



Banco de Costa Rica and Subsidiaries

Unaudited Consolidated Financial Statements

June 30, 2022 and 2021

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BANCO DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the period ended June 30, 2022
(In colones without cents)

	Note	June 2022	December 2021	June 2021
ASSETS				
Availabilities	4	€ 944,280,161,446	960,508,938,412	785,711,746,503
Cash		78,992,266,046	100,543,762,287	70,985,003,520
Central Bank of Costa Rica		549,554,445,275	578,197,960,222	591,647,882,868
Local financial entities		10,939,189	608,863,646	449,994,167
Foreign financial entities		215,254,623,269	185,996,786,978	108,869,350,224
Notes payable on demand		2,823,417,631	481,593,852	2,068,940,300
Restricted cash and cash equivalents		97,644,470,036	94,679,945,381	11,690,575,424
Accounts and interest receivable		0	26,046	0
Investment in financial instruments	5	1,864,255,980,074	1,890,859,623,925	1,717,376,795,836
At fair value through profit or loss		252,339,330,592	294,371,792,030	206,579,807,455
At fair value through other comprehensive income		1,535,412,535,132	1,529,772,010,039	1,333,865,577,825
At amortized cost		49,344,843,319	40,227,916,128	153,366,660,445
Interest receivable		27,159,271,031	26,487,905,728	23,565,016,290
(Allowance for impairment)		0	0	(266,179)
Loan portfolio	6.b	4,109,589,153,954	3,951,163,611,912	3,765,287,845,510
Current loans	6.c	3,975,560,581,798	3,810,847,915,386	3,644,923,779,018
Past due loans		258,824,322,202	258,953,338,028	196,553,958,428
Loans in legal collection	6.c	56,229,876,800	52,111,660,667	51,966,908,691
(Deferred income loan portfolio)		(19,340,709,176)	(19,009,378,028)	(18,337,740,678)
Interest receivable	6.f	21,763,976,729	19,478,709,205	32,878,623,965
(Allowance for impairment)	6.g	(183,448,894,399)	(171,218,633,346)	(142,697,683,914)
Accounts and commissions receivable		32,329,393,858	21,927,975,909	25,754,530,607
Commissions receivable		5,683,785,081	5,451,776,874	5,601,330,206
Accounts receivable from stock exchange operations		662,880,453	127,892,080	248,282,246
Accounts receivable for transactions with related parties		490,542,526	520,094,412	620,881,760
Deferred income tax and income tax receivable	15	21,036,951,322	11,032,526,401	13,568,874,700
Other accounts receivable		18,523,213,549	17,413,421,647	17,591,696,639
(Allowance for impairment)		(14,067,979,073)	(12,617,735,505)	(11,876,534,944)
Foreclosed assets	7	59,195,753,518	63,075,876,073	66,836,773,975
Assets and securities acquired as recovery of loans		125,179,059,015	137,465,784,701	149,650,174,005
Other foreclosed assets		3,175,685,258	3,368,683,758	3,116,218,236
(Allowance for impairment and per legal requirement)		(69,158,990,755)	(77,758,592,386)	(85,929,618,266)
Interest in other companies' capital, net	8	229,494,644	65,417,188	843,703,359
Property, furniture and equipment, net	9	143,952,501,864	141,563,242,551	143,570,618,999
Property investments		6,441,924,521	6,441,924,521	6,441,924,521
Other assets		107,552,847,544	99,581,779,941	98,735,274,925
Deferred charges	10.a	2,794,845,956	8,981,047,462	11,061,623,255
Intangible assets, net	10.b	23,977,865,870	17,180,489,597	16,740,639,030
Other assets	10.c	80,780,135,718	73,420,242,882	70,933,012,640
TOTAL ASSETS	€	7,267,827,211,423	7,135,188,390,432	6,610,559,214,235

BANCO DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the period ended June 30, 2022
(In colones without cents)

	Note	June 2022	December 2021	June 2021
LIABILITIES AND EQUITY				
LIABILITIES				
Obligations with the public		€ 5,171,752,743,093	5,097,289,261,968	4,742,255,612,834
Demand obligations	11	3,261,308,747,927	3,371,923,199,180	2,946,216,462,956
Term obligations	12	1,882,573,894,224	1,691,856,375,240	1,775,284,975,916
Other obligations with the public	13	13,068,917,092	18,517,242,708	5,598,064,739
Financial charges payable		14,801,183,850	14,992,444,840	15,156,109,223
Obligations with the Central Bank of Costa Rica	14	170,286,376,723	128,285,685,643	120,594,596,978
Term obligations		169,221,766,962	127,689,025,829	120,470,000,000
Financial charges payable		1,064,609,761	596,659,814	124,596,978
Obligations with entities	14	977,780,055,892	910,366,625,702	811,804,406,446
Demand obligations	12	75,869,311,194	62,137,999,149	66,749,435,275
Term obligations	12	896,531,038,280	843,660,310,320	740,761,975,215
Financial charges payable		5,379,706,418	4,568,316,233	4,292,995,956
Accounts payable and provisions		172,339,503,632	207,184,444,610	179,427,786,935
Provisions	16	44,596,071,311	52,497,191,153	60,348,975,611
Accounts payable for stock transactions		66,305,652	563,841,051	64,402,517
Deferred income tax	15	34,483,224,714	38,955,917,658	30,428,689,337
Other sundry accounts payable	17	93,178,455,870	115,151,342,164	88,568,731,489
Financial charges payable		15,446,085	16,152,584	16,987,981
Other liabilities		25,578,413,898	26,640,699,190	29,271,625,936
Deferred income		909,889,410	1,148,961,206	1,196,270,272
Other liabilities		24,668,524,488	25,491,737,984	28,075,355,664
Subordinated obligations		20,072,259,939	0	0
Subordinated obligations		19,981,971,050	0	0
Financial charges payable		90,288,889	0	0
TOTAL LIABILITIES	€	6,537,809,353,177	6,369,766,717,113	5,883,354,029,129
EQUITY				
Capital stock	18.a	€ 181,409,990,601	181,409,990,601	181,409,990,601
Paid-in-capital		181,409,990,601	181,409,990,601	181,409,990,601
Adjustments to equity - Other comprehensive income		50,563,086,525	96,607,343,411	93,506,690,172
Equity reserves		325,313,265,088	296,709,547,031	296,709,547,031
Accrued earnings from previous periods		23,721,615,916	23,286,282,979	23,286,282,979
Profit of current period		25,347,588,511	54,434,355,511	22,737,536,562
Equity of the Development Financing Fund		40,476,721,777	36,212,011,410	36,212,011,410
Minority interest	8	83,185,589,828	76,762,142,376	73,343,126,351
TOTAL EQUITY		730,017,858,246	765,421,673,319	727,205,185,106
TOTAL LIABILITIES AND EQUITY	€	7,267,827,211,423	7,135,188,390,432	6,610,559,214,235
DEBIT CONTINGENT ACCOUNTS	19	€ 628,492,241,229	454,667,784,223	433,216,023,651
TRUST ASSETS	20	869,347,762,368	985,500,123,521	943,959,697,666
TRUST LIABILITIES		292,288,545,867	362,909,505,260	364,148,296,245
TRUST EQUITY		577,059,216,501	622,590,618,261	579,811,401,421
OTHER DEBIT MEMORANDA ACCOUNTS	21	€ 22,898,481,997,637	20,071,723,483,560	42,561,430,987,807
Own debit memoranda accounts		11,866,171,860,579	9,143,495,017,548	32,321,046,064,016
Third party debit memoranda accounts		2,761,010,088,963	2,835,154,836,649	2,559,125,593,581
Own debit memoranda accounts for custodial activities		1,038,283,988,088	1,017,428,771,091	926,982,481,332
Third party debit memoranda accounts for custodial activities		7,233,016,060,007	7,075,644,858,272	6,754,276,848,878

The accompanying notes are an integral part of these financial statements.

Douglas Soto L.
General Manager

Ana Lorena Brenes B.
Accountant

Rafael Mendoza.
General Auditor a.i

BANCO DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended June 30, 2022

(In colones without cents)

	Note	Quarter from			
		June 2022	June 2021	April 1 to June 30 2022	2021
Financial income					
For availabilities	€	163,397,352	58,131,124	137,194,136	28,599,000
For investments in financial instruments	26	44,467,902,359	42,001,445,191	22,263,993,165	21,433,974,743
For loan portfolio	27	136,555,335,897	138,350,909,803	69,463,161,178	65,196,196,925
For financial leases	27	1,244,021,081	1,163,516,036	653,903,862	608,498,313
For gain on exchange differences and Development Units	1-d.iii	2,359,157,699	532,356,029	936,763,399	741,894,060
For profit from financial instruments at fair value through profit or loss		582,246,546	396,684,923	194,227,152	207,963,249
For profit from financial instruments at fair value through other comprehensive income		8,871,658,878	2,633,300,100	2,356,364,842	1,115,607,929
For other financial income		2,318,151,955	2,458,127,475	1,180,576,180	1,301,122,320
Total financial income		196,561,871,767	187,594,470,681	97,186,183,914	90,633,856,539
Financial expenses					
For obligations with the public	28	51,897,310,142	56,965,481,066	26,046,194,607	28,916,723,223
For obligations with the Central Bank of Costa Rica		729,208,403	131,569,152	482,468,887	100,497,522
For obligations with financial and non-financial entities		11,746,736,884	12,808,169,276	6,957,741,310	6,060,796,097
For Subordinated, Convertible and Preferred Obligations		90,339,939	0	90,339,939	0
For loss from financial instruments at fair value through profit or loss		187,352,498	128,486,236	2,187,896	49,580,571
For loss from financial instruments at fair value through other comprehensive income		197,908,575	10,555,754	162,016,986	4,721,134
For other financial expenses		33,968,615	34,991,812	28,789,985	17,724,198
Total financial expenses		64,882,825,056	70,079,253,296	33,769,739,610	35,150,042,745
Allowance for impairment of assets	29	15,355,733,832	17,813,078,323	4,087,188,339	6,723,747,949
For assets recovery and decrease in allowance and provisions	30	5,280,039,539	8,337,069,702	2,492,334,085	2,664,807,742
FINANCIAL INCOME		121,603,352,418	108,039,208,764	61,821,590,050	51,424,873,587
Other operating income					
For service fees	31	57,215,298,149	51,377,638,544	28,224,454,095	25,772,344,794
For foreclosed assets		18,935,744,026	15,037,831,390	4,904,920,588	6,951,822,418
For profit on capital investments in other companies	32	4,969,892	245,969,776	4,969,892	110,110,725
For foreign currency exchange and arbitrations		12,505,013,258	10,728,230,784	6,790,727,861	5,209,449,011
For other income from related parties		164,116,699	117,628,456	164,077,456	76,192,406
For other operating income		10,315,379,296	9,532,894,203	6,260,723,373	6,080,464,606
Total other operating income		99,140,521,320	87,040,193,153	46,349,873,265	44,200,383,960
Other operating expenses					
For service fees		16,290,010,472	13,419,613,006	8,352,699,168	6,760,635,420
For foreclosed assets		20,449,403,481	18,691,845,042	7,656,886,439	8,897,506,064
For provisions		3,466,467,503	872,655,117	496,088,248	511,087,375
For exchange and arbitration, foreign currency		593,544,093	815,766,136	524,879,341	209,253,930
For other expenses with related parties		1,199,225	0	647,888	(478,139,264)
For other operating expenses		23,654,374,126	20,471,435,892	12,684,678,742	9,157,142,822
Total other operating expenses		64,454,998,900	54,271,315,193	29,715,879,826	25,057,486,347
GROSS OPERATING INCOME		156,288,874,838	140,808,086,724	78,455,583,489	70,567,771,200
Administrative expenses					
Personnel expenses		59,740,135,956	57,469,738,404	30,864,859,350	28,726,014,050
Other administrative expenses		42,551,678,642	36,835,101,353	23,761,888,450	20,125,091,738
Total administrative expenses	33	102,291,814,598	94,304,839,757	54,626,747,800	48,851,105,788
OPERATING INCOME, NET OF INCOME TAX AND STATUTORY ALLOCATIONS		53,997,060,240	46,503,246,967	23,828,835,689	21,716,665,412
Income tax	15	11,693,508,343	13,597,906,887	5,188,455,674	6,451,429,977
Deferred income tax	15	9,566,974,702	510,946,793	4,550,798,076	494,250,705
Decrease in income tax	15	7,162,647,250	1,645,760,037	2,528,006,787	1,450,874,339
Legal profit allocation	34	13,569,699,838	10,841,740,294	5,706,661,306	4,940,780,157
RESULT OF THE PERIOD		26,329,524,607	23,198,413,030	10,910,927,420	11,281,078,912
Attributed to non-controlling interests		981,936,096	460,876,468	600,803,783	276,434,579
Attributed to the comptroller		25,347,588,511	22,737,536,562	10,310,123,637	(2,875,107,240)
RESULTS OF THE PERIOD ATTRIBUTED TO THE FINANCIAL CONGLOMERATE		25,347,588,511	22,737,536,562	10,310,123,637	(2,875,107,240)
OTHER COMPREHENSIVE INCOME OF THE PERIOD, NET OF TAX					
Adjustment for valuation of investments at fair value through other comprehensive income		(40,423,689,547)	31,278,220,031	(31,865,133,769)	17,982,224,565
Reclassification of unrealized profit to the income statement		(6,071,625,212)	(1,835,921,042)	(1,536,043,499)	(777,620,756)
Adjustment for valuation of restricted financial instruments, net of income tax		(5,557,173,338)	7,310,880,207	257,498,119	6,937,287,925
Other		11,449,742,567	1,300,966,663	6,069,569,575	1,622,533,655
OTHER COMPREHENSIVE INCOME OF THE PERIOD, NET OF TAX	35	(40,602,745,530)	38,054,145,859	(27,074,109,574)	25,764,425,389
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(14,273,220,923)	61,252,558,889	(16,163,182,154)	23,165,752,728
Comprehensive income attributed to minority interest		6,423,447,452	966,705,107	3,486,023,428	979,042,616
Attributed to the comptroller		(20,696,668,375)	60,285,853,782	(19,649,205,582)	22,186,710,112
COMPREHENSIVE INCOME ATTRIBUTED TO THE FINANCIAL CONGLOMERATE	€	(20,696,668,375)	60,285,853,782	(19,649,205,582)	22,186,710,112

The accompanying notes are an integral part of these financial statements.

Douglas Soto L.
General Manager

Ana Lorena Brenes B.
Accountant

Rafael Mendoza.
General Auditor a.i

BANCO DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended June 30, 2022
(In colones without cents)

Adjustments to equity

Note	<u>Adjustments to equity</u>					<u>Accrued earnings</u>		<u>Equity of the</u>		<u>Total equity</u>
	<u>Capital Stock</u>	<u>Surplus for revaluation of property, furniture and equipment</u>	<u>Adjustment for valuation of investments at fair value through other comprehensive income</u>	<u>Adjustment for translation of financial statements</u>	<u>Total adjustments to equity</u>	<u>Equity reserves</u>	<u>from previous periods</u>	<u>Financing Fund</u>	<u>Minority interest</u>	
Balance as of December 31, 2020	€ 181,409,990,601	37,774,830,067	(2,718,583,704)	20,902,126,589	55,958,372,952	283,820,516,011	39,077,596,950	33,309,728,460	72,376,421,244	665,952,626,218
Allocation of legal reserve	0	0	0	0	0	12,889,031,020	(12,889,031,020)	0	0	0
Allocation of the Development Financing Fund	0	0	0	0	0	0	(2,902,282,951)	2,902,282,950	0	(1)
Balance as of June 30, 2021	181,409,990,601	37,774,830,067	(2,718,583,704)	20,902,126,589	55,958,372,952	296,709,547,031	23,286,282,979	36,212,011,410	72,376,421,244	665,952,626,217
Other comprehensive income										
Other total comprehensive income	0	0	36,884,824,222	663,492,998	37,548,317,220	0	22,737,536,562	0	966,705,107	61,252,558,889
Balance as of June 30, 2021	181,409,990,601	37,774,830,067	34,166,240,518	21,565,619,587	93,506,690,172	296,709,547,031	46,023,819,541	36,212,011,410	73,343,126,351	727,205,185,106
Attributed to minority interest	0	0	0	0	0	0	0	0	73,343,126,351	73,343,126,351
Attributed to the financial conglomerate	181,409,990,601	37,774,830,067	34,166,240,518	21,565,619,587	93,506,690,172	296,709,547,031	46,023,819,541	36,212,011,410	0	653,862,058,755
Balance as of December 31, 2021	181,409,990,601	31,744,671,803	40,339,757,529	24,522,914,079	96,607,343,411	296,709,547,031	77,720,638,490	36,212,011,410	76,762,142,376	765,421,673,319
Allocation of legal reserve	0	0	0	0	0	28,603,718,057	(28,603,718,057)	0	0	0
Allocation of the Development Financing Fund	0	0	0	0	0	0	(4,264,710,367)	4,264,710,367	0	0
Payment of income tax from previous periods	0	0	0	0	0	0	(21,130,594,150)	0	0	(21,130,594,150)
Balance as of June 30, 2022	181,409,990,601	31,744,671,803	40,339,757,529	24,522,914,079	96,607,343,411	325,313,265,088	23,721,615,916	40,476,721,777	76,762,142,376	744,291,079,169
Other comprehensive income										
Other total comprehensive income	0	0	(51,883,625,595)	5,839,368,709	(46,044,256,886)	0	25,347,588,511	0	6,423,447,452	(14,273,220,923)
Balance as of June 30, 2022	181,409,990,601	31,744,671,803	(11,543,868,066)	30,362,282,788	50,563,086,525	325,313,265,088	49,069,204,427	40,476,721,777	83,185,589,828	730,017,858,246
Attributed to minority interest	0	0	0	0	0	0	0	0	83,185,589,828	83,185,589,828
Attributed to the financial conglomerate	181,409,990,601	31,744,671,803	(11,543,868,066)	30,362,282,788	50,563,086,525	325,313,265,088	49,069,204,427	40,476,721,777	0	646,832,268,418

The accompanying notes are an integral part of these financial statements.

Douglas Soto L.
General Manager

Ana Lorena Brenes B.
Accountant

Rafael Mendoza.
General Auditor a.i

BANCO DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended June 30, 2022
(In colones without cents)

	Note	June 2022	June 2021
Cash flows from operating activities			
Income of the period	c	25,347,588,511	22,737,536,562
Items applied to results not requiring cash outlays		(56,431,329,996)	(56,753,996,372)
Increase or (decrease) for			
Allowance for impairment or devaluation of financial instruments		251,400,120	993,907,191
Allowance for impairment of loan portfolio		13,188,918,470	14,932,948,195
Allowance for impairment and default of other accounts receivable		1,915,415,242	1,886,222,937
Allowance for impairment of assets in lieu of payment		9,345,997,874	9,597,877,805
Income from reversal of allowance for impairment or devaluation of investments		(945,225,210)	(569,609,914)
Income from reversal of allowance for impairment of loan portfolio		(564,680,067)	(2,375,538,634)
Income from reversal of allowance for impairment and default of accounts receivable		(823,198,571)	(641,993,406)
Income from reversal of allowance for impairment of assets in lieu of payment		(18,134,740,641)	(14,718,952,903)
Income or loss for sale of assets received in lieu of payment and of property, furniture and equipment		9,515,355,781	6,791,430,874
Interest in net profit of other companies		(4,969,892)	(245,969,776)
Depreciation		6,567,839,348	6,910,612,855
Amortization		8,504,357,307	7,086,377,228
Provision for social benefits		99,586,388	159,022,341
Provisions for pending lawsuits		3,366,881,115	713,632,776
Other provisions		3,289,861	2,720,417
Income from provisions		(291,760,973)	(273,891,033)
Income tax		11,693,508,343	13,597,906,887
Deferred income tax		9,566,974,702	510,946,793
Decrease in income tax		(6,443,107,427)	(1,490,475,374)
Decrease in income tax from previous periods		(719,539,778)	(155,284,663)
Profit sharing		13,569,699,838	10,841,740,294
Interest for obligations with the public		51,897,310,142	56,965,481,066
Interest for obligations with financial entities		12,566,285,226	12,939,738,428
Income from availabilities		(163,397,352)	(58,131,124)
Interest from investment in financial instruments		(44,467,902,359)	(42,001,445,191)
Income from loan portfolio		(136,555,335,897)	(138,350,909,803)
Net profit or loss from exchange differences and Development Units		(6,191,596,346)	(926,730,104)
Minority interest in net profit of subsidiaries		981,936,096	460,876,468
Adjustments for conversion of financial statements of the entity abroad		5,839,368,709	663,492,998
Cash flows from operating activities		(24,342,585,805)	(134,352,601,504)
Net variation in assets increase or (decrease)			
Increase in financial instruments - at fair value through profit or loss		(119,745,399,208)	(659,085,112,645)
Decrease in financial instruments - at fair value through profit or loss		162,471,685,736	581,349,005,349
Increase in financial instruments - at fair value through comprehensive income		(2,136,700,942,428)	(947,825,025,541)
Decrease in financial instruments - at fair value through comprehensive income		2,063,452,868,854	879,342,773,097
Loan portfolio		(51,829,729,387)	(49,094,371,182)
Accounts and commissions receivable		(2,033,736,731)	(12,235,654,725)
Available-for-sale assets		11,941,511,749	12,597,608,905
Interest receivable for financial instruments		26,487,905,728	17,964,479,288
Interest receivable for loan portfolio		15,142,114,204	36,395,266,607
Other assets		6,471,135,678	6,238,429,342
Net variations in liabilities, increase or (decrease)		(93,770,163,845)	173,900,947,192
Obligations with the public		(78,324,348,896)	293,837,031,549
Obligations with the Central Bank of Costa Rica and other entities		61,121,774,200	(70,824,454,518)
Obligations for accounts and commissions payable and provisions		(54,294,374,805)	(19,016,659,427)
Interest payable for obligations with the public		(14,992,444,840)	(16,483,570,471)
Interest payable for obligations with the BCCR and other entities		(5,164,976,047)	(4,599,061,201)
Interest payable for accounts and commissions payable and provisions		(16,152,584)	(23,432,722)
Other liabilities		(2,099,640,873)	(8,988,906,018)
Interests paid		(43,112,360,365)	(50,314,529,356)
Collected interest		136,599,982,849	126,673,246,371
Paid income tax		(9,588,056,861)	(5,572,355,941)
Net cash flows provided by operating activities		(65,296,925,512)	76,318,246,951
Cash flows from investment activities			
Increase in financial instruments at amortized cost		(3,117,696,030,982)	(5,810,042,369,827)
Decrease in financial instruments at amortized cost		3,108,579,103,791	5,773,098,477,618
Acquisition of property, furniture and equipment		(13,906,420,473)	(5,509,356,476)
Decrease for withdrawal and transfer of property, furniture and equipment		4,630,114,985	33,143,456
Acquisition of intangibles		(7,652,942,767)	(4,205,998,324)
Decrease for withdrawal and transfer of intangibles		(4,753,523,954)	0
Interest in other companies		(159,107,564)	4,048,115
Cash flows (used for) provided by investment activities		(30,958,806,964)	(46,622,055,438)
Cash flows from financing activities			
Subordinated obligations		19,981,971,050	0
Cash flows provided by financing activities		19,981,971,050	0
Net increase (decrease) in cash and cash equivalents		(76,273,761,426)	29,696,191,513
Cash and cash equivalents at the beginning of the year		1,088,379,896,650	940,600,959,363
Effect of changes in exchange rates on cash		35,451,018,421	2,860,644,922
Cash and cash equivalents at the end of the year	4 c	1,047,557,153,645	973,157,795,798

The accompanying notes are an integral part of these financial statements.

Douglas Soto L.
General Manager

Ana Lorena Brenes
Accountant

Rafael Mendoza.
General Auditor a.i

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

(1) Summary of operations and significant accounting policies

(a) Operations

Banco de Costa Rica (hereinafter, the Bank) is an autonomous, independently managed, public law institution organized in 1877. As a State-owned public bank, it is regulated by the Internal Regulations of the National Banking System (IRNBS), the Internal Regulations of the Central Bank of Costa Rica, and by the Political Constitution of the Republic of Costa Rica. It is also subject to oversight by the General Superintendence of Financial Entities (SUGEF) and the Comptroller General of the Republic (CGR). The Bank's registered office is located at Avenida Central and Avenida Segunda, Calle 4 and Calle 6, in San José, Costa Rica.

The Bank's website and its subsidiaries located in Costa Rica is www.bancobcr.com

The Bank is mainly dedicated to extending loans and granting bid and performance bonds; issuing deposit certificates; opening checking accounts in colones, U.S. dollars, and euros; issuing letters of credit; providing collection services; buying and selling foreign currency; managing trusts; providing custodial services for assets; and other banking operations. As of June 2022, the Bank has a total 163 (162 and 166 for December and June 2021, respectively) branches distributed across the national territory, has in operation 585 (603 and 649 for December and June 2021, respectively) ATM's and has 3.894 (3.657 and 3.633 for December and June 2021, respectively) employees.

The consolidated financial statements and notes thereto are expressed in colones (¢), the legal tender of the Republic of Costa Rica and functional currency.

The Bank fully owns 100% of the following subsidiaries:

BCR Valores, S.A. - Puesto de Bolsa, was organized as a corporation in February 1999 under the laws of the Republic of Costa Rica. Its main activity is securities trading. The number of employees as of June 30, 2022, is of 70 (71 and 72 for December and June 2021, respectively) and is regulated by the General Superintendence of Securities (SUGEVAL).

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

BCR Sociedad Administradora de Fondos de Inversión, S.A. was organized as a corporation in July 1999 under the laws of the Republic of Costa Rica. Its main activity is investment fund management. The number of employees as of June 30, 2022, is of 103 (101 and 104 for December and June 2021, respectively) and is regulated by the General Superintendence of Securities (SUGEVAL).

BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A. was organized as a corporation in September 1999 under the laws of the Republic of Costa Rica. Its main activity is managing supplemental pension plans and offering additional services related to disability and death plans to members. The number of employees as of June 30, 2022, is of 106 (104 and 100 for December and June 2021, respectively) and is regulated by the Superintendence of Pensions (SUPEN).

BCR Sociedad Corredora de Seguros, S.A. was organized as a corporation in February 2009 under the laws of the Republic of Costa Rica. Its main activity is insurance underwriting. The number of employees as of June 30, 2022, is of 91 (89 and 87 for December and June 2021, respectively) and it is regulated by the General Superintendence of Insurance (SUGESE).

Banprocesa, TI S.R.L. was organized as a corporation in August 2009 under the laws of the Republic of Costa Rica. Its main activity will be to provide IT processing services and technical support, purchase, lease, and maintain hardware and software, including software development, and address the Bank's IT needs. This entity has not started operations. As of June 30, 2022, the number of employees is 82 (89 and 77 for December and June 2021, respectively). As of July 29, 2021, CONASSIF sends communication CNS-1676/06 accepting its participation as part of the conglomerate.

Depósito Agrícola de Cartago, S.A. and subsidiary, was organized as a corporation in October 1934 under the laws of the Republic of Costa Rica. Its main activity is the custody and storage of personal property of national and foreign origin, with its own legal status and administratively independent. The company is regulated by the “Ley de Almacenes Generales”.

Depósito Agrícola de Cartago, S.A. has a wholly owned subsidiary named Almacén Fiscal Agrícola de Cartago, S.A., constituted in December 1991 under the laws of the Republic of Costa Rica. Its main activity is the custody and storage of merchandise on which no import taxes have been paid, regulated by the General Customs Law, and supervised by the General Customs Directorate of the Ministry of Finance. Both companies are subject to the oversight of the Comptroller General of the Republic. As of June 30, 2022, the number of employees is of 74 (73 and 67 for December and June 2021, respectively).

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

The Bank also holds a 51% ownership interest in the following subsidiary:

Banco Internacional de Costa Rica, S.A. and subsidiary (BICSA) was organized as a bank under the laws of the Republic of Panama in 1976. It operates under a general license granted by the Superintendence of Banks of Panama to engage in banking transactions in Panama or abroad; its office is located in the city of Panama, Republic of Panama, BICSA Financial Center, 50th floor, Avenida Balboa and Calle Aquilino de la Guardia, and its subsidiary in Miami, Florida, United States of America. The remaining 49% of BICSA's shares are owned by Banco Nacional de Costa Rica. The number of employees as of June 30 2022, is of 245 (246 and 253 for December and June 2021, respectively).

In the Republic of Panama, banks are regulated by the Superintendence of Banks of Panama through Executive Order No. 26 of February 26, 1998, and by the resolutions and directives issued by that entity. Among other aspects, that law regulates authorization of banking licenses, minimum capital and liquidity requirements, general oversight, and procedures for credit risk and market risk management, money laundering prevention, and bank takeover and liquidation. Banks are also subject to an audit at least every two (2) years by auditors from the Superintendence of Banks to verify compliance with Executive Order No. 9 and Law No. 42 on Money Laundering Prevention.

BICSA wholly owns subsidiaries Arrendadora Internacional, S.A. and BICSA Capital S.A., engaged in providing funding through financial leases and purchase of invoices and brokerage services, respectively.

The Branch in Miami has been operating since September 1, 1983, under an international banking license granted by the office of the State Comptroller and Banking Commissioner of the State of Florida, United States of America.

Regulatory Matters of Banco Internacional de Costa Rica, S.A. and Subsidiary

Miami Branch

The Branch is subject to regulations and periodic oversight by certain federal and state agencies. For such purposes, the Branch has an agreement with federal and state regulatory authorities, which requires the Branch to continually maintain and report certain minimum capital ratios and maturity parameters, e.g. the Branch must maintain a minimum ratio of eligible assets to third party liabilities of 110%, on a daily basis.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

Panama Branch

Executive Order No. 9 of February 26, 1998, requires that banks operating under a general license maintain capital funds for an amount greater than or equal to 8% of risk-weighted assets, including off-balance sheet operations. This law also limits the amount that can be loaned to a single economic group to a maximum of 25% of capital funds. It also limits the amount that can be loaned to related parties to a maximum of 5% and 10% of capital funds, depending on the guarantee provided by the borrower, up to a cumulative maximum of 25% of BICSA's capital funds.

(b) Accounting policies for the preparation of consolidated financial statements

The financial statements have been prepared in accordance with the legal provisions, rules, and accounting regulations issued by the National Financial System Supervisory Board (CONASSIF), the General Superintendence of Financial Entities (SUGEF) and the Central Bank of Costa Rica (BCCR), and in those matters that are not covered by those entities, according to the International Financial Reporting Standards as of January 1, 2011 (IFRS).

Through communication C.N.S. 116-07 from December 18, 2007, the National Financial System Supervisory Board issued a reform to the regulations named "Accounting Standard Applicable to the Entities Supervised by SUGEF, SUGEVAL and SUPEN and to the non-financial issuers." The objective of such standard is to regulate the adoption and application of the International Financial Reporting Standards (IFRS) and the corresponding interpretations (SIC and IFRIC interpretations.)

Afterwards, through articles 8 and 5 of minutes corresponding to sessions 1034-2013 and 1035-2013, held on April 2, 2013, respectively, the National Financial System Supervisory Board made a change to the "Accounting standard applicable to the entities supervised by SUGEF, SUGEVAL, SUPEN and SUGESE and to the non-financial issuers."

According to such document, the IFRS and its interpretations must be mandatorily applied by the supervised entities, in accordance with the texts in force as of January 1, 2011. This is for the audits as of December 31, 2015, except for the special treatments applicable to the supervised entities and non-financial issuers. The anticipated adoption of standards is not allowed.

Issuing new IFRSs or interpretation issued by the IASB, as well as any amendment to the adopted IFRSs to be applied by the entities under supervision will require a prior authorization by the National Financial System Supervisory Board (CONASSIF).

The financial statements have been prepared based on historical costs as explained in the accounting policies below.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

Historical costs are generally based on the fair value of the consideration for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date, regardless of whether price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability on the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for the stock-based payment transactions within the scope of IFRS 2, the lease transactions within the scope of IAS 17, and the measurements that have certain similarities with the fair value, but which are not fair value, such as the net realizable value in IAS 2 or the value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 - inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 - inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - unobservable inputs for asset or liability.

(c) Investment in other companies

Valuation of investments by the equity method

i. Subsidiaries

Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. As prescribed by regulations, the financial statements must present investments in subsidiaries by the equity method rather than on a consolidated basis. Transactions that affect the equity of those companies, such as translation adjustments and unrealized gain or loss on valuation of investments, are recognized in the same manner in the Bank's equity, the effects are recorded in the account "Adjustment for valuation of investments in other companies".

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

The Bank and subsidiaries must analyze and assess the distribution of dividends in accordance with current internal and external regulations applicable to each entity. The distribution of dividends will be proposed by the Management of each entity; it will transmit the proposal to the Board of Directors and subsequently send to the shareholders 'meeting in the case of the subsidiaries. Once the amount to be distributed has been determined, the accumulated profits of previous periods and/or the capital stock will be reduced, if necessary.

The consolidated financial statements include the financial figures of the Bank and of the following subsidiaries:

Name	Percentage of ownership
BCR Valores, S.A. – Puesto de Bolsa	100%
BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A.	100%
BCR Sociedad Administradora de Fondos de Inversión, S.A.	100%
Banco Internacional de Costa Rica, S.A. and subsidiary (Arrendadora Internacional, S.A., which is 100% owned)	51%
BCR Sociedad Corredora de Seguros, S.A.	100%
Banprocesa S.R.L.	100%
Depósito Agrícola de Cartago, S.A. and subsidiary	100%

All significant intercompany balances and transactions have been eliminated on consolidation.

(d) Foreign currency

i. Transactions in foreign currency

Assets and liabilities held in foreign currency are converted to colones at the exchange rate prevailing on the date of the consolidated statement of financial position. Transactions in foreign currency during the year are converted at the foreign exchange rate prevailing on the date of the transaction. Conversion gains or losses are presented in the consolidated income statement.

ii. Monetary unit and foreign exchange regulations

As of January 30, 2015, the Board of Directors of the Central Bank of Costa Rica, in article 5 of the minutes of session 5677-2015, established a managed floating exchange rate regime starting February 2, 2015, whose main aspects are detailed below:

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

- In this regime, the Central Bank of Costa Rica will allow the exchange rate to be freely determined by the foreign exchange market but may participate in the market in a discretionary manner, to meet its own requirements of currency and those of the non-banking Public Sector, to avoid sharp exchange fluctuations.
- The Central Bank of Costa Rica may carry out direct operations or use forex held-for-trading instruments it deems appropriate in accordance with the current regulations.
- In its stabilization transactions, the Central Bank of Costa Rica will continue to use in the Foreign Currency Market (MONEX), the rules of engagement with the amendments provided for in this agreement. The Financial Stability Committee must determine the intervention procedures consistent with the strategy approved by the Board.

As established in the Chart of Accounts, assets and liabilities held in foreign currency should be expressed in colones at the exchange rate disclosed by the Central Bank of Costa Rica. Thus, as of June 30, 2022, monetary assets and liabilities denominated in U.S. dollars were valued at the exchange rate of ¢692.25 (¢645.25 and ¢621.92 for December and June 2021, respectively) for US\$1.00.

Valuation in colones of monetary assets and liabilities in foreign currency for the period ended June 30, 2022, gave rise to foreign exchange losses of ¢659.789.176.069 (¢738.005.828.877 and ¢252.223.897.901 for December and June 2021, respectively), and gains of ¢662.148.333.767 (¢741.160.419.310 and ¢252.756.253.934 for December and June 2021, respectively), which are presented net in the consolidated income statement.

Additionally, valuation of other assets and other liabilities gave rise to gains and losses, respectively, which are booked in "Other operating income" and "Other operating expenses", respectively. For the period ended June 30, 2022, valuation of other assets gave rise to losses of ¢484.451.605 (¢349.258.129 and ¢49.367.936 for December and June 2021, respectively) and valuation of other liabilities gave rise to losses of ¢173.747.648 (¢462.696.669 and ¢420.912.654 for December and June 2021, respectively).

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

iii. Financial statements of foreign subsidiaries (BICSA)

The financial statements of BICSA are presented in U.S. dollars, which is its functional currency. The translation of the financial statements to colones was carried out as follows:

- Assets and liabilities have been converted at the closing exchange rate.
- Income and expenses have been converted at the average exchange rates in effect during each year.
- The equity is measured in terms of historical cost and has been converted using the exchange rate on the transaction date.

As result of the conversions for the period ended on June 30, 2022, losses for exchange differences arise for ¢2.359.157.699 (¢3.620.787.490 and ¢663.492.998 for December and June 2021, respectively) shown in the equity section, within "Currency translation adjustment of the financial statements".

(e) Basis for the recognition of the consolidated financial statements

The consolidated financial statements have been prepared based on fair value for assets through profit or loss and through other comprehensive income. Other financial and non-financial assets and liabilities are recorded at amortized or historical cost. The accounting policies have been consistently applied.

(f) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. The Bank's financial instruments include primary instruments: cash and due from banks, investments in financial instruments, loan portfolio, other receivables, obligations with the public, obligations with entities, and payables.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

(g) Classification

Financial instruments at fair value through profit or loss are those that the Bank keeps with the purpose of generating profits in the short term.

Originated instruments are loans and other accounts receivable created by the Bank providing money to a debtor rather than with the intention of short-term profit taking.

Assets at fair value through other comprehensive income are financial assets that are not held for trading purposes, originated by the Bank, or held to maturity. Assets at fair value through other comprehensive income include certain debt securities.

In accordance with accounting standards issued by CONASSIF, investments in financial instruments made by regulated entities are to be classified as available-for-sale. Own investments in open investment funds are to be classified as held-for trading financial assets. Own investments in closed investment funds are to be classified as available-for-sale.

Entities regulated by SUGEVAL, SUGEF, SUPEN, and SUGESE may classify other investments as held-for-trading financial instruments, provided there is an express statement of intent to trade them within 90 days from the acquisition date.

(i) *Recognition*

The Bank recognizes assets at fair value through other comprehensive income on the date on which the Bank becomes a party to the contractual provisions of the instrument. From this date, any gains or losses arising from changes in the fair value of the assets are recognized in equity.

Held-to-maturity assets and originated loans and other accounts receivable are recognized using settlement date accounting, i.e. on the date they are transferred to the Bank.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

(ii) Measurement

Financial instruments are measured initially at fair value, including transaction costs.

After initial recognition, financial instruments at fair value through other comprehensive income are measured at fair value, except for any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs less impairment losses.

All non-held-for-trading financial assets and liabilities, originated loans and other accounts receivable, and held-to-maturity investments are measured at amortized cost less impairment losses. Any premium or discount is included in the carrying amount of the underlying instrument and amortized to finance income or expense using the effective interest method.

Article 17 of the Accounting Regulations applicable to entities regulated by SUGEF, SUGEVAL, SUPEN and SUGESE and to Non-financial Issuers prescribes available-for-sale classification for investments in financial instruments by regulated entities.

(iii) Principles of measurement at fair value

The fair value of financial instruments is based on their quoted market price on the consolidated financial statement date without any deduction for transaction costs.

(iv) Profits and losses on subsequent measurement

Profits and losses arising from a change in the fair value of available-for-sale assets are recognized directly in equity until the investment is considered to be impaired, at which time the loss is recognized in the consolidated income statement. When the financial assets are sold, collected, or otherwise disposed of, the cumulative gain or loss recognized in equity is transferred to the consolidated income statement.

(v) De-recognition

A financial asset is derecognized when the Bank loses control over the contractual rights that comprise the asset. This occurs when the rights are realized, expire, or are surrendered. A financial liability is derecognized when it is extinguished.

IFRS 9 introduces the “business model” as one of the conditions for classifying financial assets; it recognizes that an entity may have more than one business model, and that financial assets are reclassified if the model undergoes significant or exceptional changes.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

According to the standard, the business model refers to the way in which a financial entity manages its financial assets to generate cash flows, which could be from:

1. Collect contractual cash flows
2. Sale of financial assets
3. A combination of both

Given the above, IFRS 9 introduces a new approach to classifying financial assets and requires that they be classified at the time of their initial recording (settlement date) into three valuation categories: (i) amortized cost, (ii) fair value through changes in other comprehensive income (equity) and (iii) fair value through changes in profit and loss.

Classification in these categories will depend on two aspects: the entity's business model (how an entity manages its financial instruments) and the existence or not of contractual cash flows of specifically defined financial assets.

- If the objective of the model is to maintain a financial asset in order to collect contractual cash flows and, according to the conditions of the contract, cash flows are received on specific dates that exclusively constitute payments of principal plus interest, the asset will be valued at amortized cost.
- If the business model is aimed at both obtaining contractual cash flows and selling them to obtain liquidity and, according to the conditions of the contract, cash flows are received on specific dates that exclusively constitute payments of the principal plus interest, the financial asset will be valued at its fair value through changes in other comprehensive income (equity). Interest, impairment, and exchange differences are recorded in results as in the amortized cost model. The rest of changes in fair value are recorded in equity items and may be recycled to profit and loss on their sale.
- Beside these scenarios, the rest of the assets will be valued at fair value through profit and loss. As indicated in the Financial Reporting Regulations, investment funds in open funds must be registered in this category. Due to their characteristics, open investment funds are those that do not present restrictions for their trading, therefore, within this category, mutual funds and money market type investment funds of international markets are included, which can be settled without restriction.

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If the objective of an entity's business model undergoes significant changes, the reclassification of the instrument will be mandatory. However, the standard provides that this circumstance occurs very rarely, and when it exists, its disclosure is required according to IFRS 7, Financial Instruments: Information to be disclosed.

(h) Cash and cash equivalents

The Bank considers cash and due from banks, demand and term deposits, and investment securities that the Bank has the intent to convert into cash within two months or less, except for BICSA whose period is ninety days or less.

(i) Investments in financial instruments

Investments in financial instruments that are classified at fair value through other comprehensive income are valued at market prices using the price vector provided by Proveedor Integral de Precios de Centroamérica, S.A. (PIPCA).

The effect of market price valuation of investments at fair value through other comprehensive income are included in the equity account with the caption "Adjustment for valuation of investments at fair value through other comprehensive income" until those investments are realized or sold.

In accordance with article 18 of the Financial Reporting Regulation, called IFRS 9, Financial Instruments: Financial Assets, the following is defined:

1. The conventional purchase or sale of financial assets should be recorded applying the accounting on the settlement date.
2. Financial assets are divided into those that are measured at amortized cost and those that are measured at fair value.
3. Based on the business model for managing financial assets and the characteristics of the contractual cash flows of the financial asset, the entity must classify its own investments or joint portfolios in financial assets according to the following valuation categories:
 - a. Amortized cost. If an entity, according to its business model and current regulatory framework, classifies a part of its investment portfolio in this category, it will disclose:

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BANCO DE COSTA RICA AND SUBSIDIARIES

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- i. The fair value of financial assets classified in this category, in the quarterly financial statements and in the audited annual financial statement.
 - ii. The profit or loss that should have been recognized in the result for the period, for the financial statements indicated in the previous section.
- b. Fair value through other comprehensive income.
- c. Fair value through profit or loss: Participations in open investment funds must be recorded in this category.

In accordance with the characteristics that the Bank's portfolio must meet, based both on the Investment Management Policy and the current investment strategy, the management of the Bank's investment portfolio meets the characteristics of a business model whose main characteristic responds to managing financial assets to obtain contractual cash flows, as well as the occasional sales to meet liquidity requirements or investment portfolio management objectives, within the framework of the approved Investment Policy. In accordance with the foregoing, the financial assets that make up the Bank's investment portfolio meet the conditions to be valued at fair value through changes in other comprehensive income (equity). For purposes of defining a business model, these correspond to the main business model that characterizes the management of the Bank's investment portfolio.

However, it is required to determine the need of a "secondary" business model, whose characteristics of its comprising assets are determined by current regulations. Due to the need to manage liquidity in investment funds that the Bank currently keeps, these financial assets must be classified at fair value through changes in profit and loss, in accordance with the provisions of the Financial Reporting Regulations.

In accordance with the liquidity objectives of the Bank's investment portfolio, the execution of future investments in closed funds does not apply, according to the Entity's business model; however, current investments in these instruments must be classified according with the established Regulation.

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On the other hand, in accordance with the provisions of Law 9274, the Investment Management Policy of the Development Credit Fund, as well as the current Investment Strategy, management of the investment portfolio in the Development Credit Fund meets the characteristics of a business model whose main characteristic responds to managing financial assets to obtain contractual cash flows, as well as the occasional sales to meet liquidity requirements or investment portfolio management objectives, in the framework of the approved Investment Policy. In accordance with the foregoing, the financial assets that make up the investment portfolio of the Development Credit Fund meet the conditions to be valued at their fair value through other comprehensive income (equity). For purposes of defining a business model, these correspond to the main business model that characterizes the management of the Funds investment portfolio.

However, it is required to determine the need of a “secondary” business model, whose characteristics of the comprising assets are determined by the current regulation. Due to the need to manage liquidity in investment funds that the Development Credit Fund currently keeps, these financial assets must be classified at fair value through profit and loss, in accordance with the provisions of the Financial Reporting Regulation.

In compliance with the provisions of the Financial Reporting Regulation with respect to IFRS 9, at the meeting of the General Board of Directors, the business model for the classification and valuation of own investments in financial assets for the Bank is approved according to the following valuation categories, in accordance with the defined business model:

- Main business model

Fair value through other comprehensive income (equity): those investments that are part of the investment portfolio will be classified under this category, the objective of which is to obtain contractual cash flows such as their sale and, according to the conditions of the contract, cash flows are received on specific dates that exclusively constitute payments of the principal plus interest.

- Secondary business model

Fair value through profit or loss: we will classify under this category, those investments in financial assets that, due to their characteristics, do not represent the possibility of generating cash flows on specific dates from the payment of interest according to the financial contract.

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In addition, and by the Financial Reporting Regulation, investments in open funds will be classified at fair value through profit or loss. Financial assets with these characteristics are the following:

- Local money market investment funds.
- International money market investment funds.
- International market mutual funds.

Investments in securities of BICSA

The fair value of BICSA's investment in securities that are quoted in active markets are based on recent purchase prices. If a security is not quoted in an active market, its fair value is determined by using a valuation technique, such as the use of recent transactions, the analysis of discounted cash flows, and other valuation techniques commonly used by market participants. Shares for which fair values cannot be reliably determined are measured at cost less impairment losses.

(j) Loan portfolio

Banco de Costa Rica - Loan portfolio

SUGEF defines credits as any operation formalized by a financial intermediary irrespective of the type of underlying instrument or document, whereby the intermediary assumes the risks of either directly providing funds or credit facilities or guaranteeing that their customer will honor its obligations with third parties. Credits include loans, factoring, purchase of securities, guarantees in general, advances, checking account overdrafts, bank acceptances, interest, open letters of credit, and preapproved lines of credit.

The loan portfolio is presented at the value of outstanding principal. Interest on loans is calculated based on the outstanding principal and contractual interest rates and is accounted for as income on the accrual basis of accounting. Further, the Bank follows the policy of suspending interest accruals on loans with principal or interest that are more than 180 days past due.

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BICSA -Loan portfolio

Loans receivable are non-derivate financial assets with fixed or determinable payments that are not quoted in an active market and usually originate in providing resources for a loan. Loans are reported at their outstanding principal pending collection, less not generated interest and commissions and allowance for loan losses. Not earned commissions and interest are recognized as income over the life of the loan using the effective interest method.

(k) Allowance for doubtful accounts

Banco de Costa Rica - Loan portfolio

The loan portfolio is valued in accordance with provisions established in SUGEF Directive 1-05 "Regulations for Borrower Classification", which was approved by CONASSIF on November 24, 2005, published in the Official Journal "La Gaceta" No. 238 on Friday, March 9, 2005, and effective as of October 9, 2006.

Loan operations approved for individuals or legal entities with a total outstanding balance exceeding ¢65.000.000 (Group 1 under SUGEF Directive 1-05) are classified by credit risk. From May 23, 2020, the amount of ¢100.000.000 or its equivalent in foreign currency according to the purchase rate set by the Central Bank of Costa Rica, is established as the limit of the total outstanding balances from the Credit operations of the debtors referred to in Article 4 of the Regulation for Qualifying Debtors, SUGEF Agreement 1-05. This classification considers following considerations:

- Creditworthiness, which includes an analysis of projected cash flows, an analysis of financial position, considers the experience in the line of business, quality of management, stress testing for critical variables, and an analysis of the creditworthiness of individuals, regulated financial intermediaries, and public institutions.
- Historical payment behavior, which is determined by the borrower's payment history over the previous 48 months, considering servicing of direct loans, both current and settled, in the National Financial System as a whole. SUGEF is responsible of calculating the historical payment behavior level for borrowers reported by entities during the previous month.

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- Arrears
- Pursuant to the Directive, collateral may be used to mitigate risk for purposes of calculating the allowance for loan impairment. The market value and its updates should be considered and adjusted at least once annually. Further, the percentage of acceptance of collateral is also a mitigating factor. Collateral must be depreciated six months after the most recent appraisal.

Risk categories are summarized as follows:

Risk Category	Arrears	Historical Payment Behavior	Creditworthiness
A1	30 days or less	Level 1	Level 1
A2	30 days or less	Level 2	Level 1
B1	60 days or less	Level 1	Level 1 or Level 2
B2	60 days or less	Level 2	Level 1 or Level 2
C1	90 days or less	Level 1	Level 1, Level 2 or Level 3
C2	90 days or less	Level 2	Level 1, Level 2 or Level 3
D	120 days or less	Level 1 or Level 2	Level 1, Level 2, Level 3 or Level 4

Borrowers are to be classified in risk category E if they fail to meet the conditions for classification in risk categories A through D mentioned above, are in bankruptcy, a meeting of creditors, court protected reorganization procedure, or takeover, or if the Bank considers classification in such category to be appropriate.

From June 2019, according to SUGEF Agreement 15-16, Regulation on Management and Assessment of Credit Risk for the Development Banking System, the its credit portfolio will be subject to risk classification based on the delinquency of the debtor and the number of restructuring that the debtor has been subject of, in any of its operations carried out within the framework of Law 9274, according to the following criteria:

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<u>Risk Category</u>	<u>Classification Criteria</u>
1	a. Debtors up to date in their operations with the entity. b. Debtors with delinquency of up to 30 days with the entity
2	Debtors with delinquency of more than 30 days and up to 60 days with the entity. i. Debtors with delinquency of more than 30 days and up to 90 days with the entity. ii. Debtors with delinquency less than 60 days with the entity and have presented delinquency with the SBD greater than 90 days in the last 12 months.
3	iii. Debtors with delinquency less than 60 days with the entity, that have been subject to at least one restructuring in any operations with the entity during the last 12 months. a. Debtors with delinquency of more than 90 days and up to 120 days with the entity. b. Debtors with delinquency less than 90 days and have presented delinquency with the SBD greater than 120 days in the last 12 months.
4	c. Debtors with delinquency less than 90 days, that have been subject to at least two restructuring in any operation with the entity during the last 12 months.
5	Debtors with delinquency of more than 120 days and up to 180 days with the entity.
6	Debtors with delinquency of more than 180 days with the entity.

The delinquency to be used must correspond to the debtor's maximum delinquency at the end of each month, in any of its operations carried out within the framework of Law 9274, with the entity or with the SBD, as appropriate.

Pursuant to SUGEF Directive 1-05: "Regulation for Rating Debtors", as of January 1, 2014, the Bank must maintain a minimum amount of allowance resulting from the sum of generic and specific allowances, calculated in accordance with Transitory XII.

The generic allowance must be at least equal to 0.5% of the total due balance, corresponding to the loan portfolio classified in A1 and A2 risk categories, without reducing the effect of mitigators of loan operations which apply to contingent credits.

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The specific allowance is calculated on the covered and uncovered portion of each loan. The allowance on the exposed portion is equal to the total outstanding balance of each loan transaction less the weighted adjusted value of the relevant security. The resulting amount is multiplied by the percentage that corresponds to the risk category. The allowance on the covered part of each credit operation is equal to the amount corresponding to the covered part of the operation, multiplied by the appropriate percentage.

From July 2016, in the case of the loan portfolio of individuals whose coverage ratio of debt service is above the reasonable indicator, an additional generic allowance of 1% should be applied on the indicated basis of calculation. In the case of individuals who have a mortgage or another type of loan (except consumer loans) or are transacting a new loan with the Bank, they will have a reasonable indicator of 35%, and for consumer loans of individuals not secured by mortgage, a reasonable indicator of 30%.

The bank must keep this indicator updated, semiannually. SUGEF will verify the compliance in their normal supervisory duties.

In the case of loans denominated in foreign currency debtors placed among borrowers that don't generate cash flows in foreign currency, an additional generic allowance of 1.5% must also be applied on the basis of calculation.

The indicated generic allowance will be applied cumulatively, so that in the case of borrowers that don't generate cash flows in foreign currency, with an indicator for service coverage greater than the reasonable indicator, the generic allowance applicable will be at least of 3% (0.5% + 1% + 1.5%).

Classification categories and specific allowance percentages for each risk category are as follows:

Risk category	Specific allowance percentage on the uncovered portion of the loan	Specific allowance percentage on the covered portion of the loan
A1	0%	0%
A2	0%	0%
B1	5%	0,5%
B2	10%	0,5%
C1	25%	0,5%
C2	50%	0,5%
D	75%	0,5%
E	100%	0,5%

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As of January 1, 2014, as an exception in the case of risk category E, the minimum allowance for loans to a borrower whose historical payment behavior is rated as level 3 is to be calculated as follows:

Arrears	Specific allowance percentage on the uncovered portion of the loan	Specific allowance percentage on the covered portion of the loan	Creditworthiness (Borrowers Group 1)	Creditworthiness (Borrowers Group 2)
30 days or less	20%	0,5%	Level 1	Level 1
60 days or less	50%	0,5%	Level 2	Level 2
Over 61 days	100%	0,5%	Level 1, Level 2, Level 3 or Level 4	Level 1 or Level 2

As of December 1, 2020, as an exception for risk category E, allowance for loans of a debtor whose historical payment behavior is at Level 3, must be calculated as follows:

Delinquency at the end of the month	Specific allowance percentage on the uncovered portion of the loan	Specific allowance percentage on the covered portion of the loan	Creditworthiness (Borrowers Group 1)	Creditworthiness (Borrowers Group 2)
Up to date	5%	0,5%	Level 1	Level 1
30 days or less	10%	0,5%	Level 1	Level 1
60 days or less	25%	0,5%	Level 1 o Level 2	Level 1 o Level 2
90 days or less	50%	0,5%	Level 1 o Level 2 o Level 3 o Level 4	Level 1 o Level 2 o Level 3 o Level 4
Over 90 days	100%	0,5%	Level 1 o Level 2 o Level 3 o Level 4	Level 1 o Level 2 o Level 3 o Level 4

From July 2016, pursuant to SUGEF Directive 19-16, Agreement, "Regulation for the determination and recording of countercyclical allowance", a generic allowance is applied to that credit portfolio that shows no evidence of current impairment, as determined by the level of allowance expected in periods of economic recession and whose purpose is to mitigate the effects of the economic cycle on the financial results derived from the allowance for non-payment of loan portfolio. On a monthly basis, the Bank must record the expense per counter-cyclical component equivalent to a minimum of 7% of the positive result of the difference between income and expenses, before taxes and profit sharing of each month, until the balance of the account of the countercyclical component reaches the amount corresponding to the required balance of allowance for the entity. At the entry into force of this regulation, the required minimum percentage level of countercyclical allowance is 0.33%.

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As of March 31, 2019, the entity reached the target level of contracyclical allowance and is under the regulation of the formula established in Article 4 of the “Calculation of the requirement of contracyclical allowance” of the Regulation to determine and record countercyclical allowances”, SUGEF 19-16. The entity will continue to accumulate or disaccumulate, in accordance with the methodology established in the article and Article 5 “Accounting Registry” of that regulation.

The validity of the amendment to article 12 of this Regulation and until December 31, 2021, according to transitory XXII, the balance of allowance recorded for debtors in Risk Category E with CPH3 may not be reduced because of this modification. It is only allowed that the decrease amounts be reallocated to support increases in specific allowances for debtors reclassified to risk categories C1, C2, D and E according to articles 10 and 11 of SUGEF Agreement 1-05.

As of June 30, 2022, the total allowance of the loan portfolio reflected in the accounting records amounts to ¢165.485.287.318 (¢152.927.986.661 and ¢126.570.218.331 for December and June 2021, respectively)

As of June 30, 2022, increases in the allowance for loan impairment resulting from the minimum allowance are included in the accounting records in compliance with article 17 of SUGEF Directive 1-05 "Regulation for Rating Debtors", prior authorization from SUGEF in compliance with article 10 of IRNBS.

As of June 30, 2022, management considers the allowance to be sufficient to absorb any potential losses that could be incurred on recovery of the portfolio.

Accounts and interest receivable - Banco de Costa Rica

To qualify the risk of accounts and interest receivable unrelated to loan operations, the Bank considers the arrears based on ranges established for other assets in SUGEF Directive 1-05 "Regulations for Rating Debtors", approved by CONASSIF.

<u>Arrears</u>	<u>Allowance</u>
30 days or les	2%
60 days or les	10%
90 days or les	50%
120 days or les	75%
Over 120 days	100%

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Until IFRS 9, Financial Instruments, is implemented for the Credit Portfolio of Financial Intermediaries, the provisions established in the Debtor Rating Regulations to quantify the credit risk of debtors and constitute the corresponding estimates, will remain in force and the entities will continue calculating the estimates according to the methodology set forth in the Regulations.

BICSA- Allowance for loan impairment

BICSA assesses whether there is any objective evidence of impairment of a loan or loan portfolio. The number of losses on certain loans during the period is recognized as provision expense in the operational result and increases a provision account for loan losses. When a loan is determined to be uncollectible, the unrecoverable amount is reduced of that provision account. Subsequent recoveries of previously written-off loans increase the provision account.

Impairment losses are determined using two methods, which indicate whether there is objective evidence of impairment, i.e. individually for loans that are individually significant and collectively for loans that are not individually significant.

Impairment losses on individually assessed loans are determined based on an exposure assessment on a case-by-case basis. If it is determined that there is no objective evidence of impairment for an individually significant loan, this loan is included in a group of loans with similar characteristics and is collectively assessed for impairment. The impairment loss is calculated by comparing the present value of expected future cash flows, discounted at the loans current interest rate or the fair value of the loans collateral less the selling costs, to its current carrying value. The amount of any loss is recognized as a provision for losses in the consolidated income statement. The carrying value of impaired loans is reduced using an allowance account for losses on loans.

For the purposes of a collective assessment of impairment, BICSA uses statistical models of historical trends for probability of default, opportunity for recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that actual losses are higher or lower than those suggested by historical trends. Default and loss ratios as well as the expected term of future recoveries are regularly compared with actual outcomes to ensure they remain appropriate.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through an adjustment to the provision account. The amount of the reversal is recognized in the consolidated income statement.

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Management considers the allowance for loan impairment to be sufficient. The regulatory authority periodically reviews the allowance for loan impairment as an integral part of its audits. The regulatory authority may require that additional allowances are recognized based on its evaluation of information available as of the date of the audits.

As of June 30, 2022, the allowance disclosed in the accounting records amounts to ₡183.448.894.399 (₡171.220.447.144 and ₡142.697.683.914 for December and June 2021, respectively).

BICSA -Accounts and interest receivable

To assess the allowance for accounts and interest receivable, BICSA applies the criteria mentioned in the section on the allowance for loan impairment.

(l) Securities sold under repurchase agreements

The Bank carries out transactions of securities sales under repurchase agreements at future dates and agreed prices. The obligation to repurchase sold securities is reflected as a liability in the consolidated balance sheet and disclosed at the value of the original agreement. The underlying securities are held in asset accounts. Finance expense recognized is calculated by the effective interest method. Interest is presented as finance expense in the consolidated income statement, and accrued interest payable in the consolidated statement of financial position.

(m) Accounting for interest receivable

Interest receivable is accounted for on the accrual basis. Under current regulations, interest accrual is suspended on loan operations that are more than 180 days past due. Interest receivable on those loans is recorded when collected. BICSA does not suspend the recognition.

(n) Other receivables

The recoverability of these accounts is assessed by applying criteria like those established by SUGEF for the loan portfolio. If an account is not recovered within 120 days from the due date or from the date of its accounting record, an allowance is created for 100% of the outstanding balance. Items with no specified due date are considered enforceable immediately. BICSA applies the criteria mentioned in the section on the allowance for loan impairment.

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(o) Held-for-sale assets

Held-for-sale assets are assets owned by the Bank for realization or sale. Included in this account are assets acquired as payment in kind, assets adjudicated in judicial auctions, assets acquired to be leased under finance and operating leases, goods produced for sale, idle property and equipment, and other held-for-sale assets.

Held-for-sale assets are valued at the lower of cost and fair value. If fair value is less than the cost recorded in the accounting records, an impairment allowance must be recorded for the difference between both values. Cost is the historical acquisition or production value in local currency; these assets should not be revalued or depreciated for accounting purposes, and they are to be recorded in local currency. The cost registered in the accounting records for a realizable asset may only be increased by the amount of improvements or additions, up to the amount by which they increase the asset's realizable value. Other expenses related to held-for-sale assets are to be recognized in the period incurred.

The net realizable value of an asset should be used as its market value, which should be determined by applying strictly conservative criteria and is calculated by subtracting expenses to be incurred on the sale of the asset from its estimated selling price. The estimated selling price of the asset is determined by an appraiser based on current market conditions. Future expectations for market improvements are not considered and it is assumed that the assets must be sold in the shortest period of time possible to enable the Bank to recover the resources invested and use them for its business activities. For all held-for-assets, the Bank should have reports from the appraisers which are to be updated at least annually. If an asset recorded in this group is used by the Bank, it should be reclassified to the appropriate account in the corresponding group.

The supervised entities must record an allowance equivalent to their carrying amount for assets withdrawn from use and for held-for-sale assets that were not sold or leased, either through operating or financial leases, within a two-year period, counted from the date of its acquisition or production. Pursuant to article 20-b of SUGEF Directive 1-05, "Regulations for Rating Debtors", the Bank is required to record an allowance for disposed assets and for realizable assets that were not sold or leased under operating or finance leases within two years from the acquisition or production date, for an amount equivalent to the carrying amount of the assets. The allowance must be established gradually by recording one-forty-eighth of the value of such assets each month until the allowance is equivalent to 100% of the carrying amount, without exception. The recording of the allowance shall begin at closing date of the month in which the asset was i) acquired, ii) produced for sale or lease, or iii) disposed of.

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Pursuant to SUGEF Directive 30-18, in its article 16, to determine the carrying amount of the assets awarded in judicial auctions or received in payment of obligations, the entity must record an estimate at the rate of one forty-eighth monthly until completing one hundred percent of the carrying amount of the asset. This accounting record will begin from the closing date of the month in which the asset was awarded or received in payment.

(p) Offsetting

Financial assets and liabilities are offset, and the net amount presented in the consolidated financial statements when the Bank has a legal right to set off the recognized balances and intends to settle on a net basis.

(q) Property, furniture, and equipment

(i) *Own assets*

Property, furniture, and equipment are depreciated on the straight-line method over the estimated useful lives of the assets for both tax and financial purposes. Leasehold improvements are amortized straight line over a period of sixty months, starting the month after the deferred charge is recorded. Leasehold improvements are amortized solely at the end of the term of the lease agreement. When the lessor or the Bank notifies the other party that it does not intend to renew the lease at the end of the original lease term or extension, the remaining balance is amortized over the remainder of the lease term.

Pursuant to requirements established by regulatory authorities, the Bank must have its real property appraised by an independent appraiser at least once every five years, to determine its net realizable value. If the realizable value is less than the carrying amount, the carrying amount must be adjusted to the appraisal value.

(ii) *Leased assets*

Leases in terms of which the Bank assumes substantially all the risks and benefits of ownership are classified as leases with the right-to-use the asset.

In application of IFRS 16, entities that have lease contracts in which they are lessees must recognize a lease liability as of the entry into force of this regulation for leases previously classified as an operating lease under IAS 17. The lessee will measure that lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental loan rate on the date of initial application.

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A right-of-use asset must be recognized as of the entry into force of this regulation for leases previously classified as an operating lease under IAS 17.

(iii) *Subsequent disbursements*

Costs incurred to replace a component of an item of property, furniture and equipment is capitalized and accounted for separately. Subsequent expenses are only capitalized when they increase the future economic benefits; otherwise, they will be recognized in the consolidated income statement when incurred.

(iv) *Depreciation and amortization*

Depreciation and amortization are charged to the operating results on the straight-line method, using the annual depreciation rates established for tax purposes. When appraisals made by independent appraisers determine that the technical useful life is less than the remaining useful life calculated using applicable rates for tax purposes, the technical useful life is to be used. Estimated useful lives are as follows:

Useful lives of assets owned by the Bank and subsidiaries, except for BICSA:

Building	50 years
Vehicles	10 years
Furniture and equipment	10 years
EDP equipment	5 years
Leasehold improvements	5 years

Useful lives of assets owned by BICSA:

Building	40-50 years
Building improvements	5-35 years
Furniture and equipment	3-5 years
Furniture and equipment	3-15 years

(v) *Revaluation*

At least every five years financial entities should assess the real estate by appraisals, stating the net realizable value of the property.

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BANCO DE COSTA RICA AND SUBSIDIARIES

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If the realizable value of the assets is different from the one disclosed in the accounting records, the Bank must adjust the Carrying amount to the resulting value of the appraisal.

These assets are depreciated by the straight-line method for financial and tax purposes, based on the expected life of the respective assets.

The last appraisal was made in 2015, and it was recorded on November 30, 2015.

(r) Deferred charges

Deferred charges are valued at cost and recorded in local currency. These charges are not subject to revaluations or adjustments.

(s) Intangible assets

Intangible assets acquired by the Bank are recorded at cost less accumulated amortization and impairment losses.

Amortization of IT systems is charged to operation results on a straight-line basis over the estimated useful lives of the related assets. The estimated useful life is of 5 years.

Subsequent expenditures or disbursements are capitalized only when they increase the future economic benefits; otherwise, they are recognized in the results as incurred.

(t) Impairment of assets

The carrying amount of an asset is reviewed on each consolidated balance sheet date, to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the consolidated income statement for assets carried at cost and treated as a decrease in revaluation surplus for assets recorded at revalued amounts, until the amount of the surplus of the specific asset is sufficient to absorb the impairment loss.

The recoverable amount of an asset is the greater of its net selling price and value in use. The net selling price is equal to the value obtained in free transaction between seller and buyer. Value in use is the present value of future cash flows and disbursements derived from the continuing use of an asset and from its disposal at the end of its useful life.

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If in a subsequent period the amount of the impairment loss decreases and the decrease can be linked objectively to an event occurring after impairment loss was determined, the loss is reversed in the consolidated income statement or consolidated statement of changes in equity, as appropriate.

SUGEF establishes the following: regardless of the previously expressed, at least once every five years, financial institutions must have its property appraised by an independent appraiser, to determine the net realizable value of property and buildings, whose net book value exceeds 5% of the entity's equity. If the net realizable value of the assets appraised, taken as a whole, is less than the corresponding net carrying amount, the carrying amount is to be reduced to the appraisal value by adjusting assets that are significantly overstated. The decrease in the value of real property for use is recorded against account "331 - Adjustments for revaluation of assets.

In cases where an entity is aware of a significant overstatement in the carrying amount of one or more assets, regardless of the cause of the reduction in their value and/or the useful life originally assigned, the entity must hire an appraiser to perform a technical appraisal, immediately notify SUGEF of the results, and register the applicable adjustments in the accounting records.

(u) Obligations with the public

These are current obligations of the resources available to the Bank for the realization of its purposes provided by external sources, which are virtually inescapable and are reasonably identifiable and quantifiable.

(v) Accounts payable and other payables

Accounts payable and other payables are recognized at cost.

(w) Provisions

A provision is recognized in the consolidated statement of financial position if, as a result of a past event, the Bank has a present legal or constructive obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation. The provision made approximates settlement value; however, final amounts may vary. The estimated value of provisions is adjusted at the consolidated statement of financial position date, directly affecting the consolidated income statement.

(Continue)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

Employees' legal benefits (severance pay)

Costa Rican legislation requires the Bank and its subsidiaries domiciled in Costa Rica to pay employees' legal benefits to employees dismissed without just cause, equivalent to a seven days' salary for employees with three to six months of service, 14 days salary for employees with six months to one year of service, and compensation in accordance with the Workers Protection Law for those with more than one year of service.

In February 2000, the Workers Protection Law was enacted and published. This law modifies the existing severance benefit system and establishes a mandatory supplemental pension plan, thereby amending several provisions of the Labor Code.

Pursuant to the Workers Protection Law, all public and private employers must contribute 3% of monthly employee salaries during the entire term of employment. Contributions are collected through the Costa Rican Social Security Administration (CCSS) and are then transferred to pension fund operators selected by the employee.

The Bank follows the practice of transferring to the Employee Association the severance benefits corresponding to each employee based on the employee's current salary.

The amounts of severance benefits not transferred to the Employee Association are provisioned as indicated in the Collective Labor Agreement is provisioned in accordance with the employer legal obligation.

BICSA retirement savings plan

BICSA offers its employees defined contribution pension plans in accordance with the conditions and practices in the jurisdictions where it operates. Under those plans, BICSA contributes specified amounts to a fund managed by a third party and is under no legal obligation to make additional contributions in the event the fund has insufficient assets to pay employees their benefits.

BICSA has adopted a voluntary retirement savings plan in which BICSA contributes twice the amount contributed by employees, up to a maximum of 10% of the monthly salaries. The contribution made by BICSA and subsidiary under this plan as of June 30, 2022, amounted to ¢250.973.161 (¢507.762.911 and ¢246.599.262 for December and June 2021, respectively), equivalent to US\$362.547 (US\$820.627 and US\$405.070 for December and June 2021, respectively).

(Continue)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

BICSA -Seniority premium and indemnity for employees

Under Panamanian labor law, companies are required to establish a severance fund to guarantee payment of a seniority premium and indemnity to eligible employees upon resignation or dismissal without just cause. To create the fund, quarterly contributions of the relative portion to the employee seniority premium equivalent to 1.92% of salaries paid in the Republic of Panama are made to cover the seniority premium, while monthly contributions equivalent to 5% are made to cover the indemnity. Quarterly contributions are to be placed in a trust. As of June 30, 2022, the severance fund had a balance of ¢992.274.611 (¢876.727.630 and ¢745.823.878 for December and June 2021, respectively), equivalent to US\$1.433.405 (US\$1.358.741 and US\$1.199.228 for December and June 2021 respectively) which is disclosed in the consolidated financial statements as prepaid expenses.

(x) Legal reserve

According to Article 12 of the Organic Law of the National Banking System, the Bank yearly sets aside 50% of net earnings after income tax to increase its Legal Reserve. The Bank's subsidiaries, except for BICSA, allocate yearly 5% of their earnings after taxes to a legal reserve.

(y) Revaluation surplus

Revaluation surplus included in equity may be transferred directly to accrued earnings of prior periods when the surplus is realized. The whole surplus is realized upon disposal or use of the asset. The transfer of revaluation surplus to prior period retained earnings should not be made through the consolidated income statement. Further, the Bank was authorized by SUGEF to capitalize revaluation surplus by increasing the capital stock.

(z) Use of estimates

Management has made several estimates and assumptions related to the reporting of assets, liabilities, profit or loss, and the disclosure of contingent liabilities in preparing these consolidated financial statements. Actual results may differ from those estimates that are particularly susceptible to significant changes are related to the determination of the allowance for loan impairment.

(Continue)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

(aa) Recognition of main types of income and expenses

(i) Interest

Interest income and expense is recognized in the consolidated income statement on an accrual basis considering the effective yield or interest rate. Interest income and expense includes amortization of any premium or discount during the term of the instrument and until its maturity and is calculated on an effective interest basis.

(ii) Income from fees and commissions

When loan origination fees are generated, they are taken against effective yield, and they are deferred over the loan term. Other service fees and commissions are recognized when the services are rendered. In the case of storage services, insurance and inventory management they recorded by the accrual method.

(iii) Net income from held-for-trading securities

Net income on marketable securities includes gains and losses arising from sales and from changes in the fair value of held-for-trading assets and liabilities.

(iv) Expenses from operating lease

Payments for operating lease agreements are recognized in the consolidated income statement over the term of the lease.

(bb) Income tax

Pursuant to the Income Tax Law, the Bank and its subsidiaries are required to file their income tax returns for the twelve months period ending December 31 of each year.

(i) Current:

Current tax is the expected tax payable on taxable income for the year, using tax rates valid on the consolidated balance sheet date, and any adjustment to tax payable with respect to previous years.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

(ii) Deferred:

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial purposes and the amounts used for taxation purposes. In accordance with this method, temporary differences are identified as either taxable temporary differences (which result in future taxable amounts) or deductible temporary differences (which result in future deductible amounts). A deferred tax liability represents a taxable temporary difference, while a deferred tax asset represents a deductible temporary difference. Deferred tax assets are recognized only to the extent there is a reasonable probability that they will be realized.

BICSA's Miami branch is subject to state and federal income taxes in the United States of America. Income tax expense is determined by using the separate currency pools method, as described in Section 1.882-5 of the U.S. Treasury Department Regulations.

(cc) BICSA - Financial leases

BICSA's financial lease operations mainly consist of leases for transportation, machinery, and equipment. Average lease terms are between 36 and 60 months.

Lease receivables represent the present value of future lease payments. The difference between the gross receivable and the present value of the receivable is presented as unearned income, which is recognized in profit or loss over the life of the lease.

(dd) Pension and retirement plans, for employees of Banco de Costa Rica

A fund was created by Law No. 16 as of November 5, 1936, which has been amended on several occasions. The most recent amendment was included in Law No. 7107 dated October 26, 1988. Pursuant to this Law, the fund was established as a special wage protection and retirement system for the Bank's employees. The fund is comprised of allotments established by the related laws and regulations, and monthly contributions made by the Bank and employees equivalent to 10% and 0.5% of total wages and salaries, respectively. Starting October 1, 2007, this fund is managed by BCR Pension Operadora de Planes de Pensiones Complementarias, S.A. (subsidiary) under a comprehensive management agreement.

The Bank's contributions to the fund are defined contribution plans. Consequently, the Bank has no additional obligations.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

(ee) Legal allocations

Under article 12 of IRNBS, the net earnings of commercial State-owned banks are allocated as follows: 50% to a legal reserve; 10% to increase the capital of the National Institute for Cooperative Development (INFOCOOP); and the remainder to increase the Bank's capital, pursuant to article 20 of Law No. 6074. Transition provision III of Law No. 8634 "Development Banking System" establishes that for a five-year period starting in 2007, the contributions made by State-owned banks equivalent to 5% of their annual net earnings for the creation of the National Commission for Educational Loans (CONAPE) will be allocated as follows: two percent to CONAPE and three percent to the capital of the Development Financing Fund (FINADE). On January 2013 transitory III is removed and 5% will be allocated to CONAPE, in accordance with Law 9092, "Refund of Income of the National Commissions for Educational Loans."

In accordance with article 46 of the "National Emergency and Risk Prevention Law", all institutions of the central administration and decentralized public administration, as well as State-owned companies, must contribute three percent (3%) of their reported earnings before taxes and profits and of their accumulated budget surplus to the National Emergency Commission (CNE). Such funds are deposited in the National Emergency Fund to finance the National Risk Management System. The expenditure for CNE is calculated as 3% of income before taxes and profit sharing.

Pursuant to article 78 of the Workers Protection Law, State-owned public entities must contribute up to 15% of their earnings with the purpose of strengthening the funding base for the Disability, Old Age, and Death Benefit System of CCSS and to provide universal coverage for impoverished non-salaried workers. According to Executive Order number 37127-MTSS, starting in 2013 a progressive yearly contribution from net earnings must be set aside starting with 5% in 2013, up to 7% in 2015 and 15% as of 2017.

(ff) Development Financing Fund

As of 2008, in accordance with article 32 of Law No. 8634 "Development Banking System", all State-owned banks, except for Banco Hipotecario para la Vivienda (BANHVI), shall allocate each year at least five percent (5%) of their net earnings after income taxes to creating and strengthening its own development funds. The objective of that allocation is to provide financing to individuals and legal entities that present viable and feasible projects pursuant to the provisions of the Law (See note 40).

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

(gg) Development Credit Fund

The Development Credit Fund (DCF) comprised of the resources provided in Article 59 of the Organic Law of the National Banking System, No.1644, commonly called "Banking Toll," will be managed by the State Banks. In compliance with Law No. 9094 "Derogatory of Transitory VII-Law No. 8634," and in accordance with Article 35 of Law No. 8634 "Development Banking System", in meeting 119 of January 16, 2013, by agreement number AG 1015-119-2013, it is agreed to appoint Banco de Costa Rica and Banco Nacional de Costa Rica as managers for a five-year period from the signature of the respective management agreements. Each bank is responsible for managing fifty percent (50%) of the fund.

The Technical Secretariat of the Governing Board through written communication CR/SBD-014-2013 informed all private banks to open up checking accounts with each of the managing banks (Banco Nacional and Banco de Costa Rica), both in colones and foreign currency with the obligation to distribute fifty percent of the resources to each bank.

The powers granted by the Governing Board to the administrators are:

- a) Managing Banks can perform services with the beneficiaries of the Development Banking System as recognized by Article 6 of Law 8634.
- b) In accordance with Article 35 of the Law 8634 with funds from the Development Credit Fund, the Managing Banks can provide services to other financial entities, except for private banks, provided they meet the objectives and obligations under Law 8634 and that are duly approved by the Governing Board.
- c) The Banks may allocate in accordance with Article 35, Law 8634 the resources of the Development Credit Fund through: associations, cooperatives, foundations, NGOs, producer organizations or other entities if they have credit operations in programs that meet the objectives established in the Law 8634 and are duly approved by the Governing Board.

The contract signed for a five-year term will be renewable for equal and successive periods unless otherwise decided by the Governing Board, notified in writing at least three months in advance. It may be terminated as provided for in Article 12 paragraph j) of Law 8634 and its executive regulations, if the managing banks demonstrate proven lack of capacity and expertise. (See note 41).

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

(hh) BICSA - Trusts

BICSA has a license to manage trusts in or from the Republic of Panama. Fee and commission income derived from trust management is recognized on an accrual basis. BICSA is required to manage trust funds in accordance with the contractual terms and independently of its own equity.

(ii) Fiscal year

The economic fiscal year corresponds to the period ended on December 31 of every year.

(2) Collateralized or restricted assets

Collateralized or restricted assets are as follows:

	<u>June 2022</u>	<u>December 2021</u>	<u>June 2021</u>
Cash and cash equivalents deposited in the Central Bank of Costa Rica (see note 4)	¢ 635.821.716.719	642.689.158.709	584.320.862.824
Restricted cash and cash equivalents (see note 4)	137.550.564	160.295.897	122.298.485
Total cash and cash equivalents	<u>635.959.267.283</u>	<u>642.849.454.606</u>	<u>584.443.161.309</u>
Past due and restricted financial instruments (see note 5)	315.633.695.569	218.298.054.365	167.816.410.932
Other assets	1.064.555.203	975.397.970	869.867.066
	¢ <u>952.657.518.055</u>	<u>862.122.906.941</u>	<u>753.129.439.307</u>

(3) Balances and transactions with related parties

The consolidated financial statements include balances and transactions with related parties as follows:

	<u>June 2022</u>	<u>December 2021</u>	<u>June 2021</u>
Assets:			
Loan portfolio	¢ 1.141.294.708	1.055.499.867	1.149.144.074
Other accounts receivable	490.542.526	520.094.412	769.011.367
Interests in other entities	229.494.644	65.417.188	778.286.171
Total assets	¢ <u>1.861.331.878</u>	<u>1.641.011.467</u>	<u>2.696.441.612</u>
Income:			
Income from interest in entities	¢ 4.969.892	4.048.114	241.921.661
Sundry operating income	833.646.380	0	117.628.456
Total income	¢ <u>838.616.272</u>	<u>4.048.114</u>	<u>359.550.117</u>
Expenses:			
Expenses from investments in other companies	310.816.629	0	249.324.814
Sundry operating expenses	¢ 61.253.880	0	0
Total expenses	¢ <u>372.070.509</u>	<u>0</u>	<u>249.324.814</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

The amount paid for the compensation for key staff is as follows:

	June 2022	December 2021	June 2021
Short-term benefits	¢ 1.223.500.081	4.122.824.843	2.022.564.895
Long-term benefits	92.716.563	141.949.900	17.366.111
Directors' seating fees	147.053.562	304.758.916	176.200.486
	¢ 1.463.270.206	4.569.533.659	2.216.131.492

BCR Pensiones pays compensation to key personnel according to the approved budget for the period, which does not include benefits, incentives, or salaries in-kind.

(4) Cash and cash equivalents

For purposes of reconciliation with the consolidated statement of cash flows, cash and cash equivalents are as follows:

	June 2022	December 2021	June 2021
Cash	¢ 78.992.266.046	100.543.762.287	70.985.003.520
Demand deposits in BCCR	549.554.445.275	578.197.960.222	591.647.882.868
Checking accounts and demand deposits in local financial entities	10.939.189	608.863.646	449.994.167
Checking accounts and demand deposits in foreign financial entities	215.254.623.269	185.996.786.978	108.869.350.224
Notes payable on demand	2.823.417.631	481.593.852	2.068.940.300
Restricted cash and cash equivalents	97.644.470.036	94.679.945.381	11.690.575.424
Interest receivable	0	26.046	0
Total cash and cash equivalents	944.280.161.446	960.508.938.412	785.711.746.503
Investments in short-term financial instruments	103.276.992.199	127.870.958.238	187.446.049.295
Total cash and cash equivalents	¢ 1.047.557.153.645	1.088.379.896.650	973.157.795.798

As of June 30, 2022, demand deposits in BCCR are restricted as a minimum legal reserve in the amount of ¢635.790.684.793 (¢642.658.686.723 and ¢584.288.625.714, for December and June 2021, respectively).

As of June 30, 2022, BCR Pension's deposits in BCCR are restricted as a minimum legal reserve in the amount of ¢1.725.676 (¢2.340.736 and ¢5.514.393 for December and June 2021, respectively), for a total of ¢5.165.690.515 (¢3.533.534.292 and ¢3.301.150.439, for December and June 2021, respectively).

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

As of June 30, 2022, BCR Valores, S.A. - Puesto de Bolsa holds restricted deposits in the Central Bank of Costa Rica in the amount of ¢29.306.250 (¢28.131.250 and ¢26.722.717 for December and June 2021, respectively), for a total of ¢33.526.334.781 (¢30.392.950.645 and ¢34.095.370 for December and June 2021, respectively).

As of June 30, 2022, BCR Valores, S.A. - Puesto de Bolsa holds restricted assets as part of the guarantee fund in the amount of ¢33.359.477.968 (¢30.204.523.499 and ¢33.946.349.595 for December and June 2021, respectively). (See note 2).

As of June 30, 2022, the Bank has a liability for outstanding checks in the amount of ¢1.511.331.463 (¢638.139.432 and ¢1.482.475.295 for December and June 2021, respectively), which is offset by notes payable on demand cashed the next day once cleared by the clearing house.

(5) Investments in financial instruments

Investments in financial instruments are as follows:

	June 2022	December 2021	June 2021
At fair value through profit or loss	252.339.330.592	294.371.792.030	206.579.807.455
At fair value through other comprehensive income	1.535.412.535.132	1.529.772.010.039	1.333.865.577.825
At amortized cost	49.344.843.319	40.227.916.128	153.366.660.445
Interest receivable for investments at fair value through profit or loss	5.468.598.175	4.116.027.554	2.911.502.814
Interest receivable for investments at fair value through other comprehensive income	21.622.563.071	22.322.335.234	20.594.613.298
Interest receivable for investments classified at amortized cost	68.109.785	49.542.940	58.900.178
Allowance for impairment of financial instruments	0	0	(266.179)
	¢ 1.864.255.980.074	1.890.859.623.925	1.717.376.795.836

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

	<u>June 2022</u>	<u>December 2021</u>	<u>June 2021</u>
At fair value through profit or loss	Fair value	Fair value	Fair value
<u>Local issuers:</u>			
State-owned Banks	¢ 159.261.850	341.202.776	106.067.042
Other (Open Investment Funds)	137.856.397.428	177.486.293.537	73.967.174.778
	138.015.659.278	177.827.496.313	74.073.241.820
<u>Foreign issuers:</u>			
Government	0	38.278.164	0
Private Banks	114.221.250.000	116.145.000.000	132.468.960.000
Private issuers	62.862.689	361.017.553	0
Other	39.558.625	0	37.605.635
	¢ 252.339.330.592	294.371.792.030	206.579.807.455
	<u>June 2021</u>	<u>December 2021</u>	<u>June 2021</u>
At fair value through other comprehensive income	Fair value	Fair value	Fair value
<u>Local issuers:</u>			
Government	¢ 1.356.964.019.851	1.349.321.635.536	1.109.949.672.287
State-owned Banks	133.084.027.710	134.182.051.761	168.233.976.014
Private Banks	10.119.053.682	8.746.861.036	26.945.757.488
Private issuers	20.854.922.737	11.817.373.282	13.211.307.911
Other	0	10.694.988.174	10.462.523.327
	1.521.022.023.980	1.514.762.909.789	1.328.803.237.027
<u>Foreign issuers:</u>			
Government	0	0	1.266.987.240
Private Banks	0	0	1.247.141.773
Private issuers	14.390.511.152	15.009.100.250	2.548.211.785
	¢ 1.535.412.535.132	1.529.772.010.039	1.333.865.577.825
	<u>June 2022</u>	<u>December 2021</u>	<u>June 2021</u>
Financial instruments at amortized cost issued by entities	Fair value	Fair value	Fair value
<u>Local issuers:</u>			
Government	¢ 4.866.013.504	8.121.527.268	102.550.752.052
State-owned Banks	29.074.551.227	26.132.625.000	41.357.680.000
Private Banks	3.461.344.838	0	3.109.600.000
Private issuers	11.942.933.750	5.973.763.860	6.348.628.393
	¢ 49.344.843.319	40.227.916.128	153.366.660.445

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

As of June 30, 2022, the investment portfolio amounts to ¢166.422.694.590 (¢166.232.001.552 and ¢133.089.265 for December and June 2021, respectively) corresponding to the managed amounts of the Development Credit Fund (See note 40).

Maturities for investments in financial instruments are from June 01, 2022, to November 24, 2027.

Purchased financial instruments earn annual yield rates as follows:

	June 2022	December 2021	June 2021
Colones	0,51% to 9.01%	0.42500% to 11.50%	0,45000% to 11.50%
US dollars	0,010% to 5.75%	0.0124% to 9.20%	0,003062% to 9.35527%

Investments have been pledged as follows:

	June 2022	December 2021	June 2021
Securities in guarantee, liquidity ¢ market	278.846.915.913	50.089.013.557	132.153.069.705
Manager. Operadora de Pensiones Complementarias S.A.	5.163.964.839	5.066.214.653	3.295.636.046
Guarantee for obligations for securities repurchase agreements BCR Valores. S.A. Puesto de Bolsa	31.622.814.817	28.558.734.330	32.367.705.181
Guarantee for deferred term operations (MIL)	0	134.584.091.825	0
	¢ 315.633.695.569	218.298.054.365	167.816.410.932

In accordance with Article 37 of the Labor Protection Law, the Pension Fund Manager must hold a minimum operating capital equivalent to a percentage of the net assets of the managed funds that as of June 30, 2022, amount to ¢3.477.515.642 (¢3.531.193.556 and ¢3.295.636 for December and June 2021, respectively).

As of June 30, 2022, BCR Valores holds restricted investments in securities in the amount of ¢33.359.477.968 (¢30.204.523.498 and ¢33.946.349.594 for December and June 2021, respectively).

Repurchase Operations:

The Bank purchases financial instruments through agreements in which it binds to sell the financial instruments at future dates at previously agreed upon price and yield.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

As of June 30, 2022, purchased financial instruments remain under resale agreements.

As of June 30, 2022

<u>Issuer</u>	<u>Asset Balance</u>	<u>Fair Value of Collateral</u>	<u>Resale Date</u>	<u>Resale Price</u>
Others	370.483.210	370.483.210	01/04/2022 al 21/07/2022	100.00%
	¢ <u>370.483.210</u>	<u>370.483.210</u>		

As of December 31, 2021

<u>Issuer</u>	<u>Asset Balance</u>	<u>Fair Value of Collateral</u>	<u>Resale Date</u>	<u>Resale Price</u>
Central Bank of Costa Rica	¢ 1.950.281.667	1.950.281.667	01/10/2021 to 03/01/2022	100.00%
Local Government	1.884.666.990	1.884.666.990	01/10/2021 to 03/01/2022	100.00%
Others	1.620.225.831	1.620.225.831	01/10/2021 to 28/06/2028	100.00%
	¢ <u>5.455.174.488</u>	<u>5.455.174.488</u>		

As of June 30, 2021

<u>Issuer</u>	<u>Asset Balance</u>	<u>Fair Value of Collateral</u>	<u>Resale Date</u>	<u>Resale Price</u>
Local Government	¢ 21.601.493.474	21.601.493.474	01/07/2021 al 01/07/2021	100.00%
Others	¢ 1.186.501.750	11.273.256.352	01/07/2021 al 27/08/2021	100.00%
	¢ <u>22.787.995.224</u>	<u>32.874.749.826</u>		

(6) Loan portfolio

The total loans receivable originated by the Bank by sector are as follows:

a) Loan portfolio by economic sector

	<u>June 2022</u>	<u>December 2021</u>	<u>June 2021</u>
Current loans			
Personal loans	¢ 1.298.465.010.003	1.268.938.763.207	1.235.206.056.267
Loans Development Banking System	65.832.688.779	61.422.876.460	58.422.768.528
Business loans	202.917.335.882	198.550.432.871	167.710.028.948
Loans - Corporate	2.284.586.007.254	2.131.037.220.817	1.961.676.507.749
Loans - Public sector	60.422.268.576	68.346.748.999	118.144.728.792
Loans - Financial sector	63.337.271.304	82.551.873.032	103.763.688.734
	<u>3.975.560.581.798</u>	<u>3.810.847.915.386</u>	<u>3.644.923.779.018</u>
Past due loans			
Personal loans	135.171.885.488	138.706.195.554	79.274.237.014
Loans Development Banking System	3.148.331.107	3.044.541.896	1.039.460.405
Business loans	16.817.847.927	18.312.716.638	12.412.642.098
Loans - Corporate	103.685.069.497	98.889.883.940	103.827.618.911
Loans - Public sector	1.188.183	0	0
	<u>258.824.322.202</u>	<u>258.953.338.028</u>	<u>196.553.958.428</u>
Judicial Collection			
Personal loans	31.136.548.546	29.835.518.345	31.507.090.133
Loans Development Banking System	144.885.505	53.376.648	53.913.473
Business loans	3.889.004.662	4.569.486.592	4.442.870.554
Loans - Corporate	21.059.438.087	17.653.279.082	15.963.034.531
	<u>56.229.876.800</u>	<u>52.111.660.667</u>	<u>51.966.908.691</u>
¢	<u>4.290.614.780.800</u>	<u>4.121.912.914.081</u>	<u>3.893.444.646.137</u>

(Continue)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

b) Loan portfolio by activity

Activity	June 2022	December 2021	June 2021
Agriculture, livestock, hunting and service activities	214.228.787.607	184.399.472.990	178.762.741.352
Public administration	269.291.993.293	285.486.409.880	240.975.914.509
Fishing and aquaculture	44.887.819	46.000.000	40.228.220
Manufacturing	465.182.261.304	455.640.113.110	452.565.510.469
Telecommunications and public services	236.781.622.543	163.842.838.285	101.612.174.147
Mining and quarrying	32.154.147	35.408.877	38.552.258
Retail	568.378.663.850	513.459.539.620	432.254.534.937
Services	665.575.806.189	681.309.198.989	724.577.383.268
Transportation	51.942.155.829	52.369.425.342	55.301.129.621
Financial activities and stock exchange	3.565.001.637	3.747.089.931	3.886.564.292
A Real estate, business, and leasing Activities	36.543.636.426	37.403.809.988	37.925.327.331
Construction, purchase, and repair of real estate	1.388.810.827.185	1.338.672.803.355	1.261.246.426.560
Consumer	274.316.102.872	287.633.267.439	290.988.357.416
Hospitality	114.398.325.956	116.341.025.761	111.109.883.949
Education	780.825.853	819.434.189	792.447.274
Other activities from the non-financial private sector	741.728.290	707.076.325	1.367.470.534
	<u>4.290.614.780.800</u>	<u>4.121.912.914.081</u>	<u>3.893.444.646.137</u>
Plus, interest receivable	21.763.976.729	19.478.709.205	32 878 623 965
Deferred income from loan portfolio	(19.340.709.176)	(19.009.378.028)	(18.337.740.678)
Less allowance for loan	(183.448.894.399)	(171.218.633.346)	(142.697.683.914)
	<u><u>¢ 4.109.589.153.954</u></u>	<u><u>3.951.163.611.912</u></u>	<u><u>3.765.287.845.510</u></u>

(Continue)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

c) Current loans

The total current loans originated by the bank are detailed as follows:

	June 2022	December 2021	June 2021
Personal	¢ 1.298.465.010.003	1.268.938.763.207	1.235.206.056.267
Development Banking System	65.832.688.779	61.422.876.460	58.422.768.528
Business	202.917.335.882	198.550.432.871	167.710.028.948
Corporate	2.284.586.007.254	2.131.037.220.817	1.961.676.507.749
Public sector	60.422.268.576	68.346.748.999	118.144.728.792
Financial sector	63.337.271.304	82.551.873.032	103.763.688.734
	¢ 3.975.560.581.798	3.810.847.915.386	3.644.923.779.018

The total past due loans originated by the Bank are detailed as follows:

	June 2022	December 2021	June 2021
Past due			
Personal	¢ 135.171.885.488	138.706.195.555	79.274.237.014
Development Banking System	3.148.331.107	3.044.541.896	1.039.460.405
Business	16.817.847.927	18.312.716.638	12.412.642.098
Corporate	103.685.069.497	98.889.883.939	103.827.618.911
Public sector	1.188.183	0	0
	¢ 258.824.322.202	258.953.338.028	196.553.958.428

The total loans in judicial collection originated by the Bank are detailed as follows:

	June 2022	December 2021	June 2021
Judicial collection			
Personal	¢ 31.136.548.546	29.835.518.344	31.507.090.132
Development Banking System	144.885.505	53.376.648	53.913.473
Business	3.889.004.662	4.569.486.592	4.442.870.554
Corporate	21.059.438.087	17.653.279.083	15.963.034.532
	¢ 56.229.876.800	52.111.660.667	51.966.908.691

(Continue)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

BICSA - Financial lease receivables

The balance of financial lease receivables is as follows:

	June 2022	December 2021	June 2021
Total minimum payments	¢ 42.168.506.357	29.615.559.322	28.520.200.155
	<u>¢ 42.168.506.357</u>	<u>29.615.559.322</u>	<u>28.520.200.155</u>

The maturities of the financial leases are as follows:

	June 2022	December 2021	June 2021
Less than a year	¢ 1.662.441.144	1.324.044.612	1.352.937.206
From 1 to 5 years	40.506.065.213	28.291.514.710	27.167.262.949
	<u>¢ 42.168.506.357</u>	<u>29.615.559.322</u>	<u>28.520.200.155</u>

d) Loan portfolio by arrears

The loan portfolio by arrears is detailed as follows:

	June 2022	December 2021	June 2021
Current	¢ 3.975.560.581.798	3.810.847.915.386	3.644.923.779.018
1 to 30 days	121.127.250.214	112.146.909.301	86.526.255.614
31 to 60 days	44.039.023.598	50.533.286.605	24.762.597.204
61 to 90 days	27.752.755.516	34.081.257.943	31.996.329.696
91 to 120 days	8.645.966.616	6.379.536.753	4.230.505.012
121 to 180 days	11.104.162.173	2.784.407.977	28.268.916.384
Over 181 days	102.385.040.884	105.139.600.116	72.736.263.209
	<u>¢ 4.290.614.780.799</u>	<u>4.121.912.914.081</u>	<u>3.893.444.646.137</u>

Loans with contractual non-compliance in the payments of the principal or interest are classified as past due.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

e) Past due loans

Past due loans, including loans in accrual status (for which interest is recognized on a cash basis) and unearned interest on past due loans, are as follows:

	June 2022	December. 2021	June 2021
Number of operations	2.317	1.605	2.580
Past due loans in non-accrual status	¢ 102.385.040.885	105.139.600.115	72.736.263.209
Past due loans bearing interest	¢ 212.669.158.117	205.925.398.580	175.784
Total of unearned interest	¢ 17.859.743.604	15.524.346.083	18.527.154.516

Loans in legal collection as of June 30, 2022:

<u># of operations</u>	<u>Percentage</u>	<u>Balance</u>
1.141	1.31%	¢ <u>56.229.876.800</u>

Loans in legal collection as of December 31, 2021:

<u># of operations</u>	<u>Percentage</u>	<u>Balance</u>
987	1.26%	¢ <u>52.111.660.667</u>

Loans in legal collection as of June 30, 2021:

<u># of operations</u>	<u>Percentage</u>	<u>Balance</u>
1.044	1.33%	¢ <u>51.966.908.691</u>

As of June 30, 2022, the average annual interest rate earned on loans is 6.94% (7.47% and 7.27% for December and June 2021, respectively) in colones and 5.58% (6.98% and 8.14% for December and June 2021, respectively) in US dollars. For Banco Internacional de Costa Rica, S.A., the annual rate for operations in US dollars is 6.25% (5.85% and 6.04% for December and June 2021, respectively).

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

f) Interest receivable on loan portfolio

Interest receivable is detailed as follows:

	June 2022	December 2021	June 2021
Personal	¢ 8.017.939.286	7.859.738.072	15.478.444.574
Development Banking System	205.494.260	142.948.325	295.598.661
Business	1.064.094.648	1.068.517.022	2.108.381.986
Corporate	11.953.324.794	9.812.527.272	14.060.347.080
Public sector	290.049.638	321.799.756	543.995.998
Financial sector	233.074.103	273.178.758	391.855.666
	¢ <u>21.763.976.729</u>	<u>19.478.709.205</u>	<u>32.878.623.965</u>

g) Allowance for loan impairment

Movement in the allowance for loan impairment is as follows:

2022 Initial balance	¢ 171.218.633.346
Currency translation effect	1.409.189.794
Adjusted balance at the beginning of 2022	172.627.823.140
Plus:	
Allowance charged through profit or loss (see note 29)	13.188.918.470
Adjustments for exchange differences	4.373.505.175
Less:	
Transfer to unpaid balances	(6.176.667.882)
Reversal of allowance against income (see note 30)	(564.679.659)
Transfer of balances	(4.845)
Balance as of June 30, 2022	¢ <u>183.448.894.399</u>

December 2021

2021 Initial balance	¢ 134.225.242.689
Currency translation effect	898.919.932
Adjusted balance at the beginning of 2021	135.124.162.621
Plus:	
Allowance charged through profit or loss (see note 29)	44.208.237.658
Recoveries	50.696.002
Transfer of balances	35.102
Adjustments for exchange differences	2.460.005.646
Less:	
Adjustments for exchange differences	(97.104.735)
Transfer to unpaid balances	(8.148.999.774)
Reversal of allowance against income (see note 30)	(2.378.084.879)
Transfer of balances	(314.295)
Balance as of December 31, 2021	¢ <u>171.218.633.346</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

June 2021	
2021 Initial balance	¢ 134.225.242.689
Currency translation effect	163.013.093
Adjusted balance at the beginning of 2021	134.388.255.782
Plus:	
Allowance charged to profit and loss (See note 29)	14.932.948.196
Recoveries	(1.569.800.710)
Adjustments for exchange differences	412.466.282
Less:	
Adjustments for exchange differences	(97.104.735)
Transfer to unpaid balances	(2.993.542.267)
Reversal of allowance against income (see note 30)	(2.375.538.634)
Balance as of June 30, 2021	¢ <u>142.697.683.914</u>

h) Syndicated loans

As of June 30, 2022, the syndicated loan portfolio is detailed as follows:

Banco de Costa Rica syndicated loan portfolio:

The Bank does not maintain a syndicated loan portfolio with other banks.

BICSA - Syndicated loans

	No. Operations		Syndicated balances other banks	Syndicated balance BICSA	Total balance
1	4	Global Bank	¢ 84.878.328.650	9.170.243.773	¢ 94.048.572.423
		Banco Agromercantil de			
2	1	Guatemala, S.A.	379.729.421.321	3.777.078.679	383.506.500.000
2	13	Credicorp Bank	4.965.296.369	2.310.830.586	7.276.126.955
3	1	Credit Suisse AG	92.761.500.000	6.230.250.000	98.991.750.000
4	2	Prival Bank	20.728.318.949	11.816.553.454	32.544.872.403
5	1	Citibank New York	46.588.188.174	4.134.553.429	50.722.741.603
6	1	Banistmo	46.646.749.298	7.108.866.001	53.755.615.299
		The Bank of Nova Scotia			
7	1	(Scotiabank)	14.057.598.739	6.821.516.834	20.879.115.573
8	1	SCOTIABANK CR	274.131.000.000	6.922.500.000	281.053.500.000
9	2	BLADEX	106.760.333.339	8.153.166.661	114.913.500.000
		Banco Centroamericano de			
10	1	Integración Económica	142.488.124.998	13.268.125.002	155.756.250.000
11	1	Banco Aliado	31.334.315.672	3.278.184.328	34.612.500.000
		Bancolombia y Banco Agrícola,			
12	1	S.A.	237.441.750.000	3.461.250.000	240.903.000.000
13	2	Credit Suisse	87.846.525.000	1.453.725.000	89.300.250.000
		Banco Latinoamericano de			
14	1	Exportaciones (BLADEX)	61.264.125.000	2.076.750.000	63.340.875.000
	33		¢ <u>1.631.621.575.509</u>	<u>89.983.593.747</u>	¢ <u>1.721.605.169.256</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

As of December 31, 2021

	No. Operations		Syndicated balances other banks	Syndicated balance BICSA	Total balance
1	4	Global Bank	¢ 78.756.835.963	8.906.351.552	¢ 87.663.187.515
	5	Banco Agromercantil de			
2		Guatemala, S.A.	348.272.940.946	9.195.559.054	357.468.500.000
	3	Bladex and Nomura Securities			
2		International	61.379.406.250	3.145.593.750	64.525.000.000
3	11	Credicorp Bank	4.858.145.968	1.923.971.607	6.782.117.575
4	2	Credit Suisse AG	69.622.475.000	1.355.025.000	70.977.500.000
5	1	Mmg Bank	22.992.139.694	882.110.306	23.874.250.000
6	5	Prival Bank	12.065.019.357	18.270.233.747	30.335.253.104
7	1	Citibank New York	42.999.749.072	4.279.195.405	47.278.944.477
8	1	Banistmo	44.392.516.035	5.713.386.128	50.105.902.163
	1	The Bank of Nova Scotia			
9		(Scotiabank)	13.048.003.531	6.413.533.998	19.461.537.529
10	1	Scotiabank CR	255.519.000.000	6.452.500.000	261.971.500.000
	35		¢ 953.906.231.816	66.537.460.547	¢ 1.020.443.692.363

As of June 30, 2021

	No. Operations		Syndicated balances other banks	Syndicated balance BICSA	Total balance
1	4	Global Bank	¢ 73.282.613.759	11.210.976.940	¢ 84.493.590.699
2	5	Banco Agromercantil de			
		Guatemala, S.A.	335.611.074.167	8.932.605.833	344.543.680.000
2	1	Bladex	87.206.866.240	1.727.693.760	88.934.560.000
3	2	Bladex and Nomura Securities			
		International	60.248.500.000	1.943.500.000	62.192.000.000
4	12	Credicorp Bank	4.305.276.494	2.231.623.290	6.536.899.784
5	2	Credit Suisse AG	66.265.576.000	2.145.624.000	68.411.200.000
6	1	Mmg Bank	22.160.823.952	850.216.048	23.011.040.000
7	6	Prival Bank	10.916.909.352	18.321.526.248	29.238.435.600
8	1	Citibank New York	41.051.989.702	4.517.511.862	45.569.501.564
9	2	Banistmo	43.577.568.518	4.716.678.166	48.294.246.684
10	7	Bicsa, Banpro, ST Georges Bank,			
		Inversiones del Lago	23.978.402.684	7.428.557.316	31.406.960.000
11	6	Bicsa/Banpro/ST Georges Bank	12.288.608.702	1.082.671.298	13.371.280.000
12	1	The Bank of Nova Scotia			
		(Scotiabank)	12.475.419.048	6.182.180.952	18.657.600.000
13	1	The Bank of Nova Scotia			
		(Scotiabank), Banco Mercantil,			
		Unibank	292.799.563	136.325.237	429.124.800
	53		¢ 793.662.428.181	71.427.690.950	¢ 865.090.119.131

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

(7) Held-for-sale assets, net

Held-for-sale assets are presented net of the allowance for impairment and per legal requirement, as follows:

	June 2022	December 2021	June 2021
Financial instruments	¢ 124.635.465.077	136.797.715.011	148.962.150.433
Other assets	543.593.937	668.069.690	688.023.572
Purchased-for-sale	1.197.806.332	1.386.351.974	1.199.915.493
Idle real property, furniture, and equipment	1.977.878.927	1.982.331.784	1.916.302.743
	128.354.744.273	140.834.468.459	152.766.392.241
Allowance for impairment and per legal requirement	(69.158.990.755)	(77.758.592.386)	(85.929.618.266)
	¢ 59.195.753.518	63.075.876.073	66.836.773.975

Movement in the allowance for impairment of realizable assets is as follows:

	June 2022	December 2021	June 2021
At the beginning of the year	¢ 140.834.468.459	156.310.686.707	156.310.686.707
Translation effect	1.524.451.547	.858.926.893	133.094.244
Adjusted balance	142.358.920.006	157.169.613.600	156.443.780.951
Increase for awarded assets	8.788.002.208	32.550.186.352	16.085.980.334
Transfer to unused property, furniture, and equipment	943.392.497	573.500.629	58.316.807
Transfer of assets balances Insurance Agency	2.002.506.970	0	0
Increase goods acquired for sale	(24.500.866.790)	3.944.125.165	1.776.237.261
Sales of goods	(1.237.210.618)	(52.654.183.943)	(21.298.304.548)
Withdrawal of unused property, furniture, and equipment	0	(748.773.344)	(299.618.564)
Balance at the end of the period	¢ 128.354.744.273	140.834.468.459	152.766.392.241

Movement in the allowance for held-for-sale assets is as follows:

	June 2022	December 2021	June 2021
Opening balance	¢ 77.758.592.387	91.291.928.384	91.293.299.040
Currency conversion effect	26.225.249	403.738	66.736
Adjusted Balance	77.784.817.636	91.292.332.122	91.293.365.776
Increase in the allowance	9.345.997.874	19.500.570.248	9.597.877.805
Reversal in the allowance	(18.134.740.641)	(33.087.363.274)	(14.718.952.903)
Transfer of balances	162.915.886	53.053.290	(242.672.412)
Closing balance	¢ 69.158.990.755	77.758.592.386	85.929.618.266

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

(8) Interest in other companies' capital

Interest in other companies' capital is detailed as follows:

	June 2022	December 2021	June 2021
Capital interest in Bolsa Nacional de Valores, S.A.	29.057.201	29.057.201	29.057.201
Capital interest in Interclear Central de Valores, S.A.	36.359.987	36.359.987	36.359.987
Capital interest in Banprocesa. S. R. L.	164.077.456	0	778.286.171
¢	<u>229.494.644</u>	<u>65.417.188</u>	<u>843.703.359</u>

As of June 30, 2022, the interest in Bolsa Nacional de Valores, S.A., is of 1.514.974 common shares with a par value of ¢19,18 each, recorded at cost since these shares are not subject to public offering.

As of June 30, 2022, the interest in Interclear Central de Valores, S.A. is of 24.545.455 common shares with a par value of ¢1.4813 each, recorded at cost since these shares are not subject to public offering.

Interest in the equity of the financial conglomerate:

As of June 30, 2022, the capital stock of BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A., is represented by 1.279.450.000 common and registered shares, with a par value of ¢1 each, for a total of ¢1.279.450.000.

As of June 30, 2022, the capital stock of BCR Sociedad Administradora de Fondos de Inversión, S.A. is represented by 96.784 common and registered shares, with a par value of ¢50.000 each, for a total of ¢4.839.200.000.

As of June 30, 2022, the capital stock of BCR Valores, S.A. - Puesto de Bolsa, S.A., is represented by 12.626 common and registered shares, subscribed, and paid in full, with a par value of ¢1.000.000 each, for a total of ¢12.626.000.000.

As of June 30, 2022, the capital stock of BCR Sociedad Corredora de Seguros, S.A., is represented by 45.000 common and registered shares, subscribed, and paid in full, and with a par value of ¢50.000 each, for a total of ¢2.250.000.000. At the extraordinary Shareholders' Meeting 04-19 of BCR Corredora de Seguros on December 4, 2019, an increase in the Company's share capital was authorized in the amount of 1,000,000,000, representing an increase of 20,000 shares with which the share capital reaches the amount of ¢2,250,000,000 comprised of 45,000 common and registered, authorized and issued shares with a par value of ¢50,000 each.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

As of June 30, 2022, the capital stock of Depósito Agrícola de Cartago S. A., is represented by 972.647 common and registered shares, which are authorized and issued, with a par value of ¢314.44 each, for a total of ¢305.842.762.

As of June 30, 2022, the capital stock of Banprocesa, S.R.L., is represented by 100 common and registered shares, which are authorized and issued with a par value of ¢100,000, for a total of ¢10,000,000.

The Bank owns a 51% ownership interest in BICSA (domiciled in Panama). As of June 30, 2022, ownership interest is represented by 6.772.137 common shares of US\$10 par value each. The remaining 49% of shares is owned by Banco Nacional de Costa Rica.

The Bank's income statement for the period ended June 30, 2022, includes the amounts of ¢981.935.560 (¢1.204.741.412 and ¢460.876.468 for December and June 2021, respectively), corresponding to the net operating income of BICSA.

The Bank's statement of changes in equity for the period ended June 30, 2022, includes an equity increase of ¢5.839.368.709 (¢3.620.478.490 and ¢663.492.998 for December and June 2021, respectively) corresponding to the changes resulting from the currency translation effect of BICSA's financial statement.

As of June 30, 2022, the accumulated balance of the minority interest of Banco Nacional de Costa Rica presented in the equity section of the consolidated balance sheet amounts to ¢83.185.589.828 (¢76.762.142.376 and ¢73.343.126.351 for December and June 2021, respectively) and the income of the period represents the minority interest in the consolidated income statement in the amount of ¢981.936.096 (¢1.157.496.759 and ¢460.876.468 for December and June 2021, respectively).

As of September 15, 2021, the BCR grants Operadora de Planes de Pensiones Complementarias S.A. resources for ¢500,000,000, for the increase of the regulatory operating capital, through the approval in Minute 23-21.

As of December 21, 2021, BCR grants Operadora de Planes de Pensiones Complementarias S.A. resources for ¢130,000,000, for the increase of the regulatory operating capital, approved in minutes 55-21.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

The composition of BICSA's common shares is as follows:

	June 2022		December 2021		June 2021	
	<u>Quantity</u>	<u>Amount in US Dollars</u>	<u>Quantity</u>	<u>Amount in US Dollars</u>	<u>Quantity</u>	<u>Amount in US Dollars</u>
Balance at the beginning of the period	<u>13.278.700</u>	<u>132.787.000</u>	<u>13.278.700</u>	<u>132.787.000</u>	<u>13.278.700</u>	<u>132.787.000</u>
Balance at the end of the period	<u>13.278.700</u>	<u>132.787.000</u>	<u>13.278.700</u>	<u>132.787.000</u>	<u>13.278.700</u>	<u>132.787.000</u>

The Bank follows the policy of adjusting the value of its investment in BICSA's equity by the equity method. In applying this policy, the Bank considers the entity's operating results, as well as the variation in equity (in colones), because of the update of this equity, arising from adjustments by applying the year-end exchange rate, in addition to changes resulting from revaluations. Such variation results from the fact that BICSA's accounting records are kept in U.S. dollars

As of June 30, 2022, for the presentation of the financial statements of the Banco de Costa Rica Financial Conglomerate, due to the incorporation as a member company, and due to the nature of Banprocesa SRL's business, an adjustment was made in the amount of ¢382.847.397 (¢940.117.721, for December 2021, and for June 2021 no adjustment was made), corresponding to the profit generated in the service provided in support of the Bank's software, in the statement of financial position and in the income statement.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

(9) Property, furniture, and equipment

As of June 30, 2022, property, furniture, and equipment are detailed as follows:

						Assets for the right-of-use, buildings, and facilities	Total
<u>Cost:</u>	Property	Buildings	Furniture and equipment	Computer hardware	Vehicles		
Balance as of December 31, 2021	€ 35.822.827.602	81.913.344.038	38.986.780.302	50.694.400.676	5.809.582.106	28.144.296.674	241.371.231.398
Conversion effect	36.796.300	585.690.560	80.537.457	149.163.241	4.509.650	155.335.472	1.012.032.680
Adjusted balance	35.859.623.902	82.499.034.598	39.067.317.759	50.843.563.917	5.814.091.756	28.299.632.146	242.383.264.078
Additions	0	100.673.617	1.461.895.507	4.801.233.637	0	6.956.067.773	13.319.870.534
Withdrawals	0	0	(20.480.104)	(38.394.887)	0	(281.411.919)	(340.286.910)
Transfers	0	0	(794.348.793)	(5.428.353.421)	0	99.462.185	(6.123.240.029)
Revaluation	0	0	0	0	0	0	0
Balance as of June 30, 2022	<u>35.859.623.902</u>	<u>82.599.708.215</u>	<u>39.714.384.369</u>	<u>50.178.049.246</u>	<u>5.814.091.756</u>	<u>35.073.750.185</u>	<u>249.239.607.673</u>
<u>Accumulated depreciation and impairment:</u>							
Balance as of December 31, 2021	0	27.522.164.868	24.489.329.401	36.343.486.976	4.399.535.599	7.053.472.004	99.807.988.848
Conversion effect	0	105.937.717	76.167.490	135.774.323	4.447.516	105.472.039	427.799.085
Adjusted balance	0	27.628.102.585	24.565.496.891	36.479.261.299	4.403.983.115	7.158.944.043	100.235.787.933
Depreciation expenses	0	1.029.331.441	1.338.406.144	2.541.139.736	147.777.779	1.511.184.248	6.567.839.348
Adjustment for previous periods	0	0	0	0	0	0	0
Withdrawals	0	0	(1.121.049.854)	(535.416.655)	0	(64.940.851)	(1.721.407.360)
Transfers	0	(226.068)	857.789.196	(853.020.797)	461.958	202.197.944	207.202.233
Reversion of accumulated depreciation	0	0	0	(2.316.345)	0	0	(2.316.345)
Balance as of June 30, 2022	€ 0	<u>28.657.207.958</u>	<u>25.640.642.377</u>	<u>37.629.647.238</u>	<u>4.552.222.852</u>	<u>8.807.385.384</u>	<u>105.287.105.809</u>
June 30, 2022	€ <u>35.859.623.902</u>	<u>53.942.500.257</u>	<u>14.073.741.992</u>	<u>12.548.402.008</u>	<u>1.261.868.904</u>	<u>26.266.364.801</u>	<u>143.952.501.864</u>

(Continue)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

As of December 31, 2021, property, furniture, and equipment are detailed as follows:

						Assets for the right-of-use, buildings, and facilities	Total
Cost:			Furniture and equipment	Computer hardware	Vehicles		
Balance as of December 31, 2020	€ 35.574.974.547	80.508.103.008	36.223.723.801	48.365.138.743	5.623.133.404	27.032.342.385	233.327.415.888
Conversion effect	21.882.055	348.299.989	47.438.750	84.665.582	2.681.803	62.715.525	567.683.704
Adjusted balance	35.596.856.602	80.856.402.997	36.271.162.551	48.449.804.325	5.625.815.207	27.095.057.910	233.895.099.592
Additions	225.971.000	1.056.941.041	3.291.988.275	3.198.776.026	183.766.899	1.049.238.764	9.006.682.005
Withdrawals	0	0	(1.157.538.257)	(746.741.476)	0	0	(1.904.279.733)
Transfers	0	0	(344.870.248)	(166.888.753)	0	0	(511.759.001)
Revaluation	0	0	926.037.981	(40.549.446)	0	0	885.488.535
Balance as of December 31, 2021	35.822.827.602	81.913.344.038	38.986.780.302	50.694.400.676	5.809.582.106	28.144.296.674	241.371.231.398
<u>Accumulated depreciation and impairment:</u>							
Balance as of December 31, 2020	0	25.447.268.355	23.203.392.080	31.795.854.235	4.107.909.810	3.306.359.417	87.860.783.897
Conversion effect	0	60.912.259	44.926.989	80.711.739	2.633.401	21.711.629	210.896.017
Adjusted balance	0	25.508.180.614	23.248.319.069	31.876.565.974	4.110.543.211	3.328.071.046	88.071.679.914
Depreciation expenses	0	2.013.984.254	2.606.683.325	5.404.006.409	289.979.808	3.643.436.659	13.958.090.455
Adjustment for previous periods	0	0	0	(272.014)	(987.420)	0	(1.259.434)
Withdrawals	0	0	(1.389.949.953)	(793.918.747)	0	(179.460.802)	(2.363.329.502)
Transfers	0	0	24.276.960	(142.894.647)	0	261.425.101	142.807.414
Balance as of December 31, 2021	€ 0	27.522.164.868	24.489.329.401	36.343.486.975	4.399.535.599	7.053.472.004	99.807.988.847
December 31, 2021	€ 35.822.827.602	54.391.179.170	14.497.450.901	14.350.913.701	1.410.046.507	21.090.824.670	141.563.242.551

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

As of June 30, 2021, property, furniture, and equipment are detailed as follows:

	Property	Buildings	Furniture and equipment	Computer hardware	Vehicles	Assets for the right-of-use, buildings, and facilities	Total
Cost:							
Balance as of December 31, 2020	¢ 35.574.974.547	80.508.103.008	36.223.723.801	48.365.138.743	5.623.133.405	27.032.342.383	233.327.415.887
Currency translation effect	3.616.998	57.572.199	7.841.394	13.994.811	443.289	10.366.574	93.835.265
Adjusted balance	35.578.591.545	80.565.675.207	36.231.565.195	48.379.133.554	5.623.576.694	27.042.708.959	233.421.251.154
Additions	0	1.040.416.206	2.823.841.803	564.070.478	13.047.788	1.028.045.800	5.469.422.075
Withdrawals	0	0	(645.435.715)	(67.103.706)	0	0	(712.539.421)
Transfers	0	0	(119.491.196)	(48.878.445)	0	0	(168.369.641)
Balance as of June 30, 2021	35.578.591.545	81.606.091.413	38.289.981.307	48.808.546.245	5.636.624.482	28.070.754.759	237.990.589.751
Accumulated depreciation and impairment:							
Balance as of December 31, 2020	0	25.447.268.355	23.203.392.080	31.795.854.236	4.107.909.810	3.306.359.417	87.860.783.898
Currency translation effect	0	10.599.856	7.552.344	13.789.866	455.607	3.588.210	35.985.883
Adjusted balance	0	25.457.868.211	23.210.944.424	31.809.644.102	4.108.365.417	3.309.947.627	87.896.769.781
Depreciation expenses	0	999.525.689	1.445.906.297	2.688.313.124	145.022.750	1.631.844.995	6.910.612.855
Adjustment for previous periods	0	0	0	(272.014)	(987.420)	0	(1.259.434)
Withdrawals	0	0	(626.800.678)	(84.821.244)	0	0	(711.621.922)
Transfers	0	0	(97.029.991)	(39.113.693)	0	461.613.156	325.469.472
Balance as of June 30, 2021	¢ 0	26.457.393.900	23.933.020.052	34.373.750.275	4.252.400.747	5.403.405.778	94.419.970.752
June 30, 2021	¢ 35.578.591.545	55.148.697.513	14.356.961.255	14.434.795.970	1.384.223.735	22.667.348.981	143.570.618.999

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

(10) Other assets

(a) Other deferred charges

Other deferred charges are detailed as follows:

	<u>June 2022</u>	<u>December 2021</u>	<u>June 2021</u>
Improvement of properties in operating lease	¢ 1.061.438.990	1.142.715.512	1.395.564.793
Pre-issuance cost of financial instruments	141.911.755	280.673.715	417.800.185
Other deferred charges	1.591.495.211	7.557.658.235	9.248.258.277
	<u>¢ 2.794.845.956</u>	<u>8.981.047.462</u>	<u>11.061.623.255</u>

(b) Intangible assets

Net intangible assets correspond to computer systems. These assets are detailed as follows:

Cost:

Balance as of December 31, 2021	¢ 57.790.466.417
Currency translation effect	609.558.337
Adjusted balance	58.400.024.754
Additions to computer systems	7.503.705.502
Transfers	10.770.656.508
Withdrawals	(864.099.496)
Balance as of June 30, 2022	75.810.287.268
<i>Accumulated depreciation and impairment:</i>	
Balance as of December 31, 2021	40.609.976.820
Currency translation effect	460.321.072
Adjusted balance	41.070.297.892
Amortization expense on computer systems	5.609.090.448
Transfers	5.972.712.863
Withdrawals	(819.679.805)
Amortized balance and impairment as of June 30, 2022	51.832.421.398
Balance as of June 30, 2022	¢ 23.977.865.870

(Continue)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

As of December 2021

Cost:

Balance as of December 31, 2020	¢	47.895.898.524
Currency translation effect		352.740.973
Adjusted balance		48.248.639.497
Additions to computer systems		9.572.096.685
Transfers		263.701.538
Withdrawals		(293.971.303)
Balance as of December 31, 2021		57.790.466.417
<i>Accumulated depreciation and impairment:</i>		
Balance as of December 31, 2020		31.345.255.637
Currency translation effect		263.166.040
Adjusted balance		31.608.421.677
Amortization expense on computer systems		8.387.140.727
Transfers		894.972.398
Withdrawals		(280.557.982)
Amortized balance and impairment as of December 31, 2021		40.609.976.820
Balance as of December 31, 2021	¢	17.180.489.597

As of June 2021

Cost:

Balance as of December 31, 2020	¢	47.895.898.524
Currency translation effect		58.306.379
Adjusted balance		47.954.204.903
Additions to computer systems		4.063.315.668
Index revaluation		131.491.705
Withdrawals		(4.471.1017)
Balance as of June 30, 2021		52.144.541.169
<i>Accumulated depreciation and impairment:</i>		
Balance as of December 31, 2020		31.345.255.637
Currency translation effect		47.116.040
Adjusted balance		31.392.371.677
Amortization expense on computer systems		4.016.001.570
Withdrawals		(4.471.107)
Amortized balance and impairment as of June 30, 2021		35.403.902.139
June 30, 2021	¢	16.740.639.030

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

(c) Other assets

Other assets are detailed as follows:

	June 2022	December 2021	June 2021
Prepaid taxes	15.117.512.047	21.910.818.741	10.122.217.552
Other prepaid taxes	675.229.100	263.012.326	472.009.447
Prepaid leases	78.383	78.383	78.383
Prepaid insurance policy	421.235.238	265.096.029	386.547.963
Other prepaid expenses	1.089.327.177	751.131.642	692.568.572
Prepaid expenses	17.303.381.945	23.190.137.121	11.673.421.917
Stationery, supplies and other materials	186.045.621	168.756.224	140.353.061
Library and works of art	42.223.898	39.496.776	38.143.077
Construction in process	5.401.400.067	5.266.177.614	4.272.347.073
Automated applications under development	3.721.651.589	4.942.070.410	3.652.437.498
Membership in social and professional institutions	36.633.800	36.633.800	36.633.800
Other miscellaneous goods	27.144.372.573	19.324.460.907	17.939.388.618
Miscellaneous goods	36.532.327.548	29.777.595.731	26.079.303.127
Missing cash	75.755.757	46.699.731	64.729.459
Transactions to be settled	25.418.818.007	19.067.613.241	31.906.845.118
Other operations pending allocation	149.468.555	138.719.810	120.324.898
Operations pending allocation	25.644.042.319	19.253.032.782	32.091.899.475
Guarantee deposits	1.300.383.906	1.199.477.248	1.088.388.121
Restricted assets	1.300.383.906	1.199.477.248	1.088.388.121
	¢ 80.780.135.718	73.420.242.882	70.933.012.640

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

(11) Demand obligations with the public

Demand obligations with the public are as follows:

	June 2022	December 2021	June 2021
Checking accounts	¢ 2.194.856.336.305	2.352.095.313.148	2.050.945.297.092
Cashier's checks	526.616.247	124.395.904	147.072.571
Demand savings deposits	1.051.384.460.784	1.008.406.093.095	880.614.990.935
Overdue term borrowings	3.342.425.728	2.504.906.622	3.452.843.954
Overnight deposits	2.021.370.000	3.197.213.750	3.445.436.800
Other demand borrowings	1.150.786.016	1.483.602.032	1.776.624.560
Other demand obligations with the public	8.026.752.847	4.111.674.629	5.834.197.044
	¢ 3.261.308.747.927	3.371.923.199.180	2.946.216.462.956

(12) Term and demand obligations with the public and entities

Term and demand obligations with the public and entities per number of customers and accumulated amount are detailed as follows:

	June 2022	December 2021	June 2021
<u>Obligations with the public</u>	Demand	Demand	Demand
Deposits from the public	¢ 3.253.281.995.079	3.367.811.524.550	2.940.382.265.912
Other obligations with the public	8.026.752.848	4.111.674.630	5.834.197.044
(See note 11)	3.261.308.747.927	3.371.923.199.180	2.946.216.462.956
<u>Obligations with entities</u>			
Deposits from state-owned entities	4.945.038.556	3.556.678.202	6.924.419.250
Deposits from other Banks	8.967.604.207	7.632.836.260	12.562.695.014
Other obligations with entities	61.956.668.431	50.948.484.687	47.262.321.011
	75.869.311.194	62.137.999.149	66.749.435.275
	¢ 3.337.178.059.121	3.434.061.198.329	3.012.965.898.231

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

	June 2022	December 2021	June 2021
	Demand	Demand	Demand
<u>Obligations with the public</u>			
Deposits from the public	¢ 1.882.562.651.052	1.691.845.165.742	1.775.274.362.782
Other obligations with the public	11.243.172	11.209.498	10.613.134
	<u>1.882.573.894.224</u>	<u>1.691.856.375.240</u>	<u>1.775.284.975.916</u>
<u>Obligations with entities</u>			
Deposits from state-owned entities	54.350.269.949	82.772.160.448	70.317.813.073
Deposits from other Banks	4.602.375.365	10.511.690.020	6.237.849.924
Other obligations with entities	837.578.392.966	750.376.459.852	664.206.312.218
	<u>896.531.038.280</u>	<u>843.660.310.320</u>	<u>740.761.975.215</u>
	¢ <u>2.779.104.932.504</u>	<u>2.535.516.685.560</u>	<u>2.516.046.951.131</u>

As of June 30, 2022, demand deposits with the public include court-ordered deposits for ¢256.815.241.396 (¢247.766.946.452 and ¢232.277.254.785 for December and June 2021, respectively), which are restricted because of their nature.

As of June 30, 2022, the Bank has a total of de 1.714.915 (1.765.641 and 1.694.370 for December and June 2021, respectively) employees with demand deposits and with term deposits 36.342 (34.887 and 36.614 for December and June 2021, respectively). The subsidiary BICSA has a total of 951 customers (911 and 1.069 for December and June 2021, respectively) with demand deposits and 1.171 (1.203 and 1.141 for December and June 2021, respectively).

(13) Other obligations with the public

Other obligations with the public are as follows:

	June 2022	December 2021	June 2021
Obligations for confirmed letters of credit	¢ 5.970.822.390	11.267.239.574	4.155.475.967
Obligations for security tripartite agreements forward buyer	7.098.094.702	7.250.003.134	1.442.588.772
	¢ <u>13.068.917.092</u>	<u>18.517.242.708</u>	<u>5.598.064.739</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

Repurchase agreements:

The Bank raises funds through the sale of financial instruments under agreements in which the Bank undertakes to repurchase them at future dates and at a predetermined price and yield.

As of June 30, 2022, the Bank's repurchase agreements are as follows:

	Fair value of the assets	Liability balance	Repurchase date	Repurchase date
Investments	¢ <u>33.359.477.968</u>	<u>7.098.094.702</u>	01/07/2022 to 31/12/2022	100%

As of December 31, 2021, the Bank's repurchase agreements are as follows:

	Fair value of the assets	Liability balance	Repurchase date	Repurchase date
Investments	¢ <u>30.204.523.499</u>	<u>7.250.003.134</u>	01/10/2021 to 31/12/2021	100%

As of June 30, 2021, the Bank's repurchase agreements are as follows:

	Fair value of the assets	Liability balance	Repurchase date	Repurchase price
Investments	¢ <u>33.946.349.595</u>	<u>1.442.588.772</u>	11/01/2021 to 10/02/2021	100%

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

(14) Obligations with entities and the Central Bank of Costa Rica

Obligations with entities and with the Central Bank of Costa Rica are detailed as follows:

	June 2022	December 2021	June 2021
Term obligations with the Central Bank of Costa Rica	¢ 169.221.766.962	127.689.025.829	120.470.000.000
Charges payable for obligations with the Central Bank of Costa Rica	1.064.609.761	596.659.814	124.596.978
	<u>170.286.376.723</u>	<u>128.285.685.643</u>	<u>120.594.596.978</u>
Checking accounts of local financial entities	23.535.872.839	31.450.987.320	25.959.689.880
Checking accounts of foreign financial entities	5.244.157.181	4.315.260.364	8.076.042.911
Overdrafts on demand checking accounts of foreign financial entities	12.438.377.898	5.938.790.633	12.025.530.080
Obligations for check deposits	1.511.331.463	638.139.432	1.482.475.295
Overnight deposits	33.139.571.812	19.794.821.401	19.205.697.107
Term deposits from local financial entities	79.160.589.065	121.297.089.218	108.702.667.797
Term deposits from financial entities abroad	21.464.420.611	45.730.422.553	30.702.951.535
Loan from foreign financial entities (See note 14-a)	375.742.156.748	328.149.334.117	303.638.942.153
Obligations for resources taken from the liquidity market	31.606.224.913	24.673.097.335	25.801.141.282
Obligations for resources taken from the liquidity market	23.959.307.748	19.835.551.998	29.457.874.718
Obligations with resources from the Development Credit Fund (DCF)	197.324.452.029	186.862.695.178	155.152.024.290
Charges payable for obligations with financial and non-financial entities	5.379.706.421	4.568.316.235	4.292.995.959
	<u>810.506.168.728</u>	<u>793.254.505.784</u>	<u>724.498.033.007</u>
Loans from local financial entities (See note 14-a)	95.362.975.497	89.809.121.247	87.306.373.439
Obligations for deferred liquidity operations (See note 14-a)	71.910.911.667	27.302.998.671	0
	<u>977.780.055.892</u>	<u>910.366.625.702</u>	<u>811.804.406.446</u>
Subordinated obligations	19.981.971.050	0	0
Charges payable for subordinated obligations	90.288.889	0	0
	<u>20.072.259.939</u>	<u>0</u>	<u>0</u>
¢	<u>1.168.138.692.554</u>	<u>1.038.652.311.345</u>	<u>932.399.003.424</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

The maturities of the term obligations with entities are from July 1, 2022, to December 23, 2026.

Annual interest rates for the new obligations with entities are as follows:

	<u>June 2022</u>	<u>December 2021</u>	<u>June 2021</u>
Colones	0.01% to 6.25%	0.1999 % to 2.00%	0,3571 % to 1.50%
US dollars	0.01% to 6.22%	0.009% to 3.50%	0,009% to 0.42%

As of June 30, 2022, December and June 2021, there are no term obligations with foreign financial entities for the international issuance.

a) Maturity of loans payable

As of June 30, 2022, the maturities of loans payable are detailed as follows:

	Central Bank of Costa Rica	Local financial entities	Foreign financial entities	International organizations	Total
Less than one year	¢ 123.919.939.444	0	0	12.216.176.489	136.136.115.933
From one to two years	117.212.739.184	0	0	0	117.212.739.184
From three to five years	0	0	0	3.599.700.000	3.599.700.000
Total	¢ 241.132.678.628	0	0	15.815.876.489	256.948.555.117

As of December 31, 2021, the maturities of loans payable are detailed as follows:

	Central Bank of Costa Rica	Local financial entities	Foreign financial entities	International organizations	Total
Less than one year	¢ 37.304.109.720	97.121.661.248	194.348.782.350	22.773.529.427	351.548.082.745
From one to two years	0	9.369.029.997	48.479.480.750	0	57.848.510.747
From three to five years	117.687.914.780	3.153.982.000	30.612.985.808	0	151.454.882.588
Over five years	0	0	28.579.255.782	3.355.300.000	31.934.555.782
Total	¢ 154.992.024.500	109.644.673.245	302.020.504.690	26.128.829.427	592.786.031.862

As of June 30, 2021, the maturities of loans payable are detailed as follows:

	Central Bank of Costa Rica	Local financial entities	Foreign financial entities	International organizations	Total
From one to five years	¢ 0	103.450.184.797	110.187.297.924	15.548.000.000	229.185.482.721
From one to two years	0	7.152.080.000	91.290.377.050	32.925.176.483	131.367.633.533
From three to five years	120.470.000.000	6.161.983.360	25.228.590.707	0	151.860.574.067
More than five years	0	0	28.459.499.989	0	28.459.499.989
Total	¢ 120.470.000.000	116.764.248.157	255.165.765.670	48.473.176.483	540.873.190.310

(Continue)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

b) Lease obligations

As of June 30, 2022, there are obligations for the right of use – leased assets received.

	<u>Fee</u>	<u>Interest</u>	<u>Maintenance</u>	<u>Amortization</u>
Less than one year	¢ 5.377.925.424	1.861.436.303	0	3.516.489.121
From one to five years	37.414.121.463	6.301.191.994	0	31.112.929.469
	<u>¢ 42.792.046.887</u>	<u>8.162.628.297</u>	<u>0</u>	<u>34.629.418.590</u>

As of December 31, 2021, there are obligations for the right of use – leased assets received.

	<u>Fee</u>	<u>Interest</u>	<u>Maintenance</u>	<u>Amortization</u>
Less than one year	¢ 4.044.898.868	1.445.443.139	0	2.599.455.729
From one to five years	27.611.269.570	5.537.627.964	0	22.073.641.606
	<u>¢ 31.656.168.438</u>	<u>6.983.071.103</u>	<u>0</u>	<u>24.673.097.335</u>

As of June 30, 2021, there are obligations for the right of use – leased assets received.

	<u>Fee</u>	<u>Interest</u>	<u>Maintenance</u>	<u>Amortization</u>
Less than one year	¢ 3.865.889.838	1.459.770.019	0	2.406.119.819
From one to five years	29.292.639.379	5.897.617.917	0	23.395.021.463
	<u>¢ 33.158.529.217</u>	<u>7.357.387.935</u>	<u>0</u>	<u>25.801.141.282</u>

As of June 30, 2022, the allowance for future lease payments is as follows:

	<u>Colones</u>	<u>US\$ converted to colones</u>
1 year	757.119.937	3.321.128.432
2 years	820.288.715	3.440.560.356
3 years	933.254.580	3.740.536.855
4 years	898.353.910	3.495.775.043
5 years	895.351.429	3.543.067.927
Over 5 years	2.615.687.352	10.168.294.055
	<u>¢ 6.920.055.923</u>	<u>27.709.362.667</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

As of December 31, 2021, the allowance for future lease payments is as follows:

		Colones	US\$ converted to colones
1 year	¢	373.598.175	2.854.828.742
2 years		399.045.717	3.153.861.569
3 years		396.248.726	2.959.721.202
4 years		358.694.767	3.076.426.715
5 years		322.198.063	2.871.264.699
Over 5 years		1.143.349.468	9.983.489.199
	¢	<u>2.993.134.916</u>	<u>24.899.592.126</u>

As of June 30, 2021, the allowance for future lease payments is as follows:

		Colones	US\$ converted to colones
1 year	¢	297.394.287	2.657.144.458
2 years		378.599.927	3.192.704.291
3 years		380.934.339	2.903.993.402
4 years		424.700.453	2.997.944.192
5 years		367.024.244	2.813.260.086
Over 5 years		1.307.188.224	11.026.401.390
	¢	<u>3.155.841.474</u>	<u>25.591.447.818</u>

As of June 30, 2022, future payments of the lease liability are presented as follows:

	Year	Payments	Presentvalue	Amortization	Interest	Balance of the agreement
1	30/6/2022	5.866.168.303	3.752.137.948	1.730.300.561	2.122.538.187	30.881.192.243
2	30/6/2023	5.835.124.878	4.329.785.621	2.639.656.603	1.664.202.182	26.704.174.082
3	30/6/2024	6.530.415.502	4.958.851.877	3.445.337.016	1.579.745.126	21.751.714.032
4	30/6/2025	5.827.553.903	4.642.042.829	3.477.475.539	1.187.155.290	17.111.313.587
5	30/6/2026	5.383.918.263	4.483.019.166	3.582.120.069	900.899.097	12.463.581.148
6	30/6/2027	5.027.528.441	4.436.383.972	3.845.239.503	591.144.469	8.027.197.176
7	30/6/2028	5.740.308.084	5.382.051.328	5.023.794.572	358.256.756	2.645.145.848
8	30/6/2029	2.691.959.131	2.645.145.848	2.598.332.564	46.813.284	0
	¢	<u>42 902 976 507</u>	<u>34 629 418 590</u>	<u>26 342 256 426</u>	<u>8 450 754 392</u>	<u>0</u>

(Continue)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

As of December 31, 2021, future payments of the lease liability are presented as follows:

	Year	Payments	Present value	Amortization	Interest	Balance of the agreement
1	31/12/2021	4.821.374.812	3.133.144.657	1.532.785.088	1.734.211.758	24.759.674.766
2	31/12/2022	4.821.158.265	3.568.069.160	2.161.097.039	1.395.198.173	21.191.380.439
3	31/12/2023	4.791.674.093	3.621.492.012	2.506.894.404	1.180.371.231	17.569.532.842
4	31/12/2024	4.385.064.591	3.432.001.130	2.491.416.402	959.284.374	14.138.019.796
5	31/12/2025	3.979.834.637	3.226.797.418	2.473.760.199	753.037.219	10.911.222.379
6	31/12/2026	3.979.834.637	3.423.775.139	2.867.715.642	556.059.498	7.487.447.239
7	31/12/2027	3.979.834.637	3.632.808.861	3.285.783.085	347.025.776	3.854.638.379
8	31/12/2028	3.979.834.637	3.854.638.665	3.729.442.120	125.196.258	0
		¢ 34.738.610.309	27.892.727.042	21.048.893.979	7.050.384.287	0

As of June 30 2021, future payments of the lease liability are presented as follows:

	Year	Payments	Present value	Amortization	Interest	Balance of the agreement
1	31/12/2021	4.481.469.683	2.783.169.093	1.184.231.343	1.710.578.728	25.970.422.152
2	31/12/2022	4.797.067.691	3.535.364.582	2.062.528.883	1.439.214.915	22.603.318.959
3	31/12/2023	4.476.140.004	3.292.406.860	2.256.739.783	1.161.983.076	19.283.614.785
4	31/12/2024	4.807.617.597	3.676.352.350	2.592.246.646	1.133.611.275	15.607.974.846
5	31/12/2025	4.145.759.656	3.318.899.386	2.498.728.257	826.862.674	12.289.075.760
6	31/12/2026	3.850.842.602	3.215.767.117	2.580.691.631	635.075.486	8.925.329.620
7	31/12/2027	3.529.939.052	3.120.058.178	2.710.177.304	409.880.874	5.805.271.442
8	31/12/2028	4.171.746.152	3.912.805.027	3.653.863.901	258.941.126	1.892.466.415
9	31/12/2029	1.925.421.301	1.892.466.700	1.859.511.529	32.954.886	0
10	31/12/2030	0	0	0	0	0
		¢ 36.186.003.738	28.747.289.293	21.398.719.277	7.609.103.040	

(15) Income tax

Pursuant to the Costa Rican Income Tax Law, the Bank and its subsidiaries are required to file income tax returns for the twelve months period ending December 31 of each year.

As of June 30, 2022, the consolidated balance of income tax payable amounts to ¢8.274.617.224 (¢25.131.041.969 and ¢13.791.262.545 for December and June 2021, respectively) (see note 17) and the income tax advance payments amounted to ¢15.117.512.047 (¢21.910.818.741 and ¢10.122.217.552 for December and June 2021, respectively) (see note 10.c), recorded as other assets.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

Income tax expenses are detailed below:

	June 2022	December 2021	June 2021
Current income tax	¢ 11.693.508.343	27.628.619.493	13.597.906.887
Decrease in income tax	(3.587.974.505)	0	(111.986)
Increase in income tax	14.991.787	621.846.510	148.992.298
Adjustment to income tax from the previous period	0	0	44.475.346
Advances of settled income taxes	0	(3.119.424.034)	0
	<u>8.120.525.625</u>	<u>25.131.041.969</u>	<u>13.791.262.545</u>
<u>Expenses for income taxes:</u>			
Expense for current income tax of the period	11.693.508.343	27.628.619.493	13.597.906.887
Expense for deferred income tax	9.566.974.702	714.832.424	510.946.793
	<u>21.260.483.045</u>	<u>28.343.451.917</u>	<u>14.108.853.680</u>
<u>Income for income taxes:</u>			
Decrease of income taxes for the period	(3.588.381.128)	0	0
Income for deferred income tax	(2.834.587.786)	(1.782.028.885)	(1.490.475.374)
Decrease in the deferred income tax	(739.678.336)	(155.284.663)	(155.284.663)
Income tax	¢ <u>14.097.835.795</u>	<u>26.406.138.369</u>	<u>12.463.093.643</u>

BICSA is subject to tax legislation in the following jurisdictions.

Panamá

According to tax legislation in effect in Panama, BICSA is exempt from payment of income tax on foreign source income. BICSA is further exempt from payment of income tax on interest income earned on term deposits placed in local banks, on securities issued by the Panamanian and foreign governments and on investments in securities traded in the Panamanian Stock Exchange.

Miami

Income tax is not levied on any income that is unrelated to transactions or business dealings in the United States of America. Finance expense is calculated based on the cost of liabilities denominated in U.S. dollars.

A deferred tax liability represents a taxable temporary difference, and a deferred tax asset represents a deductible temporary difference.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

Deferred tax assets and liabilities are attributed to the following:

As of June 30, 2022:

	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Valuation of investments	¢ 9.404.582.222	(7.849.988.394)	1.554.593.828
Revaluation of assets	0	(10.972.863.402)	(10.972.863.402)
Provisions	18.874.536	(225.623.640)	(206.749.104)
Financial leases	10.391.847.351	(8.473.304.370)	1.918.542.981
Deferred taxes for exchange differences	0	(6.961.444.908)	(6.961.444.908)
Losses and unused tax credits	167.059.777	0	167.059.777
Allowance for doubtful accounts	109.819.827	0	109.819.827
	<u>¢ 20.092.183.713</u>	<u>(34.483.224.714)</u>	<u>(14.391.041.001)</u>

As of December 31, 2021:

	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Valuation of investments	¢ 828.103.059	(21.133.934.113)	(20.305.831.054)
Revaluation of assets	0	(4.971.062.819)	(4.971.062.819)
Provisions	88.723.645	0	88.723.645
Financial leases	8.106.176.127	(12.850.920.726)	(4.744.744.599)
Losses and unused tax credits	169.620.741	0	169.620.741
Allowance for doubtful accounts	190.037.212	0	190.037.212
	<u>¢ 9.382.660.784</u>	<u>(38.955.917.658)</u>	<u>(29.573.256.874)</u>

As of June 30, 2021:

	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Valuation of investments	¢ 289.991.207	(18.264.395.776)	(17.974.404.569)
Revaluation of assets	0	(5.048.444.321)	(5.048.444.321)
Provisions	1.617.063	0	1.617.063
Financial leases	7.694.401.141	(7.115.849.240)	578.551.901
Losses and unused tax credits	960.493.869	0	960.493.869
Allowance for doubtful accounts	291.305.999	0	291.305.999
	<u>¢ 9.237.809.279</u>	<u>(30.428.689.337)</u>	<u>(21.190.880.058)</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

The movement of temporary differences is as follows:

As of June 30, 2022:

	<u>December 31, 2021</u>	<u>Effects on income statement</u>	<u>Effects on equity</u>	<u>June 30, 2022</u>
On liabilities account				
Valuation of investments	¢ (20.960.716.763)	0	13.110.728.369	(7.849.988.394)
Revaluation of assets	(4.971.062.820)	76.187.807	0	(4.894.875.013)
Revaluation of land	(6.077.988.389)	0	0	(6.077.988.389)
Financial leases	(6.864.537.103)	(1.608.767.267)	0	(8.473.304.370)
For exchange differences	(81.612.581)	(6.879.832.327)	0	(6.961.444.908)
On assets account				
Valuation of investments	642.070.276	0	8.762.511.946	9.404.582.222
Financial leases	8.433.915.574	1.959.048.732	(1.116.955)	10.391.847.351
Losses and unused tax credits	169.620.742	(44.276.129)	41.715.164	167.059.777
Provisions	16.781.892	2.092.644	0	18.874.536
Allowance for doubtful accounts	116.785.493	(6.965.665)	0	109.819.828
	¢ (29.576.743.679)	(6.728.135.845)	21.913.838.524	(14.391.041.000)

As of December 31, 2021:

	<u>December 31, 2020</u>	<u>Effects on income statement</u>	<u>Effects on equity</u>	<u>December 31, 2021</u>
On liabilities account				
Valuation of investments	¢ (3.137.167.246)	(97.516.203)	(17.899.250.664)	(21.133.934.113)
Revaluation of assets	(5.124.654.741)	154.967.197	(1.375.275)	(4.971.062.819)
Financial leases	0	(6.772.932.337)	(6.077.988.389)	(12.850.920.726)
On assets account				
Valuation of investments	902.379.610	145.748.667	(220.025.218)	828.103.059
Financial leases	3.954.486	8.102.689.319	(467.678)	8.106.176.127
Losses and unused tax credits	764.086.532	(680.249.938)	85.784.148	169.620.742
Provisions	6.519.491	82.204.154	0	88.723.645
Allowance for doubtful accounts	57.751.610	132.285.602	0	190.037.212
	¢ (6.527.130.258)	1.067.196.461	(24.113.323.076)	(29.573.256.873)

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

As of June 30, 2021:

	<u>December 31,</u> <u>2020</u>	<u>Effects on</u> <u>income</u> <u>statement</u>	<u>Effects on</u> <u>equity</u>	<u>June 30,</u> <u>2021</u>
On liabilities account				
Valuation of investments	¢ (3.137.280.827)	(74.765.896)	(15.052.349.053)	(18.264.395.776)
Revaluation of assets	(5.124.654.741)	76.210.420	0	(5.048.444.321)
Financial leases	0	(6.971.106.805)	(144.742.435)	(7.115.849.240)
On assets account				
Valuation of investments	902.379.610	16.640.445	(629.028.848)	289.991.207
Financial leases	0	7.694.401.141	0	7.694.401.141
Losses and unused tax credits	764.086.532	154.239.750	42.167.587	960.493.869
Provisions	6.519.491	(4.902.428)	0	1.617.063
Allowance for doubtful accounts	57.751.610	88.811.954	144.742.435	291.305.999
	<u>¢ (6.531.198.325)</u>	<u>979.528.581</u>	<u>(15.639.210.314)</u>	<u>(21.190.880.058)</u>

As of June 30, 2022, the consolidated group presents a balance for income tax receivable of ¢120.047.086 (¢86.243.731 and ¢3.491.759.405 for December and June 2021, respectively), in addition to supported value added tax for ¢798.609.186 (¢1.528.338.723 and ¢800.868.120 for December and June 2022, respectively) and deductible value added tax for ¢45.704.375 (¢35.283.163 and ¢38.437.896 for December and June 2021, respectively).

The balance of income tax receivable originated by an excess of advanced payments for the returns on investments of the Development Credit Fund which are exempt from the obligation and from income and value added tax advances.

In conducting the analysis of the deferred tax BICSA's management considers whether it is probable that some or all portion of the deferred tax asset is not realizable. Performing or not the deferred tax assets depend on the generation of future taxable income during the periods in which those temporary differences become deductible. BICSA's management considers the detail of reversals of deferred tax assets and liabilities. Project future taxable income and tax planning strategies in making this assessment. Based on the level of historical taxable income and projections for future taxable income for the periods in which the deferred tax assets will be deductible. BICSA's management considers it may be able to realize the benefits of this deductible temporary difference.

IFRIC-23 "Uncertainty over Income Tax Treatments" introduces the concept of uncertain tax treatment, after the tax administration initiates a process of transferring charges; from there the entity is already facing an uncertain tax treatment where the tax authority has already indicated that it does not accept the treatment provided, and therefore it is in dispute, in which case what proceeds is to reflect the uncertainty according to the method that better predicts its resolution and by registering the corresponding provision. Therefore, the provision data is detailed as follows:

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

	June 2022	December 2021	June 2021
Banco de Costa Rica	¢ 14.156.492.492	25.267.408.936	33.377.662.908
BCR Valores, S.A. Puesto de Bolsa	635.236.468	635.236.469	900.141.980
BCR Sociedad Administradora de Fondos de inversión, S.A.	233.984.908	233.984.908	270.420.281
BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A.	249.398.960	249.398.960	249.398.960
BCR Corredora de Seguros, S.A.	187.286.522	187.286.522	241.600.214
	¢ 15.462.399.350	26.573.315.795	35.039.224.342

On April 04, 2022, resolution No. DGT-R-09-2022, “Quantification exchange differences in entities subject to surveillance and inspection of the General Superintendence of Financial Entities (SUGEF) and the General Superintendence of Securities (SUGEVAL)” of the General Directorate of Taxation is published in the official paper La Gaceta, in effect from the 2022 period.

In articles 1 (paragraph 1) and 5 (paragraphs 2 and 27 bis) of the Income Tax Law (LSIR), the General Directorate of Taxation has defined the exchange differential that may arise, taxable or deductible as appropriate, for the Tax on Income, Capital Gains and Losses (IRGPC for its acronym in Spanish), and for the Income Tax (ISU for its acronym in Spanish). Therefore, the line to follow related to the treatment of the exchange differential under the realization criterion, has been established.

For tax purposes, in article 4 of the LSIR, on the closing day of the fiscal period, the entity must quantify the exchange differential, in accordance with the regulation of the position in foreign currency on that day, using the selling exchange rate of the US dollar, suggested by the Central Bank of Costa Rica, for that day. The result must be compared with the position in foreign currency corresponding to the closing day of the previous fiscal period, using the selling exchange rate for the US dollar, suggested by the Central Bank of Costa Rica, for that day.

If, as a result of that comparison (the foreign currency position of the entity, at the end of the current fiscal period, compared to the foreign currency position of the entity, at the end of the previous fiscal period), a decrease is determined, it will be considered as a loss and, therefore, the amount corresponding to that decrease will be applied as a deductible expense of the Income Tax. Otherwise, if an increase is determined, it will be considered as a profit and, therefore, the amount corresponding to that increase will be included as income within the gross income of the Income Tax.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

As of June 30, 2022, the application of the resolution described above gave rise to a temporary difference which required the recording of a deferred income tax liability of ¢8.535.349.995.

(16) Provisions

The movement in provisions is detailed as follows:

	Legal benefits	Lawsuits	Other	Total
Balance as of December 31, 2021	¢ 9.764.254.097	16.159.621.261	26.573.315.795	52.497.191.153
Currency conversion effect	87.795.350	0	0	87.795.350
Adjusted balance	9.852.049.447	16.159.621.261	26.573.315.795	52.584.986.503
Provision made	617.164.604	3.366.881.115	521.836.088	4.505.881.807
Provision used	(606.135.767)	(157.027.826)	(11.632.752.533)	(12.395.916.126)
Adjustment for exchange rate differences	0	63.741.048	0	63.741.048
Provisions reversed	0	(162.621.921)	0	(162.621.921)
Balance as of June 30, 2022	¢ 9.863.078.284	19.270.593.677	15.462.399.350	44.596.071.311

As of December 31, 2021:

	Legal benefits	Lawsuits	Other	Total
Balance as of December 31, 2020	¢ 9.569.600.725	15.745.248.767	35.039.224.342	60.354.073.834
Currency conversion effect	54.058.396	0	0	54.058.396
Adjusted balance	9.623.659.121	15.745.248.767	35.039.224.342	60.408.132.230
Provision made	592.407.653	1.117.370.741	607.011.617	2.316.790.011
Provision used	(451.812.677)	(699.969.817)	(8.717.265.589)	(9.869.048.083)
Adjustment for exchange rate differences	0	16.053.597	0	16.053.597
Provisions reversed	0	(19.082.027)	(355.654.575)	(374.736.602)
Balance as of December 31, 2021	¢ 9.764.254.097	16.159.621.261	26.573.315.795	52.497.191.153

As of June 30, 2021:

	Legal benefits	Lawsuits	Other	Total
Balance as of December 31, 2020	¢ 9.569.600.725	15.745.248.767	35.039.224.342	60.354.073.834
Currency conversion effect	10.074.644	0	0	10 074 644
Adjusted balance	9.579.675.369	15.745.248.767	35.039.224.342	60 364 148 478
Provision made	246.262.605	713.632.776	0	959 895 381
Provision used	(157.705.322)	(672.819.411)	0	(830 524 733)
Adjustment for exchange rate differences	0	(19.360.118)	0	(19 360 118)
Provisions reversed	0	(125.183.397)	0	(125 183 397)
Balance as of June 30, 2021	¢ 9.668.232.652	15.641.518.617	35.039.224.342	60.348.975.611

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

As of June, 2022, the Bank is a defendant in litigation, for which the following provisions have been recorded:

- Ordinary suits against the Bank have been estimated for ₡23.886.325.479 and US\$334.077.086 for which the Bank has provisions recorded in the amounts of ₡1.707.027.411 and US\$1.396.583, respectively.
- The criminal lawsuits against the Bank have been estimated in ₡1.968.803.039 and US\$5.857, for which the Bank has recorded a provision in the amount of ₡270.572.932.
- For their nature, labor suits are difficult to estimate, however they are estimated in ₡5.457.126.674 and \$825.001, for which the Bank has provisions recorded in the amount of ₡2.315.948.428, in the cases in which there is no firm condemnatory.
- There are administrative proceedings in different stages, estimated for ₡14.016.914.657 and US\$2.000, for which ₡14.001.818.234.
- A provision in the amount of ₡387.252.133 corresponding to the Deposit Guarantee Fund is created and recorded in "Others".

As of June 30, 2022, there are no provisions for litigation at BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A.

As of June 30, 2022, there are no provisions for litigation at BCR Sociedad Administradora de Fondos de Inversion S.A.

As of June 30, 2022, there is a process against BCR Valores S.A., processed under file 08-001181-1027-CA of the Contentious Administrative and Civil Tax Court of the Second Judicial Circuit of San José. Given de sentence, the plaintiff filed an appeal, which was awaiting resolution. On March 15, 2021, the First Chamber of the Supreme Court of Justice, through vote number 169-F-S1-2021, states: "The appeal is declared inadmissible...its costs are responsibility of the interposing person". Consequently, the ruling by the executing judge in sentence number 402-2019, exonerating BCR Valores S.A., remains firm. For this litigation, there was a provision of ₡125,148,933 (US\$202,736), which was reversed in April 2021.

As of June 30, 2022, there is a process against BCR Valores S.A. in the amount of US\$465.000, processed under file 16-000208-1027-CA-2 of the Contentious Administrative and Civil Tax Court of the Second Judicial Circuit of San José. On September 22, 2021, the Court issued a ruling in favor of BCR Valores. On October 11, 2021, the losing plaintiff in the process filed an appeal before the First Chamber of the Supreme Court of Justice, which has not yet been resolved.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

As of June 30, 2022, BICSA there are no provision for litigation.

As of December 31, 2021, following provisions have been recorded:

- Ordinary suits against the Bank have been estimated for ¢24.091.229.184 and US\$71.714.326 for which the Bank has provisions recorded in the amounts of de ¢1.810.526.748 and US\$1.395.500, respectively.
- The criminal lawsuits against the Bank have been estimated in ¢1.965.668.874 and US\$5.857, for which the Bank has recorded a provision in the amount of ¢286.918.445.
- For their nature, labor suits are difficult to estimate, however they are estimated in ¢5.143.391.270 and \$825.001, for which the Bank has provisions recorded in the amount of ¢2.126.188.640, in the cases in which there is no firm condemnatory.
- There are administrative proceedings in different stages, estimated for ¢11.042.195.510 and US\$2.000, for which ¢11.027.099.088, have been provisioned.
- In compliance with Law 9605 “Merger by absorption of Banco Crédito Agrícola de Cartago and Banco de Costa Rica” the amount of ¢801.701.887 was transferred for pending proceedings.
- A provision corresponding to the Deposit Guarantee Fund is created, recorded in “Others”, in the amount of ¢376,774,370.

As of December 31, 2021, there are no provisions for litigation at BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A.

As of December 31, 2021, there are no provisions for litigation at BCR Sociedad Administradora de Fondos de Inversion S.A.

As of December 31, 2021, there is a process against BCR Valores in the amount of US\$175,000, which is being processed under file 16-000207-1027-CA-8 of the Contentious-Administrative and Civil Tax Court of the II Judicial Circuit of San José. To date and according to the criteria of the lawyers, an estimate of the eventual outcome is not feasible.

As of December 31, 2021, BCR Valores Puesto de Bolsa, S.A., has an established legal process of labor nature, established by a former official, processed under file number 17-002581-1178-LA; there is still no estimate of the eventual outcome.

As of December 31, 2021, BICSA there are no provision for litigation.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

As of June 30, 2021, the Bank is a defendant in litigation, for which the following provisions have been recorded:

Ordinary suits against the Bank have been estimated for ¢22.384.451.955 and US\$69.342.742 for which the Bank has provisions recorded in the amounts of ¢1.829.805.818 and US\$1.395.500, respectively.

The criminal lawsuits against the Bank have been estimated in ¢1.777.679.429 and US\$5.857 for which the Bank has recorded a provision in the amount of ¢98.929.000.

For their nature, labor suits are difficult to estimate, however they are estimated in ¢5.329.746.593 and \$825.001, for which the Bank has provisions recorded in the amount of ¢2.126.188.640, in the cases in which there is no firm condemnatory.

There are administrative proceedings in different stages, estimated for ¢10.727.240.349 and US\$34, for which ¢10.710.263.832 have been provisioned.

In compliance with Law 9605 "Merger by absorption of Banco Crédito Agrícola de Cartago and Banco de Costa Rica" the amount of ¢801.701.887 was transferred for pending proceedings.

As of June 30, 2021, there are no provisions for litigation at BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A.

As of June 30, 2021, there are no provisions for litigation at BCR Sociedad Administradora de Fondos de Inversion S.A.

As of June 30, 2021, BCR Valores Puesto de Bolsa, S.A. is a defendant in a lawsuit filed by a customer, under file number 08-001181-1027-CA. which was admitted during a vote of the First Chamber of the Supreme Court of Justice, and BCR Valores Puesto de Bolsa, S.A. was ordered to pay damages, which existence and estimate must be proven in the enforcement of the judgment. The amount claimed by the customer is of US\$202.737. The Brokerage House has provisioned ¢124.847.472.

On January 25, 2021, the First Chamber of the Supreme Court of Justice by vote number 169-f-S1-2021 states: "The appeal is declared inadmissible ... its costs charged to who interposed the appeal." Consequently, the decision of the executing judge in judgment number 402-2019, exonerating BCR Valores S.A., is final.

As of June 30, 2021, BICSA there are no provision for litigation.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

(17) Other miscellaneous accounts payable

Other miscellaneous accounts payable are detailed as follows:

	June 2022	December 2021	June 2021
Fees payable	89.105.021	306.947.141	67.126.106
Due for goods and services	¢ 850.160.532	773.489.566	450.480.289
Current income tax	8.120.525.625	24.628.076.047	13.791.262.545
Tax on DU propts	16.959.548	365.237.441	341.041.886
Value added tax	383.513.770	307.713.776	227.308.539
Other payable taxes	0	22.135.517	20.840.051
Employer contributions	6.057.674.042	9.271.303.832	7.587.234.431
Court-ordered withholdings	872.709.106	886.348.929	881.095.518
Tax withholdings payable	3.347.753.245	2.219.906.454	4.660.403.833
Withheld employer contributions payable	2.106.990.021	1.257.135.880	1.392.370.048
Other third-party withholdings payable	15.594.737.249	11.921.302.103	11.145.650.942
Compensations and salaries payable	4.189.002.529	7.691.312.943	3.945.605.470
Interests (distributions) payable on results of the period (see note 33)	13.569.699.837	22.949.610.795	10.841.740.295
Obligations payable on loans with related parties	0	144.573	17.757.915
Accrued vacations	7.345.935.790	6.720.731.531	3.613.455.009
Accrued statutory Christmas bonus	3.843.525.264	1.185.588.092	57.231.062
Commissions payable from insurance placement	120.310.483	56.068.977	1.970.011
Commissions payable with related parties	6.403.244	6.796.785	40.817.595
Contribution to the Superintendence budget	26.034.738	5.178.786	7.471.212.630
Miscellaneous creditors	26.637.415.826	24.576.312.997	22.014.127.314
	¢ <u>93.178.455.870</u>	<u>115.151.342.164</u>	<u>88.568.731.489</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

(18) Equity

a) Capital Stock

The Bank's capital stock is as follows:

	June 2022	December 2021	June 2021
Capital under Law No. 1644	¢ 30.000.000	30.000.000	30.000.000
Bank capitalization bonds	1.288.059.486	1.288.059.486	1.288.059.486
Capital increase per Law No. 7107	118.737.742.219	118.737.742.219	118.737.742.219
Capital increase per Law No. 8703	27.619.000.002	27.619.000.002	27.619.000.002
Capital increase per Law No. 9605	18.907.432.694	18.907.432.694	18.907.432.694
Increase for revaluation of assets	14.130.125.230	14.130.125.230	14.130.125.230
Other	697.630.970	697.630.970	697.630.970
	¢ <u>181.409.990.601</u>	<u>181.409.990.601</u>	<u>181.409.990.601</u>

On December 23, 2008, the Executive Branch of the Costa Rican Government authorized a capital contribution funded under Law No. 8703 "Amendment to the Law on Ordinary and Extraordinary Budget of the Republic for Tax Year 2008 (Law No. 8627)." Such law grants funds to capitalize three State owned banks, including Banco de Costa Rica, in order to stimulate productive sectors and particularly small and medium sized enterprises. For such purposes, the Bank received four securities for a total of US\$50.000.000 equivalent to ¢27.619.000.002.

b) Surplus from revaluation of property, furniture, and equipment

This includes the increase in fair value of real property (land and buildings) owned by the Bank.

As of June 30, 2022, the revaluation surplus amounts to ¢31.744.671.803 (¢31.744.671.803 and ¢37.774.830.067 for December and June 2021, respectively).

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

c) Adjustments for revaluation of investments at fair value with changes in other comprehensive income.

They include variations at the fair value with changes through comprehensive income.

As of June 30, 2022, the balance of the adjustment for valuation of investments at fair value with changes through other comprehensive income corresponds to unrealized net losses in the amount of ¢11.543.868.066 (¢40.339.757.529 and ¢34.166.240.518 for December and June 2021, respectively).

d) Adjustments for valuations of interest in other companies

This mainly corresponds to foreign exchange differences arising from translation of BICSA's consolidated financial statements and the unrealized gain or loss on valuation of investments in subsidiaries.

As of June 30, 2021, changes in equity include foreign exchange differences corresponding to investments in other companies in the amount of ¢30.362.282.788 (¢24.522.914.079 and ¢21.565.619.587 for December and June 2021, respectively).

e) Equity of the Development Financing Fund (FOFIDE)

As of June 30, 2022, the amount for the constitution of the equity of the Development Financing Fund is of ¢40.476.721.777 (¢36.212.011.410 and ¢36.212.011.410 as of December and June 2021, respectively). In compliance with Law 9605 "Merger by absorption of Banco Crédito Agrícola de Cartago and Banco de Costa Rica", the amount of ¢2,627,265,346 of the assets managed by the entity was transferred.

f) Special reserves of retained earnings from BICSA

As of June 30, 2022, from Banco de Costa Rica's retained earnings resulting from the investment in other companies, it should be considered for any purpose, that there are amounts related to special reserves applied to equity accounts of BICSA for US\$32.333.203 (51% for US\$63.398.438) (US\$34.859.224 equivalent to 51% for US\$68.351.419 and US\$35.877.961 equivalent to 51% for 70.348.944 for December and June 2021, respectively) due to changes made to policies concerning the subsidiary.

Laws and regulations applicable in the Republic of Panama establish that, for purposes of compliance with standards issued by the Superintendence of Banks of Panama, from the year 2014 on, an estimated of credits reserves should be prepared based on regulatory guidelines.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

The General Board of Directors resolution SBP-GJD-003-2013 dated July 9, 2013 establishes the accounting for the differences that may arise between the regulations issued by the Superintendence of Banks and the IFRS, so that: 1) the accounting records and the financial statements are prepared in accordance with IFRS as required by agreement No.006-2012 dated December 18, 2012; 2) according to standards applicable to banks and presenting additional specific accounting aspects than those required by IFRS, in the event that an estimate of provision or reserve is greater than the correspondent calculation under IFRS, the excess of provision or reserve will be recognized in the equity. This general resolution came into effect for the accounting periods ending on or after December 31, 2014. Subject to prior authorization of the Superintendence of Banks, banks can reverse the established provision, partially or totally, based on justification duly evidenced and presented to the Superintendence of Banks.

Agreement No.004-2013 indicates that specific provisions originate from concrete and objective evidence of impairment. These provisions should be constituted for credit facilities classified in the risk category known as special, subnormal, doubtful or irrecoverable, both for individual credit facilities or a group of them. At least from December 31, 2014, banks must calculate and always maintain the amount of specific provision determined by the methodology specified in this agreement, which considers the balance due from each credit facility in any of the categories subject to provision, the present value of each available collateral as mitigation of risk, as established by type of guarantee in this agreement, and a table of weightings applied to the net amount exposed to loss of such credit facilities.

Calculated in accordance with such Agreement, if there is an excess of specific provision over the provision calculated in accordance with IFRS, this excess will be accounted for in a regulatory reserve in equity that increases or decreases with allocations from or to undistributed profits. The balance of the regulatory reserves will not be considered as capital funds for purposes of calculating certain indices or prudential relationships mentioned in the Agreement. The Bank determines its country risk reserve in accordance with the provisions established in General Resolutions No. 7 2000 and No.1-2001 issued by the Superintendence of Banks of Panama.

Agreement No.004-2013 indicates that the dynamic provision is a reserve constituted to meet possible future needs of specific provisions ruled by prudential banking regulations criteria. It is constituted with quarterly periodicity on credit facilities that do not have a specific provision assigned. i.e., credit facilities classified in normal category. This agreement regulates the methodology to calculate the amount of the dynamic provision, considering a minimum or maximum restriction applicable to the provision's amount determined on credit facilities classified in normal category. The dynamic provision is an equity account that increases or decreases with assignments to or from undistributed earnings. The credit balance of the dynamic provision is part of the regulatory capital but does not replace or compensates the net worth equity requirements set forth by the Superintendence.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

Regulatory capital

As of June 30, 2022, the net worth equity for the BCR Financial Conglomerate is detailed as follows:

Companies of the Financial Conglomerate	Capital base	Minimum individual capital requirement	Individual surplus or deficit	Non-transferable items	Transferable surplus and individual deficit
Parent Company					
Banco de Costa Rica	¢ 522.256.297.877	422.447.772.622	99.808.525.255	0	¢ 99.808.525.255
	522.256.297.877	422.447.772.622	99.808.525.255	0	99.808.525.255
Regulated entities					
Banco Internacional de Costa Rica, S.A and subsidiary	169.767.390.000	119.073.922.500	50.693.467.500	24.839.799.075	25.853.668.425
BCR Valores, S. A.- Puesto de Bolsa	18.098.959.100	4.850.865.620	13.248.093.480	0	13.248.093.480
BCR Sociedad Administradora de Fondos de Inversión, S.A.	5.459.703.660	3.164.360.940	2.295.342.720	0	2.295.342.720
BCR Pensión Operadora de Planes Pensiones Complementarias, S.A.	4.000.408.141	3.477.515.642	522.892.498	0	522.892.498
BCR Corredora de Seguros, S.A.	4.232.632.140	1.553.721.570	2.678.910.570	0	2.678.910.570
	201.559.093.041	132.120.386.272	69.438.706.768	24.839.799.075	44.598.907.693
Non-regulated entities					
Banprocesa R.L.	1.218.351.000	339.236.100	879.114.900	0	879.114.900
Depósito Agrícola de Cartago S.A. and subsidiary	684.061.600	255.620.600	428.441.000	0	428.441.000
	¢ 1.902.412.600	594.856.700	1.307.555.900	0	¢ 1.307.555.900
Global surplus or deficit of the Financial Conglomerate					¢ 145.714.988.848

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

As of December 31, 2021, the net worth equity for the BCR Financial Conglomerate is detailed as follows:

Companies of the Financial Conglomerate	Capital base	Minimum individual capital requirement	Individual surplus or deficit	Non-transferable items	Transferable surplus and individual deficit
Parent Company					
Banco de Costa Rica	¢ 502.507.621.065	417.519.457.245	84.988.163.820	0	¢ 84.988.163.820
	502.507.621.065	417.519.457.245	84.988.163.820	0	84.988.163.820
Regulated entities					
Banco Internacional de Costa Rica, S.A and subsidiary	156.655.730.750	112.587.736.750	44.067.994.000	21.593.317.060	22.474.676.940
BCR Valores, S. A.- Puesto de Bolsa	21.275.965.170	5.033.900.980	16.242.064.190	0	16.242.064.190
BCR Sociedad Administradora de Fondos de Inversión, S.A.	7.539.108.540	3.097.602.330	4.441.506.210	0	4.441.506.210
BCR Pensión Operadora de Planes Pensiones Complementarias, S.A.	3.642.408.141	3.531.193.556	111.214.585	0	111.214.585
BCR Corredora de Seguros, S.A.	4.752.714.090	1.921.607.140	2.831.106.950	0	2.831.106.950
	193.865.926.691	126.172.040.756	67.693.885.935	21.593.317.060	46.100.568.875
Non-regulated entities					
Financial leasing company	1.132.711.700	396.222.900	736.488.800	0	736.488.800
Factoring and invoice discounting company	680.346.900	249.348.600	430.998.300	0	430.998.300
	¢ 1.813.058.600	645.571.500	1.167.487.100	0	¢ 1.167.487.100
Global surplus or deficit of the Financial Conglomerate					¢ 132.256.219.795

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

As of June 30, 2021, the net worth equity for the BCR Financial Conglomerate is detailed as follows:

Companies of the Financial Conglomerate	Capital base	Minimum individual capital requirement	Individual surplus or deficit	Non-transferable items	Transferable surplus and individual deficit
Parent Company					
Banco de Costa Rica	¢ 481.044.974.978	399.386.720.170	81.658.254.807	0	81.658.254.807
	481.044.974.978	399.386.720.170	81.658.254.807	0	81.658.254.807
Regulated entities					
Banco Internacional de Costa Rica, S. A and subsidiary	149.677.899.977	103.694.181.094	45.983.718.883	22.532.022.253	23.451.696.630
BCR Valores, S. A.- Puesto de Bolsa	20.217.128.440	4.728.824.257	15.488.304.183	0	15.488.304.183
BCR Sociedad Administradora de Fondos de inversión, S.A.	6.048.954.640	2.935.037.620	3.113.917.020	0	3.113.917.020
BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A.	3.295.636.046	216.772.094	3.078.863.952	0	3.078.863.952
	¢ 179.239.619.103	111.574.815.065	67.664.804.038	22.532.022.253	45.132.781.785
Non-regulated entities					
BCR Corredora de Seguros, S.A.	4.292.389.880	1.637.415.980	2.654.973.900	0	2.654.973.900
Investments management company	680.346.900	244.668.400	435.678.500	0	435.678.500
	¢ 4.972.736.780	1.882.084.380	3.090.652.400	0	3.090.652.400
Global surplus or deficit of the Financial Conglomerate					¢ 129.881.688.992

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

(19) Contingent accounts

The Bank has consolidated off balance sheet commitments and contingencies that arise in the ordinary course of business and involve elements of credit and liquidity risk.

Off balance financial instruments with risk are as follows:

	<u>June 2022</u>	<u>December 2021</u>	<u>June 2021</u>
Guarantees granted:			
Performance bonds	¢ 123.991.150.471	138.850.204.989	119.783.939.105
Bid bonds	885.410.511	.630.432.213	906.653.588
Other guarantees	110.840.788.345	114.980.562.493	112.515.886.958
Issued non-negotiated letters of credit	11.502.489.555	11.350.285.308	9.858.645.497
Confirmed non-negotiated letters of credit	9.917.168.031	6.511.192.263	12.455.818.748
Credit lines to be used automatically	106.401.033.474	109.255.132.604	109.286.824.620
Other contingencies	264.830.926.275	72.902.375.785	68.228.427.909
Credits pending disbursement	123.274.567	187.598.568	179.827.226
	<u>¢ 628.492.241.229</u>	<u>454.667.784.223</u>	<u>433.216.023.651</u>

Off balance financial instruments involving risk by type of deposit are as follows:

	<u>June 2022</u>	<u>December 2021</u>	<u>June 2021</u>
With prior deposit	¢ 7.372.740.802	8.639.339.884	6.670.447.836
Without prior deposit	356.288.574.152	373.126.068.554	358.317.147.906
Pending lawsuits and claims	264.830.926.275	72.902.375.785	68.228.427.909
	<u>¢ 628.492.241.229</u>	<u>454.667.784.223</u>	<u>433.216.023.651</u>

These commitments and contingent liabilities expose the Bank to credit risk since commissions and losses are recognized in the consolidated balance sheet until the obligations are fulfilled or expire.

As of June 30, 2022, letters of credit are backed 100% by guarantee deposits or credit facilities.

As of June 30, 2022, floating guarantees in custody are for ¢197.934.645.547 (¢208.389.633.972 and ¢208.389.633.972 for December and June 2021, respectively).

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

The Bank has off balance financial instruments with risk that arise in the ordinary course of business to meet the financial needs of its customers. These financial instruments include letters of credit and guarantees that involve varying levels of credit risk.

Other contingencies

As of June 30, 2022, the Bank's Legal Division reported the following contingencies and commitments:

- In contentious matters, there are active processes established against the Bank estimated in the amount of ¢22.179.298.068 and US\$342.680.503. In addition, other contentious processes are filed for preliminary injunction with no estimate.
- In labor matters there are active ordinary processes estimated in the amounts of ¢3.141.178.246 and US\$825.000.
- Criminal proceedings in which the Bank is a third-party defendant are estimated at ¢1.698.230.106 and US\$5.857
- Administrative proceedings against the Bank have been estimated in the amounts of ¢15.096.422 and US\$2.000.

As of June 30, 2022, there are legal claims filed against BICSA and its subsidiaries that, in the opinion of Management and external attorneys, are not expected to have a material adverse effect on the consolidated position, the consolidated performance or the entity's operations.

As of June 30, 2022, due to the merger between INS Pensiones Operadora de Pensiones Complementarias, S.A. and BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A., a series of contingencies arose that have been reasonably covered with pledged securities from the seller.

As of June 30, 2022, there is a process against BCR Valores in the amount of US\$175.000, processed under file 16-000207-1027-CA 8 of the Administrative and Civil Court of Finance of the II Judicial Circuit of San José. To date and in accordance with the criteria of the lawyers, an estimate of the eventual outcome is not feasible.

As of June 30, 2022, there is a process of labor nature against BCR Valores S.A., file 17-002581-1178-LA, which has been estimated in an amount of ¢8,441,966.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

As of December 31, 2021, the Bank's Legal Division reported the following contingencies and commitments:

- In contentious matters, there are active processes established against the Bank estimated in the amount of ₡20.280.702.436 and US\$70.318.826. In addition, other contentious processes are filed for preliminary injunction with no estimate.
- In labor matters there are active ordinary processes estimated in the amounts of ₡3.017.202.630 and US\$825.001.
- Criminal proceedings in which the Bank is a third-party defendant are estimated at ₡1.678.750.429 and US\$5.857.
- Administrative proceedings against the Bank have been estimated in the amounts of ₡15.096.422 and US\$2.200.

As of December 31, 2021, there are legal claims filed against BICSA and its subsidiaries that, in the opinion of Management and external attorneys, are not expected to have a material adverse effect on the consolidated position, the consolidated performance or the entity's operations.

As of December 31, 2021, due to the merger between INS Pensiones Operadora de Pensiones Complementarias, S.A. and BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A., a series of contingencies arose that have been reasonably covered with pledged securities from the seller.

As of June 30, 2021, the Bank's Legal Division reported the following contingencies and commitments:

- In contentious matters, there are active processes established against the Bank estimated in the amount of ₡20.554.646.137 and US\$67.947.242. In addition, other contentious processes are filed for preliminary injunction with no estimate.
- In labor matters there are active ordinary processes estimated in the amounts of ₡3.203.557.0953 and US\$825.001.
- Criminal proceedings in which the Bank is a third-party defendant are estimated at ₡1.678.750.429 and US\$5.857.
- Administrative proceedings against the Bank have been estimated in the amounts of ₡16.976.516 and US\$34.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

As of June 30, 2021, there are legal claims filed against BICSA and its subsidiaries that, in the opinion of Management and external attorneys, are not expected to have a material adverse effect on the consolidated position, the consolidated performance or the entity's operations.

As of June 30, 2021, due to the merger between INS Pensiones Operadora de Pensiones Complementarias, S.A. and BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A., a series of contingencies arose that have been reasonably covered with pledged securities from the seller.

As of June 30, 2021, there is a process against BCR Valores in the amount of US\$175,000, processed under file 16-000207-1027-CA 8 of the Administrative and Civil Court of Finance of the II Judicial Circuit of San José. To date and in accordance with the criteria of the lawyers, an estimate of the eventual outcome is not feasible.

As of June 30, 2021, there is a process against BCR Valores in the amount of US\$465,000 processed under file 16-000208-1027-CA 2 of the Administrative and Civil Court of Finance of the II Judicial Circuit of San José. To date and in accordance with the criteria of the lawyers, an estimate of the eventual outcome is not feasible. As of December 31, 2019, BCR Valores recognized a provision for tax contingencies of ₡1.301.647.081. The remaining ₡1.301.624 correspond to adjustments for exchange rate differences of the provisions in foreign currency.

The provision recorded in BCR Valores affected the profit from previous periods for ₡978.296.974 million, corresponding to contingencies arising in 2015, 2016, 2017 and 2018 (₡194.676.459, ₡264.905.512, ₡206.824.643, and ₡311.890.361, correspondingly); The remaining ₡323.346.107 million, from the 2019 period, were recorded as an expense in 2019. The provision of 2015 for ₡194.676.459 was reversed at the closing of 2020; further, the 2017 provision for ₡206.824.512, was used in 2020 when the Tax authorities reviewed that period.

(20) Trusts

The Bank provides trust services, whereby it manages assets at the direction of the customer. The Bank receives a fee for giving those services. The underlying assets and liabilities are not recognized in the Bank's consolidated financial statements. The Bank is not exposed to any credit risk and does not guarantee these assets or liabilities.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

The types of trusts managed by the Bank are as follows:

- Management and investment trusts
- Management trusts with a testamentary clause
- Guarantee trusts
- Housing trusts
- Management and investment public trusts

The assets in which capital trust is invested are detailed as follows:

	June 2022	December 2021	June 2021
Cash and due from banks	¢ 44.096.322.606	66.318.923.462	65.953.189.565
Investments in financial instruments	74.131.513.615	109.424.977.266	94.087.990.299
Loan portfolio	53.777.282.906	51.108.715.255	50.178.120.760
Allowance for doubtful accounts	(8.115.846.358)	(8.430.654.646)	(8.743.252.957)
Realizable assets	71.626.628.803	67.815.354.875	54.560.161.927
Investments in other companies	5.727.424.266	51.961.502.918	42.310.216.965
Other accounts receivable	53.859.961.732	.56.833.488.672	76.209.628.205
Property, furniture, and equipment	226.136.517.786	355.462.578.061	379.875.365.961
Other assets	348.031.277.012	234.928.557.658	189.451.596.941
Buildings	76.680.000	76.680.000	76.680.000
	¢ <u>869.347.762.368</u>	<u>985.500.123.521</u>	<u>943.959.697.666</u>

Trust capital held by subsidiaries and invested in assets is detailed as follows:

	June 2022	December 2021	June 2021
Banco de Costa Rica	¢ 807.126.138.629	927.719.265.553	889.923.009.879
Banco Internacional de Costa Rica, S.A.	62.221.623.739	57.780.857.968	54.036.687.787
	¢ <u>869.347.762.368</u>	<u>985.500.123.521</u>	<u>943.959.697.666</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

(21) Other debit memoranda accounts

Other debit memoranda accounts are detailed as follows:

	<u>June 2022</u>	<u>December 2021</u>	<u>June 2021</u>
Own assets and securities held in			
Custody	¢ 7.824.422.707	8.498.847.017	7.376.184.406
Guarantees received and held in custody	6.981.969.406.890	6.473.512.386.428	13.619.358.631.353
Guarantees received and held by third parties	2.256.274.144	2.413.061.267	2.512.909.875
Granted and unused credit lines	590.400.233.151	563.448.264.572	556.970.008.454
Write-offs	259.451.403.207	247.563.087.434	244.588.539.920
Suspense interest receivable	26.859.117.074	24.527.955.166	27.954.740.978
Backup documentation	58.711.000	58.711.000	58.711.000
Other memoranda accounts	3.997.352.292.404	1.823.472.704.665	17.862.226.338.030
Assets and securities held in custody for third parties	82.316.819.114	143.805.933.340	101.645.205.113
Managed funds assets	2.400.142.024.184	2.403.504.549.907	2.326.887.274.680
Management of individual portfolios by the stock market	278.551.245.665	287.844.353.402	130.593.113.788
Held-for-trading securities received as guarantee (guarantee trust)	0	0	28.422.760.614
Own held-for-trading securities	1.038.283.988.088	1.017.428.771.091	898.559.720.718
Cash and accounts receivable for custodial activities	146.321.954.310	187.425.927.624	277.401.743.384
Held-for-trading securities held in custody for third parties as guarantee (guarantee trust)	67.312.477.070	28.744.051.278	14.174.366.424
Held-for-trading securities pending receipt	8.815.700.396	2.480.093.782	2.163.581.237
Confirmed spot agreements pending Settlement	19.891.375.561	3.545.219.401	4.742.276.449
Futures pending settlement	53.362.249.191	46.057.517.880	59.188.733.961
Third parties held-for-trading securities	6.937.312.303.481	6.807.392.048.306	6.396.606.147.423
	<u>¢ 22.898.481.997.637</u>	<u>20.071.723.483.560</u>	<u>42.561.430.987.807</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

Other memoranda accounts by subsidiaries are detailed as follows:

	<u>June 2022</u>	<u>December 2021</u>	<u>June 2021</u>
Banco de Costa Rica	¢ 17.996.546.200.112	15.234.563.101.378	37.942.920.903.088
Banco Internacional de Costa Rica, S.A.	1.555.434.624.561	1.524.770.586.279	1.586.368.613.799
BCR Valores, S.A.- Puesto de Bolsa (see note 22)	932.816.752.630	895.434.022.840	695.048.483.918
BCR Sociedad Administradora de Fondos de Inversión, S.A. (see note 23)	852.870.530.651	805.087.071.485	832.774.169.133
BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A. (see note 24)	1.555.167.470.828	1.606.980.067.052	1.501.557.132.295
Deposito Agrícola de Cartago S. A.	5.646.418.855	4.888.634.526	2.761.685.574
	¢ <u>22.898.481.997.637</u>	<u>20.071.723.483.560</u>	<u>42.561.430.987.807</u>

(22) Current and term brokerage operations and portfolio management operations

Memoranda accounts of BCR Valores. S.A. - Puesto de Bolsa are detailed as follows:

	<u>June 2022</u>	<u>December 2021</u>	<u>June 2021</u>
<u>Other own memoranda accounts</u>			
Other memoranda accounts	¢ 8.461.617.305	8.226.506.773	8.731.602.495
Total other own memoranda accounts	<u>8.461.617.305</u>	<u>8.226.506.773</u>	<u>8.731.602.495</u>
<u>Memoranda accounts for third parties</u>			
Portfolio management	278.551.245.665	287.844.353.402	130.593.113.788
Cash and accounts receivable by custodial activity	1.263.337.834	776.932.064	703.748.950
Held-for-trading pending receipt	8.815.700.396	2.480.093.782	2.163.581.237
Purchased securities receivable			
Purchased marketable securities pending receipt	8.831.945.367	5.391.468.173	4.882.175.093
Held-for-trading received s guarantee	19.891.375.561	3.545.219.401	4.742.276.449
Futures pending settlement-forward buyer (See note 22-a)	46.483.915.671	41.008.544.330	53.562.239.504
Futures pending settlement-forward seller (See note 22-a)	6.878.333.520	5.048.973.550	5.626.494.458
Central de Valores private (local custody)	147.881.822.681	131.742.202.598	148.197.391.736
Central de Valores private (international custody)	53.694.148.080	32.181.833.039	31.130.572.066
Central de Valores public (BCCR)	351.975.810.551	377.100.395.728	304.627.788.143
Vault	87.500.000	87.500.000	87.500.000
Total memoranda accounts for third parties	<u>924.355.135.325</u>	<u>887.207.516.067</u>	<u>686.316.881.423</u>
Total memoranda accounts (see note 21)	<u>932.816.752.630</u>	<u>895.434.022.840</u>	<u>695.048.483.918</u>
Total memoranda accounts and trusts	¢ <u>932.186.752.630</u>	<u>895.434.022.840</u>	<u>695.048.483.918</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

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In repurchase and term operations, BCR Valores is contingently liable for the short balance that arises when a security is settled for an amount that is less than the amount payable to the respective buyer. In accordance with the Regulations for Repurchase Operations and the Regulations for Term Operations, all such transactions have collaterals to cover those contingencies.

Securities backing repurchase agreements are held in custody at Central de Valores de la Bolsa Nacional de Valores. S.A. (CEVAL) or foreign depositories with which CEVAL has custody agreements.

a) Repurchase

BCR Valores subscribes agreements to buy or sell securities at certain future dates (repurchase agreements). Those agreements are comprised of securities that the parties undertake to sell or buy on an agreed upon date and at a stated price. The difference between the contractual value and the value of the security represents additional collateral for the operation and corresponds to a portion of the security held in custody.

As of June 30, 2022, forward buyer and seller positions in repurchase and reverse repurchase agreements in which BCR Valores, S.A. Puesto de Bolsa (Brokerage House) participates, are as follows:

Third parties	Colones	US Dollars	Total	Colones	US Dollars	Total
1 to 30 days	¢ 3.526.083.574	33.197.097.496	36.723.181.070	2.376.741.436	2.301.511.260	4.678.252.696
31 to 60 days	1.321.355.776	9.788.673.417	11.110.029.193	94.017.975	2.106.062.849	2.200.080.824
Third parties total	¢ 4.847.439.350	42.985.770.913	47.833.210.263	2.470.759.412	4.407.574.108	6.878.333.520
Total	¢ 4.847.439.350	42.985.770.913	47.833.210.263	2.470.759.412	4.407.574.108	6.878.333.520

As of December 31, 2021, forward buyer and seller positions in repurchase and reverse repurchase agreements in which BCR Valores, S.A. Puesto de Bolsa (Brokerage House) participates, are as follows:

Third parties	Colones	US Dollars	Total	Colones	US Dollars	Total
1 to 30 days	¢ 7.733.634.349	30.899.124.568	38.632.758.917	1.436.662.261	2.832.493.814	4.269.156.075
31 to 60 days	0	2.375.785.413	2.375.785.413	0	779.817.475	779.817.475
Third parties total	¢ 7.733.634.349	33.274.909.981	41.008.544.330	1.436.662.261	3.612.311.289	5.048.973.550
Total	¢ 7.733.634.349	33.274.909.981	41.008.544.330	1.436.662.261	3.612.311.289	5.048.973.550

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

As of June 30, 2021, forward buyer and seller positions in repurchase and reverse repurchase agreements in which BCR Valores, S.A. Puesto de Bolsa (Brokerage House) participates, are as follows:

Third parties	Forward buyer			Forward seller		
	Colones	US Dollars	Total	Colones	US Dollars	Total
1 to 30 days	¢ 7.134.345.081	911.431.741	8.045.776.822	31.578.208.315	2.780.617.865	34.358.826.181
31 to 60 days	2.872.428.649	587.980.215	3.460.408.864	11.867.785.825	1.236.993.003	13.104.778.828
61 to 90 days	0	0	0	109.471.633	109.471.633	218.943.267
Third parties total	¢ 10.006.773.730	1.499.411.956	11.506.185.686	43.555.465.774	4.127.082.502	47.682.548.275
Total	¢ 10.006.773.730	1.499.411.956	11.506.185.686	43.555.465.774	4.127.082.502	47.682.548.275

b) Guarantees granted

To comply with Bolsa Nacional de Valores, S.A., requirement for a system of guarantees to secure operations executed by the Brokerage House on behalf of third parties, the Brokerage Firm may either hold a performance bond in colones issued by a private Costa Rican bank or contribute to the Guarantee Fund as described below.

To establish a risk management system, SUGEVAL set up a guarantee fund comprised of contributions from brokerage firms. Contributions are made proportionally based on the net buyer positions during the last six months. As of June 30, 2022, the Brokerage House had made contributions for a total of ¢126.550.564 (¢150.295.897 and ¢112.298.485 for December and June 2021, respectively). These contributions are registered in the subaccount "Guarantee fund - National Stock Exchange".

c) Agreements entered with customers of BCR Valores, S.A. - Puesto de Bolsa

Starting 2012, a multiple agreement was implemented, which includes all the products offered by BCR Valores, except for individual portfolio management services. Accordingly, the BCR Valores has two types of agreements available:

- Commission agreement to perform brokerage operations, foreign exchange operations, and operations with foreign exchange and financial derivatives.
- Individual portfolio management agreement.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

d) Customer securities and own securities in custody

As of June 30, 2022, BCR Valores, S.A. has following securities in custody:

<u>Place of Custody</u>	<u>Custody Type</u>	<u>Balance</u>
<i>Colones</i>		
Local	Custody free	¢ 230.480.236.622
Local	Repurchase operations	16.651.803.913
		¢ <u>247.132.040.535</u>
<i>US dollars</i>		
Local	Custody free	¢ 258.622.194.976
Local	Repurchase operations	43.921.570.633
Foreign custodians	Shares at purchase value	10.553.153.370
		¢ <u>313.096.918.979</u>
Total own custody, colones, US dollars and other currencies		¢ <u>560.228.959.514</u>
Total custody, third parties,		
US Dollars and others		¢ <u>560.228.959.514</u>

As of December 31, 2021, BCR Valores, S.A. has following securities in custody:

<u>Place of Custody</u>	<u>Custody Type</u>	<u>Balance</u>
<i>Colones</i>		
Local	Custody free	¢ 229.431.647.258
Local	Repurchase operations	12.397.471.745
		¢ <u>241.829.119.003</u>
<i>US dollars</i>		
Local	Custody free	¢ 224.003.499.800
Local	Repurchase operations	43.097.479.523
Foreign custodians	Available at face value	30.632.613.560
Foreign custodians	Shares at purchase value	1.379.726.783
		¢ <u>299.113.319.666</u>
<i>Canadian dollars</i>		
Internacional	Custody free	¢ 169.492.696
Total own custody, colones, US dollars and other currencies		¢ <u>541.111.931.365</u>
Total custody, third parties		
US Dollars and others		¢ <u>541.111.931.365</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

As of June 30, 2021, BCR Valores, S.A. has following securities in custody:

<u>Place of Custody</u>	<u>Custody Type</u>	<u>Balance</u>
<i>Colones</i>		
Local	Custody free	¢ 145.567.648.257
Local	Repurchase operations	15.105.175.413
		¢ <u>160 672 823 669</u>
<i>US Dollars</i>		
Local	Custody free	¢ 234.800.280.005
Local	Repurchase operations	57.439.576.204
Foreign custodians	Available at face value	30.712.669.047
Foreign custodians	Shares at purchase value	317.916.175
		¢ <u>323 270 441 431</u>
<i>Canadian Dollars</i>		
International	Custody free	¢ <u>99.986.844</u>
Total custody of own colones, US dollars and other currencies		¢ <u>484 043 251 944</u>
US Dollars and others		¢ <u>484.043.251.944</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

(23) Investment fund management agreements

The value of net assets in each investment fund managed by the BCR Sociedad Administradora de Fondos de Inversion. S.A. (Investment Fund Manager) is as follows:

<u>Investment Fund</u>		<u>Type of fund</u>		<u>June</u>	<u>December</u>	<u>June</u>
				<u>2022</u>	<u>2021</u>	<u>2021</u>
<i>In Colones</i>						
BCR Short-term undiversified	colones,	Financial, open	¢	34.972.971.521	57.824.691.772	61.724.301.010
BCR Short-term undiversified	colones,	Financial, open, medium-term		888.961.230	921.724.006	559.070.786
BCR mixed undiversified	colones,	Open, medium-term		39.985.753.805	59.102.365.341	61.502.416.981
BCR Purpose Fund		Open, medium-term		0	0	0
BCR Portfolio Fund	colones	Open, medium-term		67.393.404.116	41.430.461.932	73.460.170.924
BCR Real Estate,	colones	Closed, non-financial		16.696.420.730	16.747.304.271	16.962.029.188
			¢	<u>159.937.511.402</u>	<u>176.026.547.322</u>	<u>214.207.988.889</u>
<i>In US dollars</i>						
Investment Funds in US Dollars, equivalent in colones (See note 21)					692.933.019.249	629.060.524.163
			¢	<u>852.870.530.651</u>	<u>805.087.071.485</u>	<u>832.774.169.133</u>
<i>Investment Funds in US dollars</i>						
BCR Liquidity undiversified	Dollars,	Open	US\$	121.405.712	198.267.938	166.670.270
BCR Real Estate undiversified	Dollars,	Real estate, closed, long-term		284.852.922	286.210.916	283.613.807
BCR Real Estate Trade and Industry, undiversified		Real estate, closed, long-term		201.051.937	200.736.439	207.720.274
BCR Liquidity Fund international, undiversified	Dollars,	Open, money market		163.585.786	154.889.679	172.801.504
BCR Portfolio Fund, US dollars		Open, medium-term		69.697.098	28.958.830	54.834.025
BCR Evolution		Open, medium-term		574.507	1.269.731	1.693.050
BCR Real Estate Progress Fund, undiversified		Real estate, closed		84.105.587	85.177.086	86.644.998
PEL Development Investment Fund		Real estate, closed		75.713.116	19.399.145	20.629.386
			US\$	<u>1.000.986.665</u>	<u>974.909.764</u>	<u>994.607.314</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

(24) Pension fund management agreements

The value of assets for each investment fund managed by BCR Pensi3n Operadora de Planes de Pensiones Complementarias, S.A. (Pension Fund Manager) is as follows:

	June 2022	December 2021	June 2021
Own assets and securities ¢ held in custody	7.824.422.707	8.498.847.017	7.376.184.406
Assets and securities held in custody by third parties	71.554.587	63.741.613	67.842.342
Mandatory pension fund	1.291.392.845.168	1.310.701.779.628	1.224.330.672.013
Voluntary pension fund	41.217.471.591	38.255.459.760	33.710.257.063
Labor capitalization fund	58.395.940.078	63.520.182.909	60.213.489.453
Supplementary pension funds created by special laws (see note 21)	156.265.236.697	185.940.056.125	175.858.687.018
	¢ 1.555.167.470.828	1.606.980.067.052	1.501.557.132.295

The detail of assets for each pension fund in the separately issued reports is detailed as follows.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

Funds received by the Pension Fund Manager are invested in the following securities and other investments:

		<u>June 2022</u>	<u>December 2021</u>	<u>June 2021</u>
Voluntary Pension Fund (colones)	¢	30.692.901.824	29.745.337.337	25.911.470.629
At fair value through other comprehensive income		29.573.895.892	29.221.672.386	25.642.709.087
Entities from the public sector of the country		19.423.212.204	18.559.874.341	16.837.570.663
Treasury		13.590.920.792	13.286.570.819	12.386.745.590
Banco Central de Costa Rica		1.875.775.236	1.420.190.905	654.290.828
Other issuers from the public sector		3.956.516.176	3.853.112.617	3.796.534.245
Entities from the private sector of the country		10.150.683.688	10.661.798.045	8.805.138.424
Financial		8.291.401.239	8.218.473.819	6.639.232.750
Non-financial		1.859.282.449	2.443.324.226	2.165.905.674
At fair value with changes through profit or loss		1.119.005.932	523.664.951	268.761.542
Entities from the private sector of the country Financial		1.119.005.932	523.664.951	268.761.542
Financieras		1.119.005.932	523.664.951	268.761.542
Voluntary Pension Fund (US\$)	US\$	9.024.116.479	7.070.314.112	6.444.497.592
At fair value through other comprehensive income		8.703.760.644	6.991.934.969	6.353.552.414
Entities from the public sector of the country		5.506.177.849	3.825.576.461	3.522.320.945
Treasury		4.584.304.191	3.130.089.412	2.832.195.003
Banco Central de Costa Rica		0	0	0
Other issuers from the public sector		921.873.658	695.487.049	690.125.942
Entities from the private sector of the country		3.197.582.795	3.166.358.508	2.831.231.469
Financial		3.197.582.795	2.761.477.812	2.481.695.730
Non-financial		0	404.880.696	349.535.739
At fair value through profit or loss		320.355.835	78.379.143	90.945.178
Entities from the private sector of the country		320.355.835	78.379.143	90.945.178
Financial		320.355.835	78.379.143	90.945.178

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

	<u>June 2022</u>	<u>December 2021</u>	<u>June 2021</u>
Mandatory Regime of Supplementary Pensions (colones)	¢ 1.398.761.476.774	1.279.990.288.161	1.312.952.168.828
At fair value through other comprehensive income	1.161.542.877.881	1.069.168.853.529	1.166.704.309.403
Entities from the public sector of the country	908.508.808.106	855.602.278.890	915.504.075.312
Treasury	801.618.140.596	747.956.670.061	761.267.377.752
Banco Central de Costa Rica	26.178.373.562	24.574.961.736	53.866.511.904
Other issuers from the public sector	80.712.293.948	83.070.647.093	100.370.185.656
Entities from the private sector of the country	253.034.069.775	213.566.574.639	251.200.234.091
Financial	226.481.025.524	192.081.974.456	226.423.738.285
Non-financial	26.553.044.251	21.484.600.183	24.776.495.806
At fair value through profit or loss	237.218.598.893	210.821.434.632	146.247.859.425
Entities from the private sector of the country	38.471.254.857	210.821.434.632	28.065.636.249
Financial	38.471.254.857	40.813.320.049	28.065.636.249
Entities from the foreign the public sector	0	170.008.114.583	236.364.446.352
Entities from the public sector of the country	198.747.344.036	0	118.182.223.176
Financial	198.747.344.036	0	118.182.223.176
Labor Capitalization Fund (colones)	¢ 56.321.731.175	140.416.697.364	91.435.350.710
At fair value through other comprehensive income	55.740.910.183	139.213.467.422	90.935.352.662
Entities from the public sector of the country	38.234.201.127	91.575.939.547	65.550.353.727
Treasury	28.755.147.130	77.745.766.728	52.009.055.635
Banco Central de Costa Rica	3.846.569.364	5.040.386.216	5.757.287.545
Other issuers from the public sector	5.632.484.633	8.789.786.603	7.784.010.547
Entities from the private sector of the country	17.506.709.056	47.637.527.875	25.384.998.935
Financial	16.612.785.083	43.699.973.563	23.011.662.149
No-financial	893.923.973	3.937.554.312	2.373.336.786
At fair value through profit or loss	580.820.992	1.203.229.942	499.998.048
Entities from the private sector of the country	580.820.992	1.203.229.942	499.998.048
Financial	580.820.992	1.203.229.942	499.998.048

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

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The agreements entered by the Pension Fund Manager are found in chapter II of the Labor Protection Law, articles 14, 15, and thereafter. The applicable agreement is known as "Voluntary Supplemental Pension Plan Affiliation Agreement."

Following is a general description of the nature of the agreements entered:

The Labor Protection Law seeks to establish mechanisms to expand coverage and strengthen the funding base for the Disability, Old Age, and Death System of the CCSS through supplemental pension funds. The Law establishes a voluntary personal savings system, whereby contributions are recorded and controlled by the Centralized Collection System of the CCSS, or directly by the pension fund operators. A close relationship exists between the funds, plans, and agreements, the latter being a formal requirement for eligibility to access pension funds. The agreements define and stipulate the rights and obligations of both parties.

The funds are separate equity funds administered by pension fund operators for a stated purpose, i.e. long-term savings to be used by the member as a supplemental pension fund. The funds are comprised of voluntary contributions from members and third-party contributors.

The plans are a set of complementary conditions and benefits offered to the plan's beneficiaries.

(25) Contract for custody and storage of goods and merchandise

As of June 30, 2022, December and June 2021, Depósito Agrícola de Cartago and its subsidiary have current contracts that are detailed below:

- a) Logistics services provided to the duty-free shops of Instituto Mixto de Ayuda Social (IMAS), management of the General and Auxiliary Warehouses, transportation and distributions of goods.
- b) Banking services provided to the duty-free shops of Instituto Mixto de Ayuda Social (IMAS), for collection of sales in the shops by human cashiers.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

(26) Financial income on investments in financial instruments

Financial income on investments in financial instruments is as follows:

	<u>June 2022</u>	<u>June 2021</u>	<u>April 1 to July 31</u>	
			<u>2022</u>	<u>2021</u>
Interest for investments in financial instruments at fair value through profit or loss	4.105.147	187.710	2.409.512	66.911
Interests for investments in financial instruments at fair value through comprehensive income	42.582.891.985	39.358.309.908	21.341.796.163	20.055.605.711
Interests for investments at amortized cost	923.213.622	1.087.709.483	406.318.044	581.381.647
Income from investments in due and restricted financial instruments	957.691.605	1.555.238.090	513.469.446	796.920.474
	€ 44.467.902.359	42.001.445.191	22.263.993.165	21.433.974.743

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

(27) Financial income on loan portfolio and other financial interests

Financial income on loan portfolio and the financial interests is detailed as follows:

	June	June	Quarter from	
	2022	2021	April 1 to July 31	
	2022	2021	2022	2021
Personal	56.741.250.953	53.320.391.965	28.273.935.785	25.188.639.661
Development Banking System	1,168,459,423	1.101.035.511	578.967.542	521.700.832
Business	7.853.069.095	7.940.301.036	3.951.235.840	3.693.390.424
Corporate	64.434.215.590	66.038.964.068	33.665.786.736	30.915.934.843
Public sector	2.014.635.719	4.344.072.149	975.031.200	2.224.427.775
Financial sector	2.551.306.788	4.476.433.760	1.187.795.699	2.105.947.737
Amortization of the net commission of the incremental direct costs associated with loans	2.382.554.889	1.704.675.841	1.159.944.357	778.541.239
Interest for accounts receivable related to loan portfolio and other financial instruments for other concepts not included in the previous subaccounts and analytical accounts	653.864.521	588.551.509	324.367.881	376.112.727
	¢ 137.799.356.978	139.514.425.839	70.117.065.040	65.804.695.238

(28) Expenses from obligations with the public

Financial expenses from obligations with the public are as follows:

	June	June	Quarter from	
	2022	2021	April 1 to July 31	
	2022	2021	2022	2021
Expenses from demand deposits	18.001.667.066	20.703.731.100	8.803.368.358	10.642.947.429
Expenses from term deposits	33.800.052.536	36.214.682.365	17.183.583.809	18.271.016.606
Expenses from securities in repurchase agreements	95.590.540	47.067.601	59.242.440	2.759.188
	¢ 51.897.310.142	56.965.481.066	26.046.194.607	28.916.723.223

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

(29) Expenses for allowance for impairment of the loan portfolio and accounts and commissions receivable

Expenses from allowances for impairment of loan portfolio are as follows:

	<u>June 2022</u>	<u>June 2021</u>	<u>Quarter from April 1 to July 31 2022 2021</u>	
Decrease in specific allowance for loan portfolio (See note 6-f)	¢ 13.184.005.651	14.873.078.347	2.971.916.088	5.280.402.072
Expense for allowance for impairment and bad debts from other accounts receivable	1.915.415.243	1.886.222.937	980.758.152	842.342.552
Decrease in generic allowance and counter cycle for loan portfolio (See note 6-f)	4.912.819	59.649.849	3.693.383	170.156
Decrease in generic allowance and counter cycle for contingent loans	0	220.000	0	0
Expenses for allowance for impairment of investments at fair value through other comprehensive income	244.574.727	921.512.511	124.742.493	559.614.992
Expenses for allowance for impairment of financial instruments at amortized cost	0	1.967.798	0	210.189
Expenses for allowance for impairment of expired and restricted financial instruments	6.825.392	70.426.881	6.078.223	41.007.988
	¢ <u>15.355.733.832</u>	<u>17.813.078.323</u>	<u>4.087.188.339</u>	<u>6.723.747.949</u>

(30) Income from recovery of assets and decreases in allowances and provisions

Income from recovery of assets and decreases in allowances and provisions is detailed as follows:

	<u>June 2022</u>	<u>June 2021</u>	<u>Quarter from April 1 to July 31 2022 2021</u>	
Recovery of written-down loans	¢ 2.946.935.690	4.749.927.748	1.734.860.874	1.757.227.967
Decrease in specific allowance for the loan portfolio (See note 6-f)	319.847.547	2.307.824.783	65.965.983	438.768.494
Decrease in allowance for other bad receivables	823.198.571	641.993.406	463.485.230	221.194.814
Decrease in generic allowance and counter cycle for loan portfolio (See note 6-f)	244.832.112	67.713.851	1.659.541	16.946.457
Decrease in generic allowance and counter cycle for contingent loans	408	0	0	0
Decrease in allowance for bad investment securities	945.225.211	569.609.914	226.362.457	230.670.010
	¢ <u>5.280.039.539</u>	<u>8.337.069.702</u>	<u>2.492.334.085</u>	<u>2.664.807.742</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

(31) Income from service fees and commissions

Income from service fees and commissions is detailed as follows:

	June	June	Quarter from	
	2022	2021	April 1 to July 31	
			2022	2021
Drafts and transfers	¢ 1.567.580.310	1.348.004.160	792.967.385	690.342.692
Foreign trade	387.417.919	356.907.665	204.671.879	167.665.435
Certified checks	2.187.433	2.359.136	1.170.528	1.189.056
Trust management	2,163,358,613	2.041.140.282	1.079.011.333	1.081.511.782
Custodial services	159.500.905	177.955.642	77.854.739	85.522.240
For mandates	354.926	492.494	354.926	0
Collections	293.218.273	279.851.606	124.417.639	118.824.573
Credit Cards	21.148.844.948	18.246.166.303	9.956.939.715	9.125.495.926
Investment Fund management	3,470,792,738	4.041.833.966	1.768.654.231	1.973.451.074
Pension Fund management	3,397,743,341	3.313.212.996	1.712.047.241	1.662.602.273
Insurance underwriting	3.349.692.626	3.226.481.193	1.550.277.476	1.674.047.148
Brokerage fees				
(by third parties in local market)	530.867.193	990.070.859	259.800.850	471.989.365
Brokerage fees				
(by third parties in other markets)	117.212.282	67.698.630	77.586.482	23.084.890
Individual portfolio management fee	350,129,655	554.995.763	157.449.572	370.432.900
Commissions from operations with related parties	269,215,566	262.763.352	107.325.647	173.981.067
Commission from custodial services				
of authorized securities	379.415.965	305.354.037	138.730.791	153.687.735
Other commissions	19.627.765.456	16.162.350.460	10.215.193.661	7.998.516.638
	¢ <u>57.215.298.149</u>	<u>51.377.638.544</u>	<u>28.224.454.095</u>	<u>25.772.344.794</u>

(32) Income from interests in other companies

	June	June	Quarter from	
	2022	2021	April 1 to July 31	
			2022	2021
<u>Local entities:</u>				
Interest in Bolsa Nacional de Valores, S.A.	¢ 4.969.892	4.048.114	4.969.892	0
Interest in Banprocesa SRL.	0	241.921.662	0	110.110.725
	¢ <u>4.969.892</u>	<u>245.969.776</u>	<u>4.969.892</u>	<u>110.110.725</u>

As of June 30, 2022, December and June 2021, there are no participation expenses in the National Stock Exchange.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

As of June 30, 2022, there are no participation expenses in Banprocesa SRL, (¢131.810.937, for June 2021).

(33) Administrative expenses

Administrative expenses are detailed as follows:

	June 2022	June 2021	Quarter from April 1 to July 31	
			2022	2021
Salaries and bonuses, permanent staff	¢ 32.828.494.705	31.323.920.250	17.277.711.125	15.486.610.485
Salaries and bonuses, contractors	648.209.653	1.376.411.953	251.553.382	788.095.327
Compensation for directors and auditors	109,209,414	141,626,548	49.678.755	66.482.398
Overtime	362,080,862	267.825.554	207.509.787	149.695.856
Per diem	210.402.702	131.963.339	125.425.957	67.446.381
Statutory Christmas Bonus	2,821,780,920	2.867.025.708	1.496.808.055	1.431.966.827
Vacation	3.370.365.219	3.020.112.094	1.538.904.503	1.476.511.989
Incentives	3.289.861	2.720.417	1.646.667	1.358.750
Fixed representation expenses	512,096,787	464.840.247	266.279.711	237.008.709
Other compensation	1,136,324,301	865.127.849	579.778.341	492.037.216
Contribution to severance payment	1,398,760,425	1.396.541.326	720.198.599	693.497.383
Social security charges	11,338,129,806	11.019.294.286	5.825.323.479	5.536.602.382
Refreshments	14.990.812	8.375.901	8.987.763	4.216.165
Uniforms	795.600	958.689	376.320	238.910
Training	264.337.837	121.770.845	201.221.146	68.820.202
Employee insurance	413,738,208	294.873.129	139.237.978	163.893.721
Assets for personal use	217,603	18,216	30.973	0
School bonus	2,897,598,203	2.784.406.562	1.481.879.792	1.396.643.141
Labor Capitalization Fund	948,511,722	917.463.875	489.792.662	461.806.343
Other personnel expenses	460,801,315	464.461.616	202.514.352	203.081.865
Outsourcing expenses	12,850,420,315	9.062.090.253	7.750.280.448	4.728.166.546
Transportation and communication expenses	1.469.920.569	1.989.451.201	714.714.820	963.258.949
Property insurance	69.720.397	161.600.169	35.825.295	5.275.886
Property maintenance and repair	2.891.499.672	2.834.231.198	1.963.289.585	1.955.860.373
Public utilities	1.145.471.370	1.117.973.895	598.506.169	568.677.179
By right of use-properties	1.529.467.877	1.389.051.779	836.601.193	602.009.157
By right of use-furniture, equipment, and other assets	861,093,648	500.511.678	439.935.657	386.359.397
Depreciation of property, plant and equipment, except vehicles	5,042,517,383	5.378.201.856	2.511.348.044	2.843.372.096
Amortization of leasehold property	241.555.339	245.866.360	119.085.510	129.524.591
Other infrastructure expenses	1,872,958,178	1.928.122.790	923.684.113	971.459.419
Overhead	14,577,053,895	12.228.000.174	7.868.617.619	6.971.128.145
	¢ <u>102.291.814.598</u>	<u>94.304.839.757</u>	<u>54.626.747.800</u>	<u>48.851.105.788</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

(34) Legal profit allocation

Legal allocations of profit (statutory allocations) of the period are detailed as follows:

	June 2022	June 2021	Quarter from April 1 to July 31	
			2022	2021
Allocation for CONAPE	¢ 2.179.648.983	1.798.096.658	950.760.557	813.933.519
Allocation for Instituto Nacional de Fomento Cooperativo	2.840.429.792	1.749.301.166	1.002.020.201	783.511.135
Allocation for National Emergency Commission	1.552.383.924	1.345.651.287	669.981.857	623.231.240
Allocation for Public Pension Fund Operators	458.290.191	554.401.213	231.617.019	278.303.707
Allocation for Invalidity, Old Age and Death Regime	6.538.946.948	5.394.289.970	2.852.281.672	2.441.800.556
	¢ 13.569.699.838	10.841.740.294	5.706.661.306	4.940.780.157

As of June 31, 2022, December and June 2021 there are no decreases in the legal allocations of the period's profits.

(35) Components of other comprehensive income

The components of other comprehensive income are detailed as follows:

	June 2022		
	Amount before taxes	Tax benefit (expense)	Net taxes
Adjustment for valuation of investments at fair value through other comprehensive income.	¢ (73.312.297.982)	21.913.838.524	(51.398.459.458)
Impairment – Investments at fair value through other comprehensive income	(654.028.639)	0	(654.028.639)
Exchange differences from conversion of financial statements of foreign entities.	11.449.742.567	0	11.449.742.567
	¢ (62.516.584.054)	21.913.838.524	(40.602.745.530)

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

	June 2021		
	Amount before taxes	Tax benefit (expense)	Net taxes
Adjustment for valuation of investments at fair value through other comprehensive income.	¢ 51.921.716.744	(15.639.210.314)	36.282.506.430
Impairment – Investments at fair value through other comprehensive income.	470.672.766	0	470.672.766
Exchange differences from conversion of financial statements of foreign entities.	1.300.966.663	0	1.300.966.663
	¢ 53.693.356.173	(15.639.210.314)	38.054.145.859

(36) Operating leases

Lessee

Non-cancellable operating leases are payable as follows:

	June 2022	December 2021	June 2021
Less than one year	¢ 0	91.189.908	331.534.817
	¢ 0	91.189.908	331.534.817

These leases correspond to furniture and equipment.

As of June 30, 2022, there are no amounts in these accounts.

(37) Fair value of financial instruments

The fair values of the Bank's main financial assets and liabilities are as follows:

	June 2022		December 2021		June 2021	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Cash and due from banks	¢ 944.280.161.446	944.280.161.446	960.508.938.412	960.508.938.412	785.711.746.503	785.711.746.503
Investments	1.864.255.980.074	1.837.096.709.043	1.890.859.623.925	1.864.371.718.197	1.717.377.062.015	1.693.812.045.725
Loan portfolio	4.293.038.048.353	4.115.906.238.772	4.122.382.245.258	3.198.566.472.304	3.907.985.529.424	3.774.933.154.027
	7.101.574.189.873	6.897.283.109.261	6.973.750.807.595	6.023.447.128.913	6.411.074.337.942	6.254.456.946.255
Demand deposits	3.289.178.848.869	3.289.178.848.869	3.405.432.886.728	3.405.432.886.728	2.966.970.636.918	2.966.970.636.918
Term deposits	1.882.573.894.224	1.882.163.030.016	1.691.856.375.240	1.685.247.259.043	1.775.284.975.916	1.775.520.942.695
Financial obligations	1.168.154.138.638	1.036.348.563.202	1.038.668.463.929	1.014.828.526.882	932.415.991.405	940.223.297.627
	¢ 6.339.906.881.731	6.207.690.442.087	6.135.957.725.897	6.105.508.672.653	5.674.671.604.239	5.682.714.877.240

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

As of June 2022, December and June 2021, there are no subordinated obligations.

Where practicable, the following assumptions were used by management to estimate the fair value of each class of financial instruments both on and off the consolidated balance sheet:

- a) Cash and cash equivalents, interest receivable, other accounts receivable, demand deposits and customer savings deposits, interest payable, and other liabilities.

The carrying amounts approximate fair value because of the short maturity of these instruments.

- b) Investments in financial instruments

For financial instruments through other comprehensive income, the fair value is based on market price quotes or quotes from brokers.

- c) Securities sold under repurchase agreements

The carrying amount of funds owed under repurchase agreements maturing in one year or less approximates their fair value because of the short maturity of these instruments.

- d) Loan portfolio

Management determined the fair value of the loan portfolio by the discounted cash flow method.

- e) Term deposits and loans payable

Management determined the fair value of term deposits and loans payable by the discounted cash flow method.

Fair value estimates are made at a specific date, based on relevant market information and information concerning the financial instruments. These estimates do not reflect any premium or discount that could result from offering for sale of a particular financial instrument at a given date. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and. Therefore, cannot be determined with precision. Estimates could vary significantly if changes are made to those assumptions.

(38) Segments

The Bank has defined its business segments based on the administrative and reporting structure, and on the structure of banking, stock brokerage, investment and pension fund management, and insurance brokerage services it provides.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

As of June 30, 2022, assets and liabilities for each segment are presented as follows:

	<u>Bank</u>	<u>Pension Fund Operator</u>	<u>Investment Fund Manager</u>	<u>Brokerage House</u>	<u>Foreign Bank</u>	<u>Insurance Broker</u>	<u>Depósito Agrícola de Cartago</u>	<u>Banprocesa</u>	<u>Total</u>	<u>Eliminations</u>	<u>Consolidated</u>
Assets											
Cash and due from banks	€ 875.002.651.130	74.438.880	720.278.849	1.067.043.625	99.735.922.211	300.740.412	21.292.169	69.745.178	976.992.112.454	(32.711.951.008)	944.280.161.446
Investment in financial instruments	1,713,689,908,291	6.725.279.688	6.422.621.019	50.563.066.636	80.357.252.234	7.023.977.797	795.735.896	1.078.740.871	1.866.656.582.432	(2.400.602.358)	1.864.255.980.074
Loan portfolio	3.126.394.848.257	0	0	0	983.194.305.698	0	0	0	4.109.589.153.955	(1)	4.109.589.153.954
Accounts and fees receivable	24,231,162,742	710.441.497	923.812.203	1.146.220.266	7.368.359.534	818.750.973	110.518.139	414.066.036	35.723.331.390	(3.393.937.532)	32.329.393.858
Foreclosed assets	37.431.204.420	0	0	0	21.764.549.060	0	39	0	59.195.753.519	(1)	59.195.753.518
Interest in other companies (net)	128,128,652,758	0	0	65.417.188	0	0	0	0	128.194.069.946	(127.964.575.302)	229.494.644
Property, furniture and equipment. Net	134,019,863,189	282.521.138	365.615.153	253.484.860	8.577.247.478	261.569.461	242.746.546	30.358.230	144.033.406.055	(80.904.191)	143.952.501.864
Properties investments	6,441,924,521	0	0	0	0	0	0	0	6,441,924,521	0	6,441,924,521
Other assets	73,844,965,026	1,013,756,999	515,760,575	674,039,081	32,245,643,947	530,937,082	111,517,424	103,269,982	109,039,890,116	(1,487,042,572)	107,552,847,544
Total assets	€ 6.119.185.180.334	8.806.438.202	8.948.087.799	53.769.271.656	1.233.243.280.162	8.935.975.725	1.281.810.213	1.696.180.297	7.435.866.224.388	(168.039.012.965)	7.267.827.211.423
Liabilities and Equity											
Liabilities											
Obligations with the public	€ 4,673,302,542,188	0	0	7,098,094,702	496,261,804,711	11,243,172	0	0	5,176,673,684,773	(4,920,941,680)	5,171,752,743,093
Obligations with the Central Bank of Costa Rica	170,286,376,723	0	0	0	0	0	0	0	170,286,376,723	0	170,286,376,723
Obligations with entities	431,284,487,118	345,020,506	481,621,481	24,293,099,697	554,056,670,378	338,054,413	164,589,191	31,318,472	1,010,994,861,256	(33,214,805,364)	977,780,055,892
Accounts payable and provisions	157,609,459,967	2,085,591,774	1,402,533,205	2,222,117,552	7,431,358,438	1,742,968,093	151,358,098	445,764,548	173,091,151,675	(751,648,043)	172,339,503,632
Other liabilities	19,797,785,982	0	0	0	5,726,940,637	51,047,189	1,893,820	746,272	25,578,413,900	(2)	25,578,413,898
Total liabilities	€ 5.472.352.911.917	2.430.612.280	1.884.154.686	33.613.311.951	1.063.476.774.164	2.143.312.867	317.841.109	477.829.292	6.576.696.748.266	(38.887.395.089)	6.537.809.353.177
Equity											
Capital	181,409,990,601	4,756,965,642	4,839,200,000	12,626,000,000	38,609,421,071	2,250,000,000	305,842,762	710,000,000	245,507,420,076	(64,097,429,475)	181,409,990,601
Unfunded capital contributions	-	522,892,498	0	0	0	0	0	0	522,892,498	(522,892,498)	0
Equity adjustments	50,563,086,524	(52,681,758)	(162,929,766)	253,962,464	74,759,602,735	(97,597,113)	(97,486)	0	125,263,345,600	(74,700,259,075)	50,563,086,525
Capital reserves	325,313,265,088	255,890,001	967,840,000	1,650,142,125	29,806,900,912	450,000,000	36,187,964	35,725,888	358,515,951,978	(33,202,686,890)	325,313,265,088
Prior periods retained earnings	23,721,615,916	434,469,348	374,170,167	4,105,323,295	24,586,630,622	2,530,056,788	584,070,492	86,985,797	56,423,322,425	(32,701,706,509)	23,721,615,916
Profit for the period	25,347,588,511	458,290,191	1,045,652,712	1,520,531,821	2,003,950,658	1,660,203,183	37,965,372	385,639,320	32,459,821,768	(7,112,233,257)	25,347,588,511
Development financing fund	40,476,721,777	0	0	0	0	0	0	0	40,476,721,777	0	40,476,721,777
Minority interest	0	0	0	0	0	0	0	0	0	83,185,589,828	83,185,589,828
Total equity	646,832,268,417	6,375,825,922	7,063,933,113	20,155,959,705	169,766,505,998	6,792,662,858	963,969,104	1,218,351,005	859,169,476,122	(129,151,617,876)	730,017,858,246
Total liabilities and equity	€ 6.119.185.180.334	8.806.438.202	8.948.087.799	53.769.271.656	1.233.243.280.162	8.935.975.725	1.281.810.213	1.696.180.297	7.435.866.224.388	(168.039.012.965)	7.267.827.211.423
Debit contingent accounts											
Trust assets	€ 498,162,799,959	0	0	0	130,329,441,270	0	0	0	628,492,241,229	0	628,492,241,229
Trust liabilities	€ 807,126,138,627	0	0	0	62,221,623,740	0	0	0	869,347,762,367	1	869,347,762,368
Trust equity	€ 292,288,545,867	0	0	0	0	0	0	0	292,288,545,867	0	292,288,545,867
Trust equity	€ 514,837,592,760	0	0	0	62,221,623,740	0	0	0	577,059,216,500	1	577,059,216,501
Other debit memoranda accounts	€ 17,996,546,200,111	1,555,167,470,828	852,870,530,651	932,816,752,630	1,555,434,624,562	0	5,646,418,855	0	22,898,481,997,637	0	22,898,481,997,637

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

As of December 31, 2021, assets and liabilities for each segment are presented as follows:

	<u>Bank</u>	<u>Pension Fund Operator</u>	<u>Investment Fund Manager</u>	<u>Brokerage House</u>	<u>Foreign Bank</u>	<u>Insurance Broker</u>	<u>Depósito Agrícola de Cartago</u>	<u>Banprocesa</u>	<u>Total</u>	<u>Eliminations</u>	<u>Consolidated</u>
Assets											
Cash and due from banks	€ 864.405.461.582	382.656.329	1.404.199.503	1.000.438.445	127.984.618.692	693.473.756	18.366.766	6.339.715	995.895.554.788	(35.386.616.376)	960.508.938.412
Investment in financial instruments	1.754.312.982.756	7.654.325.798	7.746.780.489	51.975.576.071	61.577.071.489	8.262.675.302	735.544.922	1.078.757.506	1.893.343.714.333	(2.484.090.408)	1.890.859.623.925
Loan portfolio	3.038.196.017.416	0	0	0	912.967.594.496	0	0	0	3.951.163.611.912	0	3.951.163.611.912
Accounts and fees receivable	15.609.952.548	715.482.266	844.009.362	366.521.918	6.864.732.158	663.743.283	104.127.065	518.009.765	25.686.578.365	(3.758.602.456)	21.927.975.909
Foreclosed assets	42.352.819.263	0	0	0	20.723.056.771	0	39	0	63.075.876.073	0	63.075.876.073
Interest in other companies (net)	128.725.242.930	0	0	65.417.188	0	0	0	0	128.790.660.118	(128.725.242.930)	65.417.188
Property, furniture and equipment, Net	131.640.777.150	329.308.054	429.483.720	293.799.720	8.101.649.308	305.692.446	270.760.400	270.865.981	141.642.336.779	(79.094.228)	141.563.242.551
Properties investments	6.441.924.521	0	0	0	0	0	0	0	6.441.924.521	0	6.441.924.521
Other assets	73.915.922.394	675.490.420	289.427.055	1.720.965.010	23.365.213.566	329.736.815	118.000.879	107.141.521	100.521.897.660	(940.117.719)	99.581.779.941
Total assets	€ 6.055.601.100.560	9.757.262.867	10.713.900.129	55.422.718.352	1.161.583.936.480	10.255.321.602	1.246.800.071	1.981.114.488	7.306.562.154.549	(171.373.764.117)	7.135.188.390.432
Liabilities and Equity											
Liabilities											
Obligations with the public	€ 4.615.047.205.486	0	0	7.250.003.134	481.194.782.283	11.209.498	0	0	5.103.503.200.401	(6.213.938.433)	5.097.289.261.968
Obligations with the Central Bank of Costa Rica	128.285.685.643	0	0	0	0	0	0	0	128.285.685.643	0	128.285.685.643
Obligations with entities	422.222.882.801	369.801.852	516.214.305	20.170.452.199	501.130.190.767	362.140.404	184.205.189	287.136.241	945.243.023.758	(34.876.398.056)	910.366.625.702
Accounts payable and provisions	185.153.781.877	2.562.289.081	1.328.670.880	4.348.598.690	12.231.194.461	1.482.431.381	135.015.957	560.529.259	207.802.511.586	(618.066.976)	207.184.444.610
Other liabilities	16.232.013.810	0	0	0	10.370.334.756	36.337.914	1.275.408	737.302	26.640.699.190	(1)	26.640.699.189
Total liabilities	€ 5.366.941.569.617	2.932.090.933	1.844.885.185	31.769.054.023	1.004.926.502.267	1.892.119.197	320.496.554	848.402.802	6.411.475.120.578	(41.708.403.466)	6.369.766.717.112
Equity											
Capital	181.409.990.601	5.310.643.556	4.839.200.000	12.626.000.000	38.609.421.071	2.250.000.000	305.842.762	710.000.000	246.061.097.990	(64.651.107.389)	181.409.990.601
Unfunded capital contributions	0	111.214.585	0	0	0	0	0	0	111.214.585	(111.214.585)	0
Equity adjustments	96.607.343.411	54.954.446	(12.195.223)	2.272.198.910	63.473.713.212	33.145.617	202.300	0	162.429.362.673	(65.822.019.262)	96.607.343.411
Capital reserves	296.709.547.031	255.889.999	967.840.000	1.467.308.772	31.691.609.057	450.000.000	34.330.620	5.908.530	331.582.434.009	(34.872.886.977)	296.709.547.032
Prior periods retained earnings	23.286.282.979	0	539.757.627	3.631.489.587	20.520.452.702	2.535.848.001	548.780.963	(179.544.020)	50.883.067.839	(27.596.784.860)	23.286.282.979
Profit for the period	54.434.355.511	1.092.469.348	2.534.412.540	3.656.667.060	2.362.238.171	3.094.208.787	37.146.872	596.347.176	67.807.845.465	(13.373.489.954)	54.434.355.511
Development financing fund	36.212.011.410	0	0	0	0	0	0	0	36.212.011.410	0	36.212.011.410
Minority interest	0	0	0	0	0	0	0	0	0	76.762.142.376	76.762.142.376
Total equity	688.659.530.943	6.825.171.934	8.869.014.944	23.653.664.329	156.657.434.213	8.363.202.405	926.303.517	1.132.711.686	895.087.033.971	(129.665.360.651)	765.421.673.320
Total liabilities and equity	€ 6.055.601.100.560	9.757.262.867	10.713.900.129	55.422.718.352	1.161.583.936.480	10.255.321.602	1.246.800.071	1.981.114.488	7.306.562.154.549	(171.373.764.117)	7.135.188.390.432
Debit contingent accounts											
Trust assets	€ 319.726.692.051	0	0	0	134.941.092.172	0	0	0	454.667.784.223	0	454.667.784.223
Trust liabilities	€ 927.719.265.552	0	0	0	57.780.857.969	0	0	0	985.500.123.521	0	985.500.123.521
Trust equity	€ 362.909.505.260	0	0	0	0	0	0	0	362.909.505.260	0	362.909.505.260
Other debit memoranda accounts	€ 564.809.760.292	0	0	0	57.780.857.969	0	0	0	622.590.618.261	0	622.590.618.261
	€ 15.234.563.101.376	1.606.980.067.052	805.087.071.485	895.434.022.840	1.524.770.586.280	0	4.888.634.526	0	20.071.723.483.559	0	20.071.723.483.560

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

As of June 30, 2021, assets and liabilities for each segment are presented as follows:

	Bank	Pension Fund Operator	Investment Fund Manager	Brokerage House	Foreign Bank	Insurance Broker	Depósito Agrícola de Cartago	Insurance agency	Total	Eliminations	Consolidated
Assets											
Cash and due from banks	€ 717.855.220.947	107.466.072	3.919.230.372	530.665.303	96.647.171.521	320.031.505	42.561.246	0	819.422.346.966	(33.710.600.463)	785.711.746.503
Investment in financial instruments	1.567.075.538.393	6.256.598.585	4.022.965.658	54.067.001.901	80.606.723.448	7.221.260.024	709.233.698	0	1.719.959.321.707	(2.582.525.871)	1.717.376.795.836
Loan portfolio	2.933.130.616.136	0	0	0	832.157.229.374	0	0	0	3.765.287.845.510	0	3.765.287.845.510
Accounts and fees receivable	17.581.352.752	696.498.425	920.389.560	516.513.294	8.411.706.195	761.168.721	138.573.494	0	29.026.202.441	(3.271.671.834)	25.754.530.607
Foreclosed assets	47.526.314.661	0	0	0	19.310.459.276	0	39	0	66.836.773.976	(1)	66.836.773.975
Interest in other companies (net)	120.191.673.358	0	0	65.417.188	0	0	0	0	120.257.090.546	(119.413.387.187)	843.703.359
Property, furniture and equipment.											
Net	133.462.815.842	376.094.970	493.429.956	334.125.969	8.409.472.881	350.019.265	237.712.149	0	143.663.671.032	(93.052.033)	143.570.618.999
Properties investments	6.441.924.521	0	0	0	0	0	0	0	6.441.924.521	0	6.441.924.521
Other assets	73.784.238.996	737.869.696	553.865.658	820.946.148	22.100.882.468	642.210.523	95.261.436	0	98.735.274.925	0	98.735.274.925
Total assets	€ 5.617.049.695.606	8.174.527.748	9.909.881.204	56.334.669.803	1.067.643.645.163	9.294.690.038	1.223.342.062	0	6.769.630.451.624	(159.071.237.389)	6.610.559.214.235
Liabilities and Equity											
Liabilities											
Obligations with the public	€ 4.281.953.815.085	0	0	1.442.588.772	466.223.249.685	10.613.134	0	0	4.749.630.266.676	(7.374.653.842)	4.742.255.612.834
Obligations with the Central Bank of Costa Rica	120.594.596.978	0	0	0	0	0	0	0	120.594.596.978	0	120.594.596.978
Obligations with entities	375.209.057.808	401.524.642	560.496.855	29.809.333.791	437.085.033.322	393.417.737	210.162.796	0	843.669.026.951	(31.864.620.505)	811.804.406.446
Accounts payable and provisions	159.619.627.324	2.074.019.151	1.650.560.850	3.327.289.487	11.236.890.363	1.831.015.124	106.960.493	0	179.846.362.792	(418.575.857)	179.427.786.935
Other liabilities	25.810.539.656	0	0	0	3.418.622.097	41.989.796	474.385	0	29.271.625.934	3	29.271.625.937
Total liabilities	€ 4.963.187.636.851	2.475.543.793	2.211.057.705	34.579.212.050	917.963.795.467	2.277.035.791	317.597.674	0	5.923.011.879.331	(39.657.850.201)	5.883.354.029.130
Equity											
Capital	181.409.990.601	4.575.086.046	4.839.200.000	12.626.000.000	38.609.421.071	2.250.000.000	305.842.762	0	244.615.540.480	(63.205.549.880)	181.409.990.600
Unfunded capital contributions	0	216.772.094	0	0	0	0	0	0	216.772.094	(216.772.093)	1
Equity adjustments	93,506,690,172	96,834,601	30,560,626	2,160,915,652	57,721,815,596	69,862,265	1,632,403	0	153,588,311,315	(60,081,621,143)	93,506,690,172
Capital reserves	296,709,547,031	255,890,000	967,840,000	1,467,308,772	34,516,647,574	450,000,000	34,330,621	0	334,401,563,998	(37,692,016,967)	296,709,547,031
Prior periods retained earnings	23,286,282,979	0	539,757,627	3,631,489,587	17,891,401,159	2,535,848,001	548,780,963	0	48,433,560,316	(25,147,277,337)	23,286,282,979
Profit for the period	22,737,536,562	554,401,214	1,321,465,246	1,869,743,742	940,564,296	1,711,943,981	15,157,639	0	29,150,812,680	(6,413,276,118)	22,737,536,562
Development financing fund	36,212,011,410	0	0	0	0	0	0	0	36,212,011,410	0	36,212,011,410
Minority interest	0	0	0	0	0	0	0	0	0	73,343,126,351	73,343,126,351
Total equity	653.862.058.755	5.698.983.955	7.698.823.499	21.755.457.753	149.679.849.696	7.017.654.247	905.744.388	0	846.618.572.293	(119.413.387.187)	727.205.185.106
Total liabilities and equity	€ 5.617.049.695.606	8.174.527.748	9.909.881.204	56.334.669.803	1.067.643.645.163	9.294.690.038	1.223.342.062	0	6.769.630.451.624	(159.071.237.388)	6.610.559.214.236
Debit contingent accounts											
Trust assets	€ 295.373.072.198	0	0	0	137.842.951.453	0	0	0	433.216.023.651	1	433.216.023.651
Trust liabilities	€ 889.923.009.878	0	0	0	54.036.687.788	0	0	0	943.959.697.666	0	943.959.697.666
Trust equity	€ 364.148.296.245	0	0	0	0	0	0	0	364.148.296.245	0	364.148.296.245
Trust equity	€ 525.774.713.633	0	0	0	54.036.687.788	0	0	0	579.811.401.421	(1)	579.811.401.421
Other debit memoranda accounts	€ 37.942.920.903.086	1.501.557.132.295	832.774.169.133	695.048.483.918	1.586.368.613.800	0	2.761.685.574	0	42.561.430.987.806	2	42.561.430.987.807

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2022

As of June 30, 2021, results of each segment are as follows:

	Bank	Pension Fund Operator	Investment Fund Manager	Brokerage House	Foreign Bank	Insurance Broker	Depósito Agrícola	Banprocesa	Total	Eliminations	Consolidated
Financial income	€ 162.296.717.866	161.348.076	349.686.192	2.540.798.063	31.185.008.666	330.470.817	8.325.237	50.622.717	196.922.977.634	(361.105.867)	196.561.871.767
Financial expenses	48.752.186.564	15.241.466	15.169.947	302.778.181	16.194.698.539	10.649.370	6.192.987	4.282.514	65.301.199.568	(418.374.512)	64.882.825.056
Expenses from allowance for assets impairment	13.306.768.442	7.881.067	154.277	33.251.291	1.980.562.612	26.882.775	233.367	0	15.355.733.831	1	15.355.733.832
Income from recovery of assets and decrease in allowance	5.196.938.012	12.016.151	1.811.094	59.285.683	0	9.783.780	204.818	0	5.280.039.538	1	5.280.039.539
Financial income	105.434.700.872	150.241.694	336.173.062	2.264.054.274	13.009.747.515	302.722.452	2.103.701	46.340.203	121.546.083.773	57.268.645	121.603.352.418
Other operating income	93.095.645.061	3.588.473.665	3.473.545.026	1.707.240.911	1.230.061.420	3.683.432.340	575.861.086	1.845.153.891	109.199.413.400	(10.058.892.080)	99.140.521.320
Other operating expenses	62.481.907.922	871.114.535	726.780.529	374.647.867	1.947.263.734	202.821.927	70.878.220	65.075.317	66.740.490.051	(2.285.491.151)	64.454.998.900
Gross operating income	136.048.438.011	2.867.600.824	3.082.937.559	3.596.647.318	12.292.545.201	3.783.332.865	507.086.567	1.826.418.777	164.005.007.122	(7.716.132.284)	156.288.874.838
Personnel expenses	48.981.546.955	1.234.981.224	1.376.886.459	1.188.192.901	5.438.441.032	1.163.138.005	356.949.380	1.221.668.333	60.961.804.289	(1.221.668.333)	59.740.135.956
Other administrative expenses	37.726.461.640	260.446.334	162.089.000	189.595.507	4.297.072.669	162.793.497	91.984.940	25.401.846	42.915.845.433	(364.166.791)	42.551.678.642
Administrative expenses	86.708.008.595	1.495.427.558	1.538.975.459	1.377.788.408	9.735.513.701	1.325.931.502	448.934.320	1.247.070.179	103.877.649.722	(1.585.835.124)	102.291.814.598
Net operating income before taxes and statutory allocations	49.340.429.416	1.372.173.266	1.543.962.100	2.218.858.910	2.557.031.500	2.457.401.363	58.152.247	579.348.598	60.127.357.400	(6.130.297.160)	53.997.060.240
Income tax	9.469.404.075	413.637.235	24.708.558	480.784.600	370.223.879	742.795.055	18.442.308	173.512.633	11.693.508.343	0	11.693.508.343
Deferred income tax	8.535.349.995	13.876.845	447.069.166	201.813.126	289.322.616	2.797.624	0	76.745.331	9.566.974.703	(1)	9.566.974.702
Decrease in income tax	6.878.728.277	13.086.395	19.787.198	50.836.403	106.465.653	22.116.539	0	71.626.784	7.162.647.249	1	7.162.647.250
Profit sharing	12.866.815.112	499.455.390	46.318.862	66.565.766	0	73.722.040	1.744.567	15.078.098	13.569.699.835	3	13.569.699.838
Net profit for the year	25.347.588.511	458.290.191	1.045.652.712	1.520.531.821	2.003.950.658	1.660.203.183	37.965.372	385.639.320	32.459.821.768	(6.130.297.161)	26.329.524.607
Results for the period attributable to minority interests	0	0	0	0	0	0	0	0	0	(981.936.096)	981.936.096
Results for the period attributable to the comptroller	25.347.588.511	458.290.191	1.045.652.712	1.520.531.821	2.003.950.658	1.660.203.183	37.965.372	385.639.320	32.459.821.768	(7.112.233.257)	25.347.588.511
Net income for the periods	€ 25.347.588.511	458.290.191	1.045.652.712	1.520.531.821	2.003.950.658	1.660.203.183	37.965.372	385.639.320	32.459.821.768	(7.112.233.257)	25.347.588.511

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

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As of June 30, 2021, results of each segment are as follows:

	<u>Bank</u>	<u>Pension Fund Operator</u>	<u>Investment Fund Manager</u>	<u>Brokerage House</u>	<u>Foreign Bank</u>	<u>Insurance Broker</u>	<u>Depósito Agrícola de Cartago</u>	<u>Total</u>	<u>Eliminations</u>	<u>Consolidated</u>
Financial income	€ 156.146.818.491	167.848.943	204.296.482	2.465.966.393	28.557.545.374	389.432.828	9.733.627	187.941.642.138	(346.865.683)	187.594.776.455
Financial expenses	54.195.046.378	13.130.662	17.782.156	208.066.402	16.033.575.090	12.480.349	7.455.558	70.487.536.595	(407.977.526)	70.079.559.069
Expenses from allowance for assets impairment	15.300.686.548	3.357.658	2.156.130	209.133.963	2.275.990.584	20.420.937	1.332.503	17.813.078.323	0	17.813.078.323
Income from recovery of assets and decrease in allowance	8.071.237.824	2.802.530	29.306.984	211.631.113	0	21.506.870	584.381	8.337.069.702	0	8.337.069.702
Financial income	94.722.323.389	154.163.153	213.665.180	2.260.397.141	10.247.979.700	378.038.412	1.529.947	107.978.096.922	61.111.843	108.039.208.765
Other operating income	80.265.419.412	3.515.394.726	4.044.468.399	2.475.385.695	808.222.429	3.624.032.328	462.097.482	95.195.020.471	(8.154.827.319)	87.040.193.152
Other operating expenses	52.191.705.169	759.927.040	766.202.290	474.071.033	1.688.545.935	257.912.192	75.562.853	56.213.926.512	(1.942.611.319)	54.271.315.193
Gross operating income	122.796.037.632	2.909.630.839	3.491.931.289	4.261.711.803	9.367.656.194	3.744.158.548	388.064.576	146.959.190.881	(6.151.104.157)	140.808.086.724
Personnel expenses	47.574.930.396	1.028.109.934	1.385.974.364	1.290.639.231	4.828.181.839	1.076.639.086	285.263.555	57.469.738.405	(1)	57.469.738.404
Other administrative expenses	33.064.852.783	250.441.487	160.537.055	185.908.902	3.133.191.948	160.652.535	78.221.147	37.033.805.857	(198.704.504)	36.835.101.353
Administrative expenses	80.639.783.179	1.278.551.421	1.546.511.419	1.476.548.133	7.961.373.787	1.237.291.621	363.484.702	94.503.544.262	(198.704.505)	94.304.839.757
Net operating income before taxes and statutory allocations	42.156.254.453	1.631.079.418	1.945.419.870	2.785.163.670	1.406.282.407	2.506.866.927	24.579.874	52.455.646.619	(5.952.399.652)	46.503.246.967
Income tax	10.352.961.521	493.032.995	588.998.650	803.998.827	619.957.861	730.272.193	8.684.840	13.597.906.887	0	13.597.906.887
Deferred income tax	0	109.053.293	156.248.412	100.202.587	30.439.093	115.003.409	0	510.946.794	(1)	510.946.793
Decrease in income tax	954.789.419	128.741.679	179.655.035	72.336.397	184.678.843	125.558.664	0	1.645.760.037	0	1.645.760.037
Profit sharing	10.020.545.789	603.333.595	58.362.597	83.554.911	0	75.206.008	737.395	10.841.740.295	(1)	10.841.740.294
Net profit for the year	22.737.536.562	554.401.214	1.321.465.246	1.869.743.742	940.564.296	1.711.943.981	15.157.639	29.150.812.680	(5.952.399.650)	23.198.413.030
Results for the period attributable to minority interests	0	0	0	0	0	0	0	0	(460.876.468)	460.876.468
Results for the period attributable to the comptroller	22.737.536.562	554.401.214	1.321.465.246	1.869.743.742	940.564.296	1.711.943.981	15.157.639	29.150.812.680	(6.413.276.118)	22.737.536.562
Net income for the periods	€ 22.737.536.562	554.401.214	1.321.465.246	1.869.743.742	940.564.296	1.711.943.981	15.157.639	29.150.812.680	(6.413.276.118)	22.737.536.562

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(39) Risk management

Comprehensive risk management

Sophistication and uncertainty of financial markets involve managing risks that may impair the value of entities and of third-party resources it manages. Given this reality, the Bank implemented a System of Comprehensive Risk management, (Hereinafter SIGIR or System), enabling it to achieve a proper balance between the expected benefits of the business strategy and the acceptance of a certain level of risk, through an effective risk-based management.

Corporate governance of the risk management area

Boards of Directors, committees, and senior managers of member institutions of the BCR Financial Conglomerate strengthen and ensure the above-mentioned system, aware that it contributes to the improvement of institutional processes, and hence to the achievement of objectives and goals.

Corporate risk management is led by the Corporate Risk Management reporting to the General Board of Directors, which has various administrative areas, responsible for the specific and comprehensive management of relevant risk to which the entity is exposed while in the subsidiaries there are risk managing areas responsible for this work.

Objective of the Comprehensive Risk Management System

The System aims to generate information that will support the decision making to locate the entity at a risk level consistent with its profile and risk appetite as well as its business flows, complexity, operations volume and economic environment, and thus lead to the achievement of institutional objective and goals.

General Risk Principles and Policies

The Conglomerate has policies, strategies and other corporate regulations for an effective comprehensive risk management, thus providing administrative, legal and technical certainty to the System, supporting the decision making:

- A robust regulatory framework to provide legal, technical and administrative certainty for the functioning, evaluation and improvement of the System.
- Strategies that seek to strengthen the system's maturity level.
- The risk management culture is promoted at all levels of the organization, thereby raising awareness of the importance of effective risk-based management.

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BANCO DE COSTA RICA Y SUBSIDIARIAS

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- Methodologies and measurement models are available for the valuation of the different types of risk, which are periodically subjected to retrospective and stress tests, to adjust the variables and factors that influence the exposure to risks.
- Updated tools and systems are available to meet the needs of managing each type of risk.
- Risk and contingency management plans are in place to deal with situations that prevent the fulfillment of the objectives defined, as well as for materialized events whose consequences may generate negative impacts on the entities.

Classification of significant risks

The relevant risks to the Bank are classified as follows:

Risk classification of Banco de Costa Rica Financial Conglomerate

Types of relevant risk	Financial	Credit	
		Market	
		Liquidity	
	Non- financial	Strategic	
		Operating	
		Legal	
		Information Technology	
		Reputational	
		Environmental and social	
		Regulatory compliance	
		Money laundering and financing of terrorism, financing of proliferation of weapons of mass destruction and financing of organized crime (LC/FT/FPADM/FDO-for its acronym in Spanish)	

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Types of risks related to the strategic plan

The following table details the types of risk associated with the strategic objectives of the BCR Financial Conglomerate.

Strategic objective	Process	Type of risk	Risk Appetite Declaration Indicator
1. To guarantee the financial solidity of the Conglomerate. 2. Support the country's performance.	1. Organizational strategy	Capital	Equity Sufficiency Index
	1. Treasury operations		
	1. Security management	Operative	Expected loss due to operational risk (last 12 months)
	2. Management of processes and regulations		
	3. IT Security		
	1. Loan granting	Credit	Expected loss of the loan portfolio Non high-risk generators
	2. Monitoring of loans		
	3. Loans recovery		
	1. Financial treasury operations	Market	VaR of the investment portfolio 03-06 Elasticity of the financial margin to movements in interest rates PPME sensibility for ER movements
	2. Investment services	Liquidity	Liquidity coverage ratio by currency

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Statement of risk appetite

A Risk Appetite Statement is established for the CFBCR approved by the General Board of Directors and a Risk Appetite Statement for each member entity of the Conglomerate approved by its boards of directors. These documents are part of the comprehensive risk management framework, which are periodically reviewed and updated.

Its purpose is to declare the acceptability parameters of the risks to which Banco de Costa Rica and its subsidiaries are exposed.

They establish qualitative and quantitative definitions of risk appetite that include indicators by type of risk for which the parameters related to appetite, tolerance and capacity are determined defining the levels of exposure to be assumed. Reports with alerts are generated when deviations from normal business behavior occur, supporting timely decision-making for normalization.

Process of comprehensive risk management

The process of risk assessment includes identification, analysis, evaluation, Management, review, documentation, and risk communication.

Types of risk assessments

The process of risk management includes qualitative and quantitative assessments. The first correspond to specific analysis of the objectives of activities and substantial processes of the BCR Financial Conglomerate. The second refers to global analysis with quantitative risk measurements using mathematical and statistical methods and models.

In addition, during the period under study, the management generated reports about risk on new services and products or modification to existing ones, which are issued prior to its release to the market or the contracting of services.

Risk control framework

Risk Control arises as result of the operation of the Internal Control System established in each of the Conglomerate Financiero BCR members, incorporating flow of processes and internal control activities to minimize risk exposure.

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Risk assessment generates various alerts, recommendations, and treatment of risk plans, contributing to its overall and specific mitigation. Contributing those risks are located at an acceptable level of exposure, congruent with the defined risk profile, supporting the sustainability, solvency, and value of the members of the Conglomerate.

In addition, there is a continuous monitoring of tolerance limits and risk indicators, to reflect the degree of exposure in which each of its relevant risk types is found. Contingency plans are available to deal with unexpected events that affect compliance.

Mitigation coverage

In accordance with the regulations, estimates and provisions are maintained. Implemented risk assessment models seek to establish additional capital requirements to cover non-expected losses. Likewise, BCR net worth equity indicator is evaluated to analyze its ability to respond to different types of risk, which, during the period under study, was higher than the 10% limit established by the General Superintendence of Financial Institutions.

Evaluation of the effectiveness and maturity of the System

Risk managing areas apply critical judgment on the effectiveness and maturity of the System using self-assessment tools for continuous improvement. Annually, a Model of Corporate Maturity is applied to evaluate the progress in management by type of risk. The results of this assessment are used to define strategies and work plans.

Information generated by the Comprehensive Risk Management System

During the period under analysis, the system generated timely and periodic reports for the Boards of Directors, Committees, and other risk-taking areas of the BCR Financial Conglomerate, as a result of the Comprehensive Risk Management, or by the occurrence of significant events that should be known of for suitable decision making based on risk exposure and risk-based business management.

(a) Credit risk management

Definition

Credit risk is the possibility of economic losses due to the breach of the agreed conditions by the debtor, issuer, or counterparty. The risk of default against a counterparty is defined as the possibility that one of the parties of a transaction using financial instruments may breach its obligations. In such a case, an economic loss would occur if the operations or the portfolio of operations with that party had a positive economic value at the time of default.

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Unlike the exposure of an entity to credit risk through a loan or investment, which is only unilateral for the entity that grants the loan or makes the investment, the counterparty risk produces a risk of bilateral loss, since the fair value of the transaction can be positive or negative for both parties, is uncertain and can vary over time as the underlying market factors do. Likewise, when the entity makes international loans and investments, it is also exposed to country risk and transfer risk.

Exposure to credit risk can also increase due to movements in the exchange rate and interest rates. In the first case, the risk is assumed when granting credits denominated in a currency other than the currency in which the debtor's net income or cash flows are mainly generated, and in the second case, the risk is assumed when granting credits with adjustable interest rates.

Management of this risk contributes to the strength of BCR's equity in the long term by providing both tools and information to improve decision making, minimize losses and maintain risk exposure of the loan portfolio within established parameters.

The General Board of Directors of the BCR has defined management strategies to control credit risk from portfolios to individual debtors, using tools and methodologies framed within the existing regulations developed internally.

Management methodology

In general terms, automated systems such as SAS are used for credit risk management and models are applied for their measurement that accurately reflect the value of positions and their sensitivity to various risk factors, incorporating information from reliable sources.

The statistical support is complemented with expert criteria to analyze the borrower's ability to pay, as well a stress analysis on exposures to macroeconomic variables that are related to microeconomic and Bank's internal variables. For the analysis of the loan portfolio and considering the pandemic for decision taking, the methodology associated with the Loan Portfolio Management Plan is used.

For the quantitative analysis of the loan portfolio, there is a model for the quantification of the expected loss, the Value at Risk (VaR) and economic capital, which is aligned with the standards of Basel II. Additionally, there is a series of indicators that seek to maintain the balance between profitability and risk, within them there are indicators of expected loss, delinquency, guarantees, payment arrangements, harvests, economic activities and geographical area, all of the above broken down to general level of the Bank as well as for the different lines of business.

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Moreover, the risk inherent to the activities and products of the Bank is identified and analyzed, as well as its feedback to the organization through the Executive Corporate Committee. Finally, there are limits established on exposure to credit risk, to control exposure levels, both at loan portfolio and investments (by issuer).

On the other hand, during the year different stress and retrospective tests are carried out to check the validity of the indicator parameters.

There are models for classifying the level of credit risk of clients, such as rating and scoring models.

In the case of credit risk of the investment portfolio, disclosed in Note 5: Investments in Financial Instruments, there is a methodology for determining the expected loss under IFRS 9, that improved in 2020 through adjustments to the methodology. The determination of a significant increase in risk is made by means of two factors, changes in the issuer's international risk rating, issued by risk rating agencies and sustained changes in the prices of "Credit Default Swaps" associated with the issuer. It is important to note that the measurement of the expected loss is made for each instrument considering the issuer's risk, while default is understood only when an issuer stops paying.

Exposure and risk management

Considering the uncertainty generated by the pandemic for Covid-19, the Bank uses the results of the analysis of the Loan Portfolio Management Plan to have greater credit risk coverage. As of June 2022, the percentage of arrears greater than 90 days was 3,06% (2,85% and 2,75% as of December and June 2021, respectively). The latter indicator is 0.94 percentage points below the regulatory limit to be in the normal range, with retail banking activities showing the highest delinquency.

The dollar portfolio accounts for 27,97% at the closing of September (27.47% and 31.09% as of December and June 2021, respectively) of the total portfolio. It is important to mention that the loan portfolio has been managed strategically to attract customers with an acceptable risk profile. In addition, regular monitoring of the loans in foreign currency is given, and the portfolio of clients not generating income in foreign currency.

The activities with greater relative importance are housing, services and commerce, as shown in note 6.a of the financial statements (Loan Portfolio by Sector), limits on exposition for the loan portfolio are defined, to achieve a loan structure in the medium and long term that is consistent with the risk appetite established by the Senior Management.

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BANCO DE COSTA RICA Y SUBSIDIARIAS

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In addition, appropriate and timely communication mechanisms on exposure of the Bank to credit risk are implemented at all levels of the organizational structure, thus allowing a prospective view of the impact on the credit estimates and equity. The reports consider both the exposure resulting from position taking and possible deviations arising regarding the limits and defined tolerance levels.

Also, the commercial area is kept informed on the inherent risks of the economic activities associated with credit underwriting, through specific studies and analysis of the credit underwriting goals previously approved by the General Board of Directors, as well as new credit instruments the Bank is planning to offer.

With respect to the counterparty risk of the investment portfolio, compliance with the internal investment limits per issuer is monitored weekly. In addition, as of January 2020, the calculation of the expected loss for the investment portfolio under IFRS 9 begins, the foregoing allows for a buffer of resources to mitigate eventual defaults that may occur in the portfolio, thus maintaining a conservative profile. By the end of June 2022, the expected loss of the investment portfolio corresponded to 0,19% of the portfolio (0,23% and 0,19% as of December and June 2021, respectively).

Expected credit losses are disclosed in the following table:

Expected losses of the investment portfolio of the BCR Conglomerate			
By currency			
December 2021 vs June 2022			
Value adjustment for losses	Twelve-months expected credit losses	Lifetime expected credit losses	Impaired financial assets
Value adjustment for losses			
As of June 30, 2022			
Colones	1.910.324.139	183.718.611	37.028.943.291
US dollars	1.617.826	7.284	17.234.478
UDES	0	65.363	2.622.000
Value adjustment for losses			
As of June 30, 2022			
Colones	2.214.127.676	211.725.179	6.797.062.167
US dollars	2.127.528	1.894	14.633.026
UDES	0	92.251	14.024.800
Transfer to 12-months expected credit losses			
Colones	(328.590.893)	(54.523.910)	(30.251.881.124)
US dollars	(531.224)	(5.390)	(2.601.451)
UDES	0	(26.889)	(12.922.800)

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As of December 31, 2021

Expected losses of the investment portfolio of the BCR Conglomerate			
By currency			
January and December 2021			
Value adjustment for losses	Twelve-months expected credit losses	Lifetime expected credit losses	Impaired financial assess
Value adjustment for losses			
As of December 31, 2021			
Colones	2.149.169.506	304.661.241	39.945.403.970
US dollars	2.134.069	231.381	21.710.178
UDES	0	96.308	14.784.800
Value adjustment for losses			
As of December 31, 2021			
Colones	1.598.684.018	256.354.265	38.053.132.439
US dollars	1.478.232	34.559	38.299.807
UDES	0	183.900	14.784.800
Transfer to 12-months expected credit losses			
Colones	732.314.155	(17.553.791)	(3.892.271.532)
US dollars	683.237	(78.387)	(25.507.629)
UDES	0	(95.705)	0

As of June 30, 2021

Expected losses of the investment portfolio of the BCR Conglomerate			
By currency			
December 2020 vs June 2021			
Value adjustment for losses	Twelve-months expected credit losses	Lifetime expected credit losses	Impaired financial assets
Value adjustment for losses			
As of June 30, 2021			
Colones	1.468.466.336	292.153.873	42.380.778.000
US dollars	1.414.445	175.831	43.041.000
UDES	0	187.957	14.784.800
Value adjustment for losses			
As of December 301. 2020			
Colones	1.831.333.176	278.546.221	49.660.825.704
US dollars	1.777.939	74.775	21.639.000
UDES	0	125.898	14.784.800
Transfer to 12-months expected credit losses			
Colones	(276.275.498)	4.111.850	9.240.047.704
US dollars	(341.442)	(71.712)	20.728.000
UDES	0	58.752	0

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June 30, 2022

The Bank's financial instruments exposed to credit risk are detailed as follows:

	June 2022	December 2021	June 2021
Banco de Costa Rica			
Loan portfolio, gross	¢ 3.293.401.660.878	3.193.889.504.724	3.049.739.639.461
Plus, interest receivable	17.819.183.874	16.243.877.380	28.298.935.688
Less, allowance for impairment	<u>(165.485.287.318)</u>	<u>(152.927.986.661)</u>	<u>(126.570.218.331)</u>
Loan portfolio, net	¢ <u>3.145.735.557.434</u>	<u>3.057.205.395.443</u>	<u>2.951.468.356.818</u>
Banco Internacional de Costa Rica, S.A. and subsidiary			
Loan portfolio, gross	¢ 997.212.589.718	928.022.879.152	843.704.476.471
Plus, interest receivable	3.944.792.855	3.234.831.825	4.579.688.277
Less, allowance for impairment	<u>(17.963.076.875)</u>	<u>(18.289.266.686)</u>	<u>(16.126.935.377)</u>
Loan portfolio. Net	¢ <u>983.194.305.698</u>	<u>912.968.444.291</u>	<u>832.157.229.371</u>
Total consolidated loan portfolio, net	¢ <u>4.128.929.863.132</u>	<u>3.970.173.839.734</u>	<u>3.783.625.586.189</u>

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BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

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The Bank's financial instruments exposed to credit risk are as follows:

	Note	Direct Loan Portfolio	Direct Loan Portfolio	Direct Loan Portfolio	Contingent Loan Portfolio	Contingent Loan Portfolio	Contingent Loan Portfolio
		June 2022	December 2021	June 2021	June 2022	December 2021	June 2021
Principal	6a	¢ 3.293.401.660.876	3.193.889.504.724	3.049.739.639.458	225.959.132.882	238.184.976.382	220.474.196.453
Interest		17.819.183.874	16.243.877.380	28.298.935.688	0	0	0
Allowance for bad loans		3.311.220.844.750	3.210.133.382.104	3.078.038.575.146	225.959.132.882	238.184.976.382	220.474.196.453
Carrying amount		<u>¢ (165.106.982.608)</u>	<u>(152.572.595.665)</u>	<u>(126.228.876.412)</u>	<u>(378.304.710)</u>	<u>(355.390.996)</u>	<u>(341.341.919)</u>
		<u>¢ 3.146.113.862.142</u>	<u>3.057.560.786.439</u>	<u>2.951.809.698.734</u>	<u>225.580.828.172</u>	<u>237.829.585.386</u>	<u>220.132.854.534</u>
Loan portfolio							
A1	¢	2.526.792.343.327	2.531.988.166.648	2.402.890.335.814	216.685.879.104	226.452.306.640	200.580.160.903
A2		35.658.503.721	38.737.755.756	43.700.952.054	1.064.936.189	1.118.547.763	1.074.531.347
B1		314.648.462.132	193.827.062.547	227.048.629.630	3.698.508.576	3.942.754.364	11.039.431.607
B2		34.293.295.013	24.632.906.602	19.476.093.118	163.415.726	147.721.241	134.443.339
C1		59.281.209.231	71.479.256.554	63.697.664.892	1.279.189.631	3.900.594.358	4.695.416.718
C2		7.910.344.431	20.872.474.608	11.707.621.411	99.282.410	106.060.267	60.049.962
D		82.776.106.684	116.733.956.940	81.115.128.638	1.353.359.247	764.642.908	840.429.574
E		181.282.989.337	148.102.200.136	169.628.818.733	1.606.778.559	1.736.026.639	2.048.007.803
1		64.691.284.169	61.556.122.926	57.700.883.190	7.783.440	16.322.202	1.725.200
2		1.444.570.352	830.276.955	5.058.261	0	0	0
3		1.704.119.174	1.218.141.671	307.247.969	0	0	0
4		523.649.769	88.715.637	706.224.955	0	0	0
5		27.460.899	14.610.311	0	0	0	0
6		186.506.511	51.734.813	53.916.481	0	0	0
Allowance for bad loans		3.311.220.844.750	3.210.133.382.104	3.078.038.575.146	225.959.132.882	238.184.976.382	220.474.196.453
Carrying amount. net		<u>(113.484.798.076)</u>	<u>(100.038.430.338)</u>	<u>(94.642.491.481)</u>	<u>(281.992.566)</u>	<u>(206.640.140)</u>	<u>(165.281.207)</u>
Carrying amount		3.311.220.844.750	3.210.133.382.104	3.078.038.575.146	225.959.132.882	238.184.976.382	220.474.196.453
Allowance for bad loans		(113.484.798.076)	(100.038.430.338)	(94.642.491.481)	(281.992.566)	(206.640.140)	(165.281.207)
(Excess) inadequacy of allowance over structural estimate		<u>(51.622.184.532)</u>	<u>(52.534.165.327)</u>	<u>(31.586.384.931)</u>	<u>(96.312.144)</u>	<u>(148.750.856)</u>	<u>(176.060.712)</u>
Carrying amount. net	6a	<u>¢ 3.146.113.862.142</u>	<u>3.057.560.786.439</u>	<u>2.951.809.698.734</u>	<u>225.580.828.172</u>	<u>237.829.585.386</u>	<u>220.132.854.534</u>

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BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

The evaluated loan portfolio with an estimate is detailed as follows:

As of June 30, 2022

Loan portfolio	Direct Loan Portfolio				Contingent Loan Portfolio	
	Principal	Covered balance	Overdraft	Allowance	Principal	Allowance
Direct generic allowance						
A1	€ 2.526.792.343.327	1.743.879.218.839	782.913.124.488	(12.633.961.810)	216.685.879.104	(137.127.324)
A2	35.658.503.721	31.421.547.735	4.236.955.986	(178.292.523)	1.064.936.189	(36.920)
1	64.691.284.169	29.830.624.014	34.860.660.155	(162.513.564)	7.783.440	(4.865)
	<u>2.627.142.131.217</u>	<u>1.805.131.390.588</u>	<u>822.010.740.629</u>	<u>(12.974.767.897)</u>	<u>217.758.598.733</u>	<u>(137.169.109)</u>
Direct specific allowance						
A1						
A2						
B1	314.648.462.132	285.871.387.098	28.777.075.034	(2.868.210.690)	3.698.508.576	(8.159.344)
B2	34.293.295.013	27.857.372.112	6.435.922.901	(782.879.152)	163.415.726	0
C1	59.281.209.231	53.248.833.156	6.032.376.075	(1.774.338.186)	1.279.189.631	(324.301)
C2	7.910.344.431	6.721.246.055	1.189.098.376	(628.155.420)	99.282.410	0
D	82.776.106.684	65.370.027.380	17.406.079.304	(13.147.048.859)	1.353.359.247	(136.057.029)
E	181.282.989.337	95.760.092.917	85.522.896.420	(81.140.993.836)	1.606.778.559	(282.783)
2	1.444.570.352	1.282.411.267	162.159.085	(14.520.011)	0	0
3	1.704.119.174	1.357.881.109	346.238.065	(93.348.922)	0	0
4	523.649.769	467.584.986	56.064.783	(30.370.317)	0	0
5	27.460.899	26.094.894	1.366.005	(1.086.678)	0	0
6	186.506.511	158.219.501	28.287.010	(29.078.108)	0	0
	<u>€ 684.078.713.533</u>	<u>538.121.150.475</u>	<u>145.957.563.058</u>	<u>(100.510.030.179)</u>	<u>8.200.534.149</u>	<u>(144.823.457)</u>
	<u>€ 3.311.220.844.750</u>	<u>2.343.252.541.063</u>	<u>967.968.303.687</u>	<u>(113.484.798.076)</u>	<u>225.959.132.882</u>	<u>(281.992.566)</u>
Loan portfolio						
Aging loan portfolio						
Direct generic allowance						
Up to date	€ 2.502.354.661.724	1.726.312.822.535	776.041.839.189	(12.671.366.782)	217.750.815.292	(137.169.110)
Equal or less than 30 days	59.666.862.468	48.615.791.481	11.051.070.987	(301.254.502)	0	0
Equal or less than 60 days	<u>429.322.857</u>	<u>372.152.559</u>	<u>57.170.298</u>	<u>(2.146.614)</u>	<u>0</u>	<u>0</u>
Up to date	<u>2.562.450.847.049</u>	<u>1.775.300.766.575</u>	<u>787.150.080.474</u>	<u>(12.974.767.898)</u>	<u>217.750.815.292</u>	<u>(137.169.110)</u>
Direct specific allowance						
Equal or less than 30 days	543.820.694.384	441.943.888.781	101.876.805.603	(30.331.763.226)	8.208.317.590	(144.823.456)
Equal or less than 60 days	31.741.307.870	23.965.249.389	7.776.058.481	(5.380.323.015)	0	0
Equal or less than 90 days	38.655.235.734	30.607.279.214	8.047.956.520	(3.967.363.874)	0	0
Equal or less than 180 days	27.691.467.530	20.831.508.781	6.859.958.749	(5.574.289.163)	0	0
More than 180 days	12.835.652.899	6.635.998.589	6.199.654.310	(5.466.538.201)	0	0
	<u>€ 748.769.997.701</u>	<u>567.951.774.488</u>	<u>180.818.223.213</u>	<u>(100.510.030.178)</u>	<u>8.208.317.590</u>	<u>(144.823.456)</u>
	<u>€ 3.311.220.844.750</u>	<u>2.343.252.541.063</u>	<u>967.968.303.687</u>	<u>(113.484.798.076)</u>	<u>225.959.132.882</u>	<u>(281.992.566)</u>

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BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

As of December 31, 2021

Loan portfolio	Direct Loan Portfolio				Contingent Loan Portfolio	
	Principal	Covered balance	Overdraft	Allowance	Principal	Allowance
Direct generic allowance						
A1	¢ 2.531.988.166.648	1.755.797.344.473	776.190.822.175	(12.659.940.910)	226.452.306.641	(151.288.935)
A2	38.737.755.756	33.030.512.828	5.707.242.928	(193.688.781)	1.118.547.763	(37.402)
	61.556.122.926	34.862.755.024	26.693.367.902	(156.525.424)	16.322.202	(10.447)
	<u>2.632.282.045.330</u>	<u>1.823.690.612.325</u>	<u>808.591.433.005</u>	<u>(13.010.155.115)</u>	<u>227.587.176.606</u>	<u>(151.336.784)</u>
Direct specific allowance						
A1						
A2						
B1	193.827.062.547	159.277.091.032	34.549.971.515	(2.523.884.031)	3.942.754.363	(11.505.144)
B2	24.632.906.602	20.390.138.129	4.242.768.473	(526.227.540)	147.721.241	0
C1	71.479.256.554	62.261.209.385	9.218.047.169	(2.615.817.843)	3.900.594.358	(439.510)
C2	20.872.474.608	18.445.751.654	2.426.722.954	(1.305.590.237)	106.060.267	0
D	116.733.956.940	91.847.285.276	24.886.671.664	(18.796.672.164)	764.642.908	(43.358.702)
E	148.102.200.136	84.054.838.808	64.047.361.328	(61.191.645.863)	1.736.026.639	0
2	830.276.955	522.384.401	307.892.554	(18.006.550)	0	0
3	1.218.141.671	1.082.479.235	135.662.436	(39.328.005)	0	0
4	88.715.637	86.852.875	1.862.762	(1.365.646)	0	0
5	14.610.311	8.647.766	5.962.545	(4.217.021)	0	0
6	51.734.813	46.446.724	5.288.089	(5.520.323)	0	0
	¢ <u>577.851.336.774</u>	<u>438.023.125.285</u>	<u>139.828.211.489</u>	<u>(87.028.275.223)</u>	<u>10.597.799.776</u>	<u>(55.303.356)</u>
	¢ <u>3.210.133.382.104</u>	<u>2.261.713.737.610</u>	<u>948.419.644.494</u>	<u>(100.038.430.338)</u>	<u>238.184.976.382</u>	<u>(206.640.140)</u>
Loan portfolio						
Aging loan portfolio						
Direct generic allowance						
Up to date	¢ 2.508.828.410.224	1.738.431.164.833	770.397.245.391	(12.697.021.048)	227.570.854.404	(151.336.785)
Equal or less than 30 days	60.911.049.025	49.554.785.659	11.356.263.366	(308.120.127)	0	0
Equal or less than 60 days	983.668.109	841.906.800	141.761.309	(4.999.964)	0	0
More than 180 days	2.795.037	0	2.795.037	(13.975)	0	0
	<u>2.570.725.922.395</u>	<u>1.788.827.857.292</u>	<u>781.898.065.103</u>	<u>(13.010.155.114)</u>	<u>227.570.854.404</u>	<u>(151.336.785)</u>
Direct specific allowance						
Up to date	422.175.709.581	329.136.134.750	93.039.574.831	(26.249.282.176)	10.613.586.420	(55.021.346)
Equal or less than 30 days	35.461.121.096	26.717.833.836	8.743.287.260	(5.483.953.052)	535.558	(282.009)
Equal or less than 60 days	52.296.255.885	42.016.448.037	10.279.807.848	(5.006.028.932)	0	0
Equal or less than 90 days	33.287.535.966	24.980.466.979	8.307.068.987	(5.962.834.410)	0	0
Equal or less than 180 days	11.924.632.862	6.359.736.467	5.564.896.395	(4.874.431.625)	0	0
More than 180 days	84.262.204.319	43.675.260.249	40.586.944.070	(39.451.745.029)	0	0
	¢ <u>639.407.459.709</u>	<u>472.885.880.318</u>	<u>166.521.579.391</u>	<u>(87.028.275.224)</u>	<u>10.614.121.978</u>	<u>(55.303.355)</u>
	¢ <u>3.210.133.382.104</u>	<u>2.261.713.737.610</u>	<u>948.419.644.494</u>	<u>(100.038.430.338)</u>	<u>238.184.976.382</u>	<u>(206.640.140)</u>

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BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

As of June 30, 2021

Loan portfolio		Direct Loan Portfolio				Contingent Loan Portfolio	
Direct allowance	generic	Principal	Covered balance	Overdraft	Allowance	Principal	Allowance
A1	¢	2.402.890.335.814	1.724.194.275.749	678.696.060.065	(12.014.451.746)	200.580.160.903	(124.829.034)
A2		43.700.952.054	35.855.661.520	7.845.290.534	(218.504.761)	1.074.531.347	0
1		57.700.883.190	24.947.211.071	32.753.672.119	(144.578.350)	1.725.200	(216)
		2.504.292.171.058	1.784.997.148.340	719.295.022.718	(12.377.534.857)	201.656.417.450	(124.829.250)
Direct allowance	specific						
A1							
A2							
B1		227.048.629.630	207.758.215.751	19.290.413.879	(2.003.311.772)	11.039.431.607	(7.177.784)
B2		19.476.093.118	17.751.708.627	1.724.384.491	(261.196.994)	134.443.339	0
C1		63.697.664.892	50.059.048.799	13.638.616.093	(3.659.949.269)	4.695.416.718	(8.002.717)
C2		11.707.621.411	10.783.794.115	923.827.296	(515.832.620)	60.049.962	0
D		81.115.128.638	66.443.661.008	14.671.467.630	(11.102.589.545)	840.429.574	(23.183.977)
E		169.628.818.733	99.491.317.441	70.137.501.292	(64.670.635.004)	2.048.007.803	(2.087.479)
2		5.058.261	2.235.337	2.822.924	(152.323)	0	0
3		307.247.969	280.986.427	26.261.542	(7.970.318)	0	0
4		706.224.955	636.305.394	69.919.561	(38.141.307)	0	0
6		53.916.481	48.983.929	4.932.552	(5.177.472)	0	0
	¢	573.746.404.088	453.256.256.828	120.490.147.260	(82.264.956.624)	18.817.779.003	(40.451.957)
	¢	3.078.038.575.146	2.238.253.405.168	839.785.169.978	(94.642.491.481)	220.474.196.453	(165.281.207)
Loan portfolio		Direct Loan Portfolio				Contingent Loan Portfolio	
Aging loan portfolio	generic	Principal	Covered balance	Overdraft	Allowance	Principal	Allowance
Up to date	¢	2.405.399.141.974	1.727.134.973.183	678.264.168.791	(12.169.628.756)	201.654.692.250	(124.829.250)
Equal or less than 30 days		41.000.338.147	32.781.500.317	8.218.837.830	(206.841.111)	0	0
Equal or less than 60 days		189.915.880	133.463.769	56.452.111	(1.055.533)	0	0
More than 180 days		1.891.867	0	1.891.867	(9.459)	0	0
		2.446.591.287.868	1.760.049.937.269	686.541.350.599	(12.377.534.859)	201.654.692.250	(124.829.250)
Direct allowance	specific						
Up to date		451.976.516.408	360.937.862.998	91.038.653.410	(27.665.989.510)	18.819.504.203	(40.451.957)
Equal or less than 30 days		37.119.520.900	29.590.459.255	7.529.061.645	(5.568.566.518)	0	0
Equal or less than 60 days		22.110.857.671	17.329.522.160	4.781.335.511	(2.029.427.518)	0	0
Equal or less than 90 days		33.870.177.052	23.932.872.066	9.937.304.986	(8.179.778.264)	0	0
Equal or less than 180 days		29.238.708.322	13.020.582.782	16.218.125.540	(16.024.871.006)	0	0
More than 180 days		57.131.506.925	33.392.168.638	23.739.338.287	(22.796.323.806)	0	0
	¢	631.447.287.278	478.203.467.899	153.243.819.379	(82.264.956.622)	18.819.504.203	(40.451.957)
	¢	3.078.038.575.146	2.238.253.405.168	839.785.169.978	(94.642.491.481)	220.474.196.453	(165.281.207)

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BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

Following is an analysis of the balance of the loan portfolio of Banco de Costa Rica, assessed individually with allowance, according to gross and net amounts, after deducting the allowance for loan losses, by risk classification in accordance with the applicable regulations:

As of June 30, 2022		Loans receivable	
		Gross	Net
Risk category:			
A1	¢	2.526.792.343.327	2.514.158.381.516
A2		35.658.503.721	35.480.211.198
B1		314.648.462.132	311.780.251.442
B2		34.293.295.013	33.510.415.861
C1		59.281.209.231	57.506.871.045
C2		7.910.344.431	7.282.189.011
D		82.776.106.684	69.629.057.825
E		181.282.989.337	100.141.995.501
1		64.691.284.169	64.528.770.605
2		1.444.570.352	1.430.050.341
3		1.704.119.174	1.610.770.252
4		523.649.769	493.279.452
5		27.460.899	26.374.221
6		186.506.511	157.428.404
	¢	<u>3.311.220.844.750</u>	<u>3.197.736.046.674</u>
As of December 31, 2021		Loans receivable	
		Gross	Net
Risk category:			
A1	¢	2.531.988.166.637	2.519.328.225.729
A2		38.737.755.756	38.544.066.975
B1		193.827.062.550	191.303.178.517
B2		24.632.906.602	24.106.679.062
C1		71.479.256.555	68.863.438.713
C2		20.872.474.609	19.566.884.372
D		116.733.956.941	97.937.284.777
E		148.102.200.137	86.910.554.274
1		61.556.122.926	61.399.597.502
2		830.276.955	812.270.405
3		1.218.141.672	1.178.813.666
4		88.715.638	87.349.992
5		14.610.312	10.393.291
6		51.734.814	46.214.491
	¢	<u>3.210.133.382.104</u>	<u>3.110.094.951.766</u>

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BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

As of June 30, 2021	Loans receivable	
	Gross	Net
Risk category:		
A1	¢ 2.402.890.335.814	2.390.875.884.069
A2	43.700.952.054	43.482.447.293
B1	227.048.629.630	225.045.317.856
B2	19.476.093.118	19.214.896.124
C1	63.697.664.892	60.037.715.623
C2	11.707.621.411	11.191.788.791
D	81.115.128.638	70.012.539.093
E	169.628.818.733	104.958.183.729
1	57.700.883.190	57.556.304.840
2	5.058.261	4.905.938
3	307.247.969	299.277.652
4	706.224.955	668.083.648
6	53.916.481	48.739.009
	¢ 3.078.038.575.146	2.983.396.083.665

In compliance with SUGEF Directive 1-05, as of June 30, 2022, the Bank must maintain a minimum allowance in the amount of ¢113.766.790.642 (¢100.245.070.478 and ¢94.807.772.688, for December and June 2021, respectively) of which ¢113.484.798.076 (¢100.038.430.338 and ¢94.642.491.481 for December and June 2021, respectively) is allocated to the valuation of the direct loan portfolio and ¢281.992.566 (¢206.640.140 and ¢165.281.207 for December and June 2021, respectively) to the contingent loan portfolio. In addition, the countercyclical allowance is of ¢4.779.400.343 (¢4.779.400.343 and ¢4.779.400.343, for December and June 2021, respectively).

Following is an analysis of the balances of BICSA's loan portfolio, individually evaluated with an allowance according to the gross amount and the net amount after deducting the allowance for doubtful accounts resulting from the risk assessment in accordance with the applicable regulations:

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BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

	<u>June 2022</u>	<u>December 2021</u>	<u>June 2021</u>
Banco Internacional de Costa Rica, S.A. and subsidiaries			
Principal	¢ 997.212.589.718	928.022.879.151	843.704.476.474
Interest	3.944.792.856	3.234.831.826	4.579.688.278
	1.001.157.382.574	931.257.710.977	848.284.164.752
Allowance for doubtful accounts	(17.963.076.875)	(18.290.115.836)	(16.126.934.755)
Carrying amount	¢ 983.194.305.699	912.967.595.141	832.157.229.997
Loan portfolio, net of allowance	¢ 973.310.164.985	899.571.741.851	825.335.604.078
At amortized cost			
Level 1: Normal or low risk	917.796.590.500	822.817.584.444	741.991.951.264
Level 2: Special mention	44.010.418.852	69.841.175.390	66.940.929.501
Level 3: Subnormal	20.976.965.851	17.656.042.211	20.299.530.992
Level 4: Doubtful	9.002.162.296	7.130.986.182	2.380.952.309
Level 5: Uncollectable	5.426.452.221	10.577.090.925	12.091.112.410
	997.212.589.720	928.022.879.152	843.704.476.476
Allowance for impairment	(17.963.076.875)	(18.290.115.836)	(16.126.934.755)
Carrying amount	979.249.512.845	909.732.763.316	827.577.541.721
Impaired renegotiated loans			
Gross amount	8.453.797.151	8.786.834.475	7.989.823.654
Impaired amount	8.453.797.151	8.786.834.475	7.989.823.654
Allowance for impairment	3.175.804.867	44.542.254	61.746.084
Total, net	5.277.992.284	8.742.292.221	7.928.077.570
Not in arrears or impaired:			
Level 1: Normal or low risk	917.796.590.500	822.817.584.444	741.991.951.264
Level 2: Special mention	44.010.418.852	69.841.175.390	66.940.929.501
Sub-total	961.807.009.352	892.658.759.834	808.932.880.765
Individually impaired			
Level 3: Subnormal	20.976.965.851	17.656.042.211	20.299.530.992
Level 4: Doubtful	9.002.162.296	7.130.986.182	2.380.952.309
Level 5: Uncollectable	5.426.452.220	10.577.090.924	12.091.112.409
Sub-total	35.405.580.367	35.364.119.317	34.771.595.710
Allowance for impairment			
Specific	17.642.991.551	17.850.642.513	15.665.442.129
Collective	320.085.324	439.473.323	461.492.626
Total allowance for impairment	17.963.076.875	18.290.115.836	16.126.934.755
Clients' obligations for acceptances			
Carrying amount	¢ 5.939.347.859	10.161.021.465	2.241.937.641
Interest receivable	¢ 3.944.792.855	3.234.831.825	4.579.688.278
Net loan portfolio (carrying amount)	¢ 983.194.305.699	912.967.595.141	832.157.229.997

As of June 30, 2022, the allowance for impairment of BICSA's loan portfolio is of ¢17.963.076.875 (¢18.290.115.836 y ¢16.126.934.755 for December and June 2021, respectively).

(Continue)

BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

The concentration of the portfolio of direct loans and contingent loans by sector (economic activity) is as follows:

	June 2022		December 2021		June 2021	
	<u>Direct</u>	<u>Contingent</u>	<u>Direct</u>	<u>Contingent</u>	<u>Direct</u>	<u>Contingent</u>
	<u>Loan Portfolio</u>	<u>Loan Portfolio</u>	<u>Loan Portfolio</u>	<u>Loan Portfolio</u>	<u>Loan Portfolio</u>	<u>Loan Portfolio</u>
Trade	¢ 568.378.663.850	40.042.774.469	513.459.539.620	36.740.997.823	432.254.534.937	37.749.596.500
Manufacturing	465.182.261.304	3.014.496.315	455.640.113.110	3.277.033.317	452.565.510.469	4.258.731.635
Construction, purchase, and repair of real estate	1.388.810.827.185	33.965.935.629	1.338.672.803.355	32.674.738.213	1.261.246.426.560	31.283.470.286
Agriculture, livestock, hunting, and related services	214.228.787.607	162.064.032	184.399.472.990	2.093.810.768	178.762.741.352	152.598.935
Fishing and aquaculture	44.887.819	0	46.000.000	0	40.228.220	0
Consumption	274.316.102.872	107.567.960.527	287.633.267.439	109.372.549.828	290.988.357.416	109.395.989.347
Education	780.825.853	0	819.434.189	0	792.447.274	0
Transportation	51.942.155.829	66.339.117	52.369.425.342	81.176.250	55.301.129.621	92.991.995
Financial activities and stock exchange	3.565.001.637	0	3.747.089.931	0	3.886.564.292	0
Electricity, telecom, gas, and water	236.781.622.543	0	163.842.838.285	0	101.612.174.147	0
Services	665.575.806.189	176.489.894.022	681.309.198.989	193.403.652.614	724.577.383.268	180.850.722.471
Hospitality	114.398.325.956	0	116.341.025.761	0	111.109.883.949	0
Mining and quarries	32.154.147	0	35.408.877	0	38.552.258	0
Real estate, business, and leasing activities	36.543.636.426	0	37.403.809.988	0	37.925.327.331	0
Public Administration	269.291.993.293	2.329.824.853	285.486.409.880	4.100.919.059	0	1.183.706.324
Real estate, business, and leasing activities	741.728.290	22.025.990	707.076.325	20.530.565	1.367.470.534	19.788.271
See notes 6 and 19	¢ <u>4.290.614.780.800</u>	<u>363.661.314.954</u>	<u>4.121.912.914.081</u>	<u>381.765.408.437</u>	<u>3.652.468.731.628</u>	<u>364.987.595.764</u>
Other contingencies	0	264.830.926.275	0	72.902.375.786	0	68.228.427.887
	¢ <u>4.290.614.780.800</u>	<u>628.492.241.229</u>	<u>4.121.912.914.081</u>	<u>454.667.784.223</u>	<u>3.652.468.731.628</u>	<u>433.216.023.651</u>

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Notes to the consolidated financial statements

June 30, 2022

The concentration by geographical region of the loan portfolio of the subsidiary Banco Internacional de Costa Rica, S.A., is detailed as follows:

	June 2022	December 2021	June 2021
Germany	0	256.013.907	309.611.056
Brazil	6.222.566.025	5.834.931.225	5.921.776.711
Chile	0	2.581.000.000	0
China	4.346.495.839	460.651.718	3.825.865.886
Colombia	2.818.999.833	7.254.526.393	9.154.733.299
Costa Rica	335.482.759.697	314.431.213.509	302.468.822.379
Denmark	851.497.959	1.096.896.609	1.524.033.618
Ecuador	90.931.033.167	83.511.271.544	80.842.090.316
El Salvador	101.907.970.115	54.082.028.805	46.417.321.355
Spain	7.271.915.264	5.530.306.119	4.071.990.104
United States of America	13.357.190.116	25.624.123.478	23.729.667.316
Guatemala	59.409.498.642	38.087.244.663	38.261.509.740
Netherlands	0	53.133.111	0
Honduras	2.769.000.000	3.233.405.823	1.243.840.000
England	0	3.869.713.948	3.729.798.525
British Virgin Islands	0	3.942.415.556	2.882.737.266
México	46.426.119.373	22.202.744.071	12.978.653.197
Nicaragua	18.489.087.884	18.929.603.753	32.392.517.868
Panamá	281.156.549.027	301.780.136.806	233.949.204.310
Perú	14.330.935.964	22.678.681.761	27.503.300.629
Dominican Republic	3.976.939.561	5.684.268.576	5.755.525.678
Russia	0	208.680.303	219.395.962
Uruguay	132.354.047	90.335.000	0
Others *	7.331.677.205	6.599.552.474	6.522.081.256
	¢ 997.212.589.718	928.022.879.152	843.704.476.471

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BANCO DE COSTA RICA

Notes to the consolidated financial statements

June 30, 2022

The concentration by geographical region of the loan portfolio of Banco de Costa Rica is as follows:

	June 2022	December 2021	June 2021
Costa Rica	¢ <u>3.293.401.660.876</u>	<u>3.193.889.504.724</u>	<u>3.049.739.639.458</u>
	¢ <u>3.293.401.660.876</u>	<u>3.193.889.504.724</u>	<u>3.049.739.639.458</u>

As of June 30, 2022, the Bank keeps trust commissions in the amount of ¢798.750 (¢1.125.341 and ¢1.219.250 for December and June 2021, respectively).

The balance of foreclosed assets is as follows (See note 7):

	June 2022	December 2021	June 2021
Properties	¢ 124.635.465.077	136.797,715,011	148.962.150.433
Others	543.593.937	668.069.690	688.023.572
	¢ <u>125.179.059.014</u>	<u>137.465.784.701</u>	<u>149.650.174.005</u>

BICSA, has a five (5) year term to transfer the real property acquired as payment of unpaid loans as of the registration date of the property; if after such a term the property has not been sold, there must be an independent appraisal to estimate its value.

On the other hand, a reserve is made in the equity account through the following allocation: a) non-distributed profits and b) profits of the year. The aforementioned reserve will be kept until an effective transfer of the acquired property has taken place.

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BANCO DE COSTA RICA

Notes to the consolidated financial statements

June 30, 2022

The direct loan portfolio by type of guarantee is detailed below (See notes 6 and 19):

	June 2022	December 2021	June 2021
Guarantee			
Pledged assets	¢ 39.564.301.316	44.501.923.980	41.436.818.076
Collections	113.758.666.398	88.100.480.538	90.649.858.272
Fiduciary	1.057.669.939.669	930.131.219.106	849.781.227.378
Mortgage	1.609.963.980.289	1.615.708.776.894	1.572.610.690.008
Chattel	171.376.538.095	183.172.106.474	195.740.929.771
Others	1.298.281.355.033	1.260.298.407.089	1.143.225.122.632
	¢ 4.290.614.780.800	4.121.912.914.081	3.893.444.646.137

As of June 30, 2022, 42% of the loan portfolio is secured by mortgage or chattel collaterals, (44% and 45% as of December and June 30, 2021, respectively).

Pursuant to SUGEF Directive 5-04, “Regulations on Credit Limits to Individual Persons and Economic Interest Groups”, the Bank debugs information on reported data of economic interest groups as part of their responsibility to identify significant administrative and equity relationships among debtors with total active operations. As of June 30, 2021, groups of borrowers (members) having operations that add 2% or more of adjusted capital and in groups report 5% or more of adjusted capital, are reported.

The concentration of the loan portfolio by economic interest group is as follows:

As of June 30, 2022:

No.	Percentage	Band	Total amount	N° of customers
1	0-4,9%	25.336.162.784	¢ 122.568.960.508	365
2	5-9.99%	50.672.325.569	202.901.882.303	69
3	10-14.99%	76.008.488.353	499.331.048.765	0
4	15-20%	101.344.651.138	430.364.687.210	23
Total			¢ 1.255.166.578.786	457

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BANCO DE COSTA RICA

Notes to the consolidated financial statements

June 30, 2022

As of December 31, 2021:

<u>No.</u>	<u>Percentage</u>	<u>Band</u>	<u>Total amount</u>	<u>N° of customers</u>
1	0-4,99%	23.905.976.882 ¢	122.240.246.726	288
2	5-9,99%	47.811.953.763	301.693.875.182	81
3	10- 14,99%	71.717.930.645	520.642.488.823	0
4	15-20%	95.623.907.526	340.564.773.477	22
Total			¢ 1.285.141.384.208	391

As of June 30, 2021:

<u>No.</u>	<u>Percentage</u>	<u>Band</u>	<u>Total amount</u>	<u>N° of customers</u>
1	0-4,99%	23.905.976.882 ¢	41.174.044.576	256
2	5-9,99%	47.811.953.763	190.674.331.227	72
3	10-14,99%	71.717.930.645	0	0
4	15-20%	95.623.907.526	780.753.016.378	241
Total			¢ 1.012.601.392.181	569

(b) Management of market risk

Definitions

Market risk is defined as the possibility to potential losses that may occur in on- and off-balance positions due to adverse movements in the factors that determine their price, also known as risk factors, such as liquidity, interest rates, exchange rate and inflation, including the portfolios under management.

The liquidity risk is generated when the financial institution cannot meet the enforceability or obligations with third parties, due to insufficient cash flow, resulting from the outcome between the term of the recoveries (active operations) and the term of the obligations (liabilities); or else, due to the inadequate pricing mechanism that makes it impossible to know the price to transform an asset and /or liability into liquidity.

The risk of asset price and inflation measures the possible losses that can occur in financial assets that are part of the investment portfolios, and in a reduction in the purchasing power of the money flows received by the Bank.

Interest rate risk is defined as the possibility that the Entity incurs in losses as a result of changes in the present value of the assets and liabilities in which the Bank maintains positions on or off the balance sheet.

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BANCO DE COSTA RICA

Notes to the consolidated financial statements

June 30, 2022

Finally, the exchange rate risk is the possibility of suffering losses because of variations in the exchange rate. It is made up of conversion risks, foreign currency position risks and transaction risks. This risk also manifests itself when the net result of the exchange rate adjustment does not proportionally compensate for the adjustment in the value of assets denominated in foreign currency, causing a reduction in the equity sufficiency indicator or in any model that in the event of variations in this macro price has a negative effect on the determination of exchange risk, such as the CAMELS indicators or its own statistics.

Risk management methodology

Two methodologies are used to measure exposure to price risk; one is regulatory, and the other is internal. The regulatory methodology is monthly, uses historical simulation and its results are weighted in the price risk of Equity Sufficiency. For its part, the internal methodology consisting of a parametric value at risk with daily monitoring of the impact of interest rate and exchange rate factors on the performance of the investment portfolio.

In terms of interest rates, the Bank is sensitive to this type of risk due to the mix of rates and terms, both in assets and liabilities. This sensibility is mitigated through the management of variable rates and the combination of terms monitored by internal models.

Furthermore, the management of operational liquidity risk is periodically evaluated by updating the Bank's six months projected cash flow and calculating the liquidity coverage indicator; the deadlines are prepared on a weekly basis. All liquidity risk indicators are calculated by currency.

The Entity implements other internal methodologies that serve as early warnings in the management of this risk: deposits volatility, debt levels, liability structure, and liquidity degree of assets, availability of funding and the overall effectiveness of the gap of timelines.

Tolerance limits and risk indicators

The main indicators for controlling the market risk limits are the following:

- Liquidity risk: Maximum expected outflow of deposits of the public by currency, match at one- and three months match by currency and liquidity coverage ratio (ICL) by currency.
- Price risk: VaR of the Investment portfolio through internal and regulatory models.
- Exchange risk: Sensitivity of the equity position in foreign currency, through internal models.
- Interest rate risk: Sensitivity of the financial margin due to movements in the reference interest rates.

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BANCO DE COSTA RICA

Notes to the consolidated financial statements

June 30, 2022

Each of the previous indicators has parameters of acceptability and limits that are approved by the General Board of Directors.

Exposure and risk management

(c) Liquidity risk

Facing the global crisis caused by the COVID-19 pandemic, the Bank continues with the implementation of the liquidity strategy to face the increase in the volatilities of deposits from the public, thus addressing the preference of clients to keep balances at demand instead of at term.

Cash and cash equivalents show a year-on-year increase of 4,23% mainly on held-for-trading financial instruments (see cash and cash equivalents table in note 4).

Demand deposits increased by 11,38% on a year-on-year basis, due to the increase in current account balances, demand savings deposits (see chart of demand obligations with the public in note 11).

Wholesale funding increased year-on-year by 25,38%, mainly due to term obligations and charges payable with the Central Bank of Costa Rica, overdrafts in demand checking accounts in foreign financial entities, and term deposits from local financial entities. (See table of obligations with financial institutions and the Central Bank in note 14 of this document).

In the following table, the year-on-year results for the end of December 2021, are observed:

	June 2022	December 2021	June 2021
Liquidity coverage indicator (colones)	1.17	1.23	1.48
Liquidity coverage indicator (US Dollars)	1.50	1.67	1.24
Regulatory limit	1.00	1.00	1.00

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BANCO DE COSTA RICA

Notes to the consolidated financial statements

June 30, 2022

On the other hand, the term matches, another regulatory indicator, had the following results as of June 30, 2022:

Regulatory liquidity matches by currency and term Indicator	Interpretation	June 2022 Observation	December 2021 Observation	June 2021 Observation	Approved levels
1-month term matching US dollars	Ratio between assets and liabilities with account's volatility	2.46	2.68	2.10	Limite: 1.10
1-month term matching colones		1.85	2.60	2.35	Limite: 1.00
3-months term matching US dollars		1.96	1.79	1.90	Limite: 0.94
3-months term matching colones		1.21	1.78	1.48	Limite: 0.85

The term matches show a constant and significant loose with respect to regulatory limits, which is a direct effect of the measures taken in the strategy for compliance with the Liquidity Coverage Indicator but mainly to attend to the emergency due to the Covid-19 pandemic that the country has been facing since March 2020.

As a preventive measure of liquidity risk management for the Covid-19, the Bank has implemented reports that allow monitoring of the main operational and structural indicators as well as an alignment of liquidity management with credit and market risk.

Projections have also been made of the magnitude of the impacts that the Covid-19 crisis could generate in the Bank's financial indicators, which are updated based on the development of the emergency, for decision-making.

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BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

The maturity dates of the Bank's assets and liabilities are as follows:

As of June 30, 2022

Assets	Demand	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	More tan 365 days	Items overdue for more than thirty days	Total
Availabilities	¢ 413.490.054.965	0	0	0	0	0	137.550.564	0	413.627.605.529
Legal cash requirement BCCR	362.886.815.273	23.511.807.626	15.060.267.782	19.753.169.461	49.619.498.729	42.578.411.213	17.242.585.833	0	530.652.555.917
Investment in securities	466.074.166	297.517.746.984	17.068.606.812	9.012.780.624	40.677.615.040	224.552.003.091	1.247.801.882.326	0	1.837.096.709.043
Interest on investments	414.219	13.889.975.826	8.542.377.976	1.842.801.589	1.746.338.298	51.458.557	1.085.904.566	0	27.159.271.031
Loan portfolio	23.106.701.279	130.806.783.813	128.803.085.525	107.077.363.800	293.549.605.915	260.198.207.137	618.286.611.533	2.709.445.712.622	4.271.274.071.624
Interest on loan portfolio	65.385.481	7.644.197.901	1.027.391.215	569.672.219	2.089.496.608	496.862.103	9.863.082.226	7.888.976	21.763.976.729
	<u>¢ 800.015.445.383</u>	<u>473.370.512.150</u>	<u>170.501.729.310</u>	<u>138.255.787.693</u>	<u>387.682.554.590</u>	<u>527.876.942.101</u>	<u>1.894.417.617.048</u>	<u>2.709.453.601.598</u>	<u>7.101.574.189.873</u>
Liabilities									
Obligations with the public	¢ 3.262.034.349.946	253.796.404.047	177.898.881.053	204.480.732.793	510.965.943.451	460.449.182.287	287.326.065.666	0	5.156.951.559.243
Obligations with BCCR	0	52.009.027.778	0	0	0	0	117.212.739.184	0	169.221.766.962
Obligations with financial Entities	303.112.860.097	183.843.041.958	55.706.271.485	44.828.160.103	155.475.982.681	100.434.351.901	128.999.681.249	0	972.400.349.474
Charges payable on obligations	1.004.490.713	3.794.504.489	2.486.300.504	2.287.987.182	3.810.054.231	3.718.162.219	4.159.446.776	0	21.260.946.114
	<u>3.566.151.700.756</u>	<u>493.442.978.272</u>	<u>236.091.453.042</u>	<u>251.596.880.078</u>	<u>670.251.980.363</u>	<u>564.601.696.407</u>	<u>537.697.932.875</u>	<u>0</u>	<u>6.319.834.621.793</u>
Asset-liability gap	<u>¢ (2.766.136.255.373)</u>	<u>(20.072.466.122)</u>	<u>(65.589.723.732)</u>	<u>(113.341.092.385)</u>	<u>(282.569.425.773)</u>	<u>(36.724.754.306)</u>	<u>1.356.719.684.173</u>	<u>2.709.453.601.598</u>	<u>781.739.568.080</u>

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BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

As of December 31, 2021

Assets	Demand	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	More tan 365 days	Items overdue for more than thirty days	Total
Availabilities	¢ 434.935.004.597	0	0				160.295.897	0	435.095.300.494
Legal cash requirement									
BCCR	348.958.390.978	35.768.253.928	20.464.212.076	16.257.418.716	40.210.942.636	41.377.474.977	22.376.944.606	0	525.413.637.917
Investment in securities	(1.485.285.503)	359.141.643.675	22.140.847.788	17.638.928.998	82.594.087.897	88.426.275.551	1.295.915.219.792	0	1.864.371.718.198
Interest on investments	(6.598.490)	19.571.821.811	3.472.798.017	1.668.298.105	1.427.060.560	31.665.061	322.860.664	0	26.487.905.728
Loan portfolio	21.760.259.981	136.576.421.613	136.942.851.278	108.233.417.014	269.270.297.863	228.371.851.236	564.962.795.947	2.636.785.641.121	4.102.903.536.053
Interest on loan portfolio	15.327.557	6.077.713.619	1.153.644.171	362.652.743	1.179.041.189	589.692.735	10.063.732.703	36.914.488	19.478.709.205
	¢ 804.177.099.120	557.135.854.646	184.174.353.330	144.160.715.576	394.681.430.145	358.796.959.560	1.893.801.849.609	2.636.822.555.609	6.973.750.807.595
Liabilities									
Obligations with the public	¢ 3.369.463.573.945	306.621.653.420	194.292.982.830	160.348.752.129	359.289.973.542	418.399.908.387	273.879.972.875	0	5.082.296.817.128
Obligations with BCCR	0	10.001.111.049	0	0	0	0	117.687.914.780	0	127.689.025.829
Obligations with financial Entities	62.168.927.368	289.889.135.565	57.447.190.770	48.876.570.622	138.766.550.569	166.440.254.686	142.209.679.889	0	905.798.309.469
Charges payable on obligations	1.230.823.415	2.885.502.595	3.142.095.409	1.924.373.255	3.865.487.366	3.262.429.961	3.862.861.470	0	20.173.573.471
	3.432.863.324.728	609.397.402.629	254.882.269.009	211.149.696.006	501.922.011.477	588.102.593.034	537.640.429.014	0	6.135.957.725.897
Asset-liability gap	¢ (2.628.686.225.608)	(52.261.547.983)	(70.707.915.679)	(66.988.980.430)	(107.240.581.332)	(229.305.633.474)	1.356.161.420.595	2.636.822.555.609	837.793.081.698

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BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

As of June 30, 2021

Assets	Demand	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	More tan 365 days	Items overdue for more than thirty days	Total	
Availabilities	€ 225.500.681.046	0	0	0	0	0	122.298.485	0	225.622.979.531	
Legal cash requiremnt BCCR	375.210.277.292	34.114.511.790	18.378.357.755	22.647.435.628	50.174.038.308	39.685.551.233	19.878.594.966	0	560.088.766.972	
Investment in securities	(1.973.447.974)	368.305.154.999	25.455.369.675	10.574.549.029	126.628.572.026	162.791.801.920	1.002.030.046.050	0	1.693.812.045.725	
Interest on investments	(1.214.574)	9.903.829.692	9.821.434.865	931.465.152	2.474.140.283	75.033.131	360.327.741	0	23.565.016.290	
Loan portfolio	49.123.444.317	90.631.103.073	109.196.906.410	137.982.304.274	272.772.755.801	256.303.419.100	2.816.356.883.634	142.740.088.850	3.875.106.905.459	
Interest on loan portfolio	129.285.929	7.312.882.790	5.253.169.920	6.165.504.497	4.847.399.004	820.015.317	8.195.667.162	154.699.346	32.878.623.965	
	€ 647.989.026.036	510.267.482.344	168.105.238.625	178.301.258.580	456.896.905.422	459.675.820.701	3.846.943.818.038	142.894.788.196	6.411.074.337.942	
Liabilities										
Obligations with the public	€ 2.944.219.843.557	304.632.014.016	176.018.758.484	202.144.488.782	437.462.613.114	386.270.115.019	276.351.670.640	0	4.727.099.503.612	
Obligations with BCCR	0	0	0	0	0	0	120.470.000.000	0	120.470.000.000	
Obligations with financial Entities	65.592.303.461	253.579.911.221	34.012.093.590	30.527.214.566	173.751.018.461	100.832.089.765	149.216.779.426	0	807.511.410.490	
Charges payable on obligations	1.175.513.705	3.660.853.946	3.318.421.733	1.801.934.414	3.431.732.453	2.909.351.205	3.292.882.682	0	19.590.690.138	
	3.010.987.660.723	561.872.779.183	213.349.273.807	234.473.637.762	614.645.364.028	490.011.555.989	549.331.332.748	0	5.674.671.604.240	
Asset liability gap	€ (2.362.998.634.687)	(51.605.296.839)	(45.244.035.182)	(56.172.379.182)	(157.748.458.606)	(30.335.735.288)	3.297.612.485.290	142.894.788.196	736.402.733.702	

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BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

(d) Price risk of the portfolio

The Bank manages two investment portfolios: own Funds and Development Credit Funds.

In the case of own funds, a concentration of 61.63% is observed in instruments issued by the Ministry of Finance. In this sense and with the purpose of mitigating the market risk of these instruments, a strategy was defined in the investment position of this issuer.

Following are the results of the VaR methodology-SUGEF 03-06, considering both portfolios:

		June 2022	December 2021	June 2021
VaR	¢	10.851.654.756	11.321.149.203	10.049.695.480

The year-on-year increase in the indicator is an effect of the increase in price volatility of investment instruments because of the global pandemic and of the market value of the portfolio.

(e) Interest rate risk

The Bank has a credit portfolio, investments, and obligations with the public and with entities subject to variable interest rates and therefore sensitive to fluctuations in interest rates and cash flow risk. As of June 30, 2021, a sensitivity analysis on possible variations in interest rates was developed.

Sensibilidad a un aumento en la tasa de interés de las inversiones

		June 2022	December 2021	June 2021
Investment in financial instruments	¢	1.521.462.604.599	1.508.341.829.584	1.363.588.235.210
Increase in rates by 1%		375.994.875	291.722.625	291.416.908
Increase in rates by 2%	¢	751.989.750	583.445.250	582.833.816

Sensitivity to a decrease in the interest rate of investments

		June 2022	December 2021	June 2021
Investment in financial instruments	¢	1.521.462.604.599	1.508.341.829.584	1.363.588.235.210
Decrease in rates by 1%		375.994.875	291.722.625	291.416.908
Decrease in rates by 2%	¢	751.989.750	583.445.250	582.833.816

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Notes to the consolidated financial statements

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Sensitivity to an increase in the interest rate of loan portfolio

		June 2022	December 2021	June 2021
Loan portfolio	¢	3.293.401.660.906	3.322.631.749.946	3.160.747.184.068
Increase in rates by 1%		1.636.172.846	1.806.443.985	1.537.284.398
Increase in rates by 2%	¢	<u>3.292.454.346</u>	<u>3.626.374.359</u>	<u>3.099.864.869</u>

Sensitivity to a decrease in the interest rate of loan portfolio

		June 2022	December 2021	June 2021
Loan portfolio	¢	3.293.401.660.906	3.322.631.749.946	3.160.747.184.068
Decrease in rates by 1%		1.632.943.570	1.794.415.508	1.537.284.398
Decrease in rates by 2%	¢	<u>3.250.232.725</u>	<u>3.586.765.803</u>	<u>3.099.864.869</u>

Sensitivity to an increase in the interest rate of obligations with the public

		June 2022	December 2021	June 2021
Obligations with the public	¢	4.649.852.215.940	4.595.900.641.742	4.259.716.933.817
Increase in rates by 1%		2.854.439.588	1.822.383.143	3.387.266.230
Increase in rates by 2%	¢	<u>5.708.879.177</u>	<u>3.644.766.286</u>	<u>6.774.532.460</u>

Sensitivity of a decrease in the interest rate of obligations with the public

		June 2022	December 2021	June 2021
Obligations with the public	¢	4.649.852.215.940	4.595.900.641.742	4.259.716.933.817
Decrease in rates by 1%		2.806.039.194	1.822.383.143	3.387.266.230
Decrease in rates by 2%	¢	<u>5.273.916.174</u>	<u>3.644.766.286</u>	<u>6.774.532.460</u>

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BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

Sensitivity to an increase in the interest rate of term financial obligations

	June 2022	December 2021	June 2021
Financial term obligations	¢ 15.815.876.489	167.857.238.324	170.808.936.482
Increase in rates by 1%	13.179.897	139.847.287	142.340.780
Increase in rates by 2%	¢ 26.359.794	279.694.574	284.681.560

Sensitivity of a decrease in the interest rate of term financial obligations

	June 2022	December 2021	June 2021
Financial term obligations	¢ 15.815.876.489	167.857.238.324	170.808.936.482
Decrease in rates by 1%	13.179.897	139.847.287	142.340.780
Decrease in rates by 2%	¢ 26.359.794	279.694.574	284.681.560

*Note: Only credit facilities in US dollars are included from June 2022 are included.

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BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

As of June 30, 2022, interest rate terms for assets and liabilities are matched as follows:

	Effective interest rate	1 to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	361 to 720 days	More than 720 days	Total
Assets								
Investment in securities	6.12%	147.504.053.562	26.780.195.964	38.555.934.116	81.722.781.750	243.176.071.935	835.288.732.789	1.373.027.770.116
Loan portfolio	6.94%	1.584.649.820.190	195.609.044.519	120.121.473.416	53.344.294.199	53.672.771.648	676.513.981.033	2.683.911.385.005
Total recovery of assets (*)		1.732.153.873.752	222.389.240.483	158.677.407.532	135.067.075.949	296.848.843.583	1.511.802.713.822	4.056.939.155.121
Liabilities								
Obligations with the public		122.669.124.587	211.802.085.233	184.542.700.463	44.558.273.252	321.083.863.015	48.604.058.963	933.260.105.513
Demand obligations	1.32%	0	0	0	0	0	0	0
Term obligations	3.46%	0	0	0	0	0	0	0
Obligations with Banco Central de Costa Rica		67.662.027.778	0	0	0	0	0	67.662.027.778
Obligations with financial entities	2.66%	85.154.286.076	30.965.725.920	8.548.743.708	6.674	143.546.094.954	19.330	268.214.876.662
Total matured liabilities (*)		275.485.438.441	242.767.811.153	193.091.444.171	44.558.279.926	464.629.957.969	48.604.078.293	1.269.137.009.953
Asset and liability gap		1.456.668.435.311	(20.378.570.670)	(34.414.036.639)	90.508.796.023	(167.781.114.386)	1.463.198.635.529	2.787.802.145.168
Assets								
Investment in securities	3.64%	288.041.182.866	30.077.753.181	29.240.448.745	142.872.966.920	123.878.492.892	200.130.119.810	814.240.964.414
Loan portfolio	12.49%	675.262.262.085	35.308.432.941	30.114.023.224	10.447.804.934	10.895.685.555	134.787.655.462	896.815.864.201
Total recovery of assets (*)		963.303.444.951	65.386.186.122	59.354.471.969	153.320.771.854	134.774.178.447	334.917.775.272	1.711.056.828.615
Liabilities								
Obligations with the public		14.480.920.814	7.597.014.747	8.675.455.283	10.381.254.775	8.157.943.347	14.052.025.967	63.344.614.933
Demand obligations	0.21%	214.540.859.413	67.918.295.055	64.400.765.130	103.802.727.590	100.625.027.344	29.823.082.536	0
Term obligations	1.13%	0	0	0	0	0	0	0
Obligations with financial entities	1.19%	10.091.358.689	10.169.965.568	984.962.514	7.531.748.505	2.421.158.677	(12.888.942.478)	18.310.251.475
Total matured liabilities (*)		24.572.279.503	17.766.980.315	9.660.417.797	17.913.003.280	10.579.102.024	1.163.083.489	81.654.866.408
Asset and liability gap		938.731.165.448	47.619.205.807	49.694.054.172	135.407.768.574	124.195.076.423	333.754.691.783	1.629.401.962.207

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BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

As of December 31, 2021, interest rate terms for assets and liabilities are matched as follows:

	Effective interest rate	1 to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	361 to 720 days	More than 720 days	Total
Colones:								
Assets								
Investment in securities	6.28%	¢ 143.002.127.798	30.638.697.942	61.800.302.166	57.095.240.800	169.036.028.748	806.689.635.897	1.268.262.033.351
Loan portfolio	7.47%	1.491.107.259.132	176.389.813.963	122.125.309.781	48.837.054.341	65.139.000.687	806.372.174.173	2.709.970.612.077
Total recovery of assets (*)		<u>1.634.109.386.930</u>	<u>207.028.511.905</u>	<u>183.925.611.947</u>	<u>105.932.295.141</u>	<u>234.175.029.435</u>	<u>1.613.061.810.070</u>	<u>3.978.232.645.428</u>
Liabilities								
Obligations with the public		143.729.368.839	189.438.304.198	211.699.837.641	45.495.388.592	179.980.510.078	55.152.400.273	825.495.809.621
Demand deposits	1.50%							
Term deposits	3.69%							
Obligations with the Central Bank of Costa Rica		10.001.111.049	0	0	0	0	0	10.001.111.049
Obligations with financial entities	1.22%	29.926.152.880	38.557.465.030	36.273.831.799	1.102.582.331	159.529.226.852	143.214.198	265.532.473.090
Total matured liabilities (*)		<u>183.656.632.768</u>	<u>227.995.769.228</u>	<u>247.973.669.440</u>	<u>46.597.970.923</u>	<u>339.509.736.930</u>	<u>55.295.614.471</u>	<u>1.101.029.393.760</u>
Asset and liability gap		<u>¢ 1.450.452.754.162</u>	<u>(20.967.257.323)</u>	<u>(64.048.057.493)</u>	<u>59.334.324.218</u>	<u>(105.334.707.495)</u>	<u>1.557.766.195.599</u>	<u>2.877.203.251.668</u>
US dollars:								
Assets								
Investment in securities	3.80%	¢ 282.200.450.604	36.729.641.872	56.940.476.632	49.013.842.870	174.387.928.560	189.876.309.867	789.148.650.405
Loan portfolio	13.05%	637.595.036.125	30.510.625.071	13.865.880.828	15.216.945.560	10.632.284.130	145.275.263.924	853.096.035.638
Total recovery of assets (*)		<u>919.795.486.729</u>	<u>67.240.266.943</u>	<u>70.806.357.460</u>	<u>64.230.788.430</u>	<u>185.020.212.690</u>	<u>335.151.573.791</u>	<u>1.642.244.686.043</u>
Liabilities								
Obligations with the public		11.484.385.334	11.671.450.224	12.783.631.968	9.613.462.687	18.019.787.052	14.357.713.279	77.930.430.544
Demand deposits	22.50%	250.228.124.863	24.973.769.550	97.658.815.273	104.299.360.481	96.552.795.475	28.742.190.218	0
Term deposits	1.24%	0	0	0	0	0	0	0
Obligations with financial entities	1.98%	(28.303.773.894)	9.934.849.630	6.111.213.258	12.665.288.985	2.677.402.576	17.507.167.460	20.592.148.015
Total matured liabilities (*)		<u>(16.819.388.560)</u>	<u>21.606.299.854</u>	<u>18.894.845.226</u>	<u>22.278.751.672</u>	<u>20.697.189.628</u>	<u>31.864.880.739</u>	<u>98.522.578.559</u>
Asset and liability gap		<u>¢ 936.614.875.289</u>	<u>45.633.967.089</u>	<u>51.911.512.234</u>	<u>41.952.036.758</u>	<u>164.323.023.062</u>	<u>303.286.693.052</u>	<u>1.543.722.107.484</u>

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BANCO DE COSTA RICA Y SUBSIDIARIAS

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As of June 30, 2021

	Effective interest rate	1 to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	361 to 720 days	More than 720 days	Total
Colones:								
Assets								
Investment in securities	7.21%	¢ 150.198.685.745	40.392.642.130	125.459.875.369	75.911.820.411	99.472.261.954	690.554.155.633	1.181.989.441.242
Loan portfolio	7.27%	1.331.339.680.188	274.148.513.611	208.558.379.223	91.209.287.924	96.588.192.149	173.062.533.177	2.174.906.586.272
Total recovery of assets (*)		1.481.538.365.933	314.541.155.741	334.018.254.592	167.121.108.335	196.060.454.103	863.616.688.810	3.356.896.027.514
Liabilities								
Obligations with the public		116.496.535.619	242.488.560.641	179.181.191.053	41.778.574.674	324.418.960.040	34.634.564.843	938.998.386.870
Obligations with financial entities	0.41%	36.256.028.500	31.640.869.368	29.836.993.630	0	148.834.843.229	0	246.568.734.727
Total matured liabilities (*)		152.752.564.119	274.129.430.009	209.018.184.683	41.778.574.674	473.253.803.269	34.634.564.843	1.185.567.121.597
Asset and liability gap		¢ 1,328,785,801,814	40,411,725,732	125,000,069,909	125,342,533,661	(277,193,349,166)	828,982,123,967	2,171,328,905,917
US dollars:								
Assets								
Investment in securities	3.30%	¢ 238.893.174.772	44.784.156.057	39.203.805.566	86.181.210.204	124.009.670.544	173.729.936.175	706.801.953.318
Loan portfolio	5.98%	729.542.216.618	480.883.723.072	301.546.299.242	52.492.466.526	34.461.094.263	133.762.648.906	1.732.688.448.627
Total recovery of assets (*)		968.435.391.390	525.667.879.129	340.750.104.808	138.673.676.730	158.470.764.807	307.492.585.081	2.439.490.401.945
Liabilities								
Obligations with the public		237.347.055.238	68.936.508.923	46.695.639.161	106.684.944.557	117.641.295.542	34.152.794.191	611.458.237.612
Obligations with financial entities	0.33%	30.352.865.174	31.520.820.339	94.162.406.020	90.599.456.177	101.119.683.622	49.754.891.472	397.510.122.804
Total matured liabilities (*)		267.699.920.412	100.457.329.262	140.858.045.181	197.284.400.734	218.760.979.164	83.907.685.663	1,008,968,360,416
Asset and liability gap		¢ 700,735,470,978	425,210,549,867	199,892,059,627	(58,610,724,004)	(60,290,214,357)	223,584,899,418	1,430,522,041,529

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Notes to the consolidated financial statements

June 30, 2022

Within the gap report (rate-sensitive assets and liabilities) in local currency, a total difference of asset recovery less maturity of liabilities as of June 31, 2022, for ₡2.787.802.145.168 (₡2.877.203.251.668 and ₡2.169.150.261.504 for December and June 2021, respectively) while in foreign currency the same difference is of ₡1.629.399.947.203 (₡1.543.722.107.484 and ₡1.430.519.907.863 for December and June 2021, respectively) being an improved inference in the balance sheet due to positive changes in interest rates, since the entity presents more assets than liabilities in both currencies. Regarding to term matching (sum of liquidity of assets and liabilities), as of June 31, 2022, the total amount in local currency was of 781.739.568.079 (₡837.793.081.699 and ₡736.402.733.702 for December and June 2021, respectively) while in foreign currency, the collected data for the compliance of obligations was of ₡354.450.604 (₡427.197.048 and ₡413.407.472 for December and June 2021, respectively) which shows the necessary solvency to meet the liquid liabilities of the Organization.

(f) Foreign exchange risk

The Bank incurs in transactions denominated in US dollars and minority Euros.

These currencies experiences periodic fluctuations with respect to the Costa Rican colon, in accordance with the monetary and exchange policies of the Central Bank of Costa Rica (BCCR). Therefore, any fluctuation in the value of the US Dollar affects the results, financial position and cash flows of the entity, which constantly monitors its net foreign currency exposure in order to minimize this risk.

The Bank uses two indicators to manage the foreign exchange risk: term matching of assets and liabilities denominated in foreign currency and sensitivity of the foreign currency position.

During the first quarter of 2022, the exchange rate has had an upward trend, resulting in a daily volatility of 0,36% at the end of September.

To comply with the Own Position in Foreign Currency, the Treasury Management had to maintain a positive position in foreign currency, reaching US\$158 million as of June 2022 (US\$205 million as of December 2021 and US\$227 million as of June 2021).

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BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

The monetary assets and liabilities in US dollars are detailed as follows:

	June 2022	December 2021	June 2021
ASSETS			
Cash and due from banks	US\$ 751.708.026	756.845.949	610.587.985
Investment in financial instruments	1,101,814,556	1.105.536.961	991.004.461
Loan portfolio	2.662.002.579	2.689.678.310	2.786.208.799
Accounts and interest receivable	14,914,932	12.985.952	15.240.594
Realizable goods	13.782.598	33.272.440	40.578.859
Other assets	<u>4.544.222.691</u>	<u>4.598.319.612</u>	<u>4.443.620.698</u>
LIABILITIES			
Obligations with the public	3,262,031,099	3.247.717.454	3.138.832.768
Other financial obligations	1,020,086,028	994.050.728	948.899.323
Other accounts payable and provisions	36,792,192	42.696.153	36.307.077
Other liabilities	20.265.923	23.876.866	20.714.004
Total liabilities	<u>4.339.175.242</u>	<u>4.308.341.201</u>	<u>4.144.753.172</u>
Net position	US\$ <u>205.047.449</u>	<u>289.978.411</u>	<u>298.867.526</u>

From January 2020 the valuation of monetary assets and liabilities in foreign currency is carried out with reference to the purchase exchange rate set by the BCCR the last business day of each month (previously the purchase exchange rate was used). For June 30, 2022, the exchange rate of ¢692.25 por US \$1.00 (¢645.25 y ¢621.92 as of December and June 2021, respectively) was used.

The net position is not covered with any instrument; however, the Bank considers it remains at an acceptable level for buying and selling US dollars in the market at the time it is considered, as necessary.

The Bank faces this type of risk when the value of its assets and liabilities in US dollars are affected by variations in the exchange rate, which is recognized in the income statement.

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BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

The following table shows the possible annual profit (loss) if there are variations of 5 percentage points in the exchange rates, respectively:

Sensibility to a increase in the exchange rate

		June 2022	December 2021	June 2021
Net position	US\$	205.047.450	289.978.412	298.867.526
Closing exchange rate		692.25	645.25	621.92
5% increase in the exchange rate		34.61	32.26	31.10
Profit	¢	<u>7.096.692.245</u>	<u>9.354.703.571</u>	<u>9.294.780.059</u>

Sensibility to a decrease in the exchange rate

		June 2022	December 2021	June 2021
Net position	US\$	205.047.450	289.978.412	298.867.526
Closing exchange rate		692.25	645.25	621.92
5% decrease in the exchange rate		(34.61)	(32.26)	(31.10)
Profit	¢	<u>(7.096.692.245)</u>	<u>(9.354.703.571)</u>	<u>(9.294.780.059)</u>

Assets and liabilities in Euros are detailed as follows:

		June 2022	December 2021	June 2021
Assets				
Cash and due from banks	EUR€	8.119.290	6.958.224	6.931.163
Other assets		6.714	6.625	7.287
Total assets		<u>8.126.004</u>	<u>6.964.849</u>	<u>6.938.450</u>
Liabilities				
Obligations with the public		7.107.552	5.748.836	5.229.187
Other financial obligations		753.785	753.785	624.493
Other accounts payable and provisions		19.729	18.680	21.877
Other liabilities		0	204.619	1.197
Total liabilities		<u>7.881.066</u>	<u>6.725.920</u>	<u>5.876.754</u>
Net position (surplus assets on monetary liabilities)	EUR€	<u>244.938</u>	<u>238.929</u>	<u>1.061.696</u>

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June 30, 2022

As of June 30, 2022, in compliance with SUGEF's regulations, the term matching of the most important US dollars (US\$) accounts are as follows:

		<u>Demand</u>	<u>1 to 30 days</u>	<u>31 to 60 days</u>	<u>61 to 90 days</u>	<u>91 to 180 days</u>	<u>181 to 365 days</u>	<u>More than 365 days</u>	<u>Past due for over 30 days</u>	<u>Total</u>
Assets										
Cash and due from banks	US\$	411.016.596	0	0	0	0	0	182.810	0	411.199.406
Legal reserve account-BCCR		232.340.765	16.293.508	8.648.342	12.050.050	25.656.780	34.421.499	11.095.717	0	340.506.661
Investments in securities		212.302	414.686.873	16.958.748	40.084	14.885.625	193.491.651	452.298.923	0	1.092.574.206
Interest on investments		0	3.888.107	3.571.035	6.874	1.149.912	20.226	604.195	0	9.240.349
Loan portfolio		33.379.128	127.297.011	143.292.173	106.853.890	325.662.005	224.976.034	765.183.613	1.041.244.375	2.767.888.229
Interest on loans		94.454	3.287.418	450.864	682.767	1.653.597	691.288	7.487.947	0	14.348.335
	US\$	<u>677.043.245</u>	<u>565.452.917</u>	<u>172.921.162</u>	<u>119.633.665</u>	<u>369.007.919</u>	<u>453.600.698</u>	<u>1.236.853.205</u>	<u>1.041.244.375</u>	<u>4,635,757,186</u>
Liabilities										
Obligations with the public	US\$	1.841.006.906	191.254.470	121.460.254	133.110.852	285.085.934	401.170.077	279.093.031	0	3.252.181.524
Obligations with financial Entities		294.074.810	120.934.237	57.472.457	44.053.261	187.262.450	132.722.566	177.006.432	0	1,013,526,213
Charges payable on obligations		300.436	2.538.669	1.465.559	1.404.839	2.845.110	3.271.837	3.772.395	0	15.598.845
		<u>2.135.382.152</u>	<u>314.727.376</u>	<u>180.398.270</u>	<u>178.568.952</u>	<u>475.193.494</u>	<u>537.164.480</u>	<u>459.871.858</u>	<u>0</u>	<u>4,281,306,582</u>
Asset and liability gaps	US\$	<u>(1.458.338.907)</u>	<u>250.725.541</u>	<u>(7.477.108)</u>	<u>(58.935.287)</u>	<u>(106.185.575)</u>	<u>(83.563.782)</u>	<u>776.981.347</u>	<u>1.041.244.375</u>	<u>354.450.604</u>

BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

As of December 31, 2021:

Assets		Demand	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days	More than 365 days	Past due for over 30 days	Total
Cash and due from banks	US\$	373.317.067	0	0	0	0	0	232.927	0	373.549.994
Legal reserve account-BCCR		255.232.864	32.295.145	13.627.533	8.367.047	30.350.703	25.042.568	18.379.452	0	383.295.312
Investments in securities		133.973	416.637.004	22.465.295	1.021.536	45.597.930	48.223.319	560.507.196	0	1.094.586.253
Interest on investments		(6.679)	4.775.541	4.982.777	2.557	832.819	8.236	355.459	0	10.950.710
Loan portfolio		33.723.766	152.109.647	168.868.576	130.557.364	313.690.616	225.314.189	725.348.119	1.044.751.638	2.794.363.915
Interest on loans		23,754	2.366.158	677.953	364.591	697.780	808.510	7.587.012	20.024	12.545.782
Total Assets	US\$	662.424.745	608.183.495	210.622.134	140.313.095	391.169.848	299.396.822	1.312.410.165	1.044.771.662	4.669.291.966
Liabilities										
Obligations with the public	US\$	1.802.219.536	282.478.701	141.572.150	108.339.820	290.560.013	322.897.661	288.690.494	0	3.236.758.375
Obligations with financial Entities		0	0	0	0	0	0	0	0	0
Charges payable on obligations		54.460.234	259.130.189	66.054.005	40.276.651	152.218.405	203.413.197	214.379.601	0	989.932.282
		241.957	1.696.069	2.057.000	1.029.167	2.955.878	3.128.198	4.295.992	0	15.404.261
Total Liabilities		1.856.921.727	543.304.959	209.683.155	149.645.638	445.734.296	529.439.056	507.366.087	0	4.242.094.918
Asset and liability gaps	US\$	(1.194.496.982)	64.878.536	938.979	(9.332.543)	(54.564.448)	(230.042.234)	805.044.078	1.044.771.662	427.197.048

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Notes to the consolidated financial statements

June 30, 2022

As of June 30, 2021

Assets		Demand	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days	More than 365 days	Past due for over 30 days	Total
Cash and due from banks	US\$	236.733.140	0	0	0	0	0	180.567	0	236.913.707
Legal reserve account-BCCR		248.515.070	33.028.954	8.722.507	12.310.283	20.707.629	29.882.843	20.505.992	0	373.673.278
Investments in securities		101.959	365.801.441	8.475.326	2.854.171	45.574.156	103.235.099	455.891.512	0	981.933.664
Interest on investments		(3.431)	2.970.873	4.515.897	16.045	1.106.387	49.513	415.512	0	9.070.796
Loan portfolio		78.986.758	95.397.423	138.686.971	185.688.294	343.909.215	260.126.113	1.646.353.613	127.748.450	2.876.896.837
Interest on loans		207.882	2.765.372	4.522.736	3.655.390	2.358.769	1.065.721	7.527.718	(1.420)	22.102.168
Total Assets	US\$	564.541.378	499.964.063	164.923.437	204.524.183	413.656.156	394.359.289	2.130.874.914	127.747.030	4.500.590.450
Liabilities										
Obligations with the public	US\$	1.724.357.113	304.369.698	106.033.702	120.199.029	193.822.351	332.783.954	346.993.732	0	3.128.559.579
Obligations with financial										
Entities		69.280.270	232.481.540	25.158.767	31.392.568	234.529.813	115.901.955	234.755.513	0	943.500.426
Charges payable on obligations		189.894	2.564.287	1.692.540	1.325.947	2.680.796	2.211.714	4.457.795	0	15.122.973
Total Liabilities		1.793.827.277	539.415.525	132.885.009	152.917.544	431.032.960	450.897.623	586.207.040	0	4.087.182.978
Asset and liability gaps	US\$	(1.229.285.899)	(39.451.462)	32.038.428	51.606.639	(17.376.804)	(56.538.334)	1.544.667.874	127.747.030	413.407.472

BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

The Bank faces this kind of risk when the value of its dollar-denominated assets and liabilities is affected by exchange rate variations, which is recognized in the income statement.

As of June 30, 2022, the financial statements show a net foreign exchange gain of ¢2.359.157.699 (¢3.154.590.435 and ¢532.356.033, as of December and June 2021, respectively).

(g) Capital Management

During 2021, the Capital Management Process in the BCR Financial Conglomerate has been monitored and followed up, aligned with the best practices established in the Basel regulatory framework; as well as documents issued by the European Central Bank.

The analysis is carried out by entity, type of risk, line of business and jointly, so that the information generated can be easily used in decision-making at the different levels of the organization.

The behavior of capital requirements has increased in the last period due to the events caused by Covid 19, and its effect on the credit risk associated with customers, the migration of balances from term products to demand products, that increase the liquidity risk, and the increase in the volatility of the prices of investment instruments with an impact on the price risk.

The increase in liquidity risk for 2022 does not affect the regulatory capital coverage. At the end of June, the capital levels were sufficient to hedge risks.

The preventive efforts of the equity sufficiency index allowed the indicator to remain within the appetite level during the start of the pandemic and so far in 2022.

(h) Systemic risk

Systemic Risk refers to the risk of a complete system collapse rather than a simple failure of individual parts. In a financial context, it denotes the risk of a cascading failure in the financial sector, caused by links within the system, resulting in a severe economic recession.

The BCR within the national financial system occupies the second position in total assets and is among the most active issuers in the country's stock market.

BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

The BCR Financial Conglomerate has a size equivalent to 65,55% of the national production; for its size and the complexity of its operations, the BCR is a systemic entity; therefore, its performance and the decisions taken have effects on the National Financial System.

The National Banking System has a medium concentration level, where BNCR, BCR, BPDC and BAC are the main participants.

The systemic risk analysis is carried out considering the size, deposits, investment structure, concentration indicators applying methodologies such as the *Herfindahl Hirshman* Index, ratio of total assets / GDP and *Granger* causality networks, which allow obtaining the concentration, the size and infection, so that the information generated can be easily used for decision-making at different levels of the organization.

(i) Operational risk management

According to previous statements in compliance with the guidelines developed in the agreements of the Basel Committee and the intentions of the Supervisor, operating or operational risk is defined as the risk of loss resulting from inadequate use or failure of processes, personnel and internal systems or due to external events. This definition includes technological and legal risks, according to the generalized definition and the previous committee, but excludes the strategic and reputational risk.

Information technology (IT) risk is the possibility of economic losses derived from an event related to the access or use of technology, which affects the development of business processes and risk management of the entity, by attacking the confidentiality, integrity, availability, efficiency, reliability, and timeliness of the information.

The objective of the operational risk management is to minimize the financial losses of the Conglomerate, as well as achieving efficiency and effectiveness in the execution of processes and optimize its Internal Control System, for which an annual plan is established that incorporates the risk assessments to be carried out, and which is updated according to the internal and external environment.

On the other hand, technological evolution keeps us alert regarding the technological risk because the population is online with banking platforms and thousands connect for the first time every day, which makes cyber insecurity represent a risk that must be attacked and obliges to increase operational capacity as soon as possible to analyze alerts, paying special attention to monitoring the efficiency of the equipment and its capacity.

BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

The Government has taken monetary and financial policy measures, with emphasis on liquidity to the financial system, in such a way that it forces operational risk management to be optimized. The operational risk can be increased by the number of processes carried out from home, when telecommuting is implemented.

From this point of view, within the annual operational risk work plan, different risk assessments have been programmed in new services and products, conducive to innovation, remote work, technological evolution, and artificial intelligence.

The model of management and control of operational risk establishes an evaluation process which comprises stages of identification, analysis, and assessment, also, the control, mitigation, tracing, and information is performed. Considering the above a set of qualitative and quantitative techniques and tools are developed that allow determining the risk level in the substantive processes; this from the estimate of the probability of occurrence of identified relevant events and their impact. Currently, events originated by external events as well as those caused by failures in processes, systems and persons are identified.

Regarding the calculation of regulatory capital, the Bank uses the basic method and continuously provides efforts to prevent and mitigate the relevant operational risks.

Moreover, tracing of the risk indicators resulting in mitigating actions that prevent from materializing the events and mitigation plans for those events that present deviations from the admissibility parameters.

Given the nature of the entity and the risks inherent to its activities, the risk of business interruption, system failures and external fraud is considered as relevant, for which periodic training programs are implemented on elements that collaborate in the early detection of cases. Likewise, there are mitigation plans that will be activated in case of non-compliance with the tolerance limit.

Through the automated OpRisk tool, the operational risks detected in the risk assessments are managed with their respective treatment plans. Additionally, the tool is fed with the materialized event reports recorded by the Bank's different offices, for which it has a consolidated database, complying with the provisions of the SUGEF Agreement 2-10.

As part of the results obtained from the compilation of these events, the database for operating losses has been created, which allows to analyze, by business line, branch and types of risk, the gross and net losses at which it has been exposed in various periods at the BCR; likewise, it allows us to study the effectiveness of the implemented measures.

BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

Gross operating losses

- Percentage distribution by type of risk-

Type of operational risk	June 2022	December 2021	June 2021
Clients. products. and business practices	0.62%	0.0097	8.50%
Execution. delivery. and management of processes	2.65%	3.46%	85.85%
External fraud	72.97%	61.86%	5.01%
Internal fraud	15.19%	0.2401	0.0062
Business interruption and system failures	8.33%	9.34%	0.02%
Labor relations and safety in the workplace	0.23%	0.36%	
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

The IT risk management occurring in the Conglomerate, has an annual risk evaluation plan, related to processes, contracts, applications, strategy, services, platforms and IT security, aligned with the applicable prudential regulations and international best practices, supporting the fulfillment of technology objectives, as well as institutional strategic objectives.

The information and IT security risk assessment methodology and procedures are reviewed annually and, if necessary, adjusted in order to identify and appropriately treat the risks.

In addition, as part of the IT risk management, indicators of the most relevant technological risks of the BCR Financial Conglomerate are considered and followed up on. For each of them there are corrective actions or a mitigation plan that is activated in the event of non-compliance with the tolerance or the established capacity. They regularly reviewed and updated in conjunction with risk takers, as part of the continuous improvement of the process.

Reports related to management of technological risk are periodically sent to the corresponding bodies of corporate governance, as part of the System of Management Information.

The foregoing, with the purpose of not substantially impacting the services provided to customers.

BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

(j) Business Continuity

Business continuity is defined as the ability of an organization to maintain and ensure the continuity of its operations, in the case of events that can create an interruption or instability in the services identified as critical.

The BCR Financial Conglomerate has a business continuity management system with the purpose of providing effective responses to resume the operation of the entity, which is designed by the organization to detect unwanted incidents in its relevant services, as well as apply plans for the recovery and restoration of the interrupted service, within a certain time, under the coordination of the Crisis Management Team.

Likewise, the CFBCR has an automated crisis communication tool (FACT-24), which is constantly used to carry out communication tests with the fundamental objective of having trained personnel fully willing to assume their corresponding role in the face of a crisis situation.

(k) Risk of money laundering, financing of terrorism and financing of the proliferation of weapons of mass destruction

Finally, in terms of managing the risk of money laundering, financing of terrorism and financing proliferation of weapons of mass destruction, this continues to be a high priority at institutional level. The permanent reinforcement of the culture in the business areas regarding the mitigation of this risk is maintained.

This management integrates normatively defined evaluation factors such as clients, products, services, channels, and geographical areas. Permanent monitoring is provided through the Corporate Compliance Committee and the Management Body, to strengthen and promote actions that ensure the application of policies and procedures by all officials of the BCR Financial Conglomerate.

(l) Regulatory risk management and regulatory compliance

The management of the regulations entails the responsibility of promoting and ensuring that the BCR Financial Conglomerate's entities operate with integrity and in compliance with laws, regulations, policies, codes, and other internal provisions. Reason for which periodic assessments are carried out to determine the compliance level with the established obligations and to verified that there is a timely integration in the processes of the Conglomerate when new regulations or modifications to the existing ones, arise, this to ensure a zero-tolerance appetite for non-compliance with the applicable external regulatory framework.

BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

Through the automated GRC tool, the incorporation of the applicable regulations according to the Kelsen pyramid is being generated. In the first quarter of 2022, the regulatory risk management module was implemented, focused on the compliance obligations that the entity has with external entities, and the implementation of the second module, aimed at managing compliance and risk evaluations, will begin in the second quarter.

Regarding legal risk management, the entity monitors legal, regulatory and contractual matters, as well as the rights and obligations associated with image rights and intellectual property. For the first quarter of 2022, training was given to subsidiary companies of the Conglomerate, in order to raise awareness among officials regarding the prevention of legal risk events, in order to strengthen the risk culture. In addition, evaluations were carried out on stock market contracts and services, contributing prospectively to prevent the materialization of risk events.

BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

(40) Situation of the Development Financing Fund

The Bank presents the following financial information as manager of the Development Financing Fund (DFF):

**DEVELOPMENT FINANCING FUND
STATEMENT OF FINANCIAL POSITION**

As of June 30, 2022
Financial Information
(In colones without cents)

	June 2022	December 2021	June 2021
ASSETS			
Cash and due from banks	0	0	1.168.728.627
Cash	0	0	1.168.728.627
Investment in financial instruments	0	0	2.241.873.928
At fair value with changes through profit or loss	0	0	2.177.302.261
Interest receivable	0	0	64.571.667
Loan portfolio	42.368.431.302	39.240.945.857	33.292.706.539
Current loans	39.939.268.721	36.712.482.834	32.593.138.228
Past due loans	2.888.402.727	2.943.144.718	933.187.631
Loans on legal collection	141.467.088	49.958.231	40.969.062
(Deferred income – loan portfolio)	(370.261.495)	(343.722.100)	(294.378.042)
Interest receivable	84.131.189	72.838.659	179.930.904
(Allowance for impairment)	(314.576.928)	(193.756.485)	(160.141.244)
Accounts and commissions receivable	176.255	451.276	3.581.362
Other accounts receivable	1.353.750	1.546.404	4.370.352
(Allowance for impairment)	(1.177.495)	(1.095.128)	(788.990)
Other Assets	4.245.710	4.334.310	4.330.698
Other Assets	4.245.710	4.334.310	4.330.698
TOTAL ASSETS	€ 42.372.853.267	€ 39.245.731.443	€ 36.711.221.154
LIABILITIES			
Obligations with entities	€ 1.389.962.649	2.045.264.177	0
Other Obligations with entities	1.389.962.649	2.045.264.177	0
Accounts payable and provisions	€ 55.970.793	38.656.637	25.112.645
Other miscellaneous accounts payable	55.970.793	38.656.637	25.112.645
Other liabilities	1.025.370	1.367.853	1.960.098
Other liabilities	1.025.370	1.367.853	1.960.098
TOTAL LIABILITIES	€ 1.446.958.812	€ 2.085.288.667	€ 27.072.743
EQUITY			
Contributions from Banco Central de Costa Rica	€ 29.330.665.472	26.014.386.470	26.014.386.470
Accumulated results from previous periods	11.146.056.305	10.197.624.940	10.197.624.940
Result of the current period	449.172.678	948.431.366	472.137.001
TOTAL EQUITY	€ 40.925.894.455	€ 37.160.442.776	€ 36.684.148.411
TOTAL EQUITY AND LIABILITIES	€ 42.372.853.267	€ 39.245.731.443	€ 36.711.221.154
Contingent debit memoranda accounts	€ 7.783.440	16.322.202	1.725.200
Other debit memoranda accounts	€ 7.362.509.555	8.870.052.639	9.752.194.984

BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

**DEVELOPMENT FINANCING FUND
STATEMENT OF INCOME**

For the periods ended June 30, 2022

Financial Information

(In colones without cents)

	June	June	Quarter from	
	2022	2021	April 1 to July 31	2021
Financial income				
For loan portfolio	766.696.280	686.473.927	385.648.797	317.146.046
For income from exchange differences	7.359.598	1.159.151	3.905.904	1.159.151
Other financial income	0	4.588.745	0	1.865.321
Total financial income	<u>774.055.878</u>	<u>692.221.823</u>	<u>389.554.701</u>	<u>320.170.518</u>
Financial expenses				
For losses in exchange differences	0	0	0	(371.902)
Total financial expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>(371.902)</u>
For allowance on loan portfolio	121.199.705	21.622.662	11.646.442	29.070
For recovery of assets and decrease in allowance	177.254	6.435.395	44.816	4.373.279
Financial income	<u>653.033.427</u>	<u>677.034.556</u>	<u>377.953.075</u>	<u>324.886.629</u>
Other operating income				
For other operating income	137.515	346.424	763	251.424
For commissions for services	9.465.347	5.759.407	5.284.444	1.872.908
Total other operating income	<u>9.602.862</u>	<u>6.105.831</u>	<u>5.285.207</u>	<u>2.124.332</u>
Other operating expenses				
For foreclosed assets	0	411.364	0	0
For other operating expenses	213.463.611	210.592.022	94.583.578	166.985.409
Total other operating expenses	<u>213.463.611</u>	<u>211.003.386</u>	<u>94.583.578</u>	<u>166.985.409</u>
Income of the period	<u>¢ 449.172.678</u>	<u>472.137.001</u>	<u>288.654.704</u>	<u>160.025.552</u>

BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

Loan Portfolio of the Development Financing Fund

The information contained in notes a) through f) below corresponds to financial information.

a) Loan portfolio by sector

Sector	June 2022	December 2021	June 2021
Agriculture, livestock, hunting and related services	¢ 12.224.349.692	11.215.641.480	10.747.624.354
Public administration	287.718.625	265.916.544	3.787.520.822
Fishing and aquaculture	44.887.819	46.000.000	40.228.220
Manufacturing	6.791.099.648	6.213.506.208	4.985.338.043
Trade	12.531.533.707	10.997.670.095	8.505.339.179
Services	8.264.540.781	8.323.269.288	3.660.861.817
Transportation	924.432.293	558.739.301	246.647.995
Financial activity and stock exchange	732.693.361	881.672.399	997.073.322
Real estate, business, and lease activities	235.927.747	264.973.366	270.004.138
Building, purchase, and repair of real estate	583.217.947	642.304.505	110.689.123
Hotels and restaurants	348.736.916	295.892.597	215.967.908
	<u>42.969.138.536</u>	<u>39.705.585.783</u>	<u>33.567.294.921</u>
Plus: interest receivable	84.131.189	72.838.659	179.930.904
Less: Deferred income – loan portfolio	(370.261.495)	(343.722.100)	(294.378.042)
Allowance for impairment	(314.576.928)	(193.756.485)	(160.141.244)
	<u>¢ 42.368.431.302</u>	<u>39.240.945.857</u>	<u>33.292.706.539</u>

BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

b) Loan portfolio by arrears:

The loan portfolio by arrears is detailed as follows:

	June 2022	December 2021	June 2021
Up to date	¢ 39.939.268.721	36.712.482.834	32.593.138.228
1 to 30 days	1.424.781.632	1.624.793.688	891.728.793
31 to 60 days	1.148.129.812	587.091.721	20.572.837
61 to 90 days	106.466.802	715.753.544	15.886.001
91 to 120 days	140.640.079	14.329.505	0
121 to 180 days	33.003.034	185.129	0
Over 180 days	35.381.368	991.131	5.000.000
Legal collection	141.467.088	49.958.231	40.969.062
	¢ 42.969.138.536	39.705.585.783	33.567.294.921

c) Past due loans

Past due loans, including loans in accrual status, for which interest are recognized on a cash basis, and unearned interest on past due loans, are as follows:

	June 2022	December 2021	June 2021
Number of operations	13	6	6
Past due loans in non-accrual status of interest	¢ 176.848.456	50.949.362	45,969,062
Past due loans for which interest is recognized	¢ 2.853.021.359	2.942.153.587	928,187,631
Total unearned interest	¢ 1.250.024	2.341.043	63.788.328

BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

As of June 30, 2022, loans on legal collection are as follows:

# Of operations	Percentage	Balance
4	0.33%	¢ <u>141.467.088</u>

As of December 31, 2021, loans on legal collection are as follows:

# Of operations	Percentage	Balance
4	0,13%	¢ <u>49.958.231</u>

As of June 30, 2021, loans on legal collection are as follows:

# Of operations	Percentage	Balance
4	0.12%	¢ <u>40.969.062</u>

d) Interest receivable on loan portfolio

Interest receivable is as follows:

	June 2022	December 2021	June 2021
Current loans	¢ 66.394.359	55.229.565	174.452.377
Past due loans	15.871.207	16.825.643	4.693.319
Loans in legal collection	<u>1.865.623</u>	<u>783.451</u>	<u>785.208</u>
	¢ <u>84.131.189</u>	<u>72.838.659</u>	<u>179.930.904</u>

e) Allowance for bad loans

The movement in the allowance for bad loans is as follows:

As of June 30, 2022:

Opening balance 2022	¢	193.756.485
Plus:		
Allowance charged to profit or loss		121.108.490
Adjustment for exchange rate differences		458.983
Less:		
Reversal of allowance against income		(123.592)
Transfer of balances		(623.438)
Balance as of June 30, 2022	¢	<u>314.576.928</u>

BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

As of December 31, 2021:

Opening balance 2021	¢	139.084.406
Plus:		
Allowance charged to profit or loss		49.304.710
Transfer of balances		6.022.483
Adjustment for exchange rate differences		212.127
Less:		
Adjustment for exchange rate differences		(2.078)
Reversal of allowance against income		(865.163)
Balance as of December 31, 2021	¢	193.756.485

As of June 30, 2021:

Opening balance 2021	¢	139.084.406
Plus:		
Allowance charged to profit or loss		21.572.277
Transfer of balances		(92.954)
Less:		
Adjustment for exchange rate differences		(2.078)
Reversal of allowance against income		(428.927)
Balance as of June 30, 2021	¢	160.141.244

f) Loan portfolio by type of guarantee:

The loan portfolio by type of guarantee is as follows:

		June 2022	December 2021	June 2021
Guarantee				
Fiduciary	¢	674.466.476	720.275.520	178.366.099
Mortgage		28.687.848.221	27.342.362.474	22.297.497.009
Chattel		917.618.196	876.842.095	681.818.818
Others		12.689.205.643	10.766.105.694	10.409.612.995
	¢	42.969.138.536	39.705.585.783	33.567.294.921

BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

- g) Financial instruments of the Development Financing Fund with credit risk exposure are detailed as follows:

	Direct Loan Portfolio		
	June	December	June
	2022	2021	2021
Principal	¢ 42.969.138.536	39.705.585.783	33.567.294.921
Interest receivable	84.131.189	72.838.659	179.930.904
	<u>43.053.269.725</u>	<u>39.778.424.442</u>	<u>33.747.225.825</u>
Allowance for bad loans	(314.576.928)	(193.756.485)	(160.141.244)
Carrying amount	¢ <u>42.738.692.797</u>	<u>39.584.667.957</u>	<u>33.587.084.581</u>
Loan portfolio			
Total balances:			
A1	¢ 735.117.945	884.524.017	1.008.602.568
C2	0	0	842.768
1	38.602.181.414	36.792.311.640	32.044.261.888
2	1.444.570.352	728.386.349	5.058.261
3	1.533.782.835	1.218.141.672	200.306.046
4	523.649.769	88.715.638	434.237.813
5	27.460.899	14.610.312	0
6	186.506.511	51.734.814	53.916.481
	<u>43.053.269.725</u>	<u>39.778.424.442</u>	<u>33.747.225.825</u>
Minimum allowance	(253.368.116)	(164.542.618)	(135.030.798)
Carrying amount. net	¢ <u>42.799.901.609</u>	<u>39.613.881.824</u>	<u>33.612.195.027</u>
Carrying amount	43.053.269.725	39.778.424.442	33.747.225.825
Allowance for bad loans	(253.368.116)	(164.542.618)	(135.030.798)
Allowance (surplus) deficit			
on minimum allowance	(61.208.812)	(29.213.867)	(25.110.446)
Carrying amount. net	6a ¢ <u>42.738.692.797</u>	<u>39.584.667.957</u>	<u>33.587.084.581</u>

BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

The loan portfolio assessed with an allowance is detailed as follows:

As of June 30, 2022

Loan portfolio		Direct Loan Portfolio			
		Principal	Covered balance	Overdraft	Allowance
Direct generic allowance					
1	¢	38.602.181.414	26.755.515.532	11.846.665.882	96.719.005
A1		735.117.945	0	735.117.945	3.675.590
		<u>39.337.299.359</u>	<u>26.755.515.532</u>	<u>12.581.783.827</u>	<u>100.394.595</u>
Direct specific allowance					
2		1.444.570.352	1.282.411.267	162.159.085	14.520.011
3		1.533.782.835	1.247.050.211	286.732.624	77.918.407
4		523.649.769	467.584.986	56.064.783	30.370.317
5		27.460.899	26.094.894	1.366.005	1.086.678
6		186.506.511	158.219.501	28.287.010	29.078.108
		<u>3.715.970.366</u>	<u>3.181.360.859</u>	<u>534.609.507</u>	<u>152.973.521</u>
	¢	<u>43.053.269.725</u>	<u>29.936.876.391</u>	<u>13.116.393.334</u>	<u>253.368.116</u>
Loan portfolio					
Aging of loan portfolio					
Direct generic allowance					
Up to date	¢	40.005.663.081	27.134.875.263	12.870.787.818	97.714.331
Equal or less than 30 days		1.430.003.857	1.367.139.096	62.864.761	2.680.265
		<u>41.435.666.938</u>	<u>28.502.014.359</u>	<u>12.933.652.579</u>	<u>100.394.596</u>
Direct specific allowance					
Equal or less than 60 days		1.096.424.105	967.525.863	128.898.242	109.298.876
Equal or less than 90 days		166.520.371	164.655.624	1.864.747	1.755.652
Equal or less than 180 days		175.515.032	144.461.044	31.053.988	20.204.116
Over 180 days		179.143.279	158.219.501	20.923.778	21.714.876
	¢	<u>1.617.602.787</u>	<u>1.434.862.032</u>	<u>182.740.755</u>	<u>152.973.520</u>
	¢	<u>43.053.269.725</u>	<u>29.936.876.391</u>	<u>13.116.393.334</u>	<u>253.368.116</u>

BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

As of December 31, 2021

Loan portfolio		Direct Loan Portfolio			
		Principal	Covered balance	Overdraft	Allowance
Direct generic allowance					
1	¢	36.792.311.640	25.823.207.897	10.969.103.743	92.191.906
A1		884.524.017	0	884.524.017	4.422.620
		<u>37.676.835.657</u>	<u>25.823.207.897</u>	<u>11.853.627.760</u>	<u>96.614.526</u>
Direct specific allowance					
2		728.386.349	420.493.795	307.892.554	17.497.097
3		1.218.141.672	1.082.479.236	135.662.436	39.328.005
4		88.715.638	86.852.875	1.862.763	1.365.646
5		14.610.312	8.647.766	5.962.546	4.217.021
6		51.734.814	46.446.724	5.288.090	5.520.323
		<u>2.101.588.785</u>	<u>1.644.920.396</u>	<u>456.668.389</u>	<u>67.928.092</u>
	¢	<u>39.778.424.442</u>	<u>27.468.128.293</u>	<u>12.310.296.149</u>	<u>164.542.618</u>
Loan portfolio					
Aging of loan portfolio					
Direct generic allowance		Principal	Covered balance	Overdraft	Allowance
Up to date	¢	<u>884.524.017</u>	<u>0</u>	<u>884.524.017</u>	<u>96.614.526</u>
		884.524.017	0	884.524.017	96.614.526
Direct specific allowance					
Up to date		35.883.188.382	24.960.268.104	10.922.920.278	10.925.253
Equal or less than 30 days		1.598.337.649	1.375.011.414	223.326.235	11.884.539
Equal or less than 60 days		624.506.126	437.824.585	186.681.541	11.782.947
Equal or less than 90 days		721.523.142	639.929.700	81.593.442	23.598.009
Equal or less than 180 days		14.610.312	8.647.766	5.962.546	4.217.021
Over 180 days		51.734.814	46.446.724	5.288.090	5.520.323
	¢	<u>38.893.900.425</u>	<u>27.468.128.293</u>	<u>11.425.772.132</u>	<u>67.928.092</u>
	¢	<u>39.778.424.442</u>	<u>27.468.128.293</u>	<u>12.310.296.149</u>	<u>164.542.618</u>

BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

As of June 30, 2021

Loan portfolio		Direct Loan Portfolio			
	Principal	Covered balance	Overdraft	Allowance	
Direct generic allowance					
1	¢ 32.044.261.888	21.842.129.722	10.202.132.166	80.436.797	
A1	1.008.602.569	0	1.008.602.569	5.043.013	
	<u>33.052.864.457</u>	<u>21.842.129.722</u>	<u>11.210.734.735</u>	<u>85.479.810</u>	
Direct specific allowance					
2	5.058.260	2.235.337	2.822.923	152.322	
3	200.306.046	174.044.504	26.261.542	7.435.608	
4	434.237.813	364.318.252	69.919.561	36.781.372	
6	53.916.481	48.983.929	4.932.552	5.177.472	
C2	842.768	842.768	0	4.214	
	<u>694.361.368</u>	<u>590.424.790</u>	<u>103.936.578</u>	<u>49.550.988</u>	
	¢ <u>33.747.225.825</u>	<u>22.432.554.512</u>	<u>11.314.671.313</u>	<u>135.030.798</u>	
Loan portfolio		Direct Loan Portfolio			
Aging of loan portfolio					
Direct generic allowance	Principal	Covered balance	Overdraft	Allowance	
Up to date	¢ 32.767.590.605	21.558.452.818	11.209.137.787	83.534.436	
Equal or less than 30 days	853.587.328	789.060.269	64.527.059	1.839.420	
Equal or less than 60 days	0	0	0	105.954	
	<u>33.621.177.933</u>	<u>22.347.513.087</u>	<u>11.273.664.846</u>	<u>85.479.810</u>	
Direct specific allowance					
Equal or less than 60 days	63.269.187	42.150.709	21.118.478	40.769.468	
Equal or less than 90 days	15.980.996	886.432	15.094.564	3.778.073	
Equal or less than 180 days	46.797.709	42.004.284	4.793.425	5.003.447	
	¢ <u>126.047.892</u>	<u>85.041.425</u>	<u>41.006.467</u>	<u>49.550.988</u>	
	¢ <u>33.747.225.825</u>	<u>22.432.554.512</u>	<u>11.314.671.313</u>	<u>135.030.798</u>	

BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

As of June 30, 2022	Loans receivable from clients	
	Gross	Net
Risk category:		
1	¢ 38.602.181.414	38.505.462.408
2	1.444.570.352	1.430.050.341
3	1.533.782.835	1.455.864.428
4	523.649.769	493.279.452
5	27.460.899	26.374.221
6	186.506.511	157.428.404
A1	735.117.945	731.442.355
	¢ <u>43.053.269.725</u>	<u>42.799.901.609</u>

As of December 31, 2021	Loans receivable from clients	
	Gross	Net
Risk category:		
1	¢ 36.792.311.640	36.700.119.734
2	728.386.349	710.889.253
3	1.218.141.672	1.178.813.666
4	88.715.638	87.349.992
5	14.610.312	10.393.291
6	51.734.814	46.214.491
A1	884.524.017	880.101.397
	¢ <u>39.778.424.442</u>	<u>39.613.881.824</u>

As of June 30, 2021	Loans receivable from clients	
	Gross	Net
Risk category:		
1	¢ 32.044.261.887	31.963.825.091
2	5.058.261	4.905.938
3	200.306.046	192.870.438
4	434.237.813	397.456.441
6	53.916.481	48.739.009
A1	1.008.602.569	1.003.559.556
C2	842.768	838.554
	¢ <u>33.747.225.825</u>	<u>33.612.195.027</u>

BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

(41) Situation of the Development Credit Fund

The Bank presents the following financial information as manager of the Development Credit Fund (DCF):

**DEVELOPMENT CREDIT FUND
STATEMENT OF FINANCIAL POSITION**

As of June 30, 2022
Financial Information
(In colones without cents)

	June 2022	December 2021	June 2021
Assets			
Cash and due from banks	€ 5.050.235.062	677.887.264	546.381.868
Banco Central de Costa Rica	5.050.235.062	677.887.264	546.381.868
Investments in financial instruments	168.527.943.762	168.330.359.602	134.885.319.212
At fair value through profit or loss	1.696.527.299	9.980.757.065	3.467.717.714
At fair value through other comprehensive income	164.726.167.291	153.559.065.746	129.621.547.557
At amortized cost	0	2.692.178.741	0
Interest receivable	2.105.249.172	2.098.358.050	1.796.053.941
Loan portfolio	26.040.849.602	24.599.730.190	25.557.111.241
Current loans	25.878.448.070	24.694.451.340	25.814.880.446
Past due loans	259.928.380	101.397.179	106.272.774
(Deferred income – loan portfolio)	(115.024.866)	(166.848.988)	(381.521.303)
Interest receivable	121.062.644	69.853.373	114.397.148
(Allowance for impairment)	(103.564.626)	(99.122.714)	(96.917.824)
Accounts and commissions receivable	516.078.852	31.619.907	2.038.426
Tax and deferred income tax	516.078.852	31.619.907	2.038.426
Other assets	1.579.606.091	1.142.830.562	711.681.699
Other assets	1.579.606.091	1.142.830.562	711.681.699
Total assets	€ 201.714.713.369	194.782.427.525	161.702.532.446
Liabilities			
Obligations with entities	€ 197.324.452.029	186.862.695.178	155.152.024.290
Demand	0	0	155.152.024.290
Term	197.324.452.029	186.862.695.178	0
Accounts payable and provisions	575.619.177	1.306.845.253	1.404.970.406
Deferred income tax	575.619.177	1.306.845.253	1.404.970.406
Other liabilities	557.507.096	899.772.214	439.704.298
Other liabilities	557.507.096	899.772.214	439.704.298
Total liabilities	€ 198.457.578.302	189.069.312.645	156.996.698.994
EQUITY			
Result of the previous period	€ 672.257.035	3.517.319.433	3.696.908.092
Income of the current period	2.584.878.032	2.195.795.447	1.008.925.360
Total equity	€ 3.257.135.067	5.713.114.880	4.705.833.452
Total liabilities and equity	€ 201.714.713.369	194.782.427.525	161.702.532.446
Other debit memoranda accounts			
Other debit memoranda accounts	€ 16.623.962.212	21.119.325.983	18.884.968.207
Own debit memoranda accounts	€ 11.300.993	6.235.038	17.476.245

BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

**DEVELOPMENT CREDIT FUND
STATEMENT OF INCOME**

For the period ended June 30, 2022

Financial Information

(In colones without cents)

	June 2022	June 2021	Quarter from April 1 to July 31	
			2022	2021
Financial income				
For investments in financial instruments	¢ 3.914.825.867	3.433.505.945	2.024.121.450	1.661.836.353
For loan portfolio	629.743.039	575.896.075	288.689.489	262.224.247
For exchange rate differences	2.683.250.358	168.230.993	1.438.227.051	168.230.993
Other financial income	95.089.036	146.485.933	5.597.488	49.086.828
Total financial income	7.322.908.300	4.324.118.946	3.756.635.478	2.141.378.421
Financial expenses				
For obligations with the public	758.310.882	591.362.145	434.682.542	279.045.321
For losses of exchange rate differences	0	0	0	(102.538.345)
Other financial expenses	5.042.978	6.909.090	1.288.011	4.316.890
Total financial expenses	763.353.860	598.271.235	435.970.553	180.823.866
Recovery of assets and decrease in allowance	105.491.642	124.006.230	97.953.907	86.095.616
For recovery of assets and decrease in allowance	113.955.660	95.686.109	5.569.327	12.536.285
Financial income	¢ 6.568.018.458	3.697.527.590	3.228.280.345	1.886.995.224
Other operating income				
For service commissions and fees	2.066	8.492	2.066	7.512
For exchange and arbitration, foreign currency	126.453.637	149.139.348	63.065.156	98.061.305
For other operating expenses	431.162.325	3.251.109	321.836.122	928.647
Total other operating income	¢ 557.618.028	152.398.949	384.903.344	98.997.464
Other operating expenses				
For exchange and arbitration, foreign currency	36.439.095	70.967.328	13.235.201	53.967.671
For other operating expenses	457.699.679	23.505.745	324.363.688	8.476.860
Total other operating expenses	¢ 494.138.774	94.473.073	337.598.889	62.444.531
Gross operating	¢ 6.631.497.712	3.755.453.466	3.275.584.800	1.923.548.157
Profit transferred to the National Development Trust	4.046.619.680	2.746.528.106	2.112.336.741	1.439.906.128
Total comprehensive income of the period	¢ 2.584.878.032	1.008.925.360	1.163.248.059	483.642.029
Profit allocation				
Transfer to the National Development Trust	¢ 4.046.619.680	2.746.528.106	2.112.336.741	1.439.906.128
Commission for managing the Development Credit Fund and the utilities fund's own profits	2.584.878.032	1.008.925.360	1.163.248.059	483.642.029
	¢ 6.631.497.712	3.755.453.466	3.275.584.800	1.923.548.157

BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

Investments in financial instruments of the Development Credit Fund (DCF) are detailed as follows:

	June 2022	December 2021	June 2021
At fair value through profit or loss	¢ 1.696.527.299	9.980.757.065	3.467.717.714
At fair value through other comprehensive income	164.726.167.291	153.559.065.746	129.621.547.557
At amortized cost	0	2.692.178.741	0
Interest receivable for investments at fair value through other comprehensive income	2.105.249.172	2.098.358.050	1.796.053.941
	¢ 168.527.943.762	168.330.359.602	134.885.319.212
	June 2022	December 2021	June 2021
At fair value through profit or loss	Fair value	Fair value	Fair value
<u>Local issuers:</u>			
State-owned Banks	¢ 0	9.980.757.065	3.467.717.714
Others	1.696.527.299	0	0
	¢ 1.696.527.299	9.980.757.065	3.467.717.714
	June 2022	December 2021	June 2021
At fair value through other comprehensive income	Fair value	Fair value	Fair value
<u>Local issuers:</u>			
Government	¢ 24.826.703.766	128.414.839.127	96.702.510.877
State-owned Banks	139.899.463.525	25.144.226.619	32.919.036.680
	¢ 164.726.167.291	153.559.065.746	129.621.547.557

As of November 27, 2014, after Law No. 9274 was reformed (Comprehensive Reform of the Development Banking System.), as per article 36, the managing bank will receive a commission of maximum 10% or the earnings, set by the Governing Board, to cover operation costs, services and any other cost arising from managing the investments.

BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

Loan Portfolio of the Development Credit Fund

The information contained in notes a) through f) below corresponds to financial information.

a) Loan portfolio by sector

Sector	June 2022	December 2021	June 2021
Agriculture. livestock. hunting and related services	¢ 24.114.127.328	14.910.502.113	16.398.042.003
Manufacturing	1.762.168.309	9.885.346.406	9.375.580.793
Government	18.000.000	0	0
Trade	0	0	82.487.800
Services	244.080.813	0	65.042.625
	<u>26.138.376.450</u>	<u>24.795.848.519</u>	<u>25.921.153.221</u>
Plus Interest receivable	121.062.644	69.853.373	114.397.148
Less Deferred income loan portfolio	(115.024.866)	(166.848.988)	(381.521.303)
Allowance for impairment	(103.564.626)	(99.122.714)	(96.917.824)
	<u>¢ 26.040.849.602</u>	<u>24.599.730.190</u>	<u>25.557.111.241</u>

b) Loan portfolio by arrears:

The loan portfolio by arrears is detailed as follows:

	June 2022	December 2021	June 2021
Up to date	¢ 25.878.448.070	24.694.451.340	25.814.880.446
1 to 30 days	259.928.380	101.397.179	106.272.774
	<u>¢ 26.138.376.450</u>	<u>24.795.848.519</u>	<u>25.921.153.220</u>

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Notes to the consolidated financial statements

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c) Delinquent and past due loan portfolio

Delinquent and past due loans, including loans with recognition of interest based on cash and interest not received on these loans, are summarized below:

	June 2022	December 2021	June 2021
Delinquent and past due loans			
recognizing interest	¢ 259.928.380	101.397.179	106,272,774
Total of not received interest	¢ 11.300.993	6.235.038	17.476.245

d) Loan portfolio by type of guarantee:

The loan portfolio by type of guarantee is as follows:

	June 2022	December 2021	June 2021
Current loans	¢ 120.339.828	69.359.946	113.727.999
Past due loans	722.816	493.427	669.149
	¢ <u>121.062.644</u>	<u>69.853.373</u>	<u>114.397.148</u>

BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

June 30, 2022

e) Allowance for impairment of loan portfolio

As of June 30, 2022

Balance at the beginning of 2022	¢	99.122.714
Plus:		
Adjustment for exchange differences		4.441.912
Balance as of June 30, 2022	¢	<u>103.564.626</u>

As of Diciembre 31, 2021:

Balance at the beginning of 2021	¢	66.444.007
Plus:		
Allowance to profit or loss		29.967.665
Transfer of balances		577.449
Adjustment for exchange differences		2.204.890
Less:		
Adjustment for exchange differences		(71.297)
Balance as of December 31, 2021	¢	<u>99.122.714</u>

As of June 30, 2021

Balance at the beginning of 2021	¢	66.444.007
Plus:		
Allowance to profit or loss		29.967.665
Transfer of balances		577.449
Less:		
Adjustment for exchange differences		(71.297)
Balance as of June 30, 2021	¢	<u>96.917.824</u>

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f) Loan portfolio by kind of guarantee:

The loan portfolio by type of guarantee is detailed as follows:

	June 2022	December 2021	June 2021
Guarantee			
Fiduciary	228.320.768	0	0
Mortgage	¢ 392.059.122	382.491.506	472.683.465
Chattel	281.652.233	357.729.087	656.536.264
Other	<u>25.236.344.327</u>	<u>24.055.627.926</u>	<u>24.791.933.491</u>
	<u>¢ 26.138.376.450</u>	<u>24.795.848.519</u>	<u>25.921.153.220</u>

g) DCF financial instruments with exposure to credit risk are detailed as follows:

	<u>Direct Loan Portfolio</u>		
	June 2022	December 2021	June 2021
Principal	¢ 26.138.376.450	24.795.848.519	25.921.153.220
Interest receivable	121.062.644	69.853.373	114.397.148
	<u>26.259.439.094</u>	<u>24.865.701.892</u>	<u>26.035.550.368</u>
Allowance for bad loans	(103.564.626)	(99.122.714)	(96.917.824)
Carrying amount	¢ <u>26.155.874.468</u>	<u>24.766.579.178</u>	<u>25.938.632.544</u>
Loan portfolio			
Total balances:			
1	¢ 26.089.102.755	24.763.811.286	25.656.621.303
2	0	101.890.606	0
3	170.336.339	0	106.941.923
4	0	0	271.987.142
	<u>26.259.439.094</u>	<u>24.865.701.892</u>	<u>26.035.550.368</u>
Minimum allowance	(81.225.072)	(64.842.970)	(66.036.199)
Carrying amount, net	¢ <u>26.178.214.022</u>	<u>24.800.858.922</u>	<u>25.969.514.169</u>
Carrying amount	26.259.439.094	24.865.701.892	26.035.550.368
Allowance for bad loans	(81.225.072)	(64.842.970)	(66.036.199)
Allowance (surplus) deficit on minimum allowance	<u>(22.339.554)</u>	<u>(34.279.744)</u>	<u>(30.881.625)</u>
Carrying amount, net	6a ¢ <u>26.155.874.468</u>	<u>24.766.579.178</u>	<u>25.938.632.544</u>

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The assessed loan portfolio including allowance is detailed as follows:

As of June 30, 2022

Loan portfolio	Direct Loan Portfolio			
	Principal	Covered balance	Overdraft	Allowance
Direct generic allowance				
1	¢ 26.089.102.755	3.075.108.482	23.013.994.273	65.794.557
	<u>26.089.102.755</u>	<u>3.075.108.482</u>	<u>23.013.994.273</u>	<u>65.794.557</u>
Direct specific allowance				
3	170.336.339	110.830.898	59.505.441	15.430.515
	<u>170.336.339</u>	<u>110.830.898</u>	<u>59.505.441</u>	<u>15.430.515</u>
	¢ 26.259.439.094	3.185.939.380	23.073.499.714	81.225.072
	<u>26.259.439.094</u>	<u>3.185.939.380</u>	<u>23.073.499.714</u>	<u>81.225.072</u>
Loan portfolio				
Aging of loan portfolio				
Direct generic allowance				
Up to date	¢ 25.998.787.898	2.979.138.703	23.019.649.195	65.794.557
	<u>25.998.787.898</u>	<u>2.979.138.703</u>	<u>23.019.649.195</u>	<u>65.794.557</u>
Direct specific allowance				
Up to date				
Equal to or less than 30 days	260.651.196	206.800.677	53.850.519	15.430.515
	<u>260.651.196</u>	<u>206.800.677</u>	<u>53.850.519</u>	<u>15.430.515</u>
	¢ 26.259.439.094	3.185.939.380	23.073.499.714	81.225.072
	<u>26.259.439.094</u>	<u>3.185.939.380</u>	<u>23.073.499.714</u>	<u>81.225.072</u>

BANCO DE COSTA RICA Y SUBSIDIARIAS

Notes to the consolidated financial statements

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As of December 31, 2021

Loan portfolio		Direct Loan Portfolio			
		Principal	Covered balance	Overdraft	Allowance
Direct generic allowance 1	¢	<u>24.763.811.286</u>	<u>9.039.547.128</u>	<u>15.724.264.158</u>	<u>64.333.517</u>
		24.763.811.286	9.039.547.128	15.724.264.158	64.333.517
Direct specific allowance 2		<u>101.890.606</u>	<u>101.890.606</u>	<u>0</u>	<u>509.453</u>
		101.890.606	101.890.606	0	509.453
	¢	<u>24.865.701.892</u>	<u>9.141.437.734</u>	<u>15.724.264.158</u>	<u>64.842.970</u>
Loan portfolio		Direct Loan Portfolio			
Aging of loan portfolio		Principal	Covered balance	Overdraft	Allowance
Direct generic allowance					
Up to date	¢	<u>24.763.811.286</u>	<u>9.039.547.128</u>	<u>15.724.264.158</u>	<u>64.333.517</u>
		24.763.811.286	9.039.547.128	15.724.264.158	64.333.517
Direct specific allowance					
Equal to or less than 60 days		<u>101.890.606</u>	<u>101.890.606</u>	<u>0</u>	<u>509.453</u>
		101.890.606	101.890.606	0	509.453
	¢	<u>24.865.701.892</u>	<u>9.141.437.734</u>	<u>15.724.264.158</u>	<u>64.842.970</u>

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As of June 30, 2021

Loan portfolio		Direct Loan Portfolio			
		Principal	Covered balance	Overdraft	Allowance
Direct generic allowance					
1	¢	<u>25.656.621.303</u>	<u>3.105.081.349</u>	<u>22.551.539.954</u>	<u>64,141,553</u>
		25.656.621.303	3.105.081.349	22.551.539.954	64.141.553
Direct specific allowance					
2		106.941.923	106.941.923	0	534,710
3		271.987.142	271.987.142	0	1,359,936
		<u>378.929.065</u>	<u>378.929.065</u>	<u>0</u>	<u>1.894.646</u>
	¢	<u>26.035.550.368</u>	<u>3.484.010.414</u>	<u>22.551.539.954</u>	<u>66.036.199</u>

Loan portfolio

Aging of loan portfolio

Aging of loan portfolio		Direct Loan Portfolio			
		Principal	Covered balance	Overdraft	Allowance
Direct generic allowance					
Up to date	¢	<u>25.928.608.445</u>	<u>3.377.068.491</u>	<u>22.551.539.954</u>	<u>64.141.553</u>
		25.928.608.445	3.377.068.491	22.551.539.954	64.141.553
Direct specific allowance					
Up to date					
Equal to or less than 30 days		106.941.923	106.941.923	0	1,894,646
		<u>106.941.923</u>	<u>106.941.923</u>	<u>0</u>	<u>1.894.646</u>
	¢	<u>26.035.550.368</u>	<u>3.484.010.414</u>	<u>22.551.539.954</u>	<u>66.036.199</u>

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Notes to the consolidated financial statements

June 30, 2022

As of June 30, 2022	Loans receivable from clients	
	Gross	Net
Risk category:		
1	¢ 26.089.102.755	26.023.308.198
3	170.336.339	154.905.824
	¢ <u>26.259.439.094</u>	<u>26.178.214.022</u>

As of December 31, 2021	Loans receivable from clients	
	Gross	Net
Risk category:		
1	¢ 24.763.811.286	24.699.477.769
2	101.890.606	101.381.153
	¢ <u>24.865.701.892</u>	<u>24.800.858.922</u>

As of June 30, 2021	Loans receivable from clients	
	Gross	Net
Risk category:		
1	¢ 25.656.621.303	25.592.479.748
3	106.941.923	106.407.214
4	271.987.142	270.627.207
	¢ <u>26.035.550.368</u>	<u>25.969.514.169</u>

By request for change made by private banks to operate in accordance with the provisions of subsection ii) of Law N.1644, Organic Law of the National Banking System, the Governing Council of the Development Banking System authorizes the managing banks to transfer the resources from the Development Credit Fund, the repayment of which will be in monthly installments for a maximum period of six months.

As of June 30, 2022, resources have been transferred from the Development Credit Fund.

	June 2022	December 2021	June 2021
Banco Scotiabank	¢ 0	19.870.101.543	17.984.599.561
Banco Promerica	¢ 5.004.555.048	2.984.281.895	1.601.444.622
	¢ <u>5.004.555.048</u>	<u>22.854.383.438</u>	<u>19.586.044.183</u>

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Notes to the consolidated financial statements

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(42) Transition to the International Financing Reporting Standards (IFRSs)

Following are some of the main differences between the accounting standards issued by the Board and IFRSs, as well as the IFRSs or interpretations of the International Financial Reporting Interpretations Committee (IFRICs) yet to be adopted:

a) IAS 1: Presentation of Financial Statements

The new IAS 1 became effective as of the periods beginning on or after January 1, 2009.

The presentation of financial statements required by the Board differs in some respects from presentation under IAS 1. Following are some of the most significant differences:

SUGEF Standards do not allow certain transactions, such as clearing house balances, gains or losses on the sale of financial instruments, income taxes, among others, to be presented on a net basis. Given their nature, IFRSs require those balances to be presented net to prevent assets and liabilities or profit or loss from being overstated.

b) IAS 1: Presentation of Financial Statements (revised)

This standard is applicable in periods beginning on or after July 1, 2012. The changes that have been included in IAS 1 are to specific paragraphs related to the presentation of other comprehensive income. These changes will require other comprehensive income to be presented separating those that cannot be reclassified subsequently to the income statement and those that may be subsequently reclassified to the income statement if certain specific conditions are met.

IAS 1 requires an entity to disclose reclassification adjustments and income tax relating to each component of other comprehensive income. Reclassification adjustments are amounts reclassified to profit or loss in the current period that were previously recognized in other comprehensive income.

Revised IAS 1 changes the name of some financial statements, using “statement of financial position” instead of balance sheet.

IAS 1 requires an entity to present a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when the entity applies an accounting policy retrospectively or makes retrospective restatement.

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Notes to the consolidated financial statements

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The financial statements presentation format is determined by the Board and can be different from the options permitted on certain IFRS and IAS.

c) IAS 7: Statements of Cash Flows

The Board has only authorized preparation of the cash flow statement using the indirect method. The direct method is also acceptable under IAS 7.

d) IAS 8: Accounting Policies. Changes in Accounting Estimates. and Errors

In some cases, SUGEF has authorized the reporting of notices of deficiencies received from Tax Authorities against prior period retained earnings.

Accounting estimates are the best approximations of values or items that are included in the financial statements to measure the effects of events or economic transactions that have already occurred, or a current situation that is typical of an asset or liability of the entity, including adjustments that occur after the evaluation of an item as a result of new information or new events.

Any change in accounting estimates is prospective and is recorded in income for the period.

Based on its business model, nature, size, complexity, risk profile and other circumstances inherent to its operational activity, the entity must implement policies and procedures to define the representative framework to determine whether the information is material or not, which involves considerations of quantitative and qualitative factors. The entity shall disclose material inaccuracies or omissions, and related accounting policies, in the financial statements.

e) IAS 12: Income tax

A company recognizes all the tax consequences of paying dividends in the same way as income tax.

IAS 12 allows assets and liabilities to be presented net when they belong to the same tax entity, income or expense is presented net, as part of total income tax.

In the presentation of the SUGEF chart of accounts, each deferred income tax account must be presented separately.

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In the case of a dispute regarding a specific tax treatment by the Tax Authority, which begins with the notification of a transfer of charges, the entity must:

- a. Record against results of the period in the event that, according to the assessment by senior management, it is concluded that the entity has an immediate enforceable obligation with the Tax Administration.
- b. Record a provision, for those treatments not considered in the previous paragraph, and whose amount must reflect the uncertainty for each of the tax treatments in dispute, according to the method that best predicts its resolution, as indicated by IFRIC 23.

f) IAS 16: Property, Plant and Equipment

The Standard issued by the Board requires the revaluation of property through appraisals made by independent appraisers at least once every five years, eliminating the option to carry these assets at cost or to revalue other types of assets.

The revaluation must be supported by an appraisal made by an independent professional, authorized by the respective college.

Furthermore, SUGEF permits the conversion (capitalize) of the surplus revaluation directly in equity (only for state banks), without having to relocate previously to retained earnings, as required by IAS 16.

Moreover, under IAS 16, depreciation continues on property, plant and equipment, even if the asset is idle. The Standard issued by the Board allows entities to suspend the depreciation of idle assets and reclassify them as held-for-sale.

g) IAS 21: The Effects of Changes in Foreign Exchange Rates

The supervised entities must keep their records and present their financial statements in Costa Rican colones.

The supervised entities must use the reference sale exchange rate of the Central Bank of Costa Rica that prevails at the time the operation is carried out for the accounting record of the conversion of foreign currency to the official currency 'colón', except for pension funds and labor capitalization funds, which must use the reference purchase exchange rate of the Central Bank of Costa Rica. Pension funds created by special or basic law managed by non-banking public sector institutions may use the purchase exchange rate referred to in article 89 of the Organic Law of the Central Bank of Costa Rica.

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At the end of each month, the corresponding reference exchange rate will be used as indicated in the previous paragraph, in force on the last day of each month for the recognition of the adjustments for exchange rate differences in monetary items in foreign currency.

The provisions of this article do not prevent entities from generating information on a currency other than the Costa Rican colón, in the terms described in IAS 21 on functional currency. However, this information may not be used for the purposes of calculating prudential indicators, for presentation to the respective Superintendence or for publication to the public as required in the legal provisions that regulate the Financial System.

h) IAS 27: Consolidated and Separate Financial Statements

The Board requires that the financial statements of a parent entity to be presented separately, measuring its investments by the equity method. Under IAS 27, a parent is required to present consolidated financial statements. A parent company needs not to present consolidated financial statements when the ultimate or any intermediate parent of the parent produces consolidated financial statements available for public use, provided certain other requirements are also met. However, in this case, IAS 27 requires that investments be accounted for at cost.

In the case of financial groups, the holding company must consolidate the financial statements of all of the companies of the group in which it holds an ownership interest of twenty five percent (25%) or more, irrespective of control. For such purposes, proportionate consolidation should not be used, except in the consolidation of investments in joint ventures.

Amended IAS 27 (2008) requires accounting for changes in ownership interests by the Bank in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the Bank loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in profit or loss. The amendments to IAS 27 became mandatory for the Bank's 2010 consolidated financial statements. These amendments have not been adopted by the Board.

The objective of this standard is to describe accounting treatment and disclosures required by subsidiaries, joint ventures and associates when the entity presents separate financial statements.

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i) IAS 28: Investments in Associates and Joint Ventures

In application of IAS 28 *Investments in associates and joint ventures*, the entity with legal power to participate in the equity of other companies or special purpose entity, such as joint Ventures, associated, Trusts, must use the equity method, from the date it acquires the investment or from the date it becomes an associate, joint ventures, or special purpose entity.

Supervised entities must present their separate financial statements.

j) Amendments to IAS 32: Financial Instruments 0 Presentation and IAS 1: Presentation of Financial Statements 0 Puttable Financial Instruments and Obligations Arising on Liquidation

The amendments to the standards require puttable instruments and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity if certain conditions are met. These changes have not been adopted by the Board.

k) IAS 37: Provisions, Contingent Liabilities and Contingent Assets

SUGEF requires that a provision for possible losses must be booked for contingent assets. IAS 37 does not allow this type of provision.

l) IAS 38: Intangible Assets

The commercial banks listed in article 1 of Internal Regulations National Banking System (Law No. 1644) may present organization and installation expenses as an asset in the balance sheet, however, those expenses must be fully amortized on the straight0line method over a maximum of five years. Similar procedure and term must be used for the amortization of goodwill acquired.

Automatic applications should be amortized systematically by the straight-line method during the term which produces economic benefits; such term could not exceed five years. Similar proceeding applies to obtained goodwill.

IAS 38 allows different methods to distribute an asset amortizable amount during useful life. Useful life of automatic applications could be longer than five years as stated by CONASIF standards.

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On the other hand, IFRS do not require annual goodwill amortization, only yearly assessment for impairment is required.

After initial recognition, intangible assets with a defined useful life must be accounted for at their acquisition cost less accumulated amortization and accumulated impairment losses that may have affected them.

The supervised entity's senior management must establish the appropriate mechanisms and procedures to determine whether an intangible asset with an indefinite useful life has deteriorated. For the respective verification, it will compare its recoverable amount with its carrying amount. This comparison must be carried out when there is any indication that the value of the asset could have deteriorated or, at least, on an annual basis.

This provision also applies to goodwill acquired in a business combination.

The automated applications in use must be systematically amortized by the straight-line method, in the course of the period in which it is expected to produce economic benefits for the entity, which must be based on its accounting policy.

In the case of commercial banks, indicated in article 1 of the Organic Law of the National Banking System, Law 1644, organization and installation expenses can be presented in the statement of financial position as an asset, but must be fully amortized by the straight-line method within a maximum period of five years.

m) IAS 40: Investment Property

Investment properties must be valued at fair value.

For leased investment properties in which the fair value cannot be reliably measured on a continuous basis, its value will be measured by applying the cost model indicated in IAS 16 Property, Plant and Equipment. The residual value of the investment property should be assumed to be zero.

n) IFRS 3: Business combinations (revised)

In the application of IFRS 3, non-controlling interests in the acquiree, which are interests in current ownership and which grant the right to a proportional participation in the net assets of the entity, in the event of settlement must be measured, by the acquirer, at fair value on the acquisition date.

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The combination that involves entities or businesses under common control or that the acquiree is a subsidiary of an investment entity, must be carried out by integrating its assets and liabilities measured at carrying value using even accounting policies, for which adjustments in the financial statements of the acquiree will be previously carried out, to ensure that the accounting policies correspond to those used by the acquirer.

o) IFRS 5: Non-current Held-for-Sale Assets and Discontinued Operations

In the case of entities supervised by SUGEF, assets awarded in judicial auctions or received in payment of obligations must be valued at the lower of:

- a) its carrying amount; and
- b) its fair value less selling costs.

The entity must implement a sales plan and a program to negotiate the assets at a reasonable price that allows the plan to be completed in the shortest possible time.

Within a 24-months period from the date of award or receipt of the asset, the entity must request the Superintendent, by the means provided by the latter, an extension for an equal period for the sale of the asset. By means of duly reasoned criteria, the Superintendent may deny the request for an extension, in which case he will demand the constitution of an allowance of the property for 100% of its carrying amount

Also, an allowance for 100% of the carrying amount of the asset will be required when at the end of the indicated term, the entity did not request the extension. However, it will be a necessary condition that within 24 months from the date of award or receipt of the asset, it is estimated to be at least 50% of its carrying amount.

To determine the carrying amount of the assets awarded in judicial auctions or received in payment of obligations, the entity must record an allowance at the rate of one-forty-eighth per month until completing one hundred percent of the carrying amount of the asset. This accounting record will begin from the closing date of the month in which the asset was awarded or received in payment.

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p) IFRS 9: Financial Instruments

The conventional purchase or sale of financial assets must be recorded applying the accounting of the settlement date.

Financial assets are divided into those that are measured at amortized cost and those that are measured at fair value. Based on the business model for managing financial assets and the characteristics of the contractual cash flows of the financial asset, the entity should classify its own investments or pooled portfolios in financial assets according to the following valuation categories:

- a. At amortized cost. If an entity, in accordance with its business model and the current regulatory framework, classifies a part of its investment portfolio in this category, it will disclose:
 - i. the fair value of financial assets classified in this category, in the quarterly financial statements and in the audited annual financial statement; and
 - ii. the gain or loss that should have been recognized in profit or loss for the financial statements indicated in the previous section.
- b. At fair value through other comprehensive income.
- c. At fair value through profit or loss: Participations in open investment funds must be registered in this category.

Regulated entities must have policies and procedures to determine when to suspend the accrual of commissions and interest on loan operations.

However, the period of suspension of accrual should not be more than one hundred and eighty days.

q) IFRS 13: Fair Value Measurement

Valuation at fair value of the portfolios of financial assets and financial liabilities exposed to market risk and credit risk will be done individually. Measurement based on the net risk exposure of the entity is not admissible.

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Expenses or losses from equity reserves created by law or voluntarily by regulated entities cannot be directly recorded, without having previously gone through profit or loss of the period.

(43) Figures for 2021

As of December 31, 2021, financial statement figures have not been reclassified for comparison with those of 2022, per modifications to the Chart of Accounts and SUGEF Directive 30-18: "Regulation on the financial information" approved by CONASSIF.

(44) Relevant and subsequent events

As of June 2022, there are relevant and subsequent events to disclose as follows:

Transfer of charges and observations

As of July 3, 2020, the BCCR publishes Law 9859 "Law to fight Usury" defining a maximum on interest rates on loans and credit cards equivalent to 37.69% per year in colones and 30.36% in US dollars, in force for the second quarter of 2020. BCR credit cards offer an interest rate of 32% per year, one of the lowest in the market at the time of the entry into force of Law 9859, therefore it did not generate a financial impact on the income for credit card interest.

On the other hand, the law establishes a minimum non-sizable wage amount that cannot be considered in the analysis of the ability to pay, which implied the incorporation of this concept into the current credit regulations.

As of December 31, 2021, an adjustment for ₡8.487.028.342 for provision reversal for IFRIC 23 is carried out by prescription corresponding to the period 2016, (₡1.734.981.794.69, for December 31, 2020, corresponding to 2015).

As of December 31, 2021, BCR Operadora de Pensiones Complementarias does not make a provision reversal adjustment for IFRIC 23. (₡51,013,093, for December 31, 2020, corresponding to the 2015 period, due to prescription).

As of December 31, 2021, BCR Corredora de Seguros carried out the reversal of the respective contingency for ₡54.313.692 corresponding to the 2015 period (₡40.880.144, for December 31, 2020).

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As of December 31, 2021, BCR Valores S.A. carried out the reversal of the respective contingency for ¢264.905.511 corresponding to the 2015 period (¢194.676.459, for December 31, 2020).

As of December 31, 2020, BCR Sociedad Administradora de Fondos de Inversión S.A. carried out the reversal to the respective contingency for ¢36.435.373 corresponding to the 2015 period. (¢42.457.128, for December 31, 2020).

On August 13, 2021, the Dirección de Grandes Contribuyentes Nacionales (DGCN) notified the Bank of the Communication of the Start of Verification Action Investigation through which the inspection process of the Income Tax declared by the Bank for the 2017 fiscal period begins.

On March 21, 2022, the Regularization Provision Proposal No. DGCN-SFPD-28-2021-4-321-03 is notified, informing the Bank of the differences found in the tax bases and tax quotas, as well as the facts and legal bases supporting it. The total debt is of ¢16,755,470,468 and interest of ¢8,042,094,675, corresponding to the 2017 fiscal period.

The Bank of Costa Rica expressed partial disagreement with the regulation proposal and is awaiting notification of the administrative act of settlement, with concrete expression of the facts and the legal bases that motivate the differences in the taxable bases and the tax quotas.

As of April 5, 2022, the Bank paid ¢32.663.336.584 to the Treasury.

<u>Period</u>	<u>Income tax</u>	<u>Penalties</u>	<u>Interest</u>	<u>Total</u>
2017 ¢	16.755.470.469 ¢	7.865.771.439 ¢	8.042.094.675 ¢	32.663.336.584

Value added tax

With the enactment of Law No. 9635, Law on Strengthening Public Finances of December 3, 2018, the sales tax system is comprehensively reformed, derogating entirely the General Sales Tax Law, Law No. 6826 of November 8, 1982 and its reforms, migrating its Title I to a new regulatory framework, called the Value Added Tax Law. This tax is regulated in Article 1 of the Law. In this new regulatory framework, all goods and services are taxed as a general rule, presupposing an improvement in the control and oversight of the tax, since the list of exempt goods and services is considerably reduced, according to what is established in Article 8 of the Law. Likewise, the essential elements of the tax, being the taxable event, the accrual, the taxable persons, and the taxable base, were modified with Article 1 of the Law for Strengthening Public Finances.

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New administration of the Notarial Guarantee Fund

On October 8, 2019, BCR Pensiones started managing the Notarial Guarantee Fund; this fund was created with the enactment of the Notarial Code started ruling in 1998.

The National Directorate of Notaries carried out a comprehensive market study to determine the existence of options to manage its fund, thus transferring the Fund to BCR Pensiones.

As of December 31, 2019, the Notarial Guarantee Fund generated an income of ¢171.744.963.

In official letter BCROPC-048-20 dated February 11, 2020, the deadline for delivery of the audited financial statements of the Individual Capitalization Fund of Notarial Guarantee is extended once the National Directorate of Notaries delivers the corresponding audited financial statements to the period from January 1 to October 7, 2020, which was administered by another Complementary Pension Operator.

Declaration of health alert for COVID-19

Actions of the Government of Costa Rica

As of March 17, 2020, the decree of Fiscal Relief for COVID-19 is approved, establishing moratorium measures in the payment of income tax (VAT, selective consumption, and duties, from April to June 2020 they be declared and may be paid free of charge for interest or penalties until December 2020, a postponement of the payment term is granted, there is no forgiveness or amnesty).

In addition, it will not be necessary to pay the rent advance for the months of April to June 2020 and the VAT exemption on commercial rentals in the months of April to June 2020.

On March 18, 2020, directive 075-H was signed to instruct the State commercial banks, in exercise of their constitutional autonomy, to carry out all the necessary and effective measures to readjust the credits of the debtors affected by the current situation.

The guideline urges banks to assess measures such as the following:

1. Decrease in interest rates according to the terms of each loan.
2. Extension of the term of loans.
3. Extension in the payment of the principal and/or interest for the time that is necessary.
4. Extraordinary payments to the principal amount without penalty.

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Financial Information Regulation

As of March 2020, multiple regulations have been issued with the aim of mitigating the impact of COVID-19 related to the banking and financial sector, as follows:

Approved by CONASSIFF

- a. To extend to June 30, 2021, the option to renegotiate the agreed conditions of the credits up to twice in a 24-month period, without these being considered a special operation and therefore, without these adjustments having negative effects on the debtors' file at the Credit Information Center (CIC) (CP-BCCR-007-2020).
- b. This measure covers loans of more than ¢100 million and those equal to or less than this amount that already have two adjustments in the last 24 months.
- c. Loans of 100 million colones or less that to date have had two readjustments within the last 24 months, may readapt their operation once more during the period ending June 30, 2021, without qualifying as a special operation.
- d. This measure allows a third payment readjustment to clients who have already had two arrangements; that the renegotiations be for any operation regardless of the balance and suspend, for one year, the countercyclical provisions (an amount of the profits that should be kept month by month), to all financial entities.
- e. The National Council for the Supervision of the Financial System approved on Monday, March 23, new mitigation measures against the negative effects of the coronavirus on the economy of Costa Rica. These measures are complementary to those already taken previously and have the objective of granting access to credit measures to the affected debtors.
- f. Measures regarding the Payment Capacity: It was agreed to maintain the level of payment capacity that the companies or individuals had prior to the effects of COVID-19. This particular measure aims to facilitate the readjustments and / or refinancing of the credits. This measure is temporary; it is in force until March 31, 2021.

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- g. Measures related credit policies and procedures: A measure that will ease the procedures for both the granting of new credits and their readjustments and/or refinancing, where financial institutions may omit, in their credit policies and procedures, the information that they ordinarily request from their clients to verify their ability to pay. This provision will be in force until March 31, 2021. Measures regarding the Suspension of Classification of Irregularities of the Sanitation Plan: It was agreed to suspend, for one year, the provision that classifies a financial entity in "type irregularity", when the institution has losses for six months or more, in the last 12 months. When a financial institution presents losses for six months or more, in the last 12 months, SUGEF immediately orders the implementation of a reorganization plan to counteract the situation. It is important to note that SUGEF must amend the parameters for determining the liquidity indicators. This measure will be in force for a twelve-month period.
- h. Measures regarding the granting of periods of grace: In accordance with Directive 075-H issued by the Government, it was agreed to allow financial entities to establish grace periods for clients, without the payment of interest or principal. It is important to highlight that this measure will be implemented under the criteria of each financial entity, the term of the grace periods will be determined by each financial entity.
- i. Measures regarding the de-accumulation of countercyclical provisions: It was agreed to allow financial entities to establish processes of de-accumulation of counter-cyclical provisions and classify them as income. These estimates correspond to the money those financial institutions reserve to protect themselves from economic cycle risks and / or the effects of portfolio defaults.

General Superintendence of Financial Entities

- a. By Resolution SGF-0971-2 dated March 20, 2020, SUGEF agreed to reduce the "M" factor in the countercyclical allowance formula with the aim of adding opportunity and effectiveness to the dynamics of the countercyclical allowance model.
- b. It was agreed to establish the value of the "M" factor referred to in Article 6 of the SUGEF 19-16 Agreement.
- c. This minimum required percentage level of countercyclical allowance ("M") will apply from the monthly close of March 2020 and will be subject to revision during the year 2020.
- d. This measure will allow financial entities to allocate resources to grant credits, which would ordinarily be foreseen for the reserves required by law.

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Central Bank of Costa Rica

The Board of Directors of the Central Bank of Costa Rica approved the following reforms:

- a. It reduced the Monetary Policy Rate (TPM) by 100 basis points, to locate it at 1.25% annually, as of March 17, 2020,
- b. In addition, it agreed to reduce the gross interest rate on overnight deposits (DON) to 0.01% per year as of March 17, 2020, and those of the Permanent Credit Facility and the Permanent Market Deposit Facility Integrated Liquidity at 2.00% and 0.01%, respectively; and
- c. Modify the control of the Minimum Legal Reserve from 97.5% to a minimum of 90%: “during each and every day of the reserve control period, the balance at the end of the day of deposits in the Central Bank must not be less than 90% of the minimum legal reserve requiring two previous natural fortnights”. This measure aims to free up a little daily liquidity in the country's commercial banks; however, it is important to note that the required percentages of the Minimum Legal Reserve have not changed (15% in US dollars and 12% in colones).
- d. With the aim of positively impacting the liquidity markets, as of March 24, the Central Bank will participate in the liquidity markets of the National Stock Market (overnight market and repurchase market) as an investor in US dollars. In addition, it will participate as an investor in colones with one-day and up to thirty-days terms.
- e. The Central Bank has informed its intention of participating in the Integrated Liquidity Market (the banks' liquidity market) during the next days, with investor positions in an one-day term.
- f. Through resolution JD-5922/09, the Board of Directors of the Central Bank agreed to modify the Regulations for credit operations of last instance in national currency of the Central Bank of Costa Rica, related to the reforms necessary for credit applications to be approved through a technological platform.
- g. The decisions are based on the analysis of the expected trajectory for inflation and its determinants, the risks in that forecast, and the lag with which the monetary policy measures take effect.

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- h. These monetary policy measures are intended to continue to press down interest rates in the market, and thereby ease the financial situation of companies and households in the country.

Measures adopted by the Bank in the face of the health emergency due to COVID-19.
Measures were generated in three areas:

- 1) Direct loan: A total grace period of 6 or 12 months will be provided, in which the client will pay only what corresponds to credit-related policies, that is, the principal and interest will not be charged during that period; the collection will be carried out after the total grace period and will be treated according to the needs of each client.

The unpaid interest will be charged through a new loan that will take effect at the end of the grace period.

For this new operation, the interest rate will be, in colones basic passive rate (TBP) + 1 colones and in US dollars PRIME rate, depending on the currency, and for the remaining term of the main operation.

In the cases necessary, the maturity of the main operation may be extended by up to 11 months.

This facility applies to customers with less than 60 days past due, for which no additional payment capacity analysis will be made.

- 2) Credit cards: With reference to credit cards, at the request of each client, a total grace period will be granted for a period of up to three months. During the months of the full grace period, you will be no charges for fees or default interest
- 3) Credit lines: They will be attended to as specific situations, punctually analyzing each client to identify the need and provide a tailor-made solution.
As an immediate response to the corporate sector, the Bank will allocate close to 100 billion colones to support the liquidity of its corporate clients, readjusting its credit operations in direct loans, to improve the cash flows of the companies.

In this first stage, facilities will be given with emphasis on Tourism and Commerce, which will allow a medium-term solution, ranging between 6 or 12 months in both currencies.

In a second stage, the Transportation and Commercial sector with real estate activity will be addressed with greater emphasis, also covering other economic activities.

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As of June 30, 2022, Loans are detailed by activity in operations readjusted by Covid-19:

Loans – Balances converted to colones			
Activity	Colones	Converted US dollars	
Agriculture	2.032.229.939	36.450.989.554	
Trade	81.837.138.150	35.430.660.770	
Construction	5.489.535.611	11.398.289.919	
Retail	70.556.732.291	3.848.084.209	
Livestock	3.525.686.623	0	
Industry	31.805.205.185	2.627.982.805	
Services	29.558.643.986	20.293.582.694	
Transportation	22.076.826.611	70.860.538	
Tourism	6.647.019.823	49.777.818.962	
Housing	182.612.545.571	58.463.789.682	
Total by currency	¢ 436.141.563.790	218.362.059.133	
Total	¢ 654.503.622.923		

Activity	Amount in		
	Colones	US Dollars	Total
Agriculture	84	10	94
Trade	805	57	862
Construction	18	14	32
Retail	7.783	459	8.242
Livestock	90		90
Industry	88	4	92
Services	423	34	457
Transportation	186	2	188
Tourism	41	38	79
Housing	8.347	1.168	9.515
Total	17.865	1.786	19.651

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As of December 31, 2021

	Colones	Converted US dollars
Agriculture	2.174.669.273	34.744.175.119
Trade	89.785.046.202	36.340.685.119
Construction	5.675.761.357	11.363.286.508
Retail	77.269.995.248	4.714.700.744
Livestock	3.884.370.495	114.878.942
Industry	33.347.876.145	2.533.929.316
Services	31.682.713.592	23.149.480.952
Transportation	23.558.277.903	140.791.730
Tourism	7.244.072.181	60.568.680.636
Housing	190.125.832.131	57.921.507.901
Total by currency	464.748.614.526	231.592.116.966
Total	¢ 696.340.731.492	

	Colones	Amount in US Dollars	Total
Agriculture	92	10	102
Trade	920	74	994
Construction	17	14	31
Retail	8.312	531	8.843
Livestock	108	1	109
Industry	101	6	107
Services	471	46	517
Transportation	202	4	206
Tourism	54	79	133
Housing	8.617	1.229	9.846
Total	¢ 18.894	1.994	20.888

Effects of the pandemic on BICSA

As of December 31, 2020, the number of moratoriums granted by BICSA Group reaches an amount of 184.7 million dollars, which represents 12% of the total portfolio and provisions were made to cover the potential effect of macroeconomic impairment of the loan portfolio according to the entity's expected loss models (see note 26 - Modified special mention category loans).

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Faced with the pandemic, Grupo BICSA was forced to respond quickly to critical questions in the operational and financial areas. In particular, the recalibration and updating of IFRS 9 models is of particular importance as a fundamental task in the current context because of various factors that in turn have an impact on provisions. These reviews considered adjustments to conventional methodological aspects such as the probability of default (PD), the loss given default (LGD) and the forward-looking adjustment (prospective economic effect of the IFRS 9 model). The classification criteria in Stages have also been revised to incorporate the effects that the COVID-19 environment could bring to customers, in this case it is necessary to define criteria for a significant increase in credit risk (ISRC) based on the risk of the economic sector, the activity within the economic sector and the particular characteristics of each client. Finally, based on the methodology defined taking as reference the international regulations and the local regulatory context, the Bank defined the Post Model Adjustments (Overlays) with general guidelines for the classification process of modified loans in the different stages established by IFRS 9. After applying the adjustments, the bank resulted in an increase in its IFRS 9 reserve estimate of \$1.3 million.

Management and impacts of the pandemic for COVID-19 at BICSA

As of the second quarter of 2020, the Group increased its volume of current assets to an average greater than 63.65% of the Legal Liquidity indicator, doubling the minimum 30% required (see Note 5 - Liquidity Risk). Finally, the Group's solvency level has improved compared to the previous closing ended on December 31, 2019 and remains well above the requirements of the SBP in 12.76% of weighted equity/assets based on risk (see Note 5 - Capital Management). The final magnitude of the impact of the pandemic for COVID-19 on the Group's business, financial situation and results will depend on future and uncertain events, including the intensity and persistence over time of the consequences derived from the pandemic in the different geographies in which the Group operates.

Financial Information Regulation

Through articles 6 and 5 of the minutes of sessions 1442-2018, held on September 11, 2018, CONASSIF approved the Financial Information Regulation, in effect from January 1, 2020.

The purpose of the Regulations is to moderate the application of the International Financial Reporting Standards (IFRS) and their interpretations (SIC and IFRIC), issued by the International Accounting Standards Board (IASB), considering prudential or regulatory accounting treatments. As well as the definition of a specific treatment or methodology when IFRS propose two or more application alternatives.

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Distribution of dividends

As of April 26, 2022, BCR Corredora de Seguros S.A., distributes dividends in the amount of ¢3.100.000.000, according to the resolution of the Extraordinary General Shareholders' Meeting No. 06-22, April 19, 2022

As of April 27, 2022, BCR Sociedad Administradora de Fondos de Inversión, S.A., distributes dividends in the amount of ¢2.750.000.000, according to the resolution of the Extraordinary General Shareholders' Meeting No. 06-2022, April 19, 2022.

As of April 26, 2022, BCR Valores, S.A., distributes dividends in the amount of ¢3.000.000.000, according to the resolution of the Extraordinary General Shareholders' Meeting No. 06-2022, April 19, 2022.

As of April 26, 2022, BANPROCESA, S.A., distributes dividends in the amount of ¢300.000.000, according to the resolution of the Extraordinary General Shareholders' Meeting No. 06-2022, April 19, 2022.

As of March 18, 2021, BCR Corredora de Seguros S.A., distributes dividends in the amount of ¢3.000.000.000, according to the resolution of the Extraordinary General Shareholders' Meeting No. 02-21.

As of April 5, 2021 BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A., distributes dividends in the amount of ¢750.000.000, in compliance with resolution of the Extraordinary General Shareholders' Meeting No. 02-21.

As of April 9, 2021, BCR Sociedad Administradora de Fondos de Inversión, S.A., distributes dividends in the amount of ¢2.750.000.000, according to the resolution of the Extraordinary General Shareholders' Meeting No. 02-2021.

As of April 28, 2021, BCR Valores, S.A., distributes dividends in the amount of ¢2.500.000.000, according to the resolution of the Extraordinary General Shareholders' Meeting No. 02-2021.

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Incorporation of Banprocesa S.R.L. to the BCR Financial Conglomerate

Banprocesa, S.R.L. will provide exclusive services to the BCR Financial Conglomerate, in the development of software related to information technology. Significant improvements are expected in the management of this process, with an impact on reducing costs for reprocessing, timely attention, custom development and in general, greater efficiency in management as well as supporting the strategic objective of turning Banco de Costa Rica into a digital bank. Due to the nature of the company's services, its impact is seen mainly in the bank's operational risk management, and to a lesser extent, with an impact on its solvency. Therefore, no technical aspects or risk exposure are identified that constitute a disability to its incorporation into the Financial Conglomerate.

By means of official letter GG-04-276-2020, of April 24, 2020, a request for formal authorization it is sent to the General Superintendency of Financial Entities (SUGEF) on April 27, 2020, to incorporate Banprocesa, S.R.L. to the BCR Financial Conglomerate and Subsidiaries, clarifying that, currently Banco de Costa Rica owns 100% of the shares of the entity.

By means of official letter SGF-2069-2021 SGF-CONFIDENCIAL-202103143, dated July 23, 2021, a favorable opinion is rendered on the request for authorization to incorporate Banprocesa, S.R.L. to the BCR Financial Conglomerate.

As of December 31, 2021, for the presentation of the financial statements of the Banco de Costa Rica Financial Conglomerate, due to the incorporation as a member company, and due to the nature of Banprocesa SRL's business, an adjustment was made in the amount of ¢940.117.721, corresponding to the profit generated in the service provided in support of the Bank's software, in the statement of financial position and in the income statement.

Gradual increase of the Minimum Legal Reserve

The Board of Directors of the Central Bank of Costa Rica, in article 8 of the minutes of session 6066-2022, held on June 15, 2022, ordered to gradually increase the percentage of minimum legal reserve and liquidity reserve, both in national currency, from 12.0% to 15.0%.

As of the first fortnight of July 2022, 13.5% is applied and as of the second fortnight of July 2022, 15.0% is applied, through the modification to Title VI of the Monetary Policy Regulations.

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Maximum annual interest rates for credits and microcredits

In accordance with the provisions of article 36 bis of Law No. 9859 of June 11, 2020, the calculation of the maximum annual interest rates and their publication is carried out by the Central Bank of Costa Rica in the first week of January and July of each year.

As of July 8, 2022, the publication of the new maximum annual interest rates for credit operations in colones and US dollars and other currencies is made.

Every type of credit (except microcredits)	
Colones	33,41%
US dollars	27,72%
Microcredits	
Colones	47,23%
US dollars	39,32%
Credits in other currencies	5,68%

For the purposes of this law, microcredit is understood to be any credit that does not exceed a maximum amount of 1.5 times the base salary of clerk 1 of the Judiciary, according to Law 7337, of May 5, 1993. Credit cards are excluded from microcredits.