxable periods March to December of the fiscal period for which the tax was paid until maturity of each of the partial payments and against the payment for regularization of income tax of the corresponding taxable period.

Tax refunds can be requested 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 requested the compensation of the ITAN 2005 and 2006 against previous years tax credits (balances in favor). These requests were resolved in favor of the Bank by the Tax Court. However, the SUNAT on a misinterpretation of the rules only partially offset the ITAN, applying only part of the Bank's tax credits and without considering the legal procedures and precedents applicable to the case, which strongly support the Bank's position.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The mentioned SUNAT compensation resulted in a coercive collection of the uncompensated debt, and the Bank decided to make a payment under protest of S/. 135,459 thousand; an amount which according to the Bank's management and its advisors will be returned by the tax authority, plus interest, when we receive the Tax Court's favorable findings regarding the applied compensation methodology.

- (f) Tax on Financial Transactions (ITF) since 2011 was 0.005% (0.05% in 2010). This tax is applied on each deposit and withdrawal made to and from a banking account, unless the account is tax-exempt.
- (g) According to Legislative Decree 972, starting from January 1, 2010, the tax exemption on capital gains and interest from securities issued by legal entities incorporated or established in the country was eliminated. Capital interest and gains coming from bonds issued by the Peruvian Government, as well as capital interest and gains coming from BCRP Certificates, except for those originated by legal cash reserve deposits are income tax-exempt.

(25) Deferred Income Tax

Deferred income tax has been calculated applying the balance sheet method, and is attributed to the following items:

	In thousands of S/.			
	Balance as of 12.31.10	(Debit) credit to retained earnings	(Debit) credit to results	Balance as of 12.31.11
Assets:				
Generic provision for loans	47,726	-	32,872	80,598
Transferred loan portfolio	16,003	-	(4,793)	11,210
Provision for vacations	11,269	-	1,304	12,573
Doubtful loans provision	10,325	-	20,408	30,733
Time deposits interest	4,632	-	(4,632)	-
Intangible assets	3,611	-	(2,674)	937
Provision for credit card rewards	2,835	-	(16)	2,819
Fixed assets	1,850	-	(559)	1,291
Provision for debit card rewards	803	-	(129)	674
Provision for inventories and repossessed assets	800	-	8,378	9,178
Other	(9,933)	(580)	25,300	14,787
	89,921	(580)	75,459	164,800
Liabilities:				
Valuation of investments in associates	(9,225)	4,482	-	(4,743)
Other	(381)	-	86	(295)
	(9,606)	4,482	86	(5,038)
Total deferred income tax asset, net	80,315	3,902	75,545	159,762

(26) Employees' Profit Sharing

According to Legislative Decree 677, banks' employees are entitled to a profit-sharing plan 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. In 2011, a consolidated legal employees'

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

profit sharing of S/. 69,446 thousand has been determined (S/. 55,079 thousand in 2010) and is presented in administrative expenses item in the income statement.

(27) Earning per Share

As of December 31, 2011 and 2010, the calculation of weighted average of basic and diluted earnings per share is as follows:

	Shares issued (in thousands)	Average basic shares (in thousands)	Effective days until year-end	Weighted average of common shares (in thousands)
2010 -				
Balances as of January 1, 2010	50,617	187,969	365	187,969
Capitalization of retained earnings of period 2008	89,332	-	-	-
Capital contribution	14,160	14,160	192	7,449
Capitalization of retained earnings of period 2010	-	25,000	-	-
	-----	-----	-----	-----
Balances as of December 31, 2010	154,109	227,129	-	195,418
	=====	=====	=====	=====
2011 -				
Balances as of January 1, 2011	154,109	227,129	365	227,129
Capitalization of retained earnings of period 2009	48,020	-	-	-
Capitalization of retained earnings of period 2010	25,000	-	-	-
	-----	-----	-----	-----
Balances as of December 31, 2011	227,129	227,129	-	227,129
	=====	=====	=====	=====

As of December 31, 2011 and 2010, earning per share calculated based on the average number of shares amounted to S/. 3.472 and S/. 3.523, respectively.

(28) Financial Risk Management

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 portfolios of 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 assume 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 Risk Management plays an important role at Scotiabank Perú S.A.A. and Subsidiaries,

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

applying the best practices of the market and the Scotiabank Group 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) supervises 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 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.
- 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.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

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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.

Liquidity 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 Scotiabank Perú S.A.A. and Subsidiaries' liquidity profile.

The main guidelines followed to manage 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 comprises 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 Risks 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.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Exchange Rate Risk

This is 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 have 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 Peru 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 and follow-up of the 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.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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 Scotiabank Perú S.A.A. and Subsidiaries' 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 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 carrying amount 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) Investments at fair value through profit or loss are recorded at their estimated market value, which is the same as the carrying amount.
- (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 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.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (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 fixed and floating rates and have maturities of short and long term. The fair value of these financial instruments have been calculated based on discounted future cash flows, using the current interest rate for liabilities with similar characteristics in Scotiabank Perú S.A.A. and Subsidiaries. Consequently, the estimated market value does not differ significantly from carrying amount.
 - (h) Securities, bonds and obligations issued accrue interest at fixed rates. The fair value of these financial instruments have been calculated based on discounted future cash flows, using the current interest rate for liabilities with similar characteristics in Scotiabank and Subsidiaries. Consequently, the estimated market value does not differ significantly from carrying amount.
 - (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, Scotiabank Perú S.A.A. and Subsidiaries estimate that the difference between the carrying amount 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
Scotiabank Perú S.A.A. and Subsidiaries offer 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. Scotiabank Perú S.A.A. and Subsidiaries are responsible for the appropriate management of these trusts based on the limits established by applicable laws and the respective agreement. As of December 31, 2011, the allocated value of assets in trusts and trust fees amounted to S/. 1,438,915 thousand (S/. 1,980,681 thousand in 2010).

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2010 and 2009

(With the Independent Auditors' Report Thereon)

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Consolidated Financial Statements December 31, 2010 and 2009

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Scotiabank Perú S.A.A. (a subsidiary of The Bank of Nova Scotia - BNS, an entity established in Canada) and Subsidiaries, which comprise the consolidated balance sheet as of December 31, 2010 and 2009, and the consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, and the summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting standards established for financial institutions 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). This responsibility includes: designing, implementing and maintaining internal control pertinent to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

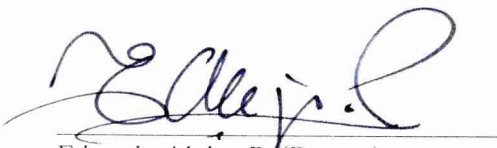
Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Scotiabank Perú S.A.A. and Subsidiaries as of December 31, 2010 and 2009, and the consolidated results of their operations and their consolidated cash flows for the years then ended in conformity with accounting standards established for financial institutions in Peru by the Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones - SBS, as discussed in notes 2 and 3 to the consolidated financial statements.

February 21, 2011

Countersigned by

Cispo y Asociados



Eduardo Alejos P. (Partner)
Peruvian Certified Public Accountant
Registration 29160

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SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Consolidated Balance Sheet

As of December 31, 2010 and 2009

(Stated in thousands of nuevos soles)

<u>Assets</u>	<u>2010</u>	<u>2009</u>	<u>Liabilities and shareholders' equity</u>
Cash and due from banks (note 5):			Deposits and obligations (note 12):
Cash	604,948	520,593	Demand deposits
Deposits with Banco Central de Reserva del Perú	6,987,711	2,806,084	Savings deposits
Deposits with local and foreign banks	376,991	338,976	Time deposits
Clearing	120,934	181,854	Other obligations
Accrued interest and due from banks	19,858	9,700	
	8,110,442	3,857,207	
Interbank funds	192,580	143,205	Interbank funds
Investments at fair value with changes in results and available-for-sale (note 6)	1,708,204	3,637,054	Borrowings and financial obligations (note 13)
Loan portfolio, net (note 7)	17,148,245	14,573,225	Securities, bonds and obligations issued (note 14)
Accounts receivable, net (note 8)	356,569	483,795	Provisions and other liabilities (note 15)
Investments in associates	86,914	72,196	Total liabilities
Goodwill (note 9)	278,818	278,818	Shareholders' equity (note 16):
Property, furniture, and equipment, net (note 10)	496,544	520,531	Capital stock
Other assets, net (note 11)	663,889	622,396	Additional capital
			Capital in progress
			Legal reserve
			Unrealized earnings
			Retained earnings
			Total shareholders' equity
			Contingencies and commitments (note 17)
Total assets	29,042,205	24,188,427	Total liabilities and shareholders' equity
Contingent and memoranda accounts (note 18):			Contingent and memoranda accounts (note 18):
Contingent accounts	29,055,319	13,620,930	Contingent accounts
Memoranda accounts	180,405,018	179,728,097	Memoranda accounts
	209,460,337	193,349,027	

See the accompanying notes to the consolidated financial statements.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Consolidated Income Statement

For the years ended December 31, 2010 and 2009

(Stated in thousands of nuevos soles)

	<u>2010</u>	<u>2009</u>
Financial income (note 19)	2,302,763	2,393,258
Financial expenses (note 20)	(442,690)	(592,218)
	<u>1,860,073</u>	<u>1,801,040</u>
Gross financial income		
Provision for doubtful loans (note 7)	(686,342)	(760,636)
Recovery of provision for doubtful loans (note 7)	263,053	198,936
	<u>(423,289)</u>	<u>(561,700)</u>
Net financial income	1,436,784	1,239,340
Income from financial services, net (note 21)	449,729	490,790
Operating margin	<u>1,886,513</u>	<u>1,730,130</u>
Administrative expenses (note 22)	(969,598)	(961,123)
Net operating margin	<u>916,915</u>	<u>769,007</u>
Provisions for doubtful and other accounts receivable, realizable and repossessed assets, and other	(139,837)	(48,713)
Depreciation of property, furniture, and equipment	(58,627)	(53,691)
Amortization of intangibles	(6,975)	(7,989)
	<u>(205,439)</u>	<u>(110,393)</u>
Operating results	711,476	658,614
Other income, net (note 23)	315,049	219,767
Profit before employees' profit sharing and income tax	<u>1,026,525</u>	<u>878,381</u>
Deferred employees' profit sharing (note 25)	4,018	(9,822)
Employees' profit sharing (note 26)	(55,079)	(25,855)
Deferred income tax (note 25)	22,808	(55,638)
Income tax (note 24)	(309,912)	(150,013)
Net profit	<u>688,360</u>	<u>637,053</u>
Basic and diluted earnings per share (in nuevos soles) (note 27)	<u>5.294</u>	<u>12.654</u>
Weighted average of common shares issued (in thousands of shares)	<u>130,020</u>	<u>50,344</u>

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 years ended December 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>
Balances as of December 31, 2008	533,554	212,539	318,177	268,455
Formalization of capital stock increase	893,319	(2,956)	(20,397)	-
Dividends declared in cash	-	-	-	-
Capital increase	734	2,757	(3,491)	-
Capital decrease	(96)	-	-	-
Shares subscription	-	-	3,491	-
Sale of treasury shares	-	31	-	-
Unrealized income on available-for-sale investments	-	-	-	-
Net profit	-	-	-	-
Balances as of December 31, 2009	1,427,511	212,371	297,780	268,455
Formalization of capital stock increase	141,598	156,182	(297,780)	-
Dividends declared in cash	-	-	-	-
Application to legal reserve	-	-	-	63,705
Capital contribution	-	-	178,036	-
Refund of capital contribution	-	-	(178,036)	-
Unrealized losses on available-for-sale investments and other	-	-	-	-
Net profit	-	-	-	-
Balances as of December 31, 2010	1,569,109	368,553	-	332,160

See the accompanying notes to consolidated financial statements.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Consolidated Statement of Cash Flows

For the years ended December 31, 2010 and 2009

(Stated in thousands of nuevos soles)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Net profit	688,360	637,053
Adjustments to reconcile net profit to net cash provided by operating activities:		
Provision for doubtful loans	686,342	760,636
Provision for impairment of investments and other assets	4,370	104
Provision for accounts receivable	96,951	33,215
Provision for contingencies and indirect loans	38,516	15,394
Depreciation and amortization	65,602	61,680
Recovery of provision for realizable and repossessed assets	(13,880)	(8,743)
Recovery of provision for accounts receivable	(131,650)	(5,726)
Provision for impairment and depreciation of repossessed assets	5,475	10,377
Recovery of provision for loan portfolio	(263,053)	(198,936)
Provision for severance indemnities	31,995	30,745
Gains on sale of property, furniture, and equipment	(14,414)	(223)
Gains on sale of realizable and repossessed assets	(7,471)	(4,938)
Net variations in assets and liabilities:		
Decrease (increase) in interest, commissions, and other accounts receivable	150,842	(68,553)
Increase (decrease) in interest, commissions, and other accounts payable	33,722	(109,419)
Other assets	(49,370)	42,117
Other liabilities	(24,909)	(63,678)
	-----	-----
Cash and cash equivalents provided by operating activities	1,297,428	1,131,105
	-----	-----
Cash flows from investing activities		
Acquisition of property, furniture, and equipment	(60,861)	(24,572)
Acquisition of other non-financial assets	(5,824)	(8,527)
Income from sale of property, furniture, and equipment	35,908	7,640
Income from sale of other non-financial assets	49,600	26,004
	-----	-----
Cash and cash equivalents provided by investing activities	18,823	545
	-----	-----
Cash flows from financing activities		
Increase in loan portfolio	(3,017,071)	(7,516)
Decrease (increase) in investments	1,910,142	(943,620)
Increase (decrease) in deposits and obligations	1,344,157	(69,433)
Increase (decrease) in borrowings, financial obligations and interbank funds	2,141,755	(1,447,930)
Increase in securities, bonds and obligations issued	620,456	89,348
Payment of dividends	(191,116)	(179,594)
Cash contribution	178,036	3,491
	-----	-----
Cash and cash equivalents provided by (applied to) financing activities	2,986,359	(2,555,254)
	-----	-----
Net increase (decrease) in cash and cash equivalents	4,302,610	(1,423,604)
Cash and cash equivalents at beginning of the year	4,000,412	5,424,016
	-----	-----
Cash and cash equivalents at end of the year	<u>8,303,022</u>	<u>4,000,412</u>

See the accompanying notes to the consolidated financial statements.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2010 and 2009

(1) Operations

Scotiabank Perú S.A.A. (herein the Bank) is a subsidiary of The Bank of Nova Scotia-BNS (a financial entity from Canada), which holds directly and indirectly 97.71% of the Bank's capital stock as of December 31, 2010. As of December 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 55.32% and 40.07%, 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 December 31, 2010, the Bank performed its activities with a national network of 169 branches, and one 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 (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; Scotia Sociedad Agente de Bolsa S.A., engaged in intermediation activities in the Peruvian securities market, Depósitos S.A., engaged in warehousing services; Scotia Fondos Sociedad Administradora de Fondos S.A., engaged in mutual funds management; Scotia Sociedad Titulizadora S.A., engaged in the management of trusts; SBP DPR Finance Company, special purpose entity and Promoción de Proyectos Inmobiliarios y Comerciales S.A. engaged in the purchase and sale of goods in general, among other activities. As at December 31, 2010 and 2009 Promoción de Proyectos Inmobiliarios y Comerciales S.A. is an inactive company.

Below are the main balances of the Bank and Subsidiaries presented as of December 31, 2010 and 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 December 31, 2010:

Entity	Activity	Percentage of shareholding	In thousands of S/.		
			Assets	Liabilities	Shareholders' equity
Scotiabank Perú S.A.A.	Banking	-	27,302,105	23,854,920	3,447,185
CrediScotia Financiera S.A.	Finance	100.00	2,618,968	2,270,815	348,153
Servicios, Cobranzas e Inversiones S.A.C.	Collection services	100.00	170,970	30,953	140,017
Scotia Sociedad Agente de Bolsa S.A.	Stock market broker	100.00	148,811	85,398	63,413
Depósitos S.A.	Warehousing	100.00	59,182	19,194	39,988
Scotia Fondos Sociedad Administradora de Fondos S.A.	Administration of mutual funds	100.00	30,866	6,244	24,622
Scotia Sociedad Titulizadora S.A.	Securitization	100.00	3,350	32	3,318
SBP DPR Finance Company	Special purpose entity	-	843,994	843,994	-

As of December 31, 2009:

Entity	Activity	Percentage of shareholding	In thousands of S/.		
			Assets	Liabilities	Shareholders' equity
Scotiabank Perú S.A.A.	Banking	-	22,809,284	19,848,712	2,960,572
CrediScotia Financiera S.A.	Finance	100.00	2,018,431	1,755,492	262,939
Servicios, Cobranzas e Inversiones S.A.C.	Collection services	100.00	164,669	42,784	121,885
Scotia Sociedad Agente de Bolsa S.A.	Stock market broker	100.00	112,644	64,820	47,824
Depósitos S.A.	Warehousing	100.00	57,209	15,540	41,669
Scotia Fondos Sociedad Administradora de Fondos S.A.	Administration of mutual funds	100.00	23,635	3,053	20,582
Scotia Sociedad Titulizadora S.A.	Securitization	100.00	3,752	116	3,636

The consolidated financial statements as of December 31, 2010 were approved by management on February 21, 2011. 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).

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.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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 nuevos soles (S/.), according to SBS standards. The information presented in nuevos soles (S/.) has been rounded to the unit of thousands, except 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, goodwill and intangibles, the provision for realizable 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, after the elimination of significant balances and transactions among the consolidated companies, and profits and losses resulting from those transactions. All the subsidiaries 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.

The financial statements of the subsidiaries included in the consolidation represent 14.16% and 9.42% of total assets before intra-company eliminations as of December 31, 2010 and 2009; respectively. As of those dates, the Bank did not have any minority interest arising from the consolidation process.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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 1349-2008, dated May 8, 2008.

This standard is 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.

The effectiveness 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 effectiveness.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 consolidated 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 December 31, 2010 and 2009, Scotiabank Perú S.A.A. and Subsidiaries did not have 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

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 apply the criteria established in SBS Resolution 10639-2008 as detailed below:

(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 Scotiabank Perú S.A.A. and Subsidiaries enter into contractual arrangements with counterparties to purchase securities, and are normally derecognised when sold.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Measurement is initially at fair value, with transaction costs taken to the consolidated income statement. Subsequently, their fair values are remeasured, and all gains and losses from changes therein are recognised in the consolidated income statement.

Interest income is recognised using the effective interest rate method, calculated over the asset's expected life. Dividends are recognised in the consolidated 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 consolidated 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 consolidated 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 consolidated income statement) is removed from equity and recognised in the consolidated 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.

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 consolidated 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 consolidated income statement when the right to receive payment has been established.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) 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.

When the variations in the equity are due to concepts other than the results of the year; these variations shall be recorded directly in the shareholders' equity. The dividends are recorded reducing the carrying amount of the investment.

Investment instruments held by companies can be subject to reclassification. If investment instruments at fair value with changes in results cannot be reclassified except: (1) for unquoted equity shares that lack reliable fair value estimations or (2) when given in guarantee or transferred through a repurchase agreement as previously noted in section d (i).

(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 that support such credit facilities are issued and may become direct loans and generate a liability against third parties. 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 Management'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. The Bank and CrediScotia Financiera S.A. applied SBS Resolution 808-2003 and its amendments until June 2010 and SBS Resolution 11356-2008 and its amendments starting in July 2010.

Type of loans

According to SBS Resolution 11356-2008 the Bank and CrediScotia Financiera S.A. classify the loan portfolio in Wholesale Banking: i) Corporate loans, ii) Large company loans, iii) Medium company loans; and Retail Banking: iv) Small business loans, v) Micro business loans, vi) Revolving consumer loans, vii) Non-revolving consumer loans, viii) Mortgage loans. These classifications take into consideration the nature of the client (i.e. corporate, government or individual), the purpose of credit, and the size of the business measured by revenues, indebtedness, among other indicators.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Risk rating categories

The loan rating categories established by the SBS are the following: Standard, Potential Problem, Substandard, Doubtful, and Loss, which are assigned according to credit history of the debtor.

In the case of wholesale banking, the Bank and CrediScotia Financiera S.A. mainly consider 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 retail banking, the rating is based mainly on the level of compliance with credit payments, which is reflected in the days delinquent and their classification in other financial system entities. The Bank on its own initiative and pursuant to a more conservative approach, has included in the automatic rating process the no retail debtors 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.

Provisions for doubtful loans

According to current SBS regulations, the Bank and CrediScotia Financiera S.A. determines generic and specific provisions for doubtful loans. The generic provision is recorded in a preventive manner for standard risk direct loans and equivalent exposure of indirect loans, and additionally the procyclical component when the SBS orders its application. The specific provision is recorded for direct loans and equivalent exposure of indirect loans for which a specific risk, higher than standard, has been identified.

Up to June 2010, the entire indirect loan exposure was used to calculate the required provision, and from July 2010 the calculation only considers the equivalent credit risk exposure of the indirect loans, which are calculated multiplying the different types of indirect credits per credit conversion factors (CCF), presented below according to SBS's guidelines:

	<u>Description</u>	<u>CCF (%)</u>
(i)	Confirmation of irrevocable letters of credit up to one year, when the issuing bank is a first level entity from a foreign financial system.	20
(ii)	Standby letters of credit that support obligations to do or not do.	50
(iii)	Import credit guarantees, and those not included in the previous item, as well as bank acceptances.	100
(iv)	Undisbursed loans granted and unused credit lines.	0
(v)	Other not considered above.	100

The requirements of the provisions for doubtful loans are determined by considering the risk rating of the debtor, if it is backed by collaterals or not, and depending on the type of collateral.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Bank and CrediScotia Financiera S.A. applies the following percentages from July 2010 to determine provisions for the loan portfolio in accordance with SBS Resolution 11356-2008:

<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				
- Corporate loans	0.70%	0.70%	0.70%	0.70%
- Large company loans	0.70%	0.70%	0.70%	0.70%
- Medium company loans	1%	1%	1%	1%
- Small business loans	1%	1%	1%	1%
- Micro 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%	2.50%	1.25%	1%
Substandard	25%	12.50%	6.25%	1%
Doubtful	60%	30%	15%	1%
Loss	100%	60%	30%	1%

(*) Include revolving consumer loans and no revolving consumer loans.

Up to June 2010, the provisions for doubtful loans were determined in conformity with the guidelines established by SBS Resolution 808-2003 and amendments, according to the percentages shown below:

<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%

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Procyclical component

From July 2010 the percentages of procyclical component to calculate the provisions for direct loans and credit risk exposure of indirect loans for debtors classified in standard risk rating are as follows:

<u>Type of credit</u>	<u>Procyclical component %</u>
Corporate loans	0.40
Large company loans	0.45
Medium company loans	0.30
Small business loans	0.50
Micro business loans	0.50
Revolving consumer loans	1.50
No revolving consumer loans	1.00
Mortgage loans	0.40

For corporate, large company and mortgage loans that have preferred readily realizable collateral, the procyclical component is 0.30%. For all other types of credit with preferred readily realizable collateral, the procyclical component is 0% for the portion covered by such collateral.

For consumer loans that are supported by payroll discount agreements, the procyclical component is 0.25%.

Up to June 2010 the percentages of procyclical provisions on direct and indirect loans of debtors classified in standard risk rating were the follows:

<u>Type of credit</u>	<u>Procyclical component %</u>
Commercial loans	0.40
Micro business loans	0.50
Revolving consumer loans	1.50
No revolving consumer loans	1.00
Mortgage loans	0.40

The SBS has the faculty to activate or deactivate the application of the procyclical component by assessing whether the average annual percentage of Gross Domestic Product (GDP) is above or below 5%. It also, sets other conditions of activation or deactivation that are set out in Annex I of SBS Resolution 11356-2008. The application of the procyclical component was activated from December 2008 to August 2009, deactivated from September 2009 to August 2010 and re-activated from September 2010.

The SBS has established that during the deactivation of the application of the procyclical component, financial institutions cannot, under any circumstances, generate profits for the reversals of such provisions, which should only be used to record specific mandatory provisions.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Provisions for direct loans are presented by deducting the balance from the corresponding asset, and provisions for indirect loans are presented as liabilities. Provisions booked by the Bank and CrediScotia Financiera S.A., in the opinion of the Scotiabank Perú S.A.A. and Subsidiaries' 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 Scotiabank Perú S.A.A. and Subsidiaries' income or expenses).

Reporting operations, loans of consumable property, and over-the-counter transactions conducted by Scotia Sociedad Agente de Bolsa S.A. 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 and impairment losses. 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 consolidated 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:

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

Up to December 31, 2009, the estimated useful life of property was 33 years. That estimated useful life was reviewed by the Scotiabank Perú S.A.A. and Subsidiaries' management and changed to 20 years, effective on January 1, 2010. The change in useful life of property has been applied prospectively.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The impact of the change in the estimated useful life resulted as of December 31, 2010 in an increase in depreciation expenses of property by S/. 8,943 thousand.

The cost and accumulated depreciation of assets disposed or sold are eliminated from their respective accounts, and any resulting gain or loss is included in the consolidated 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) Realizable Assets, Received as Payment, and Repossessed Assets

Realizable 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:

- Realizable 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.

An impairment loss is recognised in the consolidated 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 estate 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.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

Up to December 31, 2010 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, and are recorded according to legislation applicable to each company composing Scotiabank Perú S.A.A. and Subsidiaries. As indicated in note 3(v) starting in January 1, 2011, employees' profit sharing should be recognised as personnel expense and liability corresponding to services of the employee, therefore, temporary differences between financial and tax bases shall not be recognized (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.

Costs related to the development or maintenance of computing software are recognized in the consolidated 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 Perú S.A.A. 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.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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 Scotiabank Perú S.A.A. and Subsidiaries' 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, financial lease bonds and 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".

(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.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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, the Bank and CrediScotia Financiera S.A. suspend the recognition of interest in the consolidated 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 been 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.

Brokerage service fees for buying and selling securities on the stock market are recorded in the "financial services income" account when these transactions have been performed. These transactions are settled within three days after execution.

Revenues from sales of securities and its cost are recognized when the seller has transferred all the risks and rewards of ownership to the buyer and are recorded in the account "other income, net" on the consolidated income statement.

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, if any, are recorded as other debt instruments; the difference between the redeemable amount of preferred shares and their par value is 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 consolidated 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 December 31, 2010 and 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 December 31, 2010 and 2009 were considered as cash and cash equivalents.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(s) Trust Funds

Assets from trust operations where there is an engagement to return these assets to the clients and the Bank and Scotia Sociedad Titulizadora S.A. act as trustee are not included in the consolidated financial statements since they do not belong to the Bank nor Scotia Sociedad Titulizadora S.A. 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 consolidated 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 in force internationally. In Peru, these standards are awaiting approval by the Consejo Normativo de Contabilidad “CNC” (Peruvian Accounting Board):

- IFRS 9 “Financial Instruments”: Related to classification and measurement of financial assets, is mandatory from January 2013, earlier adoption is permitted. This IFRS does not replace IAS 39.
- IFRIC 18 “Transfers of Assets from Customers”: is mandatory from July 2009.
- Amendments to certain accounting standards and interpretations issued earlier became effective from periods beginning on or after January 1, 2010.

Management has not determined the potential impact of these standards in its consolidated financial statements, whose official approval in Peru is still pending by the CNC.

The standards made official and in force in Peru by the CNC as of December 31, 2010 are IAS 1 to 41, IFRS 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), whose application is mandatory in Peru; except for financial entities when the SBS has issued specific accounting standards. Likewise, by Resolution 044-2010-EF/94 dated August 23, 2010 issued by CNC, it was approved the application in Peru starting January 1, 2011, the revision made in 2009 of these standards, as well as amendments to May 2010 of the IAS 1, 27 and 34, IFRS 1, 3 and 7 and IFRIC 13.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

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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.

The SBS by means of Official Letter 4049-2011, dated January 21, 2011, established a change in the treatment of employees' profit sharing indicating that this should be recorded according to IAS 19 Employee Benefits. Consequently, this profit sharing should be recognized as personnel expense and liability related with benefits to employees and shall not recognized deferred assets or liability as a result of temporary differences between financial and tax bases. This change can be made starting the financial information corresponding to January 2011 or, optionally, starting in December 31, 2010. Management will implement this change starting from January 2011, therefore, from that date, the accumulated balances of deferred assets or liabilities for employees' profit sharing as of December 31, 2010, will be reversed against retained earnings account.

(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 December 31, 2010 and 2009, these rates were US\$1 = S/. 2.809 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 December 31, 2010, the buy and sell exchange rates used were US\$1= S/. 2.808 and US\$1= S/. 2.809, 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 December 31, 2010 and 2009, are summarized as follows:

	2010			2009		
	U.S. Dollars	Euros	Other currencies	U.S. Dollars	Euros	Other currencies
Assets:						
Cash and due from banks	1,298,226	17,471	117	1,122,899	15,622	212
Investments at fair value with changes in results and available-for-sale	32,138	30,740	-	46,980	57,963	-
Loan portfolio, net	3,351,313	-	-	2,829,385	-	-
Account receivable, net	33,489	116	129	32,218	432	-
Other assets	100,512	3,056	-	33,819	32	1,658
	<u>4,815,678</u>	<u>51,383</u>	<u>246</u>	<u>4,065,301</u>	<u>74,049</u>	<u>1,870</u>
Liabilities:						
Deposits and obligations	3,504,742	70,427	28	3,564,868	70,585	107
Borrowings and financial obligations	1,392,216	-	-	492,772	-	-
Securities, bonds, and obligations issued	73,054	-	-	83,133	-	-
Other liabilities	272,071	4,987	-	177,410	4,310	1,901
	<u>5,242,083</u>	<u>75,414</u>	<u>28</u>	<u>4,318,183</u>	<u>74,895</u>	<u>2,008</u>
Net (liability) asset position on consolidated balance sheet	<u>(426,405)</u>	<u>(24,031)</u>	<u>218</u>	<u>(252,882)</u>	<u>(846)</u>	<u>(138)</u>
Transactions with derivative instruments	<u>435,783</u>	<u>22,579</u>	<u>-</u>	<u>269,904</u>	<u>-</u>	<u>-</u>

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2010, Scotiabank Perú S.A.A. and Subsidiaries recorded under financial income, gains on foreign exchange difference of various operations amounting to S/. 174,026 thousand (gains of S/. 212,754 thousand as of December 31, 2009), see note 19.

As of December 31, 2010, Scotiabank Perú S.A.A. and Subsidiaries has contingent operations in foreign currency amounting to US\$ 5,976,267 thousand, equivalent to S/. 16,787,334 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 December 31 it comprises the following:

	In thousands of S/.	
	2010	2009
Cash (a)	604,948	520,593
Deposits with Banco Central de Reserva del Perú (a)	6,987,711	2,806,084
Deposits with local banks (b)	69,332	46,182
Deposits with foreign banks (b)	307,659	292,794
Clearing	120,934	181,854
Restricted funds (c)	17,110	9,210
Other funds	181	99
Accrued interest on cash and due from banks (d)	2,567	391
	-----	-----
	8,110,442	3,857,207
	=====	=====

- (a) As of December 31, 2010, funds held in cash and deposits with Banco Central de Reserva del Perú (BCRP) include US\$ 776,042 thousand and S/. 659,440 thousand (US\$ 976,420 thousand and S/. 386,303 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 Banco Central de Reserva del Perú (BCRP) and kept in the Bank and CrediScotia Financiera S.A. vaults.

Up to September 30, 2010, the cash reserves held at BCRP did not accrue interest, except for the amount in foreign currency that exceeded the minimum legal cash reserve. From October 1, 2010, the amount in local currency that exceeds the minimum legal cash reserve also accrues interest. As of December 31, 2010, the daily average in excess in foreign currency amounted to US\$ 779,995 thousand (daily average US\$ 884,196 thousand as of December 31, 2009), and accrued interest in U.S. dollars at an annual rate of 0.1570% (annual rate of 0.1396% as of December 31, 2009). Likewise, as of December 31, 2010, the daily average in excess in local currency amounted to S/. 182,735 thousand and accrued interest in nuevos soles at an annual rate of 1.20%. As of December 31, 2010, the remuneration referred to above amounted to S/. 398 thousand for funds in local currency and S/. 1,001 thousand for funds in foreign currency.

As of December 31, 2010, deposits with BCRP did include “overnight” operations of US\$ 406,000 thousand and S/. 652,700 thousand, such operations accrued interest at an annual nominal rate of 0.19%, and between 2.20% and 3.00%, respectively (US\$ 28,200 thousand at an annual nominal rate of 0.13% as of December 31, 2009).

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (b) 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 December 31, 2010, deposits in foreign banks, included deposits held at The Bank of Nova Scotia by US\$ 6,093 thousand and Canadian dollars by \$ 49 (US\$ 8,899 thousand and Canadian dollars by \$ 12 thousand as of December 31, 2009).

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

- (c) As of December 31 2010, restricted funds of US\$ 5,476 thousand and S/. 1,727 thousand (US\$ 2,720 thousand and S/. 1,350 thousand as of December 31, 2009) are mainly related to guarantee funds and restricted funds due to lawsuits against the Bank and CrediScotia Financiera S.A.
- (d) During the year 2010, revenue from interest on cash and due from banks amounted to S/. 23,690 thousand (S/. 8,986 thousand as of December 31, 2009) and is included as financial income item in the consolidated income statement (see note 19).
- (6) Investments at Fair Value with Changes in Results and Available-for-Sale
As of December 31 it comprises the following:

	In thousands of S/.	
	2010	2009
Investments at fair value with changes in results:		
BCRP certificates of deposit (a)	49,921	-
Peruvian Treasury Bonds (b)	43,106	86,034
	-----	-----
	93,027	86,034
	-----	-----
Available-for-sale investments:		
BCRP certificates of deposit (a)	661,728	2,826,398
Peruvian Treasury Bonds (b)	862,786	597,392
Mutual funds (c)	73,097	74,386
Unlisted shares	7,963	10,679
Listed shares	1,140	877
Corporate bonds	7	7
Negotiable certificates of deposits	-	7,156
Investments in securitizations - Equity 2 (d)	-	2,275
	-----	-----
	1,606,721	3,519,170
	-----	-----
Total investments at fair value with changes in results and available-for-sale	1,699,748	3,605,204
Plus:		
Accrued return on investments	8,456	31,850
	-----	-----
Total investments at fair value with changes in results and available-for-sale	1,708,204	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 December 31, 2010, annual interest rate in local currency ranged from 0.09% to 2.88% (from 1.20% to 7.02% as of December 31, 2009) and had maturities between January and June 2011 (between January 2010 and July 2010, as of December 31, 2009).

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Likewise, as of December 31, 2010, and 2009, Scotiabank Perú and Subsidiaries have no certificates of deposit issued by BCRP with restricted availability.

- (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 Peru. As of December 31, 2010, these bonds accrued interest at annual rates ranging from 4.42% to 6.76% (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 December 31, 2010, mutual fund included US\$ 21,911 thousand corresponding to investments in mutual funds mainly managed by a subsidiary (US\$ 25,743 thousand as of December 31, 2009).
- (d) In May 2003, the Bank and Scotia Sociedad Titulizadora S.A. signed an addendum to the securitization trust master agreement (Equity 2), through which they agreed to convert bonds and certificates of participation into certificates of securitization.

As of December 31, 2010 and 2009, the accrued interest on investments amounted to S/. 70,825 thousand and S/. 58,947 thousand, respectively, and is included in the Financial Income item in the consolidated income statement.

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 December 31, 2010 and 2009.

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

	In thousands of S/.	
	2010	2009
Up to 3 months	149,939	1,785,647
From 3 months to 1 year	634,887	1,160,488
Over 1 year	923,378	690,919
	-----	-----
	1,708,204	3,637,054
	=====	=====

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(7) Loan Portfolio, net

As of December 31 it comprises the following:

	In thousands of S/.			
	2010	%	2009	%
Direct loans:				
Current loans	17,689,305	97	14,941,438	96
Refinanced loans	226,376	1	230,263	1
Restructured loans	75,915	-	127,079	1
Past due loans	257,343	2	362,179	2
Lawsuits loans	71,348	-	43,777	-
	-----	----	-----	----
	18,320,287	100	15,704,736	100
	=====	=====	=====	=====
Plus (less):				
Accrued interest on current loans	136,096		144,791	
Non-accrued interest	(534,637)		(406,096)	
Provision for doubtful loans	(773,501)		(870,206)	
	-----		-----	
	17,148,245		14,573,225	
	=====		=====	
Indirect loans (note 18)	3,432,761		2,439,911	
	=====		=====	

As of December 31, 2010, and 2009, fifty-one percent of the direct and indirect loan portfolio of the Bank and CrediScotia Financiera S.A. were concentrated in 705 and 481 clients, respectively.

The loan portfolio (direct and indirect) is mainly collateralized by collaterals 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 December 31, 2010 and 2009, the annual average effective rates for the main products were the following:

	%			
	2010		2009	
	Local currency	Foreign currency	Local currency	Foreign currency
Overdraft (*)	37.71 - 85.00	23.10 - 55.00	37.71 - 72.49	23.10 - 30.15
Discounts and commercial loans	2.31 - 40.60	2.12 - 30.20	4.71 - 46.40	4.23 - 28.50
Consumer loans	13.08 - 50.16	6.94 - 38.40	16.17 - 59.20	8.27 - 46.10

(*) For credits in excess of S/. 100 thousand and US\$ 100 thousand, respectively.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Risk rating	2010				2009			
	N° of debtors	In thousands of S/.			N° de debtors	In thousands of S/.		
		Direct	Indirect	Total		Direct	Indirect	Total
Standard	785,609	17,098,035	3,408,612	20,506,647	788,182	14,284,289	2,415,096	16,699,385
Potential problem	48,003	440,509	14,148	454,657	67,687	458,482	16,278	474,760
Substandard	29,521	162,084	1,673	163,757	38,118	226,789	1,288	228,077
Doubtful	53,863	272,241	1,420	273,661	66,659	372,445	1,715	374,160
Loss	23,285	347,418	6,908	354,326	32,019	362,731	5,534	368,265
	<u>940,281</u>	<u>18,320,287</u>	<u>3,432,761</u>	<u>21,753,048</u>	<u>992,665</u>	<u>15,704,736</u>	<u>2,439,911</u>	<u>18,144,647</u>

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

	In thousands of S/.			
	2010	%	2009	%
Mortgage and consumer loans	5,304,905	29	4,810,623	29
Manufacturing	2,543,140	14	2,142,275	14
Real estate business and lease service	2,461,163	13	758,791	4
Trade	2,191,813	12	1,676,551	11
Mining	795,394	4	819,031	5
Transportation	751,016	4	692,139	4
Electricity, gas, and water	724,983	4	751,590	5
Financial intermediation	599,113	3	523,063	3
Education, services, and other	390,083	2	274,012	2
Fishing	298,408	2	244,716	2
Construction	243,514	1	204,725	1
Agriculture and livestock	242,064	1	193,402	1
Hotel and restaurants	130,111	1	115,426	1
Public administration and defence	8,671	-	22,114	-
Other (mainly non-profit, healthcare and automotive)	1,635,909	10	2,476,278	18
	<u>18,320,287</u>	<u>100</u>	<u>15,704,736</u>	<u>100</u>

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

	In thousands of S/.		
	Specific	Generic	Total
Balance as of December 31, 2008	496,014	239,076	735,090
Additions charged to income statement	702,913	57,723	760,636
Recovery of provisions	(149,063)	(49,813)	(198,876)
Transfers and other	114,754	52,452	167,206
Write-offs and forgiveness	(564,766)	-	(564,766)
Exchange difference	(19,456)	(9,628)	(29,084)
Balance as of December 31, 2009	<u>580,396</u>	<u>289,810</u>	<u>870,206</u>
Additions charged to income statement	593,960	92,382	686,342
Recovery of provisions	(215,779)	(40,735)	(256,514)
Transfers and other	(34,040)	(13,150)	(47,190)
Write-offs and forgiveness	(469,559)	-	(469,559)
Exchange difference	(6,651)	(3,133)	(9,784)
Balance as of December 31, 2010	<u>448,327</u>	<u>325,174</u>	<u>773,501</u>

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

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As of December 31, 2010, the provision for foreign exchange credit risk amounts to S/. 1,139 thousand (S/. 1,493 thousand as of December 31, 2009).

Scotiabank Perú S.A.A. and Subsidiaries record the provision for doubtful loans according to the policy described in note 3e.

In the opinion of Scotiabank Perú S.A.A. and Subsidiaries' management, as of December 31, 2010, and 2009 the provision for doubtful loans is recorded according to current SBS standards.

As of December 31, 2010 and 2009, direct loan portfolio had the following maturities:

	In thousands of S/.					
	2010			2009		
	Local currency	Foreign currency	Total	Local currency	Foreign currency	Total
Up to 1 month	887,479	1,323,876	2,211,355	1,162,631	1,203,347	2,365,978
More than 1 to 3 months	1,414,959	2,049,606	3,464,565	772,047	1,891,453	2,663,500
More than 3 to 6 months	1,277,775	1,152,115	2,429,890	945,483	850,968	1,796,451
More than 6 to 12 months	1,573,409	974,249	2,547,658	1,354,706	776,337	2,131,043
Over 12 months	3,405,943	4,068,281	7,474,224	2,893,375	3,593,224	6,486,599
Overdue and lawsuit	171,360	157,331	328,691	186,396	219,560	405,956
Less, accrued interest on current loans	(94,108)	(41,988)	(136,096)	(111,694)	(33,097)	(144,791)
	8,636,817	9,683,470	18,320,287	7,202,944	8,501,792	15,704,736

(8) Accounts Receivable, net

As of December 31 it comprises the following:

	In thousands of S/.	
	2010	2009
Tax claims (a)	133,208	133,208
Accounts receivable from collections and warehousing services	45,013	57,114
Accounts receivable for differential of derivative financial instruments - forwards (b)	30,789	43,885
Commissions receivable	16,615	14,853
Accounts receivable from brokerage customers	15,880	5,859
Accounts receivable from guarantee trusts, net (c)	11,132	15,103
Payments on behalf of the thirds parties, net	4,703	5,286
Advances to personnel	2,094	1,763
Other accounts receivable, net (d)	97,135	206,724
	356,569	483,795

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (a) The Scotiabank Perú S.A.A. and Subsidiaries tax proceedings as of December 31, 2010 and 2009, 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) As of December 31, 2010, Scotiabank Perú S.A.A. and Subsidiaries hold sale and purchase "forward" transactions for a face value of US\$ 1,392,761 thousand and US\$ 1,851,123 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 2010, generated a net loss of S/. 19,225 thousand (a net gain of S/. 20,915 thousand in 2009), see notes 19 and 20.
- (c) The SBS, by means of Resolution 1796-2003, authorized the Bank to transfer to a guarantee trust a loan portfolio, provisions and guarantees related to this portfolio. This guarantee trust was to support a financing operation with Banco de Crédito del Perú for US\$ 10,000 thousand. The term of the trust agreement was established until December 29, 2011, which could be extended upon agreement of both parties. This agreement allows the Bank to replace or remove assets from the trust, in compliance with the terms of the contract. As of December 31, 2010, the Bank had not yet requested any disbursement under the facility. Likewise, as of December 31, 2010, the Bank had transferred loans to the guarantee trust for a net value of S/. 52,747 thousand (S/. 48,841 thousand as of December 31, 2009).

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

As of December 31, 2010 and 2009, the net balance of accounts receivable from the trust amounted to S/. 11,132 thousand and S/. 15,103 thousand, respectively, and included accumulated provisions for S/. 148,321 thousand and S/. 212,067 thousand, respectively.

- (d) As of December 31, 2010, the balance of other accounts receivable, net of the related provision for doubtful accounts, is composed of: i) S/. 14,195 thousand of accounts receivable from the sale of investments (S/. 157,608 thousand as of December 31, 2009); ii) S/. 2,278 thousand of accounts receivable from property rental (S/. 8,612 as of December 31, 2009); and iii) S/. 70,743 thousand of various accounts receivable (S/. 35,003 thousand as of December 31, 2009).

(9) Goodwill

In 2008, the Bank acquired 100% of the capital stock of Banco del Trabajo S.A., currently CrediScotia Financiera S.A., and recognized goodwill as at December 31, 2010 and 2009 of S/. 278,818 thousand which includes a purchase price adjustment (earn-out) of S/. 83,290 thousand, calculated in accordance with the purchase agreement.

According to SBS standards, such goodwill is recorded at cost and has been assessed by management, concluding that there is no impairment as of December 31, 2010 and 2009.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(10) Property, Furniture, and Equipment, net

Is comprised of the following:

	In thousands of S/.				Balances as of 12.31.2010
	Balances as of 12.31.2009	Additions	Disposals	Reclassification / adjustments	
Cost:					
Land	215,359	-	(19,239)	(42,126)	153,994
Property and premises	713,436	2,636	(6,140)	(24,579)	685,353
Furniture, fixture, and computing equipment	292,348	23,992	(9,774)	2,786	309,352
Vehicles	5,193	1,387	(372)	-	6,208
Units in transit and replacing units	2,076	17,732	-	(16,862)	2,946
Work-in-progress	1,018	15,114	-	(2,802)	13,330
	<u>1,229,430</u>	<u>60,861</u>	<u>(35,525)</u>	<u>(83,583)</u>	<u>1,171,183</u>
Accumulated depreciation:					
Property and premises	388,109	31,732	(4,279)	26,414	441,976
Furniture, fixture, and computing equipment	213,616	26,299	(9,374)	(1,805)	228,736
Vehicles	3,703	596	(372)	-	3,927
	<u>605,428</u>	<u>58,627</u>	<u>(14,025)</u>	<u>24,609</u>	<u>674,639</u>
Provision for impairment of property	103,471	-	(2,766)	(100,705)	-
	<u>520,531</u>				<u>496,544</u>

In 2010, the balances of provisions for impairment of property, recognized in previous years, were assigned to specific items as required by SBS Resolution 914-2010. The amount reclassified from the total provision was S/. 100,705 thousand.

According to current legislation, banks and finance companies 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.

(11) Other Assets, net

As of December 31 it comprises the following:

	In thousands of S/.	
	2010	2009
Tax credits and other (a)	329,899	337,903
Deferred income tax and deferred employees' profit sharing (note 25)	105,655	78,922
Prepaid expenses (b)	96,790	92,553
Transactions in process (c)	68,283	38,930
Reposessed and realizable assets, net of accumulated depreciation and provision for impairment for S/. 130,918 thousand (S/. 136,583 thousand in 2009)	24,521	38,836
Inventories	12,869	12,537
Intangible assets, net of amortizations of S/. 184,977 thousand (S/. 260,188 thousand in 2009)	10,925	13,294
Other	14,947	9,421
	<u>663,889</u>	<u>622,396</u>

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (a) As of December 31, 2010 and 2009, tax credit mainly includes: (i) the value added tax (VAT) for S/. 322,899 thousand and S/. 331,748 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) the balances of Temporary Tax on Net Assets (ITAN) paid and pending to apply to income tax; as of December 31, 2009 this balance amounted to S/. 5,564 thousand and was applied in the year 2010.
- (b) As of December 31, 2010, prepaid expenses include mainly: i) deferred loan origination cost, related to fees paid to external sales S/. 37,080 thousand, ii) prepaid rent for S/. 6,032 thousand and iii) prepaid commissions of received borrowings for S/. 11,863 thousand (S/. 26,207 thousand, S/. 6,377 thousand and S/. 3,920 thousand; respectively as of December 31, 2009).
- (c) Transactions in process are those carried out during the last days of the month and are reclassified in the following month to their respective accounts in the consolidated balance sheet; these transactions do not affect the results of Scotiabank Perú S.A.A. and Subsidiaries. As of December 31, 2010, this account includes S/. 56,276 thousand related to Treasury transactions and S/. 1,850 thousand for unsettled Unibanca transactions (S/. 27,243 thousand and S/. 987 thousand as of December 31, 2009; respectively).
- (12) Deposits and Obligations
As of December 31 is composed of the following:

	In thousands of S/.			
	2010	%	2009	%
Individuals	6,470,634	33	6,614,148	37
Corporate clients	9,821,637	51	8,115,513	45
Non-profit organizations	2,144,642	11	2,321,195	13
Other	982,633	5	1,024,264	5
	-----	----	-----	----
	19,419,546	100	18,075,120	100
	=====	=====	=====	=====

Deposits and other obligations in U.S. dollars represent 51% and 57% of the total deposits as of December 31, 2010 and 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/. 277,877 thousand and US\$ 198,195 thousand as of December 31, 2010 and for S/. 222,972 thousand and US\$ 182,678 thousand, as of December 31, 2009.

Likewise, as of December 31, 2010 and 2009, from the total of deposits and obligations of individuals and non-profit legal entities, the amounts of S/. 5,081,394 thousand and S/. 4,831,011 thousand respectively, are covered by the Peruvian deposit insurance fund (FSD), according to current legal regulations.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

According to article 4 of SBS Resolution 0657-99, deposits supported by the FSD 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 December 31, 2010, amounted to S/. 86 thousand (S/. 82 thousand as of December 31, 2009).

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

	%			
	2010		2009	
	Local currency	Foreign currency	Local currency	Foreign currency
Savings deposits	0.97 – 2.62	0.45 – 1.66	0.97 – 2.70	0.45 – 1.80
Time deposits	0.96 – 5.67	0.50 – 3.03	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	1.43 – 6.00	1.40 – 4.00

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

	In thousands of S/.					
	2010			2009		
	Local currency	Foreign currency	Total	Local currency	Foreign currency	Total
Up to 1 month	2,286,473	2,504,849	4,791,322	1,299,816	2,075,981	3,375,797
More than 1 to 3 months	618,384	442,233	1,060,617	541,941	825,426	1,367,367
More than 3 to 6 months	230,367	714,117	944,484	954,768	890,085	1,844,853
More than 6 to 12 months	129,811	609,304	739,115	465,743	1,256,610	1,722,353
Over 12 months	1,038,173	489,939	1,528,112	110,398	559,357	669,755
	4,303,208	4,760,442	9,063,650	3,372,666	5,607,459	8,980,125

Demand deposits, savings deposits and severance indemnity deposits (CTS) have no contractual maturities.

At the Board of Directors' meeting of CrediScotia Financiera S.A. held on October 28, 2008, the Second Program of short-term Negotiable Certificates of Deposits (NCD) was approved for an amount up to S/. 200,000 thousand. The first issuance was made in December 2010, amounting to S/. 50,000 thousand with a term to maturity of two years. The proceeds are recorded in the time deposits account.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(13) Borrowings and Financial Obligations

As of December 31 it comprises the following:

	In thousands of S/.	
	2010	2009
COFIDE credits lines (a):		
Mivivienda	197,869	184,863
Working capital and other	300,000	200,000
Ordinary loans from abroad (b):		
Related banks	877,258	39,890
Other banks	2,391,286	1,212,049
	-----	-----
	3,766,413	1,636,802
Interest payable	16,267	20,127
	-----	-----
	<u>3,782,680</u>	<u>1,656,929</u>

- (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 a fixed rate adjusted for the VAC index. Likewise, as of December 31, 2010 and 2009, the borrowings with COFIDE include funds obtained in local currency to be used for working capital in the short term, which accrue interest at rates between 4.45% and 7.25% (between 7.15 % and 7.25% as of December 31, 2009).
- (b) As of December 31, 2010, ordinary loans correspond to debts with two related foreign financial entities: Scotiabank Ltd Bahamas for US\$ 303,165 thousand and The Bank of Nova Scotia for US\$ 9,138 thousand (as of December 31, 2009 for US\$ 3,165 thousand and US\$ 10,638 thousand, respectively).

As of December 31, 2010, borrowings of Scotiabank Perú S.A.A. and Subsidiaries agreed with various foreign financial institutions for US\$ 632,961 thousand accrued interest at average rates that ranged from 0.59% to 7.50% p.a. (1.53% to 7.50% p.a. as of December 31, 2009).

During 2010, Scotiabank Perú S.A.A. negotiated borrowings with two foreign financial institutions for US\$ 125,000 thousand maturing in September 2017. From this amount, US\$ 62,500 thousand accrues interest at a fixed rate of 3.88% while US\$ 62,500 thousand accrue interest at a variable rate of 3 – month LIBOR plus a spread of 2.10%. These transactions contain standard clauses of compliance with financial ratios and other administrative matters. In the opinion of the Scotiabank Perú S.A.A. and Subsidiaries' management those clauses do not affect the Bank's operations and are being met.

In June 2008, the Bank agreed a medium-term syndicated loan with resources from abroad. The loan amounted to US\$ 280,000 thousand and accrues interest at LIBOR rate plus 1.25% annually, with a total term of three years payable from the second year, in three equal semi-annual instalments finishing in June 2011. This transaction contains standard clauses of compliance with financial ratios, which in opinion of management do not affect the Bank's operations and are being met.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

	In thousands of S/.	
	2010	2009
Up to 1 month	560,770	123,405
More than 1 to 3 months	786,303	3,589
More than 3 to 6 months	760,629	341,132
More than 6 to 12 months	252,258	505,693
More than 12 months	1,422,720	683,110
	-----	-----
	3,782,680	1,656,929
	=====	=====

(14) Securities, Bonds and Obligations Issued

As of December 31 it comprises the following:

Issuance	Annual interest	Maturity	Outstanding balances in thousands of S/.	
			2010	2009
Negotiable notes (a)				
Series A	5.25%	2017	140,450	-
Series B	3m LIBOR + 2.75%	2017	351,125	-
			-----	-----
			491,575	-
			-----	-----
Redeemable subordinated bonds (b)				
1st issuance	9.75% - 9.10%	2012 and 2013	196,140	201,460
2nd issuance E	8.25%	2011	8,427	8,670
			-----	-----
			204,567	210,130
			-----	-----
Leasing bonds (c)				
1st issuance A	5.75%	2010	-	28,900
			-----	-----
Corporate bonds (d)				
1st issuance A	5.69%	2012	30,000	30,000
1st issuance B	5.78%	2012	26,660	26,660
1st issuance A	6.34%	2013	100,000	100,000
3rd issuance A	6.81%	2013	150,000	150,000
5th issuance A	6.44%	2014	40,900	40,900
5th issuance B	6.59%	2014	25,150	25,150
5th issuance C	6.31%	2014	49,290	49,290
6th issuance A	4.66%	2012	30,140	30,140
7th issuance A	7.19%	2017	60,000	-
8th issuance A	7.31%	2017	100,000	-
			-----	-----
			612,140	452,140
			-----	-----
			1,308,282	691,170
			8,776	5,432
			-----	-----
			1,317,058	696,602
			=====	=====
Interest payable (e)				

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (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 Rights (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. 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 issuance 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) Correspond to the outstanding balance of the issuance of leasing bonds denominated Banco Sudamericano Leasing Bonds – Eleventh Issuance (11th Issuance) made in 2005 by former Banco Sudamericano up to an amount of US\$ 30,000 thousand, which were totally placed and matured in 2010.
- (d) From 2007 to 2011, the Bank issued Corporate Bonds for S/. 612,140 thousand within a term of 2 and 7 years. The proceeds were exclusively destined to the financing of loan operations.
- (e) As of December 31, 2010, interest payable on securities and obligations mainly included unpaid interest corresponding to securities issued by the Bank for S/. 8,776 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 generic guarantee on shareholders' equity of the Bank.

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

	In thousands of S/.	
	2010	2009
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	17,203	29,888
More than 12 months	1,299,855	662,270
	-----	-----
	1,317,058	696,602
	=====	=====

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(15) Provisions and Other Liabilities

As of December 31 it comprises the following:

	In thousands of S/.	
	2010	2009
Various accounts payable (a)	175,935	104,142
Income tax provision	120,443	38,645
Transactions in process (b)	115,431	76,178
Provisions for litigations and legal claims (c)	113,877	110,047
Vacations, profit sharing and remunerations payable	99,972	68,794
Put option (d)	52,527	51,217
Accounts payable to customers	46,786	39,670
Generic provision (e)	45,862	36,674
Accounts payable for differential of derivative financial instruments – “forwards” (note 8b)	31,916	47,591
Provision for indirect loans	28,747	899
Dividends from securities held in custody payable to customers	19,176	16,538
Deferred income on portfolio sale and other	15,541	32,063
Deferred income tax and employees’ profit sharing (note 25)	11,292	7,804
Other provisions (f)	154,062	148,941
	-----	-----
	1,031,567	779,203
	=====	=====

(a) As at December 31, 2010, this account was composed of accounts payable to: i) suppliers for S/. 59,361 thousand; ii) tax agencies for S/. 18,598 thousand; iii) purchase of investments for S/. 8,826 thousand; iv) insurance companies for services agreed-upon by customers for S/. 7,341 thousand and v) merchants for purchases with credit cards issued for S/. 6,230 thousand (S/. 73,925 thousand, S/. 7,275 thousand, S/. 2,197 thousand, S/. 4,619 thousand and S/. 3,564 thousand; respectively, as of December 31, 2009).

(b) 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 December 31, 2010, liability transactions in process included S/. 55,647 thousand related to Treasury operations (S/. 32,342 thousand as of December 31, 2009).

(c) As of December 31, 2010 and 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.

(d) As of December 31, 2010 and 2009, the Bank has signed a put option contract on its own common shares held in a trust, entitling the trustee the right to sell to the Bank all of these shares at a price calculated based on this contract. This option is effective from September 15, 2006 through December 31, 2015 and its book value does not differ significantly from its estimated market value.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (e) As of December 31, 2010 the generic provision account mainly corresponds to: i) reversals or recoveries of provisions recorded since 2002 charged to equity accounts, which, according to SBS Official Letter 23797-2003, shall be reallocated to deficits of provisions in other asset accounts of the Bank for S/. 27,356 thousand (S/. 24,300 thousand as of December 31, 2009); and ii) generic provision made with charge to the income statement of the period for S/. 18,506 thousand (S/. 12,374 thousand as of December 31, 2009).
- (f) As of December 31, 2010, other provisions included provision for personnel expenses for S/. 27,633 thousand (S/. 10,547 thousand as of December 31, 2009). Likewise, from 2009 this balance included the adjustment to the acquisition cost (earn out) of the capital stock of CrediScotia Financiera S.A. for S/. 83,290 thousand, which was determined in conformity with the purchase agreement; which allowed the possibility to adjust the acquisition cost upon achievement of certain results indicated in the purchase contract. The payment of the contingent amount shall be made based on the criteria set out in that agreement (see note 9).

(16) Shareholders' Equity

(a) General

The regulatory net worth of Scotiabank Perú S.A.A. and CrediScotia Financiera S.A. are determined in accordance with the Banking Law and amount to S/. 2,018,359 thousand and S/. 292,139 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 financial institutions' operations in Peru.

As of December 31, 2010, risk weighted assets and contingent credits determined by Scotiabank Perú S.A.A. and CrediScotia Financiera S.A. according to the legislation applicable to financial institutions amounted to approximately S/. 16,453,820 thousand and S/. 2,308,068 thousand, respectively (S/. 14,780,472 thousand and S/. 1,736,514 thousand, respectively as of December 31, 2009).

As of December 31, 2010, the Banking Law establishes as global limit a requirement that the regulatory net worth should be equal to or greater than 9.8% of total risk weighted assets and contingent credits (9.5% as of December 31, 2009), which includes the sum of the amount of regulatory net worth requirements for market and operational risks multiplied by 10.2 and contingent assets and risk weighted credit (10.5 as of December 31, 2009). As of December 31, 2010, the global limit of Scotiabank Perú S.A.A. and CrediScotia Financiera S.A. determined by current legal rules amounts to 11.53% and 12.33%, respectively (11.91% and 15.83%, respectively, as of December 31, 2009).

(b) Capital Stock

As of December 31, 2010 the Bank's capital stock comprised 154,108,966 common shares (139,949,195 common shares as of December 31, 2009). All shares have voting rights and a par value of S/. 10.00 each. As of December 31, 2010, the quoted value of common shares of the Bank was S/. 78.00 per share (as of December 31, 2009, was S/. 146.40 for common shares). As of December 31, 2010 and 2009, monetary inflation adjustment corresponding to 2001 through 2004 and amounting to S/. 28,019 thousand was pending of capitalization.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

At the Board of Directors' meeting dated June 16, 2010 and pursuant to the delegation conferred by the General Shareholders' meeting held on March 26, 2009, the Board approved a capital stock increase amounting to S/. 141,598 thousand. This increase was made after completion of the subscription and payment process of S/. 297,780 thousand equivalent to 14,159,771 new common shares, which were subscribed and paid for at a subscription price of S/. 21.0300011 per share. Of the total subscribed amount, S/. 141,598 thousand corresponds to capital stock increase and S/. 156,182 thousand represents the premium paid. The cash contribution of S/. 297,780 thousand was provided initially by a shareholder to whom other shareholders reimbursed the amount of S/. 178,036 thousand subscribed by them.

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 the Companies General Law, 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 the Shareholders' meeting held on March 26, 2009, it was approved 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. Additionally, it was approved 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 December 31, 2010 and 2009, is as follows:

Percentage of shareholding	2010		2009	
	Number of shareholders	Total percentage of shareholding	Number of shareholders	Total percentage of shareholding
0.01 to 1	2,514	2.29	2,751	2.32
1.01 to 50	2	42.39	2	42.38
50.01 to 100	1	55.32	1	55.30
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	2,517	100.00	2,754	100.00
	=====	=====	=====	=====

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2010, the Banking Law requires that the capital stock of the Bank should reach the minimum amount of S/. 23,176 thousand (S/. 22,383 thousand as of December 31, 2009), which is a constant value and 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.
- (ii) Allocate 10% of net income, amounting to 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.

Afterwards, at the Board of Directors' meeting dated March 30, 2010, the Board agreed to allocate retained earnings up to S/. 200,000 thousand as profit with capitalization agreement.

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.
- (ii) Make a profit capitalization up to 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.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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/. 388,111 thousand, including accrued interest as of December 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. Scotiabank Perú S.A.A. and Subsidiaries' 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 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. signed 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 15c).

(c) Commitments

i) 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.

ii) At the Board of Directors' meeting of CrediScotia Financiera S.A. held on October 28, 2008, the Board approved the issuance of the First Corporate Bonds Program up to S/. 300,000 thousand which will be valid for two years from the date of registration of the program with the CONASEV public registry of securities. As of December 31, 2010 CrediScotia Financiera S.A. has not issued any corporate bonds.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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.

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

	In thousands of S/.	
	2010	2009
Indirect loans:		
Guarantees and stand-by letters of credit	2,881,937	1,923,625
Issued letters of credit	483,284	426,118
Due from bank acceptances	67,540	90,168
	-----	-----
	3,432,761	2,439,911
Unused credit lines (a)	16,593,711	6,536,722
Financial derivative contracts	9,028,305	4,435,664
Other	542	208,633
	-----	-----
	29,055,319	13,620,930
Memoranda accounts:		
Securities held in custody	5,819,445	4,822,299
Suspended interest on loans	1,236,582	631,231
Goods transferred in trust	3,862,591	4,733,417
Guarantees received (b)	36,628,640	36,291,370
Qualification of assets and contingent (c)	-	39,668,638
Securities in collection	10,731,022	9,165,928
Own securities in custody	1,907,208	1,680,801
Written-off loans	3,531,924	3,691,713
Advised letters of credit	215,718	272,529
Securities granted as warranties	554,791	427,581
Trust and debt trust commissions	2,664,771	4,211,402
Control of returned checks	50,760,169	38,135,497
Loans and other control	17,136,682	15,522,812
Other memoranda accounts	45,355,475	20,472,879
	-----	-----
	180,405,018	179,728,097
	-----	-----
	209,460,337	193,349,027
	=====	=====

Due to the fact that many of the indirect loans are expected to expire without any disbursement being required from Scotiabank Perú S.A.A. and CrediScotia Financiera S.A., the total committed amounts do not necessarily represent future cash outflows. Also, 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.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (a) As of December 31, 2009 balances of unused credit lines do not include S/. 9,278,936 thousand of corporate credit lines, which have been recorded since July 2010.
- (b) Guarantees received are recorded 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. As of December 31, 2010, loan balances covered by guarantees amount to S/. 8,434,235 thousand (S/. 6,597,529 thousand as of December 31, 2009).
- (c) According to SBS regulations, since July 2010, the asset and contingent asset balances and categories, used to calculate the credit risk capital requirement, were no longer reported in the memoranda accounts.

(19) Financial Income

As of December 31 it comprises the following:

	In thousands of S/.	
	2010	2009
Interest and commissions on loan portfolio	1,980,400	1,984,452
Exchange difference from operations	174,026	212,754
Income from investment valuation	79,845	69,501
Interest on cash and due from banks	23,690	8,986
Interest and commissions on interbank funds	2,170	4,885
Gains on derivative instruments, net	-	20,915
Other financial income	42,632	91,765
	-----	-----
	2,302,763	2,393,258
	=====	=====

(20) Financial Expenses

As of December 31 it comprises the following:

	In thousands of S/.	
	2010	2009
Interest on obligations	191,569	353,963
Interest on securities, bonds and obligations issued	72,119	48,566
Interest on borrowings from banks and financial institutions	65,716	85,041
Deposit insurance fund premiums	21,898	24,211
Loss on derivative instruments, net	19,225	-
Interest on deposits of financial entities	5,919	5,943
Loss on valuation of investments	2,341	36,136
Other financial expenses	63,903	38,358
	-----	-----
	442,690	592,218
	=====	=====

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(21) Income from financial services, net

As of December 31 it comprises the following:

	In thousand of S/.	
	2010	2009
Income:		
Income from services and maintenance of credit / debit cards	150,434	157,899
Income from deposit transactions, services and transfer fees	147,330	148,703
Income from payment and collections services	64,193	52,039
Income from warehousing	39,121	41,082
Income from purchased portfolio recoveries	37,386	38,116
Income from teleprocessing services	34,851	29,557
Income from remunerations of mutual fund and administration fees	28,987	18,790
Other fees and commissions from banking services	25,626	75,173
Income from brokerage services	9,804	9,145
Income from structuring and administration services	8,848	7,711
Income from leased property	3,581	3,914
Other various income	42,317	40,582
	-----	-----
	592,478	622,711
	-----	-----
Expenses:		
Credit / debit cards expenses	(43,888)	(40,015)
Insurance services expenses	(11,692)	(5,978)
Other expenses	(63,631)	(62,568)
Warehousing expenses	(23,538)	(23,360)
	-----	-----
	(142,749)	(131,921)
	-----	-----
Total income from financial services, net	449,729	490,790
	=====	=====

(22) Administrative Expenses

As of December 31 it comprises the following:

	In thousands of S/.	
	2010	2009
Personnel and board of directors expenses	558,688	556,127
Expenses for services received from third parties	355,412	353,809
Taxes and contributions	55,498	51,187
	-----	-----
	969,598	961,123
	=====	=====

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(23) Other Income, net

As of December 31 it comprises the following:

	<u>In thousands of S/.</u>	
	<u>2010</u>	<u>2009</u>
Income from recovery of accounts receivable and other	142,419	134,137
Income from previous periods	131,534	70,477
Income from repossessed assets	25,575	13,396
Gain (loss) on sale of out of use goods	14,887	(3,168)
Other extraordinary income, net	634	4,925
	<u>315,049</u>	<u>219,767</u>

(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:

<u>Company</u>	<u>Tax returns subject to audit</u>
Scotiabank Perú S.A.A.	2006 through 2010
CrediScotia Financiera S.A.	2006 through 2010
Scotia Sociedad Agente de Bolsa S.A.	2006 through 2010
Scotia Fondos Sociedad Administradora de Fondos S.A.	2006 through 2010
Scotia Sociedad Titulizadora S.A.	2006 through 2010
Depósitos S.A.	2006 through 2010
Servicios, Cobranzas e Inversiones S.A.C.	2006 through 2010

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 December 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:

<u>Income tax by entity</u>	<u>In thousands of S/.</u>	
	<u>2010</u>	<u>2009</u>
Scotiabank Perú S.A.A.	244,967	126,470
CrediScotia Financiera S.A.	36,903	-
Servicios, Cobranzas e Inversiones S.A.C.	19,584	15,247
Scotia Fondos Sociedad Administradora de Fondos S.A.	3,915	1,993
Depósitos S.A.	3,105	3,559
Scotia Sociedad Agente de Bolsa S.A.	2,479	1,924
Scotia Sociedad Titulizadora S.A.	229	297

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (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 December 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 favour 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.

- (d) Tax on Financial Transactions (ITF, for its Spanish acronym) for 2010 has been fixed at a rate of 0.05% (0.06% in 2009), respectively. It is applied on each deposit and withdrawal made to and from a banking account, unless the account is tax-exempt.
- (e) According to Legislative Decree 972, starting from January 1, 2010, the tax exemption on capital gains and interest from securities issued by legal entities incorporated or established in the country by the Peruvian State, and BCRP certificates of deposit, was eliminated.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(25) Deferred Income Tax and Employees' Profit Sharing

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

	Balance as of 12.31.09	(Debit) credit retained earnings	(Debit) credit to results	Balance as of 12.31.10
Asset:				
Tax loss carry-forward	22,021	-	(22,021)	-
Generic provision for loans	-	-	56,099	56,099
Transferred loan portfolio	20,160	-	(1,349)	18,811
Provision for vacations	11,609	-	1,637	13,246
Doubtful loans provision	9,805	-	2,331	12,136
Time deposits interest	1,747	-	3,698	5,445
Intangibles	3,560	-	684	4,244
Provision for credit card rewards	2,867	-	465	3,332
Fixed assets	1,772	-	402	2,174
Provision for debit card rewards	763	-	181	944
Provision for inventories and repossessed and realizable assets	1,439	-	(499)	940
Other	3,179	-	(14,895)	(11,716)
	78,922	-	26,733	105,655
Liability:				
Valuation of investments in associates	(7,263)	(3,581)	-	(10,844)
Other	(541)	-	93	(448)
	(7,804)	(3,581)	93	(11,292)
Income tax and employees' profit sharing assets, net (*)	71,118	(3,581)	26,826	94,363
(*) It comprises:				
Deferred employees' profit sharing	10,558	(528)	4,018	14,048
Deferred income tax	60,560	(3,053)	22,808	80,315
	71,118	(3,581)	26,826	94,363

(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 December 31, 2010, the Bank established a consolidated legal employees' profit sharing for S/. 55,079 thousand, which was recorded in the consolidated income statement (S/. 25,855 thousand as of December 31, 2009).

(27) Basic and Diluted Earnings per Share

The calculation of weighted average of basic and diluted earnings per share is as follows:

	Shares issued (in thousands)	Effective days until year end	Weighted average of common shares (in thousands)
Year 2010:			
Balance as of January 1, 2010	50,617(*)	365	50,617
Subscription of new shares (March)	89,332	294	71,955
Subscription of new shares (June)	14,160	192	7,448
Balance as of December 31, 2010	154,109		130,020

(*) It does not include 89,332 shares for which the issuance is pending.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

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	Shares issued		Weighted average of common shares (in thousands)
	Shares issued (in thousands)	Effective days until year end	
Year 2009:			
Balance as of January 1, 2009	47,536	365	47,536
Subscription of new shares (February)	3,008	334	2,753
Subscription of new shares (March)	73	275	55
Balance as of December 31, 2009	50,617(*)		50,344

(*) It does not include 89,332 shares for which the issuance is pending.

Calculation of the basic and diluted earning per share as of December 31, 2010 and 2009 is presented as follows:

Year	In thousands of S/. Profit (numerator)	In thousands Weighted average common shares (denominator)	In S/. Earning per share
2010	688,360	130,020	5.294
2009	637,053	50,344	12.654

(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 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.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

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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.
- 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.

Liquidity 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.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

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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.

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.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

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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 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.

(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 Scotiabank Perú S.A.A. and Subsidiaries' 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) Investments at fair value with changes in results are recorded at their estimated market value, which is the same as the book value.

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (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.
 - (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 fixed and floating rates and have maturities of short and long term. The fair value of these financials instruments has been calculated based on discounted future cash flows, using the current interest rate for liabilities with similar characteristics in Scotiabank Perú S.A.A. and Subsidiaries. Consequently, the estimated market value does not differ significantly from book value.
 - (h) Securities, bonds and obligations issued accrue interest at fixed rates. The fair value of these financials instruments have been calculated based on discounted future cash flows, using the current interest rate for liabilities with similar characteristics in Scotiabank Perú S.A.A. and Subsidiaries. Consequently, the estimated market value does not differ significantly from book value.
 - (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, Scotiabank Perú S.A.A. and Subsidiaries estimate 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
- Scotiabank Perú S.A.A. and Subsidiaries offer 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. Scotiabank Perú S.A.A. and Subsidiaries are responsible for the appropriate management of these trusts based on the limits established by applicable laws and the respective agreement. As of December 31, 2010, the allocated value of assets in trusts and trust fees amounted to S/. 1,980,681 thousand (S/. 3,287,917 thousand as of December 31, 2009).

APPENDIX A

SIGNIFICANT DIFFERENCES BETWEEN PERUVIAN BANKING GAAP AND IFRS-IASB

Basis of Presentation of the Financial Statements of Scotiabank Perú S.A.A. and its Subsidiaries (the “Scotia Perú Group”).

The consolidated financial statements of the Scotia Perú Group attached to this Offering Memorandum have been prepared from the accounting records of the Scotia Perú Group, which are carried in nominal Nuevos Soles as of the date of the transactions, in accordance with the accounting principles prescribed by the SBS for Peruvian financial entities (“Peruvian Banking GAAP”), established in the SBS’s “Accounting Manual for Financial Entities.”

Peruvian Banking GAAP principles differ in certain material respects from the International Financial Reporting Standards as issued by the International Accounting Standards Board or IASB (“IFRS-IASB”). The Scotia Perú Group has not undertaken efforts to prepare a quantitative reconciliation of specific differences between Peruvian Banking GAAP and IFRS-IASB. Had such an effort been undertaken, other potentially significant differences might have been identified and disclosed herein.

The following paragraphs summarize the areas in which differences between Peruvian Banking GAAP and IFRS-IASB could be significant to the Scotia Perú Group’s consolidated results of operations and consolidated financial position. This analysis does not include differences related to IFRS-IASB standards that have been issued but are not effective as of September 30, 2012. The Scotia Perú Group has not prepared consolidated financial statements in accordance with IFRS-IASB and accordingly, cannot offer any assurances that all existing differences have been identified and that the differences described below would, in fact, be the largest differences between the financial statements of the Scotia Perú Group prepared under IFRS-IASB. In addition, the Scotia Perú Group cannot estimate the net effect that applying IFRS-IASB would have on its consolidated result of operations or consolidated financial position or any component thereof, in any of the presentations of financial information in the Offering Memorandum. However, the effect of such differences may be, individually or in aggregate, material, and in particular, as a result of such, it may be that the total shareholders’ equity, prepared on the basis of Peruvian Banking GAAP would be materially different from the shareholders equity reported under IFRS-IASB. Differences in the presentation of the financial statements and differences in the information provided in the footnotes to the financial statements have not been included.

Highlights of Certain Differences Between Peruvian Banking GAAP and IFRS-IASB

Content and Format of the Financial Statements

Under Peruvian Banking GAAP, the presentation and content of the accounts included in the financial statements are detailed in the “Accounting Manual for Financial Entities” issued by the SBS. Under IFRS-IASB, specifically International Accounting Standard (“IAS”) 30 (until December 31, 2006) IAS 1 and IFRS 7 (since January 1, 2007), there are principles about the presentation of the financial statements for financial services.

Cash Flow Statements

Under Peruvian Banking GAAP, as mentioned above, the cash flow statement is presented in accordance with the “Accounting Manual for Financial Entities” issued by the SBS, which contains significant presentational differences in respect of cash flow statement according to IFRS-IASB (IAS 7).

Associates

Under Peruvian Banking GAAP, investments in associates are accounted for in accordance with SBS Resolution No. 10639-2008 and are re-measured using the equity method. Under IFRS-IASB, investments in associates are re-measured either at acquisition cost or fair value.

Property, Plant and Equipment

Under IFRS-IASB, a company has the alternative to account for certain fixed assets at amortized historical cost or re-value to fair value. Useful lives and methods of depreciation are reviewed periodically. Under Peruvian Banking GAAP, historical cost is the only alternative, and thus fixed assets revaluations are not allowed.

Under Peruvian Banking GAAP, depreciation is determined for an item as a whole. IFRS-IASB requires depreciation of property, plant and equipment (“PPE”) under the de-component approach. PPE may be composed of various parts with varying useful lives or consumption patterns. These parts are individually replaced during the useful life of an asset. Therefore, each part of an item of PPE with a cost that is significant in relation to the total cost of the item of PPE must be depreciated separately, except in the situation where one significant part of an item of PPE has a useful life and a depreciation method that is the same as those of another part of that same item of PPE, in which case the two parts may be grouped together for depreciation purposes. The cost of a replacement of a part is recognized under the recognition principle and the entity derecognizes the carrying amount of the replaced part.

Depreciation of PPE over their estimated useful lives is required under IFRS-IASB. Under Peruvian Banking GAAP, different useful lives may be used.

Intangible Assets

For amortization of intangible assets (except goodwill), IFRS-IASB (IAS 38) and Peruvian Banking GAAP require recognition of acquired and some internally generated intangible assets, and the amortization of such assets over their estimated economic life. They also allow for the identification of intangible assets that are identified as having an indefinite life. Such intangible assets are not amortized but instead are evaluated for potential impairment no less than annually.

Amortization of intangible assets over their estimated useful lives is required under IFRS-IASB. If there is no foreseeable limit to the period over which an intangible asset is expected to generate net cash inflows to the entity, the useful life is considered to be indefinite and the asset is not amortized.

Debt and Equity Securities

Under IFRS-IASB, the sale or purchase of financial instruments requires an entity to elect to use either “trade date accounting” or “settlement date accounting” at initial recognition. Under Peruvian Banking GAAP, initial recognition does not provide entities an election and, therefore, requires accounts to be classified only under “trade date accounting.”

Allowance for Doubtful Loans

Under Peruvian Banking GAAP, the allowance for doubtful loans are determined in accordance with SBS Resolution No. 11356-2008 and the modification under SBS Resolution No.7657-2011, as detailed elsewhere in the Offering Memorandum.

Under IFRS-IASB (IAS 39), if there is objective evidence that all amounts due (principal and interest) according to original contractual terms of the loan will not be collected that such loans are considered impaired and the amounts of the loss is measured as the difference between the loan’s carrying amount and the present value of expected future cash flows discounted at the loan’s original effective interest rate or as the difference between the carrying value of the loan and fair value of the collateral, if the loan is collateralized and foreclosure is probable. Impairment and uncollectability are measured and recognized individually for loans and receivables that are individually significant and on a portfolio basis for a group of similar loans and receivables that are not individually identified as impaired if a loss is probable and quantifiable.

Under Peruvian Banking GAAP, recoveries are recorded in a separate income line item under other income. Charge-offs are recorded directly as doubtful loan provisions in the income statement. Under IFRS-IASB, recoveries and charge-offs would be recorded in the allowance for doubtful loans in the balance sheet.

Interest Recognition – Non Accrual Loans

Under Peruvian Banking GAAP, interest accrued on past due, refinanced, restructured loans, loans under legal collection, and loans classified as doubtful or loss is discontinued and recognized as collected.

Under IFRS-IASB (based on IAS 39), recognition of interest on loans is generally based on expected cash-flows.

Loan Origination Fees

Under Peruvian Banking GAAP, certain loan origination fees on consumer loans, such as credit cards, mortgage, pledged, personal loans, syndicated loans, stand-by letters of credit and issued letters of credit, are recognized when collected and charges direct origination costs when incurred. In accordance with IFRS-IASB, loan origination fees and certain direct loan origination costs should be recognized over the life of the related loan as an adjustment of yield or by straight-line method, as appropriate.

Provision for Risks and Charges

Under Peruvian Banking GAAP and IFRS-IASB (IAS 37), a provision should only be made when (a) an enterprise has a present obligation (legal or constructive) as a result of a past event, (b) it is probable (more likely than not) that a future outflow of economic benefits will be required to settle the obligation and (c) a reliable estimate of the amount of the obligation can be made. The entity must discount the anticipated cash flows expected to be required to settle the obligation if the impact is material.

Under Peruvian Banking GAAP generic provisions are required in a preventive manner for standard loans.

Assets Seized

Under Peruvian Banking GAAP, assets seized (or realizable assets, received as payment and repossessed assets) are initially recorded at the value assigned to them through a legal proceeding, the amount of any out-of-court settlement or at the unpaid value of the debt, whichever is lower. Simultaneously with the determination of the value, an allowance equivalent to 20% of the legal settlement or recoverable asset value should be recorded. For this purpose, the Scotia Perú Group can use the allowance for doubtful loans that was originally provided for the related loan. Subsequent to the seizure date, the Scotia Perú Group must record an allowance during a period of time established by the SBS, until the carrying value of assets is zero.

Under IFRS-IASB, the assets seized are recorded at the lower of cost or estimated market value. Changes in market value are recorded in the income statement.

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SCOTIABANK PERÚ S.A.A.

4.50% FIXED-TO-FLOATING RATE SUBORDINATED NOTES DUE 2027



Scotiabank Perú

Offering Memorandum

December 6, 2012

BofA Merrill Lynch

Goldman, Sachs & Co.

Scotiabank