


COMMUNICATION ON PROGRESS 2009



GRI APPLICATION LEVELS

Scotiabank Mexico supports the Global Reporting Initiative (GRI), and this report qualifies as a self-reported G3 Application Level C.

		2002 In Accordance	C	C+	B	B+	A	A+
Mandatory	Self Declared							
	Third Party Checked			Report Externally Assured			Report Externally Assured	
Optional	GRI Checked							Report Externally Assured

Grupo Financiero Scotiabank refers to the affiliate companies under Grupo Financiero Scotiabank S.A. de C.V. which for the year 2009 include the following: Banco, Casa de Bolsa, Afore, and Fondos.

All dollar amounts are expressed in Mexican pesos unless otherwise indicated.

Reporting timeframe refers to the year 2009 unless otherwise indicated.

BNS 2009 refers to the Bank of Nova Scotia's annual year, beginning in October 2008 and going through September 2009.

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SUPPORTING THE GLOBAL COMPACT



Nicole Reich de Polignac

Executive Vice-President, and
President & CEO,
Grupo Financiero Scotiabank

In light of the most dramatic shifts in global economic and financial markets in almost 80 years, our third Communication on Progress reflects our commitment to go beyond the business bottom-line, beginning with our internal community, enriching our business value-chain, and reaching the communities in which we have a business presence and, as such, a corporate citizenship duty to give back exponentially.

As Mexico's financial sector underwent revised global investment ratings, Scotiabank Mexico responded by restructuring some of our key investment funds, garnering S&P's Star Ranking, which recognizes the Bank's investment protocols as an industry leader. We also launched an innovative new mortgage line, CREDIRENOVACIÓN, which allows our clients to rollover an existing mortgage from a different financial institution at a lower fixed interest rate or to take out a new mortgage for improvements on their current home.

In Mexico, we are the number one bank for car loans and the number two for mortgage lending, not because we offer the lowest interest rates, but because we offer the best loans and customer service. For 2010, we are looking to increase our presence in the small business market and offer financial services to new socioeconomic sectors. We also aim to continue developing our product lines by expanding our complementary services such as home and auto insurance.

Our third trimester-ending capital ratio of 16.5% strongly positions us to continue with our strategic growth initiatives. Scotiabank was rated as one of the 10 most stable banks worldwide during the worst months of the financial crisis by the international consulting firm Oliver Wyman in its annual shareholder performance index ranking of global financial institutions. We are one of the top 25 most sustainable financial institutions in Latin America with one of the best corporate governance structures, according to Latin Finance's annual survey of corporate ethics and sustainability.

A cornerstone of corporate sustainability is our employee engagement in areas of leadership and voluntarism. In 2009, we implemented Global Talent Management technology, which includes talent profiles. These provide us with a better understanding of the depth and breadth of our global talent pool, and allow us to be more proactive in the development of our emerging leaders. A Leadership Steering Committee was set up to ensure International Banking's global leadership strategy is implemented and sustained. Members are senior leaders representing a cross-section of functions, countries and cultures.

While Scotiabank has a long-standing tradition of community alliances, our volunteer program is relatively new, 2007 being the first year volunteer activities were effectively measured. In 2009, Scotiabank Mexico's volunteer base was the strongest to date, with employee volunteer participation at 7%. We also held the inaugural meeting of Scotiabank Mexico's Philanthropic Committee, which will promote voluntarism throughout the Bank's employee force and channel the Bank's future philanthropic investment priorities.

Our emphasis on employee leadership development and community involvement are only two reasons among many that have made us a Great Place to Work for the 6th consecutive year as well as one of the best companies in Mexico to launch a career and, for the second year in a row, one of Mexico's best places to work according to *Top Companies*, a premier business ranking. Over the past 7 years, we have held true to our philosophy of "putting people first" by prioritizing human capital development through such programs as Coaching, My Learning Center, and our newest pilot program Mentoring.

Since 2005, Grupo Financiero Scotiabank Mexico has actively supported putting into practice the Global Compact's 10 Principles and we continuously seek opportunities to realize this mission through our business practices and community outreach. For this year's Communication on Progress, we sought to align our reporting parameters with the Global Reporting Initiative's G3 guidelines, prioritizing our initiatives that best highlight the crossover between the 10 principles of the Global Compact agreement and the G3 guidelines. For 2010, we are committed to promoting an affirmative corporate social agenda encompassing the tenets of the Global Compact within this new framework, reinforcing corporate strategy through social progress and stakeholder engagement.

Scotiabank in Numbers

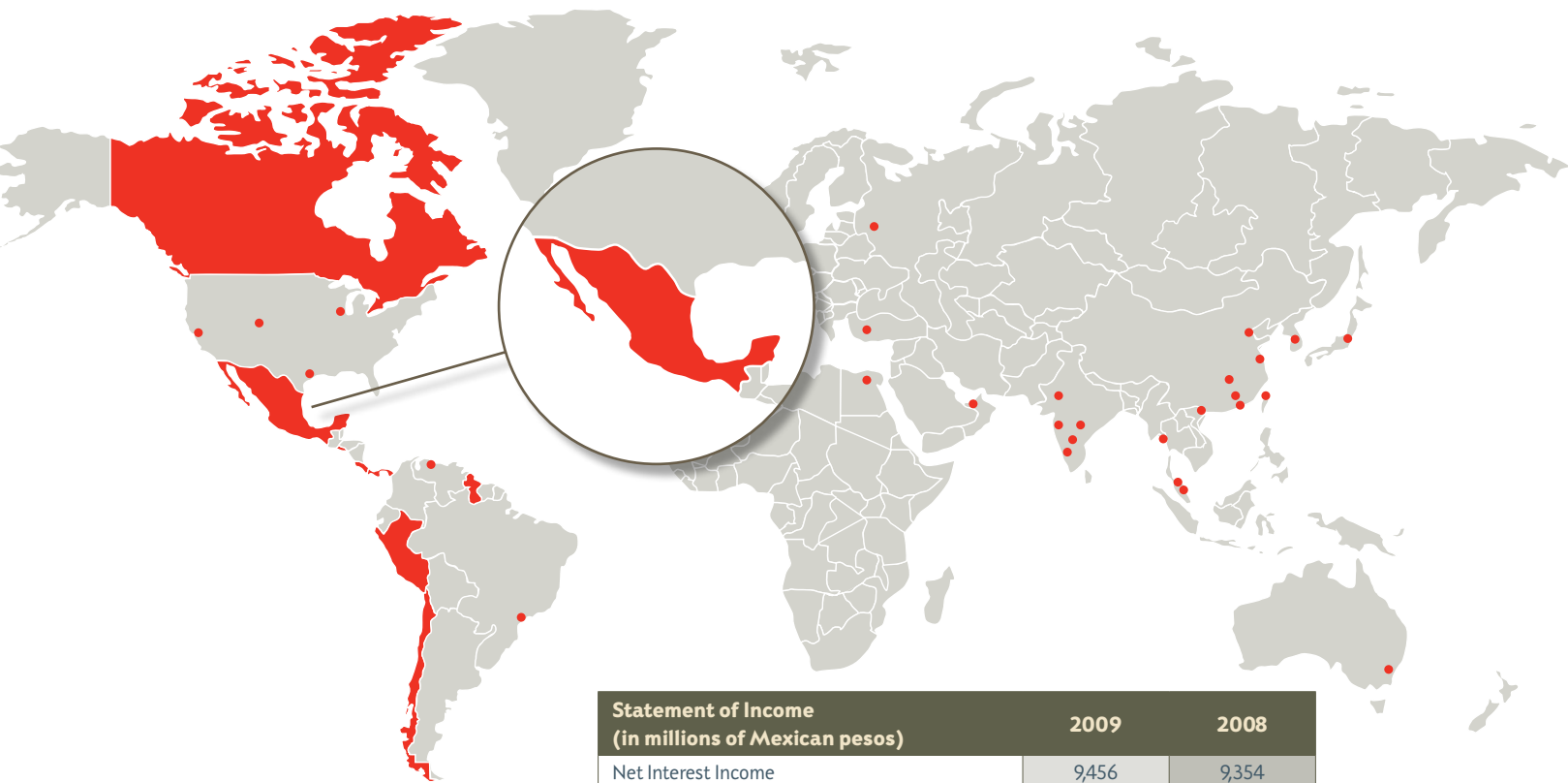
	2009	2008
Capital Ratio	16.7%	15.5%
Loan Losses	3.9%	3.6%
ROE	9%	12%

Infrastructure

	2009	2008
Branches	661	655
ATM's	1,459	1,450
Clients	2,232,022	2,049,488
Employees	9,137	9,483

Scotiabank Mexico Employees by Nationality and Position

Position	Total	Mexican Nationals	% Mexican Nationals	Foreigners	% Foreigners
		Total	Total	Total	Total
Direction and Subdirection	577	542	93.93%	35	6.07%
Middle Management	2,008	2,006	99.90%	2	0.10%
Employees	6,100	6,097	99.95%	3	0.05%
Total	8,685	8,645	99.54%	40	0.46%



Financial Overview

Statement of Income (in millions of Mexican pesos)	2009	2008
Net Interest Income	9,456	9,354
Provision for Credit Losses	(2,954)	(3,023)
Non-Interest Revenues	6,019	6,446
Net Income before Taxes	3,169	3,998
Net Income after Taxes	2,320	3,101
Balance Sheets		
Total Assets	177,018	172,813
Investment Securities	35,991	36,136
Total Loan Portfolio	100,057	99,239
Allowance for Credit Losses	4,079	3,888
Total Liabilities	150,041	145,906
Deposits	114,299	113,556
Inter-bank Loans	4,002	6,155
Shareholders' Equity	26,977	26,907

SOCIALLY RESPONSIBLE INVESTMENT

Scotiabank Mexico is included in a number of indices based on our performance on environmental, social and corporate governance criteria, these indices include the following:



The **Dow Jones Sustainability North America Index (DJSI North America)** comprises the top companies in terms of economic, environmental and social criteria from for the North American region and provides a benchmark for sustainability-driven North American equity portfolios.



FTSE4Good Index is a financial index series that is designed by the Financial Times Stock Exchange to identify and facilitate investment in companies that meet globally recognized corporate responsibility standards.



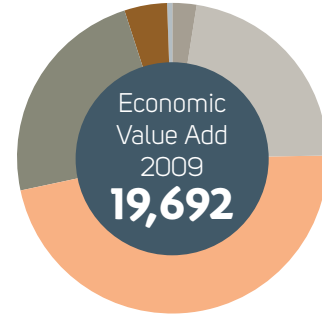
Scotiabank is a signatory of the Equator Principles, a set of internationally recognized, voluntary project finance guidelines that establish social and environmental standards in the banking industry. In adopting the Equator Principles, we are committed to providing loans only to those projects whose borrowers can demonstrate their ability and willingness to comply with comprehensive processes aimed at ensuring that projects are developed in a socially responsible manner and according to sound environmental management practices.



UNEP Finance Initiative
Innovative financing for sustainability

Scotiabank is a long-standing member of the United Nations Environment Programme Finance Initiative (UNEP FI), and we participate in its North American Task Force (NATF), which commits signatories to incorporate environmentally sound practices into their internal operations, risk assessment and management practices, and to develop environmentally sound products and services.

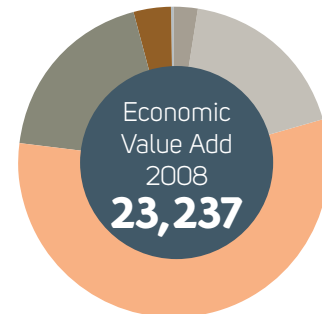
In 2009, we implemented our Environmental Risk Policy manual, which included special training for members of the credit lending area on the basic tenets of UNEPFI's investment guidelines. With the launch of the manual and on-going training efforts, Scotiabank Mexico has successfully aligned its corebusiness practices with internationally recognized environmental risk management processes.



Mexican pesos, millions

Revenues	12,526
Dividends	497
Personnel Expenses	4,409
Interest Payments	9,225
Operating Costs	4,612
Taxes	886
Community Investment	63

Calculated according to the Global Reporting Initiative G3 Guidelines, Economic Indicator 1.



Mexican pesos, millions

Revenues	12,778
Dividends	604
Personnel Expenses	4,174
Interest Payments	13,161
Operating Costs	4,391
Taxes	899
Community Investment	8

Calculated according to the Global Reporting Initiative G3 Guidelines, Economic Indicator 1.



CORPORATE GOVERNANCE

The importance of an effective corporate governance structure and culture was reinforced over the past two years, as companies dealt with the fallout of global economic turbulence. A solid foundation of openness, integrity and accountability has helped Scotiabank and its subsidiaries weather the storm by building and maintaining strong, enduring relationships with customers, employees, community members and other stakeholders worldwide.

Scotiabank Mexico (Grupo Financiero Scotiabank Inverlat, S.A. de C.V.), is an affiliated holding company of the Bank of Nova Scotia, one of North America's premier financial institutions with operations in 50 countries. With gross annual revenues of over \$900 million USD, 661 bank branches, and 9,137 employees, Scotiabank Mexico is considered one of the country's top 6 financial institutions, consistently ranked in the top three for customer service and, for the fifth consecutive year, recognized as a Great Place To Work.

Scotiabank Mexico, also known as the NAFTA bank due to its affiliated governance structure, is uniquely positioned to benefit from international best practices in corporate governance and business conduct. The Group strives to ensure that its policies meet and exceed all Mexican and international standards and requirements, and that the interests of the Bank's diverse stakeholders are represented in a balanced and transparent manner.

The Bank continuously looks for ways to strengthen its corporate governance policies and procedures at all levels:

- Scotiabank Mexico's Board is led by a non-executive chairman.
- At least 25% of Board members must be independent.
- No more than one-third of Board's members can be from the Bank's current Senior Management.
- Shareholders can vote for the nomination or resignation of a Board member provided 25% of shares are represented.
- The Board conducts an annual review of its performance and that of its committees.
- Of the Board's 7 committees, only four are mandated by law, the remaining 3 having been established in accordance with OECD and NYSE corporate governance guidelines.
- Recent Board approval of a new Corporate Governance Committee established for the purposes of reviewing and implementing international corporate governance best practices.

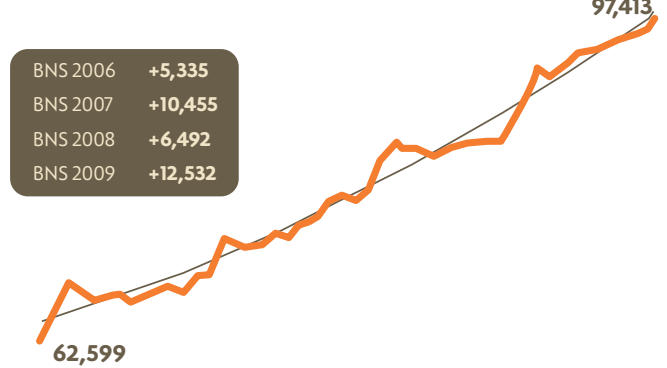
The Bank of Nova Scotia's Board of Directors recently approved an updated Environmental Policy, which describes the general policies and principles used to manage matters arising from environmental considerations. The policy covers a variety of issues, such as environmental compliance, environmental credit risk, environmental impacts of the Bank's operations and engaging employees on environmental issues.



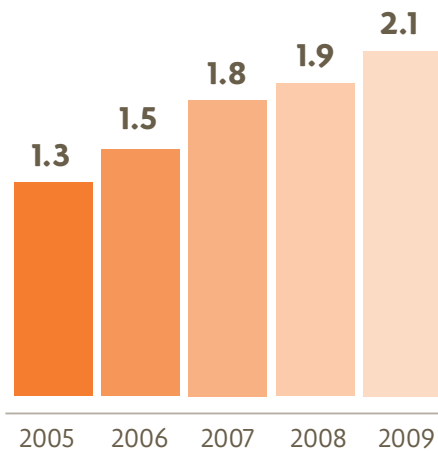
CLIENT COMMITMENT

At Scotiabank Mexico, our business philosophy is to be the financial provider of choice over our clients' lifetimes, offering products and services that complement financial and personal milestones. From youth banking accounts InverDivertida and InverJoven, to building university student credit histories with our Cuenta Única line, to starting one's career with Credi Auto and ScotiaLine lines of credit, to mortgage lending and wealth management later in life, our steadily increasing deposit numbers over the last four years reflect our client's investment in us and likewise, Scotiabank's continued investment in our clients' financial sustainability. In 2009, we have launched several products that best serve our existing clients' needs and the Bank's strategic growth initiatives which are underpinned by the goal of positively impacting the communities--both local and global-- in which we do business.

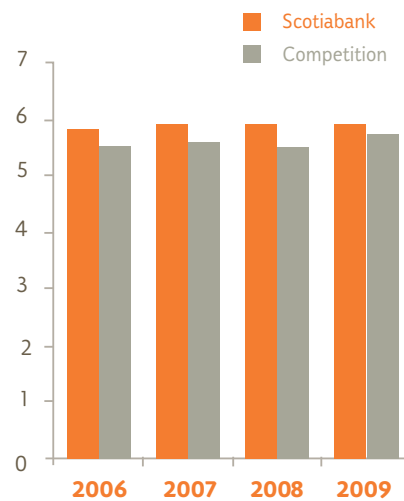
Total Client deposits over last 4 years



Millions of Customers over last 5 years



Customer Satisfaction Index



Source: Grupo Intelligent Decision Makers

You're richer than you think.®

2009 CSR Annual Report Survey Results

This year, we initiated our first client survey (individuals and companies) regarding our 2009 Corporate Social Responsibility Report in order to gain feedback on our reporting strategies and content.

This study allowed us to identify those areas of our CSR Report that are relevant to our stakeholders and those areas which could be improved. We hope to use this data to better align our CSR strategies with our core-business interests.

Quality of CSR Report: On a scale from 1-10, one being poor and ten being outstanding, 44% of those surveyed gave the report an 8; 35% a 9; and 13% a 10. The average ranking was 8.5 out of 10.

Major Areas of Interest: Of those surveyed, 46% were interested in environmental initiatives undertaken by the Bank; 20% were interested in the Bank's Quality of Life indicators, 15% with our Corporate Governance and Ethics practices; 9% demonstrated interest in our Community Projects, and 9% in Customer Service initiatives.

Future CSR Report Content: With regard to

where we could improve in our CSR reporting, 46% of clients surveyed wanted more information on Customer Service initiatives; 20% preferred more information on Environmental issues, and 20% requested more information on Community indicators.

Improves Bank's Public Image: 51% of those surveyed indicated that their perception of Scotiabank improved after reading the Report.

Send me CSR 2010: 91% of those surveyed said they would like to receive future editions of our CSR Annual Report.



MORTGAGES

Rebuilding Public Faith in Home Financing

As the first Mexican bank to return to the mortgage business after the 1994 financial crisis, we now hold a significant share of the mortgage lending market at 12.7%. With the largest product array in the market, we offer products for the purchase of principal homes and second residences, construction, and renovation. We are an industry innovator in this sector, having offered the first zero down-payment program not only in Mexico, but in all of Latin America.

As Mexico's leader in the residential mortgage market, we had to make significant adjustments to our lending schemes due to the economic fallout of the global financial crisis. In order to mitigate unfavorable market circumstances, we reassessed our lead mortgage product, Valora, seeking to turn economic challenges into opportunities. Launched in 2008, Valora was the first mortgage product in Mexico to offer an initial interest rate based on each customer's payment history, level of indebtedness, and loan to value. With this product, we were the first financial institution in Mexico to address both prudent risk management and the evolving nature of individual mortgage lending needs over the lifetime of the loan. However, at the end of 2008, high levels of individual indebtedness coupled with increasing rates of unemployment and falling new home sales led to a marked increase in our non-performing loan portfolio percentages.

To adjust to the uncertainties of the current economic situation, Scotiabank Mortgages launched two initiatives, Valora and CREDIRENOVACIÓN designed to reduce individual debt burden and reward on-time payment, which would consequently decrease our non-performing loan percentages and ultimately help foster renewed public trust in the mortgage lending market.

VALORA

- **Differentiated pricing-** Pursuant to the client's risk assessment evaluation, the loan could be originated with a lower interest rate.
- **On-time payment incentives-** After three consecutive years of on-time payment, the original interest rate can be lowered. Additionally, lending contracts now stipulate that pursuant to the client's payment history during the first year of the loan, the original interest rate can increase or decrease within a specified floor and ceiling.
- **Responsible lending-** In order to secure that clients put more money down at the outset of the loan origination, minimizing long-term portfolio risk, a lower initial interest rate is offered to those who put more than 35% of the total loan down at the signing of the contract.

CREDIRENOVACIÓN

We also responded to the falling sales in new homes and lending by offering our clients the option to take out financing for new homes, renovations, or rollover mortgages without fees.

- **Buy and Remodel**—Financing for new home buyers and remodeling needs.
- **Renovate**— Financing for remodeling and renovating existing homes.
- **Renovate and Rollover Mortgage**— Financing for remodeling existing homes and rolling over mortgages held by other financial institutions with no origination or contracting fees.

With these innovative new products, Scotiabank Mexico is spearheading a return to equitable mortgage lending while minimizing high-risk lending, serving to bolster our local economy and doing our part to contribute to the restoration of liquidity in world financial markets. We see this as a critical social investment which utilizes sound business strategy to generate renewed trust in the financial sector, and ultimately propagate regional and global economic recovery.

**Múdese al
Crédito
Hipotecario
que más
le conviene.**

**CrediRenovación
de Scotiabank**

**Mejore sus condiciones
de crédito actual**

Sin comisión por apertura

**Obtenga un crédito
para remodelar su casa**

Acérquese a nosotros y haga
de su casa un hogar.

Scotiabank

Vida y dinero en equilibrio.

AGRIBUSINESS Combating Poverty and Global Warming

The agribusiness sector continues to be one of the most important economic drivers throughout Latin America, including Mexico. Studies show that the agricultural sector generates economic growth, jobs, economic stability and is a powerful tool against combating poverty in those regions most dependent on the industry. According to the Economic Commission for Latin America and the Caribbean (ECLAC), Latin America's agricultural sector has grown the most comparatively to other regions over the last 15 years. In agro-dependent areas such as Mexico, a dollar invested in the agriculture sector returns more than a dollar invested in other sectors, which reinforces the need to invest in the sustainable development of this area.

Additionally, agricultural industries and the rural economy will be fundamental to combating climate change and ensuring food security, two of the largest challenges that confront humanity today. To this end, it is imperative that we establish the basic fundamentals of what will be the "agriculture of the future", so that we can adequately respond to these challenges and create new business and societal advantages.

At Scotiabank Mexico, we have realized the increasing importance of investing wisely in agribusiness development and growth, not only because it benefits our core business but because it is a key strategy for combating poverty in agro-dependent nations such as Mexico. In recent years, the Bank has focused part of its business strategy on increasing the number of clients served in this sector. In Mexico today, 87 million people or 65% of the country's population resides in areas with medium to high reliance on the production of agriculture products, representing 24 states and over 89% of municipalities countrywide. Our primary product in this business line is lending credit to agribusinesses that champi-



on environmentally-sound production methods and technology that are premised on the Good Agricultural Practices (GAP) as defined by the Food and Agricultural Organization of the United Nations. Some examples of our client profile include:

- **Biodigesters/Methane Processors**— This technology yields a double environmental benefit. First, the construction of a Biodigester allows for the capture of greenhouse gases latent in animal excrement, such as methane, and transforms the harmful gases into CO². As such, these companies can register their technology as energy-efficient clean technology under the United Nations' clean energy standards. As a secondary step, these companies can sell carbon credits, increasing their net income indirectly via the use of environmentally-friendly technology.
- **Manufacturing of recycled packing products**
- **Fuel-efficient and environmentally—friendly agroindustry machinery**
- **Organic pesticides manufacturing**
- **Solar panel financing for agroinstallations**

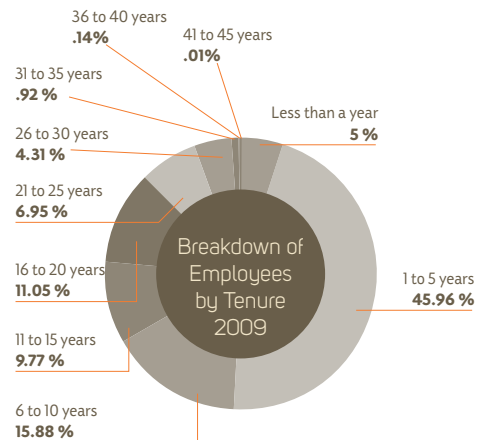
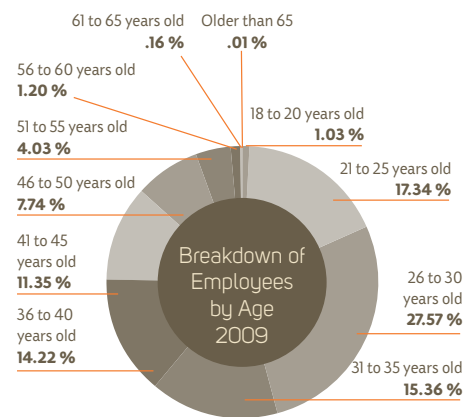
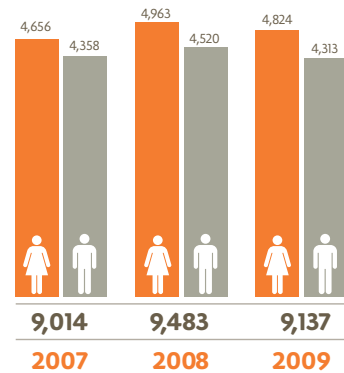
We also lend special attention to agribusiness entrepreneurs from challenging socioeconomic backgrounds, especially developing producers that undertake the following principle activities:

- **Sugar cane production and cultivation**
- **Mill operators**
- **Sharecroppers— Poultry and dairy industry**



SCOTIABANKERS

Number of Employees over the last 3 years



At Scotiabank Mexico, we believe that our employees are our most important asset and our principle competitive advantage in attracting and retaining clients. Over the last 7 years, the Human Resources Directorate has been putting this philosophy into action through offering industry-leading employee benefits packages, enriching the depth and breadth of our professional development courses, and emphasizing measurable leadership strategies that aim to fortify our talent pipeline and promote employee continuity. These forward-thinking initiatives have led Scotiabank Mexico to be recognized as a “Great Place to Work” for the 6th consecutive year because we invest in our employees by offering them the support they need to successfully take on life challenges and professional goals.

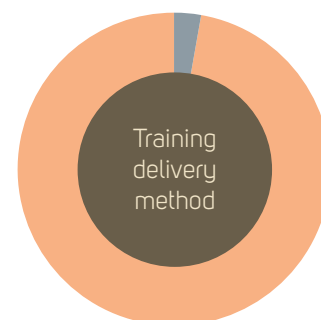
Training and Professional Development

As one of Mexico's Great Places to Work, we know that engaged and satisfied employees mean satisfied and loyal customers. Scotiabank Mexico has worked hand-in-hand with International Banking based out of Toronto to meet our employees' professional development goals in order to best match Scotiabankers with professional opportunity. In 2009, we have focused on identifying leadership talent and developing future leaders through our various training programs.

2009

Total Training hours **792,914**

Total Participants **105,246**



■ Classroom sessions **3%**
■ e-learning courses **97%**

My Learning Center

In 2009, our internal training program participation rates increased significantly, primarily due to the launch of "My Learning Center", a web-based professional development platform. The program contains over 3,000 course selections, including the mandatory training courses required of all new and current Scotiabankers, such as Codes of Conduct, Anti-Money Laundering practices, Equality and Diversity training, and Public Safety Measures.

Year	2007	2008	2009
Participants	72,867	62,440	105,246
Training Hours	319,906	266,331	792,914

Through this new interactive software provided by Skillsoft, Scotiabankers are empowered to consider their own learning interests and take action on their professional development goals.

The introduction of Skillsoft courses has allowed us to increase the programs offered to meet strategic planning purposes.

My Learning Center (MLC) statistics for 2009:

- **888** Skillsoft licenses used
- **8,984** Scotiabankers signed up for at least one MLC course
- **28,415** acquired courses
- **20,252** courses approved

673 employees used MLC to manage development plans which are critical to the biannual evaluation process undertaken by all Bank employees.

Anti-Money Laundering

According to the International Monetary Fund (IMF), over 5% of the global aggregate Gross Domestic Product is laundered money totaling over \$600 billion USD. In Mexico alone, between \$25 billion and \$40 billion dollars are estimated to be generated by the illicit drug trade, greater than the gains from Mexico's oil exports for 2009.

Scotiabank recognizes the role that financial institutions play in facilitating the transfer of financial gains made through illicit practices. As such, we require that every new Scotiabanker and tenured employee take and pass our online Anti-Money Laundering course annually.

With the advent of My Learning Center, the innovations in our course programming and success rates have been notable. This year, all Scotiabankers have been able to access the course online and successfully complete the coursework which is segmented into four different levels, pursuant to the Bank employee's core duties.

For branches, the training program also includes the Anti Money Laundering Rally which is a competition where each branch participates in a team-setting led by a manager. The Bank branch team that answers the most questions correctly is recognized for their outstanding understanding of Anti-Money Laundering practices and conducts.

One of the key elements integrated into this year's Anti Money Laundering program is the approach to risk management. In light of the economic crisis, the Anti-Money Laundering program emphasized the Bank's areas or products considered to have a greater

exposure to risk. The coursework was also divided into four levels, applicable to the expertise-area of employees who took the course.

In 2009, **9,293** employees registered for and passed our Anti-Money Laundering course.

Results:



Fundamentals of Coaching

Objective:

Develop the leadership skills necessary so that management-level employees can lead and guide their teams effectively:

- Differentiate between the roles and responsibilities of the coach and employee in a coaching relationship.
- Describe the Coaching Process Model and its application to various coaching scenarios.
- Identify the importance of exhibiting critical dialogue skills during coaching conversations.
- Demonstrate how to link coaching and employee goals to work toward the same objective.

Description:

A blended learning--training program spearheaded by International Banking that includes an e-learning session, a classroom session and a group coaching pulsecheck call designed to provide an opportunity to share on-the-job coaching experiences with colleagues.

388 participants divided into 22 groups, participated in the Fundamentals of Coaching Excellence training program during 2009.

Of the **388** participants who attended the course during 2009:
62 – Directors
185 – Deputy Directors
141 – Managers

Results:



Equity and Diversity Training

Objective:

- Raise awareness on the importance of gender collaboration and cooperation in the workplace. Stress that gender equity and diversity are competitive advantages to our core-business strategies.
- Identify that the Gender Equity Model (MEG) is part of the actions of Scotiabank Group to achieve cooperation, equality and non-discrimination in all its internal processes.

Description:

A 2-hour e-learning program required of all Scotiabank personnel in order to develop a corporate culture of equity and diversity and to promote respect and just treatment of men and women and people of different physical, social, racial, political or economic conditions.

8970 participants have been trained in the Equity and Diversity training program.

Results:

LEVEL 1 (Reaction)

average score of
4.6/5
(93% of satisfaction)

LEVEL 2 (Learning)

100%
of participants
approved the
training program.

Basel II Training

Objective:

Implement the new management model in the regulation and functionality of the systems that manage credit operations and guarantees for the calculation of capital and reserves according to the guidelines established by Basel II which identify potential risks that arise in the authorization of credit that could possibly reduce Scotiabank's capital and reserves.

Description:

40-hour theoretical and practicum workshop in which the participants (Audit,

Business Banking, Commercial Credit and Scotia Capital) learn about the Basel Operational Model and practice using the system.

Estimated future benefits:

The estimated profit from using this methodology could exceed \$ 400 million (MXP) due to the good performance of our commercial portfolio. The necessary developments will go from September 2009 to January 2010. It requires the approval of the CNBV to use this parameter of severity of loss and the calculation of reserves¹.

306 employees divided into 12 groups participated in the Basel II training program during 2009.

Results:

LEVEL 1 (Reaction)

average score of
4/5
(80% of satisfaction)

LEVEL 2 (Learning)

100%
of participants
approved the
training program.

1. Estimation made by José Juan Chávez Gudiño, Head of Basel Office in Mexico.

Mentoring

Just as we believe in leading by example in our day-to-day business, we also implement that philosophy in our day-to-day internal operations through our coaching and mentoring programs. In 2009, the area of Equity and Leadership under the Human Resources Directorate

launched the Mentoring pilot program, which targeted Directors and Subdirectors in order to create a talent pipeline to fortify the Senior Management team. In the pilot phase, our mentoring program included 35 mentor/mentee pairs, who were identified through a comprehensive matching process. The mentoring pairs got together at least once a month over the span of a year. At the close of the pilot program, 86% of mentors and

100% of mentees stated they would like to participate in the program again.

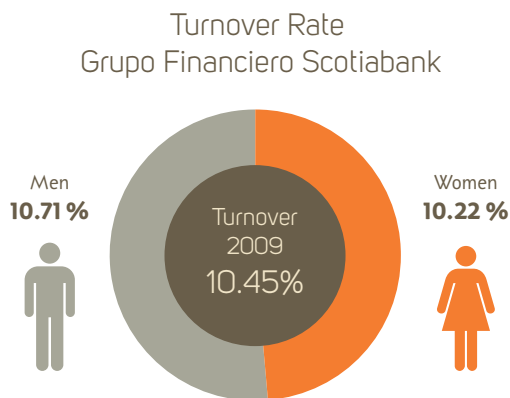
For 2010, we plan to at least double the pairs of mentors/mentees and expand the mentoring process so that all employees from all levels can participate in the program, leading to strategic internal promotion placements ensuring the continuity and success of the Bank's Senior Leadership.

Work-Life Balance

LIVE Series

Institutional programs promoting work-life balance are critical to the overall well-being of employees and directly impact productivity levels. Research shows that where flexible-work policies are in place, absenteeism is reduced by 30%.

At Scotiabank, we have adopted this philosophy as one of our key mission statements and are committed to ensuring comprehensive work-life balance strategies to better our employees' overall well-being and aid them in attaining their career goals.



In light of the economic crisis and high employee turnover rates, competitive companies must place a high priority on developing initiatives that boost employee morale and quality of life.

We believe that satisfied employees lead to satisfied clients. To this end, one of our signature programs is the LIVE series (“Línea de Vida y Estabilidad”) which is an employee-assistance program that provides a forum for discussing health concerns, family issues, work issues, and community activities. In collaboration with the Mayo Clinic’s ICAS independent consultants, Scotiabank launched the LIVE “vowel” series programs addressing work-life balance and employee well-being:

o·live A confidential counseling telephone service to address employees’ emotional issues that could affect work performance.

e·live Intranet website to Mayo Clinic’s healthy living tips.

i·live Health bulletin published tri-monthly providing healthy living recommendations and stress reduction strategies.

o·live Exercise and nutrition advice including remote working strategies and maternity-leave support.

u·live Group community events organized by Scotiabankers.

Through the LIVE program, a third party counseling system, Scotiabankers feel comfortable bringing up personal concerns without the fear of workplace retribution and can better surpass life problems that might be affecting their work performance. In 2009, we had a 7% employee participation rate, higher than the market average of 6.8% and we hope to increase awareness of this program throughout our corporate culture in the near future.

Mexico Transforma

In 2010, the Bank of Nova Scotia and Scotiabank Mexico invested in a multi-year project to upgrade our banking systems in Mexico to enhance the flexibility, capabilities and operability of our systems to support growth and to drive efficiencies for our operations. This project addresses 5 IT modernization priorities in order to upgrade Scotiabank Mexico's banking network, as we are committed to having not the largest, but the best banking network in the country. These focus areas include:

- System stability and accessibility
- Information security
- IT capabilities
- Project prioritization
- New business ventures

Part and parcel of this initiative is to streamline the program's efficiency by exploring work-life balance options such as allowing some members of the IT team to work remotely or from home. Prior to launching the teleworking pilot program, the area of Employee Relations undertook a comprehensive review of the work-life balance needs of employees.

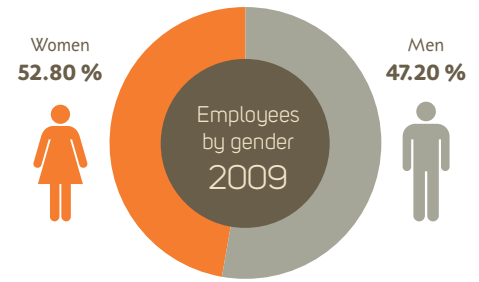
One of the most prevalent issues across the board was the median amount of time it takes Scotiabankers to commute to and from work; over half of all employees reported a commute of an hour to an hour- and- a-half, with 61% reporting childcare as being of top concern.

In Mexico, as in other Latin American countries, the family unit is the cornerstone of social life, and as such, women are much more likely to stay at home and care for children than have the opportunity to strike a work-life balance, unless the company prioritizes this philosophy. At Scotiabank Mexico, we are keenly aware of the life-obstacles that impede a woman's professional development and we have made workplace and career equality a priority.

To this end, the teleworking pilot program is expected to yield a two-fold benefit; streamline operational efficiencies and, over the long term, address the career needs of new mothers. Over the next year, the program's effectiveness will be evaluated and upon successful completion, a full-scale launch will be considered.

Leadership and Gender Equity

Scotiabank's continued success depends upon having the right leaders to execute our business strategy – today and in the future. This is why leadership development and diversity has underpinned our strategic priorities for decades and continues to be a driving force in our business development for 2010.



- Great Place to Work for Women**— For the third consecutive year, we have been ranked as one of Mexico's top companies for women professionals by the Great Place to Work Institute.
- Exemplar Gender Equity Model**— For the fourth consecutive year, our gender equity model was recognized as being an industry-leader by the National Institute of Women, a governmental organization.
- Equal-Opportunity Certification, Secretary of Labor**— In 2009, Scotiabank Mexico was recognized by the Secretary of Labor as an equal-opportunity employer; only the second company nationwide to receive this certification.
- International Development Bank, Nicole Reich de Polignac, President and CEO Scotiabank Mexico, keynote speaker on equality and diversity in the workplace**— Scotiabank Mexico's President and CEO, Nicole Reich de Polignac, was invited to the annual International Development Bank's Governor's meeting as the keynote speaker on gender equality and diversity in the workplace. Her speech focused on the importance of promoting gender equity as an industry norm throughout all companies, from the largest multinational corporation to the smallest family-owned business.

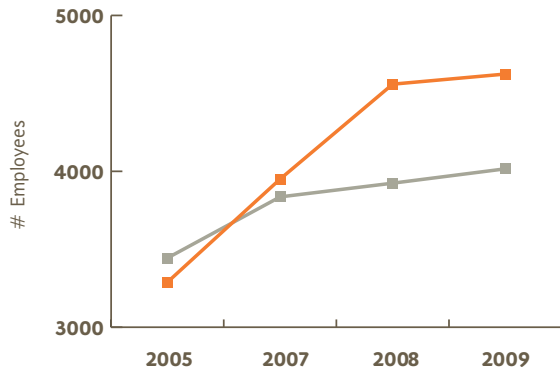
Global Talent Management technology to complement outsourcing, talent identification, succession and development planning processes to draw leaders from around the world and provide them with a broad variety of professional development opportunities.

Our focus for 2010 will center on the leadership development of managerial and senior management personnel in order to enrich the leadership talent pool and better prepare individuals to successfully take on Director-level positions. One of our primary objectives and challenges is to facilitate cross-generational dialogue in order to share best practices and institutional knowledge. The expected outcome is to ensure the continuity of management throughout different regions and divisions which will positively impact our productivity and business planning strategies.

At Scotiabank Mexico, we are working hand in hand with headquarters to develop talent profiles that provide us with a better understanding of the depth and breadth of our local talent pool and allow us to be more proactive in the development of our emerging leaders. We believe that leadership and equal-opportunity career advancement give us a distinct competitive advantage; in order to offer the best results to our shareholders, clients and employees, our business strategies should be executed by leaders committed to creating a workplace environment that maximizes individual, team, and organizational performance.

Identifying and developing our leaders was something we paid particular attention to during 2009. The Bank of Nova Scotia introduced

Historical Perspective by Gender



	2005	2007	2008	2009
Women	3,289 (49%)	3,950 (51%)	4,559 (54%)	4,624 (54%)
Men	3,444 (51%)	3,836 (49%)	3,924 (46%)	4,016 (46%)

Our active promotion of gender equity and diversity for 2009 included:

- Increasing the number of women in Management, Subdirection, and Directorate positions.
- Ensuring a balanced representation of men and women for internal promotions.
- Identifying key people for our leadership talent pool without gender-bias.

For 2010, we will continue to set the industry standard concerning gender equity and diversity. Our award-winning gender equity model is premised on the core functions of the Committee on Gender Equity and Diversity. Comprised of 8 bank executives who represent key areas of the Bank's core business, the Committee oversees the study, analysis, and outcome of cases of discrimination. The Committee also establishes the Bank's diversity policies and evaluates new recommendations in order to guarantee unbiased processes.

This year, one of its priorities will be establishing networking opportunities for women, people with disabilities, youths, and seniors in order to help reach our goal of increasing the number of potential Scotiabank candidates from underrepresented groups.

Investing in our Employees



Scotiabank Mexico currently operates two retirement plans, Defined Benefit (DB) and Defined Contribution (DC). In 2009, Scotiabank Mexico implemented its Governance process for pension arrangements in order to be consistent with best practices regarding pension issues. To this end, Scotiabank Mexico created two pension Committees, the Executive Committee (EC) that oversees pensions, termination and post retirement matters and the Technical Committee (TC) that will share responsibility for pension oversight with the EC. More specifically, the TC will be responsible for investment and certain administration related activities with regard to the oversight of pension arrangements.

Scotiabank Mexico maintains a fund in connection with each retirement plan from which benefits provided under the plan are paid in accordance with the plan provisions and current Mexican tax rules. As such, Scotiabank Mexico has implemented an Investment Policy that provides a series of investment principles and guidelines,

which are appropriate to the needs and objectives of the plan funds, and to define the management structure and procedures adopted for the ongoing operation of the funds.

At the close of 2009, the employee retirement arrangements had assets of approximately \$ 3,406,141,232 MXN with 9,359 beneficiaries (for both plans). As of December 2009, 95% of the pension fund's liabilities were met. All Scotiabank employees included in the DC Plan (88% of the total) are required to withhold at 1% of their salary towards the retirement plan; they can also choose between 1%-6.5% as a voluntary and additional contribution. Currently, 43.24% of employees participate with an additional voluntary contribution.

Grupo Scotiabank follows Canadian and Mexican accounting standards, the Canadian Institute of Chartered Accountants (CICA) and Normas de Información Financiera (NIF) respectively, as well the United State General Accounting Principles (US GAAP).

Employee Health and Safety

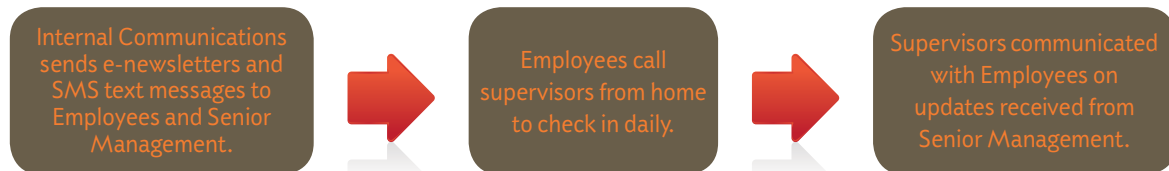
On the night of Thursday, April 23, 2009 Mexican President Felipe Calderón announced that starting the following day, classes would be suspended in all schools in Mexico City, since the country had been unexpectedly hit by an unknown enemy: the swine flu virus or H1N1. As a global financial institution dependent on international financial markets, Scotiabank Mexico found itself in a unique predicament: abide by the authorities' quarantine-like preventative health measures while maintaining business operations at a level as close to normal as possible. Striking this balance presented a notable challenge given the number of Scotiabankers who would be forced to stay home during the crisis.

In light of the state of emergency that gripped Mexico and the world, Scotiabank Mexico took swift action to mitigate losses in its core business operations and safeguard employee health and morale through implementing Scotiabank's Continuity of Business Plan. All corporate installations and consumer banking operations were required to comply with the following contingency measures:

- 79 possible cases of influenza were reported to the Bank's health care service; of those, 20 cases were confirmed in beneficiaries and 9 in Bank employees.
- Distribution of mouth guards to minimize communicable disease.
- When feasible, authorize working remotely from home.
- Allow for flexible leave with pay.
- Postpone meetings with greater than three people.
- Suspend hiring activities that require face-to-face contact with candidates.
- Reduce air conditioning by using natural ventilation methods.
- Provide antibacterial gel in all bank branches and corporate buildings.
- Extend bank branch hours in order to avoid overcrowding.

An unprecedented emergency communications campaign was also launched in order to complement the operational procedures during the crisis. The Employee Communications area, in collaboration with other Human Resources teams, established alternate means of communication in order to reach every employee at any time, even those who didn't go to work during the time of the epidemic.

The strategy involved a tripartite flow of information between senior management, supervisors, and employees. Employee Communications sent a number of letters signed by Nicole Reich, our President & CEO, explaining the importance of management's leadership skills in this time of need. This message was further reinforced by communicating to all staff that every person who remained home would have to call their supervisor every day and check in:



To reach employees that remained out of the office during the health crisis, Internal Communications compiled an employee data base including personal contact information. The Bank also launched a new type of media campaign that would only be used in emergencies: SMS messaging to the cell phones of all Bank employees. During the crisis, this communication method was used three times: to signal the return to work for all employees except pregnant and breastfeeding women, to reiterate pregnant women should not go to work, and lastly, to announce the date when pregnant and breastfeeding women could safely return to the office.

In bank branches and corporate buildings alike, poster boards were set up warning of the symptoms of influenza and best practices for preventing infection. One year after the outbreak, Scotiabank Mexico continues to be committed to fostering preventative health initiatives and promotes healthy habits on an ongoing basis via video monitors and internal communication strategies.

En Scotiabank nos preocupamos por su salud y bienestar.

Con la finalidad de reducir el riesgo de contagio por influenza, le agradeceremos que para su ingreso a estas oficinas realice las siguientes acciones:

- Utilice el **gel antibacterial** para limpiar sus manos.
- Si presenta algún síntoma de infección respiratoria, además deberá **colocarse un cubrebocas**.
- Si presenta **alguno los siguientes síntomas**, le recomendamos acudir inmediatamente a su médico:
 - Fiebre mayor de 38 °C
 - Tos seca
 - Ardor de garganta
 - Escorrimento nasal
 - Dificultad para respirar
 - Ojos rojos
 - Fuerte dolor de cabeza, muscular y de articulaciones

Lo invitamos a realizar sus operaciones bancarias a través de nuestros canales alternos:

- Internet (InverWeb® y Scotia en Línea)
- Red de Cajeros Automáticos
- Centro de Atención Telefónica Invertel® al teléfono 5728 1900 y 01(800) 704 5900

En Scotiabank estamos comprometidos con la salud y el bienestar de los mexicanos.

Scotiabank

Vida y dinero en equilibrio.

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Scotiabank

ENVIRONMENTAL INDICATORS

Mexico currently ranks 11th in the world as one of the most polluting countries and will hold 7th place in the next ten years if carbon emissions are not curbed. At Scotiabank Mexico, we believe that business must work hand-in-hand with civil society and government in order to prevent the potentially irreversible consequences of Global Warming.

For this reason, in 2009, we completed a Carbon Footprint Analysis of our business's environmental impact in Mexico. We are the first financial institution operating in Mexico to complete such a comprehensive, environmental impact assessment and we plan to be the first to implement the study's core recommendations in the areas of water conservation, waste management, and energy saving practices.

Procurement

The greatest economic and environmental benefits arise at the outset of the material procurement process. However, in Mexico, it is common that any operational standards or legal norms are focused on the last step in the life-cycle of materials, where the economic and environmental benefits--although significant-- are not comparable to the benefits of “green” procurement practices undertaken at the outset of purchasing. To this end, we implemented the following green procurement actions in 2009:

- **35% reduction in procurement catalog materials**— The area of procurement undertook an extensive analysis of the 353 materials used by Scotiabank México in our day-to-day operations. The review eliminated 119 items in order to better control procurement costs and minimize environmental impact.
- **Mandatory use of Tree Free paper**— We changed our paper procurement policies to reflect our environmentally-conscious business practices by requiring that our paper products contain a % of recycled materials.
- **All internal communications products are made of 100% recycled materials.**
- **Elimination of legal-sized paper.**
- **Elimination of colored paper**— By not using colored paper in our day-to-day operations we are positively impacting the environment by indirectly reducing the chemical processes used in the paper-dyeing process.

The Carbon Footprint Analysis also found a large environmental benefit in reusing the plastic bags that currently carry and transfer banking products. The recommendation was two-fold, one, to establish a policy to reuse the plastic bags up to three times and two, to train personnel in the proper opening and resealing of each bag so that it can be re-used three times.

Environmental Benefit of re-using plastic money bags	
Kg/year saved	6,9706
Reduction in tons of CO ₂ /year	43.56

Reduce, Reusa, Recicla (RRR)

Since 2007, Scotiabank México has implemented an environmentally-conscious internal communications campaign aimed at reducing the consumption of paper products operations-wide. Our initial strategy was to create awareness on the environmental benefits that can arise from small changes in day-to-day activities, such as reusing scratch paper for printing or multiple uses of folders and other office supplies.

Thanks to Scotiabank’s environmental-awareness campaigns over the past two years, the responsible use of materials has been voluntarily adopted employee-wide. The Carbon Footprint Analysis found a marked decrease in the consumption of paper and toner, most notably from February 2009 to date (Figures 1 and 2).

Figure 1 Reduction in the consumption of bond paper 2008-2009

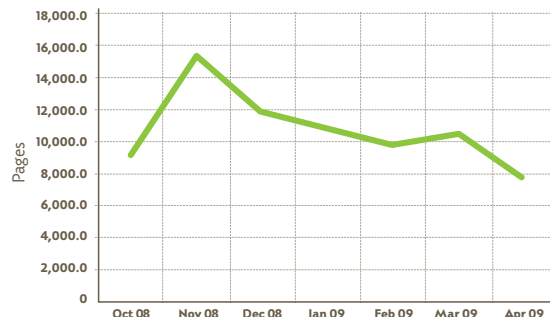
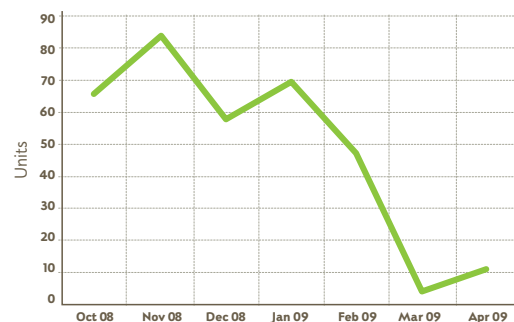


Figure 2 Reduction in toner use 2008-2009



Our Carbon Footprint Analysis was also able to deduce the following indirect environmental impact due to our use of Tree Free paper instead of white bond paper.

Thanks to Scotiabank's corporate-wide policy of substituting conventional paper for Tree Free paper, we have saved over 897 tons per year of wood which is equivalent to 8,267 medium-sized trees.

Environmental Impact, Paper Consumption	
Results of the consumption of 128 million pages ^{T7C} :	
Wood	197.32 Tons/ year (1,818 árboles)
Water	48,837.07 m ³ / year
Energy	3,300.46 Millones de BTU/ year
Waste products	621.42 Tons/ year
Landfill area	1,242.84 m ³ /year

Recicla 2010



A recent study conducted by the Universidad Autónoma Metropolitana (UAM) found that the municipal, federal district (D.F.), and federal regulations regarding the separation of organic and inorganic refuse are poorly adhered to and lack enforcement at all levels of government. Critics of the recycling regulations have pointed out that waste management is a much larger issue than simply resolving logistical and technological problems; the sustainability of a recycling program requires social investment, which implies building community awareness on appropriate refuse separation and disposal methods.¹

As evidenced through our RRR campaign, individual actions can yield big results. Due to the success of our RRR campaign and our experience in empowering individuals to take action, we are uniquely positioned amongst our private sector colleagues to lead by example. For 2010, we plan to carry out an unprecedented pilot project of responsible waste management by business interests in Mexico. We recognize that the implementation of a successful recycling program requires that proper refuse separation occur at the source of use, that is,

by the consumer, something that is not common practice today in Mexico, both in domestic and industrial areas. With the launch of our recycling program, we hope to recuperate almost 2.98 tons of waste products that could be recycled but are not currently because they arrive at the waste disposal end-point already contaminated by other waste sources, rendering them unrecyclable. The campaign will consist of the following actions:

- In corporate offices, the installation of organic, inorganic, and electronics recycling bins so that employees can start the recycling process.
- Employee-wide recycling awareness campaign underscoring the importance of separating materials at the consumer level.
- Training maintenance personnel in the proper separation and disposal of the three different waste materials.

At Scotiabank Mexico, we strongly believe in individual empowerment leading to the betterment of the whole; if our employees believe they can make a difference, this attitude cannot help but be picked up by the people with whom they have daily contact, including family members and friends. It is our goal that by setting an industry standard, we will also be helping to change individual lives outside our operational sphere.

1. El Universal, "Aún lejano, el reciclaje de basura en el DF". 20/04/2010

Energy



Scotiabank México's department of Real Estate has undertaken a series of energy-saving practices and policies over the last two years.

- In all new and planned bank branches, "Real Estate" planning policies require an assessment of the best positioning to maximize the building's natural light and minimize thermal charge due to sunlight.
- All new, stand-alone bank branch facilities are weatherproofed so as to indirectly minimize the use of air conditioning by keeping cold air in during hot months.

- T5 light bulbs are mandatory in all new and planned bank branches and a number of older bank branch lighting systems have been equipped with the energy saving technology.
- 90% of existing bank branches have been retrofitted with T8 lighting systems.

For 2010, Real Estate projects the following economic and environmental savings pursuant to new energy-saving policies and practices:

Kwh saved	Reduction in CO2 emissions per year	Economic savings per year
7,400,000	3,404 tons	\$15,000,000

Energy-Saving Proposals for Bank Branches					
Concept	Kw saved	Hours saved/year	# Bank Branches	Total KW saved/year	\$2.05 x Kw/h
Marquee, standard	12.29	730	618	5,544,510.60	\$11,366,246.73
Marquee, LED	10.71	730	3	23,454.90	\$48,082.55
Air Conditioning	4.86	530	618	1,592,499.48	\$3,264,623.93
T5 light bulbs	0.28	2,915.00	50	40,810.00	\$83,660.50
Photocels lighting	4.618	1,095.00	1	5,056.71	\$10,366.26
				7,206,331.69	\$14,772,979.96
Estimated Savings per year					



REFORESTATION



13,000

Number of trees planted during our reforestation events nationwide over the past three years.



5,000

Number of trees needed to produce daily oxygen for 50,000 people and filter 2,350,000 litres of water each year.



62,140,000

Liters of water generated per year by our reforestation efforts.

Inspired by our first reforestation event in 2007, Scotiabankers throughout Mexico from Chihuahua to Veracruz have organized their own reforestation events, increasing our environmental engagement and cooperation among local employees and community groups. Part of the success of our reforestations is due to our partnership with Naturalia, a non-governmental organization committed to nature conservation and environmental stewardship. Naturalia staff provide logistical support during the reforestation event and follow up throughout the year to ensure the reforestation trees take root and grow.

For 2010, we are planning a tri-city, simultaneous reforestation with Scotiabankers from Mexico City, Monterrey, and Guadalajara. The goal is to plant 10,000 trees in one day with the help of Naturalia and local governments.

Water Conservation: Combating Global Warming One Drop at a Time

Global Warming is a very real and present issue that impacts day-to-day activity in Mexico City. It is not uncommon for some districts to go without water for days due to the scarcity of water resources in the region, poor water conservation practices, and antiquated aqueduct systems. The city government has predicted that 2010 will be one of the driest years on record in over 40 years, leading to escalating population tensions over dwindling fresh water supplies.

In Mexico City, where Scotiabank Mexico's headquarters are located, the demand for water is over 156%, one of the world's highest demand levels, yet the supply of water is the lowest available nationally at only 151 m³ per year. To stem this water crisis, the government of Mexico City has enacted several measures, including the recent publication of the Emergency Environmental Guidelines, which call for industry and business to cut their water usage by 20% or face steep fines and/or possible closure.

Scotiabank Mexico is committed to fostering environmental stewardship in the business sector in Mexico through example. In 2009, the Group completed an analysis of its carbon footprint data—the first of its kind in Mexico's financial services sector—and we expect to enact critical resource-saving measures by year's end, including:

- **Install low-flow valves in bathroom sinks**
- **Use dual-flush toilet systems**
- **Implement sensor technology for kitchen cafeteria sinks**

Size of Bank Branch (551 total)*	M3/year currently consumed	M3/year saved
473 medium-sized bank branches	56,584.32	23,129.7
78 large-sized bank branches	13,806	8,658

* Sampling of four bank branches' waste disposal content and practices, Carbon Footprint Analysis, materials report, p. 10 and 37.



COMMUNITY

At Scotiabank Mexico, corporate social responsibility is a way of life that envelops our daily activities. Thanks to this we can transcend our business sphere and positively impact our internal community, passing through our value chain, and having a strong presence in those communities affected by and effecting our daily operations.

The Bank holds as a fundamental philosophy that we must pay back two-fold to the community in which we have a presence. We take care in how we interact with our interested parties in order to complete our responsibilities in the areas of social projects, economic growth, environmental stewardship, and ethical conduct. Our community engagement has been enriched by the establishment of strategic alliances with organizations of civil society who are important negotiators in our communities and interest groups.

This year, Scotiabank Mexico took the first step in order to strengthen our commitment to supporting Mexican civil society with the formation and inaugural meeting of our Philanthropic Committee. Our goal is to change the philanthropic culture of the Bank, transforming it from a supportive role to one that promotes sustainable economic development and social change through measurable impacts with beneficial outcomes for both that community to which we belong and our business's competitive advantage.

- **7,030**—Scotiabanker volunteer hours for 2009, equivalent to ten people working 3 months pro bono.
- **20**—Number of organizations that received Bank's charitable donations in 2009.
- **22,415**—the number of people from vulnerable communities directly impacted by Scotiabank's support.
- **699,179**—the number of people who's quality of life has been improved due to Scotiabank's philanthropic work.
- **5**—members of Scotiabank Mexico's Senior Management team participate on the governing boards of 5 social welfare organizations.
- **\$10,491,019**—Amount recouped from our ATM giving campaigns directed at five social welfare organizations.

Scotiabank Bright Future Program



Philanthropic giving does not consist of merely deciding whether or not a company should give to social causes of importance to the communities in which it operates, rather, companies should assess the degree of commitment to community causes and the social impact expected by that involvement. To reflect Scotiabank's commitment to investing in those communities that invest with us, the Bright Futures Program (Iluminando el Mañana) was launched in 2008 as Scotiabank's new corporate international philanthropic program directed at communities in the Caribbean and in Latin America. The program helps us focus our charitable activities on enhancing the well-being of children—particularly in the key areas of education, health, poverty reduction, and community wellness. In 2009, the Bright Future Program channeled \$39 million CAN to social welfare programs in Latin America, with Mexico receiving \$137,168 CAN.

Of the philanthropic donations issued directly from Scotiabank Mexico, \$10,104,705 Mexican pesos were donated to a number of organizations serving the Bright Futures mission. In 2008, Scotiabank Mexico allotted \$4,876,812 toward the program. In 2010, we will continue to work hand-in-hand with International Banking to fund sustainable social projects directed at improving the well-being of children.



Alliances

Un Kilo de Ayuda



In the spirit of the Bright Futures program, we have forged valuable alliances and partnerships with several organizations dedicated to bettering social welfare in Mexico. Chief among these is our relationship with Un Kilo de Ayuda (UKA), an organization dedicated to reducing by 50% the causes of infant mortality due to malnutrition in some of the poorest states in Mexico including, Oaxaca, Puebla, Veracruz, Yucatán, Chiapas, Guerrero and Mexico State.

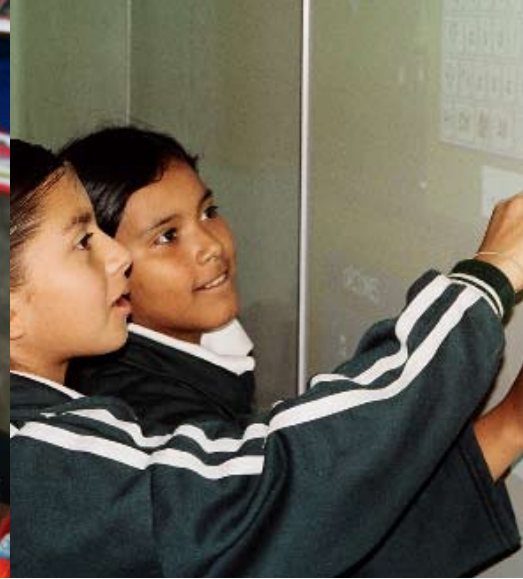
Since 2006, Scotiabank has been the sole financial sector supporter of UKA in Mexico, contributing to the well-being and nutrition of 1,310 children per year living in marginalized communities throughout Mexico's most indigent States. Children from lower-socioeconomic backgrounds undergo a comprehensive physical including the following 6 healthy-living actions:

- **Nutritional monitoring**—measuring weight and size and offering parasitic profilaxis and Vitamin A.
- **Anemia screen**—detection and treatment of anemia via iron supplements.

- **Nutritional Education**—providing nutritional training and knowledge to mothers.
- **Nutritional Packets**—food packets formulated especially for the nutritional needs of the children and sent with them to their homes.
- **Neuro development**—continuous monitoring of appropriate neuro development.
- **Drinking water**—annual allotment of clean drinking water.

The Scotiabank-UKA alliance is predicated on the presumption that once the basic health needs of children are met, their academic and personal potential are unstoppable. Studies show that children who suffer from symptoms of malnutrition, such as vitamina A deficiencies, anemia, and lack of zinc from their diets during their primary school years demonstrate attention deficits, absenteeism from school, and a high probability of dropping out of school before their teenage years.

Children who suffer malnutrition early in life are also more likely to enter the child labor workforce. Last year, Scotiabank's philanthropic support and ATM campaigns ensured that over 40,000 children throughout Mexico will have a chance at equal academic and professional opportunities throughout their lives.



Ronald McDonald Foundation



An international organization with operations in 30 countries, dedicated to supporting child development programs and opportunities. In Mexico, the Ronald McDonald Houses located in the federal district's Tlalpan and Tlanepantla communities, provide housing, food, and transportation to children and young adults from scarce economic resources, who require medical attention and treatment and who without help from the Ronald McDonald house, would have no place to stay during their hospital care.

The Scotiabank- Ronald McDonald alliance has benefited 15,730 families, assisting 185,249 individuals. The Houses continue to receive more than 200 families per month. We also participated in the first-annual Ronald McDonald race, which took place at the Universidad Nacional Autonoma de Mexico's (UNAM), benefiting Mexican children with auditory handicaps. The Scotiabankers who participated donated funds to the cause and recouped financing for the procurement of 4,121 hearing aids.

Aflatoun



Our newest alliance with Aflatoun, an organization that promotes financial literacy and education in school-age children, is strongly aligned with the basic tenets of the Scotiabank Bright Futures Program. Only when children learn about their rights and responsibilities, and are provided with a set of financial tools to realize those rights, can they become empowered to break the cycle of poverty. To this end, Scotiabank has partnered with Aflatoun, an organization that delivers a program of social and financial education to over 540,000 children globally. The two components, social and financial, are taught in a balanced way, thus ensuring that both social and financial empowerment are achieved. Aflatoun aims to give children a strong social context in which to practice their new found financial skills. The Aflatoun program is based on the understanding that children are capable of more than we believe possible. They can transform their lives and transform their communities. Through participating in the program, children become aware of their abilities and acquire the skills and knowledge they need to make positive changes in their lives. It all begins with an early education.

Scotiabank's partnership with Aflatoun consists of a small scale pilot program over two years, to be carried out in two private schools in Mexico. The project has potential for large-scale adoption and future influence on public policymaking.



YMCA



Of English origin and reaching more than 128 countries and 45 million members worldwide, the YMCA has operated in Mexico for over 100 years and is the second largest YMCA network in Latin America. YMCA Mexico serves over 120,000 young people and their families through promoting physical, intellectual, and spiritual development via a variety of social and sporting programs.

The Scotiabank-YMCA alliance has focused on the development and sustainability of the YMCA Community Centers. Located in the most marginalized communities throughout Mexico, the YMCA Community Centers offer educational resources to the local community, along with healthy-living initiatives, leadership development, community-building, vocational training, and physical education.

In 2009, Scotiabank donated \$200,000 Mexican pesos to begin the construction of a preschool

in one of the YMCA's community centers in Atizapan, Estado de Mexico. An average of 500 people per month--from low economic resources and comprised of predominantly young, single mothers-- attend this center. The preschool provides a critical resource to the center's primary constituency (single mothers), as one of the job training programs, Executive Secretary, offers women the chance to develop their secretarial skills in order to gain employment in the formal economic sector. Upon completion of the pre-school, mothers who attend the Executive Secretary courses will be able to enroll their children in the preschool at the same time, allowing both mother and child to acquire critical personal development skills.

Scotiabank has also supported the construction and maintenance of housing for immigrant minors in Piedras Negras, Coahuila and in Agua Prieta, Sonora, who have been remanded back to Mexico after having crossed the border. The housing centers offer a temporary place to stay, food, medical services, and aim to reunify minors with their families in Mexico. To date, the YMCA immigrant minor centers have housed over 45,000 children and young adults.



CONFÉ



The Mexican Confederation of Organizations in Support of People with Disabilities (La Confederación Mexicana de Organizaciones a Favor de la Persona con Discapacidad Intelectual CONFÉ) helps young people with disabilities to develop their personal and professional capabilities, with the purpose of successfully integrating them into a work environment that affords them the same rights and obligations as any other employee. Since 1978, CONFÉ has been providing vocational workshops where people with disabilities work side by side with other employees undertaking the same projects, including baking, cleaning, gardening, assembly work, and industrial sewing services.

Recently, the Bank contracted CONFÉ's baking workshop to provide all the baked goods served at Senior Management meetings. We have also employed CONFÉ graduates in our Bank Branches and our corporate cafeterias. As the first bank in Mexico to champion accessible bank branches to people with motor and visual disabilities, our alliance with CONFÉ is one of our primary partnerships, working towards a more inclusive community and ensuring that Mexico's policies regarding people with disabilities are harmonized with those advocated by the United Nations.

Financial Inclusion

Due to international human rights interests, the Mexican Congress only recently passed the preliminary legislative steps to protect equal rights for people with disabilities, but Federal law still does not mandate accessible building construction or special considerations for students and employees with disabilities. As the first bank in Mexico to build specially designed branches for people with visual and mobile disabilities, Scotiabank Mexico is a private sector innovator, promoting and disseminating inclusionary policies through implementation. We believe in leading by example, so that our business practices emulate our commitment as socially responsible corporate citizens.

To date, the bank has opened 71 branches across Mexico that are accessible to people with disabilities, each designed to address the needs of clients with mobile and visual disabilities providing a more comfortable experience for them. In 2009 alone, the Bank finished construction on 35 new bank branches, 34 of which were designed to be accessible for people with disabilities. This past year, Real Estate completed the most inclusionary refurbishing and new bank branch openings of any one year since we began doing so in 2007. From October 2008 to September 2009, Real Estate undertook 54 total actions equipping existing bank branches with accessible designs and opening new inclusive bank branches. In 2010, 14 new accessible bank branches have either been finished or are under construction, with 25 more branches pending contracting agree-

ments. These branches are part of the Bank's strategy to increase accessibility for employees and customers and contribute to Scotiabank's commitment to the community.

Additionally, the Bank has pioneered the accessible workplace in Mexico, with 9 of the inclusive branches featuring special equipment and technology for employees with mobile disabilities. To date, 11 employees with disabilities are employed by Scotiabank Mexico, and the Human Resources Directorate has also dedicated 2% of new hiring contracts to be offered to candidates with disabilities. True to leading by example, we believe that integrating people with disabilities into our workforce and workplace will raise awareness and help dispel many cultural prejudices that still run strong today throughout Mexican society.

To this end, Scotiabank has partnered with la Confederación Mexicana de Organizaciones a Favor de la Persona con Discapacidad Intelectual (CONFEDISCA), an organization dedicated to building awareness about people with disabilities. CONFEDISCA provides job-training and life skills workshops so that young people with disabilities can become competitive job candidates. For the 2009 United Nation's International Day of Persons with Disabilities, Scotiabank Mexico launched a "Week of Awareness" campaign, which aimed to educate our employees about common misperceptions regarding people with disabilities. Working together with CONFEDISCA, two seminars were also conducted in order

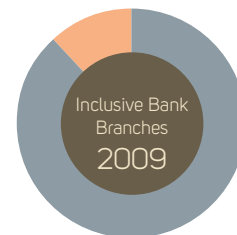
to better inform Scotiabankers throughout Mexico on inclusion and accessibility best practices.

We believe that the best way to meet the needs of our clients is contingent on the strategies we undertake to complement the needs of all our stakeholders.

Fostering equality and non-discrimination in the work place is a long term commitment we uphold as a fundamental philosophy of good business and workforce practices.

2009 Total New Bank Branches opened **35**

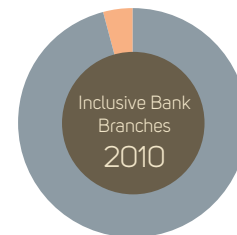
Total Number of Inclusive Bank Branches **34**



Level I **30**
Level III **4**

2010 Total New Bank Branches (planned) **30**

Total Number of Inclusive Bank (planned) **24**



Level I **23**
Level III **1**

Level I: Structural accommodations made for clients

Level III: Structural accommodations made for clients and Scotiabank employees with disabilities.

Awards and Recognitions 2009



Great Place to Work

For the 6th consecutive year, Scotiabank Mexico was recognized as a Great Place to Work by the Great Place to Work Institute Mexico, a recognition that measures quality of life in the firm, employee satisfaction, and overall workplace integrity. Only 9 of the 88 businesses that entered this year's ranking have managed to rank consistently for more than 5 years. In 2009, we ranked 19th overall representing the only financial group to be recognized; for companies with 2,500-10,000 employees, we ranked 5th overall.



Great Place to Work for Women

For the third consecutive year, the Great Place to Work Institute Mexico recognized Scotiabank Mexico as a great place to work for women. This recognition measured gender equity within the workplace, the potential for women in Senior Management roles, and career coaching for women.



Top Companies-Super Companies

Expansión, the premier business magazine in Mexico, recognized Scotiabank for the second consecutive year as one of Mexico's best places to work. We were ranked 7th overall among all companies and represented the only financial group within the top ten.



Top 50 Mexican Companies with the Best Corporate Social Responsibility Culture

For the first time, *Mundo Ejecutivo*, a prominent business and finance magazine, ranked Scotiabank Mexico as 33 overall for our exemplar Corporate Social Responsibility culture. We were recognized in the top three for quality of life in the firm.



Gold Quill Awards

The International Association of Business Communicators (IABC) recognized Scotiabank Mexico with a Gold Quill Award for our employee electronic bulletins *5 Minutos* and *1 Minuto Extra*. The Gold Quill Awards recognize communication campaigns at the forefront of international communication best practices and strategies.



ASOCIACIÓN MEXICANA DE COMUNICADORES

AMCO

AMCO Awards

The Asociación Mexicana de Comunicadores (AMCO) represents the most notable business communicators throughout Mexico. In 2009, Scotiabank Mexico received two AMCO Awards for our LIVE work-life balance campaign, in the areas of creativity and communication strategy.



LATINFINANCE

Latin Finance Survey of Most Sustainable Latin American Banks

For the second consecutive year, Scotiabank Mexico was ranked as one of Latin America's top 25 most ethical and sustainable banks by the business journal Latin Finance, the leading source for finance and investment analysis in Latin America and the Caribbean. The survey measures employee satisfaction, sound financial practices, corporate governance, and sustainability.



Socially Responsible Business Award

(Empresa Socialmente Responsable, (ESR))

For the second consecutive year, the Mexican Center of Philanthropy (CE-MEFI) awarded Scotiabank Mexico the Socially Responsible Business distinction (ESR the Spanish acronym), recognizing our commitment to fostering good corporate citizenship in four key areas of corporate social responsibility; quality of life in the workplace, ethical conduct, community involvement, and environmental stewardship. Out of the more than 700 companies that applied for the distinction, less than 400 were found to comply with the basic requirements for the award.



National Institute for Women

For the fourth consecutive year, our gender equity model was recognized as being an industry-leader by the National Institute of Women, a governmental organization.



Equal-Opportunity Certification, Secretary of Labor

Scotiabank Mexico was recognized by the Secretary of Labor as an equal-opportunity employer; only the second company nationwide to-date to receive this certification.



Best Place to Start Your Career

For the first time this year, we were found to be one of the best companies in Mexico for starting a professional career by *Expansión*, one of Mexico's premier business authorities. The study weighed the degree of company support of its employees in the areas of postgraduate study opportunities and flexibility, and professional development.



Latin American Acquisition Deal of the Year

Project Finance, one of the industry's preeminent resources on all things financial, awarded Scotia Capital Mexico with the Latin American acquisition deal of the year for facilitating Advent International Global Private Equity Group's acquisition of AERODOM, the Dominican Republic's airport interest.

Scotia Capital in the "League Tables"

Bloomberg and Latin Finance ranked Scotia Capital in first place for asset management in Latin America, and in fourth place for long-term debt consolidation in Mexico.



JP Morgan Chase Quality Recognition Award

The areas of Shared Services and Global Transaction Banking (GTB) were recognized for the fourth year by JP Morgan Chase for the high quality operational service and international payment transactions.



Best Call Center Service

The federal entity that advocates for the financial services consumer, La Comisión Nacional para la Defensa de los Usuarios de las Instituciones Financieras (CONDUSEF), ranked our call center service in second place overall (88%) in the financial sector. Under the subcategory rate of customer response, we received a 100%.



BANXICO

An annual governmental audit carried out by Mexico's Central Bank that reviews our compliance with the federal regulations governing financial institutions. This year, we increased our standing from 72.5 in 2008 to 76, the highest rating received to date for Scotiabank Mexico and the highest rating industry-wide for 2009. The audit measures Scotiabank's degree of compliance on 31 tenets of good corporate governance, including protocols for risk assessment and Board of Directors best practices, among other issues.

Scotiabank Mexico Philanthropic
Committee Members:

Ofelia Álvarez

Director, Relationship Management Officer
Metropolitan, Human Resources

Claudia Guzmán

Director, Credit Systems Policies

Guadalupe Hernández

Deputy Director, Adquisitions

Salvador Cruz

Vice President, Global Transaction Banking

Alberto Romero de Terreros

Consumer Banking

Leonardo Camberos

Director of Marketing

José Larrondo

Ombudsman

Paul D´Agata

Manager Director and Head,
Scotia Capital Mexico

Iván Lomeli

Executive Director, Commercial Banking

Alfonso de Lara

Executive Director, Risk Management

Jaime Montemayor

Executive Director, Private Banking

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