



Banco de Costa Rica

Unaudited Separate Financial Statements

June 30, 2022, and 2021

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Unaudited separate financial statements

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BANCO DE COSTA RICA
SEPARATE STATEMENT OF FINANCIAL POSITION
As of June 30, 2022
(In colones without cents)

	Note	June 2022	December 2021	June 2021
ASSETS				
Availabilities	4	€ 875,002,651,130	864,405,461,581	717,855,220,947
Cash		78,033,709,746	99,550,418,210	70,111,939,094
Central Bank of Costa Rica		549,523,413,350	578,167,488,236	591,615,645,758
Financial entities abroad		147,118,430,661	91,692,364,244	42,494,638,583
Demand documents receivable for collection		2,820,177,901	475,541,407	2,064,720,573
Restricted availabilities		97,506,919,472	94,519,649,484	11,568,276,939
Investment in financial instruments	5	1,713,689,908,291	1,754,312,982,756	1,567,075,538,394
At fair value through profit or loss		251,057,564,885	292,227,906,832	206,330,219,923
At fair value through other comprehensive income		1,436,827,734,304	1,433,296,430,848	1,239,153,974,765
At amortized cost		0	3,834,335,115	99,602,851,252
Interest receivable		25,804,609,102	24,954,309,961	21,988,758,633
(Allowance for impairment)		0	0	(266,179)
Loan portfolio	6.b	3,126,394,848,258	3,038,196,017,415	2,933,130,616,137
Current loans		3,036,204,848,044	2,922,314,277,517	2,835,560,180,095
Past due loans		200,966,936,034	219,463,566,540	162,212,550,672
Loans in legal collection		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.e	17,819,183,874	16,243,877,380	28,298,935,688
(Allowance for impairment)	6.f	(165,485,287,318)	(152,927,986,661)	(126,570,218,331)
Accounts and commissions receivable		24,231,162,743	15,609,952,548	17,581,352,752
Commissions receivable		1,226,733,095	1,348,615,046	1,026,130,757
Accounts receivable for transactions with related parties		3,036,324,909	3,257,979,554	3,447,139,109
Deferred income tax and income tax receivable	15	19,493,203,716	9,670,094,125	12,009,449,591
Other accounts receivable		14,499,376,520	13,918,807,842	12,951,007,893
(Allowance for impairment)		(14,024,475,497)	(12,585,544,019)	(11,852,374,598)
Foreclosed assets	7	37,431,204,420	42,352,819,264	47,526,314,661
Assets and securities acquired as recovery of loans		102,860,876,787	116,382,688,755	130,330,731,095
Other foreclosed assets		3,161,760,300	3,354,758,800	3,102,293,278
(Allowance for impairment and per legal requirements)		(68,591,432,667)	(77,384,628,291)	(85,906,709,712)
Interest in other companies capital, net	8	128,128,652,758	128,725,242,930	120,191,673,358
Property, furniture and equipment, net	9	134,019,863,189	131,640,777,150	133,462,815,842
Property investments		6,441,924,521	6,441,924,521	6,441,924,521
Other assets	10	73,844,965,027	73,915,922,393	73,784,238,996
Deferred charges	10.a	1,168,953,204	7,346,980,482	9,420,529,213
Intangible assets, net	10.b	22,195,416,514	14,859,851,080	13,597,763,050
Other assets	10.c	50,480,595,309	51,709,090,831	50,765,946,733
TOTAL ASSETS	€	6,119,185,180,337	6,055,601,100,558	5,617,049,695,608

BANCO DE COSTA RICA
SEPARATE STATEMENT OF FINANCIAL POSITION
As of June 30, 2022
(In colones without cents)

<u>Note</u>	<u>June</u> <u>2022</u>	<u>December</u> <u>2021</u>	<u>June</u> <u>2021</u>
LIABILITIES AND EQUITY			
LIABILITIES			
Obligations with the public	€ 4,673,302,542,189	4,615,047,205,487	4,281,953,815,085
Demand obligations	11 3,188,458,969,460	3,283,466,617,831	2,862,643,911,149
Term obligations	12 1,472,777,528,086	1,318,752,537,179	1,406,353,491,523
Other obligations with the public	31,474,531	1,106,218,110	618,151,731
Financial charges payable	12,034,570,112	11,721,832,367	12,338,260,682
Obligations with 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	431,284,487,118	422,222,882,801	375,209,057,807
Demand obligations	14 35,008,218,126	35,221,034,718	37,155,406,025
Term obligations	12 394,901,023,404	385,295,377,909	336,624,287,606
Financial charges payable	1,375,245,588	1,706,470,174	1,429,364,176
Accounts payable and provisions	157,609,459,966	185,153,781,877	159,619,627,325
Provisions	16 42,289,447,876	50,305,344,252	57,933,148,334
Accounts payable for brokerage services	141,157	10,943,620	5,101,742
Deferred income tax	15 33,216,479,069	37,531,110,112	29,065,244,072
Other accounts payable	17 82,103,391,864	97,306,383,893	72,616,133,177
Other liabilities	19,797,785,985	16,232,013,807	25,810,539,658
Deferred income	524,585,829	629,842,899	641,561,788
Other liabilities	19,273,200,156	15,602,170,908	25,168,977,870
Subordinated obligations	20,072,259,939	0	0
Subordinated obligations	14 19,981,971,050	0	0
Financial charges payable	14 90,288,889	0	0
TOTAL LIABILITIES	€ 5,472,352,911,920	5,366,941,569,615	4,963,187,636,853
EQUITY			
Capital stock	18 € 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
Equity adjustments - Other comprehensive income	50,563,086,524	96,607,343,411	93,506,690,172
Reserves	1.w 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
Capital contributions in funds or special reserves	40,476,721,777	36,212,011,410	36,212,011,410
TOTAL EQUITY	646,832,268,417	688,659,530,943	653,862,058,755
TOTAL LIABILITIES AND EQUITY	€ 6,119,185,180,337	6,055,601,100,558	5,617,049,695,608
DEBIT CONTINGENT ACCOUNTS	19 € 498,162,799,959	319,726,692,051	295,373,072,198
TRUST ASSETS	20 807,126,138,627	927,719,265,552	889,923,009,878
TRUST LIABILITIES	292,288,545,867	362,909,505,260	364,148,296,245
TRUST EQUITY	514,837,592,760	564,809,760,292	525,774,713,633
OTHER DEBIT MEMORANDA ACCOUNTS	21 € 17,996,546,200,111	15,234,563,101,376	37,942,920,903,085
Own debit memoranda accounts	10,288,804,777,150	7,597,110,442,952	30,715,807,977,740
Third party debit memoranda accounts	82,245,264,526	143,742,191,726	101,577,362,771
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	6,587,212,170,347	6,476,281,695,607	6,198,553,081,242

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

Douglas Soto L.
General Manager

Ana Lorena Brenes B.
Accountant

Rafael Mendoza M.
General Auditor a.i.

BANCO DE COSTA RICA
SEPARATE STATEMENT OF 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					
Cash	¢	469,165,917	378,865,525	288,312,213	178,141,204
Investments in financial instruments	22	41,870,337,951	38,667,859,224	20,961,633,469	19,782,216,631
Loan portfolio	23	109,118,884,985	113,802,140,516	54,756,161,200	53,176,206,730
For exchange differences and UD	1-d	1,762,363,197	484,653,982	623,704,791	484,653,982
For profit from financial instruments at fair value through profit or loss		580,817,052	395,181,195	193,526,803	207,487,757
For profit from financial instruments at fair value through other comprehensive income		7,955,870,677	1,891,067,366	2,353,485,979	724,932,359
Other financial income		539,278,086	527,050,683	267,035,174	248,865,901
Total financial income		162,296,717,865	156,146,818,491	79,443,859,629	74,802,504,564
Financial expenses					
Obligations with the public	24	44,218,744,932	49,261,256,541	22,040,480,527	25,125,728,509
Obligations with the Central Bank of Costa Rica		729,208,403	131,569,152	482,468,887	100,497,522
Obligations with financial and no-financial entities		3,333,342,321	4,663,298,294	2,369,210,344	2,012,440,783
Por Obligaciones Subordinadas, Convertibles y Preferentes		90,339,939	0	90,339,939	0
For exchange differences and UD	1-d.ii	0	0	0	(200,631,910)
For losses from financial instruments at fair value through profit or loss		185,939,438	128,377,193	2,187,833	49,538,502
For losses from financial instruments at fair value through other comprehensive income		194,611,530	10,545,197	162,018,418	4,710,577
Total financial expenses		48,752,186,563	54,195,046,377	25,146,705,948	27,092,283,983
Allowance for impairment of assets	25	13,306,768,442	15,300,686,548	3,060,505,047	5,398,509,282
Recovery of asset and decrease in allowance and provisions	26	5,196,938,012	8,071,237,824	2,476,841,631	2,527,165,565
FINANCIAL INCOME		105,434,700,872	94,722,323,390	53,713,490,265	44,838,876,864
Other operating income					
Service fees	27	44,592,394,629	38,020,088,342	22,018,138,019	18,944,167,272
Foreclosed assets		18,935,744,026	15,037,831,390	4,904,920,588	6,951,822,418
Profit from capital investments in other companies	28	1,445,619,255	737,916,129	841,846,946	406,366,719
Profit from capital investments in entities supervised by SUGEVAL	28	2,566,184,533	3,191,208,988	913,061,067	1,661,554,191
Profit from capital investments in entities supervised by SUPEN	28	458,290,191	554,401,214	231,617,020	278,303,709
Profit from capital investments in entities supervised by SUGESE	28	1,660,203,183	1,711,943,981	706,437,023	846,569,146
Foreign currency exchange and arbitrations		12,487,498,270	10,728,230,784	6,790,702,873	5,209,449,011
Other income from related parties		1,513,775,425	1,526,109,273	754,740,067	815,734,624
Other operating income		9,435,935,551	8,757,689,311	5,697,287,225	5,564,396,268
Total other operating income		93,095,645,063	80,265,419,412	42,858,750,828	40,678,363,358
Other operating expenses					
Service fees		15,484,739,958	12,654,437,784	7,953,079,874	6,392,003,727
Foreclosed assets		20,449,403,481	18,691,845,042	7,656,886,439	8,897,506,064
Loss from capital investments in other companies	28	382,847,397	1,149,000	1,149,000	1,149,000
Provisions		3,366,881,115	713,632,776	440,626,327	468,800,491
Foreign currency exchange and arbitration		592,419,095	808,887,983	524,879,343	208,077,933
For other expenses with related parties		0	3,761,584	0	(474,377,680)
Other operating expenses		22,205,616,877	19,317,991,000	11,765,532,546	8,524,396,581
Total other operating expenses		62,481,907,923	52,191,705,169	28,457,572,079	24,017,556,116
OPERATING INCOME, GROSS		136,048,438,012	122,796,037,633	68,114,669,014	61,499,684,106
Administrative expenses					
Personnel expenses		48,981,546,955	47,574,930,396	25,238,401,028	23,640,371,012
Other administrative expenses		37,726,461,641	33,064,852,784	21,284,662,342	18,388,997,950
Total administrative expenses	29	86,708,008,596	80,639,783,180	46,523,063,370	42,029,368,962
NET OPERATING INCOME, BEFORE TAXES AND STATUTORY ALLOCATIONS		49,340,429,416	42,156,254,453	21,591,605,644	19,470,315,144
Income tax	15	9,469,404,075	10,352,961,521	4,621,510,565	4,699,464,843
Deferred income tax	15	8,535,349,995	0	3,576,203,835	0
Decrease in income tax	15	6,878,728,277	954,789,419	2,291,751,156	761,399,355
Statutory allocations of profit	30	12,866,815,112	10,020,545,789	5,375,518,763	4,527,605,323
RESULTS OF THE PERIOD, NET		25,347,588,511	22,737,536,562	10,310,123,637	11,004,644,333
Attributed to the controller		25,347,588,511	22,737,536,562	10,310,123,637	11,004,644,333
OTHER COMPREHENSIVE INCOME, NET OF TAX					
Adjustment for valuation of investments at fair value through other comprehensive income		(38,310,162,210)	29,640,521,936	(30,529,753,000)	13,305,874,789
Reclassification of unrealized profit to the income statement		(5,432,881,403)	(1,316,365,518)	(1,534,027,293)	(504,155,247)
Adjustment for valuation of restricted financial instruments, net income tax		(5,557,173,338)	7,310,880,207	257,498,119	6,937,287,925
Other adjustments		3,255,960,064	1,913,280,594	1,846,952,954	5,322,809,885
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX	31	(46,044,256,887)	37,548,317,219	(29,959,329,220)	25,061,817,352
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(20,696,668,376)	60,285,853,781	(19,649,205,583)	36,066,461,685

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

Douglas Soto L.
General Manager

Ana Lorena Brenes B.
Accountant

Rafael Mendoza M.
General Auditor a.i.

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

Note	Capital stock	Adjustments to equity			Total equity adjustment	Equity reserves	Accrued earnings from previous periods	Equity of the Development Financing Fund	Total equity
		Surplus for revaluation of property, furniture and equipment	Adjustment for valuation of investments at fair value through other comprehensive income	Ajustment for valuation of capital investments in other companies					
Balance as of December 31, 2021	181,409,990,601	37,774,830,067	7,546,666,277	10,636,876,609	55,958,372,953	283,820,516,011	39,077,596,950	33,309,728,460	593,576,204,975
Allocation of legal reserve	0	0	0	0	0	12,889,031,020	(12,889,031,020)	0	0
Allocation to the Development Financing Fund	0	0	0	0	0	0	(2,902,282,951)	2,902,282,950	0
Balance as of June 30, 2021	181,409,990,601	37,774,830,067	7,546,666,277	10,636,876,609	55,958,372,953	296,709,547,031	23,286,282,979	36,212,011,410	593,576,204,975
Other comprehensive income									
Total other comprehensive income	0	0	35,635,036,625	1,913,280,594	37,548,317,219	0	22,737,536,562	0	60,285,853,781
Balance as of June 30, 2021	181,409,990,601	37,774,830,067	43,181,702,902	12,550,157,203	93,506,690,172	296,709,547,031	46,023,819,541	36,212,011,410	653,862,058,755
Attributed to the Financial Conglomerate	181,409,990,601	37,774,830,067	43,181,702,902	12,550,157,203	93,506,690,172	296,709,547,031	46,023,819,541	36,212,011,410	653,862,058,755
Balance as of January 01, 2022	181,409,990,601	31,744,671,803	49,490,498,998	15,372,172,610	96,607,343,411	296,709,547,031	77,720,638,490	36,212,011,410	688,659,530,943
Allocation of legal reserve	0	0	0	0	0	28,603,718,057	(28,603,718,057)	0	0
Allocation to the Development Financing Fund	0	0	0	0	0	0	(4,264,710,367)	4,264,710,367	0
Payment of income tax from previous periods	0	0	0	0	0	0	(21,130,594,150)	0	(21,130,594,150)
Balance as of June 30, 2021	181,409,990,601	31,744,671,803	49,490,498,998	15,372,172,610	96,607,343,411	325,313,265,088	23,721,615,916	40,476,721,777	667,528,936,792
Other comprehensive income									
Total other comprehensive income	0	0	(49,300,216,951)	3,255,960,064	(46,044,256,887)	0	25,347,588,511	0	(20,696,668,376)
Balance as of June 30, 2021	181,409,990,601	31,744,671,803	190,282,047	18,628,132,674	50,563,086,524	325,313,265,088	49,069,204,427	40,476,721,777	646,832,268,417
Attributed to the Financial Conglomerate	181,409,990,601	31,744,671,803	190,282,047	18,628,132,674	50,563,086,524	325,313,265,088	49,069,204,427	40,476,721,777	646,832,268,417

Douglas Soto L.
General Manager

Ana Lorena Brenes B.
Accountant

Rafael Mendoza M.
General Auditor a.i.

BANCO DE COSTA RICA
SEPARATE 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			
Profit of the year	€	25,347,588,511	22,737,536,562
Items applied to results not requiring cash outlays		(58,606,599,956)	(58,928,591,088)
Increase or (decrease) for			
Allowance for impairment or devaluation of investments		217,878,824	795,771,122
Allowance for impairment of loan portfolio		11,208,355,857	12,656,957,612
Allowance for impairment and default of other accounts receivable		1,880,533,761	1,847,957,815
Allowance for impairment of assets in lieu of payment		9,345,997,875	9,597,877,807
Income from reversal of allowance for impairment or devaluation of investments		(871,907,464)	(325,284,905)
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		(813,414,791)	(620,486,537)
Income from reversal of allowance for impairment of assets in lieu of payment		(18,134,740,641)	(14,718,952,903)
Profit or loss from the 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		(5,747,449,765)	(6,194,321,311)
Depreciation		6,313,742,493	6,456,531,334
Amortization		7,676,182,355	6,364,969,446
Provisions for pending lawsuits		3,366,881,115	713,632,776
Income from provisions		(252,140,234)	(64,679,349)
Income tax		9,469,404,075	10,352,961,521
Deferred income tax		8,535,349,995	0
Decrease in income tax		(6,159,595,122)	(799,504,756)
Decrease in income tax from previous periods		(719,133,155)	(155,284,663)
Legal allocations on profit		12,866,815,112	10,020,545,789
Interests for obligations with the public		44,218,744,932	49,261,256,541
Interests for obligations with financial entities		4,152,890,663	4,794,867,446
Income from availabilities		(469,165,917)	(378,865,525)
Income from investment in financial instruments		(41,870,337,951)	(38,667,859,224)
Income from loan portfolio		(109,118,884,985)	(113,802,140,516)
Gain or loss for exchange rate differences and UD (Development Units), net		(2,653,282,702)	(480,432,848)
Cash flows from operating activities		(18,018,893,197)	(213,423,017,759)
Net change in assets, increase or (decrease) for			
Increase in financial instruments - at fair value through profit or loss		(111,227,395,892)	(635,063,827,350)
Decrease in financial instruments - at fair value through profit or loss		152,397,737,839	557,090,722,605
Increase in financial instruments - at fair value through other comprehensive income		(2,094,065,881,930)	(816,830,635,023)
Decrease in financial instruments - at fair value through other comprehensive income		2,019,980,639,202	748,182,017,206
Loan portfolio		(46,906,134,427)	(124,773,417,680)
Accounts and commissions receivable		(1,170,133,793)	(8,938,251,454)
Available-for-sale assets		12,983,004,037	12,088,598,030
Interest receivable from financial instruments		24,954,309,961	16,549,460,349
Interest receivable from loan portfolio		11,907,282,379	29,895,987,136
Other assets		13,127,679,427	8,376,328,422
Net variations in liabilities, increase or (decrease)		(76,237,727,669)	265,892,448,546
Obligations with the public		(60,698,275,555)	303,423,697,130
Obligations with the Central Bank of Costa Rica and other entities		38,734,034,596	1,595,812,765
Obligations for accounts and commissions payable and provisions		(43,350,452,058)	(16,300,949,174)
Interest payable for obligations with the public		(11,721,832,367)	(13,312,292,969)
Interest payable for obligations with BCCR and other entities		(2,303,129,988)	(1,081,310,304)
Other liabilities		3,101,927,703	(8,432,508,902)
Interests paid		(33,806,921,245)	(40,163,902,151)
Dividends received		9,400,000,000	9,000,000,000
Collected interest		112,171,190,878	105,267,571,452
Paid income tax		(8,130,711,609)	(2,524,822,420)
Net cash flows provided by operating activities		(47,882,074,287)	87,857,223,142
Cash flow from investment activities			
Increase in financial instruments at amortized cost		(3,092,049,914,973)	(5,817,839,961,159)
Decrease in financial instruments at amortized cost		3,095,884,250,088	5,773,098,477,618
Acquisition of property, furniture and equipment		(13,118,476,275)	(4,370,766,127)
Decrease for withdrawal and transfer of property, furniture and equipment		4,623,893,733	51,482,011
Acquisition of intangibles		(6,952,102,235)	(3,926,501,975)
Decrease for withdrawals and transfer of intangibles		(5,286,128,588)	0
Return of capital from subsidiaries		200,000,001	0
Cash flows (used for) provided by investment		(16,698,478,249)	(52,987,269,632)
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		(44,598,581,486)	34,869,953,510
Cash and cash equivalents at the beginning of the year		906,345,063,539	817,924,074,792
Effect on changes in exchange rates on cash		29,601,409,711	2,347,175,008
Cash and cash equivalents at the end of the year	4 €	<u>891,347,891,764</u>	<u>855,141,203,310</u>

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

Douglas Soto L.
General Manager

Ana Lorena Brenes B.
Accountant

Rafael Mendoza M.
General Auditor a.i.

BANCO DE COSTA RICA

Notes to the separate financial statements

(1) Summary of operations and significant accounting policies

a. Operations

Banco de Costa Rica (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 is www.bancobcr.com

The Bank is mainly dedicated to extending loans and granting bid and performance bonds; issuing certificates of deposit; 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 30, 2022, the Bank has 163 distributed among the national territory (162 and 166 for December and June 2021, respectively) has in operation 585 automated teller machines (603 and 649 for December and June 2021, respectively) and has 3,894 employees (3,657 and 3,633 for December and June 2021, respectively).

The financial statements and their notes are expressed in colones (¢), the currency unit of the Republic of Costa Rica.

The Bank is shareholder owner of a 100% of the following subsidiaries:

BCR Valores, S.A. (brokerage firm) was organized as a corporation in February 1999 under the laws of the Republic of Costa Rica. Its main activity is securities trading.

BCR Sociedad Administradora de Fondos de Inversión, S.A. (investment fund manager company) was organized as a corporation in July 1999 under the laws of the Republic of Costa Rica. Its main activity is investment fund management.

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BANCO DE COSTA RICA

Notes to the separate financial statements

BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A. (pension fund operator) 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.

BCR Corredora de Seguros, S.A. (insurance broker) was organized as a corporation in February 2009 under the laws of the Republic of Costa Rica. Its main activity is insurance underwriting.

Banprocesa, 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.

In article 6 of the minutes of session 1676-2021, held on July 27, 2021, the National Financial System Supervisory Board, in article 6 of the minutes of session 1676-2021, held on July 27, 2021, authorizes the incorporation of Banprocesa as part of the BCR 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.

Bancrédito Sociedad Agencia de Seguros, S.A., organized in March 2009 under the laws of the Republic of Costa Rica. As of April 30, 2020, this entity was settled.

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

BANCO DE COSTA RICA

Notes to the separate financial statements

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, 50 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 stocks are owned by Banco Nacional de Costa Rica.

b. Accounting policies for financial statement preparation

The Bank's financial statements are prepared in compliance with the accounting regulations applicable to Supervised Entities, 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).

In January 2008, CONASSIF issued the Accounting Regulations Applicable to Entities Supervised by SUGEF, SUGEVAL and SUPEN and to non-financial issuers, and in September 2018 the Financial Information Regulation, SUGEF Agreement 30-18, was issued, in which CONASSIF establishes the accounting policies that must be used when IFRS have alternative treatments and their exceptions, which favors their comparability and the reading of financial information, both for national and foreign users. In addition, it includes the provisions on remission, presentation, and publication of financial statements in a single regulatory body, which provides greater uniformity in the performance of supervisory bodies, as well as avoiding duplication and redundancy.

Issuing new IFRSs or interpretation 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.

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.

(Continues)

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Notes to the separate financial statements

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. Interest 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 actives. 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 conversion adjustments and unrealized gain or loss on valuation of investments, are recognized in the same manner in the Bank's equity. These effects are recorded in the account “adjustment for valuation of shares in other companies”.

The Bank and subsidiaries must analyze and evaluate 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 Administration of each entity; it will transmit the proposal to the Board of Directors and subsequently send it 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.

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Notes to the separate financial statements

d. Foreign currency

i. *Foreign currency transactions*

Assets and liabilities held in foreign currency are converted to colones at the exchange rate ruling at the separate balance sheet date. Transactions in foreign currency during the year are converted at the foreign exchange rate ruling at the date of the transaction. Conversion gains or losses are presented in the 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:

- 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 for US\$1.00 (¢645,25 and ¢621,92 for December and June 2021, respectively).

Valuation in colones of monetary assets and liabilities in foreign currency during the period ended June 30, 2022, gave rise to foreign exchange losses of ¢658.417.141.851 (¢736.150.970.825 and ¢251.605.857.977, for December and June 2021, respectively) and gains for ¢660,179,505,047 (¢738.877.198.547 and ¢252.090.511.959, for December and June 2021, respectively), which are presented net in the income statement.

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Notes to the separate financial statements

Additionally, valuation of other assets and other liabilities gave rise to gains and losses, respectively, which are recorded in “Other operating income” and “Other operating expenses”, respectively. For the period ended June 30, 2022, valuation of other assets gave rise to gains of ₡469.606.383 (₡355.956.097 and ₡49.367.936, for December and June 2021, respectively) and valuation of other liabilities gave rise to losses of ₡163.709.540 (₡462.502.382 and ₡413.033.799, for December and June 2021, respectively).

iii. *Financial statements of foreign subsidiaries (BICSA)*

The financial statements of BICSA are presented in U.S. dollars.

Those financial statements were converted to Costa Rican colones as follows:

- Assets and liabilities at the closing exchange rate.
- Income and expenses at the average exchange rates in effect during each year.
- Equity at historical exchange rates, using the exchange rate in effect on the dates of the transactions.

Valuation of the participation in the financial statements of this foreign subsidiary gave rise to net profits in the period ended June 30, 2022, for ₡5.839.368.708 (₡1.204.741.412 and ₡663.492.998 for December and June 2021, respectively).

e. Basis for the preparation of financial statements

The financial statements have been prepared on the fair value basis for available-for-sale assets and trading financial instruments. 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.

(i) *Classification*

Financial instruments at fair value through profit or loss are those maintained by the Bank to generate short-term profits.

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BANCO DE COSTA RICA

Notes to the separate financial statements

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 those financial assets that have not been kept at fair value through profit or loss, have not been originated by the Bank and will not be held to maturity. Instruments at fair value through other comprehensive income include some debt securities.

(ii) Recognition

The Bank recognizes assets at fair value through other comprehensive income at the time it becomes an obligated party, according to the contractual clauses 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.

(iii) Measurement

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

Subsequent to 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-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.

(iv) Principles for measurement at fair value

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

(v) Gains and losses on subsequent measurement

Gains and losses produced by a change in the fair value of assets with changes through other comprehensive income are recognized directly in equity, until an investment is considered impaired, at which time the loss is recognized in the 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 income statement.

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Notes to the separate financial statements

(vi) Derecognition

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.

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 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.

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Notes to the separate financial statements

- 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.
- 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: Disclosure Information.

g. 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 to be cash and cash equivalents.

h. 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. (PIPICA).

The effect of market price valuation at fair value through other comprehensive income is included in the equity account named "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:

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Notes to the separate financial statements

- 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:
 - 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 changes in other comprehensive income.
- c. Fair value through changes in 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 the purposes of defining the business model, these correspond to the main business model that characterizes the management of the investment portfolio in the Bank.

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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Notes to the separate financial statements

On the other hand, in accordance with provisions of Law 9274, both the Investment Management Policy of the Development Credit Fund and 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 collect 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 investment portfolio of the Fund.

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 of October 29, 2019, 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.

In addition, and by definition of 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.

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Notes to the separate financial statements

i. 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, purchases 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. The Bank follows the policy of suspending interest accruals on loans with principal or interest that is more than 180 days past due.

j. Allowance for loan losses

The loan portfolio is valued in accordance with provisions established in SUGEF Directive 1-05 “Regulation for Qualifying Debtors”, which was approved by CONASSIF on November 24, 2005, published in Official Journal La Gaceta No. 238 on Friday, March 9, 2005, and became effective on 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). From May 23, 2019, the amount of ₡100.000.000 or its equivalent in foreign currency according to the sales 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 the following:

- Creditworthiness, which includes an analysis of projected cash flows, an analysis of financial position, consideration for 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 calculates the level of historical payment behavior for borrowers reported by entities during the previous month.
- Arrears

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Notes to the separate financial statements

- Pursuant to the Directive, collateral may be used to mitigate risk for purposes of calculating the allowance for loan impairment. The market value of collateral should be considered and adjusted at least once annually. 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 below:

<u>Risk category</u>	<u>Arrears</u>	<u>Historical payment behavior</u>	<u>Creditworthiness</u>
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 o 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 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:

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

Risk Category	Classification Criteria
1	a. Debtors up to date in the attention of 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
3	a. Debtors with delinquency of more than 30 days and up to 60 days with the entity b. 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. c. 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
4	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 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 qualifying 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 the Transitory XII.

The generic allowance will be 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 claims.

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 minus 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.

(Continues)

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Notes to the separate financial statements

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 unhedged borrowers, 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 unhedged debtors, 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%

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
More than 61 days	100%	0,5%	Level 1, Level 2, Level 3 or Level 4	Level 1 or Level 2

(Continues)

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Notes to the separate financial statements

As an exception for risk category E, from December 1, 2020 the minimum amount of allowance for credit operations with a debtor whose level of Historical Payment Behavior is at Level 3, must be calculated as follows:

Delinquency in the entity 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)
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, Level 2,	Level 1, Level 2,
90 days or less	50%	0.5%	Level 1, Level 2, Level 3, Level 4	Level 1, Level 2, Level 3, Level 4
More than 90 days	100%	0.5%	Level 1, Level 2, Level 3, Level 4	Level 1, Level 2, Level 3, Level 4

From July 2016, pursuant to SUGEF Directive 19-16, Agreement, “Regulation to determine and record 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%.

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 dis-accumulate, in accordance with the methodology established in the article and Article 5 “Accounting Registry” of that regulation.

As of the effective date of the amendment to article 12 of this Regulation and until December 31, 2021, according to transitory XXII, the balance of estimates registered 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 estimates for debtors reclassified to risk categories C1, C2, D and E according to articles 10 and 11 of Agreement SUGEF 1-05.

(Continues)

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Notes to the separate financial statements

As of June 30, 2022, the total estimate of the loan portfolio in the accounting records amounts to ¢165,485,287,318 (¢152,927,986,661 y ¢126,570,218,331, as of December and June 30, 2021, respectively).

As of June 30, 2022, the increases in the allowance for bad debts resulting from the minimum allowance are included in the accounting records, in compliance with article 17 of SUGEF Agreement 1-05 “Regulation for the qualification of debtors”, with prior authorization from the supervising entity, in accordance with article 10 of the Organic Law of the National Banking System.

As of June 30, 2021, management considers the allowance to be sufficient to absorb any potential losses that could be incurred on recovery of the portfolio.

Accounts and accrued interest receivable

To assess the risk of accounts and accrued interest receivable unrelated to loan operations, the Bank considers the arrears of the accounts based on ranges established for other assets in SUGEF Directive 1-05 adopted by CONASSIF.

<u>Arrears</u>	<u>Percentage of allowance</u>
30 days or less	2%
60 days or less	10%
90 days or less	50%
120 days or less	75%
More than 120 days	100%

Until IFRS 9, Financial Instruments, is implemented for the credit portfolio of financial intermediaries, the provisions established in the Regulation for the qualification of debtors, to quantify the credit risk and constitute the corresponding allowance, will be maintained in force and the entities will continue to calculate those allowances according to the methodology provided.

k. Securities sold under repurchase agreements

The Bank enters sales of securities under repurchase agreements for a certain date in the future at a fixed price. The obligation to repurchase securities sold is reflected as a liability in the separate balance sheet and stated 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 separate income statement, and accrued interest payable in the separate balance sheet.

(Continues)

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Notes to the separate financial statements

l. Accounting for accrued 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. Accrued interest receivable on those loans is recorded when collected.

m. Other receivables

The recoverability of these accounts is assessed by applying criteria similar to those established by SUGEF for the loan portfolio. If an account is not recovered within 120 days from the due date or the date recorded, an allowance is created for 100% of the outstanding balance. Accounts with no specified due date are considered payable immediately.

n. Foreclosed assets

Foreclosed assets are assets owned by the Bank for realization or sale. Included in this account are assets acquired in lieu of payment, assets adjudicated in judicial auctions, assets purchased to be leased under finance and operating leases, goods produced for sale, idle property and equipment, and other foreclosed assets.

Foreclosed 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 recorded in the accounting records for a foreclosed 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 expenditures related to foreclosed assets are to be expensed in the period incurred.

As market value, the net realizable value must be used, which must be determined by applying strictly conservative criteria and is calculated by subtracting the expenses to be incurred for the sale of the asset from the estimated sale price of the asset. 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 money invested and use it for its business activities. For all foreclosed assets, the Bank should have reports from the appraisers who made the appraisals, and those reports 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.

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

Supervised entities must record an estimate 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 leasing, within a period of two years, counted from the date of its acquisition or production. Pursuant to article 20-b of SUGEF Directive 1-05, the Regulated Entities are required to book an allowance for retired assets and for foreclosed 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-twenty-fourth of the value of such assets each month until the allowance is equivalent to 100% of the carrying amount of the assets, without exception. The recording of the allowance shall begin at month-end of the month in which the asset was i) acquired, ii) produced for sale or lease, or iii) retired from use.

In SUGEF Directive 30-18, in its article 16, it also indicates that 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

o. Offsetting

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

p. Property, furniture and equipment

(i) *Own assets*

Property 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.

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

(ii) *Leased assets*

Leases in terms of which the Bank assumes substantially all the risks and rewards of ownership are classified as finance leases.

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 using 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.

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

(iii) *Subsequent cost*

Costs incurred to replace a component of an item of property and equipment are capitalized and accounted for separately. Subsequent costs are only capitalized when they increase the future economic benefits. All other costs are recognized in the separate income statement when incurred.

(iv) *Depreciation*

Depreciation and amortization are charged to the income statement 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:

	<u>Useful lives</u>
Building	50 years
Vehicles	10 years
Furniture and equipment	10 years
Computer hardware	5 years
Improvements	5 years

(v) *Revaluation*

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

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BANCO DE COSTA RICA

Notes to the separate financial statements

If the realizable value of the assets is different than the one included in the accounting records, the Bank must adjust the book value 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 done on 2015 and the accounting record on November 30, 2015.

q. Deferred charges

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

r. Intangible assets

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

Amortization of IT systems is charged to profit or loss on a straight-line basis over the estimated useful lives of the related assets. The estimated useful life is five years.

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

s. Impairment of assets

The carrying amount of an asset is reviewed at each separate 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 separate 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 equivalent to the value obtained in an arm's length transaction. Value in use is the present value of future cash flows and disbursements derived from continuing use of an asset and from its disposal at the end of its useful life.

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BANCO DE COSTA RICA

Notes to the separate financial statements

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 through the separate income statement or separate statement of changes in equity, as appropriate.

SUGEF establishes, regardless of the previously expressed, at least once every five years, financial institutions must have its property appraised by an independent appraiser, in order 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 taken 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 book the applicable adjustments in the accounting records.

t. 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

u. Accounts payable and other payables

Accounts payable and other payables are recognized at cost.

v. Legal benefits (severance)

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

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

Pursuant to the Employee 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 employees.

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BANCO DE COSTA RICA

Notes to the separate financial statements

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

The amount of severance benefits not transferred to the Association is provisioned in accordance with the employer's legal obligation.

w. Legal reserve

According to Article 12 of the Organic Law of the National Banking System the Bank sets aside 50% of net earnings after income tax to increase its Legal Reserve.

x. Revaluation surplus

Revaluation surplus included in equity may be transferred directly to undistributed profits when the surplus is realized. The whole surplus is realized on the retirement, disposal, or use of the asset corresponding. The transfer of revaluation surplus to prior period retained earnings should not be made through the separate income statement. The Bank was authorized by SUGEF to capitalize revaluation surplus by increasing share capital.

y. Use of estimates

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

z. Recognition of main types of revenue and expenses

(i) *Financial income*

Financial income and expense are recognized in the separate income statement as it accrues considering the effective yield or interest rate. Financial income and expense include 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) *Fees and commissions income*

When loan originated fees are generated, they are taken against effective yield, and they are deferred over the loan term. Service fees and commissions are recognized when the services are rendered. In the case of other commissions related to the provision of services, these are recognized when the service is provided.

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

(iii) *Net income on trading securities*

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

(iv) *Operating lease expenses*

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

aa. 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 enacted at the separate balance sheet date, and any adjustment to tax payable in respect of previous years.

(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. A deferred tax asset is recognized only to the extent there is a reasonable probability that it will be realized.

bb. Pension, retirement, and outgoing personnel

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

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Notes to the separate financial statements

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

cc. Statutory 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 (prescribed by article 20 of the Law for the creation of the National Commission for Educational Loans (CONAPE) will be allocated as follows: two percent (2%) to CONAPE and three percent (3%) to the capital of the Development Financing Fund (FINADE). On January 2013 transitory III is removed and will continue calculating a 5% for CONAPE, in accordance with law 9092, Return of Income of the National Commissions for Educational Loans.

In accordance with article 46 of the "National Emergency and Risk Prevention Act", 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 statutory allocations and of their accumulated budget surplus to 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 appropriations.

Pursuant to article 78 of the Employee 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 CCSS coverage for impoverished non-salaried workers. According to Executive Decree number 37127-MTSS, beginning in 2013 a progressive yearly contribution from net earnings must be set aside beginning with 5% in 2013, up to 7% beginning in 2015 and 15% in 2017.

dd. Development Financing Fund

In accordance with article 32 of Law No. 8634 "Development Banking System", all State-owned banks, except Banco Hipotecario para la Vivienda (BANHVI), shall appropriate each year at least five percent (5%) of their net earnings after income taxes to the creation and strengthening of its own development funds. The objective of that appropriation is to provide financing to individuals and legal entities that present viable and feasible projects in conformity with the provisions of the law (See note 35).

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Notes to the separate financial statements

ee. 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 administrators’ 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) Administrators’ 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 Banks can perform services for other financial entities, except for private banks provided they meet the objectives and obligations under Law 8634 and that are duly accredited by the Board.
- c) The Banks may proceed or carry on in accordance with Article 35 Law 8634 the resources of the Development Credit Fund through: associations, cooperatives, foundations, NGO, producers’ organizations, or other entities if they have credit operations in programs that meet the objectives established in the Law 8634 and are duly accredited by the 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 the Law 8634 and its executive regulations, if the Banks Administrators demonstrate proven lack of capacity and expertise. (See note 36).

ff. Economic period

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

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(2) Collateralized or restricted assets

The collateralized or restricted assets are as follows:

	<u>June 2022</u>	<u>December 2021</u>	<u>June 2021</u>
Cash due from banks (see note 4))	¢ 635.790.684.793	642.658.686.723	584.288.625.714
Investment in financial instruments (see note 5)	278.846.915.913	184.673.105.382	132.153.069.705
	<u>¢ 914.637.600.706</u>	<u>827.331.792.105</u>	<u>716.441.695.419</u>

(3) Balances and transactions with related parties

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

	<u>June 2022</u>	<u>December 2021</u>	<u>June 2021</u>
Assets:			
Availabilities	¢ 30.191.611.688	31.656.768.349	28.918.472.493
Loan portfolio	19.402.981	197.687.717	195.883.689
Accounts receivable	3.418.146.384	3.793.619.122	3.941.693.505
Interest in other companies	128.128.652.758	128.725.242.930	120.191.673.358
Total assets	<u>¢ 161.757.813.811</u>	<u>164.373.318.118</u>	<u>153.247.723.045</u>
Liabilities:			
Obligations with the public	¢ 4.920.941.680	6.213.938.434	7.374.653.842
Total liabilities	<u>¢ 4.920.941.680</u>	<u>6.213.938.434</u>	<u>7.374.653.842</u>
Income:			
Financial income	¢ 316.224.832	646.694.969	323.917.295
Income from investments in other companies	6,130,297,161	12.217.142.197	6.195.470.311
Sundry operating income	823.199.250	3.863.921.014	1.645.023.491
Total income	<u>¢ 7.269.721.243</u>	<u>16.727.758.180</u>	<u>8.164.411.097</u>
Expenses:			
Finance expense	¢ 361.105.867	71.879.539	11.606.959
Expense from investments in other companies	382,847,397	941.266.721	1.149.000
Sundry operating expenses	325.540.319	16.273.212	241.747.987
Total expenses	<u>¢ 1.069.493.583</u>	<u>1.029.419.472</u>	<u>254.503.946</u>
Equity::			
Adjustment for valuation of investments in other companies	<u>¢ (2.583.408.644)</u>	<u>1.114.508.511</u>	<u>1.249.787.596</u>

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Notes to the separate financial statements

As of June 30, 2022, there are no amounts in investments for participations in funds managed by BCR Sociedad Administradora de Fondos de Inversión, S. A. (subsidiary company). In December and June 2021 there were no such investments).

The amount paid for remunerations to key personnel is detailed as follows:

		June 2022	December 2021	June 2021
Short-term benefits	¢	481.650.775	951.320.781	475.231.478
Board per-diem		29.346.100	116.809.534	64.278.613
	¢	510.996.875	1.068.130.315	539.510.091

(4) Availabilities

Cash and cash equivalents are as follows for purposes of reconciliation with the separate statement of cash flows:

		June 2022	December 2021	June 2021
Cash	¢	78.033.709.746	99.550.418.210	70.111.939.094
Demand deposits BCCR		549.523.413.350	578.167.488.236	591.615.645.758
Checking accounts and demand deposits in local financial entities		147.118.430.661	91.692.364.244	42.494.638.583
Notes payable on demand		2.820.177.901	475.541.407	2.064.720.573
Restricted availabilities		97.506.919.472	94.519.649.484	11.568.276.939
Total cash and due from Banks		875.002.651.130	864.405.461.581	717.855.220.947
Investment in financial instruments to be traded		16.345.240.634	41.939.601.958	137.285.982.363
Total cash and cash equivalents	¢	891.347.891.764	906.345.063.539	855.141.203.310

As of June 30, 2022, demand deposits in the Central Bank of Costa Rica (BCCR) are restricted to comply with the minimum legal reserve for ¢635.790.684.793 (¢642.658.686.723 y ¢584.288.625.714, for December and June 2021, respectively).

As of June 30, 2022, there is a liability called “checks receivable” for an amount of ¢1.511.331.463 which are cleared with the account of immediate collection documents. in the clearinghouse the next day (¢1.185.956.937 y ¢1.482.475.295 for December and June 2021, respectively).

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

(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	¢ 251.057.564.885	292.227.906.832	206.330.219.923
At fair value through other comprehensive income	1.436.827.734.304	1.433.296.430.848	1.239.153.974.765
At amortized cost	0	3.834.335.115	99.602.851.252
Interest receivable for investments at fair value through profit or loss	5.040.194.330	3.707.798.210	2.375.535.126
Interest receivable for investments at fair value through other comprehensive income	20.764.414.772	21.246.511.751	19.613.223.507
Allowance for investments in default	0	0	(266.179)
	¢ 1.713.689.908.291	1.754.312.982.756	1.567.075.538.394
	June 2022	December 2021	June 2021
At fair value through profit or loss	Fair value	Fair value	Fair value
<u>Local issuers:</u>			
Open investment funds	136.836.314.885	176.082.906.832	73.861.259.923
	136.836.314.885	176.082.906.832	73.861.259.923
<u>Issuers abroad:</u>			
Private banks	114.221.250.000	116.145.000.000	132.468.960.000
	¢ 251.057.564.885	292.227.906.832	206.330.219.923
	June 2022	December 2021	June 2021
At fair value through other comprehensive income	Fair value	Fair value	Fair value
<u>Local issuers:</u>			
Government	¢ 1.309.853.199.587	1.296.769.933.999	1.056.478.894.129
State-owned Banks	102.621.985.275	106.948.003.417	145.054.130.804
Private Banks	3.229.688.018	5.290.013.400	26.289.637.470
Private issuers	9.264.458.550	11.817.373.282	11.331.312.362
	1.424.969.331.430	1.420.825.324.098	1.239.153.974.765
<u>Issuers abroad:</u>			
Private issuers	11.858.402.875	12.471.106.750	0
	¢ 1.436.827.734.305	1.433.296.430.848	1.239.153.974.765

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

As of June 30, 2022, the investment portfolio amounts to ₡166,422,684,590 (₡166,232,001,552 y ₡133,089,265,271, for December and June 2021, respectively) corresponding to the managed amounts of the Development Credit Fund (See note 36).

Maturities for investments in financial instruments are from July 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%

As of June 30, 2022, there are no collateral investments, to ₡278.846.915.913 (₡184.673.105.382 y ₡132.153.069.705 as of December and June 2021, respectively) (see note 2).

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.

As of June 30, 2022, the Bank does not hold amounts in resale operations.

As of December 31, 2021, purchased financial instruments remain under resale agreements.

<u>Issuer</u>	<u>Asset's balance</u>	<u>Guarantee's fair value</u>	<u>Repurchase date</u>	<u>Repurchase Price</u>
Banco Central de Costa Rica	1.950.281.667	1.950.281.667	30/12/2021 to 03/01/2022	100.00%
Local government	₡ 1.884.666.990	1.884.666.990	30/12/2021 to 03/01/2022	100.00%
	₡ <u>3.834.948.657</u>	<u>3.834.948.657</u>		

As of June 30, 2021, purchased financial instruments remain under resale agreements

<u>Issuer</u>	<u>Asset's balance</u>	<u>Guarantee's fair value</u>	<u>Repurchase date</u>	<u>Repurchase Price</u>
Banco Central de Costa Rica	78.001.357.778	78.001.357.778	01-07-2021 to 01/07/2021	100.00%
Local government	₡ 21.601.493.474	21.601.493.474	01-07-2021 to 27/08/2021	100.00%
	₡ <u>99.602.851.252</u>	<u>99.602.851.252</u>		

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

(6) Loan portfolio

(a) Loan portfolio by sector

	June 2022	December 2021	June 2021
Current loans			
Loans – Personal	¢ 1.292.019.916.063	1.262.405.058.495	1.229.883.807.327
Loans Development Banking System	65.832.688.779	61.422.876.460	58.422.768.528
Loans - Business	85.743.179.286	86.414.336.923	91.261.781.665
Loans - Corporate	1.478.478.831.604	1.374.296.959.465	1.245.570.208.367
Loans – Public Sector	50.792.961.008	55.223.173.142	106.657.925.474
Loans – Financial Sector	63.337.271.304	82.551.873.032	103.763.688.734
	<u>3.036.204.848.044</u>	<u>2.922.314.277.517</u>	<u>2.835.560.180.095</u>
Past due loans			
Loans – Personal	135.171.885.487	138.706.195.554	79.274.237.013
Loans Development Banking System	3.148.331.107	3.044.541.896	1.039.460.405
Loans - Business	16.817.317.722	18.312.186.433	12.412.111.893
Loans - Corporate	45.828.213.535	59.400.642.657	69.486.741.361
Loans – Public Sector	1.188.183	0	0
	<u>200.966.936.034</u>	<u>219.463.566.540</u>	<u>162.212.550.672</u>
Loans in legal collection			
Loans – Personal	31.136.548.546	29.835.518.344	31.507.090.133
Loans Development Banking System	144.885.505	53.376.648	53.913.473
Loans - Business	3.889.004.662	4.569.486.592	4.442.870.554
Loans - Corporate	21.059.438.087	17.653.279.083	15.963.034.531
	<u>56.229.876.800</u>	<u>52.111.660.667</u>	<u>51.966.908.691</u>
¢	<u>3.293.401.660.878</u>	<u>3.193.889.504.724</u>	<u>3.049.739.639.458</u>

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

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

(b) Loan portfolio by activity

Economic activity	June 2022	December 2021	June 2021
Agriculture, livestock, hunting and related services	¢ 178.813.627.193	149.043.571.577	148.717.905.564
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	309.416.576.629	285.047.581.797	267.827.875.515
Telecommunications and public utilities	236.781.622.543	163.842.838.285	101.612.174.147
Mining and quarrying	32.154.147	35.408.877	38.552.258
Trade	223.218.362.049	201.575.626.184	187.251.831.083
Services	291.551.646.313	359.874.194.204	438.745.516.066
Transportation	36.230.330.641	37.588.886.200	38.397.344.643
Financial activity and stock exchange	3.565.001.637	3.747.089.931	3.886.564.292
Real estate, business, and lease activities	36.543.636.426	37.403.809.988	37.925.327.331
Construction, purchase, and repair of real estate	1.324.812.544.512	1.271.588.188.876	1.185.604.471.814
Consumer	267.178.397.576	280.742.362.650	285.446.132.262
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 of the non- financial Private sector	741.728.291	707.076.325	1.367.470.534
	<u>3.293.401.660.878</u>	<u>3.193.889.504.724</u>	<u>3.049.739.639.461</u>
Interest receivable	17.819.183.874	16.243.877.380	28.298.935.688
Deferred income from loan portfolio	(19.340.709.176)	(19.009.378.028)	(18.337.740.681)
Less allowance for loan losses	(165.485.287.318)	(152.927.986.661)	(126.570.218.331)
	<u>¢ 3.126.394.848.258</u>	<u>3.038.196.017.415</u>	<u>2.933.130.616.137</u>

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

(c) Loan portfolio by arrears

The loan portfolio by arrears is detailed as follows:

	June 2022	December 2021	June 2021
Current	¢ 3.036.204.848.044	2.922.314.277.517	2.835.560.180.095
01 to 30 days	91.075.710.875	97.881.257.243	77.522.576.340
31 to 60 days	40.378.864.518	50.160.113.927	23.762.372.796
61 to 90 days	25.284.981.119	33.431.546.719	31.547.663.989
91 to 120 days	5.033.726.923	6.950.701.209	3.416.140.158
121 to 180 days	6.942.026.140	3.489.845.313	24.039.166.558
More than 181 days	88.481.503.258	79.661.762.797	53.891.539.522
	¢ 3.293.401.660.877	3.193.889.504.725	3.049.739.639.458

The Bank classifies as past due and delinquent those loans that have not made principal or interest payments for one day after the agreed date.

(d) Past due loans

The past due loans, including loans in accrual status and unearned interest on past due loans, are as follows:

	June 2022	December 2021	June 2021
Number of operations	2.241	1.481	2.435
Past due loans in non-accrual status	¢ 88.481.503.259	79.661.762.798	53.891.539.523
Past due loans in accrual status	¢ 168.715.309.575	191.913.464.409	160.287.919.840
Total unearned interest	¢ 14.778.652.383	12.456.568.838	15.724.437.208

Loans in legal collections as of June 30, 2022:

<u>No. of loans</u>	<u>Percentage</u>	<u>Balance</u>
1.069	1.71%	¢ <u>56.229.876.800</u>

As of June 30, 2022, the average annual interest rate accrued on the loans is 6,94% in colones (7,47% and 7,27%, for December and June 2021, respectively) and 5,58% in US dollars (6,98% and 6,04%, for December and June 2021 respectively).

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

Loans in legal collections as of December 31, 2021:

<u>No. of loans</u>	<u>Percentage</u>		<u>Balance</u>
987	1.63%	¢	<u>52.111.660.667</u>

Loans in legal collections as of June 30, 2021:

<u>No. of loans</u>	<u>Percentage</u>		<u>Balance</u>
1.044	1.70%	¢	<u>51.966.908.691</u>

(e) Accrued interest receivable on loan portfolio

Interest receivables by economic sector are detailed as follows:

		<u>June 2022</u>	<u>December 2021</u>	<u>June 2021</u>
Loans – Personal	¢	7.980.702.466	7.826.867.746	15.437.446.985
Loans Development Banking System		205.494.260	142.948.325	295.598.661
Loans - Business		1.064.094.648	1.068.517.022	2.108.381.986
Loans - Corporate		8.060.814.812	6.653.617.498	9.538.123.589
Loans – Public Sector		275.003.584	278.748.030	527.528.800
Loans – Financial Sector		233.074.104	273.178.759	391.855.667
	¢	<u>17.819.183.874</u>	<u>16.243.877.380</u>	<u>28.298.935.688</u>

Interest receivable by aging is detailed as follows:

		<u>June 2022</u>	<u>December 2021</u>	<u>June 2021</u>
Current loans	¢	9.970.508.080	8.689.842.298	21.815.478.287
Past due loans		4.582.285.485	4.803.207.484	3.855.675.403
Loans in legal collection		3.266.390.309	2.750.827.598	2.627.781.998
	¢	<u>17.819.183.874</u>	<u>16.243.877.380</u>	<u>28.298.935.688</u>

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

(f) Allowance for loan impairment

Movement in the allowance for loan impairment, is as follows:

2022 opening balance	¢	152.927.986.661
Plus:		
Allowance charged to profit or loss (see note 25)		11.208.355.857
Adjustment for foreign exchange differences		4.373.505.175
Less:		
Transfer paid balances		(2.459.875.871)
Reversal of allowance against income (see note 26)		(564.679.659)
Transfer of balances		(4.845)
Balance as of June 30, 2022	¢	<u>165.485.287.318</u>

Balance as of December 31, 2021

2021 opening balance	¢	119.006.689.665
Plus:		
Allowance charged to profit or loss (see note 25)		39.307.725.100
Movement of balances		35.102
Adjustment for foreign exchange differences		2.460.005.646
Less:		
Adjustment for foreign exchange differences		(97.104.735)
Transfer paid balances		(5.370.964.943)
Reversal of allowance against income (see note 26)		(2.378.084.879)
Transfer of balances		(314.295)
Balance as of December 31, 2021	¢	<u>152.927.986.661</u>

Balance as of June 30, 2021

2021 opening balance	¢	119.006.689.665
Plus:		
Allowance charged to profit or loss (see note 25)		12.656.957.612
Adjustment for foreign exchange differences		412.466.282
Less:		
Adjustment for foreign exchange differences		(97.104.735)
Transfer paid balances		(3.033.251.858)
Reversal of allowance against income (see note 26)		
Balance as of June 30, 2021	¢	<u>126.570.218.331</u>

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

(g) Syndicated loans

As of June 30, 2022, and December 2021, the Bank does not have a syndicated loan portfolio with other banks.

These operations did not generate the Bank revenue for the administration of syndicated loans.

As of June 31, 2021, the Bank's syndicated loan portfolio is as follows:

	<u>Number of Operations</u>	<u>Syndicated balance, other</u>	<u>Syndicated balance BCR</u>	<u>Total, balance</u>
Banco Internacional de Costa Rica, S.A.	2	¢ 5.773.969.972	11.023.796.360	16.797.766.332
	2	¢ 5.773.969.972	11.023.796.360	16.797.766.322

(7) Foreclosed assets, net

The foreclosed assets are presented net of the allowance for impairment and per legal requirement, as follows:

	<u>June 2022</u>	<u>December 2021</u>	<u>June 2021</u>
Real estate	¢ 102.443.583.170	115.853.794.973	129.799.081.844
Other acquired assets	417.293.617	528.893.782	531.649.251
Purchased for sale	1.197.806.332	1.386.351.974	1.199.915.493
Idle property and equipment	1.963.953.968	1.968.406.826	1.902.377.785
	<u>106.022.637.087</u>	<u>119.737.447.555</u>	<u>133.433.024.373</u>
Allowance for impairment and per legal requirement	<u>(68.591.432.667)</u>	<u>(77.384.628.291)</u>	<u>(85.906.709.712)</u>
	¢ <u>37.431.204.420</u>	<u>42.352.819.264</u>	<u>47.526.314.661</u>

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

The movement of the foreclosed assets is as follows:

	June 2022	December 2021	June 2021
At the beginning of the year	¢ 119.737.447.555	136.662.064.222	136.662.064.222
Increase of foreclosed assets	8.788.002.208	31.258.155.819	15.892.290.813
Transfer of property, furniture, and equipment out of use	943.392.497	573.500.629	58.316.807
Increase in acquired-for-sale assets	2.002.506.970	3.944.125.165	1.776.237.264
Sale of assets	(24.500.866.789)	(51.951.624.937)	(20.656.266.169)
Withdrawal of property, furniture and equipment out of use	(947.845.354)	(748.773.343)	(299.618.564)
Balance at the end of the period	¢ <u>106.022.637.087</u>	<u>119.737.447.555</u>	<u>133.433.024.373</u>

The movement in the allowance of foreclosed assets is as follows:

	June 2022	December 2021	June 2021
Opening balance	¢ 77.384.628.291	91.269.086.566	91.269.086.566
Increases in allowance	9.345.997.875	19.500.570.250	9.597.877.807
Reversals in allowance	(18.134.740.641)	(33.087.363.274)	(14.718.952.903)
Transfer to unused accounts	0	(297.665.251)	(241.301.758)
Transfer of balances Bancrédito	(4.452.858)	0	0
Balance at the end of the period	¢ <u>68.591.432.667</u>	<u>77.384.628.291</u>	<u>85.906.709.712</u>

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

(8) Investments in other companies

Investments in other companies are as follows:

	June 2022	December 2021	June 2021
<u>Local entities:</u>			
BCR Valores, S.A. (Stock Exchange)	¢ 20.155.959.704	23.653.664.329	21.755.457.753
BCR Sociedad Administradora de Fondos Inversión, S.A. (Investment Fund Manager)	7.063.933.113	8.869.014.944	7.698.823.499
BCR Pensión, Operadora de Planes de Pensiones Complementarias, S.A. (Pension Fund Operator)	6.375.825.922	6.825.171.934	5.698.983.956
BCR Corredora de Seguros, S.A. Seguros (Insurance Broker)	6.792.662.858	8.363.202.405	7.017.654.246
Capital interest in Banprocesa, S.R.L.	195.385.888	192.593.965	778.286.171
Capital interest in Depósito Agrícola de Cartago S.A.	963.969.105	926.303.518	905.744.388
	<u>41.547.736.590</u>	<u>48.829.951.095</u>	<u>43.854.950.013</u>
<u>Foreign entities:</u>			
Banco Internacional de Costa Rica, S.A. and subsidiary	86.580.916.168	79.895.291.835	76.336.723.345
	<u>¢ 128.128.652.758</u>	<u>128.725.242.930</u>	<u>120.191.673.358</u>

Banco Internacional de Costa Rica, S.A. and subsidiary (BICSA) was organized as a bank under the laws of the Republic of Panamá in 1976. It operates under a general license granted by the Superintendencia of Banks of Panama to engage in banking transactions in Panama or abroad. BICSA is in the city of Panama, Republic of Panama, BICSA Financial Center, 50 floor, Avenida Balboa and Calle Aquilino de la Guardia.

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

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

The Bank's income statement as of June 30, 2022, includes ¢1.022.014.562 (¢1.204.741.412 y ¢479.687.828 for December and June 2021, respectively) for BICSA's result of operations.

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BANCO DE COSTA RICA

Notes to the separate financial statements

The Bank's statement of changes in equity for the period ended March 31, 2022, includes an increase in equity for ¢5.839.368.708 (¢3.620.787.490 y ¢663.492.998, for December and June 2021, respectively), corresponding to changes arising from translation of BICSA's financial statements.

As of April 26, 2022, BCR Corredora de Seguros, S.A. distributed dividends in the amount of ¢3.100.000.000, in compliance with resolution of the Extraordinary General Shareholder's Meeting N° 06-22, of April 19, 2022.

As of April 27, 2022, BCR Sociedad Administradora de Fondos de Inversión, S.A., distributed dividends in the amount of ¢2.750.000.000, in compliance with resolution of the Extraordinary General Shareholder's Meeting N° 06-2022, of April 19, 2022.

As of April 26, 2022, BCR Valores, S.A., distributed dividends in the amount of ¢3.000.000.000, in compliance with resolution of the Extraordinary General Shareholder's Meeting N° 06-2022, of 19 April 2022.

As of April 26, 2022, BANPROCESA, S.R.L., distributed dividends in the amount of ¢300.000.000, in compliance with resolution of the Extraordinary General Shareholder's Meeting N° 06-2022, of 19 April 2022.

As of March 18, 2021, BCR Corredora de Seguros, S.A. distributed dividends in the amount of ¢3.000.000.000, in compliance with resolution of the Extraordinary General Shareholder's Meeting N° 02-21, of March 23, 2021.

As of April 05, 2021, BCR Pension Operadora, S.A., distributed dividends in the amount of ¢750.000.000, in compliance with resolution of the Extraordinary General Shareholder's Meeting N° 02-21, of March 23, 2021.

As of April 9, 2021, BCR Sociedad Administradora de Fondos de Inversión, S.A., distributed dividends in the amount of ¢2.750.000.000, in compliance with resolution of the Extraordinary General Shareholder's Meeting N° 02-2021.

As of April 28, 2021, BCR Valores, S.A., distributed dividends in the amount of ¢2.500.000.000, in compliance with resolution of the Extraordinary General Shareholder's Meeting N° 02-2021.

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

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

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, through the approval in minutes 55-21.

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.

BANCO DE COSTA RICA

Notes to the separate financial statements

(9) Property and equipment

As of June 30, 2022, property and equipment is as follows:

<u>Cost:</u>	<u>Land</u>	<u>Building</u>	<u>Furniture and equipment</u>	<u>Computer hardware</u>	<u>Vehicles</u>	<u>Finance leases</u>	<u>Total</u>
Balance at December 31, 2021	¢ 35.317.661.377	73.872.550.839	37.793.963.086	48.592.243.511	5.315.095.937	23.187.060.908	224.078.575.658
Additions	0	100.673.617	1.447.586.806	4.648.273.660	0	6.921.942.192	13.118.476.275
Withdrawals	0	0	(20.480.104)	(38.394.887)	0	0	(58.874.991)
Transfers	0	0	(614.494.628)	(4.913.585.245)	0	118.608.857	(5.409.471.016)
Balance at June 30, 2022	<u>35.317.661.377</u>	<u>73.973.224.456</u>	<u>38.606.575.160</u>	<u>48.288.537.039</u>	<u>5.315.095.937</u>	<u>30.227.611.957</u>	<u>231.728.705.926</u>
<u>Accumulated depreciation and impairment:</u>							
Balance at December 31, 2021	0	24.237.889.998	22.176.989.968	30.083.431.088	3.795.485.935	2.125.480.583	82.419.277.572
Depreciation expense	0	953.571.844	1.323.260.626	2.477.431.760	130.626.789	1.428.851.474	6.313.742.493
Withdrawals	0	0	(941.948.165)	(26.117.255)	0	0	(968.065.420)
Transfers	0	(226.068)	857.789.196	(853.020.797)	461.958	(79.637.133)	(74.632.844)
Balance at June 30, 2022	¢ <u>0</u>	<u>27.061.524.635</u>	<u>24.620.227.484</u>	<u>36.055.794.593</u>	<u>4.177.895.011</u>	<u>5.793.401.014</u>	<u>97.708.842.737</u>
June 30, 2022	¢ <u>35.317.661.377</u>	<u>46.911.699.821</u>	<u>13.986.347.676</u>	<u>12.232.742.446</u>	<u>1.137.200.926</u>	<u>24.434.210.943</u>	<u>134.019.863.189</u>

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

As of December 31, 2021, property and equipment is as follows:

Cost:	Land	Building	Furniture and equipment	Computer hardware	Vehicles	Finance leases	Total
Balance at December 31, 2020	€ 35.091.690.377	72.815.609.798	35.089.805.265	46.440.889.656	5.200.024.297	23.187.060.908	217.825.080.301
Additions	225.971.000	1.056.941.041	3.280.010.854	3.064.984.085	115.071.640	0	7.742.978.620
Withdrawals	0	0	(1.157.538.257)	(746.741.476)	0	0	(1.904.279.733)
Transfers	0	0	(344.870.248)	(166.888.754)	0	0	(511.759.002)
Revaluation	0	0	926.555.472	0	0	0	926.555.472
Balance at December 31, 2021	35.317.661.377	73.872.550.839	37.793.963.086	48.592.243.511	5.315.095.937	23.187.060.908	224.078.575.658
<u>Accumulated depreciation and impairment:</u>							
Balance at December 31, 2020	0	24.237.889.998	22.176.989.968	30.083.431.088	3.795.485.935	2.125.480.583	82.419.277.572
Depreciation expense	0	1.870.288.861	2.569.301.040	5.271.404.216	251.320.329	2.707.226.347	12.669.540.793
Withdrawals	0	0	(1.389.442.141)	(754.439.772)	0	0	(2.143.881.913)
Transfers	0	0	24.276.960	(142.894.647)	0	(388.520.257)	(507.137.944)
Balance at December 31, 2021	€ 0	26.108.178.859	23.381.125.827	34.457.500.885	4.046.806.264	4.444.186.673	92.437.798.508
December 31, 2021	€ 35.317.661.377	47.764.371.980	14.412.837.259	14.134.742.626	1.268.289.673	18.742.874.235	131.640.777.150

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

As of June 31, 2021, property and equipment is as follows:

	Land	Building	Furniture and equipment	Computer hardware	Vehicles	Finance leases	Total
Cost:							
Balance at December 31, 2020	¢ 35.091.690.377	72.815.609.798	35.089.805.265	46.440.889.656	5.200.024.297	23.187.060.908	217.825.080.301
Additions	0	1.040.416.206	2.814.476.995	502.872.927	13.000.000	0	4.370.766.128
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 at June 30, 2021	<u>35.091.690.377</u>	<u>73.856.026.004</u>	<u>37.139.355.349</u>	<u>46.827.780.432</u>	<u>5.213.024.297</u>	<u>23.187.060.908</u>	<u>221.314.937.367</u>
Accumulated depreciation and impairment							
Balance at December 31, 2020	0	24.237.889.998	22.176.989.968	30.083.431.088	3.795.485.935	2.125.480.583	82.419.277.572
Depreciation expense	0	927.767.355	1.426.815.516	2.622.999.924	125.335.164	1.353.613.375	6.456.531.334
Withdrawals	0	0	(626.311.849)	(66.971.518)	0	0	(693.283.367)
Transfers	0	0	(97.029.991)	(39.113.693)	0	(194.260.331)	(330.404.015)
Balance at June 30, 2021	¢ <u>0</u>	<u>25.165.657.353</u>	<u>22.880.463.644</u>	<u>32.600.345.801</u>	<u>3.920.821.099</u>	<u>3.284.833.628</u>	<u>87.852.121.525</u>
June 30, 2021	¢ <u>35.091.690.377</u>	<u>48.690.368.651</u>	<u>14.258.891.705</u>	<u>14.227.434.631</u>	<u>1.292.203.198</u>	<u>19.902.227.280</u>	<u>133.462.815.842</u>

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

(10) Other assets

(a) Other deferred charges

Other deferred charges are detailed as follows:

	June 2022	December 2021	June 2021
Improvements in property in operating lease	¢ 1.027.041.449	1.090.977.686	1.326.272.178
Pre-issuance costs of financial instruments	141.911.755	280.673.715	417.800.185
Other deferred charges	0	5.975.329.081	7.676.456.850
	¢ 1.168.953.204	7.346.980.482	9.420.529.213

(b) Intangible assets

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

	2022
<i>Cost:</i>	
Balance as of December 31, 2021	¢ 45.385.780.627
Additions to computer systems	6.952.102.235
Transfer balances	10.756.336.288
Withdrawals	(192.045.890)
Balance as of June 30, 2022	62.902.173.260
<i>Accumulated amortization and impairment:</i>	
Balance as of December 31, 2021	30.525.929.547
Expense for amortization of computer systems	4.902.665.389
Transfer balances	5.425.788.009
Withdrawals	(147.626.199)
Balance of amortization and impairment as of June 30, 2022	40.706.756.746
<i>Balances, net:</i>	
Balance as of June 30, 2022	¢ 22.195.416.514

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

Balance as of December 31, 2021

Cost:

Balance as of December 31, 2020	¢	36.626.210.835
Additions to computer systems		9.053.541.095
Withdrawals		<u>(293.971.303)</u>
Balance as of December 31, 2021		<u>45.385.780.627</u>

Accumulated amortization and impairment:

Balance as of December 31, 2020		23.552.652.071
Expense for amortization of computer systems		7.253.020.913
Transfer balances		814.545
Withdrawals		<u>(280.557.982)</u>
Balance of amortization and impairment as of December 31, 2021		<u>30.525.929.547</u>
Balance as of December 31, 2021	¢	<u>14.859.851.080</u>

Balance as of June 30, 2021

Costo:

Balance as of December 31, 2020	¢	36.626.210.835
Additions to computer systems		3.926.501.975
Withdrawals		<u>(4,471,107)</u>
Balance as of June 30, 2021		<u>40.548.241.703</u>

Accumulated amortization and impairment:

Balance as of December 31, 2020		23.552.652.071
Expense for amortization of computer systems		3.402.297.689
Withdrawals		<u>(4.471.107)</u>
Balance of amortization and impairment as of June 30, 2021		<u>26.950.478.653</u>
Balance as of June 30, 2021	¢	<u>13.597.763.050</u>

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

(c) Other assets

Other assets are detailed as follows:

	June 2022	December 2021	June 2021
Prepaid taxes	¢ 13.435.715.377	19.995.273.395	8.529.068.560
Prepaid rentals	78.383	78.383	78.383
Prepaid insurance policy	188.617.594	50.297.343	149.860.446
Prepaid expenses	13.624.411.354	20.045.649.121	8.679.007.389
Stationery, supplies and other materials	184.027.122	166.254.296	138.094.241
Library and works of art	2.057.477	2.057.436	2.057.413
Constructions in process	5.401.400.067	5.266.177.614	4.272.347.073
Amortized applications in development	3.292.345.559	4.651.558.418	3.263.729.427
Rights in social and union institutions	36.633.800	36.633.800	36.633.800
Other sundry assets	2.064.373.131	2.064.373.131	2.064.373.132
Miscellaneous goods	10.980.837.156	12.187.054.695	9.777.235.086
Missing cash	75.755.757	46.699.731	64.729.459
Transactions to be settled	25.418.818.006	19.067.613.240	31.906.845.117
Other charge pending operations	145.518.140	138.719.811	120.324.899
Operations pending ascription	25.640.091.903	19.253.032.782	32.091.899.475
Deposits in guarantee	235.254.896	223.354.233	217.804.783
Restricted assets	235.254.896	223.354.233	217.804.783
	¢ 50.480.595.309	51.709.090.831	50.765.946.733

(11) Demand obligations with the public

Demand obligations with the public as follows:

	June 2022	December 2021	June 2021
Checking accounts	¢ 2.130.810.733.864	2.273.166.980.463	1.977.661.011.121
Certification checks	117.787.934	33.244.663	134.154.049
Demand saving deposits	1.046.263.953.990	1.003.981.124.100	875.702.431.173
Matured term deposits	3.342.425.728	2.504.906.622	3.452.843.954
Other demand obligations with the public	7.924.067.944	3.780.361.983	5.693.470.852
	¢ 3.188.458.969.460	3.283.466.617.831	2.862.643.911.149

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

(12) Term and demand deposits from clients

Term and demand deposits from the clients according to number of clients and amounts, are detailed as follows:

	June 2022	December 2021	June 2021
	Demand	Demand	Demand
Public	¢ 3.180.534.901.517	3.279.686.255.848	2.856.950.440.296
Other obligations with the public	7.924.067.943	3.780.361.983	5.693.470.853
	<u>3.188.458.969.460</u>	<u>3.283.466.617.831</u>	<u>2.862.643.911.149</u>
State-owned entities	4.152.542.241	2.944.736.524	6.924.419.250
Deposits from other banks	3.723.447.026	3.317.575.896	4.486.652.103
Other financial entities	27.132.228.859	28.958.722.298	25.744.334.672
	<u>35.008.218.126</u>	<u>35.221.034.718</u>	<u>37.155.406.025</u>
	<u>¢ 3.223.467.187.586</u>	<u>3.318.687.652.549</u>	<u>2.899.799.317.174</u>

	June 2022	December 2021	June 2021
	Term	Term	Term
Public	¢ 1.472.777.528.086	1.318.752.537.179	1.406.353.491.523
	<u>1.472.777.528.086</u>	<u>1.318.752.537.179</u>	<u>1.406.353.491.523</u>
State-owned entities	54.350.269.950	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 financial entities	335.948.378.089	292.011.527.441	260.068.624.609
	<u>394.901.023.404</u>	<u>385.295.377.909</u>	<u>336.624.287.606</u>
	<u>¢ 1.867.678.551.490</u>	<u>1.704.047.915.088</u>	<u>1.742.977.779.129</u>

As of June 30, 2022, demand deposits from customers include court-ordered deposits for ¢256.815.241.396 (¢247.766.946.452 y ¢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 1.714.915 (1.765.641 y 1.694.370. for December and March 2021, respectively) customers with demand deposits and has a total 36.342 (34.887 and 36.614 for December and June 2021, respectively).

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

(13) Repurchase and reverse repurchase agreements

The Bank purchases financial instruments under agreements whereby the Bank commits to sell the financial instruments at future dates at a predetermined price and return.

As of June 30, 2022, December and June 2021, the Bank does not hold repurchase agreements.

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

Obligations with entities are as follows:

	<u>June 2022</u>	<u>December 2021</u>	<u>June 2021</u>
Term deposits with the Central Bank de Costa Rica	¢ 169.221.766.962	127.689.025.829	120.470.000.000
Charges payable for obligations with Central Bank of Costa Rica	<u>1.064.609.761</u>	<u>596.659.814</u>	<u>124.596.978</u>
	170.286.376.723	128.285.685.643	120.594.596.978
Checking accounts of local entities	21.058.508.765	28.644.104.653	23.647.400.649
Overdrafts on demand checking accounts in foreign financial entities	12,438,377,898	5.938.790.633	12.025.530.081
Obligations for checks to be cashed	1,511,331,463	638.139.432	1.482.475.295
Term deposits from local financial Entities	77.603.026.565	119.845.276.717	105.624.163.796
Loans from foreign financial Entities	15.815.876.489	26.128.829.427	50.338.936.483
Obligations for the right-of-use leased properties	32.246.756.654	25.155.577.916	25.509.163.037
Obligaciones por operaciones diferidas de liquidez	71,910,911,667	27.302.998.671	0
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	<u>1,375,245,588</u>	<u>1.706.470.174</u>	<u>1.429.364.176</u>
	431.284.487.118	422.222.882.801	375.209.057.807
Subordinated loans	19.981.971.050	0	0
Charges payable subordinated loans	<u>90.288.889</u>	<u>0</u>	<u>0</u>
	<u>20.072.259.939</u>	<u>0</u>	<u>0</u>
	<u>¢ 621.643.123.780</u>	<u>550.508.568.444</u>	<u>495.803.654.785</u>

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

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

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

	June 2022	December 2021	June 2021
Colones	0,01 % to 6,25%	0,1999 % to 2,00%	0,3571 % to 1,50%
US dollars	0,01% to 6,25%	0,009% to 3,50%	0,009% to 0,42%

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

(a) Maturities of loans payable

As of June 30, 2022, loans payable mature as follows:

	Banco Central de 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
Over 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, loans payable mature as follows:

	Banco Central de Costa Rica	Local financial entities	Foreign financial entities	International organizations	Total
Less than one year	¢ 37.304.109.720	0	0	22.773.529.427	60.077.639.147
From three to five years	117.687.914.780	0	0	0	117.687.914.780
Over five years	0	0	0	3.355.300.000	3.355.300.000
Total	¢ 154.992.024.500	0	0	26.128.829.427	181.120.853.927

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

As of June 30, 2021, loans payable mature as follows:

	Banco Central de Costa Rica	Local financial entities	Foreign financial entities	International organizations	Total
Less than one year	0	0	1.865.760.000	15.548.000.000	17.413.760.000
Between one and two years	0	0	0	32.925.176.483	32.925.176.483
From three to five years	120.470.000.000	0	0	0	120.470.000.000
Total	120.470.000.000	0	1.865.760.000	48.473.176.483	170.808.936.483

(b) Lease obligations

As of June 30, 2022, the Bank has following obligations from financial leases:

	Installment	Interest	Maintenance	Amortization
Less than one year	5.366.283.699	1.860.265.288	0	3.506.018.411
Between one and five years	34.852.017.067	6.111.278.824	0	28.740.738.243
	40.218.300.767	7.971.544.113	0	32.246.756.654

As of December 31, 2021, the Bank has following obligations from financial leases:

	Installment	Interest	Maintenance	Amortization
Less than one year	3.965.951.780	1.433.739.475	0	2.532.212.305
Between one and five years	27.735.320.427	5.111.954.816	0	22.623.365.611
	31.701.272.207	6.545.694.291	0	25.155.577.916

As of June 30, 2021, the Bank has following obligations from financial leases:

	Installment	Interest	Maintenance	Amortization
Less than one year	3.837.845.923	1.459.770.019	0	2.378.075.905
Between one and five years	28.755.475.714	5.624.388.582	0	23.131.087.132
	32.593.321.637	7.084.158.601	0	25.509.163.037

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

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

		Colones	US\$ converted to colones
1 year	¢	685.916.585	2.820.101.826
2 years		671.095.582	2.733.492.566
3 years		781.450.242	3.153.317.907
4 years		836.464.339	3.342.516.844
5 years		895.351.429	3.543.067.927
Over 5 years		<u>2.615.687.352</u>	<u>10.168.294.055</u>
	¢	<u>6.485.965.529</u>	<u>25.760.791.125</u>

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

		Colones	US\$ converted to colones
1 year	¢	246.831.566	2.285.380.739
2 years		264.208.508	2.422.503.565
3 years		258.499.600	2.348.105.104
4 years		301.007.159	2.708.740.246
5 years		322.198.063	2.871.264.699
Over 5 years		<u>1.143.349.468</u>	<u>9.983.489.199</u>
	¢	<u>2.536.094.364</u>	<u>22.619.483.552</u>

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

		Colones	US\$ converted to colones
1 year	¢	238.576.492	2.139.499.413
2 years		255.372.277	2.267.869.111
3 years		249.854.298	2.198.219.718
4 years		290.940.228	2.535.834.712
5 years		311.422.420	2.687.984.753
Over 5 years		<u>1.307.188.224</u>	<u>11.026.401.390</u>
	¢	<u>2.653.353.939</u>	<u>22.855.809.098</u>

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

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

Year	Payments	Present value	Amortization	Interest	Balance
1 30/6/2022	5.383.918.263	3.362.566.483	1.341.214.702	2.021.351.780	28.884.190.172
2 30/6/2023	5.027.528.441	3.484.790.675	1.942.052.908	1.542.737.767	25.399.399.497
3 30/6/2024	5.740.308.084	4.231.789.415	2.723.270.745	1.508.518.669	21.167.610.082
4 30/6/2025	5.383.918.263	4.221.009.768	3.058.101.273	1.162.908.495	16.946.600.314
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
9 30/6/2030	0	0	0	0	0
10 31/3/2031	0	0	0	0	0
	¢ 40.379.386.972	32.246.756.654	24.114.126.337	8.132.630.317	

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

Year	Payments	Present value	Amortization	Interest	Balance
1 31/12/2021	3.979.834.637	2.408.689.987	837.545.337	1.571.144.650	22.746.887.643
2 31/12/2022	3.979.834.637	2.701.427.915	1.423.021.194	1.278.406.722	20.045.459.727
3 31/12/2023	3.979.834.637	2.866.261.525	1.752.688.412	1.113.573.112	17.179.198.203
4 31/12/2024	3.979.834.637	3.041.178.406	2.102.522.175	938.656.231	14.138.019.797
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	3.854.638.379	3.729.442.120	125.196.258	0
9 31/12/2029	0	0	0	0	0
10 31/12/2030	0	0	0	0	0
	¢ 31.838.677.096	25.155.577.630	18.472.478.164	6.683.099.466	

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

Year	Payments	Present value	Amortization	Interest	Balance
1 30/6/2021	3.850.842.602	2.252.231.817	653.621.032	1.598.610.785	23.256.930.935
2 30/6/2022	3.850.842.602	2.537.017.874	1.223.193.146	1.313.824.728	20.719.913.061
3 30/6/2023	3.529.939.052	2.461.427.416	1.392.915.780	1.068.511.636	18.258.485.644
4 30/6/2024	4.171.746.152	3.086.719.239	2.001.692.326	1.085.026.913	15.171.766.405
5 30/6/2025	3.850.842.602	3.030.669.669	2.210.496.735	820.172.934	12.141.096.737
6 30/6/2026	3.850.842.602	3.215.767.117	2.580.691.631	635.075.486	8.925.329.620
7 30/6/2027	3.529.939.052	3.120.058.178	2.710.177.304	409.880.874	5.805.271.442
8 30/6/2028	4.171.746.152	3.912.805.027	3.653.863.901	258.941.126	1.892.466.415
9 30/6/2029	1.925.421.301	1.892.466.700	1.859.511.529	32.954.886	0
10 30/6/2030	0	0	0	0	0
	¢ 32.732.162.119	25.509.163.037	18.286.163.384	7.222.999.367	

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

(15) Income tax

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

As of June 30, 2022, the Bank's separate balances of income tax payable and expected income tax amount to ¢5.881.429.569 (¢21.879.235.843 and ¢10.352.849.535 for December and June 2021, respectively) (see note 17) and income tax advances for 13.435.715.377 (¢19.995.273.395 and ¢8.529.068.560 for December and June 2021, respectively) are recorded as "Other assets".

Income tax expense is detailed as follows:

	June 2022	December 2021	June 2021
Income tax	¢ 9.469.404.075	21.879.235.843	10.352.961.521
Decrease in income tax	(3.587.974.506)	0	0
Adjustment of income tax of previous period	0	0	(111.986)
	<u>5.881.429.569</u>	<u>21.879.235.843</u>	<u>10.352.849.535</u>
<u>Income tax expense:</u>			
Expense for current tax of the period	9.469.404.075	21.879.235.843	10.352.961.521
Expense for deferred income tax	8,535,349,995	0	0
	<u>18.004.754.070</u>	<u>21.879.235.843</u>	<u>10.352.961.521</u>
<u>Deferred income tax</u>			
Decrease in income tax of the period	(3.587.974.506)	0	0
Income for deferred income tax	(2.571.620.616)	(1.177.839.211)	(799.504.756)
Decrease of income tax from previous periods	(719.133.155)	(155.284.663)	(155.284.663)
	<u>(6.878.728.277)</u>	<u>(1.333.123.874)</u>	<u>(954,789,419)</u>
Expense for income tax, net	¢ <u>11.126.025.793</u>	<u>20.546.111.969</u>	<u>9.398.172.102</u>
	June 2022	December 2021	June 2021
Realization of deferred income tax	¢ <u>(5.963.729.379)</u>	<u>1.177.839.211</u>	<u>799.504.756</u>

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

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Notes to the separate financial statements

As of June 30, 2022, deferred tax assets and liabilities are attributed to the following:

	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Valuation of investments	¢ 8.913.789.063	(7.504.217.552)	1.409.571.511
Revaluation of buildings	0	(4.894.875.013)	(4.894.875.013)
Revaluation of property	0	(6.077.988.389)	(6.077.988.389)
Financial leases	9.722.352.943	(8.212.950.129)	1.509.402.814
Deferred tax on exchange differences	0	(6.526.447.986)	(6.526.447.986)
Total	¢ 18.636.142.006	(33.216.479.069)	(14.580.337.062)

As of December 31, 2021, deferred tax assets and liabilities are attributed to the following:

	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Valuation of investments	¢ 478.172.726	(19.917.035.990)	(19.438.863.264)
Revaluation of buildings	0	(4.971.062.820)	(4.971.062.820)
Revaluation of property	0	(6.077.988.389)	(6.077.988.389)
Financial leases	7.587.894.926	(6.565.022.913)	1.022.872.013
Total	¢ 8.066.067.652	(37.531.110.112)	(29.465.042.460)

As of June 30, 2021, deferred tax assets and liabilities are attributed to the following:

	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Valuation of investments	¢ 32.838.811	(17.045.692.945)	(17.012.854.134)
Revaluation of buildings	0	(5.048.444.321)	(5.048.444.321)
Provisions	7.694.401.141	(6.971.106.805)	723.294.336
Total	¢ 7.727.239.952	(29.065.244.072)	(21.338.004.120)

Movement of temporary differences is as follows:

As of June 30, 2022:

	December 31, 2021	Income statement	Equity	June 30, 2022
Liabilities account				
Valuation of investments	¢ (19.917.035.990)	0	12.412.818.438	(7.504.217.552)
Revaluation of buildings	(4.971.062.820)	76.187.807	0	(4.894.875.013)
Revaluation of property	(6.077.988.389)	0	0	(6.077.988.389)
Financial leases	(6.565.022.913)	(1.647.927.216)	0	(8.212.950.129)
For exchange differences	0	(6.526.447.986)	0	(6.526.447.986)
Assets account				
Valuation of investments	478.172.726	0	8.435.616.337	8.913.789.063
Provision	0	0	0	0
Financial lease	7.587.894.926	2.134.458.016	0	9.722.352.942
Total	¢ (29.465.042.459)	(5.963.729.379)	20.848.434.775	(14.580.337.063)

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

As of December 31, 2021:

	December 31, 2020	Income statement	Equity	December 31, 2021
Liabilities account				
Valuation of investments	¢ (2.679.050.235)	0	(17.237.985.755)	(19.917.035.990)
Revaluation of buildings	(5.124.654.741)	154.967.198	(1.375.276)	(4.971.062.820)
Revaluation of property	0	0	(6.077.988.389)	(6.077.988.389)
Financial leases	0	(6.565.022.913)	0	(6.565.022.913)
Assets account				
Valuation of investments	736.637.755	0	(258.465.029)	478.172.726
Financial lease-tax on asset revaluation	0	7.587.894.926	0	7.587.894.926
Total	¢ (7.067.067.221)	1.177.839.211	(23.575.814.449)	(29.465.042.459)

As of June 30, 2021:

	December 31, 2020	Income statement	Equity	June 30, 2021
Liabilities account				
Valuation of investments	¢ (2.679.050.235)	0	(14.366.642.710)	(17.045.692.945)
Revaluation of buildings	(5.124.654.741)	76.210.420	0	(5.048.444.321)
Financial lease	0	(6.971.106.805)	0	(6.971.106.805)
Assets account				
Valuation of investments	736.637.755	0	(703.798.944)	32.838.811
Financial lease	0	7.694.401.141	0	7.694.401.141
Total	¢ (7.067.067.222)	799.504.756	(15.070.441.654)	(21.338.004.120)

As of June 30, 2022, the Bank has a balance for income tax receivable of ¢85.427.352 (¢85.609.965 and ¢3.487.696.130 for December and June 2021, respectively), in addition to bear value added tax for ¢771.632.633 (¢1.518.414.783 and ¢793.600.520 for December and June 2021, respectively) and value added tax deductible as ¢1.725 (¢1.725 and ¢912.989 as of December and June 2021, respectively).

	June 2022	December 2021	June 2021
Income tax receivable	¢ 85.427.352	85.609.965	3.487.696.130
Supported value added tax	771.632.633	1.518.414.783	793.600.520
Deductible value added tax	1.725	1.725	912.989
	¢ 857.061.710	1.604.026.473	4.282.209.639

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Notes to the separate financial statements

Income tax receivable for overpayments, originated by the return of investments of the Development Credit Fund that are exempt from the obligation and for income and value added tax advances.

IFRIC-23 “Uncertainty over income tax treatments” introduces the concept of uncertain tax treatment, which starts after the tax administration begins a process of transferring charges, from which on the entity is already facing an uncertain tax treatment since the tax authority has already indicated that it does not accept the treatment provided, and therefore it is in dispute. In such case what proceeds is to reflect the uncertainty according to the method that better predict its resolution and by recording the corresponding provision.

As of June 30, 2022, the amount recorded by the Bank as provision is of ¢13.765.703.527 (¢24.890.634.566 and ¢33.377.662.908 for December and June 2021, respectively).

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.

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.

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Notes to the separate financial statements

(16) Provisions

Movement in provisions is as follows:

	<u>Severance benefits</u>	<u>Litigations</u>	<u>Others</u>	<u>Total</u>
Balance at December 31, 2021	¢ 8.886.756.019	16.151.179.297	25.267.408.936	50.305.344.252
Increase in provision	0	3.366.881.115	521.836.088	3.888.717.203
Use of provision	(15.952.346)	(157.027.826)	(11.632.752.533)	(11.805.732.705)
Adjustment for foreign exchange	0	63.741.048	0	63.741.048
Reversal of provision	0	(162.621.922)	0	(162.621.922)
Balance at June 30, 2022	¢ 8.870.803.673	19.262.151.712	14.156.492.491	42.289.447.876

As of December 31, 2021, Movement in provisions is as follows:

	<u>Severance benefits</u>	<u>Litigations</u>	<u>Others</u>	<u>Total</u>
Balance at December 31, 2020	¢ 8.931.398.706	15.611.657.461	33.377.662.908	57.920.719.075
Increase in provision	0	1.242.520.081	607.011.617	1.849.531.698
Use of provision	(44.642.687)	(699.969.817)	(8.717.265.589)	(9.461.878.093)
Adjustment for foreign exchange	0	16.053.599	0	16.053.599
Reversal of provision	0	(19.082.027)	0	(19.082.027)
Balance at December 31, 2021	¢ 8.886.756.019	16.151.179.297	25.267.408.936	50.305.344.252

As of June 30, 2021, Movement in provisions is as follows:

	<u>Severance benefits</u>	<u>Litigations</u>	<u>Others</u>	<u>Total</u>
Balance at December 31, 2020	¢ 8.931.398.706	15.611.657.461	33.377.662.908	57.920.719.075
Increase in provision	0	713.632.776	0	713.632.776
Use of provision	(8.989.931)	(672.819.411)	0	(681.809.342)
Adjustment for foreign exchange	0	(19.360.118)	0	(19.360.118)
Balance at June 30, 2021	¢ 8.922.408.775	15.633.076.651	33.377.662.908	57.933.148.334

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Notes to the separate financial statements

As of June 30, 2022, the Bank is a defendant in litigation, for which the following provisions have been established:

- Ordinary suits filed against the Bank estimated at ₡23.886.325.479 and US\$334.077.086 for which the Bank has provisioned ₡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 \$5.857. for which the Bank has recorded a provision in the amount of ₡270.572.932.
- Labor suits by nature are difficult to estimate. However, they have been estimated at ₡5.457.126.674 and \$825.000 for which the Bank has provisioned ₡2.315.948.428, corresponding to cases where a provisional judgment has been handed down.
- There are administrative proceedings at different stages in the amount ₡14.016.914.657 and US\$2.000. for which the Bank has provisioned ₡14.001.818.234.
- A provision corresponding to the Deposit Guarantee Fund is created and recorded in "Others", in the amount of ₡387.252.133.

As of December 31, 2021, the Bank is a defendant in litigation, for which the following provisions have been established:

- Ordinary suits filed against the Bank estimated at ₡24.091.229.184 and US\$71.714.326 for which the Bank has provisioned ₡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 \$5.857, for which the Bank has recorded a provision in the amount of ₡286.918.445.
- Labor suits by nature are difficult to estimate. However, they have been estimated at ₡5.143.391.270 and \$825.001 de for which the Bank has provisioned ₡2.126.188.640, corresponding to cases where a provisional judgment has been handed down
- There are administrative proceedings at different stages in the amount ₡11.042.195.510 and US\$2.000, for which the Bank has provisioned ₡11.027.099.088.
- 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 and recorded in "Others", in the amount of ₡376.774.370.

(Continues)

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Notes to the separate financial statements

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

- Ordinary suits filed against the Bank estimated at ₡22.384.451.955 and US\$69.342.742 for which the Bank has provisioned ₡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 \$5.857, for which the Bank has recorded a provision in the amount of ₡98.929.000.
- Labor suits by nature are difficult to estimate. However, they have been estimated at ₡5.329.746.593 and \$825.001 de for which the Bank has provisioned ₡2.126.188.640, corresponding to cases where a provisional judgment has been handed down.
- There are administrative proceedings at different stages in the amount ₡10.727.240.349 and US\$34, for which the Bank has provisioned ₡10.710.263.
- 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.

(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
Current income tax (see note 15)	5.881.429.569	21.879.235.843	10.352.849.535
UD Income Tax	16.959.548	365.237.441	341.041.886
Value added tax payable	138.447.649	164.397.121	157.582.073
Employer contributions	2.563.561.878	1.191.825.051	1.171.922.793
Withholdings by legal order	872.338.703	885.978.525	880.625.850
Retained taxes payable	3.258.633.181	1.986.203.744	3.634.824.821
Employer withholdings	1.515.691.400	922.270.180	906.301.980
Other third-party withholdings	15.538.525.361	11.865.702.259	11.087.792.279
Compensations and salaries payable	3.918.970.689	7.185.257.235	3.700.539.084
Distributions payable on results of the period (see note 30)	12.866.815.112	21.326.688.983	10.020.545.789
Accrued vacation payable	6.520.606.451	5.949.176.535	6.757.834.905
Accrued statutory Christmas bonus payable	3.043.798.467	540.478.026	2.872.515.544
Contribution to the Superintendence budget	3.000.000	0	35.638.809
Commissions payable for insurance placement	120.310.483	56.068.977	57.231.062
Sundry creditors	25.755.198.352	22.680.916.832	20.571.760.661
	₡ 82.103.391.864	97.306.383.893	72.616.133.177

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BANCO DE COSTA RICA

Notes to the separate financial statements

Sundry creditors record accounts payable, and commissions not specified in the above concepts that mainly correspond to transactions by supplier invoices, constitution of companies, placement of policies, withholdings payable, transactions with checking and savings accounts.

(18) Equity

a) Capital Social

The Bank's capital is comprised as follows:

	June 2022	December 2021	June 2021
Capital under Law 1644	ϕ 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 under Law 7107	118.737.742.219	118.737.742.219	118.737.742.219
Capital increase under Law 8703	27.619.000.002	27.619.000.002	27.619.000.002
Capital increase under Law 9605	18.907.432.694	18.907.432.694	18.907.432.694
Increase from 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
	ϕ 181.409.990.601	181.409.990.601	181.409.990.601

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 the 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 the Bank, in order to stimulate productive sectors, particularly small and medium-sized enterprises. For such purposes, the Bank handed over four securities for a total of US\$50.000.000 equivalent to ϕ27.619.000.002. (ϕ27.619.000.002 and ϕ27.619.000.002 for December and June 2021, respectively), for its capitalization, to stimulate the productive sectors, especially small and medium enterprises.

b) Surplus from revaluation

Corresponding to the increase in fair value of property owned by the Bank.

As of June 30, 2022, revaluation surplus amounts to ϕ31.744.671.803 (ϕ31.744.671.803 and ϕ37.774.830.067 for December and June 2021, respectively).

c) Adjustment for investments at fair value through other comprehensive income

They include variations in the fair value of available-for-sale investments.

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As of June 30, 2022, the balance of the adjustment for valuation of available-for-sale investments corresponds to unrealized net losses in the amount of ¢190.282.047 (¢49.490.498.998 and ¢43.181.702.902 for December and June 2021, respectively).

d) Adjustment for valuations of investments in other companies

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

As of June 30, 2022, changes in equity include foreign exchange differences corresponding to investments in other companies in the amount of ¢18.628.132.674 (¢15.372.172.610 and ¢12.550.157.203 for December and June 2021, respectively).

e) Equity Development Financing Fund (FOFIDE)

As of June 30, 2022, the amount for the constitution of the equity of the Development Financing Fund are 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.

Regulatory Capital

The primary and secondary capital of the Bank is detailed as follows:

	<u>June 2022</u>	<u>December 2021</u>	<u>June 2021</u>
<u>Primary Capital</u>			
Ordinary paid in capital	¢ 181.409.990.601	181.409.990.601	181.409.990.601
Legal reserve	325.313.265.088	296.709.547.031	296.709.547.031
	<u>506.723.255.689</u>	<u>478.119.537.632</u>	<u>478.119.537.632</u>
<u>Secondary Capital</u>			
Adjustment for valuation of property	23.808.503.853	23.808.503.852	28.331.122.550
Adjustment for valuation of available-for-sale investments	(8.302.838.836)	0	0
Adjustment for valuation of shares in other companies	18.628.132.674	15.372.172.610	12,550,157,203
Retained earnings from previous periods	23.721.615.916	23.286.282.979	23.286.282.979
Results of the period	25.347.588.511	54.434.355.511	22.737.536.562
Subordinated loan instruments	19.981.971.050	0	0
Development Financing Fund	40.476.721.777	36.212.011.410	36.212.011.410
	<u>143.661.694.945</u>	<u>153.113.326.362</u>	<u>123.117.110.704</u>
<u>Deductions</u>			
Interest in other companies	(128.128.652.758)	(128.725.242.930)	(120.191.673.358)
Total regulatory capital	¢ <u>522.256.297.876</u>	<u>502.507.621.064</u>	<u>481.044.974.978</u>

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Notes to the separate financial statements

(19) Commitments and contingencies

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

Off-balance financial instruments with risk are as follows:

	June 2022	December 2021	June 2021
Guarantees granted:			
Performance bonds	¢ 115.191.917.801	125.514.845.178	106.925.376.172
Bid bonds	885.410.511	630.432.213	906.653.588
Letters of credit issued, not negotiated	10.730.237.331	11.236.307.702	9.845.962.682
Letters of credit confirmed, not negotiated credit lines to be used automatically	106.401.033.474	109.255.132.604	109.286.824.620
Other contingencies	264.830.926.275	72.902.375.786	68.228.427.910
Credits pending disbursement	123.274.567	187.598.568	179.827.226
	¢ 498.162.799.959	319.726.692.051	295.373.072.198

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

	June 2022	December 2021	June 2021
With prior deposit	¢ 7.372.740.802	8.639.339.884	6.670.447.836
Without prior deposit	225.959.132.882	238.184.976.382	220.474.196.453
Pending litigation and Claims	264.830.926.275	72.902.375.785	68.228.427.909
Total deposits	¢ 498.162.799.959	319.726.692.051	295.373.072.198

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

As of June 30, 2022, letters of credit are backed up by 100% of the stand-by balance or by lines of credit.

As of June 30, 2022, floating guarantees in custody are for ¢197.934.645.547 (¢211.780.060.580 and ¢211.358.614.737.740 for December and June 2021, respectively).

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BANCO DE COSTA RICA

Notes to the separate financial statements

Other contingencies:

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

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

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

- Administrative suits against the Bank estimated at ₡22.280.702.436 and US\$70.318.826. In addition, other contentious processes are filed for preliminary injunction with no estimate.
- Ordinary labor suits estimated at ₡3.017.202.630 and US\$825.001.
- Criminal proceedings in which the Bank is a third-party defendant estimated at ₡1.678.750.429 and US\$5.857.
- Administrative proceedings against the Bank have been estimated in the amount of ₡15.096.422 and US\$2.000.

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

- Administrative suits against the Bank estimated at ₡20.554.646.137 and US\$67.947.242. In addition, other contentious processes are filed for preliminary injunction with no estimate.
- Ordinary labor suits estimated at ₡3.203.557.953 and US\$825.001.
- Criminal proceedings in which the Bank is a third-party defendant estimated at ₡1.678.750.429 and US\$5.857.
- Administrative proceedings against the Bank have been estimated in the amount of ₡16.976.516 and US\$34.

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BANCO DE COSTA RICA

Notes to the separate financial statements

(20) Trusts

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

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	December	June
	2022	2021	2021
Cash and due from banks	¢ 44.096.322.606	66.318.923.462	65.953.189.565
Investment	54.895.929.637	91.495.384.544	78.557.646.607
Loan portfolio	10.791.243.144	11.257.450.007	11.671.776.664
Allowance for loan losses	(8,115,846,358)	(8.430.654.646)	(8.743.252.957)
Assets held-for-sale	71.626.628.803	67.815.354.875	54.560.161.927
Investment in other companies	5,727,424,266	51.961.502.918	42.310.216.965
Other receivables	53.859.961.732	56.833.488.672	76.209.628.205
Property and equipment	226,136,517,786	355.462.578.061	379.875.365.961
Other assets	348.031.277.013	234.928.557.661	189.451.596.943
Buildings	76.679.998	76.679.998	76.679.998
	¢ 807.126.138.627	927.719.265.552	889.923.009.878

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

(21) Other debit memoranda accounts

Other debit memoranda accounts are as follows:

	June 2022	December 2021	June 2021
Guarantees received and held in custody	¢ 6.087.806.895.952	5.621.141.497.028	12.746.057.919.314
Guarantees received and held by third parties	2.256.274.144	2.413.061.267	2.512.909.875
Other memoranda accounts unused authorized lines of credit	339.971.786.620	343.559.841.167	330.194.837.298
Write-offs	211.052.773.256	205.966.010.874	205.644.677.220
Suspense interest receivable	23.778.025.853	21.460.177.921	25.152.023.670
Other memoranda accounts	3.623.939.021.326	1.402.569.854.696	17.406.245.610.364
Assets and securities held in custody for third parties	82.245.264.526	143.742.191.726	101.577.362.771
Trading securities received as Guarantee (Guarantee Trust)	0	0	28.422.760.614
Own trading securities	1.038.283.988.088	1.017.428.771.091	898.559.720.718
Cash and accounts receivable custodial activities	145.058.616.476	186.648.995.560	276.697.994.433
Third party trading securities pledged as guarantee (Guarantee Trust)	58.480.531.702	23.352.583.105	9.292.191.330
Third parties trading securities	6.383.673.022.168	6.266.280.116.941	5.912.562.895.478
	¢ 17.996.546.200.111	15.234.563.101.376	37.942.920.903.085

(22) Financial income on financial instruments

Finance income on financial instruments is as follows:

	June 2022	June 2021	Quarter from April 1 to June 30	
			2022	2021
Interest for investments in financial instruments at fair value through other comprehensive income	¢ 41.667.848.376	38.140.996.488	20.919.315.049	19.526.506.909
Interest from investments at amortized cost	202.489.575	170.003.727	42.318.420	97.391.303
Interest for investments in overdue and restricted financial instruments	0	356.859.009	0	158.318.419
	¢ 41.870.337.951	38.667.859.224	20.961.633.469	19.782.216.631

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

(23) Financial income on credit portfolio

Financial income on credit portfolio is as follows:

	Quarter from			
	June 2022	June 2021	April 1 to June 30 2022	June 30 2021
Current loans				
Loans – Personal	54.827.964.775	51.659.630.456	27.332.353.832	24.352.558.906
Loans - Development Financing Fund	1.144.081.469	1.074.346.294	567.885.487	509.200.145
Loans - Business	2.734.003.468	3.170.697.104	1.352.778.385	1.383.531.737
Loans – Corporate	39.967.175.835	43.246.914.121	20.475.588.303	19.523.972.444
Loans – Public Sector	1.710.419.865	3.940.548.409	821.966.259	1.954.710.233
Loans – Financial Sector	2.542.242.720	4.476.433.760	1.187.795.699	2.105.947.737
	<u>102.925.888.132</u>	<u>107.568.570.144</u>	<u>51.738.367.965</u>	<u>49.829.921.202</u>
Past due loans and loans in legal collection				
Past due loans – Personal	324.865.514	369.653.157	160.113.266	181.706.624
Past due loans – Development Banking System Desarrollo	23.791.318	26.352.883	11.082.054	12.817.188
Past due loans – Business	593.290.484	914.945.755	292.881.846	404.304.787
Past due loans – Corporate	778.798.626	824.486.882	394.696.389	445.313.183
Past due loans – Financial Sector	9.064.069	0	0	0
Loans in legal collection	1.426.767.432	1.804.904.346	674.707.440	1.147.489.778
	<u>3.156.577.443</u>	<u>3.940.343.023</u>	<u>1.533.480.995</u>	<u>2.191.631.560</u>
Amortization of the net commission of the direct incremental cost associated to loans	2.382.554.889	1.704.675.841	1.159.944.357	778.541.239
Interest for accounts receivable associated to credit portfolio and other financial interest, other concepts not included in the previous subaccounts and analytical accounts	653.864.521	588.551.508	324.367.883	376.112.729
	<u><u>109.118.884.985</u></u>	<u><u>113.802.140.516</u></u>	<u><u>54.756.161.200</u></u>	<u><u>53.176.206.730</u></u>

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

(24) Expenses for obligations with the public

Finance expense for obligations with the public is as follows:

	June	June	Quarter from	
	2022	2021	April 1 to June 30	
			2022	2021
Demand deposits	¢ 18.152.305.828	20.752.944.544	8.879.011.673	10.672.409.812
Term deposits	26.066.439.104	28.508.311.997	13.161.468.854	14.453.318.697
	¢ 44.218.744.932	49.261.256.541	22.040.480.527	25.125.728.509

(25) Expenses for allowance for impairment of investments in financial instruments and allowance for loan losses

Expenses for allowance for impairment of investments in financial instruments and allowance for loan losses are as follows:

	June	June	Quarter from	
	2022	2021	April 1 to June 30	
			2022	2021
Allowance for loan losses (see note 6-e)	¢ 11.203.443.038	12.597.087.763	1.970.188.759	4.103.581.202
Allowance for other doubtful Receivables	1.880.533.761	1.847.957.815	963.114.279	813.715.616
Expenses generic estimation and against cyclic for loan (see note 6-e)	4.912.819	59.649.849	3.693.383	170.156
Expenses generic estimation and against cyclic for contingent credit portfolio	0	220.000	0	0
Expenses for allowance for impairment of securities at fair value through other comprehensive income	217.878.824	793.803.325	123.508.626	480.832.121
Expense for allowance of impairment of held-to-maturity investments	0	1.967.796	0	210.187
	¢ 13.306.768.442	15.300.686.548	3.060.505.047	5.398.509.282

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BANCO DE COSTA RICA

Notes to the separate financial statements

(26) Income from recovery of financial assets and decreases in allowances

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

	June	June	Quarter from	
	2022	2021	April 1 to	June 30
			2022	2021
Recovery of loan write-offs	¢ 2.946.935.690	4.749.927.748	1.734.860.874	1.757.227.967
Decrease in allowance for loan losses (see note 6-e)	319.847.547	2.307.824.783	65.965.983	438.768.494
Decrease in allowance for other doubtful receivables	813.414.791	620.486.537	463.256.046	219.878.852
Decrease in generic estimation and Against cyclic for loan (see note 6-e)	244.832.112	67.713.851	1.659.541	16.946.457
Decrease in generic estimation and against cyclic for contingent loans	408	0	0	0
Decrease in allowance for uncollectible investments securities	871.907.464	325.284.905	211.099.187	94.343.795
	¢ 5.196.938.012	8.071.237.824	2.476.841.631	2.527.165.565

(27) Income from service fees and commissions

Income from service fees and commissions is as follows:

	June	June	Quarter from	
	2022	2021	April 1 to	June 30
			2022	2021
Drafts and transfers	¢ 1.361.236.679	1.146.304.386	686.162.271	588.030.268
Foreign trade	330.122.604	308.824.857	173.186.986	145.857.325
Certified checks	984.646	1.223.758	533.161	577.525
Trust management	1,976,176,947	1.910.582.754	1.000.182.878	1.001.987.825
Custodial services	118.857.924	136.939.340	58.264.204	63.999.438
By mandate	354.926	492.494	354.926	0
Collections	286.835.838	274.642.260	120.019.372	115.017.804
Credit cards	21.148.844.948	18.246.166.303	9.956.939.715	9.125.495.926
Authorized custodial services for securities	520.364.492	424.268.255	215.515.426	214.526.494
Commissions for transactions with related parties	1,582,606	1.264.536	0	937.637
Other commissions	18.847.033.019	15.569.379.399	9.806.979.080	7.687.737.030
	¢ 44.592.394.629	38.020.088.342	22.018.138.019	18.944.167.272

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BANCO DE COSTA RICA

Notes to the separate financial statements

(28) Income from interest in other companies

Income from interest in other companies is detailed as follows:

	<u>June</u> <u>2022</u>	<u>June</u> <u>2021</u>	<u>Quarter from</u> <u>April 1 to June 30</u>	
			<u>2022</u>	<u>2021</u>
<u>Local entities</u>				
Interest in BCR Valores, S.A.- Puesto de Bolsa	¢ 1.520.531.821	1.869.743.742	389.883.360	1.028.928.030
Administradora de Fondos de Inversión, S.A.	1.045.652.712	1.321.465.246	523.177.707	632.626.161
Interest in BCR Pensión, Operadora de Planes de Pensiones Complementarias, S.A..	458.290.191	554.401.214	231.617.020	278.303.709
Interest in BCR Corredora de Seguros, S.A.	1.660.203.183	1.711.943.981	706.437.023	846.569.146
Interest in BANPROCESA-TI, S.A.	385.639.320	241.921.661	204.920.255	110.110.725
Interest in Depósito Agrícola de Cartago S.A.	37.965.372	16.306.639	11.600.691	8.538.308
<u>Entities abroad:</u>				
Banco Internacional de Costa Rica, S. A And subsidiarie	<u>1.022.014.563</u>	<u>479.687.829</u>	<u>625.326.000</u>	<u>287.717.686</u>
	<u>¢ 6.130.297.162</u>	<u>6.195.470.312</u>	<u>2.692.962.056</u>	<u>3.192.793.765</u>

As of June 30, 2022, there are no capital participations in Depósito Agrícola de Cartago, (¢1.149.000 for December and for June 2021 there are no amounts in this account).

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 of the Conglomerate, and due to the nature of Banprocesa SRL's business, an adjustment was made in the amount of ¢382.847.397, corresponding to the profit generated from the service provided to support the Bank's software, in the statement of financial position and in the income statement, (¢940.117.721 for December 2021 and for June 2021 there are no amounts in this account).

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BANCO DE COSTA RICA

Notes to the separate financial statements

(29) Administrative expenses

Administrative expenses are as follows:

	June 2022	June 2021	Quarter from April 1 to June 30	
	2022	2021	2022	2021
Salaries and bonuses, permanent staff	¢ 26.928.862.731	25.788.459.499	14.166.474.420	12.656.530.476
Salaries and bonuses, contractors	468.816.497	1.302.774.387	167.045.832	745.561.006
Compensation for directors and statutory examiners	29,346,100	64,278,613	11.528.825	30.219.003
Overtime	336,500,238	231.774.897	195.218.831	125.804.718
Per diem	163.568.224	126.091.555	97.576.013	64.234.364
Statutory Christmas bonus	2,361,150,467	2.299.235.020	1.225.930.196	1.148.607.997
Vacation	3.044.261.009	2.710.543.369	1.368.792.960	1.313.209.958
Other compensation	416,898,656	300.029.354	164.124.180	180.437.166
Severance payments	1,343,336,989	1.342.651.051	695.468.514	665.888.518
Employer social security taxes	9,802,780,663	9.599.341.117	5.035.388.300	4.803.400.381
Refreshments	11.651.662	7.605.831	7.591.187	3.750.098
Uniforms	631.200	833.910	211.920	176.520
Training	198.580.556	64.320.699	151.492.175	42.108.246
Employee insurance	58,814,783	71.725.718	28.107.852	28.690.287
Assets for personal use	217,603	18,216	30.973	0
“Back-to-school” bonus	2,641,462,240	2.535.806.342	1.346.226.658	1.266.032.279
Compulsory retirement savings account	906,341,406	876.432.969	468.494.091	440.469.536
Other personnel expenses	268,325,932	253.007.849	108.698.104	125.250.461
Outsourcing	10,212,843,373	7.218.688.274	6.446.139.756	3.876.426.564
Transportation and communications	1,163,434,804	1,739,515,826	549.864.977	839.786.292
Property insurance	620,443	125.983.387	(577.168)	1.476.888
Property maintenance and repairs	2,839,480,635	2,788,872,964	1.931.997.328	1.935.502.086
Public utilities	1,066,339,091	1.060.401.063	556.304.379	538.002.765
Leasing of property	1,428,851,474	1.353.613.375	752.044.988	676.806.486
Leasing of furniture and equipment	799,717,988	438,662,540	410.329.801	358.100.137
Depreciation of property and equipment, except vehicles	4,754,264,230	4,977,582,795	2.361.989.546	2.641.514.559
Amortization of leasehold property	221.929.071	227.182.195	109.138.077	120.156.808
Other infrastructure, expenses	1,871,687,107	1.927.264.594	923.107.759	970.821.981
Overhead	13,367,293,424	11.207.085.771	7.244.322.896	6.430.403.382
	¢ <u>86.708.008.596</u>	<u>80.639.783.180</u>	<u>46.523.063.370</u>	<u>42.029.368.962</u>

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BANCO DE COSTA RICA

Notes to the separate financial statements

(30) Statutory allocations of earnings

Statutory allocations of earnings are as follows:

	June 2022	June 2021	Quarter from April 1 to June 30	
			2022	2021
Allocation for CONAPE	¢ 2.179.648.983	1.798.096.657	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 the National Emergencies Commission	1.307.789.390	1.078.857.994	570.456.335	488.360.111
Allocation for Régimen de Invalidez,, Vejez y Muerte	6.538.946.947	5.394.289.972	2.852.281.670	2.441.800.558
	¢ 12.866.815.112	10.020.545.789	5.375.518.763	4.527.605.323

As of March 30, 2022, December and June, 2021, there are no decreases in the legal allocations of the period's profits.

(31) Components of other comprehensive income

The components of other comprehensive income are as follows:

	June 2022		
	Amount before income tax	Profit (expense)	Net taxes
Adjustment for investments at fair value through other comprehensive income	¢ (70.148.651.726)	20.848.434.775	(49.300.216.951)
Exchange differences for conversion of financial statements, foreign entities	5.839.368.708	0	5.839.368.708
Changes in equity from foreign subsidiaries	(175.758.936)	0	(175.758.936)
Change in equity of subsidiaries from unrealized profit	(2.407.649.708)	0	(2.407.649.708)
	¢ (66.892.691.662)	20.848.434.775	(46.044.256.887)
	June 2021		
	Amount before income tax	Profit (expense)	Net taxes
Adjustment for investments at fair value through other comprehensive income	¢ 50.705.478.279	(15.070.441.654)	35.635.036.625
Exchange differences for conversion of financial statements, foreign entities	663.492.998	0	663.492.998
Changes in equity from foreign subsidiaries	(137.019.111)	0	(137.019.111)
Change in equity of subsidiaries from unrealized profit	1.386.806.707	0	1.386.806.707
	¢ 52.618.758.873	(15.070.441.654)	37.548.317.219

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BANCO DE COSTA RICA

Notes to the separate financial statements

(32) Operating leases

The Bank as tenant

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

(33) Fair value

Fair values of financial instruments are as follows:

	June 2022		December 2021		June 2021	
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
Cash and due from banks	¢ 875.002.651.130	875.002.651.130	864.405.461.582	864.405.461.582	717.855.220.947	717.855.220.947
Investment	1.713.689.908.291	1.687.885.299.190	1.754.312.982.756	1.729.358.672.795	1.567.075.804.573	1.545.087.045.940
Loan portfolio	3.291.880.135.575	3.136.656.195.725	3.191.124.004.077	2.275.380.295.718	3.059.700.834.467	2.940.147.996.389
	<u>5.880.572.694.996</u>	<u>5.699.544.146.045</u>	<u>5.809.842.448.415</u>	<u>4.869.144.430.095</u>	<u>5.344.631.859.987</u>	<u>5.203.090.263.276</u>
Demand deposits	3.200.525.014.101	3.200.525.014.101	3.296.294.668.308	3.296.294.668.308	2.875.600.323.561	2.875.600.323.561
Term deposits	1.472.777.528.086	1.469.985.564.693	1.318.752.537.179	1.307.309.370.695	1.406.353.491.524	1.401.268.645.563
Financial obligations	621.643.123.781	460.585.010.992	550.508.568.444	493.905.987.812	495.803.654.785	475.010.943.490
	¢ <u>5.294.945.665.968</u>	<u>5.131.095.589.786</u>	<u>5.165.555.773.931</u>	<u>5.097.510.026.815</u>	<u>4.777.757.469.870</u>	<u>4.751.879.912.614</u>

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

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

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

- (b) Investments in financial instruments

The fair value of available-for-sale financial instruments is based on quoted market prices or prices quoted by brokers.

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Notes to the separate financial statements

(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) Deposits and loans payable

Management determined the fair value of 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 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.

(34) 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 Sytem), 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 Financial Conglomerate strengthen and ensure the above mentioned SIGIR, aware of its contribution to the improvement of institutional processes, and hence to the achievement of objectives and goals.

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Notes to the separate financial statements

Corporate risk management is led by the Risk Management and Control Area, Regulations with dependence on the General Board of Directors, and which has various administrative units 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 Financial Conglomerate 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 objectives and goals.

General Risk Principles and Policies

The Conglomerate has policies, strategies, and other corporate regulations for an effective comprehensive risk management, as follows:

- A robust regulatory framework to provide legal, technical, and administrative certainty for the functioning, evaluation, and improvement of the SIGIR.
- 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.
- 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 stated objectives, as well as for materialized events whose consequences may generate negative impacts on the entities.

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Classification of significant risks

The relevant risks to the Bank are classified as follows:

Risk classification of Banco de Costa Rica		
Types of relevant risk	Financial	Credit
		Market
		Liquidity
	Non-financial	Strategic
		Operating
		Legal
		Technological
		Reputational
		Environmental and social
		Regulatory compliance
		Money laundering, financing of terrorism, financing of proliferation of weapons of mass destruction and financing of organized crime (LC/FT/FPADM/FDO)

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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.

Related strategic objective	Process	Type of risk	Risk Appetite Statement Indicator
1. Guarantee the financial solidity of the Conglomerate 2. Support the development of the country	1. Organizational strategy	Capital	Equity sufficiency index
	1. Financial treasury operations		
	1. Security management	Operative	Expected loss due to operational risk (last 12 months)
	2. Management of processes and regulations		Availability of the technology platform
	3. IT Security		Vulnerability analysis
			Change management
	1. Loan granting	Credit	Expected credit loss of the loan portfolio, SUGEF
	2. Monitoring of loans		Non-high-risk generators
	3. Loans recovery		
	1. Financial treasury operations		Market
Elasticity of the financial margin to movements in interest rates			
			PPME (Own position in foreign currency) sensitivity to changes in the exchange rate
2. Investment services		Liquidity	Liquidity coverage ratio by currency

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Risk Appetite Statement

A Risk Appetite Statement is established for the BCR Financial Conglomerate approved by the General Board of Directors as well as for each member entity of the Conglomerate approved by their boards of directors and the Assembly of Shareholders. 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 in risk assessments includes identification, analysis, evaluation, management, review, documentation, and risk communication.

Types of risk assessments

The process in risk assessments includes qualitative and quantitative assessments. The first correspond to specific analysis of the objectives of activities and substantial processes of the 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 BCR Financial Conglomerate members, incorporating flow of processes and internal control activities to minimize risk exposure.

The established risk assessments generate various alerts, recommendations, and risk management plans, contributing to its overall and specific mitigation. In addition, there are contingency plans for unexpected events that may affect compliance with the risk tolerance limits, supporting the sustainability, solvency, and value of the conglomerate's members.

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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.

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 Sigir 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

(a) 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 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.

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.

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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 are used for credit risk management, including SAS, a state-of-the-art risk management system. Models are applied for their measurement that accurately reflect the value of the positions and their sensitivity to various risk factors, incorporating information from reliable sources.

In addition, statistical support is complemented with expert criteria for the analysis of debtors' payment capacity, where macroeconomic and microeconomic factors are considered, as well as the Bank's own variables. For the analysis of the credit portfolio and considering the pandemic for decision making, the methodology associated with the Credit Portfolio Management Plan is used.

Specifically, for the quantitative analysis of the loan portfolio, there is a model to quantify the average of expected loss, value at Risk (VaR), and economic capital, which is aligned with the standards of Basel II. In addition, there are certain indicators that seek to maintain the balance between profitability and risk, among them, indicators of expected loss, delinquency, guarantees, payment arrangements, harvests, economic activities and geographical area, all of them broken down at the general level of the Bank as well as for different lines of business.

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 to exposure to credit risk, to control exposure levels, both at loan portfolio as at 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.

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

In the case of credit risk, for the investment portfolio, disclosed in Note 5: Investments in financial instruments, there is a methodology to determine the expected loss under IFRS 9, which has been improving during 2020 through adjustments. 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 expected loss is measured for each instrument for the issuer's risk, while default is given only when an issuer stops paying.

Exposure and risk management

Considering the uncertainty generated by the pandemic for COVID 19, the Bank has been using 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 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 27,94% by the end of June (27,47% and 31,09% as December and June 2021, respectively) of the total portfolio. It is important to mention, 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 trade, as shown in Note 6.a (Loan portfolio by activity) to the financial statements; in addition, the exposure limits for the loan portfolio are monitored, as well as all its indicators, to maintain a credit portfolio structure according to the risk appetite defined by the General Board of Directors.

On the other hand, adequate and timely communication mechanisms are implemented on the Bank's exposure to credit risk at all levels of the organizational structure, allowing to obtain a prospective view of the impact on credit estimates and capital. The reports of this management consider both the exposure resulting from the taking of positions, as well as the deviations that may occur with respect to the limits and the 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, as well as new credit instruments the Bank is planning to offer.

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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 starts. 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 March 2022, the expected loss of the investment portfolio was of 0,19%, (0,23% and 0,22% in December and June 2021, respectively).

Expected losses are shown in the following table:

Banco de Costa Rica, expected losses of the investment portfolio			
by currency			
December 2021 and June 2022			
Value correction for losses	12-month expected credit losses	Lifetime expected credit losses	Financial assets with loan impairment
Value correction for losses as of June 30, 2022			
Colones	1.736.178.985	115.472.366	5.733.000.000
US dollars	1.486.138	0	0
UDES	0	65.363	1.862.000
Value correction for losses as of June 30, 2022			
Colones	2.052.373.299	156.737.605	5.753.000.000
US dollars	2.006.601	0	0
UDES	0	92.251	14.024.800
Transfer to 12-month expected credit losses			
Colones	(316.194.313)	(41.265.239)	0
US dollars	(520.463)	0	0
UDES	0	(26.889)	(12.162.800)

(Continues)

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Banco de Costa Rica, expected losses of the investment portfolio
by currency
January and December 2021

Value correction for losses	12-month expected credit losses	Lifetime expected credit losses	Financial assets with loan impairment
Value correction for losses as of December 31, 2021			
Colones	251.345.978	312.164.576	70.823.900.000
US dollars	304.137	97.453	21.065.000
UDES	0	206.725	14.024.800
Value correction for losses As of December 31, 2020			
Colones	1.410.973.478	174.719.197	6.733.000.000
US dollars	1.337.064	14.672	21.065.000
UDES	0	183.900	14.024.800
Transfer to 12-month expected credit losses			
Colones	1.159.627.500	(137.445.379)	(64.090.000.000)
US dollars	1.032.927	(82.780)	0
UDES	0	(22.826)	0

Banco de Costa Rica, expected losses of the investment portfolio
by currency
December 2020 and June 2021

Value correction for losses	12-month expected credit losses	Lifetime expected credit losses	Financial assets with loan impairment
Value correction for losses as of June 30, 2021			
Colones	1.410.973.478	174.719.197	6.733.000.000
US dollars	1.337.064	14.672	21.065.000
UDES	0	183.900	14.024.800
Value correction for losses As of December 31, 2020			
Colones	1.730.544.647	165.859.446	5.753.000.000
US dollars	1.689.532	0	0
UDES	0	123.494	14.024.800
Transfer to 12-month expected credit losses			
Colones	(319.571.169)	8.859.751	980.000.000
US dollars	(352.468)	14.672	21.065.000
UDES	0	60.406	0

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The Bank's financial instruments with exposure to credit risk are detailed as follows

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

As of June 30, 2022

	Note	Direct 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 loan losses		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		¢ (165.106.982.608)	(152.572.595.665)	(126.228.876.412)	(378.304.710)	(355.390.996)	(341.341.919)
		¢ 3.146.113.862.142	3.057.560.786.439	2.951.809.698.734	225.580.828.172	237.829.585.386	220.132.854.534
Loan Portfolio							
Total Balance:							
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
		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 loan losses		(113.484.798.076)	(100.038.430.338)	(94.642.491.481)	(281.992.566)	(206.640.140)	(165.281.207)
Carrying amount, net		¢ 3.197.736.046.674	3.110.094.951.766	2.983.396.083.665	225.677.140.316	237.978.336.242	220.308.915.246
Carrying amount, net		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 loan losses ((Excess) inadequacy of allowance over structural estimate		(113.484.798.076)	(100.038.430.338)	(94.642.491.481)	(281.992.566)	(206.640.140)	(165.281.207)
structural		(51.622.184.532)	(52.534.165.327)	(31.586.384.931)	(96.312.144)	(148.750.856)	(176.060.712)
Carrying amount, net	6a	¢ 3.146.113.862.142	3.057.560.786.439	2.951.809.698.734	225.580.828.172	237.829.585.386	220.132.854.534

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Loan Portfolio		Direct Loan Portfolio				Contingent Loan Portfolio	
Direct allowance	generic	Principal	Covered Balance	Overdraft	Allowance	Principal	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)
		2.627.142.131.217	1.805.131.390.588	822.010.740.629	(12.974.767.897)	217.758.598.733	(137.169.109)
Direct allowance	specific						
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
	¢	684.078.713.533	538.121.150.475	145.957.563.058	(100.510.030.179)	8.200.534.149	(144.823.457)
	¢	3.311.220.844.750	2.343.252.541.063	967.968.303.687	(113.484.798.076)	225.959.132.882	(281.992.566)
Loan Portfolio		Direct Loan Portfolio				Contingent Loan Portfolio	
Aging of loan portfolio		Principal	Covered Balance	Overdraft	Allowance	Principal	Allowance
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		429.322.857	372.152.559	57.170.298	(2.146.614)	0	0
		2.562.450.847.049	1.775.300.766.575	787.150.080.474	(12.974.767.898)	217.750.815.292	(137.169.110)
Direct allowance	specific						
Up to date		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 30 days		31.741.307.870	23.965.249.389	7.776.058.481	(5.380.323.015)	0	0
Equal or less than 60 days		38.655.235.734	30.607.279.214	8.047.956.520	(3.967.363.874)	0	0
Equal or less than 90 days		27.691.467.530	20.831.508.781	6.859.958.749	(5.574.289.163)	0	0
Equal or less than 180 days		12.835.652.899	6.635.998.589	6.199.654.310	(5.466.538.201)	0	0
More than 180 days		94.025.639.284	43.967.849.734	50.057.789.550	(49.789.752.699)	0	0
	¢	748.769.997.701	567.951.774.488	180.818.223.213	(100.510.030.178)	8.208.317.590	(144.823.456)
	¢	3.311.220.844.750	2.343.252.541.063	967.968.303.687	(113.484.798.076)	225.959.132.882	(281.992.566)

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As of December 31, 2021

Loan Portfolio		Direct Loan Portfolio				Contingent Loan Portfolio	
Direct allowance	generic	Principal	Covered Balance	Overdraft	Allowance	Principal	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)
1		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 allowance	specific						
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 of 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>

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

As of June 30, 2021:

Loan Portfolio	Direct Loan Portfolio				Contingent Loan Portfolio	
	Principal	Covered Balance	Overdraft	Allowance	Principal	Allowance
Direct generic 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)
	<u>2.504.292.171.058</u>	<u>1.784.997.148.340</u>	<u>719.295.022.718</u>	<u>(12.377.534.857)</u>	<u>201.656.417.450</u>	<u>(124.829.250)</u>
Direct specific allowance						
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
	¢ <u>573.746.404.088</u>	<u>453.256.256.828</u>	<u>120.490.147.260</u>	<u>(82.264.956.624)</u>	<u>18.817.779.003</u>	<u>(40.451.957)</u>
	¢ <u>3.078.038.575.146</u>	<u>2.238.253.405.168</u>	<u>839.785.169.978</u>	<u>(94.642.491.481)</u>	<u>220.474.196.453</u>	<u>(165.281.207)</u>

Loan Portfolio	Direct Loan Portfolio				Contingent Loan Portfolio	
	Principal	Covered Balance	Overdraft	Allowance	Principal	Allowance
Aging of loan portfolio						
Direct generic 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
	<u>2.446.591.287.868</u>	<u>1.760.049.937.269</u>	<u>686.541.350.599</u>	<u>(12.377.534.859)</u>	<u>201.654.692.250</u>	<u>(124.829.250)</u>
Direct specific allowance						
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
	¢ <u>631.447.287.278</u>	<u>478.203.467.899</u>	<u>153.243.819.379</u>	<u>(82.264.956.622)</u>	<u>18.819.504.203</u>	<u>(40.451.957)</u>
	¢ <u>3.078.038.575.146</u>	<u>2.238.253.405.168</u>	<u>839.785.169.978</u>	<u>(94.642.491.481)</u>	<u>220.474.196.453</u>	<u>(165.281.207)</u>

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BANCO DE COSTA RICA

Notes to the separate financial statements

Set out below is an analysis of the gross and net (of allowance for loans losses) amounts of individually assessed loans with allowance by risk category according to applicable regulations:

On June 30, 2022	Loans receivable from customer	
	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>
On December 31, 2021	Loans receivable from customer	
	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>

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

On June 30, 2021	Loans receivable from customer	
	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
	¢ <u>3.078.038.575.146</u>	<u>2.983.396.083.665</u>

In compliance with SUGEF Directive 1-05, as of June 30, 2021, the Bank must maintain a minimum allowance in the amount of ¢114.115.987.657 (¢100.245.070.478 and ¢94.807.772.688 for December and June 2021, respectively) of which ¢113.766.790.642 (¢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 ¢291.992.566 (¢206.640.140 and ¢165.281.207 for December and June 2021, respectively) to the contingent loan portfolio. Additionally, the countercyclical allowance is of ¢4.779.400.343 (¢4.779.400.343 and ¢4.779.400.343 for December and June 2021, respectively).

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

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

	June 2022		December 2021		June 2021	
	Loan Portfolio	Contingent Accounts	Loan Portfolio	Contingent Accounts	Loan Portfolio	Contingent Accounts
Trade	¢ 223.218.362.049	22.976.499.508	201.575.626.184	22.218.278.320	187.251.831.083	23.864.252.964
Manufacturing	309,416,576,629	7.754.821	285.047.581.797	7.754.821	267.827.875.515	7.754.821
Construction. purchase and repair of real estate	1.324.812.544.512	44.000.000	1.271.588.188.876	45.321.317	1.185.604.471.814	45.824.896
Agriculture. livestock. hunting and related services	178.813.627.193	0	149.043.571.577	7.000.000	148.717.905.564	7.000.000
Fishing and aquaculture	44,887,819	0	46.000.000	0	40.228.220	0
Consumer	267.178.397.576	106.479.108.041	280.742.362.650	109.333.834.828	285.446.132.262	109.358.674.147
Education	780.825.853	0	819.434.189	0	792.447.274	0
Transportation	36.230.330.641	66.339.117	37.588.886.200	81.176.250	38.397.344.643	80.553.595
Financial and stock Exchange	0	0	3.747.089.931	0	3.886.564.292	0
Telecommunications and public utilities		0	163.842.838.285	0	101.612.174.147	0
Services	291.551.646.313	101.406.321.354	359.874.194.204	111.009.501.105	438.745.516.066	92.577.089.293
Hospitality	114,398,325,956	0	116.341.025.761	0	111.109.883.949	0
Mining and quarrying	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	240.975.914.509	1.183.706.324
Other activities from the non financial private sector	741.728.291	22.025.990	707.076.325	20.530.565	1.367.470.531	19.788.271
	3.293.401.660.878	233.331.873.684	3.193.889.504.724	246.824.316.265	3.049.739.639.458	227.144.644.311
Other contingencies	0	264.830.926.275	0	72.902.375.786	0	68.228.427.887
¢	<u>3.293.401.660.878</u>	<u>498.162.799.959</u>	<u>3.193.889.504.724</u>	<u>319.726.692.051</u>	<u>3.049.739.639.458</u>	<u>295.373.072.198</u>

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

As of June 31, 2022, December and June 2021, the Bank's risk associated to the loan portfolio is concentrated in Costa Rica.

As of June 30, 2022, the Bank has banking mandates for ₡798.750 (₡1.125.341 and ₡1.219.250 for December and June 2021, respectively).

The total Bank's foreclosed assets is detailed as follows (See note 7):

		June 2022	December 2021	June 2021
Properties	₡	102.443.583.170	115.853.794.973	129.799.081.844
Other		417.293.617	528.893.782	531.649.251
	₡	<u>102.860.876.787</u>	<u>116.382.688.755</u>	<u>130.330.731.095</u>

The loan portfolio by type of guarantee is as follows:

The portfolio of direct loans and contingent loans by type of guarantee is as follows:

		June 2022		December 2021		June 2021	
		<u>Loan portfolio</u>	<u>Contingent accounts</u>	<u>Loan portfolio</u>	<u>Contingent accounts</u>	<u>Loan portfolio</u>	<u>Contingent accounts</u>
Guarantee:							
Fiduciary	₡	438.215.748.676	0	394.185.654.977	0	397.490.792.663	0
Mortgage		1.500.762.056.438	72.500.000	1.498.236.202.119	73.166.667	1.445.589.913.395	0
Chattel mortgage		111.031.977.920	0	115.244.334.786	0	118.176.562.467	0
Other		1.243.391.877.843	233.259.373.684	1.186.223.312.842	246.751.149.598	1.088.482.370.931	228.635.536.603
	₡	<u>3.293.401.660.877</u>	<u>233.331.873.684</u>	<u>3.193.889.504.724</u>	<u>246.824.316.265</u>	<u>3.049.739.639.456</u>	<u>228.635.536.603</u>

See notes 6 and 19.

As of June 30, 2022, 49% of the loan portfolio is secured by mortgage or chattel collaterals (51% and 51% for December and June 2021, respectively).

Pursuant to SUGEF Directive 5-04: "Regulations on Credit Limits to Individual Persons and Economic Interest Groups", the Bank deparates information on reported data of economic interest groups as part of their responsibility to identify significant administrative and stockholder's equity relationships among debtors with total active operations.

As of June 30, 2022, 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.

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

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

As of June 30, 2022:

<u>No.</u>	<u>Percentage</u>	<u>Band</u>	<u>Total value</u>	<u>N° customers</u>
1	0-4,99%	25.336.162.784	91.868.849.833	1
2	5-9,99%	50.672.325.569	166.085.097.701	3
3	10-14,99%	76.008.488.353	0	0
4	15-20%	101.344.651.138	0	0
Total			257.953.947.534	4

As of December 31, 2021:

<u>No.</u>	<u>Percentage</u>	<u>Band</u>	<u>Total value</u>	<u>N° customers</u>
1	0-4,99%	23.261.525.331	15.058.079.520	1
2	5-9,99%	46.523.050.661	314.783.537.742	6
3	10-14,99%	69.784.575.992	0	0
4	15-20%	93.046.101.322	0	0
Total			329.841.617.262	7

As of June 30, 2021:

<u>No.</u>	<u>Percentage</u>	<u>Band</u>	<u>Total value</u>	<u>N° customers</u>
1	0-4,99%	23.905.976.882	15.010.952.317	1
2	5-9,99%	47.811.953.763	153.885.963.391	3
3	10-14,99%	71.717.930.645	0	0
4	15-20%	95.623.907.526	0	0
Total			168.896.915.708	4

(b) Management of market risk

Definitions

Market risk refers to potential losses that may occur in the value of assets and liabilities in the balance sheet 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 entity cannot meet its 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 (passive operations); or else, due to the inadequate price formation mechanism that makes it impossible to know the price to transform an asset and / or liability into liquidity.

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

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 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.

The exchange rate risk is the possibility of suffering losses because of variations in the exchange rate. 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 the exchange risk, such as the CAMELS indicators or its own statistics.

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 uses the Montecarlo simulation to calculate the 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. Management of operational liquidity risk is periodically assessed by daily updating the Bank's cash flow projected for six months and calculating the liquidity coverage indicator; term matches 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.

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

Tolerance limits and risk indicators

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

- Liquidity risk: maximum expected collection received from the public by currency, term matching to one and three months by currency and coverage of Liquidity Index (ICL) by currency.
- Price risk: VaR of the Investment portfolio through internal models and regulations.
- Exchange risk: Sensibility 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.

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 pandemic for COVID-19, 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%, in almost all items except cash, checking accounts and demand deposits in foreign financial institutions and restricted availabilities (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 and other demand obligations with the public (see chart of demand obligations with the public in note 11).

Wholesale funding show a year-on-year increase of 25.38% on a year-on-year basis, mainly due to the decrease in the overdraft account in demand checking accounts in foreign financial entities. (See table of obligations with financial institutions and the Central Bank in note 14 of this document).

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BANCO DE COSTA RICA

Notes to the separate financial statements

In the following table, the results for the end of June 2022 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	<u>1,00</u>	<u>1,00</u>	<u>1,00</u>

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		June 2022	December 2021	June 2021		
<u>Indicator</u>	<u>Interpretation</u>	<u>Observation</u>	<u>Observation</u>	<u>Observation</u>	<u>Approved levels</u>	
1-month term matching US dollars	Ratio between assets and liabilities with account's volatility	2,46	2,68	2,10	Limit:	1,10
1-month term matching colones		1,85	2,60	2,35	Limit:	1,00
3-months term matching US dollars		1,96	1,79	1,90	Limit:	0,94
3-months term matching colones		<u>1,21</u>	<u>1,78</u>	<u>1,48</u>	Limit:	<u>0,85</u>

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 daily 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

Notes to the separate financial statements

The Bank's assets and liabilities mature 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 365 days	More than 365 days	More than 30 days past due	Total
Cash and due from banks	¢ 344.350.095.213	0	0	0	0	0	0	0	344.350.095.213
Cash reserve- BCCR	362.886.815.274	23.511.807.626	15.060.267.782	19.753.169.461	49.619.498.729	42.578.411.213	17.242.585.832	0	530.652.555.917
Investments	0	259.785.127.036	7.617.678.507	5.891.394.486	26.404.328.465	210.515.607.127	1.177.671.163.568	0	1.687.885.299.189
Interest on investments	0	13.805.604.648	8.521.109.980	1.772.294.948	1.694.084.346	11.515.180	0	0	25.804.609.102
Loan portfolio	0	48.241.721.004	38.709.417.181	41.317.434.737	123.426.511.962	146.855.586.802	166.065.097.598	2.709.445.182.417	3.274.060.951.701
Interest on loans	0	7.239.823.646	793.790.055	286.606.040	1.614.483.390	41.639.065	7.834.952.702	7.888.976	17.819.183.874
	¢ 707.236.910.487	352.584.083.960	70.702.263.505	69.020.899.672	202.758.906.892	400.002.759.387	1.368.813.799.700	2.709.453.071.393	5,880,572,694,996
Liabilities									
Obligations with the public	¢ 3.188.458.969.460	204.535.377.577	133.967.223.259	174.544.952.054	446.072.214.075	362.282.001.486	151.407.234.166	0	4.661.267.972.077
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	232.332.670.156	85.269.403.889	16.148.996.948	24.269.222.691	26.537.705.337	16.610.504.253	28.740.738.257	0	429,909,241,531
Charges payable	1.003.906.651	2.824.691.668	1.933.073.816	1,934,027,193	2,484,314,086	2,133,864,020	2,160,548,027	0	14,474,425,461
	3.421.795.546.267	344.638.500.912	152.049.294.023	200.748.201.938	475.094.233.498	381.026.369.759	299.521.259.634	0	5,274,873,406,031
Assets and liabilities spread	¢ (2,714,558,635,780)	7,945,583,048	(81,347,030,518)	(131,727,302,266)	(272,335,326,606)	18,976,389,628	1,069,292,540,066	2,709,453,071,393	605,699,288,965

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

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	More than 30 days past due	Total
Cash and due from banks	¢ 338.991.823.664	0	0	0	0	0	0	0	338.991.823.664
Cash reserve- 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
Investments	0	320.583.968.405	13.571.638.451	15.988.917.175	73.068.296.720	74.137.179.920	1.232.008.672.124	0	1.729.358.672.795
Interest on investments	0	19.193.388.815	2.990.680.001	1.429.944.850	1.340.296.295	0	0	0	24.954.309.961
Loan portfolio	0	43.007.877.252	36.112.876.001	30.477.696.695	105.363.484.658	142.008.718.393	181.124.362.782	2.636.785.110.916	3.174.880.126.697
Interest on loans	0	5.708.878.553	773.116.267	156.224.283	729.848.592	252.151.373	8.586.743.824	36.914.488	16.243.877.380
	¢ 687.950.214.642	424.262.366.953	73.912.522.796	64.310.201.719	220.712.868.901	257.775.524.663	1.444.096.723.336	2.636.822.025.404	5.809.842.448.414
Liabilities									
Obligations with the public	¢ 3.283.466.617.831	260.126.383.161	154.502.001.965	125.618.930.132	299.405.484.983	315.333.276.086	164.872.678.962	0	4.603.325.373.120
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	35.221.034.718	219.633.212.087	15.186.450.676	32.362.257.758	46.609.776.057	47.880.315.707	23.623.365.624	0	420.516.412.627
Charges payable	1.219.462.589	2.357.782.517	2.626.094.604	1.571.020.695	2.825.614.790	1.906.214.713	1.518.772.447	0	14.024.962.355
	3.319.907.115.138	492.118.488.814	172.314.547.245	159.552.208.585	348.840.875.830	365.119.806.506	307.702.731.813	0	5.165.555.773.931
Assets and liabilities spread	¢ (2.631.956.900.496)	(67.856.121.861)	(98.402.024.449)	(95.242.006.866)	(128.128.006.929)	(107.344.281.843)	1.136.393.991.523	2.636.822.025.404	644.286.674.483

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

As of June 30, 2021

	<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>More than 30 days past due</u>	<u>Total</u>
Assets									
Cash and due from banks	¢ 157.766.453.975	0	0	0	0	0	0	0	157.766.453.975
Cash reserve- 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
Investments	0	321.709.846.877	21.906.355.413	10.177.954.579	116.680.006.838	140.936.098.790	933.676.783.443	0	1.545.087.045.940
Interest on investments	0	9.605.352.995	9.348.455.576	718.087.718	2.304.376.487	12.485.857	0-	0	21.988.758.633
Loan portfolio	0	37.955.413.960	30.341.506.921	26.582.143.003	85.362.143.278	135.946.768.296	2.572.473.834.471	142.740.088.850	3.031.401.898.779
Interest on loans	0	7.050.982.768	4.928.128.115	5.492.382.968	4.104.501.689	171.498.423	6.396.742.379	154.699.346	28.298.935.688
¢	<u>532.976.731.267</u>	<u>410.436.108.390</u>	<u>84.902.803.780</u>	<u>65.618.003.896</u>	<u>258.625.066.600</u>	<u>316.752.402.599</u>	<u>3.532.425.955.259</u>	<u>142.894.788.196</u>	<u>5,344,631,859,987</u>
Liabilities									
Obligations with the public	¢ 2.862.643.911.148	246.599.396.206	144.738.557.565	176.312.833.575	399.215.195.316	298.063.083.683	142.042.576.910	0	4.269.615.554.403
Obligations with BCCR	0	0	0	0	0	0	120.470.000.000	0	120.470.000.000
Obligations with financial entities	37.155.406.024	184.092.783.226	18.538.922.215	16.665.491.819	36.505.548.214	57.690.455.001	23.131.087.132	0	373,779,693,631
Charges payable	1.160.598.665	3.054.535.591	2.950.272.476	1.498.950.007	2.365.957.310	2.030.323.196	831.584.591	0	13.892.221.836
	<u>2.900.959.915.837</u>	<u>433.746.715.023</u>	<u>166.227.752.256</u>	<u>194.477.275.401</u>	<u>438.086.700.840</u>	<u>357.783.861.880</u>	<u>286.475.248.633</u>	<u>0</u>	<u>4,777,757,469,870</u>
Assets and liabilities spread	¢ <u>(2.367.983.184.570)</u>	<u>(23.310.606.633)</u>	<u>(81.324.948.476)</u>	<u>(128.859.271.505)</u>	<u>(179.461.634.240)</u>	<u>(41.031.459.281)</u>	<u>3.245.950.706.626</u>	<u>142.894.788.196</u>	<u>566.874.390.117</u>

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

(d) Price risk of the portfolio

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

In the case of own funds, a concentration of 61,27% 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.

The results of the VaR SUGEF 03-06 methodology are detailed below, considering both portfolios:

	June 2022	December 2021	June 2021
VaR ¢	<u>10.851.654.756</u>	<u>11.321.149.203</u>	<u>10.049.695.480</u>

The year-on-year increase in the indicator is an effect of the increase in price volatility of investment securities because of the global pandemic, as well as changes in the portfolio structure and 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 has been developed.

Sensitivity to an increase in the interest rate of investments

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

Sensitivity to a decrease in the interest rate of investments

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

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

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 rates 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 to a decrease in rates 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>

Sensitivity to an increase in rates of term financial obligations

	June 2022	December 2021	June 2021
Obligations with the public	¢ 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%	¢ <u>26,359,794</u>	<u>279,694,574</u>	<u>284,681,560</u>

Sensitivity to a decrease in rates of term financial obligations

	June 2022	December 2021	June 2021
Term financial 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%	¢ <u>26.359.794</u>	<u>279.694.574</u>	<u>284.681.560</u>

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

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

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

	<u>Effective rate</u>	<u>1 to 30 days</u>	<u>31 to 90 days</u>	<u>91 to 180 days</u>	<u>181 to 360 days</u>	<u>361 to 720 days</u>	<u>More than 720 days</u>	<u>Total</u>
Colones								
Assets								
Investments	6,06%	¢ 145.014.408.428	21.827.795.020	30.847.129.825	80.604.610.800	235.735.350.000	806.080.351.303	1.320.109.645.376
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 recovered assets (*)		1.729.664.228.618	217.436.839.539	150.968.603.241	133.948.904.999	289.408.121.648	1.482.594.332.336	4.004.021.030.381
Liabilities								
Obligations with the public		123.063.480.518	207.302.915.189	184.542.700.463	46.394.883.403	321.083.863.015	48.604.058.963	930.991.901.551
Demand	1,32%	0	0	0	0	0	0	0
Term	3,46%							
Obligations with Banco Central de Costa Rica		52.009.027.778	0	0	0	0	0	52.009.027.778
Obligations with financial entities	2,66%	84.809.265.570	30.965.723.751	8.548.740.425	0	143.626.985.358	0	267.950.715.104
Total matured liabilities (*)		259.881.773.866	238.268.638.940	193.091.440.888	46.394.883.403	464.710.848.373	48.604.058.963	1.250.951.644.433
Assets and liabilities spread		1.469.782.454.752	(20.831.799.401)	(42.122.837.647)	87.554.021.596	(175.302.726.725)	1.433.990.273.373	2.753.069.385.948
Dollars								
Assets								
Investments	3,73%	¢ 254.423.111.089	20.327.653.554	22.655.830.107	137.739.751.500	99.569.778.750	179.141.839.500	713.857.964.500
Loan portfolio	5,58%	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 recovered assets (*)		929.685.373.174	55.636.086.495	52.769.853.331	148.187.556.434	110.465.464.305	313.929.494.962	1.610.673.828.701
Liabilities								
Obligations with the public		14.563.711.751	7.597.014.747	8.675.455.283	10.381.254.775	8.157.943.347	14.052.025.967	63.427.405.870
Demand	0,41%	0	0	0	0	0	0	0
Term	2,25%	0	0	0	0	0	0	0
Obligations with financial entities	2,29%	787.474.219	10.177.818.279	984.962.514	7.531.748.505	2.974.875.879	20.207.196.734	42.664.076.130
Total matured liabilities (*)		15.351.185.970	17.774.833.026	9.660.417.797	17.913.003.280	11.132.819.226	34.259.222.701	106.091.482.000
Assets and liabilities spread		914.334.187.204	37.861.253.469	43.109.435.534	130.274.553.154	99.332.645.079	279.670.272.261	1.504.582.346.701

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

As of December 31, 2021

	<u>Effective rate</u>	<u>1 to 30 days</u>	<u>31 to 90 days</u>	<u>91 to 180 days</u>	<u>181 to 360 days</u>	<u>361 to 720 days</u>	<u>More than 720 days</u>	<u>Total</u>
Colones								
Assets								
Investments	6.24%	¢ 130.564.386.560	29.141.565.195	59.756.361.130	49.928.700.000	161.257.550.000	778.990.666.280	1.209.639.229.165
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 recovered assets (*)		1.621.671.645.692	205.531.379.158	181.881.670.911	98.765.754.341	226.396.550.687	1.585.362.840.453	3.919.609.841.242
Liabilities								
Obligations with the public		130.252.520.961	189.438.304.198	211.699.837.641	45.495.388.592	179.980.510.078	55.152.400.273	812.018.961.743
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%	29.556.351.028	38.540.261.637	36.261.565.236	1.065.250.000	159.531.201.325	0	264.954.629.226
Total matured liabilities (*)		169.809.983.038	227.978.565.835	247.961.402.877	46.560.638.592	339.511.711.403	55.152.400.273	1.086.974.702.018
Assets and liabilities spread		¢ 1,451,861,662,654	(22,447,186,677)	(66,079,731,966)	52,205,115,749	(113,115,160,716)	1,530,210,440,180	2,832,635,139,224
Dollars								
Assets								
Investments	3.92%	¢ 248.408.426.626	33.712.771.968	47.805.339.782	37.674.857.000	170.688.627.750	164.713.612.750	703.003.635.876
Loan portfolio	6.98%	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 recovered assets (*)		886.003.462.751	64.223.397.039	61.671.220.610	52.891.802.560	181.320.911.880	309.988.876.674	1,556.099.671.514
Liabilities								
Obligations with the public		13.820.110.879	11.671.450.224	12.783.631.968	9.613.462.687	18.019.787.052	14.357.713.279	80.266.156.089
Obligations with financial entities	2.03%	3.322.118.825	9.937.193.901	6.111.213.258	12.665.288.985	2.677.402.576	20.166.674.133	54.879.891.678
Total matured liabilities (*)		17.142.229.704	21.608.644.125	18.894.845.226	22.278.751.672	20.697.189.628	34.524.387.412	135.146.047.767
Assets and liabilities spread		¢ 868,861,233,047	42,614,752,914	42,776,375,384	30,613,050,888	160,623,722,252	275,464,489,262	1,420,953,623,747

(*) Interest rate sensitive

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

As of June 30, 2021

	<u>Effect ive rate</u>	<u>1 to 30 days</u>	<u>31 to 90 days</u>	<u>91 to 180 days</u>	<u>181 to 360 days</u>	<u>361 to 720 days</u>	<u>More than 720 days</u>	<u>Total</u>
Colones								
<u>Assets</u>								
Investments	7,25% ¢	149.102.140.972	38.413.010.394	120.162.839.538	67.047.123.791	93.182.600.000	658.390.734.548	1.126.298.449.243
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 recovered assets (*)		1.480.441.821.160	312.561.524.005	328.721.218.761	158.256.411.715	189.770.792.149	831.453.267.725	3.301.205.035.515
<u>Liabilities</u>								
Obligations with the public		119.713.759.621	242.488.560.641	179.181.191.053	41.778.574.674	324.418.960.040	34.634.564.843	942.215.610.872
Obligations with financial entities	0,36%	15.937.503.858	31.640.869.368	29.836.993.630	0	148.927.895.263	0	226.343.262.119
Total matured liabilities (*)		135.651.263.479	274.129.430.009	209.018.184.683	41.778.574.674	473.346.855.303	34.634.564.843	1.168.558.872.991
Assets and liabilities spread	¢	1,344,790,557,681	38.432.093.996	119.703.034.078	116.477.837.041	(283.576.063.154)	796.818.702.882	2.132.646.162.524
Dollars								
<u>Assets</u>								
Investments	3,41% ¢	193.039.810.718	42.131.822.424	35.352.436.781	73.094.257.600	117.767.393.120	150.459.239.840	611.844.960.483
Loan portfolio	6,04%	573.123.266.057	220.633.535.645	34.773.391.844	14.609.721.614	16.135.729.524	33.246.943.434	892.522.588.118
Total recovered assets (*)		766.163.076.775	262.765.358.069	70.125.828.625	87.703.979.214	133.903.122.644	183.706.183.274	1.504.367.548.601
<u>Liabilities</u>								
Obligations with the public		5.941.886.496	10.639.816.599	8.848.565.714	14.551.136.033	10.676.024.683	11.507.259.685	62.164.689.210
Obligations with financial entities	2,54%	10.646.652.931	7.246.392.601	8.935.800.227	28.638.352.684	2.510.812.234	20.823.873.649	78.801.884.326
Total matured liabilities (*)		16.588.539.427	17.886.209.200	17.784.365.941	43.189.488.717	13.186.836.917	32.331.133.334	140.966.573.536
Assets and liabilities spread	¢	749,574,537,348	244.879.148.869	52.341.462.684	44.514.490.497	120.716.285.727	151.375.049.940	1.363.400.975.065

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

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 30, 2022, for ₡2.753.069.385.948 (₡2.832.635.139.224 and ₡2.132.646.162.524 for December and June 2021, respectively) while in foreign currency the same difference is of ₡1.504.582.346.701 (₡1.420.953.623.747 and ₡1.363.400.975.065. for December and June 2021, respectively) is shown, 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 2022, the total amount in local currency was of ₡501.367.505.076 (₡519.819.857.087 and ₡443.249.833.825 for December and June 2021, respectively) while in foreign currency, the collected data for the compliance of obligations was of ₡104.331.783.890 (₡124.466.817.698 and ₡123.624.556.293 for December and June 2021, respectively) however, on a consolidated basis it 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 of Euros.

This currency 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: matching assets and liabilities denominated in foreign currency and the sensitivity of the foreign currency position (own position in foreign currency).

During the first quarter of 2022 the exchange rate has had a stable behavior, resulting in a volatility of 0.36%.

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).

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

Monetary assets and liabilities denominated in U.S. dollars are as follows:

		June 2022	December 2021	June 2021
Assets				
Cash and due from banks	US\$	651.686.663	607.947.793	501.530.382
Investments in financial instruments		961,772,728	981.445.965	835.434.421
Loan portfolio		1.241.714.669	1.275.266.944	1.448.163.344
Accounts and accrued interest receivable		1.797.880	1.716.121	1.201.319
Investments in other companies		125.071.746	123.820.677	122.743.638
Other		10.413.055	5.074.689	13.633.917
Total assets		<u>2.992.456.741</u>	<u>2.995.272.189</u>	<u>2.922.707.021</u>
Liabilities				
Obligations with the public		2.545.277.706	2.503.270.146	2.393.541.994
Other financial obligations		253.467.485	256.885.258	279.666.602
Other account payable and provisions		25.146.617	22.145.587	18.340.207
Other liabilities		11.953.464	7.784.599	15.190.241
Total liabilities		<u>2.835.845.272</u>	<u>2.790.085.590</u>	<u>2.706.739.044</u>
Net position (excess of monetary assets over monetary liabilities)	US\$	<u>156.611.469</u>	<u>205.186.599</u>	<u>215.967.977</u>

From January 2020, monetary assets and liabilities in foreign currency are valued by using the reference sale rate established by BCCR on the last business day of each month (previously the purchase exchange rate was used); as of June 31, 2022, that rate was ¢692.25 for US \$1.00 (¢645.25 y ¢621.92 in December and June 2021, respectively).

Net exposure is not hedged. However, the Bank considers its position to be acceptable since it can buy or sell U.S. dollars in the market when necessary.

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

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

The following table shows the possible annual gains (losses) if there are variations of 5 percentage points in the exchange rates, respectively.

Sensitivity to an increase in the exchange rate

	June 2022	December 2021	June 2021
Net position	156.611.471	205.186.599	215.967.975
Closing exchange rate	692.25	645.25	621.92
Increase in the exchange rate by 5%	34.61	32.26	31.10
Profit	<u>5.420.323.011</u>	<u>6.619.319.684</u>	<u>6.716.604.023</u>

Sensitivity to a decrease in the exchange rate

	June 2022	December 2021	June 2021
Net position	156.611.471	205.186.599	215.967.975
Closing exchange rate	692,25	645,25	621.92
Decrease in the exchange rate by 5%	(34,61)	(32,26)	(31,10)
Loss	<u>(5.420.323.011)</u>	<u>(6.619.319.684)</u>	<u>(6.716.604.023)</u>

Monetary assets and liabilities in Euros are detailed as follows:

		June 2022	December 2021	June 2021
Assets:				
Cash and due from banks	EUR€	8.333.409	6.958.224	6.931.163
Other assets		2.906	6.625	38
Total assets		<u>8.336.315</u>	<u>6.964.849</u>	<u>6,938,488</u>
Liabilities:				
Obligations with the public		8,108,807	5.748.836	5.229.187
Other financial obligations		863,435	753.785	624.493
Other accounts payable and provisions		22,772	18.680	21.877
Other liabilities		3.605	204.619	1,197
Total liabilities		<u>8.998.619</u>	<u>6.725.920</u>	<u>5,876,754</u>
Net position (excess of monetary assets over monetary liabilities)	EUR€	<u>(662.304)</u>	<u>238.929</u>	<u>1.061.734</u>

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

As of June 30, 2021, complying with SUGEF's regulations, the term matching of the most important US dollar accounts is as follows:

Assets		<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>More than 30 days past due</u>	<u>Total</u>
Cash and due from banks	US\$	311.180.002	0	0	0	0	0	0	0	311.180.002
Cash reserve- 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		0	363.300.296	5.948.729	0	5.378.070	174.860.006	403.790.348	0	953.277.449
Interest on investments		0	3.797.753	3.541.834	15.577	1.140.117	0	0	0	8.495.281
Loan portfolio		0	8.026.426	13.146.028	11.859.410	79.908.167	61.245.271	111.920.321	1.041.244.375	1.327.349.998
Interest on loans		0	2.703.273	113.412	273.860	967.410	33.688	4.558.182	0	8.649.825
		<u>543.520.767</u>	<u>394.121.256</u>	<u>31.398.345</u>	<u>24.198.897</u>	<u>113.050.544</u>	<u>270.560.464</u>	<u>531.364.568</u>	<u>1.041.244.375</u>	<u>2.949.459.216</u>
Liabilities										
Obligations with public		1.732.747.336	121.513.469	64.497.470	89.866.676	191.342.735	256.708.118	82.749.468	0	2.539.425.272
Obligations with the Central Bank of Costa Rica		0	0	0						0
Obligations with financial Entities		191.828.237	1.150.000	330.492	14.355.630	1.006.033	11.641.384	33.139.313	0	253.451.089
Charges payable		299.592	1.208.654	669.588	892.933	929.993	983.215	884.856	0	5.868.831
		<u>1.924.875.165</u>	<u>123.872.123</u>	<u>65.497.550</u>	<u>105.115.239</u>	<u>193.278.761</u>	<u>269.332.717</u>	<u>116.773.637</u>	<u>0</u>	<u>2.798.745.192</u>
Assets and liabilities spread	US\$	<u>(1.381.354.398)</u>	<u>270.249.133</u>	<u>(34.099.205)</u>	<u>(80.916.342)</u>	<u>(80.228.217)</u>	<u>1.227.747</u>	<u>414.590.931</u>	<u>1.041.244.375</u>	<u>150.714.024</u>

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

As of December 31, 2021, complying with SUGEF's regulations, the term matching of the most important US dollar accounts is as follows:

Assets		<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>More than 30 days past due</u>	<u>Total</u>
Cash and due from banks	US\$	224.652.480	0	0	0	0	0	0	0	224.652.480
Cash reserve- 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		0	374.706.318	9.184.847	18.446	33.927.218	37.144.039	516.303.244	0	971.284.112
Interest on investments		0	4.753.146	4.634.917	0	773.792	0	0	0	10.161.855
Loan portfolio		0	7.098.342	12.603.600	10.052.567	59.669.983	91.469.737	130.480.342	1.044.751.638	1.356.126.209
Interest on loans		0	1.794.542	88.216	44.670	1.627	285.408	5.297.994	20.024	7.532.481
		<u>479.885.344</u>	<u>420.647.493</u>	<u>40.139.113</u>	<u>18.482.730</u>	<u>124.723.323</u>	<u>153.941.752</u>	<u>670.461.032</u>	<u>1.044.771.662</u>	<u>2.953.052.449</u>
Liabilities										
Obligations with public		1.662.984.935	210.420.940	88.791.002	54.515.996	197.751.817	163.166.344	119.752.418	0	2.497.383.452
Obligations with financial Entities		12.696.743	168.221.358	576.070	14.692.439	9.414.053	19.738.178	31.513.526	0	256.852.367
Charges payable		245.750	901.175	1.257.309	481.546	1.344.297	1.026.353	663.153	0	5.919.583
		<u>1.675.927.428</u>	<u>379.543.473</u>	<u>90.624.381</u>	<u>69.689.981</u>	<u>208.510.167</u>	<u>183.930.875</u>	<u>151.929.097</u>	<u>0</u>	<u>2.760.155.402</u>
Assets and liabilities spread	US\$	<u>(1.196.042.084)</u>	<u>41.104.020</u>	<u>(50.485.268)</u>	<u>(51.207.251)</u>	<u>(83.786.844)</u>	<u>(29.989.123)</u>	<u>518.531.935</u>	<u>1.044.771.662</u>	<u>192.897.047</u>

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

As of June 30, 2021

Assets	<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>More than 30 days past due</u>	<u>Total</u>
Cash and due from banks US\$	127.857.104	0	0	0	0	0	0	0	127.857.104
Cash reserve- 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	0	292.006.645	4.467.279	2.854.171	39.459.782	82.295.492	406.090.868	0	827.174.237
Interest on investments	0	2.956.892	4.255.187	20.052	1.028.053	0	0	0	8.260.184
Loan portfolio	0	10.698.926	11.893.494	6.565.318	42.567.221	66.601.784	1.254.209.094	127.748.450	1.520.284.287
Interest on loans	0	2.344.256	4.000.093	2.573.062	1.164.247	22.956	4.635.184	(1.420)	14.738.378
	<u>376.372.174</u>	<u>341.035.673</u>	<u>33.338.560</u>	<u>24.322.886</u>	<u>104.926.932</u>	<u>178.803.075</u>	<u>1.685.441.138</u>	<u>127.747.030</u>	<u>2.871.987.468</u>
Liabilities									
Obligations with public	1.588.031.252	211.057.668	55.737.521	78.663.695	132.323.415	190.953.764	131.034.937	0	2.387.802.252
Obligations with BCCR	0	0	0	0	0	0	0	0	0
Obligations with financial entities	23.555.904	152.776.549	279.085	9.103.973	13.849.548	46.533.492	33.310.248	0	279.408.799
Charges payable	190.664	1.601.895	1.100.584	838.772	967.111	798.304	500.215	0	5.997.545
	<u>1.611.777.820</u>	<u>365.436.112</u>	<u>57.117.190</u>	<u>88.606.440</u>	<u>147.140.074</u>	<u>238.285.560</u>	<u>164.845.400</u>	<u>0</u>	<u>2.673.208.596</u>
Assets and liabilities spread US\$	<u>(1.235.405.646)</u>	<u>(24.400.439)</u>	<u>(23.778.630)</u>	<u>(64.283.554)</u>	<u>(42.213.142)</u>	<u>(59.482.485)</u>	<u>1.520.595.738</u>	<u>127.747.030</u>	<u>198.778.872</u>

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

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

For the period ended June 30, 2022, the separate accumulated financial statements show a net foreign exchange profit of ¢1.762.363.196 (¢2.726.227.722 and ¢484.653.982 for 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 cover 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 simply the 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 size of the BCR Financial Conglomerate is according to assets of the most updated data available, equivalent to the end of May 2022 of 17.23% of annual GDP. Due to the size and complexity of its operations, the BCR is a systemic Entity, therefore, its performance and the decisions made have effects on the financial system.

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

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 relation, so that the information generated can be easily used in decision-making at different levels of the organization.

(i) Operational risk management

Operational risk is defined as the possibility of loss resulting from inadequate use or unforeseen failure of processes, personnel, and internal and even automated systems or due to external events. This definition includes technological and legal risks 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 the Bank alert regarding technological risk since the population is online with banking platforms, and thousands of users connect for the first time every day, which means that cybernetic insecurity represents a risk that must be controlled and it is necessary to increase the operational capacity to analyze the alerts, paying special attention to monitoring the efficiency of the equipment and its capacity to function.

The Government, in addition to health measures, 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, since telecommuting has been implemented.

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

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 BCR uses the basic method and continuously provides efforts in the prevention and mitigation of 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 internal and external fraud is considered as relevant, for which periodic training programs are implemented on elements that collaborate in the early detection of cases, as well as prevention announcements that warn of the different types of fraud and their evolution in our environment. Likewise, there are plans that will be activated in case of non-compliance of the parameters established.

Through the automated OpRisk tool, the operational risks detected in the risk evaluations 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 Regulation on operational risk management.

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.

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

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	100,00%	100,00%	100,00%

Information and IT security risk management is carried out at the Conglomerate as a whole, and there is an annual assessment plan related to processes, contracts, applications, strategy, services, platforms, and IT security, in line with prudential regulations applicable and best international 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 limit; they are regularly reviewed and updated in conjunction with risk takers, as part of the continuous improvement of the management process.

The reports with the results are periodically presented to the corresponding corporate governance bodies, as part of the Management Information System.

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

(Continues)

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Notes to the separate financial statements

(j) Business Continuity

In accordance with the Disaster Recovery Institute International (DRI), it is a continuous management and governance process that has the support of senior management and the appropriate resources to ensure that the necessary measures are taken to identify the impact of potential losses, maintain viable recovery plans and strategies, and ensure continuity of products and services through training, testing, and exercises.

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 the role that corresponds to them in the event of a crisis.

(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

This management entails the responsibility of promoting and ensuring that CFBCR entities operate with integrity and in compliance with laws, regulations, policies, codes, and other internal provisions. Reason for which periodic evaluations are carried out to determine the level of compliance with the established obligations, such as the one made to the Income Tax Law (Law 7092), presenting an observation of reasonable compliance, and also verifying 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 desire for zero tolerance in terms of non-compliance with the applicable external regulatory framework.

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

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.

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BANCO DE COSTA RICA

Notes to the separate financial statements

(35) Financial Information of the Development Financing Fund

The Bank presents the following financial information as manager of its 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			
Availabilities	¢ 0	0	1.168.728.627
Cash	0	0	1.168.728.627
Investments in financial instruments	0	0	2.241.873.928
At fair value through other comprehensive income	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 sundry 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 de Costa Rica	¢ 29.330.665.472	26.014.386.470	26.014.386.470
Retained earnings from previous periods	11.146.056.305	10.197.624.940	10.197.624.940
Result of 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
DEBIT CONTINGENT 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

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

Development Financing Fund

Income Statement

As of June 30, 2022

Financial Information

(In colones without cents)

	June	June	Quarter from	
	2022	2021	April 1 to June 30	
			2022	2021
Financial income				
For loan portfolio	766.696.280	686.473.927	385.648.797	317,146,046
For profit on exchange differences	7.359.598	1.159.151	3.905.904	1,159,151
For other financial income	0	4.588.745	0	1,865,321
Total financial income	774.055.878	692.221.823	389.554.701	320.170.518
Financial expenses				
For asset recovery and decrease in allowance	0	0	0	(371,902)
Total financial expenses	0	0	0	(371.902)
For allowance on asset impairment	121.199.705	21.622.662	11.646.442	29,070
For asset recovery and decrease in allowance	177.254	6.435.395	44.816	4,373,279
FINANCIAL INCOME	653.033.427	677.034.556	377.953.075	324.886.629
Other operating income				
For other operating income	137.515	346.424	763	251,424
For services commissions	9.465.347	5.759.407	5.284.444	1,872,908
Total other operating income	9.602.862	6.105.831	5.285.207	2.124.332
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	213.463.611	211.003.386	94.583.578	166.985.409
RESULT OF THE PERIOD	¢ 449.172.678	472.137.001	288.654.704	160.025.552

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

Loan portfolio of the Development Financing Fund

The following information contained in notes a) through f) represent financial information.

a) Loan portfolio by sector

Activity	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 and stock exchange activities	732,693,361	881.672.399	997.073.322
Real estate, business, and rental activities	235.927.747	264.973.366	270.004.138
Construction, purchase, and repair of real estate	583.217.947	642.304.505	110.689.123
Hospitality	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 in loan portfolio	(370.261.495)	(343.722.100)	(294.378.042)
Allowance for impairment	<u>(314.576.928)</u>	<u>(193.756.485)</u>	<u>(160.141.244)</u>
	<u>¢ 42.368.431.302</u>	<u>39.240.945.857</u>	<u>33.292.706.539</u>

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

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
From 1 to 30 days	1.424.781.632	1.624.793.688	891.728.793
From 31 to 60 days	1.148.129.812	587.091.721	20.572.837
From 61 to 90 days	106.466.802	715.753.544	15.886.001
From 91 to 120 days	140.640.079	14.329.505	0
From 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) Delinquent and past due loan portfolio

Delinquent and past due loans, including loans with interest recognition based on cash and loans in non-accrual status of interest, are summarized below:

	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

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

Loans on legal collection as of June 30, 2022:

<u># operations</u>	<u>Percentage</u>	<u>Balance</u>
4	0,33%	¢ <u>141.467.088</u>

Loans on legal collection as of December 31, 2021:

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

Loans on legal collection as of June 30, 2021:

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

d) Interest receivable on loan portfolio:

Interest receivables are as follows:

	<u>June 2022</u>	<u>December 2021</u>	<u>June 2021</u>
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 judicial collection	1.865.623	783.451	785.208
	¢ <u>84.131.189</u>	<u>72.838.659</u>	<u>179.930.904</u>

e) Allowance for bad loans:

The movement of allowance for bad loans is as follows:

Opening balance 2022	¢	193.756.485
Plus:		
Allowance charged to profit or loss		121.108.490
Adjustment for exchange 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>

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

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 differences		212.127
Less:		
Adjustment for exchange differences		(2.078)
Reversal of allowance against income		(865.163)
Balance as of December 31, 2021	¢	<u>193.756.485</u>

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 differences		(2.078)
Reversion of allowance against income		(428.927)
Balance as of June 30, 2021	¢	<u>160.141.244</u>

f) Loan portfolio by type of guarantee:

The loan portfolio by type of guarantee is detailed 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
	¢	<u>42.969.138.536</u>	<u>39.705.585.783</u>	<u>33.567.294.921</u>

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

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

	<u>Cartera de Crédito Directa</u>		
	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>

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

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	¢ 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>

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

As of December 31, 2021

		Direct Loan Portfolio			
		Principal	Covered Balance	Overdraft	Allowance
Direct generic allowance					
1	¢	36.792.311.641	25.823.207.897	10.969.103.744	92.191.906
A1		884.524.017	0	884.524.017	4.422.620
		<u>37.676.835.658</u>	<u>25.823.207.897</u>	<u>11.853.627.761</u>	<u>96.614.526</u>
Direct specific allowance					
2		728.386.349	420.493.795	307.892.554	17.497.097
3		1.218.141.671	1.082.479.235	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>2.101.588.784</u>	<u>1.644.920.395</u>	<u>456.668.389</u>	<u>67.928.092</u>
	¢	<u>39.778.424.442</u>	<u>27.468.128.292</u>	<u>12.310.296.150</u>	<u>164.542.618</u>

Loan Portfolio

Aging of loan portfolio

		Direct Loan Portfolio			
		Principal	Covered Balance	Overdraft	Allowance
Direct generic allowance					
Up to date	¢	884.524.017	0	884.524.017	96.614.526
		<u>884.524.017</u>	<u>0</u>	<u>884.524.017</u>	<u>96.614.526</u>
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>

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

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 Aging of loan portfolio		Direct Loan Portfolio			
		Principal	Covered Balance	Overdraft	Allowance
Direct generic 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 180 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 180 days		15.980.996	886.432	15.094.564	3.778.073
More 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>

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

		Loans receivable from clients	
		Gross	Net
As of June 30, 2022			
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>

		Loans receivable from clients	
		Gross	Net
As of December 31, 2021			
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>

		Loans receivable from clients	
		Gross	Net
As of June, 2021			
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>

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

(36) 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	December	June
	2022	2021	2021
ASSETS			
Availabilities	¢ 5.050.235.062	677.887.264	546.381.868
Central Bank of Costa Rica	5.050.235.062	677.887.264	546.381.868
Investment 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
Term	0	0	155.152.024.290
Demand	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			
Results of the previous period	¢ 672.257.035	3.517.319.433	3.696.908.092
Results 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
Own debit memoranda account			
Own debit memoranda account	¢ 16.623.962.212	21.119.325.983	18.884.968.207
Interest receivable memoranda accounts	¢ 11.300.993	6.235.038	17.476.245

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

**DEVELOPMENT CREDIT FUND
INCOME STATEMENT**

For the period ended June 30, 2022

Información Financiera

(En colones sin céntimos)

	<u>June 2022</u>	<u>June 2021</u>	<u>Quarter from April 1 to June 30</u>	
			<u>2022</u>	<u>2021</u>
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 incomes	95.089.036	146.485.933	5.597.488	49.086.828
Total financial income	<u>7,322,908,300</u>	<u>4,324,118,946</u>	<u>3,756,635,478</u>	<u>2,141,378,421</u>
Financial expenses				
For obligations with the public	758.310.882	591.362.145	434.682.542	279.045.321
For losses in exchange 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	<u>763,353,860</u>	<u>598,271,235</u>	<u>435,970,553</u>	<u>180,823,866</u>
For allowance of asset impairment	105.491.642	124.006.230	97.953.907	86.095.616
Asset recovery and decrease in allowance	113.955.660	95.686.109	5.569.327	12.536.285
Financial result	<u>¢ 6,568,018,458</u>	<u>3,697,527,590</u>	<u>3,228,280,345</u>	<u>1,886,995,224</u>
Other operating income				
For commission for services	2.066	8.492	2.066	7.512
For arbitrage and currency exchange	126.453.637	149.139.348	63.065.156	98.061.305
For other operating income	431.162.325	3.251.109	321.836.122	928.647
Total other operating income	<u>¢ 557,618,028</u>	<u>152,398,949</u>	<u>384,903,344</u>	<u>98,997,464</u>
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	<u>¢ 494,138,774</u>	<u>94,473,073</u>	<u>337,598,889</u>	<u>62,444,531</u>
Gross operating income	<u>¢ 6,631,497,712</u>	<u>3,755,453,466</u>	<u>3,275,584,800</u>	<u>1,923,548,157</u>
Earnings transferred to the National Development Trust	4.046.619.680	2.746.528.106	2.112.336.741	1.439.906.128
Result of the period	<u>¢ 2,584,878,032</u>	<u>1,008,925,360</u>	<u>1,163,248,059</u>	<u>483,642,029</u>
Profit allocation				
Profit transferred to the National Development Trust	¢ 4.046.619.680	2.746.528.106	2.112.336.741	1.439.906.128
Commission for management of the Development Credit Fund, and the fund's own profits	2.584.878.032	1.008.925.360	1.163.248.059	483.642.029
	<u>¢ 6,631,497,712</u>	<u>3,755,453,466</u>	<u>3,275,584,800</u>	<u>1,923,548,157</u>

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BANCO DE COSTA RICA

Notes to the separate financial statements

From 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% of the earnings, set by the Governing Board, to cover operation costs, services and any other cost arising from managing the investments.

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 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>Issuers abroad:</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

(Continues)

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Notes to the separate financial statements

Loan portfolio of the Development Credit Fund

The following information contained in notes a) through g) 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
Public Administration	18.000.000	0	0
Trading	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:

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
From 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>

c) Delinquent and past due loans

Delinquent and past due loans, including loans with interest recognition on cash basis and interest not received on this loan, are summarized as follows:

	June 2022	December 2021	June 2021
Delinquent and past due loans with interest recognition	¢ 259.928.380	101.397.179	106.272.774
Total of not received interest	¢ 11.300.993	6.235.038	17.476.245

(Continues)

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Notes to the separate financial statements

d) Interest receivable for loan portfolio

Interest receivables are detailed 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>

e) Allowance for bad loans

June, 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>

December 2021

Balance at the beginning of 2021	¢	66.444.007
Plus:		
Allowance charged 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>

June, 2021

Balance at the beginning of 2021	¢	66.444.007
Plus:		
Allowance charged 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>

(Continues)

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Notes to the separate financial statements

f) Loan portfolio by type of guarantee:

The loan portfolio detailed by guarantee is 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		25.236.344.327	24.055.627.926	24.791.933.491
	¢	<u>26.138.376.450</u>	<u>24.795.848.519</u>	<u>25.921.153.220</u>

g) The financial instruments of the Development Credit Fund exposed to credit risk are detailed as follows:

		Direct Loan Portfolio		
		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
		26.259.439.094	24.865.701.892	26.035.550.368
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
		26.259.439.094	24.865.701.892	26.035.550.368
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 loans		(81.225.072)	(64.842.970)	(66.036.199)
(Surplus) inadequacy of Allowance		(22.339.554)	(34.279.744)	(30.881.625)
Carrying amount. net	6a ¢	<u>26.155.874.468</u>	<u>24.766.579.178</u>	<u>25.938.632.544</u>

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

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

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BANCO DE COSTA RICA

Notes to the separate financial statements

As of December 31, 2021

Loan portfolio		Direct Loan Portfolio			
		Principal	Covered balance	Overdraft	Allowance
Direct generic allowance 1	¢	24.763.811.286	9.039.547.128	15.724.264.158	64.333.517
		24.763.811.286	9.039.547.128	15.724.264.158	64.333.517
Direct specific allowance 2		101.890.606	101.890.606	0	509.453
		101.890.606	101.890.606	0	509.453
	¢	24.865.701.892	9.141.437.734	15.724.264.158	64.842.970
Loan portfolio		Direct Loan Portfolio			
Aging of loan portfolio		Direct Loan Portfolio			
Direct generic allowance Up to date	¢	24.763.811.286	9.039.547.128	15.724.264.158	64.333.517
		24.763.811.286	9.039.547.128	15.724.264.158	64.333.517
Direct generic allowance Up to date Equal or less than 30 days		101.890.606	101.890.606	0	509.453
		101.890.606	101.890.606	0	509.453
	¢	24.865.701.892	9.141.437.734	15.724.264.158	64.842.970

As of June 30, 2021

Loan portfolio		Direct Loan Portfolio			
		Principal	Covered balance	Overdraft	Allowance
Direct generic allowance 1	¢	25.656.621.303	3.105.081.349	22.551.539.954	64.141.553
		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
		271.987.142	271.987.142	0	1.359.936
3		378.929.065	378.929.065	0	1.894.646
		26.035.550.368	3.484.010.414	22.551.539.954	66.036.199
Loan portfolio		Direct Loan Portfolio			
Aging of loan portfolio		Direct Loan Portfolio			
Direct generic allowance Up to date	¢	25.928.608.445	3.377.068.491	22.551.539.954	64.141.553
		25.928.608.445	3.377.068.491	22.551.539.954	64.141.553
Direct generic allowance Up to date Equal or less than 30 days		106.941.923	106.941.923	0	1.894.646
		106.941.923	106.941.923	0	1.894.646
	¢	26.035.550.368	3.484.010.414	22.551.539.954	66.036.199

(Continues)

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Notes to the separate financial statements

		Loans receivable from clients	
		Bruto	Neta
As of June 30, 2022			
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>

		Loans receivable from clients	
		Gross	Net
As of December 31, 2021			
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>

		Loans receivable from clients	
		Gross	Net
As of June 30, 2021			
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>

Upon request by the private banks for a change as to operate in accordance with provisions contained in subparagraph ii) of Law N.1644, Organic Law of the National Financial System, the Governing Body of Development Banking, authorizes the managing banks to transfer the funds of the Development Credit Fund, whose refund would be done in monthly installments during a maximum period of six months.

As of June 30, 2022, transfers of resources have been made 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 separate financial statements

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

a) IAS 1: Presentation of Financial Statements

New IAS I is effective as from 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 for periods beginning on or after July 1, 2012. The changes that have been included in IAS 1 are specific paragraphs related to the presentation of other comprehensive income. These changes will require the other comprehensive income to be presented separating those that cannot be reclassified subsequently to the income statement and those that may be reclassified subsequent 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 I changes the name of some financial statements, using “statement of financial position” instead of balance sheet.

IAS I require 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.

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

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BANCO DE COSTA RICA

Notes to the separate financial statements

c) IAS 7: Statement 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, including adjustments that occur after the assessment of an item because of new information or new events.

Any change in accounting estimates is prospective and is recorded in profit or loss of 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 threshold 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 the payment of dividends in the same way as the income tax.

IAS 12 allows assets and liabilities to be presented on a net basis when they belong to the same tax entity; the income or expense is presented net, as part of the total income tax.

In the presentation of the SUGEF chart of accounts, each deferred income tax account must be presented separately.

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:

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BANCO DE COSTA RICA

Notes to the separate financial statements

- a. Record against results for the period in the event that, according to the assessment by senior management, it is concluded that the entity has an immediate enforceability 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 institute.

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 assets.

g) IAS 21: The Effects of Changes in Foreign Exchange Rates

The Board requires that the financial statements of regulated entities to be presented in colones as the functional currency.

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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Notes to the separate financial statements

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 exchange rate differential adjustments in monetary items in foreign currency.

The provisions of this article do not inhibit 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 purposes of calculating prudential indicators, for presentation to the respective Superintendence or for publication to the public as required by legal provisions regulating 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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BANCO DE COSTA RICA

Notes to the separate financial statements

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 venture, or special purpose entity.

Regulated entities must present their separate financial statements.

j) Amendments to IAS 32: Financial Instruments - Presentation and IAS 1: Presentation of Financial Statements - 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 be recorded for contingent assets. IAS 37 does not allow such provisions.

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 straight-line method over a maximum of five years. The foregoing is not in accordance with the provisions of the Standard.

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 CONASSIF standards.

On the other hand, IFRS do not require annual goodwill amortization, only yearly assessment for impairment is required.

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Notes to the separate financial statements

After initial recognition, intangible assets with a defined useful life must be accounted for at their acquisition cost less accumulated amortization and 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 verification, it will compare its recoverable amount with its carrying amount. This comparison should 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, during the period in which it is expected to produce the 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, the organization and installation expenses can be presented in the statement of financial position as an asset, but they must be fully amortized by the straight-line method within a maximum of a five-year period.

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

In the application of IFRS 3, the non-controlling interests in the acquiree, which are interests in current ownership and which grant the right to a proportionate interest in the net assets of the entity, in the event of settlement must be measured at fair value, by the acquirer, on the acquisition date.

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 at carrying amount 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 employed by the acquirer.

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BANCO DE COSTA RICA

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o) IFRS 5: Non-current Assets Held for Sale 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 cost of sales.

The entity must implement a sales plan and a program to negotiate those assets at reasonable price that allows the plan to be completed in the shortest possible time.

Within a 24-months period from the date of the award or receipt of the asset, the entity must request the Superintendent 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 estimate of the property for 100% of its carrying amount.

Likewise, an estimate of the asset will be required for 100% of its carrying amount when at the end of the term, the entity did not request the extension. Notwithstanding the foregoing, it will be a necessary condition that, within 24 months from the date of the 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 register an estimate of the forty-eighth part per month until completing one hundred percent of the carrying amount of the asset. This accounting record will start from the closing of the month in which the asset was awarded or received in payment.

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:

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

- 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 recorded 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

The valuation at fair value of portfolios of financial assets and liabilities exposed to market risk and credit risk will be done individually. The measurement based on the net risk exposure of the entity is not admissible.

The equity reserves that regulated entities create by law or voluntarily cannot be applied to record expenses or losses directly without having previously gone through the results of the period.

(38) 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: "Financial Information Regulations" approved by the National Supervisory Board of the Finance System.

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Notes to the separate financial statements

(39) Relevant and subsequent events

As of June 2022, there are relevant and subsequent events to disclose as follows:

Transfer of charges and observations

In the month of June 2020, the first advance payment of the Income Tax was due, however the administration of the Bank of Costa Rica decided to avail itself of the benefit offered by the Tax Relief Law No.9830, due to COVID-19, according to the which, as disclosed in article 2 of the Law and article 8 of its Regulations, regarding to discard partial payments to be made in the months of April, May and June 2020 for a single time.

As of July 3, 2020, the BCCR publishes Law 9859 “Law to Combat Usury” with which it defines the cap on interest rates for loans and credit cards equivalent to 37.69% per year in colones and 30.36% in US dollars, valid for the second quarter of 2020. The 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 credit card returns.

On the other hand, the Law establishes a minimum non-sizable wage that cannot be considered in the ability-to-pay analysis, which implied the incorporation of this concept into the current credit regulations.

As of December 31, 2021, an adjustment for reversal of the IFRIC 23 provision corresponding to 2016 is carried out for ₡8,717,265,589, (₡1,734,981,794.69 for December 2020) corresponding to 2015.

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.

(Continues)

BANCO DE COSTA RICA

Notes to the separate financial statements

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

Declaration of health alert for COVID-19

Actions of the Government of Costa Rica

As of March 17, 2020, the Tax Relief decree is approved, which establishes moratorium measures in the payment of income tax (VAT, selective consumption, and duties) from April to June 2020. They must be declared and can be paid without charge for interest or penalties until December 2020; a deferral of payment term is granted, but 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 commercial leases are exempt from VAT from April to June 2020.

On March 18, 2020, guideline 075-H was signed to instruct the state's commercial banks so that, in the exercise of their constitutional autonomy, they 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 conditions 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 without penalty.

Financial Information Regulation

As of December 31, 2020, multiple regulations have been issued to mitigate the impact of COVID-19 related to the banking and financial sector according to the following detail:

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The CONASSIF approved

- a. Extend to September 30, 2021, the option to renegotiate the agreed conditions of the loans up to twice in a 24-month period, without these adjustments having negative effects on the debtors' file at the Credit Information Center (CIC).
- 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 September 30, 2021, without qualifying as a special operation, and
- 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 measure aims to facilitate the readjustments and / or refinancing of the credits. The measure is temporary until March 31, 2021.
- g. Measures with respect to Credit Policies and Procedures: A measure that will facilitate the procedures for both the granting of new credits and the readjustments and / or refinancing thereof, where financial entities may omit, in their credit policies and procedures, the information that they ask on a daily basis to their clients to verify their payment ability. The provision will be in force until March 31, 2021. Measures regarding the Suspension of Classification of Irregularities - Sanitation Plan: It was agreed to suspend, for one year, the provision that classifies a financial entity as "type 2 irregularity", when the institution presents 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 sanitation plan to counter the situation. It is important to note that SUGEF must amend the parameters for determining liquidity indicators. This measure will be in force for 12-months period.

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- 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 countercyclical 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.

Through articles 6 and 5 of the minutes of the sessions 1442-2018 and 1443-2018, both held on September 11, 2018, the CONASSIF approved the Financial Reporting Regulation, which comes in effect on January 1, 2020.

The Regulation aims to regulate the application of 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 proposes two or more application alternatives.

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 in 0,00% 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. The 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 in the markets 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 a 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.
- 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.

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Measures adopted by the Bank facing the health emergency due to COVID-19

Measures were issued in three areas:

- 1) Direct loans: 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, thus, the principal and interest will not be charged during that period. The corresponding collection will be performed 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 credit that will take effect at the end of the grace period.

For this new operation, the interest rate will be, in colones TBP + 1 and PRIME in US dollars, depending on the currency, and for the remaining term of the main operation

In necessary cases, the maturity of the main operation may be extended by up to 11 months.

This ease applies to customers with less than 60 days past due, for which no additional payment capacity analysis will be made.

- 2) 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, no late fees or interest will be charged.

During the months of the full grace period, no late fees nor default interests will be charged.

- 3) Line of credit: Specific situations will be addressed, 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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BANCO DE COSTA RICA

Notes to the separate financial statements

Following a detail of loans by activity in readjusted operations by Covid-19:

Activity	Loans – Colonized balances	
	Colons	Colonized 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
Consumer goods	70.556.732.291	3.848.084.209
Cattle raising	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 in ₡	₡ 436.141.563.790	218.362.059.133
Total General	₡ 654.503.622.923	

Activity	Amount in US		
	Colones	dollars	Total
Agriculture	84	10	94
Trade	805	57	862
Construction	18	14	32
Consumer goods	7.783	459	8.242
Cattle raising	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

December 31, 2021

Activity	Loans – Colonized balances	
	Colones	Colonized 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
Consumer goods	77.269.995.248	4.714.700.744
Cattle raising	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 in ₡	₡ 464.748.614.526	231.592.116.966
Total General	₡ 696.340.731.492	

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Activity	Amount in US		Total
	Colons	dollars	
Agriculture	92	10	102
Trade	920	74	994
Construction	17	14	31
Consumer goods	8.312	531	8.843
Cattle raising	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 implementation of the Financial Information Regulation

Through articles 6 and 5 of the minutes of sessions 1442-2018 and 1442-2018, both held on September 11, 2018, CONASSIF approved the Financial Information Regulation, which enters into force as of January 1, 2020.

The purpose of the Regulation is to regulate the application of 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 treatment or methodology specifies when IFRS proposes two or more application alternatives.

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 entity.

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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.

Gradual increase of the Minimum Legal Requirement

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.

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.