



Banco de Costa Rica and Subsidiaries

Unaudited Consolidated Financial Statements

March 31, 2023 and 2022

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BANCO DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the period ended March 31, 2023
(In colones without cents)

	Note	March 2023	December 2022	March 2022
ASSETS				
Availabilities	4	€ 994,864,548,096	990,655,695,706	911,799,512,935
Cash		89,456,735,225	92,361,994,246	78,655,247,748
Central Bank of Costa Rica		677,996,520,633	622,122,345,509	558,924,094,125
Local financial entities		1,838,483	34,167,612	157,656,597
Foreign financial entities		101,768,300,651	186,348,821,639	175,008,253,792
Notes payable on demand		29,264,690,398	291,159,518	2,560,201,698
Restricted cash and cash equivalents		96,376,462,706	89,483,497,239	96,494,058,975
Accounts and interest receivable		0	13,709,943	0
Investment in financial instruments	5	1,585,213,577,756	1,737,604,014,810	1,905,804,603,469
At fair value through profit or loss		134,758,693,089	232,343,302,158	285,560,528,570
At fair value through other comprehensive income		1,341,942,770,911	1,390,086,634,332	1,553,136,715,438
At amortized cost		93,583,391,059	90,186,040,192	50,487,919,798
Interest receivable		15,027,906,676	25,079,315,361	16,619,439,663
(Allowance for impairment)		(99,183,979)	(91,277,233)	0
Loan portfolio	6.b	3,905,838,466,255	4,077,413,386,235	4,029,040,086,898
Current loans	6.d	3,756,374,647,705	3,937,462,584,812	3,880,919,753,662
Past due loans		245,692,558,533	243,256,893,171	270,811,954,167
Loans in legal collection	6.e	51,373,797,653	54,015,379,909	54,530,116,636
(Deferred income loan portfolio)		(20,285,105,077)	(20,333,161,206)	(19,111,065,464)
Interest receivable	6.f	25,307,068,620	23,482,920,835	22,464,523,628
(Allowance for impairment)	6.g	(152,624,501,179)	(160,471,231,286)	(180,575,195,731)
Accounts and commissions receivable		42,111,265,429	40,589,657,945	24,211,638,471
Commissions receivable		4,913,346,897	5,047,174,271	6,261,066,289
Accounts receivable from stock exchange operations		310,976,969	324,382,309	146,869,783
Accounts receivable for transactions with related parties		626,289,384	461,408,278	1,101,421,045
Deferred income tax and income tax receivable	15	32,153,327,706	29,654,579,558	11,543,514,462
Other accounts receivable		17,475,881,875	18,704,160,389	18,516,947,315
(Allowance for impairment)		(13,368,557,402)	(13,602,046,860)	(13,358,180,423)
Foreclosed assets	7	49,733,214,269	50,943,639,172	61,491,132,141
Assets and securities acquired as recovery of loans		116,067,663,378	115,786,047,086	126,176,600,362
Other foreclosed assets		3,383,105,669	3,022,436,777	4,294,741,633
(Allowance for impairment and per legal requirement)		(69,717,554,778)	(67,864,844,691)	(68,980,209,854)
Interest in other companies' capital, net	8	746,144,071	349,295,286	65,417,188
Property, furniture and equipment, net	9	148,662,580,890	151,188,474,971	138,026,475,076
Property investments		6,831,625,000	6,831,625,000	6,441,924,521
Other assets		171,043,105,145	160,150,252,095	88,628,559,408
Deferred charges	10.a	1,908,834,599	2,164,311,351	9,108,364,716
Intangible assets, net	10.b	21,315,306,506	23,547,464,286	17,211,256,021
Other assets	10.c	147,818,964,040	134,438,476,458	62,308,938,671
TOTAL ASSETS	€	6,905,044,526,911	7,215,726,041,220	7,165,509,350,107

BANCO DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the period ended March 31, 2023
(In colones without cents)

	Note	March 2023	December 2022	March 2022
LIABILITIES AND EQUITY				
LIABILITIES				
Obligations with the public		€ 5,060,907,524,185	5,210,175,460,962	5,158,506,738,862
Demand obligations	11	2,929,076,290,507	3,312,715,210,395	3,287,215,126,500
Term obligations	12	2,091,069,086,345	1,864,994,210,988	1,842,725,490,152
Other obligations with the public	13	11,551,176,502	12,201,496,594	13,787,567,984
Financial charges payable		29,210,970,831	20,264,542,985	14,778,554,226
Obligations with the Central Bank of Costa Rica	14	108,199,896,486	135,919,058,556	118,264,017,839
Term obligations		106,607,072,703	134,495,032,211	117,434,359,976
Financial charges payable		1,592,823,783	1,424,026,345	829,657,863
Obligations with entities	14	701,386,429,870	862,134,813,602	931,567,426,420
Demand obligations	12	88,206,711,751	86,234,442,076	89,410,500,332
Term obligations	12	606,925,039,253	769,430,943,775	836,869,303,884
Financial charges payable		6,254,678,866	6,469,427,751	5,287,622,204
Accounts payable and provisions		165,606,151,782	192,019,884,335	168,057,382,338
Provisions	16	42,376,233,937	41,493,111,502	55,506,985,016
Accounts payable for stock transactions		3,069,927,425	117,147,171	538,180,933
Deferred income tax	15	29,844,273,783	28,951,269,227	37,075,791,417
Other sundry accounts payable	17	90,298,259,718	121,441,498,044	74,920,608,749
Financial charges payable		17,456,919	16,858,391	15,816,223
Other liabilities		111,308,873,075	65,527,746,401	21,802,150,098
Deferred income		495,240,055	489,033,076	1,102,725,625
Other liabilities		110,813,633,020	65,038,712,965	20,699,424,473
Subordinated obligations		50,140,457,855	50,139,855,636	0
Subordinated obligations	14	49,956,035,633	49,955,433,414	0
Financial charges payable		184,422,222	184,422,222	0
TOTAL LIABILITIES	€	6,197,549,333,253	6,515,916,819,132	6,398,197,715,557
EQUITY				
Capital stock	18.a	€ 181,409,990,601	181,409,990,601	181,409,990,601
Paid-in-capital		181,409,990,601	181,409,990,601	181,409,990,601
Adjustments to equity - Other comprehensive income		16,064,199,960	7,399,651,431	80,522,415,744
Real estate revaluation surplus (331.01)	18.b	41,085,212,831	41,085,212,831	31,744,671,803
Adjustment for valuation of investments at fair value through other comprehensive income	18.c	(32,833,508,270)	(44,931,870,963)	13,275,318,872
Adjustment for translation of financial statements	18.d	12,086,364,449	19,172,809,908	27,266,802,305
Equity reserves		351,152,901,365	325,313,265,088	325,313,265,088
Accrued earnings from previous periods		41,896,492,820	23,721,615,916	44,852,210,066
Profit of current period		3,915,425,478	48,171,909,592	15,037,464,874
Equity of the Development Financing Fund		45,766,617,523	40,476,721,777	40,476,721,777
Minority interest	8	67,289,565,911	73,316,067,683	79,699,566,400
TOTAL EQUITY		707,495,193,658	699,809,222,088	767,311,634,550
TOTAL LIABILITIES AND EQUITY	€	6,905,044,526,911	7,215,726,041,220	7,165,509,350,107
DEBIT CONTINGENT ACCOUNTS	19	€ 498,951,370,948	568,874,580,805	452,536,526,906
TRUST ASSETS	20	885,220,683,562	773,795,354,330	930,619,681,897
TRUST LIABILITIES		265,913,210,902	270,063,360,217	348,390,214,318
TRUST EQUITY		619,307,472,661	503,731,994,114	582,229,467,579
OTHER DEBIT MEMORANDA ACCOUNTS	21	€ 22,346,669,853,669	23,386,353,915,943	21,647,194,232,604
Own debit memoranda accounts		11,720,610,888,366	12,952,966,818,969	10,607,480,824,158
Third party debit memoranda accounts		2,443,495,485,007	2,559,816,420,678	2,683,452,684,737
Own debit memoranda accounts for custodial activities		961,955,112,666	906,880,401,900	1,126,325,375,509
Third party debit memoranda accounts for custodial activities		7,220,608,367,630	6,966,690,274,396	7,229,935,348,200

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

Douglas Soto L.
General Manager

María Luisa Guzmán G.
Accountant

María Eugenia Zeledón.
Sub internal auditor a.i

BANCO DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended March 31, 2023
(In colones without cents)

	Note	March 2023	March 2022
Financial income			
For availabilities	€	1,070,536,623	26,203,216
For investments in financial instruments	26	23,911,651,227	22,203,909,194
For loan portfolio	27	89,298,001,026	67,092,174,719
For financial leases	27	595,590,417	590,117,219
For gain on exchange differences and Development Units		0	1,422,394,300
For profit from financial instruments at fair value through profit or loss		833,212,222	388,019,394
For profit from financial instruments at fair value through other comprehensive income		456,166,134	6,515,294,036
For other financial income		805,314,119	1,137,575,775
Total financial income		116,970,471,768	99,375,687,853
Financial expenses			
For obligations with the public	28	60,561,030,193	25,851,115,535
For obligations with the Central Bank of Costa Rica		433,344,817	246,739,516
For obligations with financial and non-financial entities		8,534,338,582	4,788,995,574
For Subordinated, Convertible and Preferred Obligations		1,537,367,219	0
For losses due to exchange differences and DU		6,633,157,798	0
For loss from financial instruments at fair value through profit or loss		93,765,712	185,164,602
For loss from financial instruments at fair value through other comprehensive income		1,178,922,932	35,891,589
For other financial expenses		12,506,508	5,178,630
Total financial expenses		78,984,433,761	31,113,085,446
Allowance for impairment of assets	29	3,384,136,711	11,268,545,493
For assets recovery and decrease in allowance and provisions	30	6,685,196,369	2,787,705,454
FINANCIAL INCOME		41,287,097,665	59,781,762,368
Other operating income			
For service fees	31	29,196,474,377	28,990,844,054
For foreclosed assets		2,779,239,315	14,030,823,438
For foreign currency exchange and arbitrations		8,356,281,730	5,714,285,397
For other income from related parties		327,212,884	39,243
For other operating income		6,984,738,911	4,054,655,923
Total other operating income		47,643,947,217	52,790,648,055
Other operating expenses			
For service fees		7,088,850,822	7,937,311,304
For foreclosed assets		6,540,299,213	12,792,517,042
Loss from capital investments in other companies		88,457,712	0
For provisions		1,316,589,597	2,970,379,255
For exchange and arbitration, foreign currency		59,107,577	68,664,752
For other expenses with related parties		58,274,419	551,337
For other operating expenses		11,707,048,941	10,969,695,384
Total other operating expenses		26,858,628,281	34,739,119,074
GROSS OPERATING INCOME		62,072,416,601	77,833,291,349
Administrative expenses			
Personnel expenses		31,051,087,398	28,875,276,606
Other administrative expenses		19,845,196,356	18,789,790,192
Total administrative expenses	33	50,896,283,754	47,665,066,798
OPERATING INCOME, NET OF INCOME TAX AND STATUTORY ALLOCATIONS		11,176,132,847	30,168,224,551
Income tax	15	4,784,217,370	6,505,052,669
Deferred income tax	15	1,374,745,152	5,016,176,626
Decrease in income tax		1,885,283,275	4,634,640,463
Legal profit allocation	34	2,207,799,841	7,863,038,532
RESULT OF THE PERIOD		4,694,653,759	15,418,597,187
Attributed to non-controlling interests		779,228,281	381,132,313
RESULTS OF THE PERIOD ATTRIBUTED TO THE FINANCIAL CONGLOMERATE		3,915,425,478	15,037,464,874
OTHER COMPREHENSIVE INCOME OF THE PERIOD, NET OF TAX			
Adjustment for valuation of investments at fair value through other comprehensive income		11,595,248,452	(8,558,555,778)
Reclassification of unrealized profit to the income statement		505,929,759	(4,535,581,713)
Adjustment for valuation of restricted financial instruments, net of income tax		3,652,631,295	(5,814,671,457)
Other		(13,894,991,096)	5,380,172,992
OTHER COMPREHENSIVE INCOME OF THE PERIOD, NET OF TAX	35	1,858,818,410	(13,528,635,956)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		6,553,472,169	1,889,961,231
Comprehensive income attributed to minority interest		(6,026,501,772)	2,937,424,024
COMPREHENSIVE INCOME ATTRIBUTED TO THE FINANCIAL CONGLOMERATE	€	12,579,973,941	(1,047,462,793)

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

Douglas Soto L.
General Manager

María Luisa Guzmán G.
Accountant

María Eugenia Zeledón.
Sub internal auditor a.i

BANCO DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended March 31, 2023
(In colones without cents)

<u>Adjustments to equity</u>										
	Capital Stock	Surplus for revaluation of property, furniture and equipment	Adjustment for valuation of investments at fair value through other comprehensive income	Adjustment for translation of financial statements	Total adjustments to equity	Equity reserves	Accrued earnings from previous periods	Equity of the Development Financing Fund	Minority interest	Total equity
Note										
Balance as of December 31, 2021	181,409,990,601	31,744,671,803	40,339,757,529	24,522,914,079	96,607,343,411	296,709,547,031	77,720,638,490	36,212,011,410	76,762,142,376	765,421,673,319
Allocation of legal reserve	0	0	0	0	0	28,603,718,057	(28,603,718,057)	0	0	0
Allocation of the Development Financing Fund	0	0	0	0	0	0	(4,264,710,367)	4,264,710,367	0	0
Balance as of March 31, 2022	181,409,990,601	31,744,671,803	40,339,757,529	24,522,914,079	96,607,343,411	325,313,265,088	44,852,210,066	40,476,721,777	76,762,142,376	765,421,673,319
Other comprehensive income										
Exchange differences resulting from the translation of financial statements of foreign entities	1.d.iii	0	0	2,743,888,226	2,743,888,226	0	0	0	2,636,284,766	5,380,172,992
Unrealized gain or loss in fair value of investments through other comprehensive income		0	(19,581,019,224)	0	(19,581,019,224)	0	0	0	(79,993,055)	(19,661,012,279)
Transfer of realized net gain to the income statement		0	(6,479,402,447)	0	(6,479,402,447)	0	0	0	0	(6,479,402,447)
Impairment – Investments at fair value through other comprehensive income		0	(566,438,081)	0	(566,438,081)	0	0	0	0	(566,438,081)
Transfer of impairment to the consolidated income statement (RIF)		0	0	0	0	0	0	0	0	0
Deferred income tax recognition	15	0	7,798,043,859	0	7,798,043,859	0	0	0	0	7,798,043,859
Result of the period		0	0	0	0	15,037,464,874	0	0	381,132,313	15,418,597,187
Other total comprehensive income		0	(18,828,815,893)	2,743,888,226	(16,084,927,667)	0	15,037,464,874	0	2,937,424,024	1,889,961,231
Balance as of March 31, 2022		181,409,990,601	31,744,671,803	21,510,941,636	27,266,802,305	80,522,415,744	59,889,674,940	40,476,721,777	79,699,566,400	767,311,634,550
Attributed to minority interest		0	0	0	0	0	0	0	79,699,566,400	79,699,566,400
Attributed to the financial conglomerate	€	181,409,990,601	31,744,671,803	21,510,941,636	27,266,802,305	80,522,415,744	59,889,674,940	40,476,721,777	0	687,612,068,150
Balance as of December 31, 2022		181,409,990,601	41,085,212,831	(52,858,371,308)	19,172,809,908	7,399,651,431	325,313,265,088	73,026,024,841	40,476,721,777	700,941,721,487
Allocation of legal reserve		0	0	0	0	25,839,636,277	(25,839,636,277)	0	0	0
Allocation of the Development Financing Fund		0	0	0	0	0	(5,289,895,744)	5,289,895,746	0	2
Balance as of March 31, 2023		181,409,990,601	41,085,212,831	(52,858,371,308)	19,172,809,908	7,399,651,431	351,152,901,365	41,896,492,820	45,766,617,523	700,941,721,489
Other comprehensive income										
Exchange differences resulting from the translation of financial statements of foreign entities	1.d.iii	0	0	(7,086,445,459)	(7,086,445,459)	0	0	0	(6,808,545,637)	(13,894,991,096)
Unrealized gain or loss in fair value of investments through other comprehensive income		0	23,391,069,535	0	23,391,069,535	0	0	0	2,815,518	23,393,885,053
Transfer of realized net gain to the income statement		0	722,756,798	0	722,756,798	0	0	0	0	722,756,798
Impairment – Investments at fair value through other comprehensive income		0	(1,066,581,173)	0	(1,066,581,173)	0	0	0	0	(1,066,581,173)
Deferred income tax recognition	15	0	(7,296,251,172)	0	(7,296,251,172)	0	0	0	0	(7,296,251,172)
Result of the period		0	0	0	0	3,915,425,478	0	0	779,228,281	4,694,653,759
Other total comprehensive income		0	15,750,993,988	(7,086,445,459)	8,664,548,529	0	3,915,425,478	0	(6,026,501,838)	6,553,472,169
Balance as of March 31, 2023	18	181,409,990,601	41,085,212,831	(37,107,377,320)	12,086,364,449	16,064,199,960	351,152,901,365	45,811,918,298	45,766,617,523	707,495,193,658
Attributed to minority interest		0	0	0	0	0	0	0	67,289,565,911	67,289,565,911
Attributed to the financial conglomerate	€	181,409,990,601	41,085,212,831	(37,107,377,320)	12,086,364,449	16,064,199,960	351,152,901,365	45,811,918,298	45,766,617,523	640,205,627,747

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

Douglas Soto L.
General Manager

María Luisa Guzmán G.
Accountant

María Eugenia Zeledón.
Sub internal auditor a.i

BANCO DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended March 31, 2023
(In colones without cents)

	Note	March 2023	March 2022
Cash flows from operating activities			
Income of the period	€	3,915,425,478	15,037,464,874
Items applied to results not requiring cash outlays		(23,502,288,626)	(25,405,384,316)
Increase or (decrease) for			
Allowance for impairment or devaluation of financial instruments		158,369,305	120,579,404
Allowance for impairment of loan portfolio		1,927,925,099	10,213,308,999
Allowance for impairment and default of other accounts receivable		1,297,842,307	934,657,090
Allowance for impairment of assets in lieu of payment		4,538,955,881	4,748,081,414
Income from reversal of allowance for impairment or devaluation of investments		(1,296,251,319)	(718,862,754)
Income from reversal of allowance for impairment of loan portfolio		(342,795,919)	(497,054,543)
Income from reversal of allowance for impairment and default of accounts receivable		(1,014,584,312)	(359,713,341)
Income from reversal of allowance for impairment of assets in lieu of payment		(2,633,865,557)	(13,538,655,898)
Income or loss for sale of assets received in lieu of payment and of property, furniture and equipment		882,935,190	7,282,284,218
Interest in net profit of other companies		88,457,712	0
Depreciation		3,510,014,026	3,225,984,620
Amortization		4,848,416,682	4,132,322,286
Provision for social benefits		122,432,685	44,124,467
Provisions for pending lawsuits		1,194,156,912	2,926,254,788
Other provisions		1,801,667	1,643,194
Income from provisions		(74,473,348)	(242,432,924)
Income tax		4,784,217,370	6,505,052,669
Deferred income tax		1,374,745,152	5,016,176,626
Decrease in income tax		(1,885,283,275)	(3,915,100,685)
Decrease in income tax from previous periods		0	(719,539,778)
Profit sharing		2,207,799,841	7,863,038,532
Interest for obligations with the public		60,561,030,193	25,851,115,535
Interest for obligations with financial entities		10,505,050,618	5,035,735,090
Income from availabilities		(1,070,536,623)	(26,203,216)
Interest from investment in financial instruments		(23,911,651,227)	(22,203,909,194)
Income from loan portfolio		(89,298,001,026)	(67,092,174,719)
Net profit or loss from exchange differences and Development Units		6,328,220,518	(3,117,116,735)
Minority interest in net profit of subsidiaries		779,228,281	381,132,313
Adjustments for conversion of financial statements of the entity abroad		(7,086,445,459)	2,743,888,226
Cash flows from operating activities		526,312,881,700	19,729,584,346
Net variation in assets increase or (decrease)			
Increase in financial instruments - at fair value through profit or loss		(306,489,905,677)	(59,515,420,605)
Decrease in financial instruments - at fair value through profit or loss		405,220,303,506	68,924,967,415
Increase in financial instruments - at fair value through comprehensive income		(1,763,687,983,610)	(859,890,444,316)
Decrease in financial instruments - at fair value through comprehensive income		2,156,773,874,823	842,321,578,090
Loan portfolio		9,734,540,056	(29,690,328,819)
Accounts and commissions receivable		(8,660,214,122)	(1,377,456,741)
Available-for-sale assets		4,356,234,257	7,346,764,984
Interest receivable for financial instruments		25,079,315,361	26,487,905,728
Interest receivable for loan portfolio		19,424,422,480	15,327,454,444
Other assets		(15,437,705,374)	9,794,564,167
Net variations in liabilities, increase or (decrease)		(115,161,894,082)	(97,165,798,625)
Obligations with the public		27,639,002,884	(8,715,892,496)
Obligations with the Central Bank of Costa Rica and other entities		(130,223,141,051)	(12,224,029,431)
Obligations for accounts and commissions payable and provisions		(32,850,962,161)	(50,738,884,183)
Interest payable for obligations with the public		(20,264,542,985)	(14,992,444,840)
Interest payable for obligations with the BCCR and other entities		(8,077,876,318)	(5,164,976,047)
Interest payable for accounts and commissions payable and provisions		(16,858,391)	(16,152,584)
Other liabilities		48,632,483,940	(5,313,419,044)
Interests paid		(33,805,728,190)	(9,975,200,109)
Collected interest		78,003,711,935	54,389,578,599
Paid income tax		(195,595,218)	(153,756,374)
Net cash flows provided by operating activities		435,566,512,998	(43,543,511,604)
Cash flows from investment activities			
Increase in financial instruments at amortized cost		(2,675,248,906,293)	(2,759,237,696,930)
Decrease in financial instruments at amortized cost		2,671,851,555,426	2,748,977,693,260
Acquisition of property, furniture and equipment		(1,933,925,264)	(1,402,393,142)
Decrease for withdrawal and transfer of property, furniture and equipment		853,137,310	1,615,717,790
Acquisition of intangibles		(2,810,901,166)	(2,711,741,227)
Decrease for withdrawal and transfer of intangibles		337,691,477	251,958,982
Interest in other companies		(485,306,497)	0
Cash flows (used for) provided by investment activities		(7,436,655,007)	(12,506,461,267)
Cash flows from financing activities			
Subordinated obligations		602,219	0
Cash flows provided by financing activities		602,219	0
Net increase (decrease) in cash and cash equivalents		428,130,460,210	(56,049,972,871)
Cash and cash equivalents at the beginning of the year		1,124,702,795,131	1,088,379,896,650
Effect of changes in exchange rates on cash		(39,326,859,841)	15,870,427,692
Cash and cash equivalents at the end of the year	4 €	<u>1,514,638,894,899</u>	<u>1,048,200,351,471</u>

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

Douglas Soto L.
General Manager

María Luisa Guzmán G.
Accountant

María Eugenia Zeledón.
Sub internal auditor a.i

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

As of March 31, 2023

1). Summary of operations and significant accounting policies

(a) Operations

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

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

The Bank is mainly dedicated to extending loans and granting bid and performance bonds; issuing deposit certificates; opening checking accounts in colones, U.S. dollars, and euros; issuing letters of credit; providing collection services; buying and selling foreign currency; managing trusts; providing custodial services for assets; and other banking operations. As of March 31, 2023, the Bank has a total 161 (161 and 163 7 for December and March 2022, respectively) branches distributed across the national territory, has in operation 567 (568 and 595 for December and March 2022, respectively) ATM's and has 4,020 (3,972 and 3,854 for December and March 2022, respectively) employees.

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

The Bank fully owns 100% of the following subsidiaries:

BCR Valores, S.A. - Puesto de Bolsa, was organized as a corporation in February 1999 under the laws of the Republic of Costa Rica. Its main activity is securities trading. The number of employees as of March 31, 2023, is of 70 (72 and 73 for December and March 2022, respectively) and is regulated by the General Superintendence of Securities (SUGEVAL).

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

As of March 31, 2023

BCR Sociedad Administradora de Fondos de Inversión, S.A. was organized as a corporation in July 1999 under the laws of the Republic of Costa Rica. Its main activity is investment fund management. The number of employees as of March 31, 2023, is of 110 (107 and 103 for December and March 2022, respectively) and is regulated by the General Superintendence of Securities (SUGEVAL).

BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A. was organized as a corporation in September 1999 under the laws of the Republic of Costa Rica. Its main activity is managing supplemental pension plans and offering additional services related to disability and death plans to members. The number of employees as of March 31, 2023, is of 102 (102 and 103 for December and March 2022, respectively) and is regulated by the Superintendence of Pensions (SUPEN).

BCR Sociedad Corredora de Seguros, S.A. was organized as a corporation in February 2009 under the laws of the Republic of Costa Rica. Its main activity is insurance underwriting. The number of employees as of March 31, 2023, is of 94 (93 and 88 for December and March 2022, respectively) and it is regulated by the General Superintendence of Insurance (SUGESE).

Banprocesa, TI S.R.L. was organized as a corporation in August 2009 under the laws of the Republic of Costa Rica. Its main activity will be to provide IT processing services and technical support, purchase, lease, and maintain hardware and software, including software development, and address the Bank's IT needs. This entity has not started operations. As of March 31, 2023, the number of employees is 77 (80 and 86 for December and March 2022, respectively). As of July 29, 2021, CONASSIF sends communication CNS-1676/06 accepting its participation as part of the conglomerate.

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

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

As of March 31, 2023

Depósito Agrícola de Cartago, S.A. has a wholly owned subsidiary named Almacén Fiscal Agrícola de Cartago, S.A., constituted in December 1991 under the laws of the Republic of Costa Rica. Its main activity is the custody and storage of merchandise on which no import taxes have been paid, regulated by the General Customs Law, and supervised by the General Customs Directorate of the Ministry of Finance. Both companies are subject to the oversight of the Comptroller General of the Republic. As of March 31, 2023, the number of employees is of 77 (75 and 72 for December and March 2022, respectively).

BCR LEASING PREMIUM PLUS S.A. is a corporation incorporated on July 4, 2022, under the laws of the Republic of Costa Rica and is one more subsidiary of the BCR Financial Conglomerate. Its main activity is the leasing of personal property to current and potential clients of the BCR Conglomerate. The number of employees as of March 31, 2023, is 5.

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

Banco Internacional de Costa Rica, S.A. and subsidiary (BICSA) was organized as a bank under the laws of the Republic of Panama in 1976. It operates under a general license granted by the Superintendence of Banks of Panama to engage in banking transactions in Panama or abroad; its office is located in the city of Panama, Republic of Panama, BICSA Financial Center, 50th floor, Avenida Balboa and Calle Aquilino de la Guardia, and its subsidiary in Miami, Florida, United States of America. The remaining 49% of BICSA's shares are owned by Banco Nacional de Costa Rica. The number of employees as of March 31, 2023, is of 229 (233 and 254 December and March 2022, respectively).

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

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

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

As of March 31, 2023

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

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

Miami Branch

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

Panamá Branch

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

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

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

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

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

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

As of March 31, 2023

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

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

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

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

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

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

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

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

As of March 31, 2023

(c) Investment in other companies

Valuation of investments by the equity method

i. Subsidiaries

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

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

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

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

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

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

As of March 31, 2023

(d) Foreign currency

i. *Transactions in foreign currency*

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

ii. *Monetary unit and foreign exchange regulations*

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

- 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 March 31, 2023, monetary assets and liabilities denominated in U.S. dollars were valued at the exchange rate of ¢545.95 (¢601.99 and ¢667.10 for December and March 2022, respectively) for US\$1.00.

Valuation in colones of monetary assets and liabilities in foreign currency for the period ended March 31, 2023, gave rise to foreign exchange losses of ¢248,863,861,848 (¢1,637,735,614,811 and ¢278,039,374,048 for December and March 2022, respectively), and gains of ¢242,230,704,050, (¢1,633,841,118,988 and ¢279,461,768,347, for December and March 2022, respectively), which are presented net in the consolidated income statement.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

As of March 31, 2023

Additionally, valuation of other assets and other liabilities gave rise to gains and losses, respectively, which are booked in "Other operating income" and "Other operating expenses", respectively. For the period ended March 31, 2023, valuation of other assets gave rise to losses of ¢299,119,545, (¢1,459,439,641 and ¢126,403,758 for December and March 2022, respectively) and valuation of other liabilities gave rise to gains of ¢2,853,476,409, (¢1,595,077,054 and ¢4,327,949 for December and March 2022, respectively).

iii. Financial statements of foreign subsidiaries (BICSA)

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

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

As result of the conversions for the period ended on March 31, 2023, losses for exchange differences arise for ¢7,086,445,459, (¢5,350,104,171 and ¢396,688,562 for December and March 2022, respectively) shown in the equity section, within "Currency translation adjustment of the financial statements".

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

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

(f) Financial instruments

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

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

As of March 31, 2023

(i) *Classification*

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

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

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

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

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

(ii) *Recognition*

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

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

(iii) *Measurement*

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

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

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

As of March 31, 2023

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

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

(iv) Principles of measurement at fair value

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

(v) Profits and losses on subsequent measurement

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

(vi) De-recognition

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

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

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

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

As of March 31, 2023

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

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

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

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

(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, except for BICSA whose period is ninety days or less.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

As of March 31, 2023

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

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

1. The conventional purchase or sale of financial assets should be recorded applying the accounting on the settlement date.
2. Financial assets are divided into those that are measured at amortized cost and those that are measured at fair value.
3. Based on the business model for managing financial assets and the characteristics of the contractual cash flows of the financial asset, the entity must classify its own investments or joint portfolios in financial assets according to the following valuation categories:
 - a. Amortized cost. If an entity, according to its business model and current regulatory framework, classifies a part of its investment portfolio in this category, it will disclose:
 - i. The fair value of financial assets classified in this category, in the quarterly financial statements and in the audited annual financial statement.
 - ii. The profit or loss that should have been recognized in the result for the period, for the financial statements indicated in the previous section.
 - b. Fair value through other comprehensive income.
 - c. Fair value through profit or loss: Participations in open investment funds must be recorded in this category.

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

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

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

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

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

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

- Main business model

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

- Secondary business model

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

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

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

Investments in securities of BICSA

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

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(i) Loan portfolio

Banco de Costa Rica - Loan portfolio

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

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

BICSA -Loan portfolio:

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

(j) Allowance for doubtful accounts

Banco de Costa Rica - Loan portfolio

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

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Loan operations approved for individuals or legal entities with a total outstanding balance exceeding ₡65,000,000 (Group 1 under SUGEF Directive 1-05) are classified by credit risk. From May 23, 2020, the amount of ₡100,000,000 or its equivalent in foreign currency according to the purchase rate set by the Central Bank of Costa Rica, is established as the limit of the total outstanding balances from the Credit operations of the debtors referred to in Article 4 of the Regulation for Qualifying Debtors, SUGEF Agreement 1-05. This classification considers following considerations:

- Creditworthiness, which includes an analysis of projected cash flows, an analysis of financial position, considers the experience in the line of business, quality of management, stress testing for critical variables, and an analysis of the creditworthiness of individuals, regulated financial intermediaries, and public institutions.
- Historical payment behavior, which is determined by the borrower's payment history over the previous 48 months, considering servicing of direct loans, both current and settled, in the National Financial System as a whole. SUGEF is responsible of calculating the historical payment behavior level for borrowers reported by entities during the previous month.
- Arrears
- Pursuant to the Directive, collateral may be used to mitigate risk for purposes of calculating the allowance for loan impairment. The market value and its updates should be considered and adjusted at least once annually. Further, the percentage of acceptance of collateral is also a mitigating factor. Collateral must be depreciated six months after the most recent appraisal.

Risk categories are summarized as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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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%

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

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

BANCO DE COSTA RICA AND SUBSIDIARIES

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

Delinquency at the end of the month	Specific allowance percentage on the uncovered portion of the loan	Specific allowance percentage on the covered portion of the loan	Creditworthiness (Borrowers Group 1)	Creditworthiness (Borrowers Group 2)
Up to date	5%	0.5%	Level 1	Level 1
30 days or less	10%	0.5%	Level 1	Level 1
60 days or less	25%	0.5%	Level 1 o Level 2	Level 1 o Level 2
90 days or less	50%	0.5%	Level 1 o Level 2 o Level 3 o Level 4	Level 1 o Level 2 o Level 3 o Level 4
Over 90 days	100%	0.5%	Level 1 o Level 2 o Level 3 o Level 4	Level 1 o Level 2 o Level 3 o Level 4

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

As of March 31, 2023, the total allowance of the loan portfolio reflected in the accounting records amounts to ¢140,720,422,302, (¢145,623,881,422 and ¢162,659,878,339, for December and March 2022, respectively).

As of March 31, 2023, increases in the allowance for loan impairment resulting from the minimum allowance are included in the accounting records in compliance with article 17 of SUGEF Directive 1-05 "Regulation for Rating Debtors", prior authorization from SUGEF in compliance with article 10 of IRNBS.

As of March 31, 2023, management considers the allowance to be sufficient to absorb any potential losses that could be incurred on recovery of the portfolio.

BANCO DE COSTA RICA AND SUBSIDIARIES

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As of March 31, 2023

Accounts and interest receivable - Banco de Costa Rica

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

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

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

BICSA- Allowance for loan impairment

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

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

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

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

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

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

As of March 31, 2023, the allowance disclosed in the accounting records amounts to ¢152,624,501,108, (¢160.471.231.286 and ¢180,575,195,731 for December and March 2022, respectively).

BICSA -Accounts and interest receivable

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

(k) Securities sold under repurchase agreements

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

BANCO DE COSTA RICA AND SUBSIDIARIES

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As of March 31, 2023

(l) Accounting for interest receivable

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

(m) Other receivables

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

(n) Held-for-sale assets

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

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

The net realizable value of an asset should be used as its market value, which should be determined by applying strictly conservative criteria and is calculated by subtracting expenses to be incurred on the sale of the asset from its estimated selling price. The estimated selling price of the asset is determined by an appraiser based on current market conditions. Future expectations for market improvements are not considered and it is assumed that the assets must be sold in the shortest period of time possible to enable the Bank to recover the resources invested and use them for its business activities.

BANCO DE COSTA RICA AND SUBSIDIARIES

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For all held-for-assets, the Bank should have reports from the appraisers which are to be updated at least annually. If an asset recorded in this group is used by the Bank, it should be reclassified to the appropriate account in the corresponding group.

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

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

(o) Offsetting

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

(p) Property, furniture, and equipment

(i) *Own assets*

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

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

(ii) *Leased assets*

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

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

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

(iii) *Subsequent disbursements*

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

(iv) *Depreciation and amortization*

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

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

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

Useful lives of assets owned by BICSA:

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

(v) Revaluation

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

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

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

The last appraisal was made in 2022, and it was recorded on September 30, 2022.

(q) Deferred charges

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

(r) Intangible assets

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

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

BANCO DE COSTA RICA AND SUBSIDIARIES

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

(s) Impairment of assets

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

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

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

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

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

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

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(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) Provisions

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

Employees' legal benefits (severance pay)

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

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

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

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

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

BICSA retirement savings plan

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

BICSA has adopted a voluntary retirement savings plan in which BICSA contributes twice the amount contributed by employees, up to a maximum of 10% of the monthly salaries. The contribution made by BICSA and subsidiary under this plan as of March 31, 2023, amounted to ¢101,749,449, (¢431,107,313 and ¢71,609,182, for December and March 2022, respectively), equivalent to US\$186,538, (US\$716,137 and US\$107,344 for December and March 2022, respectively).

BICSA -Seniority premium and indemnity for employees

Under Panamanian labor law, companies are required to establish a severance fund to guarantee payment of a seniority premium and indemnity to eligible employees upon resignation or dismissal without just cause. To create the fund, quarterly contributions of the relative portion to the employee seniority premium equivalent to 1.92% of salaries paid in the Republic of Panama are made to cover the seniority premium, while monthly contributions equivalent to 5% are made to cover the indemnity. Quarterly contributions are to be placed in a trust. As of March 31, 2023, the severance fund had a balance of ¢716,955,735, (¢673,153,249 and ¢1,058,070,633 for December and March 2022, respectively), equivalent to US\$1,118,213, (US\$1,118,213 and US\$1,586,075 for December and March 2022, respectively) which is disclosed in the consolidated financial statements as prepaid expenses.

(w) Legal reserve

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

BANCO DE COSTA RICA AND SUBSIDIARIES

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(x) Revaluation surplus

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

(y) Use of estimates

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

(z) Recognition of main types of income and expenses

(i) Interest

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

(ii) Income from fees and commissions

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

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

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

(iv) Expenses from operating lease

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

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Notes to the consolidated financial statements

As of March 31, 2023

(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 valid on the consolidated balance sheet date, and any adjustment to tax payable with respect to 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. Deferred tax assets are recognized only to the extent there is a reasonable probability that they will be realized.

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

(bb) BICSA - Financial leases

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

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

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Notes to the consolidated financial statements

As of March 31, 2023

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

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

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

(dd) Legal allocations

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

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

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

(ee) Development Financing Fund

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

(ff) Development Credit Fund

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

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

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As of March 31, 2023

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

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

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

(gg) BICSA - Trusts

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

(hh) Fiscal year

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

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Notes to the consolidated financial statements

As of March 31, 2023

2). Collateralized or restricted assets

Collateralized or restricted assets are as follows:

	<u>March 2023</u>	<u>December 2022</u>	<u>March 2022</u>
Cash and cash equivalents deposited in the Central Bank of Costa Rica (see note 4)	¢ 758,900,174,026	702,568,860,060	645,681,509,070
Restricted cash and cash equivalents (see note 4)	148,486,055	161,362,379	121,462,256
Total cash and cash equivalents	<u>759,048,660,081</u>	<u>702,730,222,439</u>	<u>645,802,971,326</u>
Past due and restricted financial instruments (see note 5)	319,982,648,264	399,433,263,281	162,295,490,573
Other assets	884,723,915	572,473,142,041	1,008,427,719
	<u>¢ 1,079,916,032,260</u>	<u>1,674,636,627,761</u>	<u>809,106,889,618</u>

3). Balances and transactions with related parties

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

	<u>March 2023</u>	<u>December 2022</u>	<u>March 2022</u>
Assets:			
Loan portfolio	¢ 761,635,228	1,084,371,059	1,125,419,211
Other accounts receivable	627,550,115	505,201,469	1,101,421,045
Interests in other entities	746,144,071	349,295,286	65,417,188
Total assets	<u>¢ 2,135,329,414</u>	<u>1,938,867,814</u>	<u>2,292,257,444</u>
Income:			
Income from interest in entities	0	4,969,892	843,986,249
Total income	<u>¢ 0</u>	<u>4,969,892</u>	<u>843,986,249</u>
Expenses:			
Expense from investments in other companies	88,457,712	0	0
Total expenses	<u>¢ 88,457,712</u>	<u>0</u>	<u>0</u>
Participation in not-realized profit or loss of subsidiaries	<u>¢ 0</u>	<u>0</u>	<u>0</u>

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

	March 2023	December 2022	March 2022
Short-term benefits	¢ 1,050,888,690	2,620,347,138	1,144,595,822
Long-term benefits	10,466,885	164,860,483	9,699,868
Directors' seating fees	87,573,972	251,565,399	96,440,200
	¢ 1,148,929,547	3,036,773,020	1,250,735,890

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

4). Cash and cash equivalents

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

	March 2023	December 2022	March 2022
Cash	¢ 89,456,735,225	92,361,994,246	78,655,247,748
Demand deposits in BCCR Checking accounts and demand deposits in local financial entities	677,996,520,633	622,122,345,509	558,924,094,125
Checking accounts and demand deposits in foreign financial entities	1,838,483	34,167,612	157,656,597
Notes payable on demand	101,768,300,651	186,348,821,639	175,008,253,792
Restricted cash and cash equivalents	29,264,690,398	291,159,518	2,560,201,698
Interest receivable	96,376,462,706	89,483,497,239	96,494,058,975
	0	13,709,943	0
Total cash and cash equivalents	994,864,548,096	990,655,695,706	911,799,512,935
Investments in short-term financial instruments	519,774,346,803	134,047,099,425	136,400,838,536
Total cash and cash equivalents	¢ 1,514,638,894,899	1,124,702,795,131	1,048,200,351,471

As of March 31, 2023, demand deposits in BCCR are restricted as a minimum legal reserve in the amount of ¢758,865,830,147, (¢702,533,276,665 and ¢645,650,100,821, for December and March 2022, respectively).

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Notes to the consolidated financial statements

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As of March 31, 2023, BCR Pension's deposits in BCCR are restricted as a minimum legal reserve in the amount of ¢8,446,238, (¢8,533,646 and ¢3,081,091, for December and March 2022, respectively), for a total of ¢5,549,197,225, (¢6,090,975,102 and ¢5,041,364,243, for December and March 2022, respectively).

As of March 31, 2023, BCR Valores, S.A. - Puesto de Bolsa holds restricted deposits in the Central Bank of Costa Rica in the amount of ¢25,897,641, (¢27,049,750 and ¢28,327,158, for December and March 2022, respectively), for a total of ¢30,175,634,532, (¢25,345,587,903 and ¢27,239,160,877, for December and March 2022, respectively).

As of March 31, 2023, BCR Valores, S.A. - Puesto de Bolsa holds restricted assets as part of the guarantee fund in the amount of ¢30,001,250,836, (¢25,157,175,774 and ¢27,089,371,464, for December and March 2022, respectively). (See note 2).

As of March 31, 2023, the Bank has a liability for outstanding checks in the amount of ¢2,512,804,775, (¢1,071,873,752 and ¢1,513,745,852, for December and March 2022, respectively), which is offset by notes payable on demand cashed the next day once cleared by the clearing house.

5). Investments in financial instruments

Investments in financial instruments are as follows:

	March 2023	December 2022	March 2022
At fair value through profit or loss	¢ 134,758,693,089	232,343,302,158	285,560,528,570
At fair value through other comprehensive income	1,341,942,770,911	1,390,086,634,332	1,553,136,715,438
At amortized cost	93,583,391,059	90,186,040,192	50,487,919,798
Interest receivable for investments at fair value through profit or loss	2,640,009,017	5,931,787,338	2,179,310,928
Interest receivable for investments at fair value through other comprehensive income	12,135,402,548	18,737,313,032	14,335,339,332
Interest receivable for investments classified at amortized cost	252,495,111	410,214,991	104,789,403
Allowance for impairment of financial instruments	(99,183,979)	(91,277,233)	0
	¢ 1,585,213,577,756	1,737,604,014,810	1,905,804,603,469

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

As of March 31, 2023

	March 2023	December 2022	March 2022
At fair value through profit or loss	Fair value	Fair value	Fair value
<u>Local issuers:</u>			
Government	¢ 1,053,755,936	0	0
State-owned Banks	255,800,022	778,649,201	0
Other (Open Investment Funds)	8,152,411,125	105,117,749,081	165,131,287,922
	9,461,967,083	105,896,398,282	165,131,287,922
<u>Foreign issuers:</u>			
Government	0	29,003,876	210,774,624
Private Banks	0	0	120,078,000,000
Private issuers	125,270,422,137	126,417,900,000	140,466,050
Other	26,303,869	0	0
	¢ 134,758,693,089	232,343,302,158	285,560,528,596
	March 2023	December 2022	March 2022
At fair value through other comprehensive income	Fair value	Fair value	Fair value
<u>Local issuers:</u>			
Government	¢ 1,146,998,313,769	1,160,103,833,205	1,363,958,465,418
State-owned Banks	79,370,812,725	107,022,856,034	137,646,627,465
Private Banks	4,896,768,549	8,296,159,016	12,500,217,840
Private issuers	7,304,528,229	7,902,768,829	15,624,924,995
Other	0	28,949,085	8,594,030,383
	1,238,570,423,272	1,283,354,566,169	1,538,324,266,101
<u>Foreign issuers:</u>			
Private Banks	13,131,147,657	13,084,184,815	14,812,449,335
Other	90,241,199,982	93,647,883,348	0
	¢ 1,341,942,770,911	1,390,086,634,332	1,553,136,715,436

BANCO DE COSTA RICA AND SUBSIDIARIES

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As of March 31, 2023

	March 2023	December 2022	March 2022
Financial instruments at amortized cost issued by entities	Fair value	Fair value	Fair value
<u>Local issuers:</u>			
Government	¢ 21,000,637,562	19,050,101,818	16,083,540,144
State-owned Banks	21,019,074,968	25,283,580,000	28,351,750,000
Private Banks	36,747,055,344	28,152,322,741	0
Private issuers	14,816,623,185	17,700,035,633	0
	<u>93,583,391,059</u>	<u>90,186,040,192</u>	<u>44,435,290,144</u>
<u>Foreign issuers:</u>			
Private Banks	0	0	6,052,629,654
	<u>¢ 93,583,391,059</u>	<u>90,186,040,192</u>	<u>50,487,919,798</u>

As of March 31, 2023, the investment portfolio amounts to ¢111,584,132,166, (¢158,945,753,812 and ¢158,374,888,036, for December and March 2022, respectively) corresponding to the managed amounts of the Development Credit Fund (See note 40).

Maturities for investments in financial instruments are from April 01, 2023, to May 23, 2029.

Purchased financial instruments earn annual yield rates as follows:

	March 2023	December 2022	March 2022
Colones	8.04% to 11.53%	0,51% to 18.06%	0,50% to 9.01%
US dollars	0,01% to 6.58%	0,01% to 9.96%	0,010% to 4.52%

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

As of March 31, 2023

Investments have been pledged as follows:

	March 2023	December 2022	March 2022
Securities in guarantee, liquidity market	¢ 289,962,396,967	369,692,667,369	0
Restricted minimum operating capital of BCR Pensión			
Operadora de Pensiones Complementarias, S.A.	5,540,750,987	6,082,441,456	5,038,283,151
BCR Puesto de Bolsa, S.A.	24,479,500,310	23,658,154,456	25,390,167,699
Guarantee for deferred term operations (MIL)	0	0	131,867,039,723
	¢ 319,982,648,264	399,433,263,281	162,295,490,573

In accordance with Article 37 of the Labor Protection Law, the Pension Fund Manager must hold a minimum operating capital equivalent to a percentage of the net assets of the managed funds that as of March 31, 2023, amount to ¢5,540,750,987, (¢6,082,441,456 and ¢5,038,283,151, for December and March 2022, respectively).

As of March 31, 2023, BCR Valores holds restricted investments in securities in the amount of ¢30,001,250,836, (¢25,157,175,774 and ¢27,089,371,464, for December and March 2022, respectively).

Repurchase Operations:

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

As of March 31, 2023, purchased financial instruments remain under resale agreements.

Issuer	Asset Balance	Fair Value of Collateral	Resale Date	Resale Price
Others	2,540,798,382	2,540,798,382	01/10/2022 to 31/12/2022	100.00%
¢	2,540,798,382	2,540,798,382		

As of December 31, 2022

Issuer	Asset Balance	Fair Value of Collateral	Resale Date	Resale Price
Others	675,853,841	675,853,841	01/10/2022 to 31/12/2022	100.00%
¢	675,853,841	675,853,841		

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Notes to the consolidated financial statements

As of March 31, 2023

As of March 31, 2022

Issuer	Asset Balance	Fair Value of Collateral	Resale Date	Resale Price
Central Bank of Costa Rica	¢ 6,000,416,667	6,000,416,667	01/10/2021 to 03/01/2022	100.00%
Local Government	¢ 5,050,865,261	5,050,865,261	01/10/2021 to 03/01/2022	100.00%
Others	2,410,166,704	2,410,166,704	01/10/2021 to 28/06/2028	100.00%
	¢ 13,461,448,632	13,461,448,632		

6). Loan portfolio

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

a) Loan portfolio by economic sector

	March 2023	December 2022	March 2022
Current loans			
Personal loans	¢ 1,415,413,810,534	1,313,054,163,704	1,288,304,275,349
Loans Development Banking System	77,816,317,379	70,256,319,853	67,323,599,773
Business loans	92,106,624,149	199,347,567,133	202,890,092,416
Loans - Corporate	2,063,516,168,885	2,250,693,931,615	2,185,726,895,156
Loans - Public sector	71,080,838,409	55,635,856,560	63,580,180,998
Loans - Financial sector	36,440,588,350	48,474,746,013	73,094,709,970
	<u>3,756,374,647,706</u>	<u>3,937,462,584,878</u>	<u>3,880,919,753,662</u>
Past due loans			
Personal loans	135,398,174,777	137,373,460,783	131,986,220,411
Loans Development Banking System	3,771,745,604	3,215,440,608	3,130,275,685
Business loans	14,885,954,669	17,186,060,098	16,240,649,548
Loans - Corporate	91,636,455,867	85,481,931,682	119,439,741,269
Loans - Public sector	227,616	0	15,067,254
Loans - Financial sector	0	0	0
	<u>245,692,558,533</u>	<u>243,256,893,171</u>	<u>270,811,954,167</u>
Judicial Collection			
Personal loans	28,148,090,423	29,306,781,962	31,921,032,900
Loans Development Banking System	682,543,525	952,731,705	34,094,115
Business loans	4,224,621,045	4,281,509,660	4,207,390,647
Loans – Corporate	18,318,542,660	19,474,356,582	18,367,598,974
	<u>51,373,797,653</u>	<u>54,015,379,909</u>	<u>54,530,116,636</u>
	¢ <u>4,053,441,003,892</u>	<u>4,234,734,857,958</u>	<u>4,206,261,824,465</u>

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Notes to the consolidated financial statements

As of March 31, 2023

b) Loan portfolio by activity

Activity	March 2023	December 2022	March 2022
Agriculture, livestock, hunting and service activities	¢ 168,588,179,264	183,941,629,442	200,699,184,047
Public administration	21,806,970,584	24,395,604,351	274,085,504,907
Fishing and aquaculture	42,986,799	43,712,963	45,333,453
Manufacturing	389,851,724,811	409,400,956,418	456,517,206,072
Telecommunications and public services	245,252,320,540	234,561,181,309	161,692,708,687
Mining and quarrying	27,153,578	28,843,116	33,244,382
Retail	446,512,047,511	468,339,740,242	525,756,793,550
Services	694,416,126,708	959,174,202,303	732,523,244,297
Transportation	35,440,559,599	33,732,957,042	51,271,559,414
Financial activities and stock exchange	3,227,204,933	3,385,299,600	3,645,461,657
A Real estate, business, and leasing Activities	25,037,418,747	26,519,811,034	37,241,290,128
Construction, purchase, and repair of real estate	1,474,734,199,764	1,499,484,435,274	1,366,522,148,533
Consumer	436,998,932,095	270,850,551,147	279,337,162,224
Hospitality	110,312,448,423	119,607,586,829	115,368,469,888
Education	717,837,785	740,142,594	800,300,072
Other activities from the non-financial private sector	474,892,750	528,204,294	722,213,154
	4,053,441,003,891	4,234,734,857,958	4,206,261,824,465
Plus, interest receivable	25,307,068,620	23,482,920,835	22,464,523,628
Deferred income from loan portfolio	(20,285,105,077)	(20,333,161,206)	(19,111,065,464)
Less allowance for loan	(152,624,501,179)	(160,471,231,286)	(180,575,195,731)
¢	3,905,838,466,255	4,077,413,386,301	4,029,040,086,898

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

As of March 31, 2023

c) Current loans

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

	March 2023	December 2022	March 2022
Current			
Personal	¢ 1,415,413,810,534	1,313,054,163,704	1,288,304,275,349
Development Banking System	77,816,617,379	70,256,319,853	67,323,599,773
Business	92,106,624,149	199,347,567,133	202,890,092,416
Corporate	2,063,516,168,885	2,250,693,931,615	2,185,726,895,156
Public sector	71,080,838,409	55,635,856,560	63,580,180,998
Financial sector	36,440,588,350	48,474,746,013	73,094,709,970
	¢ 3,756,374,647,706	3,937,462,584,878	3,880,919,753,662

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

	March 2023	December 2022	March 2022
Past due			
Personal	¢ 135,398,174,776	137,373,460,783	131,986,220,412
Development Banking System	3,771,745,604	3,215,440,608	3,130,275,685
Business	14,885,954,669	17,186,060,098	16,240,649,548
Corporate	91,636,455,868	85,481,931,682	119,439,741,268
Public sector	227,616	0	15,067,254
	¢ 245,692,558,533	243,256,893,171	270,811,954,167

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

	March 2023	December 2022	March 2022
Judicial collection			
Personal	¢ 28,148,090,424	29,306,781,962	31,921,032,900
Development Banking System	682,543,525	952,731,705	34,094,115
Business	4,224,621,045	4,281,509,660	4,207,390,647
Corporate	18,318,542,659	19,474,356,582	18,367,598,974
	¢ 51,373,797,653	54,015,379,909	54,530,116,636

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

As of March 31, 2023

BICSA - Financial lease receivables

The balance of financial lease receivables is as follows:

		March 2023	December 2022	March 2022
Total minimum payments	¢	26,116,331,055	26,657,265,887	38,391,078,658
	¢	<u>26,116,331,055</u>	<u>26,657,265,887</u>	<u>38,391,078,658</u>

The maturities of the financial leases are as follows:

		March 2023	December 2022	March 2022
Less than a year	¢	1,509,348,700	1,430,091,146	163,452,842
From 1 to 5 years		24,606,982,355	25,227,174,741	38,227,625,816
	¢	<u>26,116,331,055</u>	<u>26,657,265,887</u>	<u>38,391,078,658</u>

d) Loan portfolio by arrears

The loan portfolio by arrears is detailed as follows:

		March 2023	December 2022	March 2022
Current	¢	3,756,374,647,705	3,937,462,584,878	3,880,919,753,662
1 to 30 days		137,274,625,374	130,083,501,398	129,241,133,035
31 to 60 days		40,046,001,284	36,174,862,201	44,221,287,275
61 to 90 days		13,950,208,949	20,105,965,518	19,826,211,691
91 to 120 days		6,734,652,065	5,673,686,984	13,874,379,069
121 to 180 days		6,584,419,409	10,516,023,556	14,414,368,909
Over 181 days		92,476,449,105	94,718,233,423	103,764,690,824
	¢	<u>4,053,441,003,891</u>	<u>4,234,734,857,958</u>	<u>4,206,261,824,465</u>

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

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

As of March 31, 2023

e) Past due loans

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

	<u>March 2023</u>	<u>December 2022</u>	<u>March 2022</u>
Number of operations	1,910	1,832	1,901
Past due loans in non-accrual status	¢ <u>92,476,449,105</u>	<u>94,718,233,423</u>	<u>103,764,690,824</u>
Past due loans bearing interest	¢ 204,589,907,081	202,554,039,657	221,577,379,979
Total of unearned interest	¢ 14,808,230,209	16,296,571,125	16,770,248,652

Loans in legal collection as of March 31, 2023:

<u># of operations</u>	<u>Percentage</u>	<u>Balance</u>
1,062	1.27%	¢ <u>51,373,797,653</u>

Loans in legal collection as of December 31, 2022:

<u># of operations</u>	<u>Percentage</u>	<u>Balance</u>
1,145	1.28%	¢ <u>54,015,379,909</u>

Loans in legal collection as of March 31, 2022:

<u># of operations</u>	<u>Percentage</u>	<u>Balance</u>
1,029	1.30%	¢ <u>54,530,116,636</u>

As of March 31, 2023, the average annual interest rate earned on loans is 9.44%, (8.99% and 7.18%, for December and March 2022, respectively) in colones and 7.51% (7.47% and 5.43%, for December and March 2022, respectively) in US dollars. For Banco Internacional de Costa Rica, S.A., the annual rate for operations in US dollars is 8.12% (7.61% and 5.82% for December and March 2022, respectively).

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

As of March 31, 2023

f) Interest receivable on loan portfolio

Interest receivable is detailed as follows:

	March 2023	December 2022	March 2022
Personal	¢ 9,250,806,914	9,250,550,720	7,877,431,111
Development Banking System	334,228,309	272,436,252	199,192,889
Business	1,160,385,398	1,138,731,425	1,029,073,108
Corporate	13,795,848,757	12,231,158,384	12,567,098,588
Public sector	627,132,806	327,112,407	524,590,553
Financial sector	138,666,436	262,931,647	267,137,379
	¢ 25,307,068,620	23,482,920,835	22,464,523,628

g) Allowance for loan impairment

Movement in the allowance for loan impairment is as follows:

2023 Initial balance	¢ 160,471,231,286
Currency translation effect	(1,381,272,940)
Adjusted balance at the beginning of 2023	159,089,958,346
Plus:	
Allowance charged through profit or loss (see note 29)	1,911,940,656
Less:	
Adjustments for exchange differences	(5,169,891,181)
Transfer to unpaid balances	(2,867,603,166)
Reversal of allowance against income (see note 30)	(342,795,919)
Transfer of balances	2,892,443
Balance as of March 31, 2023	¢ 152,624,501,179

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

As of March 31, 2023

2022 Initial balance	¢	171,218,633,346
Currency translation effect		(1,506,459,025)
Adjusted balance at the beginning of 2022		169,712,174,321
Plus:		
Allowance charged through profit or loss (see note 29)		15,671,760,725
Adjustments for exchange differences		4,373,505,583
Less:		
Adjustments for exchange differences		(8,467,380,940)
Transfer to unpaid balances		(13,129,039,580)
Reversal of allowance against income (see note 30)		(7,714,046,765)
Transfer of balances		24,257,942
Balance as of December 31, 2022	¢	160,471,231,286
2022 Initial balance	¢	171,218,633,346
Currency translation effect		645,249,392
Adjusted balance at the beginning of 2022		171,863,882,738
Plus:		
Allowance charged through profit or loss (see note 29)		10,213,308,999
Adjustments for exchange differences		2,004,440,360
Less:		
Transfer to unpaid balances		(3,009,382,231)
Reversal of allowance against income (see note 30)		(497,054,135)
Balance as of March 31, 2022	¢	180,575,195,731

h) Syndicated loans

As of March 31, 2023, the syndicated loan portfolio is detailed as follows:

Banco de Costa Rica syndicated loan portfolio:

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

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

As of March 31, 2023

BICSA - Syndicated loans

As of March 31, 2023:

	No.		Syndicated balances other banks	Syndicated balance BICSA	Total balance
1	4	Global Bank	¢ 67,387,117,325	6,785,245,126	¢ 74,172,362,451
2	1	Banco Agromercantil de Guatemala ,S.A.	299,561,769,733	2,894,530,267	302,456,300,000
2	13	Credicorp Bank	4,035,843,109	1,702,548,897	5,738,392,006
3	2	Credit Suisse AG	118,266,418,750	10,031,831,250	128,298,250,000
4	2	Prival Bank	16,380,356,230	9,286,487,753	25,666,843,983
5	1	Banistmo	35,883,681,310	6,511,231,183	42,394,912,493
6	2	Bladex	126,171,914,513	15,775,085,487	141,947,000,000
		Banco Centroamericano de			
7	1	Integración Económica	112,829,666,849	10,009,083,151	122,838,750,000
8	1	Bancolombia	183,127,071,104	6,863,528,896	189,990,600,000
9	2	Banco Aliado	39,348,017,954	5,965,832,046	45,313,850,000
10	1	MMG Bank Corporation	1,512,761,390	726,314,956	2,239,076,346
11	1	Banco Santander, Natixis, ING Bank	393,248,779,721	8,570,420,279	401,819,200,000
	31		¢ <u>1,397,753,397,988</u>	<u>85,122,139,291</u>	¢ <u>1,482,875,537,279</u>

As of December 31, 2022:

	No.		Syndicated balances other banks	Syndicated balance BICSA	Total balance
1	4	Global Bank	¢ 74,145,258,987	7,640,656,489	¢ 81,785,915,476
2	1	Banco Agromercantil de Guatemala, S.A.	330,283,553,251	3,218,906,749	333,502,460,000
2	12	Credicorp Bank	4,606,271,565	1,721,147,045	6,327,418,610
3	2	Credit Suisse Ag	130,029,840,000	11,437,810,000	141,467,650,000
4	2	Prival Bank	18,025,627,366	10,275,835,339	28,301,462,705
5	1	Citibank New York	40,924,790,593	3,184,394,313	44,109,184,906
6	1	Banistmo	39,695,502,933	7,051,110,122	46,746,613,055
7	1	The Bank of Nova Scotia (Scotiabank)	12,273,538,269	5,883,224,323	18,156,762,592
8	1	Scotiabank CR	238,388,040,000	6,019,900,000	244,407,940,000
9	2	Bladex	138,489,374,306	18,028,025,821	156,517,400,127
		Banco Centroamericano de			
10	1	Integracion Economica	124,411,266,867	11,036,483,337	135,447,750,204
11	1	Bancolombia	201,815,714,764	7,676,805,369	209,492,520,133
12	2	Banco Aliado	42,401,359,491	7,563,810,726	49,965,170,217
13	1	Mmg Bank Corporation	1,672,324,006	796,586,554	2,468,910,560
14	1	Banco Santander, Natixis, Ing Bank	433,614,493,826	9,450,146,228	443,064,640,054
	33		¢ <u>1,830,776,956,224</u>	<u>110,984,842,415</u>	¢ <u>1,941,761,798,639</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

As of March 31, 2023

As of March 31, 2022

	No. Operations		Syndicated balances other banks	Syndicated balance BICSA	Total balance
1	4	Global Bank	81,537,199,419	9,094,512,927	¢ 90,631,712,346
2	1	Banco Agromercantil de Guatemala, S.A.	365,933,545,632	3,639,854,369	369,573,400,001
	3	Bladex And Nomura Securities			
2		International	63,874,825,000	2,835,175,000	66,710,000,000
3	12	Credicorp Bank	5,052,234,486	1,959,544,877	7,011,779,363
4	3	Credit Suisse Ag	87,990,490,000	7,404,810,000	95,395,300,000
5	3	Prival Bank	14,164,699,741	17,197,791,303	31,362,491,044
6	1	Citibank New York	44,895,601,852	3,984,341,473	48,879,943,325
7	1	Banistmo	45,619,111,161	6,183,519,343	51,802,630,504
8	1	The Bank of Nova Scotia (Scotiabank)	13,526,070,902	6,594,488,967	20,120,559,869
9	1	Scotiabank Cr	264,171,600,000	6,671,000,000	270,842,600,000
10	2	Bladex	102,288,666,444	8,449,933,556	110,738,600,000
	32		1,089,054,044,637	74,014,971,815	¢ 1,163,069,016,452

7). Held-for-sale assets, net

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

		March 2023	December 2022	March 2022
Financial instruments	¢	115,319,317,390	115,127,502,923	125,613,741,716
Other assets		748,345,987	658,544,163	562,858,646
Purchased-for-sale		1,318,518,839	1,044,557,850	1,444,312,151
Idle real property, furniture, and equipment		2,064,586,831	1,977,878,927	2,850,429,482
		119,450,769,047	118,808,483,863	130,471,341,995
Allowance for impairment and per legal requirement		(69,717,554,778)	(67,864,844,691)	(68,980,209,854)
	¢	49,733,214,269	50,943,639,172	61,491,132,141

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

As of March 31, 2023

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

	March 2023	December 2022	March 2022
At the beginning of the year	€ 118,808,483,863	140,834,468,459	140,834,468,459
Translation effect	(1,679,692,086)	(1,331,880,003)	711,046,279
Adjusted balance	117,128,791,777	139,502,588,456	141,545,514,738
Increase for awarded assets	5,933,834,868	18,526,514,432	4,253,730,786
Transfer to unused property, furniture, and equipment	86,968,564	1,288,622,589	868,097,698
Increase goods acquired for sale	1,949,417,409	4,914,343,178	1,134,233,559
Sales of goods	(5,647,982,909)	(44,130,509,335)	(17,330,234,786)
Withdrawal of unused property, furniture, and equipment	(260,662)	(1,293,075,457)	0
Balance at the end of the period	€ 119,450,769,047	118,808,483,863	130,471,341,995

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

	March 2023	December 2022	March 2022
Opening balance	€ 67,864,844,691	77,758,590,537	77,758,592,387
Currency conversion effect	(46,196,807)	(24,136,255)	12,191,951
Adjusted Balance	67,818,647,884	77,734,454,282	77,770,784,338
Increase in the allowance	4,538,955,881	18,521,186,919	4,748,081,414
Reversal in the allowance	(2,633,865,557)	(28,546,716,197)	(13,538,655,898)
Transfer of balances	780,662,094	160,372,544	0
Adjustment of the estimate for appraisal of assets	(786,845,524)	(4,452,857)	0
Closing balance	€ 69,717,554,778	67,864,844,691	68,980,209,854

8). Interest in other companies' capital

Interest in other companies 'capital is detailed as follows:

	March 2023	December 2022	March 2022
Capital interest in Bolsa Nacional de Valores, S.A.	€ 29,057,201	29,057,201	29,057,201
Capital interest in Interclar Central de Valores, S.A.	36,359,987	36,359,987	36,359,987
Capital interest in BCR Pensiones, Operadora de Planes de Pensiones Complementarias SA	350,000,000	0	0
Capital interest in Banprocesa. S. R. L.	330,726,883	283,878,098	0
	€ 746,144,071	349,295,286	65,417,188

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

As of March 31, 2023

As of March 31, 2023, the interest in Bolsa Nacional de Valores, S.A., is of 1,514,974 common shares with a par value of ¢19,18 each, recorded at cost since these shares are not subject to public offering.

As of March 31, 2023, the interest in Interclear Central de Valores, S.A. is of 24,545,455 common shares with a par value of ¢1,4813 each, recorded at cost since these shares are not subject to public offering.

Interest in the equity of the financial conglomerate:

As of March 31, 2023, the capital stock of BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A., is represented by 1,279,450,000 common and registered shares, with a par value of ¢1 each, for a total of ¢1,279,450,000.

As of March 31, 2023, the capital stock of BCR Sociedad Administradora de Fondos de Inversión, S.A. is represented by 96,784 common and registered shares, with a par value of ¢50,000 each, for a total of ¢4,839,200,000.

As of March 31, 2023, the capital stock of BCR Valores, S.A. - Puesto de Bolsa, S.A., is represented by 12,626 common and registered shares, subscribed, and paid in full, with a par value of ¢1,000,000 each, for a total of ¢12,626,000,000.

As of March 31, 2023, the capital stock of BCR Sociedad Corredora de Seguros, S.A., is represented by 45,000 common and registered shares, subscribed, and paid in full, and with a par value of ¢50,000 each, for a total of ¢2,250,000,000. At the extraordinary Shareholders' Meeting 04-19 of BCR Corredora de Seguros on December 4, 2019, an increase in the Company's share capital was authorized in the amount of 1,000,000,000, representing an increase of 20,000 shares with which the share capital reaches the amount of ¢2,250,000,000 comprised of 45,000 common and registered, authorized and issued shares with a par value of ¢50,000 each.

As of March 31, 2023, the capital stock of Depósito Agrícola de Cartago S. A., is represented by 1 common and registered shares, which are authorized and issued, with a par value for a total of ¢305,842,762.

As of March 31, 2023, the capital stock of Banprocesa, S.R.L., is represented by 100 common and registered shares, which are authorized and issued with a par value of ¢100,000, for a total of ¢10,000,000.

BANCO DE COSTA RICA AND SUBSIDIARIES

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As of March 31, 2023

The Bank owns a 51% ownership interest in BICSA (domiciled in Panama). As of March 31, 2023, ownership interest is represented by 6,772,137 common shares of US\$10 par value each. The remaining 49% of shares is owned by Banco Nacional de Costa Rica.

The Bank's income statement for the period ended March, 2023, includes the amounts of ¢811,033,338, (¢2,002,326,916 and ¢396,688,562, for December and March 2022, respectively), corresponding to the net operating income of BICSA.

The Bank's statement of changes in equity for the period ended March 31, 2023, includes an equity decrease of ¢7,086,445,459, (¢5,350,104,171 and ¢2,743,888,226, for December and March 2022, respectively) corresponding to the changes resulting from the currency translation effect of BICSA's financial statement.

As of December 31, 2022 the accumulated balance of the minority interest of Banco Nacional de Costa Rica presented in the equity section of the consolidated balance sheet amounts to ¢67,289,565,909, (¢73,316,067,683 and ¢79,699,566,400, for December and March 2022, respectively) and the income of the period represents the minority interest in the consolidated income statement in the amount of ¢779,228,281, (¢1,923,801,052 and ¢381,132,377 for December and March 2022, respectively).

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

	March 2023		December 2022		March 2022	
	Quantity	Amount in US Dollars	Quantity	Amount in US Dollars	Quantity	Amount in US Dollars
Balance at the beginning of the period	13,278,700	132,787,000	13,278,700	132,787,000	13,278,700	132,787,000
Balance at the end of the period	13,278,700	132,787,000	13,278,700	132,787,000	13,278,700	132,787,000

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

As of March 31, 2023, 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 ¢201,841,788, (¢860,236,658 and ¢266,279,847, for December and March 2022, respectively), 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 AND SUBSIDIARIES

Notes to the consolidated financial statements

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9). Property, furniture, and equipment

As of March 31, 2023, property, furniture, and equipment are detailed as follows:

Cost:	Property	Buildings	Furniture and equipment	Computer hardware	Vehicles	Assets for the right-of-use, buildings, and facilities	Total
Balance as of December 31, 2022	€ 36,112,762,169	101,494,422,613	39,930,981,792	54,066,568,409	5,960,479,952	32,152,214,688	269,717,429,623
Conversion effect	(43,873,699)	(698,343,328)	(82,591,830)	(147,511,691)	(5,377,038)	(131,628,649)	(1,109,326,235)
Adjusted balance	36,068,888,470	100,796,079,285	39,848,389,962	53,919,056,718	5,955,102,914	32,020,586,039	268,608,103,388
Additions	0	1,195,239,639	606,096,400	803,028,323	234,838	0	2,604,599,200
Withdrawals	0	0	(31,877,474)	(32,793,847)	0	0	(64,671,321)
Transfers	0	0	(373,483,295)	(557,764,373)	0	72,275,591	(858,972,077)
Revaluation	0	0	4,775,204	0	0	(437,638)	4,337,566
Balance as of March 31, 2023	36,068,888,470	101,991,318,924	40,053,900,797	54,131,526,821	5,955,337,752	32,092,423,992	270,293,396,756
<u>Accumulated depreciation and impairment:</u>							
Balance as of December 31, 2022	0	37,958,884,721	26,458,862,052	39,611,176,674	4,692,318,066	9,807,713,141	118,528,954,654
Conversion effect	0	(135,519,710)	(79,055,790)	(122,787,585)	(5,302,953)	(91,648,697)	(434,314,735)
Adjusted balance	0	37,823,365,011	26,379,806,262	39,488,389,089	4,687,015,113	9,716,064,444	118,094,639,919
Depreciation expenses	0	543,090,589	637,087,536	1,415,874,020	76,774,739	837,187,142	3,510,014,026
Withdrawals	0	0	(101,722,385)	(39,590,552)	0	0	(141,312,937)
Transfers	0	0	15,638,227	(16,995,775)	(111,194)	168,943,600	167,474,858
Balance as of March 31, 2023	€ 0	38,366,455,600	26,930,809,640	40,847,676,782	4,763,678,658	10,722,195,186	121,630,815,866
Balances, net:							
March 31, 2023	€ 36,068,888,470	63,624,863,324	13,123,091,157	13,283,850,039	1,191,659,094	21,370,228,806	148,662,580,890

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

As of March 31, 2023

As of December 31, 2022, property, furniture, and equipment are detailed as follows:

Cost:		Property	Buildings	Furniture and equipment	Computer hardware	Vehicles	Assets for the right-of-use, buildings, and facilities	Total
Balance as of December 31, 2021	€	35,822,827,602	81,913,344,038	38,986,780,302	50,694,400,676	5,809,582,106	28,144,296,674	241,371,231,398
Conversion effect		(33,868,435)	(539,085,495)	(74,128,504)	(137,293,735)	(4,150,797)	(142,975,038)	(931,502,004)
Adjusted balance		35,788,959,167	81,374,258,543	38,912,651,798	50,557,106,941	5,805,431,309	28,001,321,636	240,439,729,394
Additions		0	100,673,617	2,027,109,099	12,219,546,200	154,310,718	9,255,293,291	23,756,932,925
Withdrawals		333,747,430	0	(86,158,623)	(417,271,278)	0	(5,997,085,375)	(6,166,767,846)
Transfers		0	0	(948,097,235)	(8,292,813,454)	737,926	892,685,136	(8,347,487,627)
Revaluation		(9,944,428)	20,019,490,453	25,476,753	0	0	0	20,035,022,778
Balance as of December 31, 2022		36,112,762,169	101,494,422,613	39,930,981,792	54,066,568,409	5,960,479,953	32,152,214,688	269,717,429,624
<u>Accumulated depreciation and impairment:</u>								
Balance as of December 31, 2021		0	27,522,164,868	24,489,329,401	36,343,486,976	4,399,535,599	7,053,472,004	99,807,988,848
Conversion effect		0	(104,057,337)	(72,084,479)	(130,642,078)	(4,093,608)	(97,079,922)	(407,957,424)
Adjusted balance		0	27,418,107,531	24,417,244,922	36,212,844,898	4,395,441,991	6,956,392,082	99,400,031,424
Depreciation expenses		0	2,047,650,428	2,696,546,928	3,958,803,534	274,158,752	3,340,713,397	12,317,873,039
Adjustment for previous periods		0	0	(1,547,561,041)	(908,117,303)	0	(2,851,805,277)	(5,307,483,621)
Withdrawals		0	0	892,631,242	349,961,891	22,717,323	2,362,412,939	3,627,723,395
Transfers		0	8,493,126,762	0	0	0	0	8,493,126,762
Reversion of accumulated depreciation		0	0	0	(2,316,346)	0	0	(2,316,346)
Balance as of December 31, 2022	€	0	37,958,884,721	26,458,862,051	39,611,176,674	4,692,318,066	9,807,713,141	118,528,954,653
December 31, 2022	€	36,112,762,169	63,535,537,892	13,472,119,741	14,455,391,735	1,268,161,887	22,344,501,547	151,188,474,971

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

As of March 31, 2023

As of March 31, 2022, property, furniture, and equipment are detailed as follows:

Cost:	Property	Buildings	Furniture and equipment	Computer hardware	Vehicles	Assets for the right-of-use, buildings, and facilities	Total
Balance as of December 31, 2021	₡ 35,822,827,602	81,913,344,038	38,986,780,302	50,694,400,676	5,809,582,106	28,144,296,674	241,371,231,398
Conversion effect	17,106,365	272,284,125	37,441,348	69,345,039	2,096,508	72,214,468	470,487,853
Adjusted balance	35,839,933,967	82,185,628,163	39,024,221,650	50,763,745,715	5,811,678,614	28,216,511,142	241,841,719,251
Additions	0	39,000,480	821,180,382	242,214,113	0	25,750,864	1,128,145,839
Withdrawals	0	0	(7,749,857)	(19,652,524)	0	0	(27,402,381)
Transfers	0	0	(567,853,231)	(1,035,738,054)	0	(19,146,672)	(1,622,737,957)
Revaluation	0	0	0	(506,329)	0	0	(506,329)
Balance as of March 31, 2022	35,839,933,967	82,224,628,643	39,269,798,944	49,950,062,921	5,811,678,614	28,223,115,334	241,319,218,423
<u>Accumulated depreciation and impairment:</u>							
Balance as of December 31, 2021	0	27,522,164,868	24,489,329,401	36,343,486,976	4,399,535,599	7,053,472,004	99,807,988,848
Conversion effect	0	48,858,901	35,338,712	62,752,216	2,067,621	49,033,117	198,050,567
Adjusted balance	0	27,571,023,769	24,524,668,113	36,406,239,192	4,401,603,220	7,102,505,121	100,006,039,415
Depreciation expenses	0	513,441,906	671,371,673	1,281,128,626	74,116,639	685,925,776	3,225,984,620
Withdrawals	0	0	(276,028)	(20,004,138)	0	0	(20,280,166)
Transfers	0	0	820,086,607	(815,082,317)	0	78,311,535	83,315,825
Reversion of accumulated depreciation	0	0	0	(2,316,347)	0	0	(2,316,347)
Balance as of March 31, 2022	₡ 0	28,084,465,675	26,015,850,365	36,849,965,016	4,475,719,859	7,866,742,432	103,292,743,347
March 31, 2022	₡ 35,839,933,967	54,140,162,968	13,253,948,579	13,100,097,905	1,335,958,755	20,356,372,902	138,026,475,076

BANCO DE COSTA RICA AND SUBSIDIARIES

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March 31, 2023

10). Other assets

(a) Other deferred charges

Other deferred charges are detailed as follows:

	<u>March 2023</u>	<u>December 2022</u>	<u>March 2022</u>
Improvement of properties in operating lease	¢ 779,552,190	872,974,288	1,032,013,831
Pre-issuance cost of financial instruments	0	0	212,162,789
Other deferred charges	<u>1,129,282,409</u>	<u>1,291,337,063</u>	<u>7,864,188,096</u>
	<u>¢ 1,908,834,599</u>	<u>2,164,311,351</u>	<u>9,108,364,716</u>

(b) Intangible assets

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

Cost:

Balance as of December 31, 2022	¢ 83,282,029,043
Currency translation effect	<u>(721,438,013)</u>
Adjusted balance	82,560,591,029
Additions to computer systems	3,003,053,991
Transfers	(180,198,122)
Withdrawals	<u>(14,353,613)</u>
Balance as of March, 2023	<u>85,369,093,285</u>

Accumulated depreciation and impairment:

Balance as of December 31, 2022	59,734,564,757
Currency translation effect	<u>(529,285,139)</u>
Adjusted balance	59,205,279,618
Amortization expense on computer systems	4,705,367,419
Transfers	152,960,672
Withdrawals	<u>(9,820,930)</u>
Amortized balance and impairment as of March 31, 2023	<u>64,053,786,779</u>
Balance as of March 31, 2022	<u>¢ 21,315,306,506</u>

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December		2022
<i>Cost:</i>		
Balance as of December 31, 2021	¢	57,790,466,417
Currency translation effect		<u>(561,053,101)</u>
Adjusted balance		57,229,413,316
Additions to computer systems		16,763,207,200
Transfers		11,054,576,512
Withdrawals		<u>(1,765,167,985)</u>
Balance as of December 31, 2022		<u>83,282,029,043</u>
 <i>Accumulated depreciation and impairment:</i>		
Balance as of December 31, 2022		40,609,976,820
Currency translation effect		<u>(467,031,260)</u>
Adjusted balance		40,142,945,560
Amortization expense on computer systems		14,376,037,116
Transfers		6,339,283,869
Withdrawals		<u>(1,123,701,788)</u>
Amortized balance and impairment as of December 31, 2022		<u>59,734,564,757</u>
Balance as of December 31, 2022	¢	<u>23,547,464,286</u>
March		2022
<i>Cost:</i>		
Balance as of December 31, 2021	¢	57,790,466,417
Currency translation effect		<u>283,379,780</u>
Adjusted balance		58,073,846,197
Additions to computer systems		2,687,652,842
Transfers		14,320,220
Withdrawals		<u>(4,471,107)</u>
Balance as of March 31, 2022		<u>60,771,348,152</u>
 <i>Accumulated depreciation and impairment:</i>		
Balance as of December 31, 2021		40,609,976,820
Currency translation effect		<u>212,999,791</u>
Adjusted balance		40,822,976,611
Amortization expense on computer systems		2,475,307,425
Transfers		266,279,202
Withdrawals		<u>(4,471,107)</u>
Amortized balance and impairment as of December 31, 2022		<u>43,560,092,131</u>
Balance as of March 31, 2022	¢	<u>17,211,256,021</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

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(c) Other assets

Other assets are detailed as follows:

	<u>March 2023</u>	<u>December 2022</u>	<u>March 2022</u>
Prepaid taxes	¢ 7,524,082,042	34,363,327,777	5,091,094,350
Other prepaid taxes	643,692,044	14,073,563	819,085,458
Prepaid leases	78,383	78,383	78,383
Prepaid insurance policy	736,381,180	382,800,446	400,021,693
Other prepaid expenses	335,093,723	394,986,914	1,275,131,254
Prepaid expenses	9,239,327,372	35,155,267,083	7,585,411,138
Stationery, supplies and other materials	173,545,978	198,957,184	165,928,550
Library and works of art	41,459,053	36,986,766	40,764,615
Construction in process	7,944,796,998	8,612,541,177	5,314,430,660
Automated applications under development	4,839,371,351	4,478,123,483	4,441,504,198
Membership in social and professional institutions	36,633,800	36,633,800	36,633,800
Other miscellaneous goods	21,995,336,397	24,525,107,060	19,739,131,596
Miscellaneous goods	35,031,143,577	37,888,349,470	29,738,393,419
Missing cash	55,294,638	47,702,442	86,072,437
Transactions to be settled	102,237,007,141	57,745,803,194	23,522,434,939
Other operations pending allocation	169,330,506	353,394,564	139,076,893
Operations pending allocation	102,461,632,285	58,146,900,200	23,747,584,269
Guarantee deposits	1,086,860,806	1,166,642,799	1,237,549,845
Judicial and administrative deposits	0	2,081,316,906	0
Restricted assets	1,086,860,806	3,247,959,705	1,237,549,845
¢	147,818,964,040	134,438,476,458	62,308,938,671

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

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11). Demand obligations with the public

Demand obligations with the public are as follows:

	March 2023	December 2022	March 2022
Checking accounts	¢ 1,901,356,653,567	2,237,956,431,734	2,235,172,584,948
Cashier's checks	190,606,120	451,515,080	131,777,240
Demand savings deposits	1,005,104,826,476	1,064,529,165,087	1,035,345,314,871
Overdue term borrowings	1,956,484,451	1,897,451,094	2,533,964,688
Overnight deposits	1,616,012,000	3,780,497,200	5,967,209,500
Other demand borrowings	0	0	1,725,640,938
Other demand obligations with the public	18,851,707,893	4,100,150,200	6,338,634,315
	¢ 2,929,076,290,507	3,312,715,210,395	3,287,215,126,500

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

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

	March 2023 Demand	December 2022 Demand	March 2022 Demand
<u>Obligations with the public</u>			
Deposits from the public	¢ 2,910,224,582,614	3,308,615,060,195	3,280,876,492,182
Other obligations with the public (See note 11)	18,851,707,893	4,100,150,200	6,338,634,318
	2,929,076,290,507	3,312,715,210,395	3,287,215,126,500
<u>Obligations with entities</u>			
Deposits from state-owned entities	18,221,706,407	9,856,961,912	6,914,854,917
Deposits from other Banks	4,471,598,061	4,099,984,761	7,638,656,305
Other obligations with entities	65,513,407,283	72,277,495,403	74,856,989,110
	88,206,711,751	86,234,442,076	89,410,500,332
	¢ 3,017,283,002,258	3,398,949,652,471	3,376,625,626,832

BANCO DE COSTA RICA AND SUBSIDIARIES

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	March 2023 Term	December 2022 Term	March 2022 Term
<u>Obligations with the public</u>			
Deposits from the public	¢ 2,091,056,227,296	1,864,983,147,193	1,842,714,784,462
Other obligations with the public	12,859,049	11,063,795	10,705,690
	<u>2,091,069,086,345</u>	<u>1,864,994,210,988</u>	<u>1,842,725,490,152</u>
<u>Obligations with entities</u>			
Deposits from state-owned entities	47,407,825,924	37,638,852,986	70,548,868,957
Deposits from other Banks	9,160,204,850	10,022,032,121	10,375,164,653
Other obligations with entities	550,357,008,479	721,770,058,668	755,945,270,274
	<u>606,925,039,253</u>	<u>769,430,943,775</u>	<u>836,869,303,884</u>
	<u>¢ 2,697,994,125,598</u>	<u>2,634,425,154,763</u>	<u>2,679,594,794,036</u>

As of March 31, 2023, demand deposits with the public include court-ordered deposits for ¢250,145,353,841, (¢260,468,163,133 and ¢256,899,028,658, for December and March 2022, respectively), which are restricted because of their nature.

As of March 31, 2023, the Bank has a total of de 1,794,733 (1,751,780 and 1,806,751, for December and March 2022, respectively) employees with demand deposits and with term deposits 38,411 (36,213, for December and 35,343 for March 2022 respectively). The subsidiary BICSA has a total of 886 customers (855 and 994, for December and March 2022, respectively) with demand deposits and 1,252, (1,157 and 1,197, for December and March 2022, respectively).

13). Other obligations with the public

Other obligations with the public are as follows:

	March 2023	December 2022	March 2022
Obligations for confirmed letters of credit	¢ 3,158,140,630	6,642,720,100	6,666,194,299
Obligations for security tripartite agreements forward buyer	8,393,035,872	5,558,776,494	7,121,373,685
	<u>¢ 11,551,176,502</u>	<u>12,201,496,594</u>	<u>13,787,567,984</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

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Repurchase agreements:

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

As of March 31, 2023, the Bank's repurchase agreements are as follows:

	Fair value of the assets	Liability balance	Repurchase date	Repurchase price
Investments ¢	<u>30,001,250,836</u>	<u>8,393,035,872</u>	01/01/2023 to 31/03/2023	100%

As of December 31, 2022, the Bank's repurchase agreements are as follows:

	Fair value of the assets	Liability balance	Repurchase date	Repurchase price
Investments ¢	<u>25,157,175,774</u>	<u>5,558,776,494</u>	01/09/2022 to 31/12/2022	100%

As of March 31, 2022, the Bank's repurchase agreements are as follows:

	Fair value of the assets	Liability balance	Repurchase date	Repurchase price
Investments ¢	<u>27,089,371,464</u>	<u>7,121,373,685</u>	01/10/2021 to 31/12/2021	100%

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

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

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

	<u>March 2023</u>	<u>December 2022</u>	<u>March 2022</u>
Term obligations with the Central Bank of Costa Rica	€ 106,607,072,703	134,495,032,211	117,434,359,976
Charges payable for obligations with the Central Bank of Costa Rica	<u>1,592,823,783</u>	<u>1,424,026,345</u>	<u>829,657,863</u>
	108,199,896,486	135,919,058,556	118,264,017,839
Checking accounts of local financial entities	36,281,818,688	30,608,697,132	27,131,742,846
Checking accounts of foreign financial entities	460,474,103	410,914,142	3,781,348,947
Overdrafts on demand checking accounts of foreign financial entities	10,108,909,536	7,249,152,774	19,243,001,266
Obligations for check deposits	2,512,804,775	1,071,873,752	1,513,745,852
Overnight deposits	38,842,704,650	46,893,804,276	37,740,661,422
Term deposits from local financial entities	65,553,525,774	57,798,344,956	105,772,975,111
Term deposits from financial entities abroad	26,478,575,000	54,188,524,135	23,017,355,563
Loan from foreign financial entities (See note 14-a)	238,214,881,235	327,749,783,825	386,042,168,586
Obligations for right-of-use assets received under leases (note 14-a)	21,820,220,905	24,383,913,051	24,899,177,037
Obligations for resources taken from the liquidity market	0	0	17,251,075,198
Obligations with related financial entities	0	0	0
Obligations with resources from the Development Credit Fund (DCF)	157,378,387,591	192,026,399,851	185,769,415,990
Charges payable for obligations with financial and non-financial entities	<u>6,254,678,868</u>	<u>6,469,427,755</u>	<u>5,287,622,205</u>
	603,906,981,125	748,850,835,649	837,450,290,023
Loans from local financial entities (See note 14-a)	76,721,261,597	84,125,694,537	94,117,136,397
Obligations for deferred liquidity operations (See note 14-a)	<u>20,758,187,148</u>	<u>29,158,283,416</u>	<u>0</u>
	701,386,429,870	862,134,813,602	931,567,426,420
Loans of subsidiaries			
Subordinated obligations	49,956,035,633	49,955,433,414	0
Charges payable for subordinated obligations	<u>184,422,222</u>	<u>184,422,222</u>	<u>0</u>
	50,140,457,855	50,139,855,636	0
	<u>€ 859,726,784,211</u>	<u>1,048,193,727,794</u>	<u>1,049,831,444,259</u>

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The maturities of the term obligations with entities are from January 1, 2023, to December 23, 2026.

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

	March 2023	December 2022	March 2022
Colones	7.97 % to 9.75%	0.01 % to 9.75%	1.01% to 3.25%
US dollars	2.99% to 3.43%	0,01% to 7.68%	0,01% to 5.02%

As of March 31, 2023, December and March 2022, there are no term obligations with foreign financial entities for the international issuance.

a) Maturity of loans payable

As of March 31, 2023, the maturities of loans payable are detailed as follows:

	Central Bank of Costa Rica	Local financial entities	Foreign financial entities	International organizations	Total
Less than one year	¢ 106,607,072,703	53,773,345,250	164,640,927,082	0	325,021,345,035
From one to two years	0	11,885,331,500	20,660,310,491	2,661,506,250	35,207,148,241
From three to five years	0	11,062,584,850	50,252,137,641	3,130,348,000	64,445,070,491
Over five years	0	0	0	0	0
Total	¢ 106,607,072,703	76,721,261,600	235,553,375,214	5,791,854,250	424,673,563,767

As of December 31, 2022, the maturities of loans payable are detailed as follows:

	Central Bank of Costa Rica	Local financial entities	Foreign financial entities	International organizations	Total
Less than one year	¢ 35,027,717,170	59,424,238,870	241,387,218,173	0	335,839,174,213
From one to two years	0	6,934,924,800	18,792,936,101	0	25,727,860,901
From three to five years	109,474,722,461	17,766,530,870	54,546,509,693	3,130,348,000	184,918,111,024
Over five years	0	0	9,892,771,930	0	9,892,771,930
Total	¢ 144,502,439,631	84,125,694,540	324,619,435,897	3,130,348,000	556,377,918,068

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As of March 31, 2022, the maturities of loans payable are detailed as follows:

	Central Bank of Costa Rica	Local financial entities	Foreign financial entities	International organizations	Total
Less than one year	¢ 37,304,109,720	92,917,559,798	234,588,744,374	22,773,529,427	387,583,943,319
From one to two years	0	15,189,867,000	57,905,225,271	0	73,095,092,271
From three to five years	117,687,914,780	3,260,784,800	27,240,832,390	0	148,189,531,970
Over five years	0	0	45,179,917,135	3,355,300,000	48,535,217,135
Total	¢ <u>154,992,024,500</u>	<u>111,368,211,598</u>	<u>364,914,719,170</u>	<u>26,128,829,427</u>	<u>657,403,784,695</u>

a. Lease obligations

As of March 31, 2023, there are obligations for the right of use – leased assets received.

	Fee	Interest	Maintenance	Present value
Less than one year	¢ 3,685,427,951	379,053,726	0	3,306,374,224
From one to five years	20,637,657,135	1,211,566,647	0	19,426,090,488
	¢ <u>24,323,085,085</u>	<u>1,590,620,373</u>	<u>0</u>	<u>22,732,464,712</u>

As of December 31, 2022, there are obligations for the right of use – leased assets received.

	Fee	Interest	Maintenance	Present value
Less than one year	¢ 5,142,389,109	1,377,544,261	0	3,764,844,848
From one to five years	25,522,755,507	3,887,736,893	0	21,635,018,614
	¢ <u>30,665,144,616</u>	<u>5,265,281,154</u>	<u>0</u>	<u>25,399,863,462</u>

As of March 31, 2022, there are obligations for the right of use – leased assets received.

	Fee	Interest	Maintenance	Present value
Less than one year	¢ 4,177,048,594	1,448,054,218	0	2,728,994,376
From one to five years	27,340,855,716	5,147,386,296	0	22,193,469,420
	¢ <u>31,517,904,310</u>	<u>6,595,440,514</u>	<u>0</u>	<u>24,922,463,796</u>

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As of March 31, 2023, the allowance for future lease payments is as follows:

	<u>Colones</u>	<u>US\$ translated to colones</u>
1 year	¢ 742,664,909	2,904,758,276
2 years	878,105,954	3,217,949,840
3 years	862,301,550	2,296,257,101
4 years	880,251,970	1,943,034,401
5 years	942,221,709	2,059,616,493
Over 5 years	1,903,046,045	4,102,256,464
	¢ <u>6,208,592,137</u>	<u>16,523,872,575</u>

As of December 31, 2022, the allowance for future lease payments is as follows:

	<u>Colones</u>	<u>US\$ translated to colones</u>
1 year	¢ 826,697,198	3,402,033,207
2 years	811,991,808	3,321,038,028
3 years	852,533,153	2,795,940,316
4 years	865,407,153	2,111,496,817
5 years	926,331,817	2,238,186,594
Over 5 years	2,144,644,630	5,103,562,741
	¢ <u>6,427,605,759</u>	<u>18,972,257,703</u>

As of March 31, 2022, the allowance for future lease payments is as follows:

	<u>Colones</u>	<u>US\$ translated to colones</u>
1 year	¢ 354,285,778	3,018,132,116
2 years	390,894,094	3,094,959,291
3 years	433,663,665	3,346,708,103
4 years	365,876,476	3,076,945,766
5 years	327,724,908	3,012,053,069
Over 5 years	1,059,316,301	9,552,012,322
	¢ <u>2,931,761,222</u>	<u>25,100,810,667</u>

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As of March 31, 2023, future payments of the lease liability are presented as follows:

	Year	Payments	Present value	Amortization	Interest	Balance of the agreement
1	31/12/2022	4,946,431,229	3,544,020,919	2,090,725,031	1,300,742,537	19,386,929,358
2	31/12/2023	5,386,204,004	4,111,381,622	3,083,539,515	1,062,290,582	15,325,710,212
3	31/12/2024	4,003,221,552	3,174,804,343	2,349,011,080	828,419,544	12,007,544,837
4	31/12/2025	3,493,176,428	2,840,506,754	2,187,837,079	652,669,674	9,061,751,074
5	31/12/2026	3,493,176,428	3,020,091,800	2,547,007,173	473,084,627	6,041,659,274
6	31/12/2027	3,493,176,428	3,211,096,428	2,929,016,428	282,080,000	2,830,562,846
7	31/12/2028	2,910,980,356	2,830,562,846	2,750,145,335	80,417,511	0
8	31/12/2029	0	0	0	0	0
9	31/12/2030	0	0	0	0	0
10	31/12/2031	0	0	0	0	0
		<u>¢ 27,726,366,425</u>	<u>22,732,464,712</u>	<u>17,937,281,642</u>	<u>4,679,704,475</u>	

As of December 31, 2022, future payments of the lease liability are presented as follows:

	Year	Payments	Present value	Amortization	Interest	Balance of the agreement
1	31/12/2022	5,664,891,072	4,111,991,909	2,513,604,199	1,566,972,287	21,575,550,054
2	31/12/2023	5,374,544,019	4,213,626,763	3,113,779,599	1,131,262,707	17,346,313,483
3	31/12/2024	4,821,475,457	3,843,539,419	2,865,601,400	977,937,957	13,372,969,189
4	31/12/2025	3,738,085,036	3,010,906,521	2,283,728,006	727,178,515	10,219,798,850
5	31/12/2026	3,738,085,036	3,200,612,299	2,663,139,562	537,472,737	7,019,186,551
6	31/12/2027	3,518,847,983	3,196,512,153	2,874,176,322	322,335,830	3,822,674,398
7	31/12/2028	3,957,322,088	3,822,674,398	3,688,026,709	134,647,690	0
8	31/12/2029	0	0	0	0	0
9	31/12/2030	0	0	0	0	0
10	31/12/2031	0	0	0	0	0
		<u>¢ 30,813,250,691</u>	<u>25,399,863,462</u>	<u>20,002,055,797</u>	<u>5,397,807,723</u>	

As of March 31, 2022, future payments of the lease liability are presented as follows:

	Year	Payments	Present value	Amortization	Interest	Balance of the agreement
1	31/3/2022	4,916,580,599	3,211,663,162	1,628,645,930	1,721,171,826	22,890,772,334
2	31/3/2023	4,670,305,512	3,520,698,269	2,186,397,186	1,305,178,747	20,286,894,712
3	31/3/2024	5,288,470,835	4,034,831,645	2,834,238,350	1,259,027,574	17,524,082,854
4	31/3/2025	4,453,221,951	3,509,839,821	2,588,926,075	940,008,284	14,592,610,616
5	31/3/2026	4,100,643,722	3,374,688,801	2,648,733,880	725,954,921	11,482,154,852
6	31/3/2027	3,793,276,290	3,304,372,327	2,815,468,365	488,903,963	8,181,758,677
7	31/3/2028	4,408,011,155	4,075,328,276	3,742,645,398	332,682,878	4,679,792,418
8	31/3/2029	3,075,482,792	3,000,732,747	2,925,982,131	74,750,330	963,912,153
9		0	0	0	0	0
10		0	0	0	0	0
		<u>¢ 34,705,992,856</u>	<u>28,032,155,048</u>	<u>21,371,037,315</u>	<u>6,847,678,523</u>	

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15). Income tax

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

As of March 31, 2023, the consolidated balance of income tax payable amounts to ¢5,121,121,385, (¢21,142,937,266 and ¢3,216,284,561, for December and March 2022, respectively) (see note 17) and the income tax advance payments amounted to ¢7,524,082,042, (¢34,363,327,777 and ¢5,091,094,350, for December and March 2022, respectively) (see note 10.c), recorded as other assets.

Income tax expenses are detailed below:

	March 2023	December 2022	March 2022
Current income tax	¢ 4,784,217,370	26,084,988,435	6,505,052,669
Decrease in income tax	(185,922,378)	(4,182,365,234)	(3,587,974,316)
Increase in income tax	0	0	299,206,208
Adjustment for income tax of the previous period	522,826,393	0	0
Advances of settled income taxes	0	(759,685,935)	0
	<u>5,121,121,385</u>	<u>21,142,937,266</u>	<u>3,216,284,561</u>
<u>Expenses for income taxes:</u>			
Expense for current income tax of the period	4,784,217,370	26,084,988,435	6,505,052,669
Expense for deferred income tax	1,374,745,152	14,021,704,080	5,016,176,626
	<u>6,158,962,522</u>	<u>40,106,692,515</u>	<u>11,521,229,295</u>
<u>Income for income taxes:</u>			
Decrease of income taxes for the period	(186,052,859)	(3,587,974,505)	(3,588,381,128)
Income for deferred income tax	(1,699,347,439)	(6,335,574,091)	(310,832,072)
Decrease in the deferred income tax from the previous period	117,023	(736,424,170)	(735,427,263)
	<u>(1,885,283,275)</u>	<u>(10,659,972,766)</u>	<u>(4,634,640,463)</u>
Income tax, net	¢ <u>4,273,679,247</u>	<u>29,446,719,749</u>	<u>6,886,588,832</u>
Realization of deferred income tax	¢ <u>324,602,287</u>	<u>(7,686,129,989)</u>	<u>253,801,604</u>

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BICSA is subject to tax legislation in the following jurisdictions.

Panamá

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

Miami

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

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

Deferred tax assets and liabilities are attributed to the following:

As of March 31, 2023:

	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Valuation of investments	¢ 12,634,368,494	(1,193,816,828)	11,440,551,666
Revaluation of assets	242,823,928	(14,340,154,985)	(14,097,331,057)
Provisions	33,004,090	(52,465,230)	(19,461,140)
Financial leases	6,889,834,455	(6,456,567,534)	433,266,921
Deferred taxes for exchange differences	1,302,156,239	(7,801,269,206)	(6,499,112,967)
Losses and unused tax credits	28,349,335	0	28,349,335
Allowance for doubtful accounts	77,351,338	0	77,351,338
	<u>¢ 21,207,887,879</u>	<u>(29,844,273,783)</u>	<u>(8,636,385,904)</u>

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As of December 31, 2022:

	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Valuation of investments	¢ 19,159,652,189	(469,153,500)	18,690,498,689
Revaluation of assets	242,823,928	(14,409,449,035)	(14,166,625,107)
Provisions	23,293,290	(58,294,700)	(35,001,410)
Financial leases	7,647,460,580	(6,733,911,989)	913,548,591
Deferred taxes for exchange differences	0	(7,280,460,003)	(7,280,460,003)
Losses and unused tax credits	124,687,031	0	124,687,031
Allowance for doubtful accounts	88,615,187	0	88,615,187
	<u>¢ 27,286,532,205</u>	<u>(28,951,269,227)</u>	<u>(1,664,737,022)</u>

As of March 31, 2022:

	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Valuation of investments	¢ 1,829,775,539	(14,368,625,646)	(12,538,850,107)
Revaluation of assets	0	(11,010,957,089)	(11,010,957,089)
Provisions	15,443,019	(75,783,111)	(60,340,092)
Financial leases	8,502,659,326	(6,661,279,411)	1,841,379,915
Deferred taxes for exchange differences	0	(4,959,146,160)	(4,959,146,160)
Losses and unused tax credits	132,352,533	0	132,352,533
Allowance for doubtful accounts	115,003,433	0	115,003,432
	<u>¢ 10,595,233,850</u>	<u>(37,075,791,417)</u>	<u>(26,480,557,568)</u>

The movement of temporary differences is as follows:

As of March 31, 2023:

	<u>December 31, 2022</u>	<u>Effects on income statement</u>	<u>Effects on equity</u>	<u>March 31, 2023</u>
On liabilities account				
Valuation of investments	¢ (469,153,500)	0	(724,663,328)	(1,193,816,828)
Revaluation of assets	(8,632,345,029)	69,294,050	0	(8,563,050,979)
Revaluation of land	(5,777,104,006)	0	0	(5,777,104,006)
Financial leases	(6,733,911,989)	277,344,455	0	(6,456,567,534)
For exchange differences	(7,280,460,002)	(520,809,205)	0	(7,801,269,207)
Allowance for doubtful accounts	(58,294,700)	5,829,470	0	(52,465,230)
On assets account				
Valuation of investments	19,159,652,189	0	(6,525,283,695)	12,634,368,494
Financial leases	7,647,460,580	(753,188,150)	(4,437,975)	6,889,834,455
Income tax for asset revaluation	242,823,928	0	0	242,823,928
Losses and unused tax credits	124,687,031	(54,471,522)	(41,866,174)	28,349,335
Provisions	23,293,290	9,710,800	0	33,004,090
Allowance for doubtful accounts	88,615,188	(11,263,850)	0	77,351,338
For exchange differences	0	1,302,156,239	0	1,302,156,239
	<u>¢ (1,664,737,020)</u>	<u>324,602,287</u>	<u>(7,296,251,172)</u>	<u>(8,636,385,905)</u>

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As of December 31, 2022:

	December 31, 2021	Effects on income statement	Effects on equity	December 31, 2022
On liabilities account				
Valuation of investments	¢ (20,960,716,763)	0	20,491,563,263	(469,153,500)
Revaluation of assets	(4,971,062,820)	23,807,231	(3,685,089,440)	(8,632,345,029)
Revaluation of land	(6,077,988,389)	0	300,884,383	(5,777,104,006)
Financial leases	(6,864,537,103)	130,625,114	0	(6,733,911,989)
For exchange differences	0	(7,280,460,002)	0	(7,280,460,002)
Allowance for doubtful accounts	(81,612,581)	23,317,881	0	(58,294,700)
On assets account				
Valuation of investments	640,405,854	0	18,519,246,335	19,159,652,189
Financial leases	8,439,752,060	(792,666,181)	374,701	7,647,460,580
Income tax for asset revaluation	0	242,823,928		242,823,928
Losses and unused tax credits	169,620,742	(11,919,053)	(33,014,658)	124,687,031
Provisions	16,781,892	6,511,398	0	23,293,290
Allowance for doubtful accounts	116,785,493	(28,170,305)	0	88,615,188
	¢ <u>(29,572,571,615)</u>	<u>(7,686,129,989)</u>	<u>35,593,964,584</u>	<u>(1,664,737,020)</u>

As of March 31, 2022:

	December 31, 2021	Effects on income statement	Effects on equity	March 31, 2022
On liabilities account				
Valuation of investments	¢ (20,960,716,763)	0	6,592,091,117	(14,368,625,646)
Revaluation of assets	(4,971,062,820)	38,094,120	0	(4,932,968,700)
Revaluation of land	(6,077,988,389)			(6,077,988,389)
Financial leases	(6,864,537,103)	203,257,692	0	(6,661,279,411)
Deferred income tax on exchange differences	0	(4,959,146,160)	0	(4,959,146,160)
Allowance for doubtful accounts	(81,612,581)	5,829,470	0	(75,783,111)
On assets account				
Valuation of investments	642,070,276	0	1,187,705,263	1,829,775,539
Financial leases	8,437,402,382	26,366,055	38,890,889	8,502,659,326
Losses and unused tax credits	169,620,742	(16,624,799)	(20,643,410)	132,352,533
Provisions	16,781,892	(1,338,873)	0	15,443,019
Allowance for doubtful accounts	116,785,493	(1,782,061)	0	115,003,432
	¢ <u>(29,573,256,871)</u>	<u>(4,705,344,556)</u>	<u>7,798,043,859</u>	<u>(26,480,557,568)</u>

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As of March 31, 2023, the consolidated group presents a balance for income tax receivable of ¢10,181,462,347, (¢120,020,911 and ¢119,646,210, for December and March 2022, respectively), in addition to supported value added tax for ¢¢732,966,117, (¢2,224,254,862 and ¢798,945,031, for December and March 2022, respectively) and deductible value added tax for ¢31,011,363, (¢28,209,555 and ¢29,689,371, for December and March 2022, respectively).

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

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

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

	March 2023	December 2022	March 2022
Banco de Costa Rica	¢ 14,376,721,967	14,186,632,789	25,285,756,210
BCR Valores, S. A.- Puesto de Bolsa	635,236,468	635,236,468	635,236,468
BCR Sociedad Administradora de Fondos de inversión, S.A.	155,205,344	155,205,344	233,984,908
BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A.	164,453,335	164,453,335	249,398,960
BCR Corredora de Seguros, S.A.	152,719,661	152,719,661	187,286,522
	¢ <u>15,484,336,775</u>	¢ <u>15,294,247,597</u>	¢ <u>26,591,663,068</u>

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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 March 31, 2023, the application of the resolution described above gave rise to a temporary difference which required the recording of a deferred income tax liability of ¢7,801,269,207 (¢7,280,460,002 and ¢4,959,146,160, for December and March 2022, respectively) and assets of ¢1,302,156,239 (for December and March 2022, there were no amounts).

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16). Provisions

The movement of provision is as follows:

		<u>Legal benefits</u>	<u>Lawsuits</u>	<u>Other</u>	<u>Total</u>
Balance as of December 31, 2022	¢	10,668,568,025	15,461,132,749	15,294,247,597	41,423,948,370
Currency conversion effect		639,139	(174)	0	638,965
Adjusted balance		10,669,207,164	15,461,132,575	15,294,247,597	41,424,587,335
Provision made		180,969,663	1,194,156,912	453,489,588	1,828,616,163
Provision used		(80,913,858)	(530,034,419)	(263,400,410)	(874,348,687)
Adjustment for exchange rate differences		0	(2,620,874)	0	(2,620,874)
Balance as of March 31, 2023	¢	<u>10,769,262,969</u>	<u>16,122,634,194</u>	<u>15,484,336,775</u>	<u>42,376,233,937</u>

As of December 31, 2022:

		<u>Legal benefits</u>	<u>Lawsuits</u>	<u>Other</u>	<u>Total</u>
Balance as of December 31, 2021	¢	9,764,254,097	16,159,621,263	47,703,909,944	73,627,785,304
Currency conversion effect		(134,621,410)	(11,775,540)	0	(146,396,950)
Adjusted balance		9,629,632,687	16,147,845,723	47,703,909,944	73,481,388,354
Provision made		2,453,097,516	3,940,535,540	1,050,212,141	7,443,845,197
Provision used		(1,351,723,863)	(530,378,611)	(33,261,582,440)	(35,143,684,914)
Adjustment for exchange rate differences		0	(40,731,997)	0	(40,731,997)
Provisions reversed		0	(4,049,413,088)	(198,292,050)	(4,247,705,138)
Balance as of December 31, 2022	¢	<u>10,731,006,340</u>	<u>15,467,857,567</u>	<u>15,294,247,595</u>	<u>41,493,111,502</u>

As of March 31, 2022:

		<u>Legal benefits</u>	<u>Lawsuits</u>	<u>Other</u>	<u>Total</u>
Balance as of December 31, 2021		9,764,254,097	16,159,621,261	26,573,315,795	52,497,191,153
Currency conversion effect		36,454,261	0	0	36,454,261
Adjusted balance		9,800,708,358	16,159,621,261	26,573,315,795	52,533,645,414
Provision made		256,234,094	2,926,254,787	270,951,673	3,453,440,554
Provision used		(115,150,176)	0	(252,604,400)	(367,754,576)
Adjustment for exchange rate differences		0	30,491,674	0	30,491,674
Provisions reversed		0	(142,838,050)	0	(142,838,050)
Balance as of March 31, 2022	¢	<u>9,941,792,276</u>	<u>18,973,529,672</u>	<u>26,591,663,068</u>	<u>55,506,985,016</u>

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As of March 31, 2023, the Bank is a defendant in litigation, for which the following provisions have been recorded:

- Ordinary suits against the Bank have been estimated for ₡24,280,811,453 and US\$372,973,329 for which the Bank has provisions recorded in the amounts of ₡1,528,300,357 and US\$47,278, respectively.
- The criminal lawsuits against the Bank have been estimated in ₡1,879,803,039 and \$5,857, for which the Bank has recorded a provision in the amount of ₡169,544,163.
- For their nature, labor suits are difficult to estimate, however they are estimated in ₡5,920,827,737 and \$825,000 for which the Bank has provisions recorded in the amount ₡2,549,994,246, in the cases in which there is no firm condemnatory.
- There are administrative proceedings in different stages, estimated for ₡15,096,422 and US\$2,000.
- A provision in the amount of ₡221,227,571 corresponding to the Deposit Guarantee Fund is created and recorded in "Others".

As of March 31, 2023, there are no provisions for litigation at BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A.

As of March 31, 2023, there are no provisions for litigation at BCR Sociedad Administradora de Fondos de Inversion S.A.

As of March 31, 2023, there is a process against BCR Valores S.A., processed under file 08-001181-1027-CA of the Contentious Administrative and Civil Tax Court of the Second Judicial Circuit of San José. Given de sentence, the plaintiff filed an appeal, which was awaiting resolution. On March 15, 2021, the First Chamber of the Supreme Court of Justice, through vote number 169-F-S1-2021, states: "The appeal is declared inadmissible...its costs are responsibility of the interposing person". Consequently, the ruling by the executing judge in sentence number 402-2019, exonerating BCR Valores S.A., remains firm. For this litigation, there was a provision of ₡125,148,933 (US\$202,736), which was reversed in April 2021.

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As of March 31, 2023, there is a process against BCR Valores S.A. in the amount of US\$465,000, processed under file 16-000208-1027-CA-2 of the Contentious Administrative and Civil Tax Court of the Second Judicial Circuit of San José. On September 22, 2021, the Court issued a ruling in favor of BCR Valores. On October 11, 2021, the losing plaintiff in the process filed an appeal before the First Chamber of the Supreme Court of Justice, which has not yet been resolved.

As of March 31, 2023, BICSA there are no provision for litigation.

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

- Ordinary suits against the Bank have been estimated for ₡25,313,172,429 and US\$373,822,285 for which the Bank has provisions recorded in the amounts of ₡1,627,475,428 and US\$46,656, respectively.
- The criminal lawsuits against the Bank have been estimated in ₡1,879,803,039 and \$5,857, for which the Bank has recorded a provision in the amount of ₡196,032,439.
- For their nature, labor suits are difficult to estimate, however they are estimated in ₡5,440,126,674 and \$825,001 for which the Bank has provisions recorded in the amount of ₡2,021,340,774, in the cases in which there is no firm condemnatory.
- There are administrative proceedings in different stages, estimated for ₡15,096,422 and US\$2,000.
- A provision in the amount of ₡243,935,865 corresponding to the Deposit Guarantee Fund is created and recorded in "Others".

As of December 31, 2022, there are no provisions for litigation at BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A.

As of December 3, 2022, there are no provisions for litigation at BCR Sociedad Administradora de Fondos de Inversion S.A.

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March 31, 2023

As of December 31, 2022, there is a process against BCR Valores S.A., processed under file 08-001181-1027-CA of the Contentious Administrative and Civil Tax Court of the Second Judicial Circuit of San José. Given de sentence, the plaintiff filed an appeal, which was awaiting resolution. On March 15, 2021, the First Chamber of the Supreme Court of Justice, through vote number 169-F-S1-2021, states: "The appeal is declared inadmissible...its costs are responsibility of the interposing person". Consequently, the ruling by the executing judge in sentence number 402-2019, exonerating BCR Valores S.A., remains firm. For this litigation, there was a provision of ¢125,148,933 (US\$202,736), which was reversed in April 2021.

As of December 31, 2022, there is a process against BCR Valores S.A. in the amount of US\$465,000, processed under file 16-000208-1027-CA-2 of the Contentious Administrative and Civil Tax Court of the Second Judicial Circuit of San José. On September 22, 2021, the Court issued a ruling in favor of BCR Valores. On October 11, 2021, the losing plaintiff in the process filed an appeal before the First Chamber of the Supreme Court of Justice, which has not yet been resolved.

As of December 31, 2022, BICSA there are no provision for litigation.

As of March 31, 2022, following provisions have been recorded:

- Ordinary suits against the Bank have been estimated for ¢23,395,096,649 and US\$71,640,326 for which the Bank has provisions recorded in the amounts of ¢1,711,649,960 and US\$1,392,607, respectively.
- The criminal lawsuits against the Bank have been estimated in ¢1,965,668,874 and US\$5,857, for which the Bank has recorded a provision in the amount of ¢272,597,777.
- For their nature, labor suits are difficult to estimate, however they are estimated in ¢5,147,672,743 and US\$825,001, for which the Bank has provisions recorded in the amount of ¢2,098,477,773, in the cases in which there is no firm condemnatory.
- There are administrative proceedings in different stages, estimated for ¢13,968,450,298 and US\$2,000, for which ¢13,953,353,876.
- A provision in the amount of ¢376,774,370 corresponding to the Deposit Guarantee Fund is created and recorded in "Others".

As of March 31, 2022, there are no provisions for litigation at BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

March 31, 2023

As of March 31, 2022, there are no provisions for litigation at BCR Sociedad Administradora de Fondos de Inversion S.A.

As of March 31, 2022, there is a process against BCR Valores S.A., processed under file 08-001181-1027-CA of the Contentious Administrative and Civil Tax Court of the Second Judicial Circuit of San José. Given de sentence, the plaintiff filed an appeal, which was awaiting resolution. On March 15, 2021, the First Chamber of the Supreme Court of Justice, through vote number 169-F-S1-2021, states: “The appeal is declared inadmissible...its costs are responsibility of the interposing person”. Consequently, the ruling by the executing judge in sentence number 402-2019, exonerating BCR Valores S.A., remains firm. For this litigation, there was a provision of ¢125,148,933 (US\$202,736), which was reversed in April 2021.

As of March 31, 2022, there is a process against BCR Valores S.A., processed under file 16-000208-1027-CA-2 of the Contentious Administrative and Civil Tax Court of the Second Judicial Circuit of San José. On September 22, 2021, the Court issued a ruling in favor of BCR Valores. On October 11, 2021, the losing plaintiff in the process filed an appeal before the First Chamber of the Supreme Court of Justice, which has not yet been resolved.

As of March 31, 2022, there is a case against BCR Puesto de Bolsa in the amount of US\$175,000, processed under file 16-000207-1027-CA-8 of the Contentious-Administrative and Civil Treasury Court of the II Judicial Circuit of San Jose. To date and according to the criteria of the lawyers, an estimate of the eventual result is not feasible.

As of March 31, 2022, there is a process of labor nature against BCR Valores S.A. processed under judicial file number 17-002581-1178-LA, for which there is a provision of ¢8,441,966.

As of March 31, 2022, BICSA there are no provision for litigation.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

March 31, 2023

17). Other miscellaneous accounts payable

Other miscellaneous accounts payable are detailed as follows:

	March	December	March
	2023	2022	2022
Fees payable	¢ 85,529,118	83,939,092	75,974,285
Due for goods and services	543,276,723	606,770,053	1,051,915,968
Current income tax	5,121,121,385	21,142,937,266	3,216,284,561
Tax on DU propts	(11,458,739)	(11,447,375)	11,482,850
Value added tax	355,177,581	367,234,741	407,192,265
Employer contributions	8,386,158,814	6,429,908,818	6,588,337,545
Court-ordered withholdings	828,305,616	847,422,981	910,286,769
Tax withholdings payable	17,074,177,219	3,153,820,271	2,424,206,749
Withheld employer contributions payable	3,446,399,209	2,573,583,492	1,780,868,116
Other third-party withholdings payable	14,836,841,199	14,178,395,035	13,366,858,051
Compensations and salaries payable	2,930,718,084	7,880,978,383	2,206,346,691
Interests (distributions) payable on results of the period (see note 33)	1,075,300,507	26,980,949,139	7,863,038,532
Obligations payable on loans with related parties	0	880,828	880,828
Accrued vacations	7,239,224,868	7,616,009,684	6,771,185,337
Accrued statutory Christmas bonus	2,615,137,629	1,265,061,202	2,287,083,229
Commissions payable from insurance placement	358,630,568	342,200,944	454,538,052
Commissions payable with related parties	32,661,796	24,143,806	4,865,561
Contribution to the Superintendence budget	17,763,350	12,938,089	13,324,195
Miscellaneous creditors	25,363,294,791	27,945,771,595	25,485,939,165
	¢ <u>90,298,259,718</u>	<u>121,441,498,044</u>	<u>74,920,608,749</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

March 31, 2023

18). Equity

a) Capital Stock

The Bank's capital stock is as follows:

	March 2023	December 2022	March 2022
Capital under Law No. 1644	¢ 30,000,000	30,000,000	30,000,000
Bank capitalization bonds	1,288,059,486	1,288,059,486	1,288,059,486
Capital increase per Law No. 7107	118,737,742,219	118,737,742,219	118,737,742,219
Capital increase per Law No. 8703	27,619,000,002	27,619,000,002	27,619,000,002
Capital increase per Law No. 9605	18,907,432,694	18,907,432,694	18,907,432,694
Increase for revaluation of assets	14,130,125,230	14,130,125,230	14,130,125,230
Other	697,630,970	697,630,970	697,630,970
	¢ 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 Ordinary and Extraordinary Budget of the Republic for Tax Year 2008 (Law No. 8627)." Such law grants funds to capitalize three State owned banks, including Banco de Costa Rica, in order to stimulate productive sectors and particularly small and medium sized enterprises. For such purposes, the Bank received four securities for a total of US\$50,000,000 equivalent to ¢27,619,000,002.

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

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

As of March 31, 2023, the revaluation surplus amounts to ¢41,085,212,831, (¢41,085,212,831 and ¢ 31,744,671,803, for December and March 2022, respectively).

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

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

As of March 31, 2023, the balance of the adjustment for valuation of investments at fair value with changes through other comprehensive income corresponds to unrealized net losses in the amount of ¢37,107,377,320, (¢52,858,371,308 and ¢21,510,941,636, for December and March 2022, respectively).

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Notes to the consolidated financial statements

March 31, 2023

d) Adjustments for valuations of interest in other companies

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

As of March 31, 2023, changes in equity include foreign exchange differences corresponding to investments in other companies in the amount of ¢12,086,364,449, (¢19,172,809,908 and ¢27,266,802,305, for December and March 2022, respectively).

e) Equity of the Development Financing Fund (FOFIDE)

As of March 31, 2023, the amount for the constitution of the equity of the Development Financing Fund is of ¢45,766,617,523, (¢40,476,721,777 and ¢36,212,011,410 for December and March 2022, respectively). In compliance with Law 9605 "Merger by absorption of Banco Crédito Agrícola de Cartago and Banco de Costa Rica", the amount of ¢2,627,265,346 of the assets managed by the entity was transferred.

f) Special reserves of retained earnings from BICSA

As of March 31, 2023, from Banco de Costa Rica's retained earnings resulting from the investment in other companies, it should be considered for any purpose, that there are amounts related to special reserves applied to equity accounts of BICSA for US\$36,402,218, (51% de US\$71,376,898) (US\$36,180,744 and US\$33,740,924 equivalent to 51% for US\$ 70,942,635 and US\$66,158,674, for December and March 2022, respectively) due to changes made to policies concerning the subsidiary.

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

The General Board of Directors resolution SBP-GJD-003-2013 dated July 9, 2013 establishes the accounting for the differences that may arise between the regulations issued by the Superintendence of Banks and the IFRS, so that: 1) the accounting records and the financial statements are prepared in accordance with IFRS as required by agreement No.006-2012 dated December 18, 2012; 2) according to standards applicable to banks and presenting additional specific accounting aspects than those required by IFRS, in the event that an estimate of provision or reserve is greater than the correspondent calculation under IFRS, the excess of provision or reserve will be recognized in the equity.

BANCO DE COSTA RICA AND SUBSIDIARIES

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This general resolution came into effect for the accounting periods ending on or after December 31, 2014. Subject to prior authorization of the Superintendence of Banks, banks can reverse the established provision, partially or totally, based on justification duly evidenced and presented to the Superintendence of Banks.

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

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

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

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Regulatory capital

As of March 31, 2023, the net worth equity for the BCR Financial Conglomerate is detailed as follows:

Companies of the Financial Conglomerate	Capital base	Minimum individual capital requirement	Individual surplus or deficit	Non-transferable items	Transferable surplus and individual deficit
Parent Company					
Banco de Costa Rica	¢ 566,049,173,846	440,349,440,716	125,699,733,130	0	125,699,733,130
	566,049,173,846	440,349,440,716	125,699,733,130	0	125,699,733,130
Regulated entities					
Banco Internacional de Costa Rica, S. A and subsidiary	137,328,263,000	94,946,164,500	42,382,098,500	20,767,228,265	21,614,870,235
BCR Valores, S. A.- Puesto de Bolsa	16,784,244,810	5,986,966,820	10,797,277,990	0	10,797,277,990
BCR Sociedad Administradora de Fondos de inversión, S.A.	5,592,472,270	2,773,797,120	2,818,675,150	0	2,818,675,150
BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A.	4,000,408,141	3,335,515,113	664,893,028	0	664,893,028
BCR Comercializadora de Seguros, S.A.	4,252,103,740	1,744,003,770	2,508,099,970		2,508,099,970
	¢ 167,957,491,961	108,786,447,323	59,171,044,638	20,767,228,265	38,403,816,373
Non-regulated entities					
Banprocesa R.L.	1,491,960,000	352,880,700	1,139,079,300	0	1,139,079,300
Depósito Agrícola de Cartago S.A. and subsidiary	1,003,004,500	263,630,400	739,374,100	0	739,374,100
	¢ 2,494,964,500	616,511,100	1,878,453,400	0	1,878,453,400
Global surplus or deficit of the Financial Conglomerate					¢ 165,982,002,903

BANCO DE COSTA RICA AND SUBSIDIARIES

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As of December 31, 2022, the net worth equity for the BCR Financial Conglomerate is detailed as follows:

	<u>Capital base</u>	<u>Minimum individual capital requirement</u>	<u>Individual surplus or deficit</u>	<u>Non-transferable items</u>	<u>Transferable surplus and individual deficit</u>
Companies of the Financial Conglomerate					
Parent Company					
Banco de Costa Rica	¢ 548,118,903,756	448,469,896,077	99,649,007,679	0	99,649,007,679
	<u>548,118,903,756</u>	<u>448,469,896,077</u>	<u>99,649,007,679</u>	<u>0</u>	<u>99,649,007,679</u>
Regulated entities					
Banco Internacional de Costa Rica, S. A and subsidiary	149,624,614,500	116,629,542,600	32,995,071,900	16,167,585,231	16,827,486,669
BCR Valores, S. A.- Puesto de Bolsa	15,226,019,110	5,477,109,890	9,748,909,220	0	9,748,909,220
BCR Sociedad Administradora de Fondos de inversión, S.A.	5,528,784,980	2,797,426,600	2,731,358,380	0	2,731,358,380
BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A.	4,000,408,141	3,294,724,987	705,683,153	0	705,683,153
BCR Comercializadora de Seguros, S.A. insurance broker	3,536,995,260	1,722,245,521	1,814,749,739	0	1,814,749,739
	¢ <u>177,916,821,991</u>	<u>129,921,049,598</u>	<u>47,995,772,392</u>	<u>16,167,585,231</u>	<u>31,828,187,161</u>
Non-regulated entities					
Banprocesa R.L.	1,387,986,700	371,363,000	1,016,623,700	0	1,016,623,700
Depósito Agrícola de Cartago S.A. and subsidiary	684,061,600	262,102,800	421,958,800	0	421,958,800
	¢ <u>2,072,048,300</u>	<u>633,465,800</u>	<u>1,438,582,500</u>	<u>0</u>	<u>1,438,582,500</u>
Global surplus or deficit of the Financial Conglomerate					<u>132,915,777,340</u>

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As of March 31, 2022, the net worth equity for the BCR Financial Conglomerate is detailed as follows:

	<u>Capital base</u>	<u>Minimum individual capital requirement</u>	<u>Individual surplus or deficit</u>	<u>Non-transferable items</u>	<u>Transferable surplus and individual deficit</u>
Companies of the Financial Conglomerate					
Parent Company					
Banco de Costa Rica	¢ 514,374,030,681	416,522,723,802	97,851,306,879	0	97,851,306,879
	<u>514,374,030,681</u>	<u>416,522,723,802</u>	<u>97,851,306,879</u>	<u>0</u>	<u>97,851,306,879</u>
Regulated entities					
Banco Internacional de Costa Rica, S. A and subsidiary	162,652,322,000	120,918,546,000	41,733,776,000	20,449,550,240	21,284,225,760
BCR Valores, S. A.- Puesto de Bolsa	22,727,268,080	6,810,780,951	15,916,487,129	0	15,916,487,129
BCR Sociedad Administradora de Fondos de inversión, S.A.	7,992,013,620	3,166,107,630	4,825,905,990	0	4,825,905,990
BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A.	3,642,408,141	3,517,533,573	124,874,567	0	124,874,567
BCR Comercializadora de Seguros, S.A. Insurance broker	4,492,348,530	2,024,833,570	2,467,514,960	0	2,467,514,960
	<u>201,506,360,371</u>	<u>136,437,801,724</u>	<u>65,068,558,646</u>	<u>20,449,550,240</u>	<u>44,619,008,406</u>
Non-regulated entities					
Banprocesa R.L.	1,313,430,800	392,729,000	920,701,800	0	920,701,800
Depósito Agrícola de Cartago S.A. and subsidiary	684,061,600	248,520,100	435,541,500	0	435,541,500
	<u>1,997,492,400</u>	<u>641,249,100</u>	<u>1,356,243,300</u>	<u>0</u>	<u>1,356,243,300</u>
Global surplus or deficit of the Financial Conglomerate					¢ <u>143,826,558,586</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

March 31, 2023

19). Contingent accounts

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

Off balance financial instruments with risk are as follows:

	March 2023	December 2022	March 2022
Guarantees granted:			
Performance bonds	¢ 77,836,022,835	93,774,550,153	139,326,472,322
Bid bonds	740,900,504	779,929,923	1,004,325,341
Other guarantees	41,382,512,092	77,966,863,074	113,441,755,910
Issued non-negotiated letters of credit	24,706,049,077	18,199,014,145	12,728,045,642
Confirmed non-negotiated letters of credit	1,512,756,477	4,980,696,065	6,035,669,970
Credit lines to be used automatically	120,747,134,438	118,810,114,853	106,021,976,305
Other contingencies	231,902,375,720	254,313,912,940	73,858,661,662
Credits pending disbursement	123,619,805	49,499,652	119,619,754
	¢ 498,951,370,948	568,874,580,805	452,536,526,906

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

	March 2023	December 2022	March 2022
With prior deposit	¢ 7,705,435,625	10,243,925,114	7,968,466,575
Without prior deposit	259,343,559,603	304,316,742,751	370,709,398,669
Pending lawsuits and claims	231,902,375,720	254,313,912,940	73,858,661,662
	¢ 498,951,370,948	568,874,580,805	452,536,526,906

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

As of March 31, 2023, letters of credit are backed 100% by guarantee deposits or credit facilities.

As of March 31, 2023, floating guarantees in custody are for ¢228,345,841,944, (¢248,069,572,706 and ¢196,638,128,241, for December and March 2022, respectively).

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

Other contingencies

As of March 31, 2023, the Bank's Legal Division reported the following contingencies and commitments:

- In contentious matters, there are active processes established against the Bank estimated in the amount of ₡22,752,511,096 and US\$372,926,051. In addition, other contentious processes are filed for preliminary injunction with no estimate.
- In labor matters there are active ordinary processes estimated in the amounts of ₡3,370,833,492 and US\$825,000.
- Criminal proceedings in which the Bank is a third-party defendant are estimated at ₡1,710,258,876 and US\$5,857.
- Administrative proceedings against the Bank have been estimated in the amounts of ₡15,096,422 and US\$2,000.

As of March 31, 2023, there are legal claims filed against BICSA and its subsidiaries that, in the opinion of Management and external attorneys, are not expected to have a material adverse effect on the consolidated position, the consolidated performance or the entity's operations.

As of March 31, 2023, due to the merger between INS Pensiones Operadora de Pensiones Complementarias, S.A. and BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A., a series of contingencies arose that have been reasonably covered with pledged securities from the seller.

As of March 31, 2023, there is a process against BCR Valores in the amount of US\$175,000, processed under file 16-000207-1027-CA 8 of the Administrative and Civil Court of Finance of the II Judicial Circuit of San José. To date and in accordance with the criteria of the lawyers, an estimate of the eventual outcome is not feasible.

As of March 31, 2023, there is a process of labor nature against BCR Valores S.A., file 17-002581-1178-LA, which has been estimated in an amount of ₡8,441,966.

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As of December 31, 2022, the Bank's Legal Division reported the following contingencies and commitments:

- In contentious matters, there are active processes established against the Bank estimated in the amount of ₡22,295,598,168 and US\$373,625,117. In addition, other contentious processes are filed for preliminary injunction with no estimate.
- In labor matters there are active ordinary processes estimated in the amounts of ₡3,230,486,292 and US\$825,001.
- Criminal proceedings in which the Bank is a third-party defendant are estimated at ₡280,426,723 and US\$5,857.
- Administrative proceedings against the Bank have been estimated in the amounts of ₡15,096,422 and US\$2,000.

As of December 31, 2022, there are legal claims filed against BICSA and its subsidiaries that, in the opinion of Management and external attorneys, are not expected to have a material adverse effect on the consolidated position, the consolidated performance or the entity's operations.

As of December 31, 2022, due to the merger between INS Pensiones Operadora de Pensiones Complementarias, S.A. and BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A., a series of contingencies arose that have been reasonably covered with pledged securities from the seller.

As of December 31, 2022, there is a process against BCR Valores in the amount of US\$175,000, processed under file 16-000207-1027-CA 8 of the Administrative and Civil Court of Finance of the II Judicial Circuit of San José. To date and in accordance with the criteria of the lawyers, an estimate of the eventual outcome is not feasible.

As of December 31, 2022, there is a process of labor nature against BCR Valores S.A., file 17-002581-1178-LA, which has been estimated in an amount of ₡8,441,966.

As of December 31, 2022, BCR SAFI maintains an administrative procedure by SUGEVAL, of which the Fondo Evolución No Diversificado (current Fondo de Inversión BCR Mediano Plazo) is a part, and of which the oral and private hearing is pending.

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There is also a complaint filed by 10 investors before the superintendence in BCR Real Estate Investment Fund, filed by 10 investors before the superintendence, being in the process of investigation to determine if it dismisses the complaint or, on the contrary, initiates an administrative process.

As of March 31, 2022, the Bank's Legal Division reported the following contingencies and commitments:

- In contentious matters, there are active processes established against the Bank estimated in the amount of ¢21,683,446,689 and US\$70,247,718. In addition, other contentious processes are filed for preliminary injunction with no estimate.
- In labor matters there are active ordinary processes estimated in the amounts of ¢3,049,194,971 and US\$825,001.
- Criminal proceedings in which the Bank is a third-party defendant are estimated at ¢1,693,071,097 and US\$5,857.
- Administrative proceedings against the Bank have been estimated in the amounts of ¢15,096,422 and US\$2,000.

As of March 31, 2022, there are legal claims filed against BICSA and its subsidiaries that, in the opinion of Management and external attorneys, are not expected to have a material adverse effect on the consolidated position, the consolidated performance or the entity's operations.

As of March 31, 2022, due to the merger between INS Pensiones Operadora de Pensiones Complementarias, S.A. and BCR Pensión Operadora de Planes de Pensiones Complementarias. S.A., a series of contingencies arose that have been reasonably covered with pledged securities from the seller.

20). Trusts

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

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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:

	March 2023	December 2022	March 2022
Cash and due from banks	¢ 81,583,123,546	41,018,451,979	38,593,701,105
Investments in financial instruments	180,996,482,940	90,875,843,164	75,866,815,301
Loan portfolio	33,130,675,190	38,092,792,309	52,611,651,330
Allowance for doubtful accounts	(7,664,901,008)	(7,788,596,935)	(8,384,273,791)
Realizable assets	76,267,563,745	77,402,363,626	66,328,679,309
Investments in other companies	852,972,583	980,209,568	49,438,739,218
Other accounts receivable	56,784,434,647	43,277,417,175	57,140,016,915
Property, furniture, and equipment	134,180,059,356	141,968,008,610	301,189,545,635
Other assets	329,090,272,563	347,968,864,834	297,758,126,875
Buildings	0	0	76,680,000
	¢ 885,220,683,562	773,795,354,330	930,619,681,897

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

	March 2023	December 2022	March 2022
Banco de Costa Rica	¢ 840,032,017,168	723,133,806,513	870,600,929,717
Banco Internacional de Costa Rica, S.A.	45,188,666,394	50,661,547,817	60,018,752,180
	¢ 885,220,683,562	773,795,354,330	930,619,681,897

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21). Other debit memoranda accounts

Other debit memoranda accounts are detailed as follows:

	March 2023	December 2022	March 2022
Own assets and securities held in			
Custody	¢ 7,166,121,250	8,080,187,921	7,915,400,299
Guarantees received and held in custody	5,468,057,464,152	6,936,158,006,564	6,592,288,163,849
Guarantees received and held by third parties	1,698,106,264	1,920,433,624	2,108,917,018
Granted and unused credit lines	411,402,813,289	558,968,883,860	557,656,464,410
Write-offs	248,129,907,074	252,576,020,032	253,549,293,274
Suspense interest receivable	24,324,722,973	25,195,813,599	25,552,834,109
Backup documentation	0	58,711,000	58,711,000
Other memoranda accounts	5,559,831,753,364	5,170,008,762,369	3,168,351,040,200
Assets and securities held in custody			
for third parties	86,436,754,663	110,932,632,446	94,825,177,859
Managed funds assets	2,100,907,102,059	2,174,559,466,773	2,314,304,503,192
Management of individual portfolios			
by the stock market	256,151,628,284	274,324,321,459	274,323,003,686
Own held-for-trading securities	961,955,112,666	906,880,401,900	1,126,325,375,509
Cash and accounts receivable for custodial activities	69,910,167,652	107,674,613,997	188,529,088,781
Held-for-trading securities held in custody for third parties as guarantee (guarantee trust)	72,589,109,991	85,716,817,533	59,943,789,109
Held-for-trading securities pending receipt	7,719,461,240	6,921,484,223	8,443,331,025
Confirmed spot agreements pending settlement	18,691,694,100	17,471,133,239	20,010,023,571
Futures pending settlement	53,700,190,702	48,988,866,408	48,197,886,397
Third parties held-for-trading securities	6,997,997,743,946	6,699,917,358,997	6,904,811,229,316
	¢ <u>22,346,669,853,669</u>	<u>23,386,353,915,944</u>	<u>21,647,194,232,604</u>

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Other memoranda accounts by subsidiaries are detailed as follows:

	March 2023	December 2022	March 2022
Banco de Costa Rica	¢ 18,180,075,501,236	18,944,176,688,119	16,905,572,677,185
Banco Internacional de Costa Rica, S.A.	1,113,431,452,895	1,354,526,507,005	1,488,255,411,630
BCR Valores, S.A.- Puesto de Bolsa (see note 22)	940,129,955,878	898,922,751,080	926,847,486,059
BCR Sociedad Administradora de Fondos de Inversión, S.A. (see note 23)	626,740,242,958	718,214,471,106	737,708,664,633
BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A. (see note 24)	1,481,453,838,057	1,464,497,077,594	1,584,582,360,949
Depósito Agrícola de Cartago S. A.	4,838,862,645	6,016,421,039	4,227,632,148
	¢ 22,346,669,853,669	23,386,353,915,943	21,647,194,232,604

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

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

	March 2023	December 2022	March 2022
<u>Other own memoranda accounts</u>			
Other memoranda accounts	¢ 10,729,750,000	8,010,269,413	8,335,765,470
Total other own memoranda accounts	¢ 10,729,750,000	8,010,269,413	8,335,765,470
<u>Memoranda accounts for third parties</u>			
Portfolio management	¢ 256,151,628,284	274,324,321,460	274,323,003,687
Cash and accounts receivable by custodial activity	2,388,156,662	1,679,496,362	945,448,468
Held-for-trading pending receipt	7,719,461,240	6,921,484,223	8,443,331,025
Purchased marketable securities pending receipt	12,676,941,236	14,873,654,533	3,998,534,836
Futures pending settlement-forward buyer (See note 22-a)	18,691,694,100	17,471,133,239	20,010,023,571
Futures pending settlement-forward seller (See note 22-a)	42,535,540,723	36,453,277,536	45,139,843,350
Central de Valores private (local custody)	11,164,649,980	12,535,588,872	3,058,043,046
Central de Valores private (international custody)	136,903,738,033	128,092,057,317	148,912,336,848
Central de Valores private (international custody)	65,487,239,497	66,859,848,287	42,999,171,958
Central de Valores public (BCCR)	375,681,156,123	331,701,619,838	370,594,483,800
Vault	0	0	87,500,000
Total memoranda accounts for third parties	929,400,205,878	890,912,481,667	918,511,720,590
Total memoranda accounts (see note 21)	940,129,955,878	898,922,751,080	926,847,486,060
Total memoranda accounts and trusts	¢ 940,129,955,878	898,922,751,080	926,847,486,060

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

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

a) Repurchase

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

As of March 31, 2023, forward buyer and seller positions in repurchase and reverse repurchase agreements in which BCR Valores, S.A. Puesto de Bolsa (Brokerage House) participates, are as follows:

	Forward buyer			Forward seller		
	Colones	US Dollars	Total	Colones	US Dollars	Total
Third parties						
1 to 30 days	€ 10,570,103,879	18,449,121,317	29,019,225,196	3,159,791,950	4,922,894,437	8,082,686,386
31 to 60 days	1,478,021,634	12,038,293,893	13,516,315,527	0	2,454,759,276	2,454,759,276
61 to 90 days	0	0	0	0	627,204,317	627,204,317
Third parties	€ 12,048,125,513	30,487,415,210	42,535,540,723	3,159,791,950	8,004,858,030	11,164,649,979
Total	€ 12,048,125,513	30,487,415,210	42,535,540,723	3,159,791,950	8,004,858,030	11,164,649,979

As of December 31, 2022, forward buyer and seller positions in repurchase and reverse repurchase agreements in which BCR Valores, S.A. Puesto de Bolsa (Brokerage House) participates, are as follows:

	Forward buyer			Forward seller		
	Colones	US Dollars	Total	Colones	US Dollars	Total
Third parties						
1 to 30 days	€ 2,463,984,753	28,542,012,142	31,005,996,895	1,441,246,844	9,741,206,768	11,182,453,612
31 to 60 days		5,300,288,047	5,300,288,047	494,870,990	858,264,271	1,353,135,260
61 to 90 days		146,992,594	146,992,594	0	0	0
Third parties	€ 2,463,984,753	33,989,292,783	36,453,277,536	1,936,117,834	10,599,471,039	12,535,588,872
Total	€ 2,463,984,753	33,989,292,783	36,453,277,536	1,936,117,834	10,599,471,039	12,535,588,872

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As of March 31, 2022, forward buyer and seller positions in repurchase and reverse repurchase agreements in which BCR Valores, S.A. Puesto de Bolsa (Brokerage House) participates, are as follows:

	Forward buyer			Forward seller		
	Colones	US Dollars	Total	Colones	US Dollars	Total
Third parties						
1 to 30 days	¢ 5,733,304,030	29,296,922,043	35,030,226,073	372,093,307	1,337,324,089	1,709,417,396
31 to 60 days	337,535,850	9,772,081,427	10,109,617,277	0	1,348,625,651	1,348,625,651
Third parties	¢ 6,070,839,880	39,069,003,470	45,139,843,350	372,093,307	2,685,949,740	3,058,043,046
Total	¢ 6,070,839,880	39,069,003,470	45,139,843,350	372,093,307	2,685,949,740	3,058,043,046

b) Guarantees granted

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

To establish a risk management system, SUGEVAL set up a guarantee fund comprised of contributions from brokerage firms. Contributions are made proportionally based on the net buyer positions during the last six months. As of March 31, 2023, the Brokerage House had made contributions for a total of ¢137,486,055 (¢150,362,379 and ¢110,462,256, for December and March 2022, respectively). These contributions are registered in the subaccount "Guarantee fund - National Stock Exchange".

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

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

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

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d) Customer securities and own securities in custody

As of March, 2023, BCR Valores, S.A. has following securities in custody:

<u>Place of Custody</u>	<u>Custody Type</u>	<u>Balance</u>
<i>Colones</i>		
Local	Custody free	¢ 274,718,306,947
Local	Repurchase operations	16,887,335,800
		¢ <u>291,605,642,747</u>
<i>US dollars</i>		
Local	Custody free	¢ 245,823,564,619
Local	Repurchase operations	40,642,926,287
		¢ <u>286,466,490,906</u>
Total own custody, colones, US dollars and other currencies		¢ <u>578,072,133,653</u>
Total custody, third parties,		
US Dollars and others		¢ <u>578,072,133,653</u>

As of December 31, 2022, BCR Valores, S.A. has following securities in custody:

<u>Place of Custody</u>	<u>Custody Type</u>	<u>Balance</u>
<i>Colones</i>		
Local	Custody free	¢ 230,480,236,622
Local	Repurchase operations	16,651,803,913
		¢ <u>247,132,040,535</u>
<i>US dollars</i>		
Local	Custody free	¢ 258,622,194,976
Local	Repurchase operations	43,921,570,633
Foreign custodians	Shares at purchase value	10,553,153,370
		¢ <u>313,096,918,979</u>
<i>Australian dollars</i>		
International	Custody free	¢ <u>560,228,959,514</u>
Total own custody, colones, US dollars and other currencies		¢ <u>1,120,457,919,028</u>
Total custody, third parties,		
US Dollars and others		¢ <u>1,120,457,919,028</u>

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<u>Place of Custody</u>	<u>Custody Type</u>	<u>Balance</u>
<i>Colones</i>		
Local	Custody free	¢ 234,615,935,529
Local	Repurchase operations	14,436,375,117
		¢ <u>249,052,310,646</u>
<i>US dollars</i>		
Local	Custody free	¢ 260,236,683,489
Local	Repurchase operations	53,304,498,471
		¢ <u>313,541,181,960</u>
Total own custody, colones, US dollars and other currencies		¢ <u>562,593,492,606</u>
Total custody, third parties in colones		
US Dollars and others		¢ <u>562,593,492,606</u>

23). Investment fund management agreements

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

<u>Investment Fund</u>	<u>Type of fund</u>		<u>March 2023</u>	<u>December 2022</u>	<u>March 2022</u>
<i>In Colones</i>					
BCR Short-term colones, undiversified	Financial, open	¢	55,420,749,501	53,258,109,421	32,367,942,158
BCR quarterly colones, undiversified	Financial, open, medium-term		661,432,042	743,157,084	944,419,139
BCR mixed colones, undiversified	Open, medium-term		24,852,988,492	43,189,056,031	56,814,460,901
BCR Portfolio Fund colones	Open, medium-term		43,715,550,922	55,298,593,629	49,143,267,792
BCR Real Estate, colones Undiversified	Closed, non-financial and mixed portfolio		16,015,889,863	16,552,698,857	16,714,854,043
		¢	<u>140,666,610,820</u>	<u>169,041,615,022</u>	<u>155,984,944,033</u>
<i>In US dollars</i>					
Investment Funds in US Dollars, equivalent in colones (See note 21)					
		¢	<u>486,073,632,138</u>	<u>549,172,856,084</u>	<u>581,723,720,600</u>
			<u>626,740,242,958</u>	<u>718,214,471,106</u>	<u>737,708,664,633</u>
<i>Investment Funds in US dollars</i>					
BCR Liquidity Dollars, undiversified	Open	US\$	103,512,503	100,205,900	101,111,130
BCR Real Estate Dollars, undiversified	Real estate, closed, long-term		274,358,594	277,663,687	285,977,303
BCR Real Estate Trade and Industry, undiversified	Real estate, closed, long-term		198,631,888	197,837,602	201,742,585
BCR Liquidity Fund Dollars international, undiversified	Open, money market		114,594,261	132,924,277	133,555,566
BCR Portfolio Fund, US dollars	Open, medium-term		28,641,554	33,014,085	46,176,346
BCR Evolution	Open, medium-term		457,811	486,438	615,673
BCR Real Estate Progress Fund, undiversified	Real estate, closed		83,456,530	83,075,137	84,025,286
PEL Development Investment Fund	Real estate, closed		86,673,137	87,055,296	18,814,879
		US\$	<u>890,326,278</u>	<u>912,262,422</u>	<u>872,018,768</u>

24). Pension fund management agreements

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

	March 2023	December 2022	March 2022
Own assets and securities held in custody	¢ 7,166,121,250	8,080,187,921	7,915,400,299
Assets and securities held in custody by third parties	120,857,706	71,894,004	71,122,093
Mandatory pension fund	1,243,753,718,116	1,227,528,272,419	1,305,778,279,841
Voluntary pension fund	33,703,034,059	34,358,171,927	39,977,487,905
Labor capitalization fund	56,749,292,851	56,003,550,589	61,257,661,532
Supplementary pension funds created by special laws (see note 21)	<u>139,960,814,075</u>	<u>138,455,000,732</u>	<u>169,582,409,279</u>
	<u>¢ 1,481,453,838,057</u>	<u>1,464,497,077,592</u>	<u>1,584,582,360,949</u>

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

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

	March 2023	December 2022	March 2022
Voluntary Pension Fund (colones)	¢ 25,468,597,066	25,168,534,522	30,300,826,191
At fair value through other comprehensive income	25,288,479,218	24,799,553,274	29,856,044,083
Entities from the public sector of the country	18,175,804,240	17,509,215,981	19,916,462,648
Ministry of Finance	12,611,567,735	11,981,920,588	13,661,630,782
Banco Central de Costa Rica	1,847,645,046	1,839,046,397	1,853,916,374
Other issuers from the public sector	3,716,591,459	3,688,248,996	4,400,915,492
Entities from the private sector of the country	7,112,674,978	7,290,337,293	9,939,581,435
Financial	5,078,669,890	5,260,395,000	7,599,612,610
Non-financial	2,034,005,088	2,029,942,293	2,339,968,825
At fair value with changes through profit or loss	180,117,848	368,981,248	444,782,108
Entities from the private sector of the country Financial	180,117,848	368,981,248	444,782,108
	180,117,848	368,981,248	444,782,108
Voluntary Pension Fund (US\$)	US 6,976,710,119	7,569,301,423	8,158,622,687
At fair value through other comprehensive income	6,930,345,484	7,308,326,598	7,966,856,400
Entities from the public sector of the country	3,868,519,218	4,153,074,795	4,365,889,325
Ministry of Finance	3,618,381,399	3,882,326,253	3,517,581,670
Other issuers from the public sector	250,137,819	270,748,542	848,307,655
Entities from the private sector of the country	3,061,826,266	3,155,251,803	3,600,967,075
Financial	3,061,826,266	3,155,251,803	3,189,704,174
Non-financial	0	0	411,262,901
At fair value through profit or loss	46,364,635	260,974,825	191,766,287
Entities from the private sector of the country Financial	46,364,635	260,974,825	191,766,287
	46,364,635	260,974,825	191,766,287

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	March 2023	December 2022	March 2022
Mandatory Regime of Supplementary Pensions (colones)	€ 1,355,246,339,998	1,315,007,625,090	1,417,122,194,778
At fair value through other comprehensive income	1,099,846,851,563	1,069,602,775,948	1,180,806,185,345
Entities from the public sector of the country	881,744,355,588	850,156,466,823	924,068,329,485
Ministry of Finance	748,227,225,206	734,074,446,444	807,030,865,636
Banco Central de Costa Rica	26,487,716,409	23,766,636,300	29,455,187,567
Other issuers from the public sector	107,029,413,973	92,315,384,079	87,582,276,282
Entities from the private sector of the country	218,102,495,975	219,446,309,125	256,737,855,860
Financial	194,810,753,862	192,569,939,326	229,976,195,821
Non-financial	23,291,742,113	26,876,369,799	26,761,660,039
At fair value through profit or loss	255,399,488,435	245,404,849,142	236,316,009,433
Entities from the private sector of the country	244,277,801,015	63,275,443,504	236,316,009,433
Financial	30,870,549,719	58,150,376,949	51,647,138,403
Entities from the foreign the public sector	213,407,251,296	5,125,066,555	184,668,871,030
Entities from the public sector of the country	11,121,687,420	182,129,405,638	0
Financial	11,121,687,420	182,129,405,638	0
Labor Capitalization Fund (colones)	€ 59,691,068,079	57,813,081,688	192,163,286,031
At fair value through other comprehensive income	58,333,233,440	57,091,686,197	190,310,505,630
Entities from the public sector of the country	42,033,167,894	39,994,473,978	126,686,575,174
Ministry of Finance	33,071,397,545	31,077,138,082	104,572,793,212
Banco Central de Costa Rica	3,953,861,811	3,931,958,236	8,844,307,575
Other issuers from the public sector	5,007,908,538	4,985,377,660	13,269,474,387
Entities from the private sector of the country	16,300,065,546	17,097,212,219	63,623,930,456
Financial	15,413,273,889	16,211,051,561	58,821,476,160
Non-financial	886,791,657	886,160,658	4,802,454,296
At fair value through profit or loss	1,357,834,639	721,395,491	1,852,780,401
Entities from the private sector of the country	1,357,834,639	721,395,491	1,852,780,401
Financial	1,357,834,639	721,395,491	1,852,780,401

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

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

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

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

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

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

As of March 31, 2023, December and March 2022, Depósito Agrícola de Cartago and its subsidiary have current contracts that are detailed below:

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

26). Financial income on investments in financial instruments

Financial income on investments in financial instruments is as follows:

	March 2023	March 2022
Interest for investments in financial instruments at fair value through profit or loss	¢ 14,501,963	1,695,635
Interests for investments in financial instruments at fair value through comprehensive income	21,740,508,287	21,241,095,822
Interests for investments at amortized cost	1,554,868,483	516,895,578
Income from investments in due and restricted financial instruments	601,772,494	444,222,159
	¢ <u><u>23,911,651,227</u></u>	<u><u>22,203,909,194</u></u>

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

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

	March 2023	March 2022
Personal	¢ 36,994,543,409	28,467,315,168
Development Banking System	1,093,775,239	589,491,881
Business	4,442,421,062	3,901,833,255
Corporate	43,317,841,846	30,768,428,854
Public sector	1,335,364,656	1,039,604,519
Financial sector	1,124,832,481	1,363,511,089
Amortization of the net commission of the incremental direct costs associated with loans	1,235,131,380	1,222,610,532
Interest for accounts receivable related to loan portfolio and other financial instruments for other concepts not included in the previous subaccounts and analytical accounts	349,681,370	329,496,640
	¢ <u>89,893,591,443</u>	<u>67,682,291,938</u>

28). Expenses from obligations with the public

Financial expenses from obligations with the public are as follows:

	March 2023	March 2022
Expenses from demand deposits	¢ 24,012,337,088	9,198,298,708
Expenses from term deposits	36,383,149,736	16,616,468,727
Expenses from securities in repurchase agreements	165,543,369	36,348,100
	¢ <u>60,561,030,193</u>	<u>25,851,115,535</u>

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

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

	March 2023	March 2022
Decrease in specific allowance for loan portfolio (See note 6-f)	¢ 1,012,528,367	10,212,089,563
Expense for allowance for impairment and bad debts from other accounts receivable	1,297,842,308	934,657,091
Decrease in generic allowance and counter cycle for loan portfolio (See note 6-f)	915,396,732	1,219,436
Expenses for allowance for impairment of investments at fair value through other comprehensive income	157,265,007	119,832,234
Expenses for allowance for impairment of expired and restricted financial instruments	1,104,297	747,169
	¢ 3,384,136,711	11,268,545,493

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

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

	March 2023	March 2022
Recovery of written-down loans	¢ 4,031,564,819	1,212,074,816
Decrease in specific allowance for the loan portfolio (See note 6-f)	342,756,183	253,881,564
Decrease in allowance for other bad receivables	1,014,584,312	359,713,341
Decrease in generic allowance and counter cycle for loan portfolio (See note 6-f)	39,736	243,172,571
Decrease in generic allowance and counter cycle for contingent loans	0	408
Decrease in allowance for bad investment securities	1,296,251,319	718,862,754
	¢ 6,685,196,369	2,787,705,454

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31). Income from service fees and commissions

Income from service fees and commissions is detailed as follows:

	March 2023	March 2022
Drafts and transfers	¢ 699,773,472	774,612,925
Foreign trade	192,468,286	182,746,040
Certified checks	976,427	1,016,905
Trust management	1,070,931,355	1,084,347,280
Custodial services	96,121,827	81,646,166
For mandates	765,501	0
Collections	177,182,261	168,800,634
Credit Cards	11,128,656,082	11,191,905,233
Commissions for stock operations (Subscription of Emissions)	0	1,702,138,507
Investment Fund management	1,589,984,832	1,685,696,100
Pension Fund management	1,584,971,468	1,799,415,150
Insurance underwriting	1,640,553,091	
Brokerage fees		271,066,343
(by third parties in local market)	265,663,394	
Brokerage fees		39,625,800
(by third parties in other markets)	160,032,799	192,680,083
Individual portfolio management fee	166,119,293	161,889,919
Commissions from operations with related parties	63,821,114	0
Commission from custodial services of authorized securities	249,939,179	240,685,174
Other commissions	10,108,513,996	9,412,571,795
	¢ 29,196,474,377	28,990,844,054

32). Income from interests in other companies

As of March 2023, December and March 2022, there are no amounts for this concept.

As of March 31, 2023, there are ¢88,457,712 in account for participation expenses referring to Banprocesa SRL (¢118,330,911 for December 2022, in the account for participation expense referring to BCR Valores and for March 2022 there are no amounts in participation expenses on the National Stock Exchange S.A).

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33). Administrative expenses

Administrative expenses are detailed as follows:

	March 2023	March 2022
Salaries and bonuses, permanent staff	¢ 16,932,320,003	15,550,783,580
Salaries and bonuses, contractors	231,093,355	396,656,271
Compensation for directors and auditors	56,596,050	59,530,659
Overtime	253,231,655	154,571,075
Per diem	106,799,954	84,976,745
Statutory Christmas Bonus	1,523,973,180	1,324,972,865
Vacation	1,577,262,591	1,831,460,716
Incentives	1,801,667	1,643,194
Fixed representation expenses	210,474,996	245,817,076
Other compensation	659,567,139	556,545,960
Contribution to severance payment	736,209,481	678,561,826
Social security charges	6,313,032,614	5,512,806,327
Refreshments	13,612,005	6,003,049
Uniforms	942,024	419,280
Training	68,352,568	63,116,691
Employee insurance	73,293,327	274,500,230
Assets for personal use	156,924	186,630
School bonus	1,580,186,402	1,415,718,411
Labor Capitalization Fund	512,055,332	458,719,060
Other personnel expenses	200,126,132	258,286,963
Outsourcing expenses	4,837,177,454	5,100,139,867
Transportation and communication expenses	653,545,832	755,205,749
Property insurance	49,436,192	33,895,102
Property maintenance and repair	1,647,309,621	928,210,087
Public utilities	502,773,673	546,965,201
By right of use-properties	780,416,510	692,866,684
By right of use-furniture, equipment, and other assets	264,935,655	421,157,991
Depreciation of property. plant and equipment, except vehicles	2,663,486,119	2,531,169,339
Amortization of leasehold property	101,244,079	122,469,829
Other infrastructure expenses	479,461,392	949,274,065
Overhead	7,865,409,828	6,708,436,276
	¢ <u>50,896,283,754</u>	<u>47,665,066,798</u>

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34). Legal profit allocation

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

	March 2023	March 2022
Allocation for CONAPE	377,082,026	1,228,888,426
Allocation for Instituto Nacional de Fomento Cooperativo	239,242,909	1,838,409,591
Allocation for National Emergency Commission	280,166,566	882,402,067
Allocation for Public Pension Fund Operators	180,062,263	226,673,172
Allocation for Invalidity, Old Age and Death Regime	1,131,246,077	3,686,665,276
	<u>2,207,799,841</u>	<u>7,863,038,532</u>

As of March 31, 2023, there is a decrease in legal allocations of profit for ¢184,446,146 for CONAPE, ¢553,338,437 for the Disability, Old Age and Death Regime, ¢110,667,687 for the National Emergency Commission and ¢284,047,065 for INFOCOOP for a total of ¢1,132,499,335 (there are no amounts for December and March 2022).

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35). Components of other comprehensive income

The components of other comprehensive income are detailed as follows:

	March 2023		
	Amount before taxes	Tax benefit (expense)	Net taxes
Adjustment for valuation of investments at fair value through other comprehensive income.	¢ 24,116,641,851	(7,296,251,172)	16,820,390,679
Impairment – Investments at fair value through other comprehensive income	(1,066,581,173)	0	(1,066,581,173)
Exchange differences from conversion of financial statements of foreign entities	(13,894,991,096)	0	(13,894,991,096)
	¢ 9,155,069,582	(7,296,251,172)	1,858,818,410
	December 2022		
	Amount before taxes	Tax benefit (expense)	Net taxes
Surplus from revaluation of buildings	9,340,541,028	0	9,340,541,028
Adjustment for valuation of investments at fair value through other comprehensive income.	¢ (130,557,825,868)	38,978,169,642	(91,579,656,226)
Impairment – Investments at fair value through other comprehensive income	(1,848,050,840)	0	(1,848,050,840)
Exchange differences from conversion of financial statements of foreign entities	(10,490,400,335)	0	(10,490,400,335)
	¢ (133,555,736,015)	38,978,169,642	(94,577,566,373)

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	March 2022		
	Amount before taxes	Tax benefit (expense)	Net taxes
Adjustment for valuation of investments at fair value through other comprehensive income.	¢ (26,140,414,726)	7,798,043,859	(18,342,370,867)
Impairment – Investments at fair value through other comprehensive income	(566,438,081)	0	(566,438,081)
Exchange differences from conversion of financial statements of foreign entities	5,380,172,992	0	5,380,172,992
	¢ (21,326,679,815)	7,798,043,859	(13,528,635,956)

36). Operating leases

Lessee

As of March 31, 2023, December and March 2022, there are no amounts in these accounts.

37). Fair value of financial instruments

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

	March 2023		December 2022		March 2022	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Cash and due from banks	¢ 994,864,548,096	994,864,548,096	990,655,695,707	990,655,695,707	911,799,512,935	911,799,512,935
Demand deposits	1,585,312,761,736	1,570,284,855,059	1,737,695,292,043	1,712,615,976,682	1,905,804,603,468	1,889,185,163,830
Term deposits	4,058,462,967,435	4,379,469,067,746	4,237,884,617,587	4,402,473,463,543	4,209,615,282,629	3,267,972,680,436
	<u>6,638,640,277,267</u>	<u>6,944,618,470,901</u>	<u>6,966,235,605,337</u>	<u>7,105,745,135,932</u>	<u>7,027,219,399,032</u>	<u>6,068,957,357,201</u>
Demand deposits	2,969,838,437,841	2,969,838,437,841	3,345,181,249,975	3,345,181,249,975	3,315,781,248,710	3,315,781,248,710
Term deposits	2,091,069,086,345	2,077,964,039,542	1,864,994,210,988	1,875,188,559,443	1,842,725,490,152	1,832,762,003,501
Financial obligations	859,744,241,131	810,201,637,059	1,048,210,586,185	1,003,338,070,303	1,049,847,260,482	1,106,128,317,656
	<u>¢ 5,920,651,765,317</u>	<u>5,858,004,114,441</u>	<u>6,258,386,047,148</u>	<u>6,223,707,879,721</u>	<u>6,208,353,999,344</u>	<u>6,254,671,569,867</u>

As of March 31, 2023, the financial obligations for subordinated obligations are for ¢50,140,457,855, (¢50,139,855,636 for December 2021, and for March 2022, there are no amounts for this concept).

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

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

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

- b) Investments in financial instruments

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

- c) Securities sold under repurchase agreements

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

- d) Loan portfolio

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

- e) Term deposits and loans payable

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

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

38). Segments

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

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As of March 31, 2023, assets and liabilities for each segment are presented as follows:

	Bank	Pension Fund Operator	Investment Fund Manager	Brokerage House	Foreign Bank	Insurance Broker	Depósito Agrícola	Banprocesa	Total	Eliminations	Consolidated
Assets											
Cash and due from banks	€ 963,931,522,636	712,583,280	783,696,474	879,684,055	55,885,696,271	455,932,596	19,384,254	843,710	1,022,669,343,276	(27,804,795,180)	994,864,548,096
Investment in financial instruments	1,431,286,319,777	5,826,241,931	6,585,685,866	49,802,047,985	87,306,089,639	8,251,782,379	811,843,884	1,340,141,497	1,591,210,152,958	(5,996,575,202)	1,585,213,577,756
Loan portfolio	3,100,593,382,776	0	0	0	805,245,083,479	0	0	0	3,905,838,466,255	0	3,905,838,466,255
Accounts and fees receivable	34,162,505,091	701,142,836	969,208,822	1,124,444,810	5,264,997,931	859,904,541	124,857,364	376,086,970	43,583,148,365	(1,471,882,936)	42,111,265,429
Foreclosed assets	33,246,403,751	0	0	0	16,486,810,480	0	39	0	49,733,214,270	(1)	49,733,214,269
Interest in other companies (net)	113,841,186,326	0	0	65,417,188	0	0	0	0	113,906,603,514	(113,160,459,443)	746,144,071
Property, furniture and equipment, net	141,114,081,994	166,739,817	275,019,968	193,012,571	6,529,271,587	195,499,125	220,686,977	23,168,123	148,717,480,162	(54,899,272)	148,662,580,890
Properties investments	6,831,625,000	0	0	0	0	0	0	0	6,831,625,000	0	6,831,625,000
Other assets	144,832,382,727	806,719,065	1,113,408,294	934,430,430	25,039,140,351	104,796,483	141,379,610	24,163,235	172,996,420,195	(1,953,315,050)	171,043,105,145
TOTAL ASSETS	€ 5,969,839,410,078	8,213,426,929	9,727,019,424	52,999,037,039	1,001,757,089,738	9,867,915,124	1,318,152,128	1,764,403,535	7,055,486,453,995	(150,441,927,084)	6,905,044,526,911
Liabilities and equity											
Liabilities											
Obligations with the public	€ 4,614,043,546,034	0	0	8,393,035,872	447,473,323,612	12,859,049	0	0	5,069,922,764,567	(9,015,240,382)	5,060,907,524,185
Obligations with the Central Bank of Costa Rica	108,199,896,486	0	0	0	0	0	0	0	108,199,896,486	0	108,199,896,486
Obligations with entities	297,004,701,425	170,697,785	290,743,188	21,031,764,970	408,249,137,039	203,847,940	114,608,480	19,302,850	727,084,803,677	(25,698,373,807)	701,386,429,870
Accounts payable and provisions	152,578,884,486	1,082,505,205	1,639,113,650	4,501,696,640	5,170,435,357	1,095,608,087	200,052,317	252,394,442	166,520,690,184	(914,538,402)	165,606,151,782
Other liabilities	107,666,296,044	0	0	0	3,538,547,992	102,795,882	486,883	746,272	111,308,873,073	2	111,308,873,075
Subordinated obligations	50,140,457,856	0	0	0	0	0	0	0	50,140,457,856	(1)	50,140,457,855
Total liabilities	€ 5,329,633,782,331	1,253,202,990	1,929,856,838	33,926,497,482	864,431,444,000	1,415,110,958	315,147,680	272,443,564	6,233,177,485,843	(35,628,152,590)	6,197,549,333,253
Equity											
Capital	181,409,990,601	4,614,965,113	4,839,200,000	12,626,000,000	38,609,421,071	2,250,000,000	305,842,762	710,000,000	245,365,419,547	(63,955,428,946)	181,409,990,601
Unfunded capital contributions	664,893,028	0	0	0	0	0	0	0	664,893,028	(664,893,028)	0
Equity adjustments	16,064,199,960	(115,782,325)	(120,895,070)	(758,947,570)	39,648,244,580	(132,614,082)	3,957,607	0	54,588,163,100	(38,523,963,140)	16,064,199,960
Capital reserves	351,152,901,365	255,890,000	967,840,002	1,262,600,001	34,434,536,196	449,999,999	38,747,161	63,489,636	388,626,004,360	(37,473,102,995)	351,152,901,365
Prior periods retained earnings	41,896,492,820	1,360,195,859	1,990,959,308	5,925,402,853	23,043,182,272	5,344,806,934	632,695,229	614,497,035	80,808,232,310	(38,911,739,490)	41,896,492,820
Profit for the period	3,915,425,478	180,062,264	120,058,346	17,484,273	1,590,261,619	540,611,315	21,761,689	103,973,300	6,489,638,284	(2,574,212,806)	3,915,425,478
Development financing fund	45,766,617,523	0	0	0	0	0	0	0	45,766,617,523	0	45,766,617,523
Minority interest	0	0	0	0	0	0	0	0	0	67,289,565,911	67,289,565,911
Total equity	640,205,627,747	6,960,223,939	7,797,162,586	19,072,539,557	137,325,645,738	8,452,804,166	1,003,004,448	1,491,959,971	822,308,968,152	(114,813,774,494)	707,495,193,658
Total liabilities and equity	5,969,839,410,078	8,213,426,929	9,727,019,424	52,999,037,039	1,001,757,089,738	9,867,915,124	1,318,152,128	1,764,403,535	7,055,486,453,995	(150,441,927,084)	6,905,044,526,911
Debit contingent accounts											
Trust assets	€ 840,032,017,167	0	0	0	45,188,666,395	0	0	0	885,220,683,562	0	885,220,683,562
Trust liabilities	€ 265,913,210,902	0	0	0	0	0	0	0	265,913,210,902	0	265,913,210,902
Trust equity	€ 574,118,806,266	0	0	0	45,188,666,395	0	0	0	619,307,472,661	0	619,307,472,661
Other debit memoranda accounts	€ 18,180,075,501,234	1,481,453,838,057	626,740,242,958	940,129,955,878	1,113,431,452,897	0	4,838,862,645	0	22,346,669,853,669	0	22,346,669,853,669

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As of December 31, 2022, assets and liabilities for each segment are presented as follows:

	Bank	Pension Fund Operator	Investment Fund Manager	Brokerage House	Foreign Bank	Insurance Broker	Depósito Agrícola	Banprocesa	Total	Eliminations	Consolidated
Assets											
Cash and due from banks	€ 889,861,698,310	183,642,431	790,671,198	580,975,309	129,483,407,440	309,017,923	28,875,536	29,619,786	1,021,267,907,933	(30,612,212,227)	990,655,695,706
Investment in financial instruments	1,587,645,659,368	7,049,279,361	6,656,461,611	41,832,212,566	87,041,120,346	7,786,027,078	798,204,702	1,248,346,341	1,740,057,311,373	(2,453,296,563)	1,737,604,014,810
Loan portfolio	3,151,277,829,847	0	0	0	926,135,556,454	0	0	0	4,077,413,386,301	0	4,077,413,386,301
Accounts and fees receivable	31,144,522,214	689,662,517	856,411,941	1,301,362,218	6,717,086,977	885,477,775	112,820,055	287,571,328	41,994,915,025	(1,405,257,080)	40,589,657,945
Foreclosed assets	33,391,023,435	0	0	0	17,552,615,698	0	39	0	50,943,639,172	0	50,943,639,172
Interest in other companies (net)	118,058,380,855	0	0	65,417,188	0	0	0	0	118,123,798,043	(117,774,502,757)	349,295,286
Property, furniture and equipment, net	142,804,777,436	190,125,643	305,937,490	213,170,000	7,250,486,664	217,482,998	244,497,492	25,564,825	151,252,042,548	(63,567,577)	151,188,474,971
Properties investments	6,831,625,000	0	0	0	0	0	0	0	6,831,625,000	0	6,831,625,000
Other assets	129,096,208,447	805,295,772	1,113,034,898	1,573,734,040	27,694,277,899	1,276,226,557	126,116,115	265,712,744	161,950,606,472	(1,800,354,377)	160,150,252,095
Total assets	€ 6,090,111,724,912	8,918,005,724	9,722,517,138	45,566,871,321	1,201,874,551,478	10,474,232,331	1,310,513,939	1,856,815,024	7,369,835,231,867	(154,109,190,581)	7,215,726,041,286
Liabilities and equity											
Liabilities											
Obligations with the public	€ 4,714,425,599,606	0	0	5,558,776,494	494,711,793,104	11,063,795	0	0	5,214,707,232,999	(4,531,772,037)	5,210,175,460,962
Obligations with the Central Bank of Costa Rica	135,919,058,557	0	0	0	0	0	0	0	135,919,058,557	(1)	135,919,058,556
Obligations with entities	326,306,685,146	207,610,650	354,136,697	19,492,470,214	544,918,263,132	248,571,703	133,474,246	23,288,977	891,684,500,765	(29,549,687,163)	862,134,813,602
Accounts payable and provisions	177,931,186,577	1,947,707,254	1,728,921,898	2,163,013,001	6,050,340,852	2,307,877,073	198,926,572	444,785,354	192,772,758,581	(1,885,373,579)	190,887,385,002
Other liabilities	58,896,184,984	0	0	0	6,580,514,582	50,300,203	0	746,272	65,527,746,041	0	65,527,746,041
Subordinated obligations	50,139,855,637	0	0	0	0	0	0	0	50,139,855,637	0	50,139,855,637
Bonds convertible into capital	0	0	0	0	0	0	0	0	0	0	0
Preferred obligations	0	0	0	0	0	0	0	0	0	0	0
Total liabilities	€ 5,463,618,570,507	2,155,317,904	2,083,058,595	27,214,259,709	1,052,260,911,670	2,617,812,774	332,400,818	468,820,603	6,550,751,152,580	(35,966,832,780)	6,514,784,319,800
Equity											
Capital	181,409,990,601	4,574,174,987	4,839,200,000	12,626,000,000	38,609,421,071	2,250,000,000	305,842,762	710,000,000	245,324,629,421	(63,914,638,820)	181,409,990,601
Unfunded capital contributions	0	705,683,153	0	0	0	0	0	0	705,683,153	(705,683,153)	0
Equity adjustments	7,399,651,431	(133,256,180)	(158,540,765)	(1,461,391,241)	52,961,604,999	(188,387,377)	827,969	7,751	58,420,516,587	(51,020,865,156)	7,399,651,431
Capital reserves	325,313,265,088	255,890,001	967,840,000	1,262,600,000	34,210,209,731	449,999,999	36,187,964	35,725,886	362,531,718,669	(37,218,453,581)	325,313,265,088
Prior periods retained earnings	23,721,615,916	434,469,348	374,170,167	4,492,865,419	19,917,279,731	2,530,056,788	584,070,492	86,985,797	52,141,513,658	(27,287,398,409)	24,854,115,249
Profit for the period	48,171,909,592	925,726,511	1,616,789,141	1,432,537,434	3,915,124,276	2,814,750,147	51,183,934	555,274,987	59,483,296,022	(11,311,386,430)	48,171,909,592
Development financing fund	40,476,721,777	0	0	0	0	0	0	0	40,476,721,777	0	40,476,721,777
Minority interest	0	0	0	0	0	0	0	0	0	73,316,067,749	73,316,067,749
Total equity	626,493,154,405	6,762,687,820	7,639,458,543	18,352,611,612	149,613,639,808	7,856,419,557	978,113,121	1,387,994,421	819,084,079,287	(118,142,357,800)	700,941,721,487
Total liabilities and equity	6,090,111,724,912	8,918,005,724	9,722,517,138	45,566,871,321	1,201,874,551,478	10,474,232,331	1,310,513,939	1,856,815,024	7,369,835,231,867	(154,109,190,580)	7,215,726,041,287
Debit contingent accounts	€ 474,773,322,051	0	0	0	94,101,258,754	0	0	0	568,874,580,805	0	568,874,580,805
Trust assets	€ 723,133,806,512	0	0	0	50,661,547,818	0	0	0	773,795,354,330	0	773,795,354,330
Trust liabilities	270,063,360,217	0	0	0	0	0	0	0	270,063,360,217	0	270,063,360,217
Trust equity	453,070,446,296	0	0	0	50,661,547,818	0	0	0	503,731,994,114	0	503,731,994,114
Other debit memoranda accounts	18,944,176,688,117	1,464,497,077,594	718,214,471,106	898,922,751,080	1,354,526,507,007	0	6,016,421,039	0	23,386,353,915,943	0	23,386,353,915,943

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

March 31, 2023

As of March 31, 2022, assets and liabilities for each segment are presented as follows:

	Bank	Pension Fund Operator	Investment Fund Manager	Brokerage House	Foreign Bank	Insurance Broker	Depósito Agrícola de Cartago	Banprocesa	Total	Eliminations	Consolidated
Assets											
Cash and due from banks	€ 809,164,168,561	207,503,419	1,341,172,205	930,159,521	134,179,690,812	435,131,476	21,044,657	30,828,834	946,309,699,485	(34,510,186,550)	911,799,512,935
Investment in financial instruments	1,769,586,894,559	6,876,159,534	7,997,262,730	49,049,078,142	64,170,323,615	9,356,995,959	750,118,490	573,136,429	1,908,359,969,458	(2,555,365,989)	1,905,804,603,469
Loan portfolio	3,048,476,299,121	0	0	0	980,563,787,776	0	0	0	4,029,040,086,897	1	4,029,040,086,898
Accounts and fees receivable	15,791,423,223	712,067,585	867,869,381	465,672,917	7,769,049,268	795,445,387	115,244,683	1,098,551,423	27,615,323,867	(3,403,685,396)	24,211,638,471
Foreclosed assets	40,178,365,803	0	0	0	21,312,766,299	0	39	0	61,491,132,141	0	61,491,132,141
Interest in other companies (net)	133,305,305,297	0	0	65,417,188	0	0	0	0	133,370,722,485	(133,305,305,297)	65,417,188
Property, furniture and equipment, Net	128,072,436,214	305,914,596	397,510,602	273,642,290	8,263,349,688	283,618,581	266,274,809	253,300,792	138,116,047,572	(89,572,496)	138,026,475,076
Properties investments	6,441,924,521	0	0	0	0	0	0	0	6,441,924,521	0	6,441,924,521
Other assets	63,364,830,239	711,902,214	259,111,501	262,585,729	24,978,153,920	160,627,911	89,917,759	7,827,702	89,834,956,975	(1,206,397,567)	88,628,559,408
Total assets	€ 6,014,381,647,538	8,813,547,348	10,862,926,419	51,046,555,787	1,241,237,121,378	11,031,819,314	1,242,600,437	1,963,645,180	7,340,579,863,401	(175,070,513,294)	7,165,509,350,107
Liabilities and Equity											
Liabilities											
Obligations with the public	€ 4,655,341,909,142	0	0	7,121,373,685	501,830,137,704	10,705,690	0	0	5,164,304,126,221	(5,797,387,359)	5,158,506,738,862
Obligations with the Central Bank of Costa Rica	118,264,017,839	0	0	0	0	0	0	0	118,264,017,839	0	118,264,017,839
Obligations with entities	383,771,456,057	357,591,442	499,169,523	17,572,606,019	562,955,171,167	350,136,524	184,365,046	278,073,832	965,968,569,610	(34,401,143,190)	931,567,426,420
Accounts payable and provisions	151,190,000,145	1,436,576,090	1,063,806,327	2,659,044,086	10,269,918,444	1,323,350,553	103,572,245	371,394,326	168,417,662,216	(360,279,878)	168,057,382,338
Other liabilities	18,202,196,205	0	0	0	3,529,717,492	67,932,616	1,557,516	746,272	21,802,150,101	(3)	21,802,150,098
Total liabilities	€ 5,326,769,579,388	1,794,167,532	1,562,975,850	27,353,023,790	1,078,584,944,807	1,752,125,383	289,494,807	650,214,430	6,438,756,525,987	(40,558,810,430)	6,398,197,715,557
Equity											
Capital	181,409,990,601	5,296,983,573	4,839,200,000	12,626,000,000	38,609,421,071	2,250,000,000	305,842,762	710,000,000	246,047,438,007	(64,637,447,406)	181,409,990,601
Unfunded capital contributions	0	124,874,567	0	0	0	0	0	0	124,874,567	(124,874,567)	0
Equity adjustments	80,522,415,744	22,489,156	(103,734,602)	1,181,418,114	68,641,911,743	(4,129,016)	639,731	0	150,261,010,870	(69,738,595,126)	80,522,415,744
Capital reserves	325,313,265,088	310,513,468	967,839,999	1,650,142,127	31,732,035,803	449,999,999	36,187,964	35,725,889	360,495,710,337	(35,182,445,249)	325,313,265,088
Prior periods retained earnings	44,852,210,066	1,037,845,881	3,074,170,167	7,105,323,295	22,890,987,079	5,630,056,788	584,070,492	386,985,797	85,561,649,565	(40,709,439,499)	44,852,210,066
Profit for the period	15,037,464,874	226,673,171	522,475,005	1,130,648,461	777,820,875	953,766,160	26,364,681	180,719,064	18,855,932,291	(3,818,467,417)	15,037,464,874
Development financing fund	40,476,721,777	0	0	0	0	0	0	0	40,476,721,777	0	40,476,721,777
Minority interest	0	0	0	0	0	0	0	0	0	79,699,566,400	79,699,566,400
Total equity	687,612,068,150	7,019,379,816	9,299,950,569	23,693,531,997	162,652,176,571	9,279,693,931	953,105,630	1,313,430,750	901,823,337,414	(134,511,702,864)	767,311,634,550
Total liabilities and equity	€ 6,014,381,647,538	8,813,547,348	10,862,926,419	51,046,555,787	1,241,237,121,378	11,031,819,314	1,242,600,437	1,963,645,180	7,340,579,863,401	(175,070,513,294)	7,165,509,350,107
Debit contingent accounts	€ 318,576,412,726	0	0	0	133,960,114,180	0	0	0	452,536,526,906	0	452,536,526,906
Trust assets	€ 870,600,929,716	0	0	0	60,018,752,181	0	0	0	930,619,681,897	0	930,619,681,897
Trust liabilities	€ 348,390,214,318	0	0	0	0	0	0	0	348,390,214,318	0	348,390,214,318
Trust equity	€ 522,210,715,399	0	0	0	60,018,752,181	0	0	0	582,229,467,580	(1)	582,229,467,579
Other debit memoranda accounts	€ 16,905,572,677,182	1,584,582,360,949	737,708,664,633	926,847,486,059	1,488,255,411,631	0	4,227,632,148	0	21,647,194,232,602	2	21,647,194,232,604

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

March 31, 2023

As of March 31, 2023, results of each segment are as follows:

	<u>Bank</u>	<u>Pension Fund Operator</u>	<u>Investment Fund Manager</u>	<u>Brokerage House</u>	<u>Foreign Bank</u>	<u>Insurance Broker</u>	<u>Depósito Agrícola</u>	<u>Banprocesa</u>	<u>Total</u>	<u>Eliminations</u>	<u>Consolidated</u>
Financial income	€ 98,374,309,830	131,098,800	103,354,528	994,503,727	17,603,632,680	123,735,117	16,145,799	19,731,939	117,366,512,420	(396,040,652)	116,970,471,768
Financial expenses	67,011,410,575	49,695,320	358,570,493	873,356,995	10,796,719,310	284,782,796	3,779,125	16,372,573	79,394,687,187	(410,253,426)	78,984,433,761
Expenses from allowance for assets impairment	2,347,650,667	7,432,535	1,242,683	42,354,084	951,832,756	32,478,859	1,145,127	0	3,384,136,711	0	3,384,136,711
Income from recovery of assets and decrease in allowance	6,573,677,312	36,479,716	1,490,204	69,879,572	0	2,985,202	680,978	3,386	6,685,196,370	(1)	6,685,196,369
Financial income	35,588,925,900	110,450,661	(254,968,444)	148,672,220	5,855,080,614	(190,541,336)	11,902,525	3,362,752	41,272,884,892	14,212,773	41,287,097,665
Other operating income	43,323,075,659	1,672,333,296	1,596,850,699	861,612,138	927,056,075	1,813,417,902	329,487,985	744,908,405	51,268,742,159	(3,624,794,942)	47,643,947,217
Other operating expenses	25,725,752,387	390,190,238	267,798,060	212,197,884	1,028,063,842	116,739,240	71,118,964	30,198,345	27,842,058,960	(983,430,679)	26,858,628,281
Gross operating income	53,186,249,172	1,392,593,719	1,074,084,195	798,086,474	5,754,072,847	1,506,137,326	270,271,546	718,072,812	64,699,568,091	(2,627,151,490)	62,072,416,601
Personnel expenses	26,171,055,339	693,545,433	775,375,920	623,429,318	1,996,040,235	608,044,431	183,596,722	559,516,758	31,610,604,156	(559,516,758)	31,051,087,398
Other administrative expenses	17,773,686,023	161,662,916	105,103,644	109,750,419	1,829,240,428	88,704,280	47,198,609	2,500,242	20,117,846,561	(272,650,205)	19,845,196,356
Administrative expenses	43,944,741,362	855,208,349	880,479,564	733,179,737	3,825,280,663	696,748,711	230,795,331	562,017,000	51,728,450,717	(832,166,963)	50,896,283,754
Net operating income before taxes and statutory allocations	9,241,507,810	537,385,370	193,604,631	64,906,737	1,928,792,184	809,388,615	39,476,215	156,055,812	12,971,117,374	(1,794,984,527)	11,176,132,847
Income tax	3,600,686,962	162,308,640	265,043,045	172,059,159	266,351,795	253,178,736	16,530,238	48,058,795	4,784,217,370	0	4,784,217,370
Deferred income tax	1,268,169,984	5,371,550	19,018,054	5,551,404	72,178,770	883,041	0	3,572,348	1,374,745,151	1	1,374,745,152
Decrease in income tax	1,516,594,842	6,540,908	216,322,953	132,135,301	0	9,566,136	0	4,123,135	1,885,283,275	0	1,885,283,275
Profit sharing	1,973,820,228	196,183,824	5,808,139	1,947,202	0	24,281,659	1,184,288	4,574,504	2,207,799,844	(3)	2,207,799,841
Net profit for the year	3,915,425,478	180,062,264	120,058,346	17,484,273	1,590,261,619	540,611,315	21,761,689	103,973,300	6,489,638,284	(1,794,984,525)	4,694,653,759
Results for the period attributable to minority interests	0	0	0	0	0	0	0	0	0	(779,228,281)	779,228,281
Results for the period attributable to the comptroller	3,915,425,478	180,062,264	120,058,346	17,484,273	1,590,261,619	540,611,315	21,761,689	103,973,300	6,489,638,284	(2,574,212,806)	3,915,425,478
Net income for the periods	€ 3,915,425,478	180,062,264	120,058,346	17,484,273	1,590,261,619	540,611,315	21,761,689	103,973,300	6,489,638,284	(2,574,212,806)	3,915,425,478

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

March 31, 2023

As of March 31, 2022, results of each segment are as follows:

	<u>Bank</u>	<u>Pension Fund Operator</u>	<u>Investment Fund Manager</u>	<u>Brokerage House</u>	<u>Foreign Bank</u>	<u>Insurance Broker</u>	<u>Depósito Agrícola</u>	<u>Banprocesa</u>	<u>Total</u>	<u>Eliminations</u>	<u>Consolidated</u>
Financial income	€ 326,939,716,696	402,653,912	541,276,423	4,686,080,246	57,320,178,774	703,154,481	18,582,172	5,354,864	390,616,997,568	(727,296,018)	389,889,701,550
Financial expenses	106,411,119,509	28,079,273	34,081,015	391,271,882	30,804,683,812	23,931,467	13,586,798	16,417,728	137,723,171,484	(854,932,562)	136,868,238,922
Expenses from allowance for assets impairment	44,130,674,244	21,497,175	2,185,634	312,404,020	4,900,512,558	44,591,099	1,496,761	0	49,413,361,491	1	49,413,361,492
Income from recovery of assets and decrease in allowance	16,259,889,956	16,852,017	55,482,104	309,474,680	0	29,403,710	1,095,513	0	16,672,197,980	(1)	16,672,197,979
Financial income	192,657,812,899	369,929,481	560,491,878	4,291,879,024	21,614,982,404	664,035,625	4,594,126	(11,062,864)	220,152,662,573	127,636,542	220,280,299,115
Other operating income	183,153,573,224	7,211,165,084	7,789,725,788	5,066,879,977	1,872,141,809	7,182,230,849	989,583,176	3,380,614,591	216,645,914,498	(20,246,911,020)	196,399,003,478
Other operating expenses	113,062,208,515	1,667,174,340	1,581,693,461	871,184,703	3,564,221,196	675,428,351	158,085,683	161,936,575	121,741,932,824	(4,787,214,078)	116,954,718,746
Gross operating income	262,749,177,608	5,913,920,225	6,768,524,205	8,487,574,298	19,922,903,017	7,170,838,123	836,091,619	3,207,615,152	315,056,644,247	(15,332,060,400)	299,724,583,847
Personnel expenses	93,754,886,806	2,156,369,699	2,723,819,258	2,773,394,538	10,122,929,775	2,151,304,794	612,496,456	2,292,719,556	116,587,920,882	(2,225,820,110)	114,362,100,772
Other administrative expenses	74,405,583,768	530,182,500	320,446,699	380,432,569	6,726,269,779	442,987,646	166,862,205	50,812,997	83,023,578,163	(890,247,092)	82,133,331,071
Administrative expenses	168,160,470,574	2,686,552,199	3,044,265,957	3,153,827,107	16,849,199,554	2,594,292,440	779,358,661	2,343,532,553	199,611,499,045	(3,116,067,202)	196,495,431,843
Net operating income before taxes and statutory allocations	94,588,707,034	3,227,368,026	3,724,258,248	5,333,747,191	3,073,703,463	4,576,545,683	56,732,958	864,082,599	115,445,145,202	(12,215,993,198)	103,229,152,004
Income tax	21,879,235,843	978,383,070	1,107,425,688	1,494,489,019	531,810,628	1,358,190,901	17,884,097	261,200,247	27,628,619,493	0	27,628,619,493
Deferred income tax	0	109,053,293	169,533,172	106,495,982	202,140,656	117,372,461	0	10,236,859	714,832,423	1	714,832,424
Decrease in income tax	1,333,123,874	141,828,074	197,747,839	83,917,286	22,485,992	128,893,427	0	29,317,056	1,937,313,548	0	1,937,313,548
Profit sharing	20,799,125,008	1,189,290,389	110,634,687	160,012,416	0	135,666,961	1,701,989	25,615,373	22,422,046,823	(4)	22,422,046,819
Decrease in allocation of profit	0	0	0	0	0	0	0	0	0	0	0
Net profit for the year	53,243,470,057	1,092,469,348	2,534,412,540	3,656,667,060	2,362,238,171	3,094,208,787	37,146,872	596,347,176	66,616,960,011	(12,215,993,195)	54,400,966,816
Results for the period attributable to minority interests	0	0	0	0	0	0	0	0	0	(1,157,496,759)	1,157,496,759
Results for the period attributable to the comptroller	53,243,470,057	1,092,469,348	2,534,412,540	3,656,667,060	2,362,238,171	3,094,208,787	37,146,872	596,347,176	66,616,960,011	(13,373,489,954)	53,243,470,057
Net income for the periods	€ 53,243,470,057	1,092,469,348	2,534,412,540	3,656,667,060	2,362,238,171	3,094,208,787	37,146,872	596,347,176	66,616,960,011	(13,373,489,954)	53,243,470,057

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39). Risk management

Comprehensive risk management

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

Corporate governance of the risk management area

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

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

Objective of the Comprehensive Risk Management System

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

General Risk Principles and Policies

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

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

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

Classification of significant risks

The relevant risks to the Bank are classified as follows:

Risk classification of BCR	
Types of relevant risk	Financial
	Credit (loan portfolio – investment portfolio) Market (Prices, exchange rate, interest rate) Liquidity
	Non- financial
	Strategic Operating Legal Security information & IT Reputational Environmental and social Regulatory and compliance Money laundering, Financing of Terrorism, Financing of the Proliferation of Organized Crime (ML/FT/FPOC/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.

Strategic objective		
Indicator by type of risk	Support the sustainable development of the country	Strengthen the financial solidity of the Conglomerate
Capital	Equity adequacy	
Credit	Expected loss of the loan portfolio Level of debtors with exposure to exchange risk, high risk	
Marketing	Value at Risk by SUGEF 3-06 Elasticity of the financial margin to movements in interest rates PPME sensibility for ER movements	
Liquidity	Liquidity coverage ratio by currency Ratio loans/deposits in colones Ratio loans/deposits in US dollars	
Operative	Expected loss due to operational risk Technology platform availability Vulnerability analysis of the technological platform Change management in the applications	

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

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

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

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Process of comprehensive risk management

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

Types of risk assessments

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

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

Risk control framework

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

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

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

Mitigation coverage

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

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Evaluation of the effectiveness and maturity of the System

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

Information generated by the Comprehensive Risk Management System

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

(a) Credit risk management

Definition

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

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

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

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On the other hand, the National Council for Supervision of the Financial System, in article 9 of the minutes of session 1752-2022, held on August 29, 2022, ordered changes to various regulations in force. Among the changes and effective as of January 2023, it is established, in the SUGEF Agreement 1-05 Regulation for the Qualification of Debtors, to add transitory XXIV, which modifies its article 11 bis and, in the SUGEF Agreement 15- 16, add transitory X, which modifies its article 11. Transitory XXIV For the purposes of Article 11bis, as of January 1, 2023, the term "debtor generating foreign exchange" is homologated to "debtor without exposure to exchange risk" and the term "debtor not generating foreign currency" is homologated to "debtor with exposure to exchange risk". The terms "foreign exchange" or "foreign currency" are used indistinctly. The foregoing does not affect the continuity in the application of the additional generic estimate of 1.5% during the year 2023, indistinctly for a "debtor not generating foreign currency" or a "debtor with exposure to exchange risk".

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

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

Management methodology

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

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

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

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

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

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

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

Exposure and risk management

As of March 31, 2023, the percentage of arrears greater than 90 days was 2.70% (3,40% as of March 2022). This last indicator is within the risk appetite according to the Risk Appetite Declaration, with personal banking showing the highest delinquencies.

The dollar portfolio accounts for 23,04% at the closing of March (24.97% as of December 2022) of the total portfolio. It is important to mention that the loan portfolio has been managed strategically to attract customers with an acceptable risk profile. In addition, regular monitoring of the loans in foreign currency is given, and the portfolio of clients with exposure to exchange risk.

The activities with greater relative importance are housing, services and commerce, as shown in note 6.a of the financial statements (Loan Portfolio by Sector), in addition, the exposure limits for the loan portfolio are monitored, as well as all its indicators, which are within the risk appetite according to the appetite defined by the General Board of Directors.

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

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

With respect to the counterparty risk of the investment portfolio, compliance with the internal investment limits per issuer is monitored weekly. In addition, as of January 2020, the calculation of the expected loss for the investment portfolio under IFRS 9 begins, the foregoing allows for a buffer of resources to mitigate eventual defaults that may occur in the portfolio, thus maintaining a conservative profile. By the end of March 2023, the expected loss of the investment portfolio corresponded to 0,08% of the portfolio (0.14%, for December 2022).

Expected credit losses are disclosed in the following table:

Expected losses of the investment portfolio of the BCR Conglomerate
By currency
December 2022 vs March 2023

Value adjustment for losses	Twelve-months expected credit losses	Lifetime expected credit losses	Impaired financial assets
Value adjustment for losses			
As of March 31, 2023			
Colones	1,006,629,894	46,063,698	36,120,630,285
US dollars	519,930	0	11,171,030
UDES	4,146	0	0
Value adjustment for losses			
As of December 31, 2022			
Colones	1,466,272,577	124,206,683	41,108,868,465
US dollars	901,940	0	11,164,189
UDES	0	50,098	1,862,000
Transfer to 12-months expected credit losses			
Colones	(530,005,642)	(155,562,787)	(6,517,761,820)
US dollars	(475,018)	0	(6,841)
UDES	4,146	(50,098)	(1,862,000)

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As of December 31, 2022

Expected losses of the investment portfolio of the BCR Conglomerate

By currency

December 2021 vs December 2022

Value adjustment for losses	Twelve-months expected credit losses	Lifetime expected credit losses	Impaired financial assets
Value adjustment for losses			
As of December 31, 2022			
Colones	1,523,716,610	183,544,287	37,028,943,291
US dollars	987,571	7,109	17,234,478
UDES	0	50,098	2,622,000
Value adjustment for losses			
As of December 31, 2021			
Colones	2,200,896,312	202,801,303	41,873,121,770
US dollars	2,098,734	0	11,173,216
UDES	0	92,251	14,024,800
Transfer to 12-months expected credit losses			
Colones	(721,652,934)	(60,512,423)	4,824,178,479
US dollars	(1,189,418)	(7,109)	(6,061,262)
UDES	0	(42,153)	(12,922,800)

As of March 31, 2022

Expected losses of the investment portfolio of the BCR Conglomerate

By currency

December 2021 vs March 2022

Value adjustment for losses	Twelve-months expected credit losses	Lifetime expected credit losses	Impaired financial assets
Value adjustment for losses			
As of March 31, 2022			
Colones	1,986,873,262	202,386,144	37,033,132,439
US dollars	1,802,124	19,887	17,234,807
UDES	0	70,362	2,622,000
Value adjustment for losses			
As of March 31, 2022			
Colones	2,217,998,958	214,305,653	41,825,551,467
US dollars	2,128,332	3,438	14,633,026
UDES	0	92,251	14,024,800
Transfer to 12-months expected credit losses			
Colones	(275,295,458)	(60,053,548)	4,772,419,028
US dollars	(365,082)	(16,449)	(2,601,781)
UDES	0	(21,890)	(12,922,800)

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

	March 2023	December 2022	March 2022
Banco de Costa Rica			
Loan portfolio, gross	¢ 3,240,532,751,774	3,298,222,308,878	3,211,737,663,145
Plus, interest receivable	21,020,608,643	18,955,945,108	18,509,049,573
Less, allowance for impairment	<u>(140,720,422,302)</u>	<u>(145,623,881,422)</u>	<u>(162,659,348,134)</u>
Loan portfolio, net	¢ <u>3,120,832,938,115</u>	<u>3,171,554,372,564</u>	<u>3,067,587,364,585</u>
Banco Internacional de Costa Rica, S.A. and subsidiary			
Loan portfolio, gross	¢ 812,908,252,117	936,512,018,876	994,523,631,114
Plus, interest receivable	4,286,459,977	4,526,975,726	3,955,474,055
Less, allowance for impairment	<u>(11,683,623,721)</u>	<u>(14,646,810,058)</u>	<u>(17,915,317,392)</u>
Loan portfolio. Net	¢ <u>805,511,088,373</u>	<u>926,392,184,544</u>	<u>980,563,787,777</u>
Total consolidated loan portfolio, net	¢ <u>3,926,344,026,488</u>	<u>4,097,946,557,108</u>	<u>4,048,151,152,362</u>

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

		Direct Loan Portfolio	Direct Loan Portfolio	Direct Loan Portfolio	Contingent Loan Portfolio	Contingent Loan Portfolio	Contingent Loan Portfolio
		March	December	March	March	December	March
	<u>Note</u>	2023	2022	2022	2023	2022	2022
Principal	6a	3,240,532,751,774	3,298,222,308,876	3,211,737,663,145	202,306,252,824	210,215,483,996	236,749,284,490
Interest	¢	21,020,608,643	18,955,945,108	18,509,049,573	0	0	0
		3,261,553,360,417	3,317,178,253,984	3,230,246,712,718	202,306,252,824	210,215,483,996	236,749,284,490
Allowance for bad loans		(140,413,120,463)	(155,945,127,998)	(162,292,660,571)	(307,301,839)	(334,497,086)	(366,687,563)
Carrying amount	¢	<u>3,121,140,239,954</u>	<u>3,161,233,125,986</u>	<u>3,067,954,052,147</u>	<u>201,998,950,985</u>	<u>209,880,986,910</u>	<u>236,382,596,927</u>
Loan portfolio							
Total balances:							
A1	¢	2,639,901,687,408	2,650,156,915,967	2,534,266,891,188	194,699,430,574	202,845,894,980	227,273,233,414
A2		36,692,333,113	32,718,449,769	36,174,788,750	1,238,336,668	1,091,310,182	1,022,408,184
B1		222,399,463,886	246,314,102,283	203,162,938,162	3,866,311,197	2,828,286,619	2,629,394,861
B2		19,218,239,190	26,099,160,500	29,387,502,828	217,370,935	196,280,116	156,767,228
C1		34,850,793,825	33,229,962,730	58,439,712,547	376,319,545	526,437,814	2,614,158,438
C2		5,683,190,684	10,785,532,322	6,077,882,932	72,412,526	122,323,954	104,122,960
D		71,824,875,039	86,127,825,472	111,884,657,783	444,645,523	1,310,532,849	1,282,789,194
E		148,894,926,194	157,646,145,552	180,995,087,505	1,378,007,059	1,281,795,185	1,654,237,966
1		78,402,662,286	69,961,042,387	66,643,979,909	13,418,797	12,622,297	12,172,245
2		549,283,796	323,583,353	436,071,907	0	0	0
3		1,288,556,500	2,117,381,455	2,207,831,768	0	0	0
4		1,078,595,845	674,481,203	382,901,239	0	0	0
5		125,080,327	353,085,467	154,177,225	0	0	0
6		643,672,324	670,585,524	32,288,975	0	0	0
		3,261,553,360,417	3,317,178,253,984	3,230,246,712,718	202,306,252,824	210,215,483,996	236,749,284,490
Allowance for bad loans		(74,334,500,527)	(91,829,613,987)	(113,824,164,845)	(95,606,898)	(217,095,533)	(197,959,755)
Carrying amount, net		<u>3,187,218,859,890</u>	<u>3,225,348,639,997</u>	<u>3,116,422,547,873</u>	<u>202,210,645,926</u>	<u>209,998,388,463</u>	<u>236,551,324,735</u>
Carrying amount		3,261,553,360,417	3,317,178,253,984	3,230,246,712,718	202,306,252,824	210,215,483,996	236,749,284,490
Allowance for bad loans		(74,334,500,527)	(91,829,613,987)	(113,824,164,845)	(95,606,898)	(217,095,533)	(291,822,812)
(Excess) inadequacy of allowance over structural estimate		(66,078,619,936)	(64,115,514,011)	(48,468,495,726)	(211,694,941)	(117,401,553)	(74,864,751)
Carrying amount, net	6a	<u>¢ 3,121,140,239,954</u>	<u>3,161,233,125,986</u>	<u>3,067,954,052,147</u>	<u>201,998,950,985</u>	<u>209,880,986,910</u>	<u>236,382,596,927</u>

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

Loan portfolio	Direct Loan Portfolio				Contingent Loan Portfolio	
	Principal	Covered balance	Overdraft	Allowance	Principal	Allowance
Direct generic allowance						
A1	¢ 2,639,901,687,408	1,758,783,191,844	881,118,495,564	(13,199,508,546)	194,699,430,574	(85,390,237)
A2	36,692,333,113	32,233,415,692	4,458,917,421	(183,461,668)	1,238,336,668	0
1	78,402,662,286	39,614,088,507	38,788,573,779	(196,457,559)	13,418,797	(8,387)
	<u>2,754,996,682,807</u>	<u>1,830,630,696,043</u>	<u>924,365,986,764</u>	<u>(13,579,427,773)</u>	<u>195,951,186,039</u>	<u>(85,398,624)</u>
Direct specific allowance						
A1						
A2						
B1	222,399,463,886	210,990,056,051	11,409,407,835	(1,625,420,674)	3,866,311,197	(6,112,721)
B2	19,218,239,190	17,594,816,015	1,623,423,175	(250,316,400)	217,370,935	(274,791)
C1	34,850,793,825	33,177,427,779	1,673,366,046	(584,228,651)	376,319,545	(3,136,954)
C2	5,683,190,684	4,960,435,037	722,755,647	(386,180,000)	72,412,526	0
D	71,824,875,039	64,041,075,093	7,783,799,946	(6,031,274,501)	444,645,523	(320,746)
E	148,894,926,194	88,392,195,823	60,502,730,371	(51,712,417,711)	1,378,007,059	(363,062)
2	549,283,796	516,106,208	33,177,588	(4,239,410)	0	0
3	1,288,556,500	1,061,377,069	227,179,431	(62,101,743)	0	0
4	1,078,595,845	964,179,973	114,415,872	(62,028,836)	0	0
5	125,080,327	124,392,246	688,081	(1,103,618)	0	0
6	643,672,324	610,965,944	32,706,380	(35,761,210)	0	0
	<u>¢ 506,556,677,610</u>	<u>422,433,027,238</u>	<u>84,123,650,372</u>	<u>(60,755,072,754)</u>	<u>6,355,066,785</u>	<u>(10,208,274)</u>
	<u>¢ 3,261,553,360,417</u>	<u>2,253,063,723,281</u>	<u>1,008,489,637,136</u>	<u>(74,334,500,527)</u>	<u>202,306,252,824</u>	<u>(95,606,898)</u>

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Loan portfolio

Aging loan portfolio

Direct Loan Portfolio

Contingent Loan Portfolio

	<u>Principal</u>	<u>Covered balance</u>	<u>Overdraft</u>	<u>Allowance</u>	<u>Principal</u>	<u>Allowance</u>
Direct generic allowance						
Up to date	¢ 2,601,855,860,503	1,729,766,582,132	872,089,278,371	(13,200,535,989)	195,893,767,242	(85,178,624)
Equal or less than 30 days	71,141,165,946	58,094,215,337	13,046,950,609	(360,906,814)	44,000,000	(220,000)
Equal or less than 60 days	3,586,390,288	3,145,206,282	441,184,006	(17,931,952)	0	0
More than 180 days	10,603,785	10,603,785	0	(53,019)	0	0
	2,676,594,020,522	1,791,016,607,536	885,577,412,986	(13,579,427,774)	195,937,767,242	(85,398,624)
Direct specific allowance						
Up to date	412,197,594,594	346,436,561,305	65,761,033,289	(14,098,265,895)	6,368,485,582	(10,208,274)
Equal or less than 30 days	26,845,924,695	21,116,009,502	5,729,915,193	(1,991,732,329)	0	0
Equal or less than 60 days	38,919,160,615	31,469,396,119	7,449,764,496	(2,179,682,652)	0	0
Equal or less than 90 days	15,014,043,858	12,237,164,202	2,776,879,656	(1,512,993,859)	0	0
Equal or less than 180 days	11,401,366,485	6,886,394,512	4,514,971,973	(4,398,866,470)	0	0
More than 180 days	80,581,249,648	43,901,590,105	36,679,659,543	(36,573,531,548)	0	0
	¢ 584,959,339,895	462,047,115,745	122,912,224,150	(60,755,072,753)	6,368,485,582	(10,208,274)
	¢ 3,261,553,360,417	2,253,063,723,281	1,008,489,637,136	(74,334,500,527)	202,306,252,824	(95,606,898)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023

As of December 31, 2022

	Note	Direct Loan Portfolio December 2022	Direct Loan Portfolio December 2021	Direct Loan Portfolio December 2022	Contingent Loan Portfolio December 2021
Principal	6a	¢ 3,298,222,308,876	3,193,889,504,724	2,022	238,184,976,382
Interest		18,955,945,108	16,243,877,380	0	0
		<u>3,317,178,253,984</u>	<u>3,210,133,382,104</u>	<u>2,022</u>	<u>238,184,976,382</u>
Allowance for bad loans		(155,945,127,998)	(152,572,595,665)	(334,497,086)	(355,390,996)
Carrying amount		¢ <u>3,161,233,125,986</u>	<u>3,057,560,786,439</u>	<u>(334,495,064)</u>	<u>237,829,585,386</u>
Loan portfolio					
Total balances					
A1	¢	2,650,156,915,967	2,531,988,166,648	202,845,894,980	226,452,306,640
A2		32,718,449,769	38,737,755,756	1,091,310,182	1,118,547,763
B1		246,314,102,283	193,827,062,547	2,828,286,619	3,942,754,364
B2		26,099,160,500	24,632,906,602	196,280,116	147,721,241
C1		33,229,962,730	71,479,256,554	526,437,814	3,900,594,358
C2		10,785,532,322	20,872,474,608	122,323,954	106,060,267
D		86,127,825,472	116,733,956,940	1,310,532,849	764,642,908
E		157,646,145,552	148,102,200,136	1,281,795,185	1,736,026,639
1		69,961,042,387	61,556,122,926	12,622,297	16,322,202
2		323,583,353	830,276,955	0	0
3		2,117,381,455	1,218,141,671	0	0
4		674,481,203	88,715,637	0	0
5		353,085,467	14,610,311	0	0
6		670,585,524	51,734,813	0	0
		<u>3,317,178,253,984</u>	<u>3,210,133,382,104</u>	<u>210,215,483,996</u>	<u>238,184,976,382</u>
Allowance for bad loans		(91,829,613,987)	(100,038,430,338)	(217,095,533)	(206,640,140)
Carrying amount, net		<u>3,225,348,639,997</u>	<u>3,110,094,951,766</u>	<u>209,998,388,463</u>	<u>237,978,336,242</u>
Carrying amount		3,317,178,253,984	3,210,133,382,104	210,215,483,996	238,184,976,382
Allowance for bad loans		(91,829,613,987)	(100,038,430,338)	(217,095,533)	(206,640,140)
Excess) inadequacy of allowance over structural estimate		(64,115,514,011)	(52,534,165,327)	(117,401,553)	(148,750,856)
Carrying amount, net	6a	¢ <u>3,161,233,125,986</u>	<u>3,057,560,786,439</u>	<u>209,880,986,910</u>	<u>237,829,585,386</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

As of December 31, 2022

Loan portfolio	Direct Loan Portfolio				Contingent Loan Portfolio	
	Principal	Covered balance	Overdraft	Allowance	Principal	Allowance
Direct generic allowance						
A1	¢ 2,650,156,915,967	1,794,378,157,679	855,778,758,288	(13,250,784,675)	202,845,894,979	(101,648,141)
A2	32,718,449,769	28,590,515,973	4,127,933,796	(163,592,251)	1,091,310,182	(38,178)
1	69,961,042,387	40,415,032,706	29,546,009,681	(175,440,807)	12,622,297	(7,889)
	2,752,836,408,123	1,863,383,706,358	889,452,701,765	(13,589,817,733)	203,949,827,458	(101,694,208)
Direct specific allowance						
A1						
A2						
B1	246,314,102,283	219,053,964,664	27,260,137,619	(2,458,276,708)	2,828,286,620	(2,798,098)
B2	26,099,160,500	23,698,987,551	2,400,172,949	(358,512,234)	196,280,116	(274,791)
C1	33,229,962,730	30,142,768,324	3,087,194,406	(922,512,445)	526,437,814	(37,813)
C2	10,785,532,322	9,618,725,962	1,166,806,360	(631,496,812)	122,323,954	0
D	86,127,825,472	72,593,157,714	13,534,667,758	(10,359,875,717)	1,310,532,849	(112,290,623)
E	157,646,145,552	91,282,282,876	66,363,862,676	(63,332,404,622)	1,281,795,185	0
2	323,583,353	303,117,352	20,466,001	(2,538,887)	0	0
3	2,117,381,455	1,893,307,783	224,073,672	(65,484,957)	0	0
4	674,481,203	544,624,221	129,856,982	(67,651,612)	0	0
5	353,085,467	352,777,239	308,228	(1,979,646)	0	0
6	670,585,524	634,696,391	35,889,133	(39,062,615)	0	0
	¢ 564,341,845,861	450,118,410,077	114,223,435,784	(78,239,796,255)	6,265,656,538	(115,401,325)
	¢ 3,317,178,253,984	2,313,502,116,435	1,003,676,137,549	(91,829,613,988)	210,215,483,996	(217,095,533)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023

Loan portfolio

Aging loan portfolio

	Direct Loan Portfolio				Contingent Loan Portfolio	
	Principal	Covered balance	Overdraft	Allowance	Principal	Allowance
Direct generic allowance						
Up to date	¢ 2,616,972,841,350	1,768,156,597,846	848,816,243,504	(13,255,781,019)	203,937,205,161	(101,694,208)
Equal or less than 30 days	65,182,671,418	54,188,468,397	10,994,203,021	(330,089,185)	0	0
Equal or less than 60 days	718,675,139	623,607,409	95,067,730	(3,941,639)	0	0
More than 180 days	1,177,835	0	1,177,835	(5,889)	0	0
	<u>2,682,875,365,742</u>	<u>1,822,968,673,652</u>	<u>859,906,692,090</u>	<u>(13,589,817,732)</u>	<u>203,937,205,161</u>	<u>(101,694,208)</u>
Direct specific allowance						
Up to date	442,944,377,903	363,269,003,783	79,675,374,120	(22,235,995,093)	6,278,278,835	(115,401,325)
Equal or less than 30 days	42,061,639,920	34,055,383,622	8,006,256,298	(5,011,315,019)	0	0
Equal or less than 60 days	33,751,541,294	26,810,624,103	6,940,917,191	(3,470,359,836)	0	0
Equal or less than 90 days	20,582,922,507	16,350,844,458	4,232,078,049	(3,003,199,748)	0	0
Equal or less than 180 days	11,599,615,369	7,012,259,227	4,587,356,142	(4,340,985,915)	0	0
More than 180 days	83,362,791,249	43,035,327,590	40,327,463,659	(40,177,940,644)	0	0
	<u>¢ 634,302,888,242</u>	<u>490,533,442,783</u>	<u>143,769,445,459</u>	<u>(78,239,796,255)</u>	<u>6,278,278,835</u>	<u>(115,401,325)</u>
	<u>¢ 3,317,178,253,984</u>	<u>2,313,502,116,435</u>	<u>1,003,676,137,549</u>	<u>(91,829,613,987)</u>	<u>210,215,483,996</u>	<u>(217,095,533)</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023

As of March 31, 2022

Loan portfolio	Direct Loan Portfolio				Contingent Loan Portfolio	
	Principal	Covered balance	Overdraft	Allowance	Principal	Allowance
Direct generic allowance						
A1	¢ 2,534,266,891,188	1,779,924,678,867	754,342,212,321	(12,671,334,542)	227,273,233,414	(151,129,232)
A2	36,174,788,750	31,051,407,871	5,123,380,879	(180,873,947)	1,022,408,184	(37,402)
1	66,643,979,909	35,406,563,450	31,237,416,459	(167,907,432)	12,172,245	(7,608)
	2,637,085,659,847	1,846,382,650,188	790,703,009,659	(13,020,115,921)	228,307,813,843	(151,174,242)
Direct specific allowance						
A1						
A2						
B1	203,162,938,162	179,369,531,534	23,793,406,628	(2,086,517,992)	2,629,394,861	(7,113,712)
B2	29,387,502,828	24,413,066,909	4,974,435,919	(619,508,928)	156,767,228	0
C1	58,439,712,547	51,588,572,826	6,851,139,721	(1,970,727,796)	2,614,158,438	(298,856)
C2	6,077,882,932	5,069,781,575	1,008,101,357	(529,399,588)	104,122,960	0
D	111,884,657,783	86,326,062,613	25,558,595,170	(19,303,867,218)	1,282,789,194	(132,953,219)
E	180,995,087,505	101,461,704,106	79,533,383,399	(76,114,152,622)	1,654,237,966	(282,783)
2	436,071,907	327,310,911	108,760,996	(7,074,604)	0	0
3	2,207,831,768	1,715,673,192	492,158,576	(131,618,010)	0	0
4	382,901,239	364,120,342	18,780,897	(11,211,050)	0	0
5	154,177,225	128,582,086	25,595,139	(18,559,508)	0	0
6	32,288,975	20,982,278	11,306,697	(11,411,608)	0	0
	¢ 593,161,052,871	450,785,388,372	142,375,664,499	(100,804,048,924)	8,441,470,647	(140,648,570)
	¢ 3,230,246,712,718	2,297,168,038,560	933,078,674,158	(113,824,164,845)	236,749,284,490	(291,822,812)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023

Loan portfolio

Aging loan portfolio

	Direct Loan Portfolio				Contingent Loan Portfolio	
	Principal	Covered balance	Overdraft	Allowance	Principal	Allowance
Direct generic allowance						
Up to date	¢ 2,508,884,001,000	1,760,074,201,509	748,809,799,491	(12,708,027,330)	8,453,642,892	(151,174,242)
Equal or less than 30 days	58,243,371,139	48,079,464,893	10,163,906,246	(295,517,051)	0	0
More than 180 days	3,309,421,033	2,822,420,336	487,000,697	(16,547,105)	0	0
	2,570,436,793,172	1,810,976,086,738	759,460,706,434	(13,020,091,486)	8,453,642,892	(151,174,242)
Direct specific allowance						
Up to date	449,855,731,146	352,039,195,469	97,816,535,677	(34,500,197,928)	228,295,641,598	(7,113,712)
Equal or less than 30 days	34,684,320,653	26,883,021,174	7,801,299,479	(5,141,664,032)	0	0
Equal or less than 60 days	43,263,354,312	34,930,461,331	8,332,892,981	(4,002,462,284)	0	(298,856)
Equal or less than 90 days	17,438,898,813	13,370,176,108	4,068,722,705	(2,952,583,728)	0	0
Equal or less than 180 days	27,521,079,479	15,541,219,191	11,979,860,288	(11,606,341,491)	0	(132,953,219)
More than 180 days	87,041,648,375	43,427,878,549	43,613,769,826	(42,600,799,462)	0	(282,783)
	¢ 659,805,032,778	486,191,951,822	173,613,080,956	(100,804,048,925)	228,295,641,598	(140,648,570)
	¢ 3,230,241,825,950	2,297,168,038,560	933,073,787,390	(113,824,140,411)	236,749,284,490	(291,822,812)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023

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

As of March 31, 2023	Risk category:	Loans receivable	
		Gross	Net
A1	¢	2,639,901,687,409	2,626,702,178,864
A2		36,692,333,112	36,508,871,444
B1		222,399,463,886	220,774,043,212
B2		19,218,239,190	18,967,922,790
C1		34,850,793,825	34,266,565,173
C2		5,683,190,684	5,297,010,684
D		71,824,875,038	65,793,600,538
E		148,894,926,193	97,182,508,483
1		78,402,662,287	78,206,204,727
2		549,283,796	545,044,385
3		1,288,556,501	1,226,454,757
4		1,078,595,845	1,016,567,009
5		125,080,326	123,976,709
6		643,672,325	607,911,115
	¢	3,261,553,360,417	3,187,218,859,890

As of December 31, 2022	Risk category:	Loans receivable	
		Gross	Net
A1	¢	2,650,156,915,967	2,636,906,131,290
A2		32,718,449,769	32,554,857,518
B1		246,314,102,283	243,855,825,577
B2		26,099,160,500	25,740,648,266
C1		33,229,962,730	32,307,450,285
C2		10,785,532,322	10,154,035,510
D		86,127,825,472	75,767,949,755
E		157,646,145,552	94,313,740,930
1		69,961,042,387	69,785,601,581
2		323,583,353	321,044,466
3		2,117,381,455	2,051,896,498
4		674,481,203	606,829,591
5		353,085,467	351,105,821
6		670,585,524	631,522,909
	¢	3,317,178,253,984	3,225,348,639,997

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023

As of March 31, 2022	Loans receivable	
	Gross	Net
Risk category:		
A1	¢ 2,534,266,891,189	2,521,595,556,650
A2	36,174,788,750	35,993,914,803
B1	203,162,938,162	201,076,420,170
B2	29,387,502,828	28,767,993,900
C1	58,439,712,547	56,468,984,751
C2	6,077,882,932	5,548,483,344
D	111,884,657,783	92,580,790,565
E	180,995,087,505	104,880,934,882
1	66,643,979,908	66,476,072,476
2	436,071,907	428,997,302
3	2,207,831,768	2,076,213,758
4	382,901,239	371,690,189
5	154,177,225	135,617,717
6	32,288,975	20,877,366
	¢ 3,230,246,712,718	3,116,422,547,873

In compliance with SUGEF Directive 1-05, as of March 31, 2023, the Bank must maintain a minimum allowance in the amount of ¢74,430,107,425, (¢92,046,079,520 and ¢114,115,987,657, for December and March 2022, respectively) of which ¢74,334,500,527, (¢91,829,613,987 and ¢113,824,164,845, for December and March 2022, respectively) is allocated to the valuation of the direct loan portfolio and ¢95,606,898, (¢217,095,533 and ¢291,822,812, for December and March 2022, respectively) to the contingent loan portfolio. In addition, the countercyclical allowance is of ¢5,694,346,858, (¢4,779,400,343 and ¢4,779,400,343, for December and March 2022, respectively).

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

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023

	March 2023	December 2022	March 2022
Banco Internacional de Costa Rica, S.A. and subsidiaries			
Principal	¢ 812,908,252,657	936,512,018,786	994,523,631,114
Interest	4,286,459,820	4,526,975,727	3,955,474,056
	817,194,712,477	941,038,994,513	998,479,105,170
Allowance for doubtful accounts	(11,683,623,721)	(14,646,808,792)	(17,915,318,059)
Carrying amount	¢ 805,511,088,756	926,392,185,721	980,563,787,111
Loan portfolio, net of allowance	¢ 789,541,005,216	915,394,072,438	970,071,578,938
At amortized cost			
Level 1: Normal or low risk	759,129,843,174	867,343,534,901	895,540,994,193
Level 2: Special mention	27,658,154,024	31,131,176,055	63,453,193,784
Level 3: Subnormal	9,459,847,624	18,411,628,935	18,685,113,434
Level 4: Doubtful	1,769,934,959	2,661,749,762	7,889,290,041
Level 5: Uncollectable	14,890,472,876	16,963,929,135	8,955,039,662
	812,908,252,657	936,512,018,788	994,523,631,114
Allowance for impairment	(11,683,623,721)	(14,646,808,792)	(17,915,318,059)
Carrying amount	801,224,628,936	921,865,209,996	976,608,313,055
Impaired renegotiated loans			
Gross amount	6,222,383,778	5,123,722,965	9,248,296,154
Impaired amount	6,222,383,778	5,123,722,965	9,248,296,154
Allowance for impairment	1,112,215,346	1,159,126,139	97,443,965
Total, net	5,110,168,432	3,964,596,826	9,150,852,189
Not in arrears or impaired:			
Level 1: Normal or low risk	759,129,843,174	867,343,534,901	895,540,994,193
Level 2: Special mention	27,658,154,024	31,131,176,055	63,453,193,784
Sub-total	786,787,997,198	898,474,710,956	958,994,187,977
Individually impaired			
Level 3: Subnormal	9,459,847,624	18,411,628,935	18,685,113,434
Level 4: Doubtful	1,769,934,959	2,661,749,762	7,889,290,041
Level 5: Uncollectable	14,890,472,875	16,963,929,134	8,955,039,661
Sub-total	26,120,255,458	38,037,307,831	35,529,443,136
Allowance for impairment			
Specific	11,683,623,721	14,646,808,792	17,584,365,079
Collective	0	0	330,952,980
Total allowance for impairment	11,683,623,721	14,646,808,792	17,915,318,059
Clients' obligations for acceptances			
Carrying amount	¢ 11,683,623,721	6,471,137,557	6,536,734,117
Interest receivable	¢ 4,286,459,819	4,526,975,726	3,955,474,056
Net loan portfolio (carrying amount)	¢ 805,511,088,756	926,392,185,721	980,563,787,111

As of March 31, 2023, the allowance for impairment of BICSA's loan portfolio is of ¢11,683,623,721, (¢14,646,808,792 and ¢17,915,318,059, for December and March 2022, respectively).

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023

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

	March 2023		December 2022		March 2022	
	<u>Direct Loan Portfolio</u>	<u>Contingent Loan Portfolio</u>	<u>Direct Loan Portfolio</u>	<u>Contingent Loan Portfolio</u>	<u>Direct Loan Portfolio</u>	<u>Contingent Loan Portfolio</u>
Trade	¢ 446,512,047,511	32,189,920,256	468,339,740,242	31,217,267,872	525,756,793,550	37,307,075,260
Manufacturing	389,851,724,811	2,120,627,779	409,400,956,418	3,996,749,218	456,517,206,072	3,776,467,560
Construction, purchase, and repair of real estate	1,474,734,199,764	9,780,820,343	1,499,484,435,274	10,620,139,574	1,366,522,148,533	32,484,069,522
Agriculture, livestock, hunting, and related services	168,588,179,264	2,561,799,402	183,941,629,442	25,977,674	200,699,184,047	2,157,476,115
Fishing and aquaculture	42,986,799	0	43,712,963	0	45,333,453	0
Retail	436,998,932,095	120,826,754,242	270,850,551,147	121,390,465,394	279,337,162,224	106,135,055,998
Education	717,837,785	0	740,142,594	0	800,300,072	0
Transportation	35,440,559,599	44,248,012	33,732,957,042	46,601,692	51,271,559,414	82,597,281
Stock market financial activity	3,227,204,933	0	3,385,299,600	0	3,645,461,657	0
Electricity, telecom, gas, and water Services	245,252,320,540	0	234,561,181,309	0	161,692,708,687	0
Services	694,416,126,708	96,129,512,908	959,174,202,303	141,890,034,615	732,523,244,297	193,419,238,226
Hospitality	110,312,448,423	0	119,607,586,829	0	115,368,469,888	0
Mining and quarries	27,153,578	0	28,843,116	0	33,244,382	0
Real estate, business, and leasing activities	25,037,418,747	0	26,519,811,034	0	37,241,290,128	0
Public Administration	21,806,970,584	3,377,941,258	24,395,604,351	5,354,277,708	274,085,504,907	3,294,659,509
Real estate, business, and leasing activities	474,892,750	17,371,028	528,204,294	19,154,118	722,213,154	21,225,773
See notes 6 and 19	¢ 4,053,441,003,891	267,048,995,228	4,234,734,857,958	314,560,667,865	4,206,261,824,465	378,677,865,244
Other contingencies	0	231,902,375,720	0	254,313,912,940	0	73,858,661,662
	¢ 4,053,441,003,891	498,951,370,948	4,234,734,857,958	568,874,580,805	4,206,261,824,465	452,536,526,906

BANCO DE COSTA RICA AND SUBSIDIARIES

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

	March 2023	December 2022	March 2022
Germany	¢ 0	0	265,972,770
Brazil	238,577,966	300,995,000	5,996,495,190
Chile	8,283,906,811	7,064,800,079	4,293,182,089
China	1,214,356,585	1,660,215,338	3,490,079,078
Colombia	1,870,392,489	256,851,790	2,730,614,413
Costa Rica	245,716,652,258	285,856,021,951	334,039,106,379
Denmark	1,958,684,069	2,111,636,442	66,739,352
Ecuador	70,126,043,653	75,277,715,929	84,596,282,532
El Salvador	82,958,486,483	90,445,311,961	102,496,199,920
Spain	12,741,956,531	14,858,360,884	7,764,581,033
United States of America	9,165,749,273	9,938,438,413	19,412,325,148
Guatemala	38,790,289,082	43,252,919,399	53,007,829,375
Netherlands	5,118,281,250	6,019,900,000	0
Honduras	17,657,388,421	16,838,156,930	3,342,277,736
England	0	0	4,000,753,467
México	2,729,750,000	50,138,264,760	40,274,632,840
Nicaragua	45,813,757,307	15,937,961,148	17,574,419,286
Panamá	10,775,909,235	284,146,546,629	279,253,851,762
Paraguay	231,477,082,812	0	0
Perú	4,135,117,020	7,427,429,091	21,820,542,806
Dominican Republic	9,597,243,039	12,039,800,000	3,594,760,410
Switzerland	8,570,420,279	9,450,146,228	0
Uruguay	0	0	220,939,517
Others *	3,968,207,554	3,490,546,905	6,282,046,011
	¢ 812,908,252,117	936,512,018,877	994,523,631,114

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

	March 2023	December 2022	March 2022
Costa Rica	¢ 3,240,532,751,774	3,193,889,504,724	3,042,046,515,868
	¢ 3,240,532,751,774	3,193,889,504,724	3,042,046,515,868

As of March 31, 2023, the Bank keeps trust commissions in the amount of ¢452,625, (¢166,500 and ¢468,050, for December and March 2022, respectively).

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

		March 2023	December 2022	March 2022
Properties	¢	115,319,317,390	115,127,502,923	125,613,741,716
Others		748,345,987	658,544,163	562,858,646
	¢	<u>116,067,663,377</u>	<u>115,786,047,086</u>	<u>126,176,600,362</u>

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

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

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

		March 2023	December 2022	March 2022
Guarantee				
Pledged assets	¢	43,707,653,570	41,620,675,381	39,434,885,358
Collections		0	0	110,083,353,700
Fiduciary		432,151,561,340	418,584,082,182	1,018,241,577,497
Mortgage		1,721,814,834,235	1,871,410,732,355	1,618,245,590,593
Chattel		191,662,575,776	201,876,369,632	180,102,229,705
Others		1,664,104,378,970	1,701,242,998,408	1,240,154,187,612
	¢	<u>4,053,441,003,891</u>	<u>4,234,734,857,958</u>	<u>4,206,261,824,465</u>

As of March 31, 2023, 47% of the loan portfolio is secured by mortgage or chattel collaterals, (49% and 43% for December and March 2022, respectively).

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

As of March 31, 2023, 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.

BANCO DE COSTA RICA AND SUBSIDIARIES

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

As of March 31, 2023:

<u>No.</u>	<u>Percentage</u>	<u>Band</u>	<u>Total amount</u>	<u>N° of customers</u>
1	0-4,99%	26,628,144,598 ¢	248,676,906,403	2,916
2	5-9,99%	53,256,289,197	379,568,693,856	260
3	10-14,99%	79,884,433,795	324,183,976,062	270
4	15-20%	106,512,578,393	220,795,547,040	43
Total			¢ 1,173,225,123,361	3,489

As of December 31, 2022:

<u>No.</u>	<u>Percentage</u>	<u>Band</u>	<u>Total amount</u>	<u>N° of customers</u>
1	0-4,99%	25,336,162,784 ¢	272,302,144,977	2,822
2	5-9,99%	50,672,325,569	475,114,768,280	257
3	10-14,99%	76,008,488,353	345,998,196,992	256
4	15-20%	101,344,651,138	291,162,059,221	50
Total			¢ 1,384,577,169,470	3,385

As of March 31, 2022:

<u>No.</u>	<u>Percentage</u>	<u>Band</u>	<u>Total amount</u>	<u>N° of customers</u>
1	0-4,99%	25,336,162,784 ¢	123,428,979,726	314
2	5-9,99%	50,672,325,569	182,709,660,449	75
3	10-14,99%	76,008,488,353	517,002,986,983	0
4	15-20%	101,344,651,138	410,276,330,386	24
Total			¢ 1,233,417,957,544	413

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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(b) Management of market risk

Definitions

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

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

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

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

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

Risk management methodology

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

BANCO DE COSTA RICA AND SUBSIDIARIES

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

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

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

Tolerance limits and risk indicators

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

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

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

Exposure and risk management

(c) Liquidity risk

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

Cash and cash equivalents show a year-on-year decrease of 22.23%, mainly due to decreases in investments in held-for-trading financial instruments (see cash and cash equivalents table in note 2).

BANCO DE COSTA RICA AND SUBSIDIARIES

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Demand deposits decreased by 10.21% on a year-on-year basis, due to the decrease in current account balances, demand savings deposits and other demand obligations with the public (see chart of demand obligations with the public in note 4).

Wholesale funding increased year-on-year by 9.30%, mainly due to term obligations and charges payable with the Central Bank of Costa Rica, overdrafts in demand checking accounts in foreign financial entities, and term deposits from local financial entities. (See table of obligations with financial institutions and the Central Bank in note 5 of this document).

In the following table, the year-on-year results for the end of March 2023 are observed:

	March 2023	December 2022	March 2022
Liquidity coverage indicator (colones)	1.31	1.07	1.41
Liquidity coverage indicator (US Dollars)	1.66	1.44	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 March 31, 2023:

Regulatory liquidity matches by currency and term		March 2023	December 2022	March 2022		
<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	1.93	2.18	2.20	Limite:	1.10
1-month term matching colones		2.76	1.89	3.07	Limite:	1.00
3-months term matching US dollars		1.50	1.50	1.90	Limite:	0.94
3-months term matching colones		<u>1.72</u>	<u>1.56</u>	<u>1.71</u>	Limite:	<u>0.85</u>

The matching of terms shows ease with respect to the regulatory limits, which is a direct effect of the measures taken in cash flow management.

The Bank maintains reports that allow monitoring the main operational and structural indicators, as well as an alignment of liquidity management with credit and market risk.

BANCO DE COSTA RICA AND SUBSIDIARIES

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

As of March 31, 2023

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	Items overdue for more than thirty days	Total
Availabilities	¢	366,067,400,856	0	0	0	0	0	148,486,055	0	366,215,886,911
Legal cash requirement										
BCCR		392,882,565,403	20,087,165,439	24,249,193,746	24,442,648,332	51,839,265,594	86,504,894,034	28,642,928,636	0	628,648,661,184
Investment in securities		(823,180,558)	226,594,253,433	44,542,620,323	43,366,328,345	188,345,596,571	161,420,189,259	904,334,523,686	2,504,524,000	1,570,284,855,059
Interest on investments		1,119,352	1,391,982,448	2,128,983,733	3,219,160,717	7,298,575,325	206,882,154	731,162,567	50,040,380	15,027,906,676
Loan portfolio		0	143,882,023,839	97,908,118,662	134,279,891,786	255,925,928,149	234,464,770,643	490,267,325,548	2,676,427,840,188	4,033,155,898,815
Interest on loan portfolio		0	9,547,056,128	3,322,114,583	446,357,881	657,257,293	646,940,543	10,685,043,870	2,298,322	25,307,068,620
	¢	<u>758,127,905,053</u>	<u>401,502,481,287</u>	<u>172,151,031,047</u>	<u>205,754,387,061</u>	<u>504,066,622,932</u>	<u>483,243,676,633</u>	<u>1,434,809,470,362</u>	<u>2,678,984,702,890</u>	<u>6,638,640,277,265</u>
Liabilities										
Obligations with the public	¢	2,923,763,751,142	165,651,218,546	212,532,924,106	198,566,081,810	442,786,037,958	733,576,219,266	354,820,320,526	0	5,031,696,553,354
Obligations with BCCR		0	0	0	0	0	0	106,607,072,703	0	106,607,072,703
Obligations with financial										
Entities		88,367,694,569	247,851,069,520	23,099,638,679	43,641,333,491	66,291,823,078	113,304,367,988	112,575,823,680	0	695,131,751,005
Charges payable on obligations		2,251,680,851	5,067,879,637	4,807,788,244	3,504,176,697	6,107,659,626	11,142,451,338	4,194,294,006	0	37,075,930,399
		<u>3,014,383,126,562</u>	<u>418,570,167,703</u>	<u>240,440,351,029</u>	<u>245,711,591,998</u>	<u>515,185,520,662</u>	<u>858,023,038,592</u>	<u>578,197,510,915</u>	<u>0</u>	<u>5,870,511,307,461</u>
Asset-liability gap	¢	<u>(2,256,255,221,509)</u>	<u>(17,067,686,416)</u>	<u>(68,289,319,982)</u>	<u>(39,957,204,937)</u>	<u>(11,118,897,730)</u>	<u>(374,779,361,959)</u>	<u>856,611,959,447</u>	<u>2,678,984,702,890</u>	<u>768,128,969,804</u>

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As of December 31, 2022

Assets	Demand	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	More than 365 days	Items overdue for more than thirty days	Total
Availabilities	¢ 397,354,391,230	0	0	0	0	0	161,362,379	0	397,515,753,609
Legal cash requirement BCCR	409,327,785,136	26,898,352,628	18,444,325,361	20,032,812,825	43,171,216,605	53,116,731,680	22,148,717,863	0	593,139,942,098
Investment in securities	1,112,723,802	322,249,975,334	69,735,239,724	51,567,431,481	127,020,526,811	214,861,257,788	926,068,821,742	0	1,712,615,976,682
Interest on investments	2,504,381	12,655,289,277	7,672,622,082	2,165,713,766	1,318,148,923	237,782,607	1,027,254,325	0	25,079,315,361
Loan portfolio	6,640,462,404	144,177,939,955	124,933,908,411	143,993,273,850	282,217,364,256	215,880,928,919	3,146,855,847,835	149,701,971,122	4,214,401,696,752
Interest on loan portfolio	0	10,189,742,174	1,077,161,798	436,174,726	1,480,015,476	509,479,287	2,256,661,122	7,533,686,252	23,482,920,835
	¢ 814,437,866,953	516,171,299,368	221,863,257,376	218,195,406,648	455,207,272,071	484,606,180,281	4,098,518,665,266	157,235,657,374	6,966,235,605,337
Liabilities									
Obligations with the public	¢ 3,310,927,955,196	244,892,129,680	209,070,983,071	188,768,334,995	390,684,088,870	504,322,216,523	341,245,209,642	0	5,189,910,917,977
Obligations with BCCR	0	25,020,309,751	0	0	0	0	109,474,722,460	0	134,495,032,211
Obligations with financial									
Entities	86,352,278,394	319,905,134,282	64,045,526,418	35,595,374,308	98,722,793,374	119,540,188,485	131,504,090,589	0	855,665,385,850
Charges payable on obligations	1,527,021,044	7,295,379,928	4,442,390,564	2,073,545,675	3,984,878,257	4,378,775,886	4,472,864,118	0	28,174,855,472
	3,398,807,254,634	597,112,953,641	277,558,900,053	226,437,254,978	493,391,760,501	628,241,180,894	586,696,886,809	0	6,208,246,191,510
Asset-liability gap	¢ (2,584,369,387,681)	(80,941,654,273)	(55,695,642,677)	(8,241,848,330)	(38,184,488,430)	(143,635,000,613)	3,511,821,778,457	157,235,657,374	757,989,413,827

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As of March 31, 2022

		Demand	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	More than 365 days	Items overdue for more than thirty days	Total
Assets										
Availabilities	¢	365,451,531,071	0	0	0	0	0	121,462,256	0	365,572,993,327
Legal cash requirement BCCR		373,583,417,852	32,165,329,682	17,477,573,344	20,977,891,458	36,233,272,259	45,984,863,696	19,804,171,317	0	546,226,519,608
Investment in securities		421,711,987	343,719,531,375	27,789,360,905	16,717,021,900	44,834,846,138	136,057,407,782	1,319,645,283,718	0	1,889,185,163,805
Interest on investments		156,736	1,593,269,590	2,420,539,688	3,545,381,175	8,647,352,820	24,609,783	388,129,871	0	16,619,439,663
Loan portfolio		21,385,221,945	132,477,335,806	113,766,951,633	112,190,198,967	247,360,729,355	243,970,289,026	3,140,106,432,062	175,893,600,207	4,187,150,759,001
Interest on loan portfolio		13,821,645	8,161,291,069	2,323,862,073	533,212,469	521,424,800	1,161,831,173	9,749,080,399	0	22,464,523,628
	¢	760,855,861,236	518,116,757,522	163,778,287,643	153,963,705,969	337,597,625,372	427,199,001,460	4,489,814,559,623	175,893,600,207	7,027,219,399,032
Liabilities										
Obligations with the public	¢	3,286,870,101,111	274,895,349,334	178,440,890,674	201,788,344,973	418,918,887,281	501,485,149,795	281,329,461,468	0	5,143,728,184,636
Obligations with BCCR		0	0	0	0	0	0	117,434,359,976	0	117,434,359,976
Obligations with financial Entities financieras		120,286,746,823	274,303,274,476	51,363,989,631	56,606,282,592	156,045,919,981	128,870,798,640	138,802,792,073	0	926,279,804,216
Charges payable on obligations		938,415,877	3,236,335,763	2,520,584,975	2,521,235,692	4,169,616,952	3,493,922,478	4,031,538,779	0	20,911,650,516
		3,408,095,263,811	552,434,959,573	232,325,465,280	260,915,863,257	579,134,424,214	633,849,870,913	541,598,152,296	0	6,208,353,999,344
Asset-liability gap	¢	(2,647,239,402,575)	(34,318,202,051)	(68,547,177,637)	(106,952,157,288)	(241,536,798,842)	(206,650,869,453)	3,948,216,407,327	175,893,600,207	818,865,399,688

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(d) Price risk of the portfolio

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

In the case of own funds, a concentration of 62,26% is observed in instruments issued by the Ministry of Finance, In this sense and with the purpose of mitigating the market risk of these instruments, a strategy was defined in the investment position of this issuer.

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

		March 2023	December 2022	March 2022
VaR	¢	<u>23,444,647,768</u>	<u>23,585,525,696</u>	<u>11,689,470,814</u>

The year-on-year increase in the indicator is an effect of the increase in price volatility of investment instruments because of the global pandemic, the election year, the Russia-Ukraine war 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 March 31, 2023, a sensitivity analysis on possible variations in interest rates was developed.

Sensitivity to an increase in the interest rate of investments

		March 2023	December 2022	March 2022
Investment in financial instruments	¢	1,305,764,907,039	1,405,067,101,407	1,451,100,166,752
Increase in rates by 1%		70,306,133	352,390,708	253,468,985
Increase in rates by 2%	¢	<u>140,612,266</u>	<u>704,781,417</u>	<u>506,937,970</u>

Sensitivity to a decrease in the interest rate of investments

		March 2023	December 2022	March 2022
Investment in financial instruments	¢	1,305,764,907,039	1,405,067,101,407	1,451,100,166,752
Decrease in rates by 1%		70,306,133	352,390,708	253,468,985
Decrease in rates by 2%	¢	<u>140,612,266</u>	<u>704,781,417</u>	<u>506,937,970</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

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Sensitivity to an increase in the interest rate of loan portfolio

	March 2023	December 2022	March 2022
Loan portfolio	¢ 3,240,532,751,773	3,207,999,876,911	2,315,860,451,715
Increase in rates by 1%	1,586,896,349	1,723,044,843	1,040,796,320
Increase in rates by 2%	¢ <u>3,178,179,613</u>	<u>3,454,768,324</u>	<u>2,085,424,201</u>

Sensitivity to a decrease in the interest rate of loan portfolio

	March 2023	December 2022	March 2022
Loan portfolio	¢ 3,240,532,751,773	3,207,999,876,911	2,315,860,451,715
Decrease in rates by 1%	1,571,813,685	1,707,440,473	1,038,874,274
Decrease in rates by 2%	¢ <u>3,128,598,488</u>	<u>3,399,901,305</u>	<u>2,078,161,689</u>

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

	March 2023	December 2022	March 2022
Obligations with the public	¢ 4,563,281,375,231	4,691,855,488,958	4,634,982,563,707
Increase in rates by 1%	2,592,549,086	3,264,320,199	2,894,638,419
Increase in rates by 2%	¢ <u>4,243,588,540</u>	<u>6,528,640,398</u>	<u>5,789,276,837</u>

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

	March 2023	December 2022	March 2022
Obligations with the public	¢ 4,563,281,375,231	4,691,855,488,958	4,634,982,563,707
Decrease in rates by 1%	2,592,549,086	3,264,320,199	2,894,638,419
Decrease in rates by 2%	¢ <u>5,185,098,171</u>	<u>6,528,640,398</u>	<u>5,789,276,837</u>

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

	<u>March 2023</u>	<u>December 2022</u>	<u>March 2022</u>
Financial term obligations	¢ 4,875,000	3,130,348,000	138,561,809,405
Increase in rates by 1%	2,234,172	2,608,623	115,468,175
Increase in rates by 2%	¢ <u>4,468,344</u>	<u>5,217,247</u>	<u>230,936,349</u>

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

	<u>March 2023</u>	<u>December 2022</u>	<u>March 2022</u>
Financial term obligations	¢ 4,875,000	3,130,348,000	138,561,809,405
Decrease in rates by 1%	2,234,172	2,608,623	115,468,175
Decrease in rates by 2%	¢ <u>4,468,344</u>	<u>5,217,247</u>	<u>230,936,349</u>

* Note: From June 2022 only credit lines in US dollars are included.

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As of March 31, 2023, interest rate terms for assets and liabilities are matched as follows:

	Effective interest rate	1 to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	361 to 720 days	More than 720 days	Total
Colones:								
Assets								
Investment in securities	6.41%	¢ 43,085,730,552	19,848,518,687	106,351,427,257	184,602,960,311	415,252,631,679	532,455,633,738	1,301,596,902,224
Loan portfolio	9.44%	1,465,413,440,434	240,567,924,320	42,715,694,631	57,432,535,980	80,928,113,498	1,336,261,554,034	3,223,319,262,897
Total recovery of assets (*)		1,508,499,170,986	260,416,443,007	149,067,121,888	242,035,496,291	496,180,745,177	1,868,717,187,772	4,524,916,165,121
Liabilities								
Obligations with the public		150,618,751,379	307,998,707,594	223,030,375,899	513,141,630,860	67,081,176,693	73,036,626,248	1,334,907,268,673
Obligations with Banco Central de Costa Rica		18,849,000,000	0	0	0	0	0	18,849,000,000
Obligations with financial entities	5.70%	10,202,972,587	17,115,560,952	20,552,780,921	11,576,125,777	106,600,349,194	4,691,763	166,052,481,194
Total matured liabilities (*)		179,670,723,966	325,114,268,546	243,583,156,820	524,717,756,637	173,681,525,887	73,041,318,011	1,519,808,749,867
Asset and liability gap		1,328,828,447,020	(64,697,825,539)	(94,516,034,932)	(282,682,260,346)	322,499,219,290	1,795,675,869,761	3,005,107,415,254
US dollars:								
Assets								
Investment in securities	3.25%	¢ 169,169,459,443	112,157,272,519	109,531,437,720	27,172,569,263	41,475,320,825	152,205,776,610	611,711,836,380
Loan portfolio	15.03%	333,921,530,096	49,246,082,889	18,680,117,740	30,388,341,631	88,700,448,435	298,172,269,212	819,108,790,003
Total recovery of assets (*)		503,090,989,539	161,403,355,408	128,211,555,460	57,560,910,894	130,175,769,260	450,378,045,822	1,430,820,626,383
Liabilities								
Obligations with the public		74,825,138,758	84,843,909,799	97,168,486,209	84,886,558,192	22,079,108,271	14,701,935,360	378,505,136,589
Demand obligations	0.58%	165,880,539,102	49,165,998,257	63,799,113,747	110,244,508,370	0	142,491,395,729	
Obligations with financial entities	0.85%	(21,966,625,455)	2,974,279,156	9,051,827,963	1,494,494,320	2,667,278,388	10,189,740,876	4,410,995,248
Total matured liabilities (*)		52,858,513,303	87,818,188,955	106,220,314,172	86,381,052,512	24,746,386,659	24,891,676,236	382,916,131,837
Asset and liability gap		450,232,476,236	73,585,166,453	21,991,241,288	(28,820,141,618)	105,429,382,601	425,486,369,586	1,047,904,494,546

(*) Interest rate sensitive

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As of December 31, 2022, interest rate terms for assets and liabilities are matched as follows:

	Effective interest rate	1 to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	361 to 720 days	More than 720 days	Total
Colones:								
Assets								
Investment in securities	5,16%	¢ 76,684,718,640	65,649,681,510	37,175,640,764	188,866,637,301	282,359,164,029	688,591,760,034	1,339,327,602,278
Loan portfolio	8,99%	<u>1,504,204,560,265</u>	<u>174,250,528,636</u>	<u>121,470,602,938</u>	<u>59,561,392,579</u>	<u>82,024,915,648</u>	<u>1,076,757,278,277</u>	<u>3,018,269,278,343</u>
Total recovery of assets (*)		<u>1,580,889,278,905</u>	<u>239,900,210,146</u>	<u>158,646,243,702</u>	<u>248,428,029,880</u>	<u>364,384,079,677</u>	<u>1,765,349,038,311</u>	<u>4,357,596,880,621</u>
Liabilities								
Obligations with the public		150,151,063,221	200,124,626,253	243,695,726,124	267,099,007,341	69,725,881,939	54,143,824,560	984,940,129,438
Obligations with Banco Central de Costa Rica		40,192,309,751	0	0	0	0	0	40,192,309,751
Obligations with financial entities	6,20%	<u>14,145,541,408</u>	<u>13,162,317,334</u>	<u>24,202,037,927</u>	<u>8,039,325,073</u>	<u>109,474,754,546</u>	<u>7,350,610</u>	<u>169,031,326,898</u>
Total matured liabilities (*)		<u>204,488,914,380</u>	<u>213,286,943,587</u>	<u>267,897,764,051</u>	<u>275,138,332,414</u>	<u>179,200,636,485</u>	<u>54,151,175,170</u>	<u>1,194,163,766,087</u>
Asset and liability gap		<u>¢ 1,376,400,364,525</u>	<u>26,613,266,559</u>	<u>(109,251,520,349)</u>	<u>(26,710,302,534)</u>	<u>185,183,443,192</u>	<u>1,711,197,863,141</u>	<u>3,163,433,114,534</u>
US dollars:								
Assets								
Investment in securities	3,73%	¢ 359,044,532,446	80,791,213,037	118,773,726,993	75,400,703,000	36,792,251,395	148,452,301,963	819,254,728,834
Loan portfolio	15,90%	<u>554,255,232,189</u>	<u>40,113,586,468</u>	<u>37,863,923,287</u>	<u>19,294,695,520</u>	<u>16,684,212,226</u>	<u>171,361,075,254</u>	<u>839,572,724,944</u>
Total recovery of assets (*)		<u>913,299,764,635</u>	<u>120,904,799,505</u>	<u>156,637,650,280</u>	<u>94,695,398,520</u>	<u>53,476,463,621</u>	<u>319,813,377,217</u>	<u>1,658,827,453,778</u>
Liabilities								
Obligations with the public		73,940,395,074	111,100,378,804	107,576,025,465	106,577,634,694	28,115,100,038	17,548,727,095	444,858,261,170
Demand obligations	0,38%	207,824,296,148	112,880,295,905	46,640,345,519	87,187,201,974	134,943,152,952	24,765,178,719	
Obligations with financial entities	1,07%	<u>(23,522,153,691)</u>	<u>4,120,926,488</u>	<u>458,290,827</u>	<u>10,760,632,611</u>	<u>2,898,533,137</u>	<u>11,994,610,732</u>	<u>6,710,840,104</u>
Total matured liabilities (*)		<u>50,418,241,383</u>	<u>115,221,305,292</u>	<u>108,034,316,292</u>	<u>117,338,267,305</u>	<u>31,013,633,175</u>	<u>29,543,337,827</u>	<u>451,569,101,274</u>
Asset and liability gap		<u>¢ 862,881,523,252</u>	<u>5,683,494,213</u>	<u>48,603,333,988</u>	<u>(22,642,868,785)</u>	<u>22,462,830,446</u>	<u>290,270,039,390</u>	<u>1,207,258,352,504</u>

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As of March 31, 2022

	Effective interest rate	1 to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	361 to 720 days	More than 720 days	Total
Colones:								
Assets								
Investment in securities	7,71%	¢ 69,680,307,592	36,906,436,082	50,229,111,906	75,635,953,351	230,117,237,155	800,844,137,626	1,263,413,183,712
Loan portfolio	7,18%	1,573,980,739,152	229,241,959,770	29,660,582,398	44,627,734,094	60,587,677,940	726,272,160,634	2,664,370,853,988
Total recovery of assets (*)		1,643,661,046,744	266,148,395,852	79,889,694,304	120,263,687,445	290,704,915,095	1,527,116,298,260	3,927,784,037,700
Liabilities								
Obligations with the public		111,429,271,293	207,638,928,952	285,677,439,095	43,867,154,713	224,143,560,927	51,450,570,048	924,206,925,028
Obligations with financial entities	1,49%	16,181,887,144	31,807,537,561	12,194,256,574	1,102,582,331	163,718,005,503	143,214,198	225,147,483,311
Total matured liabilities (*)		127,611,158,437	239,446,466,513	297,871,695,669	44,969,737,044	387,861,566,430	51,593,784,246	1,149,354,408,339
Asset and liability gap		¢ 1,516,049,888,307	26,701,929,339	(217,982,001,365)	75,293,950,401	(97,156,651,335)	1,475,522,514,014	2,778,429,629,361
US Dollars:								
Assets								
Investment in securities	2,93%	¢ 276,676,757,314	60,556,165,057	25,312,643,287	73,896,829,645	171,889,688,366	183,102,526,892	791,434,610,561
Loan portfolio	11,99%	680,386,985,614	23,036,465,453	13,845,178,029	8,067,458,781	10,769,153,033	140,677,552,096	876,782,793,006
Total recovery of assets (*)		957,063,742,928	83,592,630,510	39,157,821,316	81,964,288,426	182,658,841,399	323,780,078,988	1,668,217,403,567
Liabilities								
Obligations with the public		8,395,005,521	10,916,908,555	17,346,169,955	10,506,303,893	17,222,852,591	13,757,159,501	78,144,400,016
Demand deposits	0,19%	213,626,769,868	48,496,494,912	105,587,860,861	108,225,147,984	86,323,315,707	29,199,108,425	
Obligations with financial entities	1,98%	214,770,386	9,579,262,473	918,415,497	13,119,726,109	2,796,199,008	(13,746,814,301)	12,881,559,172
Total matured liabilities (*)		8,609,775,907	20,496,171,028	18,264,585,452	23,626,030,002	20,019,051,599	10,345,200	91,025,959,188
Asset and liability gap		948,453,967,021	63,096,459,482	20,893,235,864	58,338,258,424	162,639,789,800	323,769,733,788	1,577,191,444,379

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Within the gap report (rate-sensitive assets and liabilities) in local currency, a total difference of asset recovery less maturity of liabilities as of March 31, 2023, for ₡3,005,107,415,254, (₡3,163,433,114,534 and ₡ 2,778,429,629,361, for December and March 2022, respectively) while in foreign currency the same difference is of ₡1,048,009,381,838, (₡1,207,258,352,504 and ₡1,577,191,444,379, for December and March 2022, respectively) being an improved inference in the balance sheet due to positive changes in interest rates, since the entity presents more assets than liabilities in both currencies. Regarding to term matching (sum of liquidity of assets and liabilities), as of March 31, 2023, the total amount in local currency was of ₡768,128,969,804, (₡757,989,413,761 and ₡818,865,399,688, for December and March 2022, respectively) while in foreign currency, the collected data for the compliance of obligations was of ₡394,683,510, (₡384,363,194 and ₡383,588,253, for December and March 2022, respectively) which shows the necessary solvency to meet the liquid liabilities of the Organization.

(f) Foreign exchange risk

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

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

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

During the first quarter of 2023, the exchange rate had a downward trend as a result of an average daily sensitivity of 0.11%.

To comply with the Own Position in Foreign Currency, the Treasury Management had to maintain a positive position in foreign currency, reaching US\$200 million as of March 2023 (US\$173 million as of March 2022).

BANCO DE COSTA RICA AND SUBSIDIARIES

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

	March 2023	December 2022	March 2022
Assets			
Cash and due from banks	US\$ 669,550,878	733,977,310	695,824,778
Investment in financial instruments	1,073,630,555	1,202,978,958	1,083,338,282
Loan portfolio	2,755,153,223	2,818,987,742	2,724,479,454
Accounts and interest receivable	3,882,407	6,403,060	15,763,496
Realizable assets	0	0	(557,984)
Property, plant, and equipment	0	0	0
Other assets	<u>50,338,182</u>	<u>27,093,843</u>	<u>13,764,967</u>
Total assets	<u>4,552,555,245</u>	<u>4,789,440,913</u>	<u>4,532,612,993</u>
Liabilities			
Obligations with the public	3,260,171,705	3,372,710,790	3,173,084,377
Other financial obligations	957,710,262	1,115,872,368	1,069,868,405
Other accounts payable and provisions	30,854,706	34,179,984	41,301,995
Other liabilities	<u>58,708,879</u>	<u>43,052,610</u>	<u>19,589,490</u>
Total liabilities	<u>4,307,445,552</u>	<u>4,565,815,752</u>	<u>4,303,844,267</u>
Net position	US\$ <u>245,109,693</u>	<u>223,625,161</u>	<u>228,768,726</u>

From January 2020 the valuation of monetary assets and liabilities in foreign currency is carried out with reference to the purchase exchange rate set by the BCCR the last business day of each month (previously the purchase exchange rate was used). For March 31, 2023, the exchange rate of ₡545.95 for US \$1.00 (₡667.10 as of March 2022) was used.

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

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

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

Sensibility to an increase in the exchange rate

		March 2023	December 2022	March 2022
Net position	US\$	245,109,694	223,625,160	228,768,727
Closing exchange rate		545.95	601.99	667.10
5% increase in the exchange rate		27.30	30.10	33.36
Profit	¢	<u>6,691,494,646</u>	<u>6,731,117,316</u>	<u>7,631,724,733</u>

Sensibility to a decrease in the exchange rate

		March 2023	December 2022	March 2022
Net position	US\$	245,109,694	223,625,160	228,768,727
Closing exchange rate		545.95	601.99	667.10
5% decrease in the exchange rate		(27.30)	(30.10)	(33.36)
Loss	¢	<u>(6,691,494,646)</u>	<u>(6,731,117,316)</u>	<u>(7,631,724,733)</u>

Assets and liabilities in Euros are detailed as follows:

		March 2023	December 2022	March 2022
Assets				
Cash and due from banks	EUR€	7,351,485	9,266,142	8,119,290
Other assets		3,813	118	6,714
Total assets		<u>7,355,298</u>	<u>9,266,260</u>	<u>8,126,004</u>
Liabilities				
Obligations with the public		6,991,706	7,043,687	7,107,552
Other financial obligations		998,560	997,385	753,785
Other accounts payable and provisions		31,224	31,904	19,729
Other liabilities		3,392	3,392	0
Total liabilities		<u>8,024,882</u>	<u>8,076,368</u>	<u>7,881,066</u>
Net position (surplus assets on monetary liabilities)	EUR€	<u>(669,584)</u>	<u>1,189,892</u>	<u>244,938</u>

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As of March 31, 2023, in compliance with SUGEF's regulations, the term matching of the most important US dollars (US\$) accounts are as follows:

Assets		Demand	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days	More than 365 days	Past due for over 30 days	Total
Cash and due from banks	US\$	339,632,016	0	0	0	0	0	251,829	0	339,883,845
Legal reserve account-BCCR		233,432,859	12,753,776	12,903,495	11,935,974	27,404,641	22,449,926	8,786,362	0	329,667,033
Investments in securities		(2,375,115)	340,651,415	81,313,045	62,169,827	194,102,437	55,845,774	336,176,056	0	1,067,883,439
Interest on investments		1,778	167,655	3,611,611	5,153	1,602,171	50,124	490,298	0	5,928,790
Loan portfolio		0	169,667,533	123,277,061	156,069,699	349,083,613	260,787,101	724,360,753	1,069,824,825	2,853,070,585
Interest on loans		0	3,783,521	511,591	717,763	1,151,133	1,152,624	8,815,150	0	16,131,782
	US\$	570,691,538	527,023,900	221,616,803	230,898,416	573,343,995	340,285,549	1,078,880,448	1,069,824,825	4,612,565,474
Liabilities										
Obligations with the public	US\$	1,829,447,559	128,920,447	147,617,636	125,363,474	320,717,594	364,093,056	332,860,729	0	3,249,020,495
Obligations with financial										
Entities		96,460,472	295,183,743	24,261,447	66,581,913	83,122,481	187,197,679	196,299,601	0	949,107,336
Charges payable on obligations		214,995	2,637,727	1,531,926	2,503,588	3,849,871	5,297,636	3,718,390	0	19,754,133
		1,926,123,026	426,741,917	173,411,009	194,448,975	407,689,946	556,588,371	532,878,720	0	4,217,881,964
Asset and liability gaps	US\$	(1,355,431,488)	100,281,983	48,205,794	36,449,441	165,654,049	(216,302,822)	546,001,728	1,069,824,825	394,683,510

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023

As of December 31, 2022, in compliance with SUGEF's regulations, the term matching of the most important US dollars (US\$) accounts are as follows:

		<u>Demand</u>	<u>1 to 30 days</u>	<u>31 to 60 days</u>	<u>61 to 90 days</u>	<u>91 to 180 days</u>	<u>181 to 365 days</u>	<u>More than 365 days</u>	<u>Past due for over 30 days</u>	<u>Total</u>
Assets										
Cash and due from banks	US\$	405,230,329	0	0	0	0	0	249,776	0	405,480,105
Legal reserve account-BCCR		231,461,169	15,261,122	11,748,790	12,545,870	25,263,267	23,300,566	8,916,416	0	328,497,200
Investments in securities		10,165	486,911,821	52,737,199	65,457,929	164,740,633	128,034,450	297,312,626	0	1,195,204,823
Interest on investments		6	3,251,468	2,827,891	85,405	978,406	65,109	652,847	0	7,861,132
Loan portfolio		11,030,852	174,556,065	168,005,244	165,034,133	337,551,163	188,625,026	1,775,527,395	100,198,176	2,920,528,054
Interest on loans		0	3,928,743	691,378	641,060	964,559	816,295	3,724,596	4,704,048	15,470,679
	US\$	<u>647,732,521</u>	<u>683,909,219</u>	<u>236,010,502</u>	<u>243,764,397</u>	<u>529,498,028</u>	<u>340,841,446</u>	<u>2,086,383,656</u>	<u>104,902,224</u>	<u>4,873,041,993</u>
Liabilities										
Obligations with the public	US\$	1,911,769,325	167,967,015	192,598,473	147,621,816	277,161,257	321,234,192	343,721,724	0	3,362,073,802
Obligations with financial Entities		97,875,115	344,477,543	95,547,463	48,720,475	125,564,749	185,534,055	209,367,983	0	1,107,087,383
Charges payable on obligations		260,699	4,479,970	2,363,337	1,341,203	3,019,400	3,856,552	4,196,453	0	19,517,614
		<u>2,009,905,139</u>	<u>516,924,528</u>	<u>290,509,273</u>	<u>197,683,494</u>	<u>405,745,406</u>	<u>510,624,799</u>	<u>557,286,160</u>	<u>0</u>	<u>4,488,678,799</u>
Asset and liability gaps	US\$	<u>(1,362,172,618)</u>	<u>166,984,691</u>	<u>(54,498,771)</u>	<u>46,080,903</u>	<u>123,752,622</u>	<u>(169,783,353)</u>	<u>1,529,097,496</u>	<u>104,902,224</u>	<u>384,363,194</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023

As of March 31, 2022, in compliance with SUGEF's regulations, the term matching of the most important US dollars (US\$) accounts are as follows:

Assets		Demand	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days	More than 365 days	Past due for over 30 days	Total
Cash and due from banks	US\$	356,312,290	0	0	0	0	0	165,586	0	356,477,876
Legal reserve account-BCCR		219,725,325	32,401,522	11,591,411	14,833,524	19,872,301	24,847,418	16,074,676	0	339,346,177
Investments in securities		229,871	414,365,387	4,007,802	18,132,102	27,078,858	89,832,385	522,860,475	0	1,076,506,880
Interest on investments		0	32,100	2,952,851	13,256	3,394,537	6,569	432,090	0	6,831,403
Loan portfolio		32,056,996	128,584,554	126,124,139	134,500,823	299,346,059	239,353,787	1,747,809,323	124,439,492	2,832,215,173
Interest on loans		20,719	3,330,836	401,053	460,509	714,798	1,472,173	7,895,017	0	14,295,105
Total Assets	US\$	608,345,201	578,714,399	145,077,256	167,940,214	350,406,553	355,512,332	2,295,237,167	124,439,492	4,625,672,614
Liabilities										
Obligations with the public	US\$	1,703,173,496	262,148,827	122,148,628	143,528,248	301,459,518	336,512,889	292,676,564	0	3,161,648,170
Obligations with the BCCR		0	0	0	0	0	0	0	0	0
Obligations with financial										
Entities		145,403,001	260,914,350	47,956,240	64,787,256	166,988,637	173,911,281	203,884,289	0	1,063,845,054
Charges payable on obligations		255,694	2,161,750	1,383,383	2,259,530	3,229,488	3,289,365	4,011,927	0	16,591,137
Total Liabilities		1,848,832,191	525,224,927	171,488,251	210,575,034	471,677,643	513,713,535	500,572,780	0	4,242,084,361
Asset and liability gaps	US\$	(1,240,486,990)	53,489,472	(26,410,995)	(42,634,820)	(121,271,090)	(158,201,203)	1,794,664,387	124,439,492	383,588,253

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023

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

As of March 31, 2023, the financial statements show a net foreign exchange loss of ¢5,732,972,248, (¢3,894,495,823 and ¢1,422,394,300 of net profit for December and March 2022, respectively).

(g) Capital Management

During 2022, the last 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.

Capital requirements for price risk and exchange risk have increased due to the conflict between Russia and Ukraine, the new diseases detected, the slow growth of the world economy observed in the first half of 2022 and the movements of interest rates related to the global inflationary effect.

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

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

The size of the BCR Financial Conglomerate is according to assets of the most updated data, equivalent to the end of March 2023 of 15.58% 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.

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

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023

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

(i) Operational risk management

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.

The operational risk establishes an evaluation process that includes the stages of identification and analysis, through a set of qualitative and quantitative techniques and tools that allow determining the risk level, based on the estimate of the probability of occurrence and impact of the risk event, to continue with the stages of assessment, risk treatment, recording and reporting, communication, and monitoring.

The objective of operational risk management is aimed at minimizing the Entity's financial losses, as well as contributing to achieving efficiency and effectiveness in the execution of processes.

The gross operating losses that are observed in table number 1, are fed with the reports of materialized events recorded by the different offices of the Bank, which is consolidated, complying with the provisions of SUGEF Agreement 2-10 Regulations for comprehensive risk management.

The results are obtained from the compilation of the losses by type of operational risk, to which the BCR has been exposed in the evaluated period, which allows studying the effectiveness of the implemented measures; external fraud with debit and credit cards as a means of payment is the main factor that permeates operational losses. The implementation of different mitigators such as the Safe Environment (3DS) project has made it possible to reduce the incidence of fraud in electronic media in the months of January to March 2023.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023

Gross operating losses

- Percentage distribution by type of risk-

Type of operational risk	Accumulated gross losses	March 2023	December 2022	March 2022
Clients, products, and business practices	27,035,316	0.52%	0.97%	0.80%
Execution, delivery, and management of processes	123,333,898	2.39%	3.46%	3.17%
External fraud	3,914,527,480	75.91%	61.86%	66.82%
Internal fraud	661,424,789	12.83%	24.01%	19.94%
Business interruption and system failures	392,286,336	7.61%	9.34%	8.97%
Labor relations and safety in the workplace	38,166,994	0.74%	0.36%	0.30%
Total	€ 5,156,774,812	100,00%	100,00%	100,00%

Information security and IT risks are managed from the BCR with a conglomerate scope, among its main pillars are the following:

- Evaluations: They are carried out through a process aligned with best practices such as ISO 31000 and strict follow-up is given to the treatment actions generated.
- Risk indicators: Information and IT security risk indicators are developed and monitored, supporting compliance with business objectives.
- Improvements to the process: the use of automated tools is being implemented to support the process of evaluations and follow-up of indicators, projecting to have a greater scope and agility in their execution.

The annual working plan includes assessment related to processes, projects, applications, strategy, services, platforms, and IT security. In addition, risk indicators are reviewed and proposed, in order to monitor and control different events to which the BCR Financial Conglomerate may be exposed.

As part of the evaluations and monitoring of the indicators, corrective actions are applied if required. They are defined together with the risk takers, as part of the continuous improvement of the process.

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

All in line with prudential regulations applicable and best international practices, allowing the Corporate Risk Management to support the fulfillment of institutional strategic objectives, avoiding sensitive impacts on the services provided to clients.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023

(j) Business Continuity

The BCR Financial Conglomerate has a Business Continuity Management System (hereinafter SGCN) with a defined regulatory framework (policy, provision, processes, and procedures). The system is designed from the best international practices such as ISO-22301, additionally it seeks to meet regulatory requirements such as SUGEF Agreement 02-10, Regulations on Comprehensive Risk Management, CONASSIF Agreement 4-16 Regulation on corporate governance and CONASSIF Agreement 5-17 General Regulation of Information Technology Management. The objective of the SGCN is to manage the preparation of the response to disruptive events in the operation that can generate a greater impact and in less time.

To manage the response to the risk of major disruptive incidents, a first phase called Business Impact Analysis (usually known as BIA) is developed, in which the information is analyzed to identify the groups of processes, processes and activities that generate a greater impact of loss when suffering a disruption that can be generated by internal or external factors. Once these processes and activities have been identified, the resources that are essential to support them and recover normal operation are determined. For each of these resources, it is necessary to identify the causes that will become the scenarios for which continuity strategies are defined in phase 2, either to respond with the installed capacity or with improvements to reduce the gaps. Phase 3 documents contingency and recovery plans, procedures, or protocols detailing the response for when the disruption occurs.

For phase 4, it is necessary to train the interested parties on the documented plans and subsequently carry out periodic tests and exercises that allow training and identifying opportunities for improvement of plans, procedures or protocols for contingency, recovery, and crisis communication. All the previous phases are developed with the objective of preparing the response that, once the disruptive incident has been identified, must be applied to respond in an orderly manner and minimize the impact of the event, managing to recover normal operation in the shortest possible time.

As part of the BIA, the prioritization of the processes and activities belonging to the groups within the scope approved by the Executive Committee was completed in the first quarter of 2023. For the development of this BIA, the Process Catalog was used as input, consisting of 75 process groups, which were valued by the corporate managers and the general managers of the subsidiaries (except BICSA). After this assessment, the 25 groups with a Medium, High, and Very High impact were prioritized in the first two days of interruption. These 25 groups contain 99 processes which were assessed together with their respective owners, managing to prioritize the 46 processes that also reached a Medium, High, and Very High impact in the first 48 hours of interruption.

BANCO DE COSTA RICA AND SUBSIDIARIES

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In the absence of a source of information, each process owner was consulted on the respective activities, obtaining a total of 610 activities, which were valued by the experts in the operation indicated by each process owner. Once assessed, 304 priority activities were identified, which, like the previous ones, are distributed in the first 48 hours.

Broadly speaking, the BIA was divided into three: strategic, tactical, and operational. In the Strategic BIA, 22 process groups were prioritized, which represents 29.3% of the entire BCR Financial Conglomerate. In the Tactical BIA, 46 processes were prioritized for 13.1% of the Process Catalog and 46.5% with respect to the defined scope. Finally, in the Operative BIA, since there was no total number of activities, it was possible to prioritize 304 activities, which represent 49.8% of the scope. With the previous results it can be indicated that following must be recovered in the first 48 hours: 25 groups, 46 processes and 304 activities.

An important part of the SGCN is to constantly test the plans and procedures, so during this period important efforts were made in tests for: commercial offices, owners of critical activities and support groups, as well as visits to business points to train staff and assess available resources.

In the first quarter, 67 tests of the contingency procedure for failures to access transactional systems at business points were scheduled, managing to complete 62 tests (92%). 27 (43%) rescheduling were required with respect to the schedule, of which 5 (7%) are pending at the end of the period, managing to recover 80% of the rescheduling.

A plan for visits to 4 commercial offices was prepared, of which 3 were completed and one had to be rescheduled. The objective of these visits is to evaluate the contingency procedures for system access failures from the commercial offices. During these visits, opportunities for improvement were observed in terms of the conditions of the facilities, electromechanics, telecommunications, and the resources and plans to respond to emergencies and business continuity incidents. These visits are used to give an inductive talk on contingency procedures to office staff.

As part of the crisis communication plan, 9 tests were planned and executed where a crisis was simulated that required the activation of an alarm with the F24 tool.

The contingency procedure for system access failures from a commercial office was applied in January in incidents at the Pacayas and Puriscal offices. In March, this procedure was used in the Ciudad Quesada office.

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March 31, 2023

(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, 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.

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 2023, the behavior of the legal risk indicators was monitored, corresponding to the litigation that represents the greatest exposure for the BCR Financial Conglomerate, this in the face of an adverse scenario in its result, as well as the registration in time and form of the notarial acts product of commercial business carried out.

The applicability of the provisions of the General Public Procurement Law was also carried out, in terms of public procurement processes (article 37 of the appointment law), this through self-evaluations to reduced and minor tenders and evaluations to larger tenders or of inestimable amount. As of the cut-off date of this note, a total of 13 risk identification exercises have been carried out, of which two correspond to assessments and 11 to self-assessments.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023

40). Situation of the Development Financing Fund

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

**DEVELOPMENT FINANCING FUND
STATEMENT OF FINANCIAL POSITION**

As of March 31, 2023

Financial Information

(In colones without cents)

	March 2023	December 2022	March 2022
Assets			
Cash and due from banks	¢ 2,064,354,568	0	455,279,090
Cash	0	0	455,279,090
Central Bank of Costa Rica	2,064,354,568		
Loan portfolio	¢ 44,032,114,573	46,399,647,681	40,220,312,219
Current loans	40,685,793,706	43,099,794,086	37,737,300,931
Past due loans	3,292,230,531	2,854,564,730	3,030,114,080
Loans in legal collection	586,722,381	949,313,288	30,675,698
(Deferred income – loan portfolio)	(404,427,018)	(387,798,164)	(351,504,657)
Interest receivable	183,850,247	196,788,486	76,878,514
(Allowance for impairment)	(312,055,274)	(313,014,745)	(303,152,347)
Accounts and commissions receivable	5,733,518	322,984	17,760
Other accounts receivable	2,011,089	1,900,715	1,104,040
(Allowance for impairment)	3,722,429	(1,577,731)	(1,086,280)
Other assets	0	9,559,394	4,334,309
Other assets	0	9,559,394	4,334,309
Total assets	¢ 46,102,202,659	46,409,530,059	40,679,943,378
Liabilities			
Obligations with entities	¢ 0	4,184,417,953	0
Other Obligations with entities	0	4,184,417,953	0
Accounts payable and provisions	¢ 89,642,435	61,392,925	41,729,320
Other miscellaneous accounts payable	89,642,435	61,392,925	41,729,320
Other liabilities	10,862,672	10,792,037	974,307
Other liabilities	10,862,672	10,792,037	974,307
Total liabilities	¢ 100,505,107	4,256,602,915	42,703,627
Equity			
Contributions from Banco Central de Costa Rica	¢ 0	29,330,665,472	29,330,665,472
Adjustments to equity - Other comprehensive income	45,766,617,523	0	0
Accumulated results from previous periods	0	11,146,056,305	11,146,056,305
Result of the current period	235,080,029	1,676,205,367	160,517,974
Total equity	¢ 46,001,697,552	42,152,927,144	40,637,239,751
Total equity and liabilities	¢ 46,102,202,659	46,409,530,059	40,679,943,378
Contingent debit memoranda accounts	¢ 13,418,797	12,622,297	12,172,245
Other debit memoranda accounts	¢ 7,266,263,514	7,168,010,637	9,382,543,851

BANCO DE COSTA RICA AND SUBSIDIARIES

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**DEVELOPMENT FINANCING FUND
STATEMENT OF INCOME**

As of March 31, 2023

Financial Information

(In colones without cents)

	March 2023	March 2022
Financial income		
For loan portfolio	798,398,499	381,047,483
For income from exchange differences	0	3,453,694
Total financial income	798,398,499	384,501,177
Financial expenses		
For losses in Exchange differences	4,883,058	0
Total financial expenses	4,883,058	0
For allowance on loan portfolio	103,414	109,553,263
For recovery of assets and decrease in allowance	1,156,443	132,438
Financial income	794,568,470	275,080,352
Other operating income		
For other operating income	273,520	136,752
For currency exchange and arbitration	0	0
For commissions for services	8,639,116	4,180,903
Total other operating income	8,912,636	4,317,655
Other operating expenses		
For other operating expenses	568,401,077	118,880,033
Total other operating expenses	568,401,077	118,880,033
Operating result, gross	235,080,029	160,517,974
Income of the period	¢ 235,080,029	160,517,974

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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Loan Portfolio of the Development Financing Fund

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

a) Loan portfolio by sector

Sector	March 2023	December 2022	March 2022
Agriculture, livestock, hunting and related services	¢ 9,838,683,442	13,555,793,433	11,189,764,769
Public administration	20,849,708	80,655,030	324,712,500
Fishing and aquaculture	42,986,799	43,712,963	45,333,453
Manufacturing	1,157,835,305	1,240,205,614	6,871,519,796
Trade	21,295,546,693	20,730,783,572	10,953,336,260
Services	8,795,301,258	7,799,465,538	8,444,060,585
Transportation	999,040,944	934,489,821	960,161,812
Financial activity and stock exchange	499,180,378	577,925,284	807,759,270
Real estate, business, and lease activities	144,117,999	165,159,122	243,477,929
Building, purchase, and repair of real estate	669,110,924	657,256,633	612,260,672
Retail	0	10,371,351	0
Hotels and restaurants	1,102,093,168	1,107,853,743	345,703,663
	44,564,746,618	46,903,672,104	40,798,090,709
Plus: interest receivable	183,850,247	196,788,486	76,878,514
Less: Deferred income – loan portfolio	(404,427,018)	(387,798,164)	(351,504,657)
Allowance for impairment	(312,055,274)	(313,014,745)	(303,152,347)
	¢ 44,032,114,573	46,399,647,681	40,220,312,219

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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b) Loan portfolio by arrears:

The loan portfolio by arrears is detailed as follows:

	March 2023	December 2022	March 2022
Up to date	¢ 40,685,793,706	43,099,794,086	37,737,300,931
1 to 30 days	2,172,433,216	1,996,268,803	1,833,088,637
31 to 60 days	546,481,684	237,828,072	487,478,273
61 to 90 days	491,066,727	524,840,646	453,561,956
91 to 120 days	9,280,364	44,053,040	109,812,456
121 to 180 days	29,079,104	5,129,667	131,165,460
Over 180 days	43,889,436	46,444,502	15,007,298
Legal collection	586,722,381	949,313,288	30,675,698
	¢ 44,564,746,618	46,903,672,104	40,798,090,709

c) Past due loans

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

	March 2023	December 2022	March 2022
Number of operations	17	20	7
Past due loans in non-accrual status of interest	¢ <u>630,611,817</u>	<u>995,757,790</u>	<u>45,682,996</u>
Past due loans for which interest is recognized	¢ 3,248,341,095	2,808,120,228	3,015,106,782
Total unearned interest	¢ 1,250,024	1,250,024	979,809

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023

As of March 31, 2023, loans on legal collection are as follows:

# Of operations	Percentage	Balance
9	1.32%	¢ <u>586,722,381</u>

As of December 31, 2022, loans on legal collection are as follows:

# Of operations	Percentage	Balance
11	2.02%	¢ <u>949,313,288</u>

As of March 31, 2022, loans on legal collection are as follows:

# Of operations	Percentage	Balance
3	0.08%	¢ <u>30,675,698</u>

d) Interest receivable on loan portfolio

Interest receivable is as follows:

	March 2023	December 2022	March 2022
Current loans	¢ 139,501,052	145,886,232	60,008,130
Past due loans	32,784,611	30,273,797	16,577,947
Loans in legal collection	11,564,584	20,628,457	292,437
	¢ <u>183,850,247</u>	<u>196,788,486</u>	<u>76,878,514</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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e) Allowance for bad loans

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

Opening balance 2023	¢	313,014,745
Less:		
Adjustment for exchange rate differences		(547,264)
Transfer of balances		(412,207)
Balance as of March 31, 2023	¢	<u>312,055,274</u>
Opening balance 2022	¢	193,756,485
Plus:		
Allowance charged to profit or loss		121,108,490
Transfer of balances		70,416,927
Adjustment for exchange rate differences		458,983
Less:		
Adjustment for exchange rate differences		(881,443)
Reversal of allowance against income		(123,591)
Transfer of balances		(71,721,106)
Balance as of December 31, 2022	¢	<u>313,014,745</u>
Opening balance 2022	¢	193,756,485
Plus:		
Allowance charged to profit or loss		109,553,263
Adjustment for exchange rate differences		213,378
Less:		
Adjustment for exchange rate differences		(123,591)
Reversal of allowance against income		(247,188)
Balance as of March 31, 2022	¢	<u>303,152,347</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023

f) Loan portfolio by type of guarantee:

The loan portfolio by type of guarantee is as follows:

	March 2023	December 2022	March 2022
Guarantee			
Fiduciary	¢ 553,756,336	594,397,403	694,244,288
Mortgage	27,014,841,674	27,823,325,592	29,310,277,245
Chattel	979,646,540	991,014,906	841,985,426
Others	16,016,502,068	17,494,934,203	9,951,583,750
	¢ 44,564,746,618	46,903,672,104	40,798,090,709

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023

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

	Direct Loan Portfolio		
	March 2023	December 2022	March 2022
Principal	¢ 44,564,746,618	46,903,672,104	40,798,090,709
Interest receivable	183,850,247	196,788,486	76,878,514
	<u>44,748,596,865</u>	<u>47,100,460,590</u>	<u>40,874,969,223</u>
Allowance for bad loans	(312,055,274)	(193,756,485)	(303,152,347)
Carrying amount	¢ <u>44,436,541,591</u>	<u>46,906,704,105</u>	<u>40,571,816,876</u>
Loan portfolio			
Total balances:			
A1	¢ 500,819,946	579,810,321	810,368,148
1	41,300,425,078	42,774,047,931	37,125,097,516
2	364,394,753	230,097,335	436,071,907
3	1,054,036,979	1,818,352,809	1,934,064,213
4	854,885,745	674,481,203	382,901,239
5	30,362,039	353,085,467	154,177,225
6	643,672,325	670,585,524	32,288,975
	<u>44,748,596,865</u>	<u>47,100,460,590</u>	<u>40,874,969,223</u>
Minimum allowance	(261,222,909)	(283,346,310)	(274,165,822)
Carrying amount, net	¢ <u>44,487,373,956</u>	<u>46,817,114,280</u>	<u>40,600,803,401</u>
Carrying amount	44,748,596,865	47,100,460,590	40,874,969,223
Allowance for bad loans	(261,222,909)	(283,346,310)	(274,165,822)
Allowance (surplus) deficit on minimum allowance	(50,832,365)	(29,668,435)	(28,986,525)
Carrying amount, net	6a ¢ <u>44,436,541,591</u>	<u>46,787,445,845</u>	<u>40,571,816,876</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023

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

As of March 31, 2023

Loan portfolio	Direct Loan Portfolio			
	Principal	Covered balance	Overdraft	Allowance
Direct generic allowance				
1	¢ 41,300,425,078	27,409,464,630	13,890,960,448	(103,251,062)
A1	500,819,946	0	500,819,946	(2,504,100)
	<u>41,801,245,024</u>	<u>27,409,464,630</u>	<u>14,391,780,394</u>	<u>(105,755,162)</u>
Direct specific allowance				
3	364,394,753	336,546,435	27,848,318	(3,075,148)
4	1,054,036,979	826,857,548	227,179,431	(60,929,146)
5	854,885,745	752,263,951	102,621,794	(55,072,217)
6	30,362,039	29,673,959	688,080	(630,026)
A1	643,672,325	610,965,944	32,706,381	(35,761,210)
	<u>2,947,351,841</u>	<u>2,556,307,837</u>	<u>391,044,004</u>	<u>(155,467,747)</u>
	¢ <u>44,748,596,865</u>	<u>29,965,772,467</u>	<u>14,782,824,398</u>	<u>(261,222,909)</u>
Loan portfolio				
Aging of loan portfolio				
Direct generic allowance				
Up to date	¢ 40,825,294,758	26,460,017,750	14,365,277,008	(100,946,930)
Equal or less than 30 days	2,189,803,153	1,849,143,189	340,659,964	(4,808,232)
	<u>43,015,097,911</u>	<u>28,309,160,939</u>	<u>14,705,936,972</u>	<u>(105,755,162)</u>
Direct specific allowance				
Equal or less than 30 days	553,166,792	539,085,764	14,081,028	(82,060,888)
Equal or less than 60 days	498,433,767	467,418,603	31,015,164	(38,365,089)
Equal or less than 90 days	39,141,217	39,141,217	0	(195,706)
Equal or less than 180 days	642,757,178	610,965,944	31,791,234	(34,846,064)
	¢ <u>1,733,498,954</u>	<u>1,656,611,528</u>	<u>76,887,426</u>	<u>(155,467,747)</u>
	¢ <u>44,748,596,865</u>	<u>29,965,772,467</u>	<u>14,782,824,398</u>	<u>(261,222,909)</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023

As of December 31, 2022

Direct Loan Portfolio				
	<u>Principal</u>	<u>Covered balance</u>	<u>Overdraft</u>	<u>Allowance</u>
Direct generic allowance				
1	¢ 42,774,047,931	26,549,686,853	16,224,361,078	(107,024,011)
A1	579,810,321	0	579,810,321	(2,899,052)
	<u>43,353,858,252</u>	<u>26,549,686,853</u>	<u>16,804,171,399</u>	<u>(109,923,063)</u>
Direct specific allowance				
2	230,097,335	209,631,334	20,466,001	(2,071,456)
3	1,818,352,809	1,599,715,448	218,637,361	(62,657,918)
4	674,481,203	544,624,221	129,856,982	(67,651,612)
5	353,085,467	352,777,239	308,228	(1,979,646)
6	670,585,524	634,696,391	35,889,133	(39,062,615)
	<u>3,746,602,338</u>	<u>3,341,444,633</u>	<u>405,157,705</u>	<u>(173,423,247)</u>
	<u>¢ 47,100,460,590</u>	<u>29,891,131,486</u>	<u>17,209,329,104</u>	<u>(283,346,310)</u>

Direct Loan Portfolio				
	<u>Principal</u>	<u>Covered balance</u>	<u>Overdraft</u>	<u>Allowance</u>
Direct generic allowance				
Up to date	¢ 579,810,320	0	579,810,320	(109,923,062)
	<u>579,810,320</u>	<u>0</u>	<u>579,810,320</u>	<u>(109,923,062)</u>
Direct specific allowance				
Up to date	42,665,869,997	26,371,864,973	16,294,005,025	(92,176,736)
Equal or less than 30 days	1,872,939,501	1,589,993,336	282,946,165	(32,142,297)
Equal or less than 60 days	369,675,851	358,943,818	10,732,033	(2,715,996)
Equal or less than 90 days	512,893,225	507,070,850	5,822,375	(5,306,319)
Equal or less than 180 days	429,800,682	428,562,118	1,238,563	(3,133,795)
Over 180 days	669,471,014	634,696,391	34,774,623	(37,948,105)
	<u>¢ 46,520,650,270</u>	<u>29,891,131,486</u>	<u>16,629,518,784</u>	<u>(173,423,248)</u>
	<u>¢ 47,100,460,590</u>	<u>29,891,131,486</u>	<u>17,209,329,104</u>	<u>(283,346,310)</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023

As of March 31, 2022

Loan portfolio	Direct Loan Portfolio			
	Principal	Covered balance	Overdraft	Allowance
Direct generic allowance				
1	¢ 37,125,097,516	28,476,670,599	8,648,426,917	93,024,152
A1	810,368,148	0	810,368,148	4,051,841
	<u>37,935,465,664</u>	<u>28,476,670,599</u>	<u>9,458,795,065</u>	<u>97,075,993</u>
Direct specific allowance				
2	436,071,907	327,310,911	108,760,996	7,074,604
3	1,934,064,213	1,447,685,691	486,378,522	128,833,059
4	382,901,239	364,120,342	18,780,897	11,211,050
5	154,177,225	128,582,086	25,595,139	18,559,508
6	32,288,975	20,982,278	11,306,697	11,411,608
	<u>2,939,503,559</u>	<u>2,288,681,308</u>	<u>650,822,251</u>	<u>177,089,829</u>
¢	<u>40,874,969,223</u>	<u>30,765,351,907</u>	<u>10,109,617,316</u>	<u>274,165,822</u>
Loan portfolio				
Aging of loan portfolio				
Direct generic allowance				
Up to date	¢ 37,797,309,061	27,935,935,066	9,861,373,995	92,775,797
Equal or less than 30 days	1,838,901,698	1,744,491,479	94,410,219	4,300,196
	<u>39,636,210,759</u>	<u>29,680,426,545</u>	<u>9,955,784,214</u>	<u>97,075,993</u>
Direct specific allowance				
Equal or less than 60 days	490,839,426	384,656,229	106,183,197	139,483,683
Equal or less than 90 days	457,891,879	439,820,333	18,071,546	12,207,042
Equal or less than 180 days	257,738,184	239,466,522	18,271,662	13,987,496
Over 180 days	32,288,975	20,982,278	11,306,697	11,411,608
¢	<u>1,238,758,464</u>	<u>1,084,925,362</u>	<u>153,833,102</u>	<u>177,089,829</u>
¢	<u>40,874,969,223</u>	<u>30,765,351,907</u>	<u>10,109,617,316</u>	<u>274,165,822</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023

As of March 31, 2023	Loans receivable from clients	
	Gross	Net
Risk category:		
1	¢ 41,300,425,078	41,197,174,014
2	364,394,753	361,319,605
3	1,054,036,979	993,107,834
4	854,885,745	799,813,528
5	30,362,039	29,732,013
6	643,672,325	607,911,115
A1	500,819,946	498,315,847
	¢ <u>44,748,596,865</u>	<u>44,487,373,956</u>

As of December 31, 2022	Loans receivable from clients	
	Gross	Net
Risk category:		
1	¢ 42,774,047,932	42,667,023,921
2	230,097,335	228,025,879
3	1,818,352,809	1,755,694,891
4	674,481,203	606,829,591
5	353,085,467	351,105,821
6	670,585,524	631,522,909
A1	579,810,320	576,911,268
	¢ <u>47,100,460,590</u>	<u>46,817,114,280</u>

As of March 31, 2022	Loans receivable from clients	
	Gross	Net
Risk category:		
1	¢ 37,125,097,516	37,032,073,364
2	436,071,907	428,997,303
3	1,934,064,213	1,805,231,154
4	382,901,239	371,690,189
5	154,177,225	135,617,717
6	32,288,975	20,877,366
A1	810,368,148	806,316,308
	¢ <u>40,874,969,223</u>	<u>40,600,803,401</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023

41). Situation of the Development Credit Fund

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

**DEVELOPMENT CREDIT FUND
STATEMENT OF FINANCIAL POSITION**

As of March 31, 2023
Financial Information
(In colones without cents)

	<u>March 2023</u>	<u>December 2022</u>	<u>March 2022</u>
Assets			
Cash and due from banks	¢ 984,780,489	810,456,884	868,188,918
Banco Central de Costa Rica	984,780,489	810,456,884	868,188,918
Investments in financial instruments	112,490,383,133	160,172,908,416	159,879,090,116
At fair value through profit or loss	1,754,226,968	1,271,137,156	4,130,175,183
At fair value through other comprehensive income	109,039,718,714	145,206,450,032	153,194,152,036
At amortized cost	790,186,484	12,468,166,624	1,050,560,817
Interest receivable	906,250,967	1,227,154,604	1,504,202,080
Loan portfolio	37,505,029,883	27,275,134,211	29,514,768,096
Current loans	37,130,425,678	27,143,284,667	29,570,481,897
Past due loans	467,268,496	360,875,877	100,161,606
Loans in legal collection	92,402,727	0	0
(Deferred income – loan portfolio)	(244,054,221)	(209,340,642)	(176,694,120)
Interest receivable	149,977,260	75,348,575	122,006,444
(Allowance for impairment)	(90,990,057)	(95,034,266)	(101,187,731)
Accounts and commissions receivable	352,695,026	827,577,117	64,536,218
Tax and deferred income tax	352,695,026	827,577,117	64,536,218
Other assets	2,139,092,663	2,002,095,388	1,357,428,666
Other assets	2,139,092,663	2,002,095,388	1,357,428,666
Total assets	¢ <u>153,471,981,194</u>	<u>191,088,172,016</u>	<u>191,684,012,014</u>
Liabilities			
Obligations with entities	¢ 157,378,387,594	192,026,399,855	185,769,415,990
Term	156,784,485,750	192,026,399,851	185,769,415,990
Charges payable to financial entities	593,901,840	0	0
Interest payable	4	4	0
Accounts payable and provisions	117,204,978	164,237,148	988,953,734
Accounts payable	227,500	0	0
Deferred income tax	116,977,478	164,237,148	988,953,734
Other liabilities	0	159,353,005	906,093,083
Other liabilities	0	159,353,005	906,093,083
Other liabilities	¢ <u>157,495,592,572</u>	<u>192,349,990,008</u>	<u>187,664,462,807</u>
EQUITY			
Adjustments to equity – Other comprehensive income	¢ (434,849,510)	0	0
Contributions from Banco de Costa Rica	¢ 0	0	0
Result of the previous period	¢ 0	(1,299,622,220)	2,597,919,234
Income of the current period	(3,588,761,868)	37,804,228	1,421,629,973
Total equity	¢ <u>(4,023,611,378)</u>	<u>(1,261,817,992)</u>	<u>4,019,549,207</u>
Total liabilities and equity	¢ <u>153,471,981,194</u>	<u>191,088,172,016</u>	<u>191,684,012,014</u>
Other debit memoranda accounts			
Own debit memoranda accounts	¢ 10,536,795,327	23,755,283,621	17,233,348,169
Interest receivable memoranda accounts	¢ 11,662,568	5,409,472	8,628,727

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023

**DEVELOPMENT CREDIT FUND
STATEMENT OF INCOME**

As of March 31, 2023

Financial Information

(In colones without cents)

	March 2023	March 2022
Financial income		
For investments in financial instruments	¢ 1,413,033,163	1,890,704,417
For loan portfolio	447,282,420	341,053,550
For exchange rate differences	0	1,245,023,307
Other financial income	213,129,135	89,491,548
Total financial income	2,073,444,718	3,566,272,822
Financial expenses		
For obligations with the public	996,675,064	323,628,340
For losses of exchange rate differences	3,385,442,206	0
For losses from available-for-sale financial instruments	0	0
Other financial expenses	1,040,877,033	3,754,967
Total financial expenses	5,422,994,303	327,383,307
For allowance of assets impairment	36,998,752	7,537,735
For recovery of assets and decrease in allowance	170,011,690	108,386,333
Financial income	¢ (3,216,536,647)	3,339,738,113
Other operating income		
For service commissions and fees	6,840	0
For exchange and arbitration, foreign currency	149,380,738	63,388,481
For other operating income	30,229,553	109,326,203
Total other operating income	¢ 179,617,131	172,714,684
Other operating expenses		
For exchange and arbitration, foreign currency	24,060,038	23,203,894
For other operating expenses	13,660,509	133,335,991
Total other operating expenses	¢ 37,720,547	156,539,885
Gross operating	¢ (3,074,640,063)	3,355,912,912
Profit transferred to the National Development Trust	514,121,805	1,934,282,939
Total comprehensive income of the period	¢ (3,588,761,868)	1,421,629,973
Profit allocation		
Transfer to the National Development Trust	¢ 514,121,805	6,724,003,799
Commission for managing the Development Credit Fund and the utilities	(3,588,761,868)	2,195,795,447
	¢ (3,074,640,063)	8,919,799,246

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023

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

	March 2023	December 2022	March 2022
At fair value through profit or loss	¢ 1,754,226,968	1,271,137,156	4,130,175,183
At fair value through other comprehensive income	109,039,718,714	145,206,450,032	153,194,152,036
At amortized cost	790,186,484	12,468,166,624	1,050,560,817
Interest receivable for investments at fair value through other comprehensive income	906,250,967	1,227,154,604	1,504,202,080
	¢ 112,490,383,133	160,172,908,416	159,879,090,116
	March 2023	December 2022	March 2022
At fair value through profit or loss	Fair value	Fair value	Fair value
<u>Local issuers</u>			
State-owned Banks	¢ 1,754,226,968	1,271,137,156	4,130,175,183
	¢ 1,754,226,968	1,271,137,156	4,130,175,183
	March 2023	December 2022	March 2022
At fair value through other	Fair value	Fair value	Fair value
otro resultado integral			
<u>Local issuers:</u>			
Government	¢ 24,271,549,770	0	123,314,757,313
State-owned Banks	84,768,168,944	145,206,450,032	29,879,394,723
	¢ 109,039,718,714	145,206,450,032	153,194,152,036

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

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023

Loan Portfolio of the Development Credit Fund

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

a) Loan portfolio by sector

Sector	March 2023	December 2022	March 2022
Agriculture, livestock, hunting and related services	¢ 22,557,917,534	11,546,560,131	24,976,315,426
Manufacturing	11,265,397,998	13,368,732,554	4,463,244,383
Trade	1,963,368,411	1,042,995,091	0
Services	1,331,148,942	1,094,082,029	231,083,694
Transportation	281,127,287	190,188,779	0
Construction, purchase and repair of real estate	97,519,660	82,204,817	0
Hotels and restaurants	193,617,069	179,397,143	0
	37,690,096,901	27,504,160,544	29,670,643,503
Plus Interest receivable	149,977,260	75,348,575	122,006,444
Less Deferred income loan portfolio	(244,054,221)	(209,340,642)	(176,694,120)
Allowance for impairment	(90,990,057)	(95,034,266)	(101,187,731)
	<u>¢ 37,505,029,883</u>	<u>27,275,134,211</u>	<u>29,514,768,096</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023

b) Loan portfolio by arrears:

The loan portfolio by arrears is detailed as follows:

	March 2023	December 2022	March 2022
Up to date	¢ 37,130,425,678	27,143,284,667	29,570,481,897
1 to 30 days	289,623,426	268,305,416	0
31 to 60 days	177,645,070	92,570,461	0
61 to 90 days	0	0	100,161,606
Legal collection	92,402,727	0	0
	¢ 37,690,096,901	27,504,160,544	29,670,643,503

c) Delinquent and past due loan portfolio

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

	March 2023	December 2022	March 2022
Number of operations	1	0	0
Delinquent and past due loans with no interest recognition	¢ 92,402,727	0	0
Delinquent and past due loans recognizing interest	¢ 467,268,496	360,875,877	100,161,606
Total of not received interest	¢ 11,662,568	5,409,472	8,628,727

d) Loan portfolio by type of guarantee:

The loan portfolio by type of guarantee is as follows:

	March 2023	December 2022	March 2022
Current loans	¢ 144,291,242	72,557,757	121,058,931
Past due loans	3,370,458	2,790,818	947,513
Loans in legal collection	2,315,560	0	0
	¢ 149,977,260	75,348,575	122,006,444

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023

e) Allowance for impairment of loan portfolio

Balance at the beginning of 2023	¢	95,034,266
Less:		
Adjustment for exchange differences		(4,044,209)
Balance as of March 31, 2023	¢	90,990,057
Balance at the beginning of 2022	¢	99,122,714
Plus:		
Transfer of balances		13,449,837
Adjustment for exchange differences		4,441,912
Less:		
Adjustment for exchange differences		(21,980,197)
Balance as of December 31, 2022	¢	95,034,266
Balance at the beginning of 2022	¢	99,122,714
Plus:		
Adjustment for exchange differences		2,065,017
Balance as of March 31, 2022	¢	101,187,731

f) Loan portfolio by kind of guarantee:

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

	March 2023	December 2022	March 2022
Guarantee			
Fiduciary	223,730,084	250,823,118	0
Mortgage	¢ 3,390,599,826	2,265,318,557	441,928,546
Chattel	384,861,675	222,995,792	629,663,718
Other	33,690,905,316	24,765,023,077	11,621,494,936
	¢ 37,690,096,901	27,504,160,544	12,693,087,200

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023

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

		Direct Loan Portfolio		
		March	December	March
		2023	2022	2022
Principal	¢	37,690,096,901	27,504,160,544	29,670,643,503
Interest receivable		149,977,260	75,348,575	122,006,444
		<u>37,840,074,161</u>	<u>27,579,509,119</u>	<u>29,792,649,947</u>
Allowance for bad loans		(90,990,057)	(95,034,266)	(101,187,731)
Carrying amount	¢	<u>37,749,084,104</u>	<u>27,484,474,853</u>	<u>29,691,462,216</u>
Loan portfolio				
Total balances:				
1	¢	37,102,237,209	27,186,994,456	29,518,882,392
2		184,889,043	93,486,017	0
3		234,519,521	299,028,646	273,767,555
4		223,710,101	0	0
5		94,718,287	0	0
		<u>37,840,074,161</u>	<u>27,579,509,119</u>	<u>29,792,649,947</u>
Minimum allowance		(102,973,567)	(71,711,266)	(77,668,232)
Carrying amount, net	¢	<u>37,737,100,594</u>	<u>27,507,797,853</u>	<u>29,714,981,715</u>
Carrying amount		37,840,074,161	27,579,509,119	29,792,649,947
Allowance for bad loans		(102,973,567)	(71,711,266)	(77,668,232)
Allowance (surplus) deficit on minimum allowance		11,983,510	(23,323,000)	(23,519,499)
Carrying amount, net	6a ¢	<u>37,749,084,104</u>	<u>27,484,474,853</u>	<u>29,691,462,216</u>

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The assessed loan portfolio including allowance is detailed as follows:

Loan portfolio	Direct Loan Portfolio			
	Principal	Covered balance	Overdraft	Allowance
Direct generic allowance				
1	¢ 37,102,237,209	12,204,623,877	24,897,613,332	(93,206,497)
	<u>37,102,237,209</u>	<u>12,204,623,877</u>	<u>24,897,613,332</u>	<u>(93,206,497)</u>
Direct specific allowance				
2	184,889,043	179,559,773	5,329,270	(1,164,262)
3	234,519,521	234,519,521	0	(1,172,598)
4	223,710,101	211,916,022	11,794,079	(6,956,619)
5	94,718,287	94,718,287	0	(473,591)
	<u>737,836,952</u>	<u>720,713,603</u>	<u>17,123,349</u>	<u>(9,767,070)</u>
¢	<u>37,840,074,161</u>	<u>12,925,337,480</u>	<u>24,914,736,681</u>	<u>(102,973,567)</u>

Loan portfolio	Direct Loan Portfolio			
	Principal	Covered balance	Overdraft	Allowance
Aging of loan portfolio				
Direct generic allowance				
Up to date	¢ 37,274,716,920	12,363,952,900	24,910,764,020	(92,813,744)
Equal to or less than 30 days	291,079,181	287,106,520	3,972,661	(392,753)
	<u>37,565,796,101</u>	<u>12,651,059,420</u>	<u>24,914,736,681</u>	<u>(93,206,497)</u>
Direct specific allowance				
Equal to or less than 30 days	179,559,773	179,559,773	0	(8,395,680)
Equal to or less than 60 days	0	0	0	(897,799)
Equal to or less than 90 days	94,718,287	94,718,287	0	(473,591)
	<u>274,278,060</u>	<u>274,278,060</u>	<u>0</u>	<u>(9,767,070)</u>
¢	<u>37,840,074,161</u>	<u>12,925,337,480</u>	<u>24,914,736,681</u>	<u>(102,973,567)</u>

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Loan portfolio		Direct Loan Portfolio			
		Principal	Covered balance	Overdraft	Allowance
Direct generic allowance					
1	¢	<u>27,186,994,456</u>	<u>13,865,345,852</u>	<u>13,321,648,604</u>	<u>(68,416,796)</u>
		27,186,994,456	13,865,345,852	13,321,648,604	(68,416,796)
Direct specific allowance					
2		93,486,017	93,486,017	0	(467,431)
3		299,028,646	293,592,335	5,436,311	(2,827,039)
		<u>392,514,663</u>	<u>387,078,352</u>	<u>5,436,311</u>	<u>(3,294,470)</u>
	¢	<u>27,579,509,119</u>	<u>14,252,424,204</u>	<u>13,327,084,915</u>	<u>(71,711,266)</u>
Loan portfolio					
Aging of loan portfolio					
Direct generic allowance					
Up to date	¢	<u>27,215,842,424</u>	<u>13,888,757,509</u>	<u>13,327,084,915</u>	<u>(68,138,095)</u>
Equal to or less than 30 days		<u>270,180,678</u>	<u>270,180,678</u>	<u>0</u>	<u>(278,701)</u>
		<u>27,486,023,102</u>	<u>14,158,938,187</u>	<u>13,327,084,915</u>	<u>(68,416,796)</u>
Direct specific allowance					
Equal to or less than 60 days		<u>93,486,017</u>	<u>93,486,017</u>	<u>0</u>	<u>(3,294,470)</u>
		<u>93,486,017</u>	<u>93,486,017</u>	<u>0</u>	<u>(3,294,470)</u>
	¢	<u>27,579,509,119</u>	<u>14,252,424,204</u>	<u>13,327,084,915</u>	<u>(71,711,266)</u>

As of March 31, 2022

Loan portfolio		Direct Loan Portfolio			
		Principal	Covered balance	Overdraft	Allowance
Direct generic allowance					
1	¢	<u>29,518,882,392</u>	<u>6,929,892,851</u>	<u>22,588,989,541</u>	<u>74,883,280</u>
		29,518,882,392	6,929,892,851	22,588,989,541	74,883,280
Direct specific allowance					
3		<u>273,767,555</u>	<u>267,987,500</u>	<u>5,780,055</u>	<u>2,784,952</u>
		<u>273,767,555</u>	<u>267,987,500</u>	<u>5,780,055</u>	<u>2,784,952</u>
	¢	<u>29,792,649,947</u>	<u>7,197,880,351</u>	<u>22,594,769,596</u>	<u>77,668,232</u>
Loan portfolio					
Aging of loan portfolio					
Direct generic allowance					
Up to date	¢	<u>29,691,540,828</u>	<u>7,096,771,233</u>	<u>22,594,769,596</u>	<u>74,883,280</u>
		29,691,540,828	7,096,771,233	22,594,769,596	74,883,280
Direct specific allowance					
Up to date					
Equal to or less than 30 days		0	0	0	2,279,406
Equal to or less than 60 days		<u>101,109,119</u>	<u>101,109,119</u>	<u>0</u>	<u>505,546</u>
		<u>101,109,119</u>	<u>101,109,119</u>	<u>0</u>	<u>2,784,951</u>
	¢	<u>29,792,649,947</u>	<u>7,197,880,351</u>	<u>22,594,769,596</u>	<u>77,668,232</u>

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As of March 31, 2023	Loans receivable from clients	
	Gross	Net
Risk category:		
1	¢ 37,102,237,209	37,009,030,712
2	184,889,043	183,724,781
3	234,519,521	233,346,924
4	223,710,101	216,753,481
5	94,718,287	94,244,696
	¢ <u>37,840,074,161</u>	<u>37,737,100,594</u>

As of December 31, 2022	Loans receivable from clients	
	Gross	Net
Risk category:		
1	¢ 27,186,994,456	27,118,577,660
2	93,486,017	93,018,587
3	299,028,646	296,201,606
	¢ <u>27,579,509,119</u>	<u>27,507,797,853</u>

As of March 31, 2022	Loans receivable from clients	
	Gross	Net
Risk category:		
1	¢ 29,518,882,392	29,443,999,111
2	273,767,555	270,982,604
	¢ <u>29,792,649,947</u>	<u>29,714,981,715</u>

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

As of March 31, 2023, resources have been transferred from the Development Credit Fund.

	March 2023	December 2022	March 2022
Banco Promerica	¢ <u>491,568,608</u>	<u>7,768,261,881</u>	<u>2,201,952,019</u>
	¢ <u>491,568,608</u>	<u>7,768,261,881</u>	<u>2,201,952,019</u>

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

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

a) IAS 1: Presentation of Financial Statements

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

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

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

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

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

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

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

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

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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c) IAS 7: Statements of Cash Flows

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

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

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

Accounting estimates are the best approximations of values or items that are included in the financial statements to measure the effects of events or economic transactions that have already occurred, or a current situation that is typical of an asset or liability of the entity, including adjustments that occur after the evaluation of an item as a result of new information or new events.

Any change in accounting estimates is prospective and is recorded in income for the period.

Based on its business model, nature, size, complexity, risk profile and other circumstances inherent to its operational activity, the entity must implement policies and procedures to define the representative framework to determine whether the information is material or not, which involves considerations of quantitative and qualitative factors. The entity shall disclose material inaccuracies or omissions, and related accounting policies, in the financial statements.

e) IAS 12: Income tax

A company recognizes all the tax consequences of paying dividends in the same way as income tax.

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

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

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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- a. Record against results of the period in the event that, according to the assessment by senior management, it is concluded that the entity has an immediate enforceable obligation with the Tax Administration.
 - b. Record a provision, for those treatments not considered in the previous paragraph, and whose amount must reflect the uncertainty for each of the tax treatments in dispute, according to the method that best predicts its resolution, as indicated by IFRIC 23.
- f) IAS 16: Property, Plant and Equipment

The Standard issued by the Board requires the revaluation of property through appraisals made by independent appraisers at least once every five years, eliminating the option to carry these assets at cost or to revalue other types of assets.

The revaluation must be supported by an appraisal made by an independent professional, authorized by the respective college.

Furthermore, SUGEF permits the conversion (capitalize) of the surplus revaluation directly in equity (only for state banks), without having to relocate previously to retained earnings, as required by IAS 16.

Moreover, under IAS 16, depreciation continues on property, plant and equipment, even if the asset is idle. The Standard issued by the Board allows entities to suspend the depreciation of idle assets and reclassify them as held-for-sale.

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

The supervised entities must keep their records and present their financial statements in Costa Rican colones.

The supervised entities must use the reference sale exchange rate of the Central Bank of Costa Rica that prevails at the time the operation is carried out for the accounting record of the conversion of foreign currency to the official currency 'colón', except for pension funds and labor capitalization funds, which must use the reference purchase exchange rate of the Central Bank of Costa Rica. Pension funds created by special or basic law managed by non-banking public sector institutions may use the purchase exchange rate referred to in article 89 of the Organic Law of the Central Bank of Costa Rica.

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At the end of each month, the corresponding reference exchange rate will be used as indicated in the previous paragraph, in force on the last day of each month for the recognition of the adjustments for exchange rate differences in monetary items in foreign currency.

The provisions of this article do not prevent entities from generating information on a currency other than the Costa Rican colón, in the terms described in IAS 21 on functional currency. However, this information may not be used for the purposes of calculating prudential indicators, for presentation to the respective Superintendence or for publication to the public as required in the legal provisions that regulate the Financial System.

h) IAS 27: Consolidated and Separate Financial Statements

The Board requires that the financial statements of a parent entity to be presented separately, measuring its investments by the equity method. Under IAS 27, a parent is required to present consolidated financial statements. A parent company needs not to present consolidated financial statements when the ultimate or any intermediate parent of the parent produces consolidated financial statements available for public use, provided certain other requirements are also met. However, in this case, IAS 27 requires that investments be accounted for at cost.

In the case of financial groups, the holding company must consolidate the financial statements of all of the companies of the group in which it holds an ownership interest of twenty five percent (25%) or more, irrespective of control. For such purposes, proportionate consolidation should not be used, except in the consolidation of investments in joint ventures.

Amended IAS 27 (2008) requires accounting for changes in ownership interests by the Bank in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the Bank loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in profit or loss. The amendments to IAS 27 became mandatory for the Bank's 2010 consolidated financial statements. These amendments have not been adopted by the Board.

The objective of this standard is to describe accounting treatment and disclosures required by subsidiaries, joint ventures and associates when the entity presents separate financial statements.

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i) IAS 28: Investments in Associates and Joint Ventures

In application of IAS 28 *Investments in associates and joint ventures*, the entity with legal power to participate in the equity of other companies or special purpose entity, such as joint Ventures, associated, Trusts, must use the equity method, from the date it acquires the investment or from the date it becomes an associate, joint ventures, or special purpose entity.

Supervised entities must present their separate financial statements.

j) Amendments to IAS 32: Financial Instruments 0 Presentation and IAS 1: Presentation of Financial Statements 0 Puttable Financial Instruments and Obligations Arising on Liquidation

The amendments to the standards require puttable instruments and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity if certain conditions are met. These changes have not been adopted by the Board.

k) IAS 37: Provisions, Contingent Liabilities and Contingent Assets

SUGEF requires that a provision for possible losses must be booked for contingent assets. IAS 37 does not allow this type of provision.

l) IAS 38: Intangible Assets

The commercial banks listed in article 1 of Internal Regulations National Banking System (Law No. 1644) may present organization and installation expenses as an asset in the balance sheet, however, those expenses must be fully amortized on the straight0line method over a maximum of five years. Similar procedure and term must be used for the amortization of goodwill acquired.

Automatic applications should be amortized systematically by the straight-line method during the term which produces economic benefits; such term could not exceed five years. Similar proceeding applies to obtained goodwill.

IAS 38 allows different methods to distribute an asset amortizable amount during useful life. Useful life of automatic applications could be longer than five years as stated by CONASIF standards.

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

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After initial recognition, intangible assets with a defined useful life must be accounted for at their acquisition cost less accumulated amortization and accumulated impairment losses that may have affected them.

The supervised entity's senior management must establish the appropriate mechanisms and procedures to determine whether an intangible asset with an indefinite useful life has deteriorated. For the respective verification, it will compare its recoverable amount with its carrying amount. This comparison must be carried out when there is any indication that the value of the asset could have deteriorated or, at least, on an annual basis.

This provision also applies to goodwill acquired in a business combination.

The automated applications in use must be systematically amortized by the straight-line method, in the course of the period in which it is expected to produce economic benefits for the entity, which must be based on its accounting policy.

In the case of commercial banks, indicated in article 1 of the Organic Law of the National Banking System, Law 1644, organization and installation expenses can be presented in the statement of financial position as an asset, but must be fully amortized by the straight-line method within a maximum period of five years.

m) IAS 40: Investment Property

Investment properties must be valued at fair value.

For leased investment properties in which the fair value cannot be reliably measured on a continuous basis, its value will be measured by applying the cost model indicated in IAS 16 Property, Plant and Equipment. The residual value of the investment property should be assumed to be zero.

n) IFRS 3: Business combinations (revised)

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

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The combination that involves entities or businesses under common control or that the acquiree is a subsidiary of an investment entity, must be carried out by integrating its assets and liabilities measured at carrying value using even accounting policies, for which adjustments in the financial statements of the acquiree will be previously carried out, to ensure that the accounting policies correspond to those used by the acquirer.

o) IFRS 5: Non-current Held-for-Sale Assets and Discontinued Operations

In the case of entities supervised by SUGEF, assets awarded in judicial auctions or received in payment of obligations must be valued at the lower of:

- a) its carrying amount; and
- b) its fair value less selling costs.

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

Within a 24-months period from the date of award or receipt of the asset, the entity must request the Superintendent, by the means provided by the latter, an extension for an equal period for the sale of the asset. By means of duly reasoned criteria, the Superintendent may deny the request for an extension, in which case he will demand the constitution of an allowance of the property for 100% of its carrying amount

Also, an allowance for 100% of the carrying amount of the asset will be required when at the end of the indicated term, the entity did not request the extension. However, it will be a necessary condition that within 24 months from the date of award or receipt of the asset, it is estimated to be at least 50% of its carrying amount.

To determine the carrying amount of the assets awarded in judicial auctions or received in payment of obligations, the entity must record an allowance at the rate of one-forty-eighth per month until completing one hundred percent of the carrying amount of the asset. This accounting record will begin from the closing date of the month in which the asset was awarded or received in payment.

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p) IFRS 9: Financial Instruments

The conventional purchase or sale of financial assets must be recorded applying the accounting of the settlement date.

Financial assets are divided into those that are measured at amortized cost and those that are measured at fair value. Based on the business model for managing financial assets and the characteristics of the contractual cash flows of the financial asset, the entity should classify its own investments or pooled portfolios in financial assets according to the following valuation categories:

- a. At amortized cost. If an entity, in accordance with its business model and the current regulatory framework, classifies a part of its investment portfolio in this category, it will disclose:
 - i. the fair value of financial assets classified in this category, in the quarterly financial statements and in the audited annual financial statement; and
 - ii. the gain or loss that should have been recognized in profit or loss for the financial statements indicated in the previous section.
- b. At fair value through other comprehensive income.
- c. At fair value through profit or loss: Participations in open investment funds must be registered in this category.

Regulated entities must have policies and procedures to determine when to suspend the accrual of commissions and interest on loan operations.

However, the period of suspension of accrual should not be more than one hundred and eighty days.

q) IFRS 13: Fair Value Measurement

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

Expenses or losses from equity reserves created by law or voluntarily by regulated entities cannot be directly recorded, without having previously gone through profit or loss of the period.

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43). Figures for 2023

As of March 31, 2023, financial statement figures have not been reclassified for comparison with those of 2022, per modifications to the Chart of Accounts and SUGEF Directive 30-18: "Regulation on the financial information" approved by CONASSIF.

44). Relevant and subsequent events

As of March 2023, there are relevant and subsequent events to disclose as follows:

a) Transfer of charges and observations

As of July 3, 2020, the BCCR publishes Law 9859 "Law to fight Usury" defining a maximum on interest rates on loans and credit cards equivalent to 37.69% per year in colones and 30.36% in US dollars, in force for the second quarter of 2020. BCR credit cards offer an interest rate of 32% per year, one of the lowest in the market at the time of the entry into force of Law 9859, therefore it did not generate a financial impact on the income for credit card interest.

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

As of December 31, 2022, an adjustment for ¢11,124,931,039 for provision reversal for IFRIC 23 is carried out by prescription corresponding to the period 2017, (¢1,734,981,794.69, for December 31, 2020, corresponding to 2016).

As of December 31, 2022, BCR Operadora de Pensiones Complementarias does not make a provision reversal adjustment corresponding to 2017 for ¢84,945,625, (¢51,013,093 for December 31, 2020, corresponding to 2015. By prescription, for December 2021, the entity did not perform a reversal adjustment of the IFRIC23 provision).

As of December 31, 2022, BCR Corredora de Seguros carried out the reversal of the respective contingency for ¢34,566,861 corresponding to the 2017 period (¢40,880,144, for December 31, 2020, and ¢54,313,692 for December 2021. Corresponding to the 2015 period).

As of December 2022, BCR Valores S.A. did not perform an adjustment for reversal of provision CINIIF23 (¢194,676,459, for December 31, 2020, and ¢264,905,511 as of December 31, 2021, corresponding to 2015).

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As of December 31, 2022, BCR Sociedad Administradora de Fondos de Inversión S.A. performed the reversion corresponding to 2017 for ¢78,779,564, (¢42,457,128, for December 31, 2020, and ¢36,435,373 as of December 2021, corresponding to 2015.)

On March 21, 2022, the Regularization Provision Proposal No. DGCN-SFPD-28-2021-4-321-03 is notified, informing the Bank of the differences found in the tax bases and tax quotas, as well as the facts and legal bases supporting it. The total debt is of ¢16,755,470,468 and interest of ¢8,042,094,675, corresponding to the 2017 fiscal period.

The Bank of Costa Rica expressed partial disagreement with the regulation proposal and is awaiting notification of the administrative act of settlement, with concrete expression of the facts and the legal bases that motivate the differences in the taxable bases and the tax quotas.

As of April 5, 2022, the Bank paid ¢32,663,336,583 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	¢ 32,663,336,583

b) Value added tax

With the enactment of Law No. 9635, Law on Strengthening Public Finances of December 3, 2018, the sales tax system is comprehensively reformed, derogating entirely the General Sales Tax Law, Law No. 6826 of November 8, 1982, and its reforms, migrating its Title I to a new regulatory framework, called the Value Added Tax Law. This tax is regulated in Article 1 of the Law. In this new regulatory framework, all goods and services are taxed generally, presupposing an improvement in the control and oversight of the tax, since the list of exempt goods and services is considerably reduced, according to what is established in Article 8 of the Law. Likewise, the essential elements of the tax, being the taxable event, the accrual, the taxable persons, and the taxable base, were modified with Article 1 of the Law for Strengthening Public Finances.

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c) New administration of the Notarial Guarantee Fund

On October 8, 2019, BCR Pensiones started managing the Notarial Guarantee Fund; this fund was created with the enactment of the Notarial Code started ruling in 1998.

The National Directorate of Notaries carried out a comprehensive market study to determine the existence of options to manage its fund, thus transferring the Fund to BCR Pensiones.

In official letter BCROPC-048-20 dated February 11, 2020, the deadline for delivery of the audited financial statements of the Individual Capitalization Fund of Notarial Guarantee is extended once the National Directorate of Notaries delivers the corresponding audited financial statements to the period from January 1 to October 7, 2020, which was administered by another Complementary Pension Operator.

Declaration of health alert for COVID-19

Actions of the Government of Costa Rica

As of March 17, 2020, the decree of Fiscal Relief for COVID-19 is approved, establishing moratorium measures in the payment of income tax (VAT, selective consumption, and duties, from April to June 2020 they be declared and may be paid free of charge for interest or penalties until December 2020, a postponement of the payment term is granted, there is no forgiveness or amnesty).

In addition, it will not be necessary to pay the rent advance for the months of April to June 2020 and the VAT exemption on commercial rentals in the months of April to June 2020.

On March 18, 2020, directive 075-H was signed to instruct the State commercial banks, in exercise of their constitutional autonomy, to carry out all the necessary and effective measures to readjust the credits of the debtors affected by the current situation.

The guideline urges banks to assess measures such as the following:

1. Decrease in interest rates according to the terms of each loan.
2. Extension of the term of loans.
3. Extension in the payment of the principal and/or interest for the time that is necessary.
4. Extraordinary payments to the principal amount without penalty.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023

Financial Information Regulation

As of March 2020, multiple regulations have been issued with the aim of mitigating the impact of COVID-19 related to the banking and financial sector, as follows:

Approved by CONASSIFF

- a. To extend to June 30, 2021, the option to renegotiate the agreed conditions of the credits up to twice in a 24-month period, without these being considered a special operation and therefore, without these adjustments having negative effects on the debtors' file at the Credit Information Center (CIC) (CP-BCCR-007-2020).
- b. This measure covers loans of more than ₡100 million and those equal to or less than this amount that already have two adjustments in the last 24 months.
- c. Loans of 100 million colones or less that to date have had two readjustments within the last 24 months, may readapt their operation once more during the period ending June 30, 2021, without qualifying as a special operation.
- d. This measure allows a third payment readjustment to clients who have already had two arrangements; that the renegotiations be for any operation regardless of the balance and suspend, for one year, the countercyclical provisions (an amount of the profits that should be kept month by month), to all financial entities.
- e. The National Council for the Supervision of the Financial System approved on Monday, March 23, new mitigation measures against the negative effects of the coronavirus on the economy of Costa Rica. These measures are complementary to those already taken previously and have the objective of granting access to credit measures to the affected debtors.
- f. Measures regarding the Payment Capacity: It was agreed to maintain the level of payment capacity that the companies or individuals had prior to the effects of COVID-19. This particular measure aims to facilitate the readjustments and / or refinancing of the credits. This measure is temporary; it is in force until March 31, 2021.

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- g. Measures related credit policies and procedures: A measure that will ease the procedures for both the granting of new credits and their readjustments and/or refinancing, where financial institutions may omit, in their credit policies and procedures, the information that they ordinarily request from their clients to verify their ability to pay. This provision will be in force until March 31, 2021. Measures regarding the Suspension of Classification of Irregularities of the Sanitation Plan: It was agreed to suspend, for one year, the provision that classifies a financial entity in "type irregularity", when the institution has losses for six months or more, in the last 12 months. When a financial institution presents losses for six months or more, in the last 12 months, SUGEF immediately orders the implementation of a reorganization plan to counteract the situation. It is important to note that SUGEF must amend the parameters for determining the liquidity indicators. This measure will be in force for a twelve-month period.
- h. Measures regarding the granting of periods of grace: In accordance with Directive 075-H issued by the Government, it was agreed to allow financial entities to establish grace periods for clients, without the payment of interest or principal. It is important to highlight that this measure will be implemented under the criteria of each financial entity, the term of the grace periods will be determined by each financial entity.
- i. Measures regarding the de-accumulation of countercyclical provisions: It was agreed to allow financial entities to establish processes of de-accumulation of counter-cyclical provisions and classify them as income. These estimates correspond to the money those financial institutions reserve to protect themselves from economic cycle risks and / or the effects of portfolio defaults.

General Superintendence of Financial Entities

- a. By Resolution SGF-0971-2 dated March 20, 2020, SUGEF agreed to reduce the "M" factor in the countercyclical allowance formula with the aim of adding opportunity and effectiveness to the dynamics of the countercyclical allowance model.
- b. It was agreed to establish the value of the "M" factor referred to in Article 6 of the SUGEF 19-16 Agreement.
- c. This minimum required percentage level of countercyclical allowance ("M") will apply from the monthly close of March 2020 and will be subject to revision during the year 2020.
- d. This measure will allow financial entities to allocate resources to grant credits, which would ordinarily be foreseen for the reserves required by law.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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Central Bank of Costa Rica

The Board of Directors of the Central Bank of Costa Rica approved the following reforms:

- a. It reduced the Monetary Policy Rate (TPM) by 100 basis points, to locate it at 1.25% annually, as of March 17, 2020,
- b. In addition, it agreed to reduce the gross interest rate on overnight deposits (DON) to 0.01% per year as of March 17, 2020, and those of the Permanent Credit Facility and the Permanent Market Deposit Facility Integrated Liquidity at 2.00% and 0.01%, respectively; and
- c. Modify the control of the Minimum Legal Reserve from 97.5% to a minimum of 90%: “during each and every day of the reserve control period, the balance at the end of the day of deposits in the Central Bank must not be less than 90% of the minimum legal reserve requiring two previous natural fortnights”. This measure aims to free up a little daily liquidity in the country's commercial banks; however, it is important to note that the required percentages of the Minimum Legal Reserve have not changed (15% in US dollars and 12% in colones).
- d. With the aim of positively impacting the liquidity markets, as of March 24, the Central Bank will participate in the liquidity markets of the National Stock Market (overnight market and repurchase market) as an investor in US dollars. In addition, it will participate as an investor in colones with one-day and up to thirty-days terms.
- e. The Central Bank has informed its intention of participating in the Integrated Liquidity Market (the banks' liquidity market) during the next days, with investor positions in an one-day term.
- f. Through resolution JD-5922/09, the Board of Directors of the Central Bank agreed to modify the Regulations for credit operations of last instance in national currency of the Central Bank of Costa Rica, related to the reforms necessary for credit applications to be approved through a technological platform.
- g. The decisions are based on the analysis of the expected trajectory for inflation and its determinants, the risks in that forecast, and the lag with which the monetary policy measures take effect.
- 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.

BANCO DE COSTA RICA AND SUBSIDIARIES

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Measures adopted by the Bank in the face of the health emergency due to COVID-19. Measures were generated in three areas:

- 1) Direct loan: A total grace period of 6 or 12 months will be provided, in which the client will pay only what corresponds to credit-related policies, that is, the principal and interest will not be charged during that period; the collection will be carried out after the total grace period and will be treated according to the needs of each client.

The unpaid interest will be charged through a new loan that will take effect at the end of the grace period.

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

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

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

- 2) Credit cards: With reference to credit cards, at the request of each client, a total grace period will be granted for a period of up to three months. During the months of the full grace period, you will be no charges for fees or default interest.

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

- 3) Credit lines: They will be attended to as specific situations, punctually analyzing each client to identify the need and provide a tailor-made solution.

As an immediate response to the corporate sector, the Bank will allocate close to 100 billion colones to support the liquidity of its corporate clients, readjusting its credit operations in direct loans, to improve the cash flows of the companies.

In this first stage, facilities will be given with emphasis on Tourism and Commerce, which will allow a medium-term solution, ranging between 6 or 12 months in both currencies.

In a second stage, the Transportation and Commercial sector with real estate activity will be addressed with greater emphasis, also covering other economic activities.

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As of March 31, 2023, Loans are detailed by activity in operations readjusted by Covid-19:

Loans – Balances converted to colones			
Activity	Colones	Converted US dollars	
Agriculture	1,798,346,333	26,471,697,215	
Trade	57,257,578,456	26,135,023,706	
Construction	5,363,184,775	7,970,129,151	
Retail	61,094,109,635	1,977,292,627	
Livestock	2,829,628,297	0	
Industry	29,606,285,284	1,892,580,093	
Services	26,791,568,310	9,830,033,635	
Transportation	18,675,210,677	45,213,799	
Tourism	5,947,313,124	38,810,594,202	
Housing	171,631,480,957	40,159,632,421	
Total by currency	₡ 380,994,705,848	153,292,196,849	
Total	₡ 534,286,902,697		

Activity	Amount in		
	Colones	US dollars	Total
Agriculture	77	5	82
Trade	663	49	712
Construction	19	14	33
Retail	6,970	323	7,293
Livestock	61		61
Industry	82	2	84
Services	387	24	411
Transportation	141	2	143
Tourism	38	36	74
Housing	7,929	1,045	8,974
Total	16,367	1,500	17,867

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As of December 31, 2022

Loans – Balances converted to colones		
Activity	Colones	Converted US dollars
Agriculture	1,869,154,251	29,396,612,154
Trade	59,588,289,374	29,403,105,392
Construction	5,429,447,377	9,029,425,826
Retail	64,241,759,419	2,531,696,450
Livestock	3,146,799,788	0
Industry	30,279,656,003	2,118,138,910
Services	27,901,602,062	11,811,450,962
Transportation	20,224,288,897	55,138,491
Tourism	6,174,538,898	42,976,318,039
Housing	174,526,727,621	46,041,845,375
Total by currency	¢ 393,382,263,690	173,363,731,599
Total	¢ 566,745,995,289	

Activity	Colones	Amount in US Dollars	Total
Agriculture	77	5	82
Trade	704	52	756
Construction	19	14	33
Retail	7,217	357	7,574
Livestock	78		78
Industry	83	2	85
Services	401	28	429
Transportation	146	2	148
Tourism	38	36	74
Housing	8,033	1,084	9,117
Total	16,796	1,580	18,376

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As of March 31, 2022

Activity	Colones	Converted US dollars
Agriculture	2,105,563,938	35,635,384,914
Trade	87,623,896,751	35,476,295,660
Construction	5,591,011,774	11,442,933,589
Retail	73,921,790,806	4,249,166,218
Livestock	3,737,938,176	0
Industry	32,543,539,047	2,571,404,781
Services	30,552,625,902	23,410,066,959
Transportation	22,670,081,461	72,504,411
Tourism	7,102,554,641	52,646,627,079
Housing	186,123,865,984	58,085,921,724
Total by currency	451,972,868,481	223,590,305,334
Total	675,563,173,815	

Activity	Colones	Amount in US Dollars	Total
Agriculture	86	10	96
Trade	862	70	932
Construction	18	14	32
Retail	8,040	495	8,535
Livestock	103	0	103
Industry	94	4	98
Services	439	40	479
Transportation	197	2	199
Tourism	47	49	96
Housing	8,463	1,193	9,656
Total	18,349	1,877	20,226

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023

Effects of the pandemic on BICSA

As of December 31, 2020, the number of moratoriums granted by BICSA Group reaches an amount of 184.7 million dollars, which represents 12% of the total portfolio and provisions were made to cover the potential effect of macroeconomic impairment of the loan portfolio according to the entity's expected loss models (see note 26 - Modified special mention category loans).

Faced with the pandemic, Grupo BICSA was forced to respond quickly to critical questions in the operational and financial areas. In particular, the recalibration and updating of IFRS 9 models is of particular importance as a fundamental task in the current context because of various factors that in turn have an impact on provisions. These reviews considered adjustments to conventional methodological aspects such as the probability of default (PD), the loss given default (LGD) and the forward-looking adjustment (prospective economic effect of the IFRS 9 model). The classification criteria in Stages have also been revised to incorporate the effects that the COVID-19 environment could bring to customers, in this case it is necessary to define criteria for a significant increase in credit risk (ISRC) based on the risk of the economic sector, the activity within the economic sector and the particular characteristics of each client. Finally, based on the methodology defined taking as reference the international regulations and the local regulatory context, the Bank defined the Post Model Adjustments (Overlays) with general guidelines for the classification process of modified loans in the different stages established by IFRS 9. After applying the adjustments, the bank resulted in an increase in its IFRS 9 reserve estimate of \$1.3 million.

Management and impacts of the pandemic for COVID-19 at BICSA

As of the second quarter of 2020, the Group increased its volume of current assets to an average greater than 63.65% of the Legal Liquidity indicator, doubling the minimum 30% required (see Note 5 - Liquidity Risk). Finally, the Group's solvency level has improved compared to the previous closing ended on December 31, 2019 and remains well above the requirements of the SBP in 12.76% of weighted equity/assets based on risk (see Note 5 - Capital Management). The final magnitude of the impact of the pandemic for COVID-19 on the Group's business, financial situation and results will depend on future and uncertain events, including the intensity and persistence over time of the consequences derived from the pandemic in the different geographies in which the Group operates.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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Financial Information Regulation

Through articles 6 and 5 of the minutes of sessions 1442-2018, held on September 11, 2018, CONASSIF approved the Financial Information Regulation, in effect from January 1, 2020.

The purpose of the Regulations is to moderate the application of the International Financial Reporting Standards (IFRS) and their interpretations (SIC and IFRIC), issued by the International Accounting Standards Board (IASB), considering prudential or regulatory accounting treatments. As well as the definition of a specific treatment or methodology when IFRS propose two or more application alternatives.

Distribution of dividends

As of April 26, 2022, BCR Corredora de Seguros S.A., distributes dividends in the amount of ¢3,100,000,000, according to the resolution of the Extraordinary General Shareholders' Meeting No. 06-22, April 19, 2022.

As of April 27, 2022, BCR Sociedad Administradora de Fondos de Inversión, S.A., distributes dividends in the amount of ¢2,750,000,000, according to the resolution of the Extraordinary General Shareholders' Meeting No. 06-2022, April 19, 2022.

As of April 26, 2022, BCR Valores, S.A., distributes dividends in the amount of ¢3,000,000,000, according to the resolution of the Extraordinary General Shareholders' Meeting No. 06-2022, April 19, 2022.

As of April 26, 2022, BANPROCESA, S.A., distributes dividends in the amount of ¢300,000,000, according to the resolution of the Extraordinary General Shareholders' Meeting No. 06-2022, April 19, 2022.

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.

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By means of official letter GG-04-276-2020, of April 24, 2020, a request for formal authorization it is sent to the General Superintendency of Financial Entities (SUGEF) on April 27, 2020, to incorporate Banprocesa, S.R.L. to the BCR Financial Conglomerate and Subsidiaries, clarifying that, currently Banco de Costa Rica owns 100% of the shares of the entity.

By means of official letter SGF-2069-2021 SGF-CONFIDENCIAL-202103143, dated July 23, 2021, a favorable opinion is rendered on the request for authorization to incorporate Banprocesa, S.R.L. to the BCR Financial Conglomerate.

As of December 31, 2021, for the presentation of the financial statements of the Banco de Costa Rica Financial Conglomerate, due to the incorporation as a member company, and due to the nature of Banprocesa SRL's business, an adjustment was made in the amount of ¢940.117.721, corresponding to the profit generated in the service provided in support of the Bank's software, in the statement of financial position and in the income statement.

Gradual increase of the Minimum Legal Reserve

The Board of Directors of the Central Bank of Costa Rica, in article 8 of the minutes of session 6066-2022, held on June 15, 2022, ordered to gradually increase the percentage of minimum legal reserve and liquidity reserve, both in national currency, from 12.0% to 15.0%.

As of the first fortnight of July 2022, 13.5% is applied and as of the second fortnight of July 2022, 15.0% is applied, through the modification to Title VI of the Monetary Policy Regulations.

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.

BANCO DE COSTA RICA AND SUBSIDIARIES

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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.

	Semiannual	Semiannual	Semiannual
	1/2022	2/2022	1/2023
Every type of credit (except microcredits)			
Colones	33.44	33.41	35.51
US dollars	27.98	27.72	28.71
Microcredits			
Colones	47.27	47.23	50.16
US dollars	39.69	39.32	40.70
Credits in other currencies	5.86	5.68	6.34

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.

Asset appraisal

As of September 2022, a net appraisal was recorded in buildings for ¢11,447,128,295 and in property for ¢456,051,531.

45). Date of authorization for the issuance of financial statements

The Bank's General Management authorized the issuance of the consolidated financial statements on April 24, 2023. The SUGEF has the possibility of requesting modifications to the financial statements after their issuance date.