Banco de Costa Rica

Separate Financial Statements and Independent Auditor's Report

December 31, 2019

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Separate Financial Statements

Notes to separate financial statement

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Independent Auditor's Report

To the Board of Directors of
Banco de Costa Rica and the
General Superintendence of Financial Entities

Opinion

We have audited the separate financial statements of Banco de Costa Rica (the Bank), which comprise the separate balance sheet as of December 31, 2019, and the separate income statement, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2019, and its financial performance and its separate cash flows for the year then ended in accordance with the directives issued by the National Financial System Oversight Board and the General Superintendence of Financial Entities.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Professional Ethics of the College of Public Accountants of Costa Rica that is applicable to our audit of the separate financial statements, and we have fulfilled our other ethical responsibilities in accordance with those standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis of accounting

We draw attention to note 1.b of the separate financial statements which describes the basis of accounting. The accompanying separate financial statements have been prepared by the management of Banco de Costa Rica in compliance with the directives issued by the National Financial System Oversight Board and the General Superintendence of Financial Entities. The Bank issues consolidated financial statements that are its main financial statements; the separate financial statements, with the investment in subsidiaries presented by the equity method, have been prepared to be used only by the Bank's management and by the General Superintendence of Financial Entities. As a result, the separate financial statements could be not suitable for other purposes.

Emphasis Matters – Merger by Absorption

We emphasize on notes 37 and 40 of the separate financial statements related to Law 9605, "Merger by Absorption of Banco Crédito Agrícola de Cartago and Banco de Costa Rica" published on September 19, 2019, indicating the merger of Banco Crédito Agrícola de Cartago (Bancrédito) and Banco de Costa Rica (BCR), the latter absorbing the former and continuing as the prevailing entity. Because at the time of the merger Bancrédito's equity is negative or less than the amount required for Bancrédito to comply with a minimum capital adequacy equal to BCR's capital adequacy indicator at the effective date of the merger, with a minimum limit of ten percent (10%), the difference was contributed by the Government to Banco de Costa Rica; the contribution is disclosed in note 18 of the separate financial statements. The equity of Banco Crédito Agrícola de Cartago (Bancrédito), which includes all of its assets, liabilities, contracts, contingent accounts and debit accounts and, in general, all its rights and obligations, in effect on the date of this law and of which it is the owner, were fully integrated into the legal-equity sphere of Banco de Costa Rica (BCR) and, consequently, is reflected in the balance sheet as of the effective date of the merger.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

a) Loan portfolio

Key audit matter	Audit Response
The main asset of the Bank is the loan portfolio, which accounts for 57.66% of total assets and concentrates the main factors of credit risk management related to: recovery of outstanding balances, concentration of balances, diversification of products, among others; these factors affect the recoverable value of the asset. The Bank estimates the loan portfolio based on the SUGEF-1-05 Agreement "General Norms for Classification and Qualification of Debtors for the Loan Portfolio", and SUGEF 19-16 "Regulations for the determination and recording of Countercyclical estimates". At December 31, 2019, the amount of these estimates is of ¢86,096,482,964 which represents 1.76% of the total assets.	Our audit procedures included selecting a sample of loan operations to which a balances confirmation process has been applied. We also carried out an evaluation of the allowance for doubtful accounts of the portfolio by verifying compliance with the functional areas that maintain controls and operational processes whose objective is to comply with the requirements of the SUGEF 1-05 agreement. We selected a sample of files from operations of the loan portfolio in order to verify the internal control procedures established by the Bank, as well as the filing regulations established by the regulator. We verified and reviewed the auxiliary records of the credit portfolio and their allowance.

The Bank's management considers that the allowance for doubtful accounts is adequate to absorb any losses that may be incurred in the recovery of that portfolio. The regulator reviews it periodically as an integral part of its examinations, and may require modifications based on the evaluation of available information.

Notes 1.i, 1.j, 6 and 34 includes the Bank's disclosures regarding the respective treatment of the allowance for bad loans.

b) Investment in securities

Key audit matter	Audit Response
Fair value estimates are made at a specific date based on market information and on information of financial instruments, and are provided by an authorized pricing provider. Fair value does not reflect premiums or discounts that may result from the offer for the sale of particular financial instruments at a given date. The valuations are the best possible estimate of the market; by their nature they involve uncertainties and elements of significant judgment. Any change in assumptions may affect the valuation.	Among other procedures, we performed a process of confirmation of balances on the total investment portfolio, as well as recalculations of the market valuation of investments, using the values obtained from a price provider, as well as the amortization of premiums and discounts. We checked the consistency of the price source used to value the investment portfolio. Notes 1.h, 5 and 34 includes the Bank's disclosures on accounting treatment and other aspects related to the investment portfolio.

c) Transfer of charges – Income tax

Key audit matter	Audit Response
Income tax returns for the current period and prior periods are subject to review by the tax authorities, which as a consequence may involve the Bank's exposure to fiscal contingencies arising from non-acceptance of aspects of the methodology used to determine the amount of the income tax for those periods.	Our audit procedures regarding this matter were as follows: - Review of documentation regarding transfers of charges received and payments made for tax amnesty. - Assessment of the need to account for provisions based on the existence of a present obligation. - Consultations with the Bank´s lawyers to validate their technical and legal criteria.

On January 02, 2019 the Bank proceeds with the payment of ¢14,138,113,417 to the Ministry of Finance, corresponding to the amounts determined in the auditing procedures for the periods from 2010 to 2014, accepting the tax amnesty as indicated in Transitory XXIV of the Law No. 9535 on Strengthening Public Finances.

In compliance with the accounting standard IFRIC 23, in October the provision for fiscal contingency against accumulated results for ¢28,083,915,851.00 and results for the period of 2019 for ¢6,988,201,066.15 respectively (does not include interest and penalties) corresponding to the periods 2015 to 2019, was recorded, in the event of a possible transfer of charges by the Ministry of Finance.

The Bank has disclosed this matter in note 40 of the separate financial statements.

- Review of documentation supporting the calculation of the different scenarios on the accounting adjustment of the records related to IFRIC 23.

The disclosures related to income tax are found in notes 1, 15 and 40.

d) Obligations with the public

Key audit matters

Obligations with the public are demand and term obligations that are agreed with the clients according to specific conditions as to their use, term and interest rates.

As of December 31, 2019, obligations with the public represent 85.22% of the total liabilities.

Audit Response

Among other procedures, we carried out a process of confirmation of balances and analytical procedures to verify the cycles and interest rates.

Notes 11, 12 and 34 include the Bank's disclosures on accounting treatment and other aspects relating to obligations with the public.

Responsibilities of Management and of those responsible for corporate governance for the separate financial statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with the directives issued by the National Financial System Oversight Board and the General Superintendence of Financial Entities, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those in charge of governance are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves reasonable presentation.

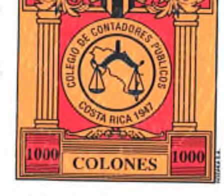
We communicate with those in charge of governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those in charge of governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them regarding all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those in charge of governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Fabián Zamora Azofeifa.

San Jose, Costa Rica
February 25, 2020
Opinion signed by
Fabián Zamora Azofeifa N° 2186
Policy 0116 FIG 7, due 30-set.-2020
Stamp Law 6663 ¢1.000
Attached to the original



Schedule A
1 to 2

BANCO DE COSTA RICA
SEPARATE BALANCE SHEET
As of December 31,2019
(with corresponding figures for 2018)
(In colones without cents)

	Notes		December 2019	December 2018
ASSETS				
Availabilities	4, 37 y 40	¢	640,271,292,748	742,278,663,255
Cash			99,833,051,548	111,847,520,656
Central Bank of Costa Rica			510,487,144,428	612,085,605,438
Local financial entities			2,000,967,736	1,743,378,599
Foreign financial entities			25,779,418,891	14,875,709,443
Availabilities			2,170,710,145	1,726,449,119
Investments in financial instruments	5, 37 y 40		1,067,691,046,479	857,513,058,297
Trading			120,584,039,185	47,013,948,331
Available-for-sale			938,356,539,955	790,072,874,483
Held-to-maturity			0	9,486,147,702
Interest receivable			8,750,467,339	10,940,087,781
Loan portfolio	6, 37 y 40		2,823,690,984,277	2,900,766,822,854
Current			2,598,986,655,539	2,652,740,954,368
Past due			243,535,918,981	276,271,230,328
Legal collection			48,122,502,269	45,942,892,209
Accrued interest receivable	6.d		19,142,390,452	21,406,850,362
(Allowance for loan impairment)	6.e		(86,096,482,964)	(95,595,104,413)
Accounts, fees and commissions receivable			3,538,215,113	4,930,228,116
Fees and commissions receivable			999,202,554	874,831,034
Accounts receivable for related party transactions			51,434,675	16,704,356
Deferred tax and income tax receivable	15		1,066,801,621	2,915,590,440
Other accounts receivable			9,873,400,137	8,033,251,816
(Allowance for doubtful accounts receivable)			(8,452,623,874)	(6,910,149,530)
Foreclosed assets	7, 37 y 40		38,107,221,829	42,319,605,317
Assets and securities acquired in lieu of payment			131,027,963,276	121,865,251,976
Other foreclosed assets			3,870,861,040	4,026,858,030
(Allowance for impairment and per legal requirements)			(96,791,602,487)	(83,572,504,689)
Investments in other companies, net	8		122,223,886,977	111,419,631,318
Property and equipment, net	9, 37 y 40		112,498,939,513	107,280,590,011
Property investments	40		6,441,924,521	6,441,924,521
Other assets	10, 37 y 40		82,364,903,868	78,886,883,324
Deferred charges	10.a		8,256,501,044	9,288,657,476
Intangibles assets, net	10.b		9,003,204,968	8,591,392,123
Other assets, net	10.c		65,105,197,856	61,006,833,725
TOTAL ASSETS		¢	4,896,828,415,325	4,851,837,407,013

Schedule A
2 to 2

BANCO DE COSTA RICA
SEPARATE BALANCE SHEET
As of December 31,2019
(with corresponding figures for 2018)
(In colones without cents)

	Nota		Diciembre 2019	Diciembre 2018
LIABILITIES AND EQUITY				
LIABILITIES				
Obligations with the public		¢	**3,710,590,066,486**	**3,597,889,018,735**
Demand obligations	11, 12, 37, 40		2,124,223,521,229	2,019,903,951,960
Term obligations	12		1,566,860,210,518	1,558,317,799,781
Other obligations with the public			647,124,905	3,972,730,692
Interest payable			18,859,209,834	15,694,536,302
Obligations with the Central Bank of Costa Rica			**0**	**120,169,801,382**
Demand obligations	14		0	94,396,193
Term obligations			0	120,075,405,189
Obligations with entities			**410,809,972,826**	**458,526,603,988**
Demand obligations	14		161,131,106,391	155,255,028,496
Term obligations	12		247,433,590,511	302,067,668,294
Financial charges payable			2,245,275,924	1,203,907,198
Accounts payable and provisions			**160,300,501,136**	**79,172,703,511**
Accounts payable for stock transactions	37, 40		2,142,811	104,518
Deferred tax	15		9,111,569,778	5,730,667,589
Provisions	16		60,351,915,224	17,931,083,557
Other sundry accounts payable			90,834,873,323	55,510,847,847
Other liabilities			**50,280,634,355**	**33,783,459,895**
Deferred income			17,511,645,312	16,237,832,799
Allowance for stand by credit losses			341,258,036	390,977,867
Other liabilities			32,427,731,007	17,154,649,229
Subordinated obligations			**0**	**6,065,401,676**
Subordinated obligations	14		0	6,043,900,000
Financial charges	14		0	21,501,676
TOTAL LIABILITIES		¢	**4,331,981,174,803**	**4,295,606,989,187**
EQUITY				
Capital	18	¢	**181,409,990,601**	**162,502,557,907**
Paid in capital			181,409,990,601	162,502,557,907
Non-capitalized capital contributions	37 y 40		**0**	**18,907,432,694**
Equity adjustments			**51,240,522,351**	**37,470,719,004**
Adjustments for surplus from revaluation of property and equipment	18.c		37,774,830,067	37,774,830,067
Adjustment for valuation of available-for-sale securities			7,377,220,644	(6,947,295,208)
Adjustment for valuation of restricted financial instruments			18,169,815	(1,351,481,973)
Adjustment for valuation in others companies interest			6,070,301,825	7,994,666,118
Capital reserves	1.w		**264,398,962,426**	**253,327,207,494**
Retained earnings from prior periods			**974,784,271**	**34,427,953,825**
Profit for the year			**37,069,048,618**	**21,950,383,108**
Development Financing Fund equity	37 y 40		**29,753,932,255**	**27,644,163,794**
TOTAL EQUITY			**564,847,240,522**	**556,230,417,826**
TOTAL LIABILITIES AND EQUITY		¢	**4,896,828,415,325**	**4,851,837,407,013**
DEBIT CONTINGENT ACCOUNTS	19	¢	**285,794,288,979**	**329,880,553,290**
TRUST ASSETS	20		**1,153,981,536,799**	**2,028,009,317,616**
TRUST LIABILITIES			**452,162,683,011**	**461,310,097,572**
TRUST EQUITY			**701,818,853,788**	**1,566,699,220,045**
OTHER DEBIT MEMORANDA ACCOUNTS	21	¢	**18,798,286,142,213**	**6,775,149,939,287**
Own debit memoranda accounts			13,154,109,787,672	1,939,149,981,209
Third party debit memoranda accounts			77,684,623,517	65,515,794,969
Own debit memoranda accounts for custodial activities			556,439,322,809	327,809,636,986
Third party debit memoranda accounts for custodial activities			5,010,052,408,215	4,442,674,526,123

The accompanying notes are integral part of the separate financial statements

Douglas Soto Leiton
General Manager

Ana Lorena Brenes Brenes
Accountant

José Manuel Rodríguez Guzmán
Auditor General

Schedule B

BANCO DE COSTA RICA
SEPARATE INCOME STATEMENT
For the one year period ended December 31, 2019
(with corresponding figures for 2018)
(In colones without cents)

	Note		December 2019	December 2018
Financial income				
Availiabilitites		¢	965,757,483	254,351,096
Investments in financial instruments	22		55,633,996,539	59,664,999,395
Loan portfolio	23		281,149,646,439	267,968,457,085
Gain on foreign exchange and development units	34		0	2,264,000,479
Gain on trading financial instruments			1,515,149,714	654,183,571
Gain on available for-sale financial instruments			1,206,086,682	255,538,813
Other financial income			2,064,522,851	1,216,685,975
Total financial income			**342,535,159,708**	**332,278,216,414**
Financial expenses				
Obligations with the public	24		153,102,996,550	140,481,228,622
Obligations with Central Bank of Costa Rica			573,897,769	737,438,590
Obligations with financial entities			14,191,658,641	22,751,920,205
Subordinate, exchangeable and preference obligations			527,552,913	1,618,207,548
Loss of exchange differences and UD	34		3,236,908,516	0
Loss on available-for-sale financial instruments			13,438,632	15,237,187
Total financial expenses			**171,646,453,021**	**165,604,032,152**
Allowance for impairment of assets	25		38,104,784,993	69,082,736,799
Recovery of assets and decrease in allowances	26		52,097,450,943	17,096,588,462
FINANCIAL INCOME			**184,881,372,637**	**114,688,035,925**
Other operating income				
Service fees and commissions	27		91,835,941,561	82,191,161,125
Foreclosed assets			27,473,785,292	12,601,793,508
Profit on investments in other companies	28		3,536,615,888	3,320,575,001
Profit on investments in SUGEVAL regulated entities			5,079,359,307	5,368,815,736
Profit on investments in SUPEN regulated entities			1,107,213,183	887,991,426
Profit on investments in SUGESE regulated entities			2,747,620,284	2,938,050,271
Foreign currency exchange and arbitrage			22,416,862,075	22,551,303,546
Other income related parties			3,248,496,338	2,835,069,077
Other operating income			13,721,292,265	16,424,837,185
Total other operating income			**171,167,186,193**	**149,119,596,875**
Other operating expenses				
Service fees and commissions			22,363,846,684	18,352,474,254
Foreclosed assets			52,627,235,664	30,984,201,238
Loss on investments in other companies			298,326,560	0
Loss on investments in SUGEVAL regulated entities			136,519,842	0
Loss on investments in other entities			4,299,582	829,926
Provisions			20,509,910,594	5,554,515,394
For exchange and arbitration, foreign currency			1,048,578,854	287,810,136
Other operating expenses			28,925,129,915	26,316,962,090
Total other operating expenses			**125,913,847,695**	**81,496,793,038**
GROSS OPERATING INCOME			**230,134,711,135**	**182,310,839,762**
Administrative expenses				
Personnel expenses			95,892,554,958	92,389,864,947
Other administrative expenses			69,429,454,954	63,124,881,702
Total administrative expenses	29		**165,322,009,912**	**155,514,746,649**
NET OPERATING INCOME BEFORE TAXES AND STATUTORY ALLOCATIONS			**64,812,701,223**	**26,796,093,113**
Income tax	15		12,695,295,321	1,664,738,617
Decrease in income tax	15		391,695,977	1,135,254,033
Statutory allocations	30		15,440,053,261	5,354,368,780
Decrease in statutory allocations	30		0	1,038,143,359
RESULTS OF THE PERIOD			**37,069,048,618**	**21,950,383,108**
Results of the period			**37,069,048,618**	**21,950,383,108**
RESULTS OF THE PERIOD, NET		¢	**37,069,048,618**	**21,950,383,108**
OTHER COMPREHENSIVE INCOME, NET OF TAX				
Valuation adjustment, available-for-sale financial instruments, net income of tax			15,159,369,487	(559,212,354)
Reclassification unearned profits			(834,853,635)	(168,211,138)
Adjustment for valuation of restricted securities, net of income tax			1,369,651,788	(1,350,314,075)
Other			(1,924,364,293)	591,512,083
OTHER COMPRHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX	31		**13,769,803,347**	**(1,486,225,484)**
COMPREHENSIVE INCOME ATRIBUTED TO THE FINANCIAL CONGLOMERATE		¢	**50,838,851,965**	**20,464,157,624**
Comprehensive income atributed to the Comptroler			50,838,851,965	20,464,157,624
COMPREHENSIVE INCOME ATRIBUTED TO THE FINANCIAL CONGLOMERATE		¢	**50,838,851,965**	**20,464,157,624**

The accompanying notes are integral part of the separate financial statements

Douglas Soto Leiton
General Manager

Ana Lorena Brenes Brenes
Accountant

José Manuel Rodríguez Guzmán
Auditor General

Schedule C

BANCO DE COSTA RICA
SEPARATE STATEMENT OF CHANGES IN EQUITY
For the one year period ended December 31, 2019
(with corresponding figures for 2018)
(In colones without cents)

				Equity adjustments							
	Note	Capital Stock	Non-capitalized capital contributions	Surplus from revaluation of property and equipment	Adjustments for valuation of available for sale investments	Adjustment for valuation in other companies interest	Total adjustments to equity	Capital Reserves	Prior periods retained earnings	Development Financing Fund equity	Total Equity
Balance at January 1, 2018		¢ **152,513,191,949**	**0**	**38,050,329,461**	**(6,221,039,614)**	**7,403,154,035**	**39,232,443,882**	**233,662,151,966**	**66,722,853,148**	**22,100,921,217**	**514,231,562,162**
Capital contributions according to Law 9605	18.b, 37 y 40	0	18,907,432,694	0	0	0	0	0	0	0	18,907,432,694
Transfers of retained earnings	18	9,713,866,564	0	0	0	0	0	0	(9,713,866,564)	0	0
Transfer of surplus due to revaluation of foreclosed assets	18	275,499,394	0	(275,499,394)	0	0	(275,499,394)	0	0	0	0
Legal reserve allocation	1.w	0	0	0	0	0	0	19,665,055,528	(19,665,055,528)	0	0
Development Financing Fund allocation		0	0	0	0	0	0	0	(2,915,977,231)	2,915,977,231	0
Balance at December 31, 2018		**162,502,557,907**	**18,907,432,694**	**37,774,830,067**	**(6,221,039,614)**	**7,403,154,035**	**38,956,944,488**	**253,327,207,494**	**34,427,953,825**	**27,644,163,794**	**535,766,260,202**
Other comprehensive income											
Other total (net) comprehensive income		0	0	0	(2,077,737,567)	591,512,083	(1,486,225,484)	0	21,950,383,108	0	20,464,157,624
Balance at December 31, 2018		¢ **162,502,557,907**	**18,907,432,694**	**37,774,830,067**	**(8,298,777,181)**	**7,994,666,118**	**37,470,719,004**	**253,327,207,494**	**56,378,336,933**	**27,644,163,794**	**556,230,417,826**
Balance at January 1, 2019		¢ **162,502,557,907**	**18,907,432,694**	**37,774,830,067**	**(8,298,777,181)**	**7,994,666,118**	**37,470,719,004**	**253,327,207,494**	**56,378,336,933**	**27,644,163,794**	**556,230,417,826**
Capital contributions in compliance with Law 9605	18.b, 37 y 40	18,907,432,694	(18,907,432,694)	0	0	0	0	0	0	0	0
Transfer of retained earnings	18	0	0	0	0	0	0	0	0	0	0
Transfer of surplus due to revaluation of foreclosed assets	18	0	0	0	0	0	0	0		0	0
Legal reserve allocation	1.w	0	0	0	0	0	0	11,071,754,932	(11,071,754,932)	0	0
Development Financing Fund allocation		0	0	0	0	0	0	0	(2,109,768,460)	2,109,768,461	1
Transfer to Development Financing Fund in accordance with Law 9605	37 y 40	0	0	0	0	0	0	0	0	0	0
Balance at December 31, 2019		**181,409,990,601**	**0**	**37,774,830,067**	**(8,298,777,181)**	**7,994,666,118**	**37,470,719,004**	**264,398,962,426**	**974,784,271**	**29,753,932,255**	**514,008,388,557**
Other comprehensive income											
Other comprhensive income, net		0	0	0	15,694,167,640	(1,924,364,293)	13,769,803,347	0	37,069,048,618	0	50,838,851,965
Balance at December 31, 2019		¢ **181,409,990,601**	**0**	**37,774,830,067**	**7,395,390,459**	**6,070,301,825**	**51,240,522,351**	**264,398,962,426**	**38,043,832,889**	**29,753,932,255**	**564,847,240,522**

The accompanying notes are integral part of the separate financial statements

Douglas Soto Leiton
General Manager

Ana Lorena Brenes Brenes
Accountant

José Manuel Rodríguez Guzmán
Auditor General

Schedule D

BANCO DE COSTA RICA
SEPARATE STATEMENT OF CASH FLOWS
For the one year period ended December 31, 2019
(with corresponding figures for 2018)
(In colones without cents)

	Note		December 2019	December 2018
Cash flows from operating activites				
Profit for the year		¢	**37,069,048,618**	**21,950,383,108**
Items not requiring cash			**(104,941,967,719)**	**(93,288,875,714)**
Loss on sale of assets received in lieu of payment and property and equipment			8,591,549,543	3,957,175,052
Loss on allowance for impairment of assets received in lieu of payment			39,633,888,013	23,985,321,008
Net gains or losses on foreign exchange and development units			3,555,450,894	(2,544,102,650)
Loss on allowance for loan losses			34,407,494,925	66,688,753,460
Loss on other allowances			3,697,290,068	2,393,983,339
Deferred tax			(257,101,037)	(1,135,254,033)
Decrease in income tax from previous periods			(134,594,940)	0
Severance payment allowances			393,675,436	649,878,407
Income from reversal of allowances and provisions			(82,935,934,559)	(39,969,794,022)
Depreciation and amortization			20,844,337,677	16,091,970,542
Interest in net income of subsidiaries			(12,031,662,678)	(12,514,602,508)
Financial expense			168,396,105,873	165,588,794,965
Income tax expense			12,695,295,321	1,664,738,617
Financial income			(337,749,400,461)	(327,887,807,576)
Other provisions			20,511,584,945	5,425,844,264
Statutory allocations			15,440,053,261	4,316,225,421
Net (increase) decrease in assets			**18,269,779,604**	**(16,241,969,441)**
Loans and cash advances			(8,007,977,435)	(65,520,663,773)
Foreclosed assets			25,336,462,734	40,876,260,200
Accrued interest receivable			30,104,974,822	27,597,475,860
Other assets			(29,163,680,517)	(19,195,041,728)
Net increase (decrease in) liabilities			**28,988,758,837**	**(403,259,206,423)**
Demand and term obligations			53,426,181,160	(27,402,145,568)
Other accounts payable and provisions			6,760,606,725	(12,786,453,455)
Accrued interest payable			(16,919,945,176)	(24,212,205,599)
Other liabilities			16,581,593,924	(260,292,448)
Other financial obligations			(30,859,677,796)	(338,598,109,353)
Interest collected			312,098,505,991	296,952,158,175
Dividends received			0	6,243,996,173
Interest paid			(147,291,620,115)	(148,668,849,789)
Income tax paid			(3,627,625,869)	(1,783,646,656)
Net cash from (used in) operating activities			**140,564,879,347**	**(338,096,010,567)**
Investing activities				
Increase in financials instruments (except for trading)			(10,232,957,066,850)	(8,770,140,056,905)
Decrease in financial instruments (except for trading)			10,203,972,719,579	9,021,491,387,041
Acquisition of property and equipment			(14,403,840,864)	(9,371,733,478)
Decrease due to withdrawals and transfers of property and equipment			765,127,463	301,962,508
Absorption of banking entity, net of availabilities			0	23,589,930,703
Interests in other companies			(700,000,001)	(1,775,426,524)
Net cash (used in) from investing activities			**(43,323,060,673)**	**264,096,063,345**
Cash flows from financial activities, net				
Subordinated obligations			(5,797,310,125)	(17,565,129,313)
Cash flows provided (used) for financial activities, net			**(5,797,310,125)**	**(17,565,129,313)**
Net (decrease) increase in cash			**91,444,508,549**	**(91,565,076,535)**
Cash and cash equivalents at beginning of year			818,396,335,750	894,313,550,413
Effect on exchange rate variations on cash			(14,282,131,691)	15,647,861,872
Cash and cash equivalents at end or year	4	¢	895,558,712,608	818,396,335,750

The accompanying notes are integral part of the separate financial statements

Douglas Soto Leiton
General Manager

Ana Lorena Brenes Brenes
Accountant

José Manuel Rodríguez Guzmán
Auditor General

(1) Summary of operations and significant accounting policies

(a) Operations

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

The Banks website is www.bancobcr.com.

The Bank is mainly dedicated to extending loans and granting bid and performance bonds; issuing certificates of deposit; opening checking accounts in colones, U.S. dollars, and euros; issuing letters of credit; providing collection services; buying and selling foreign currency; managing trusts; providing custodial services for assets; and other banking operations. As of December 31, 2019 the Bank has 191 branches (194 as of December 2018) distributed among the national territory, has in operation 683 automated teller machines (621 as of December, 2018), and has 3,735 employees (3,692 in December, 2018).

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

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

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

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

BANCO DE COSTA RICA

Notes to the separate Financial Statements
(with corresponding figures for 2018)

BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A. (pension fund operator) was organized as a corporation in September 1999 under the laws of the Republic of Costa Rica. Its main activity is managing supplemental pension plans and offering additional services related to disability and death plans to members.

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

Banprocesa, S.R.L., was organized as a corporation in August 2009 under the laws of the Republic of Costa Rica. Its main activity will be to provide IT processing services and technical support, purchase, lease, and maintain hardware and software, including software development, and address the Bank's IT needs. As of December 31, 2019, SUGEF is evaluating its participation as part of the conglomerate

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

Depósito Agrícola de Cartago, S.A. has a wholly-owned subsidiary named Almacen Fiscal Agrícola de Cartago, S.A., constituted in December 1991 under the laws of the Republic of Costa Rica. Its main activity is the custody and storage of merchandise on which no import taxes have been paid, regulated by the General Customs Law and supervised by the General Customs Directorate of the Ministry of Finance. Both companies are subject to the oversight of the Comptroller General of the Republic.

Bancrédito Sociedad Agencia de Seguros, S.A., organized in March 2009 under the laws of the Republic of Costa Rica. Its main activity is the insurance underwriting.

The Bank 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, 50 floor, Avenida Balboa and Calle Aquilino de la Guardia, and its subsidiary in Miami, Florida, United States of America. The remaining 49% of BICSA's stocks are owned by Banco Nacional de Costa Rica.

(b) Accounting policies for financial statement preparation

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

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

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

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

Issuing new IFRSs or interpretation 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 entirely, which are described as follows:

- Level 1 - inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 - inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 - unobservable inputs for asset or liability.

(c) Investment in other companies

Valuation of investments by the equity method

i.Subsidiaries

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

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

(d) Foreign currency

i.Foreign currency transactions

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

ii. Monetary unit and foreign exchange regulations

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

- In this regime, the Central Bank of Costa Rica will allow the exchange rate to be freely determined by the foreign exchange market, but may participate in the market in a discretionary manner, to meet its own requirements of currency and those of the non-banking Public Sector, in order 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 December 31, 2019, monetary assets and liabilities denominated in U.S. dollars were valued at the exchange rate of ¢570,09 for US$1.00 (¢604.39 for US$1.00 in December 2018).

Valuation in colones of monetary assets and liabilities in foreign currency during the year ended December 31, 2019 gave rise to foreign exchange losses and gains of ¢1.032.535.352.515 (2018: ¢800.348.569.356) and ¢1.029.298.443.997 (2018: ¢802.612.569.834), respectively.

Additionally, valuation of other assets and other liabilities gave rise to gains and losses, respectively, which are recorded in "Other operating income" and "Other operating expenses", respectively. For the year ended December 31, 2019 valuation of other assets gave rise to losses in the amount of ¢489.113.078 (2018: gains of ¢142.301.446) and valuation of other liabilities gave rise to losses of ¢610.948.336 (2018: losses of ¢1.220.222.099).

iii. Financial statements of foreign subsidiaries (BICSA)

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

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

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

Valuation of the participation in the financial statements if this foreign subsidiary gave rise to net profits in the year ended December 31, 2019 of ¢3.424.672.366 (2018: ¢1.619.033.855).

(e) Basis of financial statements preparations

The financial statements have been prepared on the fair value basis for available-for-sale assets and trading financial instruments. Other financial and non-financial assets and liabilities are recorded at amortized or historical cost. The accounting policies have been consistently applied.

(f) Financial instruments

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

(i) Classification

Trading financial instruments are instruments held by the Bank for short-term profit taking.

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.

Available-for-sale assets are financial assets that are not held for trading purposes, originated by the Bank, or held to maturity. Available-for-sale assets 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 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 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 available-for-sale assets on the date at 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. In 2019 and 2018, the Bank did not classify financial instruments as held to maturity, except for the securities received to capitalize the Bank.

(iii) Measurement

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

Subsequent to initial recognition, available-for-sale assets are measured at fair value, except for any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs less impairment losses.

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

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) Fair value measurement principles

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

(v) Gains and losses on subsequent measurement

Gains 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 separate income statement. When the financial assets are sold, collected, or otherwise disposed of, the cumulative gain or loss recognized in equity is transferred to the income statement.

(vi) Derecognition

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

(g) Cash and cash equivalents

The Bank considers cash and due from banks, demand and term deposits, and investment securities that the Bank has the intent to convert into cash within two months or less to be cash and cash equivalents.

(h) Investments in financial instruments

Investments in financial instruments that are classified as available-for-sale investments are valued at market prices using the price vector provided by Proveedor Integral de Precios de Centroamérica, S.A. (PIPCA). In accordance with accounting standards issued by CONASSIF, starting January 1, 2008, the Bank no longer classifies investments in financial instruments as held-to-maturity. However, pursuant to Law No. 8703 "Amendment to Law No. 8627 on the Ordinary and Extraordinary Budget of the Republic for Fiscal Year 2008", securities received to capitalize by State-owned banks are to be classified as held-to-maturity and are not subject to market price valuation.

The effect of market price valuation of available-for-sale investments is included in the equity account named "Adjustment for valuation of available-for-sale investments" until those investments are realized or sold.

Regular purchases or sales of financial assets are recognized by the settlement date method, date of delivery in exchange for an asset.

Investments in repurchase agreements (term seller positions) and investment in securities with original maturities of less than 180 days are not valued at market prices.

Trading investments are measured at fair value through profit or loss and are acquired with the intention of selling the financial instrument in the immediate future. Held-to-maturity investments are measured at amortized cost by the effective interest method. In accordance with Law No. 8703, the Bank no longer classifies investments as held to maturity, except investments in financial instruments received to capitalize the Bank.

Trading investments are measured at fair value through profit or loss and are acquired with the intention of selling the financial instrument in the short term.
When a financial asset is acquired with accrued interest that interest is booked in a separate account as accrued interest receivable.

(i) Loan portfolio

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

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

(j) Allowance for loan losses

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

Loan operations approved for individuals or legal entities with a total outstanding balance exceeding ¢65.000.000 (Group 1 under SUGEF Directive 1-05) are classified by credit risk. From May 23, 2019, 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 takes into account the following considerations:

- Creditworthiness, which includes an analysis of projected cash flows, an analysis of financial position, consideration for experience in the line of business, quality of management, stress testing for critical variables, and an analysis of the creditworthiness of individuals, regulated financial intermediaries, and public institutions.

- Historical payment behavior, which is determined by the borrower’s payment history over the previous 48 months, considering servicing of direct loans, both current and settled, in the National Financial System as a whole. SUGEF calculates the level of historical payment behavior for borrowers reported by entities during the previous month.

- Arrears

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

Risk categories are summarized below:

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
C2	90 days or less	Level 2	Level 3
D	120 days or less	Level 1 or Level 2	Level 1, Level 2, Level 3 or Level 4

Remaining loan operations, for which the borrower's total outstanding balance is less than ¢65,000,000 (Group 2 under SUGEF Directive 1-05). From May 23, 2019, 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. Loans are classified in the following categories based on historical payment behavior and arrears:

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

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

From June 2019, according to SUGEF Agreement 15-16, Regulation on Management and Assesment 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:

Risk Category	Classification Criteria
1	a. Debtors up to date in the attention of their operations with the entity b. Debtors with delinquency of up to 30 days with the entity
2	a. Debtors with delinquency of more than 30 days and up to 60 days with the entity
3	a. Debtors with delinquency of more than 30 days and up to 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 month c. Debtors with delinquency less than 60 days with the entity, that have been subject to at least one restructuration in any operations with the entity during the last 12 month
4	a. Debtors with delinquency of more than 90 days and up to 120 days with the entity b. Debtors with delinquency less than 90 days and have pesented delinquency with the SBD greater than 120 days in the last 12 month c. Debtors with delinquency less than 90 days, that have been subject to at least two restructuration in any operation with the entity during the last 12 month
5	a. Debtors with delinquency of more than 120 days and up to 180 days with the entity
6	a. Debtors with delinquency of moe than 180 days with the entity

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

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

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

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

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

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

In the case of loans denominated in foreign currency debtors placed among unhedged borrowers, an additional generic allowance of 1.5% must also be applied on the basis of calculation.

The indicated generic allowance will be applied cumulatively, so that in the case of unhedged debtors, with an indicator for service coverage greater than the reasonable indicator, the generic allowance applicable will be at least of 3% (0.5% + 1% + 1.5%).

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

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

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

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

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 contracycical allowance and is under the regulation of the formula established in Article 4 of the “Calculation of the requirement of contracycical 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 aforementioned article and Article 5 “Accounting Registry” of that regulation.

As of December 31, 2019, an allowance was recorded for ¢86.437.741.000 (¢95.986.082.280 as of December 31, 2018).

As of December 31, 2019 and 2018, 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, under prior authorization from SUGEF in conformity with article 10 of IRNBS.

As of December 31, 2019 and 2018, management considers the allowance to be sufficient to absorb any potential losses that could be incurred on recovery of the portfolio.

Accounts and accrued interest receivable

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

Arrears	Allowance percentage
30 days or less	2%
60 days or less	10%
90 days or less	50%
120 days or less	75%
More than 120 days	100%

(k) Securities sold under repurchase agreements

The Bank enters into sales of securities under repurchase agreements for a certain date in the future at a fixed price. The obligation to repurchase securities sold is reflected as a liability in the separate balance sheet and stated at the value of the original agreement. The underlying securities are held in asset accounts. Finance expense recognized is calculated by the effective interest method. Interest is presented as finance expense in the separate income statement, and accrued interest payable in the separate balance sheet.

(l) Accounting for accrued interest receivable

Interest receivable is accounted for on the accrual basis. Under current regulations, interest accrual is suspended on loan operations that are more than 180 days past due. Accrued interest receivable on those loans is recorded when collected.

(m) Other receivable

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

(n) Foreclosed assets

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

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

The net realizable value of an asset should be used as its fair value, net realizable value is 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 money invested and use it for its business activities. For all foreclosed assets, the Bank should have reports from the appraisers who made the appraisals and those reports are to be updated at least annually. If an asset recorded in this group is used by the Bank, it should be reclassified to the appropriate account in the corresponding group.

Pursuant to article 20-b of SUGEF Directive 1-05, the Regulated Entities are required to book an allowance for retired assets and for foreclosed assets that were not sold or leased under operating or finance leases within two years from the acquisition or production date for an amount equivalent to the carrying amount of the assets. The allowance must be established gradually by recording one-twenty-fourth of the value of such assets each month until the allowance is equivalent to 100% of the carrying amount of the assets, without exception. The recording of the allowance shall begin at month-end of the month in which the asset was i) acquired, ii) produced for sale or lease, or iii) retired from use.

(o) Offsetting

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

(p) Property, furniture and equipment

(i) Own assets

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

Pursuant to requirements established by regulatory authorities, the Bank must have its real property appraised by an independent appraiser at least once every five years, in order 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 rewards of ownership are classified as finance leases.

At the beginning of the lease term, this is recognized in the statement of financial position, as an asset and a liability by the same amount, the fair value of the leased assets, or the present value of minimum lease payments, if this were the lowest between the present value of the stipulated payments in the contract discounted at the interest rate implicit in the operation, determined at the beginning of the lease. To calculate the present value of the minimum payments by the lease, the interest rate implicit in the lease is taken as a discount factor, wherever practicable to determine; otherwise the incremental interest rate of the tenant loans is used. Any initial direct cost of the tenant will be added to the amount recognized as an asset.

(iii) Subsecuent cost

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

(iv) Depreciation

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

	Useful lives
Building	50 years
Vehicles	10 years
Furniture and equipment	10 years
Computer hardware	5 years
Improvements	5 years

(v) Revaluation

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

If the realizable value of the assets is different than the one included in the accounting records, the Bank must adjust the book value to the resulting value of the appraisal.

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

The last appraisal was done on 2015 and the accounting record on November 30, 2015.

(q) Deferred charges

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

(r) Intangible assets

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

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

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

(s) Impairment of assets

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

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

The recoverable amount of an asset is the greater of its net selling price and value in use. The net selling price is equivalent to the value obtained in an arm's length transaction. Value in use is the present value of future cash flows and disbursements derived from continuing use of an asset and from its disposal at the end of its useful life.

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

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

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

(t) Obligations with the public

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

(u) Accounts payable and other payables

Accounts payable and other payables are recognized at cost.

(v) Legal benefits (severance)

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

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

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

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

The amount of severance benefit not transferred to the Association is provisioned in accordance with the employers legal obligation.

(w) Legal reserve

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

(x) Revaluation surplus

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

(y) Use of estimates

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

(z) Recognition of main types of revenue and expenses

(i) Financial income

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

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

(iii) Net income on trading securities

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

(iv) Operating lease expenses

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

(aa) Income tax

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

(i) Current

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted at the separate balance sheet date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred

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

(bb) Pension, retirement and outgoing personnel

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

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

(cc) Statutory allocations

Under article 12 of IRNBS, the net earnings of commercial State-owned banks are allocated as follows: 50% to a legal reserve; 10% to increase the capital of the National Institute for Cooperative Development (INFOCOOP); and the remainder to increase the Bank's capital, pursuant to article 20 of Law No. 6074. Transition provision III of Law No. 8634 "Development Banking System" establishes that for a five-year period starting in 2007, the contributions made by State-owned banks equivalent to 5% of their annual net earnings (prescribed by article 20 of the Law for the creation of the National Commission for Educational Loans (CONAPE) will be allocated as follows: two percent (2%) to CONAPE and three percent (3%) to the capital of the Development Financing Fund (FINADE). On January 2013 transitory III is removed and will continue calculating a 5% for CONAPE, in accordance with law 9092, Return of Income of the National Commissions for Educational Loans.

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

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

(dd) Development Financing Fund

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

(ee) Development Credit Fund

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

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

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

a) Administrators' banks can perform services with the beneficiaries of the Development Banking System as recognized by Article 6 of Law 8634.

b) In accordance with Article 35 of the Law 8634 with funds from the Development Credit Fund the Banks can perform services for other financial entities, except for private banks provided they meet the objectives and obligations under Law 8634 and that are duly accredited by the Board.

c) The Banks may proceed or carry on in accordance with Article 35 Law 8634 the resources of the Development Credit Fund through: associations, cooperatives, foundations, NGO, producers organizations or other entities if they have credit operations in programs that meet the objectives established in the Law 8634 and are duly accredited by the Board.

The contract signed for a five years term will be renewable for equal and successive periods unless otherwise decided by the Governing Board, notified in writing at least three months in advance. It may be terminated as provided for in Article 12 paragraph j) of the Law 8634 and its executive regulations, if the Banks Administrators demonstrate proven lack of capacity and expertise. (See note 36).

(ff) Economic period

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

(2) Collateralized or restricted assets

The collateralized or restricted assets are as follows:

		2019	2018
Cash due from banks (see note 4)	¢	507.440.251.062	576.019.736.685
Investments in financial instruments (see note 5)		644.410.832	138.798.077.254
	¢	**508.084.661.894**	**714.817.813.939**

(3) Balances and transactions with related parties

As of December, the separate financial statements include balances and transactions with related parties, as follows:

		December 2019	December 2018
Assets:			
Cash and due from banks	¢	11.498.945.896	5.770.753.712
Loan portfolio		87.974.608	58.073.456
Accounts receivable		417.147.098	309.146.992
Investments in other companies		122.223.886.977	111.419.631.318
Total assets	¢	**134.227.954.579**	**117.557.605.478**
Liabilities:			
Obligations with the public	¢	7,976,517,188	3.985.268.761
Total liabilities	¢	**7,976,517,188**	**3.985.268.761**
Income:			
Financial income	¢	76.296.914	125.769.560
Income from investments in other companies		12.470.808.662	12.515.432.434
Sundry operating income		3.488.092.145	3.069.254.554
Total income	¢	**16.035.197.721**	**15.710.456.548**
Expenses:			
Finance expense	¢	138.815.244	213.324.790
Expense from investments in other companies		439.145.984	829.926
Sundry operating expenses		465.069.920	393.736.542
Total expenses		**1.043.031.148**	**607.891.258**
Equity:			
Adjustment for valuation of investments in other companies	¢	**1.849.708.261**	**(3.917.043.503)**

At December 31, 2019 investment in funds administered by BCR Sociedad Administradora de Fondos de Inversión, S.A. (a subsidiary), amount to ¢1.980.120.000 (¢2.048.400.000 for 2018).

As of December 31, the amount paid for remunerations to key personnel is detailed as follows:

		December 2019	December 2018
Short-term benefits	¢	1.026.235.249	931.527.927
Board per-diem		135.448.577	164.825.121
	¢	**1.161.683.826**	**1.096.353.048**

(4) Cash and cash equivalents

As of December 31, cash and cash equivalents are as follows for purposes of reconciliation with the separate cash flow statement:

		December 2019	December 2018
Cash	¢	99.833.051.548	111.847.520.656
Demand deposits BCCR		510.487.144.428	612.085.605.438
Checking accounts and demand deposits in local financial entities		2.000.967.736	1.743.378.599
Checking accounts and demand deposits in foreign financial entities		25.779.418.891	14.875.709.443
Notes payable on demand		1.841.722.785	1.420.369.546
Restricted availabilities		328.987.360	306.079.573
Total cash and due from Banks		**640.271.292.748**	**742.278.663.255**
Investments in trading financial instruments		255.287.419.860	76.117.672.495
Total cash and cash equivalents	¢	**895.558.712.608**	**818.396.335.750**

As of December 31, 2019, demand deposits in BCCR are restricted as a minimum legal reserve in the amount of ¢507.468.681.422 (¢576.019.736.685 as of December 31, 2018).

As of December 31, 2019 the Bank has a liability for outstanding checks in the amount of ¢1.457.201.557 (¢2.108.702.083 as of December 31, 2018), which is offset by notes payable on demand cashed the next day once cleared by the clearing house.

BANCO DE COSTA RICA

Notes to the separate Financial Statements
(with corresponding figures for 2018)

(5) Investments in financial instruments

Investments in financial instruments are as follows:

		December 2019	December 2018
Trading	¢	120.584.039.185	47.013.948.331
Available for sale		938.356.539.955	790.072.874.483
Held to maturity (note 18-a)		0	9.486.147.702
Accrued interest receivable on		8.750.467.339	10.940.087.781
	¢	**1.067.691.046.479**	**857.513.058.297**

		December 2019	**December 2018**
Trading:		**Fair value**	**Fair value**
Local issuers:			
Open investment funds	¢	41.496.093.667	9.239.573.331
		41.496.093.667	**9.239.573.331**
Issuers abroad			
Private Banks		79.087.945.518	37.774.375.000
	¢	**120.584.039.185**	**47.013.948.331**

		December 2019	**December 2018**
Available for sale:		**Fair value**	**Fair value**
Local issuers:			
Goverment	¢	831.375.277.415	650.419.176.797
State-owned Banks		96.551.004.346	125.618.845.056
Private Banks		0	2.495.829.550
Private issuers		5.516.888.260	5.995.852.740
Others		4.913.369.934	5.543.170.340
		938.356.539.955	**790.072.874.483**
Foreign issuers:			
Private Banks		0	0
	¢	**938.356.539.955**	**790.072.874.483**

		December 2019	**December 2018**
Held-to-maturity		**Fair value**	**Fair value**
Local issuers:			
Goverment (see note 18)	¢	0	9.486.147.702
	¢	**0**	**9.486.147.702**

As of December 31, 2019, the loan portfolio amounts to ¢106.529.939.477 (¢111.242.505.527 as of December 31, 2018) corresponding to the Development Credit Fund (See note 36).

Maturities for investments in financial instruments are from January 2, 2020 to July 23, 2031.

As of December 31, purchased financial instruments earn annual yield rates as follows:

	December 2019	**December 2018**
Colones	2,6100% a 9,8500%	3,7500% a 9,85000%
US Dollars	1,0000% a 8,9800%	0,1000% a 5,52000%

As of December 31, investments have been pledged as follows:

		December 2019	**December 2018**
Interbank Electronic Payement System (SINPE) guarantee	¢	0	138.666.567.987
Guarantee, National Development Trust		644.410.832	131.509.267
	¢	**644,410,832**	**138.798.077.254**

(See note 2).

Repurchase operations

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

As of December 31, 2019 the Bank has repurchase agreements

Issuer		**Asset´s balance**	**Guarantee´s four value**	**Repurchase date**	**Repurchase Price**
Banco Central of Costa Rica	¢	949.843.405	957.000.000	10-12-19 al 14-01-20	100.00%
Local government		30.317.945.829	34.236.996.330	10-12-19 al 24-01-20	100.00%
	¢	**31.267.789.234**	**35,193,996,330**		

As of December 31, 2018 the Bank has no repurchase agreements.

BANCO DE COSTA RICA

Notes to the separate Financial Statements
(with corresponding figures for 2018)

(6) Loan portfolio

As of December, 31, the total loans receivable originated by the Bank by sector are as follows:

(a) Loan portfolio by sector

Sector		December 2019	December 2018
Agriculture, livestock, hunting and related services	¢	147.217.819.585	135.144.456.577
Manufacturing		250.688.667.156	257.064.872.167
Telecommunications and public utilities		56.060.114.266	43.332.063.176
Mining and quarrying		42.958.074	125.055.288
Trade		10.990.548.796	14.419.208.062
Services		953.296.568.084	1.182.118.716.854
Transportation		38.495.998.941	48.960.610.947
Financial and stock exchange		4.428.284.885	4.755.620.543
Real estate, business and leasing		4.631.954.197	9.257.764.707
Construction, purchase and repair of real estate		1.010.316.349.093	865.573.201.002
Consumer		312.912.260.814	321.732.450.703
Hospitality		96.951.324.016	87.781.644.996
Education		3.132.752.060	2.975.261.640
Other activities of the non-financial private sector		1,479,476,822	1.714.150.243
		2.890.645.076.789	2.974.955.076.905
Plus accrued interest receivable		19.142.390.452	21.406.850.362
Less allowance for loan losses		(86.096.482.964)	(95.595.104.413)
	¢	**2.823.690.984.277**	**2.900.766.822.854**

(b) Current loans

As of December 31, the detail of the loan portfolio by arrears is as follows:

		December 2019	December 2018
Current	¢	2.598.986.655.539	2.652.740.954.368
1 to 30 days		116.427.783.908	115.686.379.408
31 to 60 days		74.344.198.736	52.500.955.009
61 to 90 days		24.676.194.643	65.211.172.302
91 to 120 days		8.911.007.269	10.432.537.875
121 to 180 days		5.880.510.219	20.800.560.690
More tan 181 days		61.418.726.474	57.582.517.253
	¢	**2.890.645.076.788**	**2.974.955.076.905**

The Bank classifies loans as past due when no principal or interest payments have been made by one day after the due date.

(c) Loan portfolio by arrears

As of December 31, 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:

		December 2019	December 2018
Number of operations		1.797	1.723
Past due loan in nonaccrual status	¢	61.418.726.475	57.582.517.254
Past due loans in accrual status	¢	230.239.694.775	264.631.605.283
Total unearned interest	¢	**7.982.583.677**	**6.723.791.280**

Loans in legal collections as of December 31, 2019:

No. of loans	Percentage		Balance
1.203	1,66%	¢	48.122.502.269

Loans in legal collections as of December 31, 2018:

No. of loans	Percentage		Balance
1.221	1,54%	¢	45.942.892.209

As December 31, the average annual interest rate earned on loans is 10,04% (10.18% as of December 31, 2018) in colones and 9,42% in U.S. dollars (9,34% as of December 31, 2018).

(d) Accrued interest receivable on loan portfolio

As December 31, accrued interest receivable is as follows:

		December 2019	December 2018
Current loans	¢	11.617.715.973	13.236.208.094
Past due loans		5.059.233.532	5.999.240.238
Loans in legal collections		2.465.440.947	2.171.402.030
	¢	**19.142.390.452**	**21.406.850.362**

(e) Allowance for loan impairment

Movement in the allowance for loan impairment for the year ended December 31, is as follows:

2019 opening balance	¢	**95.595.104.413**
Plus:		
Allowance charged to profit or loss (see note 25)		33.811.538.630
Less:		
Adjustment for foreign exchange differences		(2.693.561.346)
Transfer to upaid balances		(6.550.175.262)
Reversal for foreign Exchange differences (see note 26)		(33,391,273,936)
Moviment of balance		(675.149.535)
2019 closing balance	¢	**86.096.482.964**
2018 opening balance	¢	**51.482.200.156**
Plus:		
Allowance charged to profit or loss (see note 25)		65.848.980.963
Moviment of balance		585.318.228
Adjustment for foreign exchange differences		1.310.067.298
Less:		
Transfer to upaid balances		(12.835.837.975)
Reversal for foreign exchange differences (see note 26)		(10.795.624.257)
2018 closing balance	¢	**95.595.104.413**

(f) Syndicated loans

As of December 31, 2019, the Bank's syndicated loan portfolio is as follows:

	Number of Operations		Syndicated balance other	Syndicated balance BCR	Total balance
Banco Internacional de Costa Rica, S.A.	3	¢	7.250.232.305	12.474.062.214	19.724.294.519
	3	**¢**	**7.250.232.305**	**12.474.062.214**	**19.724.294.519**

As of December 31, 2018, the Bank's syndicated loan portfolio with other banks is as follows:

	Number of Operations		Syndicated balance other	Syndicated balance BCR	Total balance
Banco Internacional de Costa Rica, S.A.	3	¢	8.190.727.156	13.797.116.700	21.987.843.856
	3	**¢**	**8.190.727.156**	**13.797.116.700**	**21.987.843.856**

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

(7) Foreclosed assets, net

As of December 31, the foreclosed assets are presented net of the allowance for impairment and per legal requirement, as follows:

		December 2019	December 2018
Real property	¢	129.160.837.596	119.324.551.617
Other acquired assets		1.867.125.679	2.540.700.359
Purchased for sale		458.181.275	528.947.370
Idle property and equipment		3.412.679.766	3.497.910.660
		134.898.824.316	125.892.110.006
Allowance for impairment and per legal requirement		(96.791.602.487)	(83.572.504.689)
	¢	**38.107.221.829**	**42.319.605.317**

The movement of the foreclosed assets is as follows:

		December 2019	December 2018
At the beginning of the year	¢	**125.892.110.006**	**62.697.995.245**
Increase for foreclosed assets		43,019,957,480	40.979.234.939
Transfer of property, furniture and equipment out of use		1.126.044.129	5.721.855.260
Transfer from assets from Bancrédito		(72.911.154)	32.422.875.561
Increse in acquired-for-sale assets		3.044.454.001	2.852.829.027
Sale of assets		(36.972.466.277)	(16.558.735.426)
Withdrawal of roperty, furniture and equipment out of use		(1.138.363.869)	(2.223.944.600)
Balance at the end of the period	¢	**134.898.824.316**	**125.892.110.006**

Movement in the allowance for impairment and per legal requirement is as follows:

		December 2019	December 2018
Opening balance	¢	**83.572.504.689**	**46.751.359.823**
Increases		39.633.888.013	23.985.321.008
Reversals		(26.329.559.322)	(12.239.580.832)
Transfer to unused accounts		(15.050.712)	0
Tranfer of balances from Bancrédito		(70.180.181)	25.075.404.690
Closing balance	¢	**96.791.602.487**	**83.572.504.689**

(8) Investments in other companies

As of December 31, investments in other companies are as follows:

		December 2019	December 2018
Local entities:			
BCR Valores, S.A. (brokerage firm)	¢	23.493.579.497	18.847.837.441
BCR Sociedad Aministradora de Fondos de Inversión, S.A. (investment fund manager company)		10.662.674.759	8.491.490.582
BCR Pensión, Operadora de Planes de Pensiones Complementarias, S.A. (pension fund operator)		6.054.113.972	5.114.085.940
BCR Corredora de Seguros, S.A. (insurance broker)		10.818.367.453	7.971.350.650
Banprocesa, S.R.L.		418.193.911	10.000.000
Depósito Agrícola de Cartago S.A.		930.780.478	825.474.046
Bancrédito Agencia de Seguros S.A.		1.007.567.119	1.002.497.234
		53.385.277.189	**42.262.735.893**
Foreign entities:			
Banco Internacional de Costa Rica, S.A. and subsidiary		68.838.609.788	69.156.895.425
	¢	**122.223.886.977**	**111.419.631.318**

As of April 30, 2018, BCR Pensiones S.A. Operadora de Planes de Pensiones Complementarias S.A. distributed dividends in the amount of ¢1.743.996.172, in compliance with resolution of the Extraordinary General Shareholder´s Meeting Nº 07-18, frome March 21, 2018.

As of May 31, 2018, BCR Corredora de Seguros, S.A. distributed dividends in the amount of ¢1.500.000.000, in compliance with resolution of the Extraordinary General Shareholder´s Meeting Nº 07-18, from March 21, 2018.

As of June 29, 2018, BCR Sociedad Administradora de Fondos de Inversión S.A. distributed dividends in the amount of ¢2.500.000.000, in compliance with resolution of the Extraordinary General Shareholder´s Meeting Nº 02-18 from April 23, 2018.

As of September 21, 2018, in addition to the resolution of the Extraordinary General Shareholder´s Meeting Nº 02-18 from April 23, 2018, BCR Sociedad Administradora de Fondos de Inversión S.A, distributed dividends in the amount of ¢500.000.000.

As of September 19, 2018, the bank acquires the subsidiaries Bancrédito Agencia de Seguros S.A., and Depósito Agrícola de Cartago S.A. and subsidiary, by the enforcement of Law 9605 "Merger by absorption of Banco Crédito Agrícola de Cartago and Banco de Costa Rica", indicating in Article 1, Absorption of Banco Crédito Agrícola de Cartago by Banco de Costa Rica, that the shares of Bancrédito's subsidiary companies will be understood as fully transferred to Banco de Costa Rica, which will assess keeping them operating, for sale or settlement, all within the maximum and non-extendable period of eighteen subsequent calendar months upon the entry into force of this law, within which period it will be authorized to act as the sole shareholder of such companies. The recording of the transfer of the subsidiaries generated an account payable that will be settled at the time of the merger.

As of December 31, 2019 and 2018, the Bank of Costa Rica is the owner of 100% of Banprocesa, S.R.L. represented by 100 common and nominative shares of ¢100.000 each, fully subscribed and paid.

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

The Bank owns a 51 % ownership interest in BICSA (domiciled in Panamá). As of December 31, 2019 and 2018, that ownership interest is represented by 6.772.137 ordinary shares of US$10 par value each. Banco Nacional de Costa Rica owns the remaining 49% of shares.

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

The Bank’s income statement as of December 31, 2019 and 2018 includes ¢3.424.672.366 and ¢3.288.247.591, respectively, for BICSA’s result of operations.

The Bank’s statement of changes in equity for the years ended December 31, 2019 and 2018 includes an increase in equity for ¢3.774.072.554 and a decrease in equity for ¢4.508.555.586, respectively, corresponding to changes arising from translation of BICSA’s financial statements.

(9) Property and equipment

As of December 31, 2019, property and equipment is as follows:

Cost:	Land	Bulding	Furniture and equipment	Computer hardware	Vehicles	Finance leases	Total
Balance at December 31, 2018	¢ **34.441.191.347**	**68.381.841.761**	**32.913.699.735**	**38.113.464.599**	**5.169.346.654**	**0**	**179.019.544.096**
Effect of translation	0	0	0	0	0	0	0
Adjusted balance	**34.441.191.347**	**68.381.841.761**	**32.913.699.735**	**38.113.464.599**	**5.169.346.654**	**0**	**179.019.544.096**
Additions	97.639.944	1.808.895.960	3.523.515.447	8.544.544.757	394.175.891	0	14.368.771.999
Withdrawals	(97.639.944)	0	(774.478.871)	(1.937.073.208)	(451.114.374)	0	(3.260.306.397)
Transfers	0	0	(57.677.304)	(1.694.832.712)	0	0	(1.752.510.016)
Revaluation	0	0	0	0	0	0	0
Reversion of revaluation	0	0		0	(35.068.864)	0	(35.068.864)
Impairment	0	0	0	0	0	0	0
Balance at December 31, 2019	**34.441.191.347**	**70.190.737.721**	**35.605.059.007**	**43.026.103.436**	**5.077.339.307**	**0**	**188.340.430.818**
Accumulated depreciation and impairment							
Balance at December 31, 2018	**0**	**20.671.336.744**	**20.311.264.633**	**26.984.802.541**	**3.771.550.167**	**0**	**71.738.954.085**
Effect of translation	0	0	0	0	0	0	0
Adjusted balance	**0**	**20.671.336.744**	**20.311.264.633**	**26.984.802.541**	**3.771.550.167**	**0**	**71.738.954.085**
Depreciation expense	0	1.768.265.903	2.165.306.981	4.215.762.311	271.028.704	0	8.420.363.899
Ajustment from prior periods	0	0	0	0	0	0	0
Withdrawals	0	0	(732.430.735)	(1.947.282.788)	(438.546.768)	0	(3.118.260.291)
Transfers	0	0	433.549.246	(1.598.046.769)	0	0	(1.164.497.523)
Revaluation	0	0	0	0	(35.068.865)	0	(35.068.865)
Reversiono of accrued depreciation	0	0	0	0	0	0	0
Balance at December 31, 2019	¢ **0**	**22.439.602.647**	**22.177.690.125**	**27.655.235.295**	**3.568.963.239**	**0**	**75.841.491.305**
Balance net:							
December 31, 2019	¢ **34.441.191.347**	**47.751.135.074**	**13.427.368.882**	**15.370.868.142**	**1.508.376.068**	**0**	**112.498.939.513**

BANCO DE COSTA RICA

Notes to the separate Financial Statements
(with corresponding figures for 2018)

As of December 31, 2018, property and equipment (restructured) is as follows:

Cost:		Land	Bulding	Furniture and equipment	Computer hardware	Vehicles	Finance leases	Total
Balance at December 31, 2017	¢	**27.906.563.197**	**62.220.211.002**	**30.922.056.347**	**32.845.341.256**	**5.707.696.426**	**3.131.826.402**	**162.733.694.630**
Additions		6.534.628.150	6.161.630.759	2.962.764.102	5.633.673.101	536.645.577	988.348	21.830.330.037
Withdrawals		0	0	(276.394.310)	(117.543.593)	(1.074.467.026)	(3.132.814.750)	(4.601.219.679)
Transfers		0	0	(694.726.404)	(248.006.165)	(528.323)	0	(943.260.892)
Balance at December 31, 2018		**34.441.191.347**	**68.381.841.761**	**32.913.699.735**	**38.113.464.599**	**5.169.346.654**	**0**	**179.019.544.096**
Accumulated depreciation and impairment								
Balance at December 31, 2017		**0**	**19.429.107.722**	**18.970.882.391**	**23.146.341.062**	**4.463.508.580**	**2.651.502.416**	**68.661.342.171**
Depreciation expense		0	1.242.229.022	2.156.700.325	4.191.139.255	327.082.501	402.978.874	8.320.129.977
Withdrawals		0	0	(272.763.069)	(112.653.756)	(1.018.512.592)	(3.054.481.290)	(4.458.410.707)
Transfers		0	0	(543.555.014)	(240.024.020)	(528.322)	0	(784.107.356)
Balance at December 31, 2018	¢	**0**	**20.671.336.744**	**20.311.264.633**	**26.984.802.541**	**3.771.550.167**	**0**	**71.738.954.085**
Balance net:								
December 31, 2018	¢	**34.441.191.347**	**47.710.505.017**	**12.602.435.102**	**11.128.662.058**	**1.397.796.487**	**0**	**107.280.590.011**

(10) Other assets

(a) Other deferred charges

Other deferred charges are detailed as follows:

		December 2019	December 2018
Improvements in property in operating lease	¢	1.002.386.400	1.595.709.356
Pre-issuance costs of financial instruments		803.096.505	1.401.915.982
Other deferred charges		6.451.018.139	6.291.032.148
	¢	**8.256.501.044**	**9.288.657.476**

(b) Intangible assets

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

Cost:		
Balance as of December 31, 2018	¢	**42.358.190.088**
Additions to computer systems		5.548.371.983
Transfer balances		(55.070)
Withdrawals		(8.337.734.742)
Balance as of Dcember 31, 2019		**39.568.772.259**
Accumulated amortization and impairment:		
Balance as of December 31, 2018		**33.766.797.965**
Expense for amortization of computer systems		4.871.881.175
Adjustment against loan portfolio allowance		(55.076)
Withdrawals		(8.073.056.773)
Balance as of December 31, 2019		**30.565.567.291**
Balances, net:		
Balance as of December 31, 2019	¢	**9.003.204.968**

Cost:		
Balance as of December 31, 2017	¢	**37.660.197.728**
Additions to computer systems		5.992.330.498
Transfer balances		(1.224.873.520)
Withdrawals		(69.464.618)
Balance as of Dcember 31, 2018		**42.358.190.088**
Accumulated amortization and impairment:		
Balance as of December 31, 2017		**29.394.935.917**
Expense for amortization of computer systems		4.432.661.240
Withdrawals		(60.799.192)
Balance as of December 31, 2018		**33.766.797.965**
Balances, net:		
Balance as of December 31, 2018	¢	**8.591.392.123**

(c) Other assets

Other assets are detailed as follows:

		December 2019	December 2018
Prepaid taxes	¢	4.105.377.639	5.726.243.172
Other prepaid taxes		1.618.343.047	0
Prepaid leases		78.393	10
Prepaid insurrance policy		192.438.674	162.854.432
Other prepaid expenses		0	112.607.139
Prepaid expenses		5.916.237.753	6.001.704.753
Stationery, supplies and other materials		128.439.541	173.231.099
Library and Works of art		2.057.391	2.057.335
Constructions in process		7.691.281.781	4.947.397.578
Amortized applications in development		3.235.374.256	2.179.369.504
Rights in social and unión institutions		36.633.800	42.726.699
Other sundry assets		2.297.253.132	2.297.253.131
Sundry assets		13.391.039.901	9.642.035.346
Missing cash		60.008.514	60.102.646
Transactions to be settled		45.530.360.080	44.936.558.969
Other charge pending operations		295.031	499.292
Charge pending operations		45.590.663.625	44.997.160.907
Deposits in guarantee		207.256.577	365.932.719
Restricted assets		207.256.577	365.932.719
	¢	**65.105.197.856**	**61.006.833.725**

(11) Demand obligations with the public

As of December 31, demand obligations with the public as follows:

		December 2019	December 2018
Checking accounts	¢	1.412.569.562.466	1.316.061.462.784
Certification checks		84.632.134	450.437.954
Demand saving deposits		700.460.108.648	691.413.615.649
Matured term deposits		4.603.904.355	5.484.760.548
Other demand obligations with the public		6.505.313.626	6.493.675.025
	¢	**2.124.223.521.229**	**2.019.903.951.960**

(12) Term and demand deposits with clients

As of December 31, demand and term deposits per number of customers and accumulated amount are detailed as follows:

		December 2019	December 2018
		Demand	**Demand**
Public	¢	2.117.718.207.604	2.013.410.276.936
Other obligations with the public		6.505.313.625	6.493.675.024
		2.124.223.521.229	2.019.903.951.960
State-owened entities		3.682.254.344	5.197.808.886
Other Banks		135.363.065.490	136.548.562.041
Other financial entities		22.085.786.557	13.508.657.569
		161.131.106.391	155.255.028.496
	¢	**2.285.354.627.620**	**2.175.158.980.456**

		December 2019	December 2018
		Term	**Term**
Public	¢	1.566.860.210.518	1.558.317.799.781
		1.566.860.210.518	1.558.317.799.781
State-owened entities		65.249.026.984	38.381.863.395
Other banks		3.443.050.930	1.046.681.863
Other financial entities		178.741.512.597	262.639.123.036
		247.433.590.511	302.067.668.294
	¢	**1.814.293.801.029**	**1.860.385.468.075**

As of December 31, 2019, demand deposits from customers include court-ordered deposits for ¢211.643.305.958 (¢203.613.955.894 as of December 31, 2018), which are restricted because of their nature.

As of December 31, 2019 the Bank has a total of 1.896.668 customers with demand deposits (2018: 1.890.425) and has a total of 36.221 customers with term deposits (2018: 35.242).

(13) Repurchase and reverse repurchase agreements

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

As of December 31, 2019 and 2018 the Bank does not hold repurchase agreements.

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

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

		December 2019	December 2018
Obligations with the Central Bank of Costa Rica	¢	0	94.396.193
Charges payable from obligations with the Central Bank of Costa Rica		0	120.075.405.189
		0	120.169.801.382
Checking accounts of local financial entities		22.415.337.235	18.151.114.896
Overdrafts on demand checking accounts in foreign financial entities		5.156.060.329	2.599.216.202
Demand liabilities per statutory legal mandate		132.102.507.270	132.395.995.315
Outstanding checks		1.457.201.558	2.108.702.083
Term deposits from local financial entities		82.322.767.481	41.834.862.258
Loans from foreign financial entities		164.540.717.192	249.803.670.092
Liquidity market obligations		570.105.837	10.429.135.944
Charges payable for obligations with financial and non002Dfinancial entities		2.245.275.924	1.203.907.198
		458.526.603.988	458.526.603.988
Subordinated obligations		0	6,043,900,000
Charges payable for subordinated obliagtions		0	21,501,676
		0	6.065.401.676
	¢	**410.809.972.826**	**584.761.807.046**

Maturities of term obligations with entities are from January 3, 2019 to February 15, 2021.

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

	December 2019	December 2018
US Dólares	0,1500% a 6,3300%	0.1000% a 6.3300%

As of December 31, 2019 and 2018 there are no term obligations with foreign financial entities for the international issuance.

(a) Maturities of loans payable

As of December 31, 2019, loans payable mature as follows:

		BCCR	Local financial entities	Foreign financial entities	International organizations	Total
Less than one year	¢	0	570.105.837	17.239.521.600	11.401.800.000	29.211.427.437
Between one and two years		0	0	49.882.875.000	25.654.050.000	75.536.925.000
Between three and five years		0	0	0	60.362.470.592	60.362.470.592
Total	¢	**0**	**570.105.837**	**67.122.396.600**	**97.418.320.592**	**165.110.823.029**

As of December 31, 2018, loans payable mature as follows:

		BCCR	Local financial entities	Foreign financial entities	International organizations	Total
Less than one year	¢	120.075.405.189	10.429.135.944	15.714.140.000	95.879.758.032	242.098.439.165
Between one and two years		0	0	52.884.125.000	0	52.884.125.000
Between three and five years		0	0	0	85.325.647.060	85.325.647.060
More than five years		0	0	0	6.043.900.000	6.043.900.000
Total	¢	**120.075.405.189**	**10.429.135.944**	**68.598.265.000**	**187.249.305.092**	**386.352.111.225**

As of December 31, 2019 and 2018, the Bank does not have obligations from financial leases.

(15) Income tax

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

As of December 31, 2019, the Bank's separate balances of income tax payable and expected income tax amount to ¢12.590.625.670 (¢655.372.428 as of December 31, 2018) (see note 17) and ¢4.105.377.639 (¢5.726.243.172 as of December 31, 2018), and are recorded as "Other assets".

As of December 31, the difference between income tax expense and the amounts computed by applying the corresponding income tax rate to pretax income (30%) is reconciled as follows:

		December 2019	**December 2018**
Income before taxes	¢	48.391.831.002	23,006,423,655
Plus:			
Non deducible expenses		69.939.659.828	42,558,630,496
Less:			
Non taxable income		(76.362.738.595)	(76,386,611,491)
Taxable basis		41.968.752.235	(10,821,557,340)
Tax rate		30%	30%
Expense for income tax		12.590.625.670	0
Prior year income tax		0	26,549,518
Income tax	¢	**12.590.625.670**	**26,549,518**

As of December 31, 2018, Management decides to maintain the balance of income tax payable in the event of facing an additional payment in the tax settlement as of March 31, 2019.

The income tax expenses are as follows:

		December 2019	December 2018
	¢	12.695.295.321	1,664,738,617
Current tax		(104.669.651)	(982,816,671)
Decrease in income tax		0	(26,549,518)
Income tax adjustment for the previous period		12.590.625.670	655,372,428
Decrease in deferred income tax		(152.431.387)	(152,437,362)
Decrease in income tax of the previous period		(134.594.940)	0
Income tax	¢	**12.303.599.343**	**502,935,066**

		December 2019	December 2018
Realization of deferred income tax	¢	152.431.387	152.437.362

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

As of December 31, 2019 deferred tax assets and liabilities are attributed to the following:

		Assets	Liabilities	Net
Valuation of investments	¢	981.374.269	(3.834.489.662)	(2.853.115.393)
Revaluation of buildings		0	(5.277.080.116)	(5.277.080.116)
Total		**981.374.269**	**(9.111.569.778)**	**(8.130.195.509)**

As of December 31, 2018 deferred tax assets and liabilities are attributed to the following:

		Assets	Liabilities	Net
Valuation of investments	¢	2,794,844,681	(301,156,086)	2,493,688,595
Revaluation of buildings		0	(5,429,511,503)	(5,429,511,503)
Total		**2,794,844,681**	**(5,730,667,589)**	**(2,935,822,908)**

BANCO DE COSTA RICA

Notes to the separate Financial Statements
(with corresponding figures for 2018)

Movement of temporary differences is as follows:

As of December 31, 2019:

		December 31, 2018	Income statement	Equity	December 31, 2019
Liabilities account					
Valuation of investments	¢	(301,156,086)	0	(3.533.333.576)	(3.834.489.662)
Revaluation of buildings		(5,429,511,503)	152.431.387	0	(5.277.080.116)
Assets account					
Valuation of investments		2,794,844,681	0	(1.813.470.412)	981.374.269
Total	**¢**	**(2,935,822,908)**	**152.431.387**	**(5.346.803.988)**	**(8.130.195.509)**

As of December 31, 2018:

		December 31, 2017	Income statement	Equity	December 31, 2018
Liabilities account					
Valuation of investments	¢	(296,425,816)	0	(4,730,270)	(301,156,086)
Revaluation of buildings		(5,581,948,865)	152,437,362	0	(5,429,511,503)
Assets account					
Valuation of investments		2,916,303,030	0	(121,458,349)	2,794,844,681
Total	**¢**	**(2,962,071,651)**	**152,437,362**	**(126,188,619)**	**(2,935,822,908)**

The tax receivable balance originated by an excess of advanced payments for the returns on investments of the Development Credit Fund which are exempt from the obligation and for income tax advances, are detailed as follows:

		December 2019	December 2018
Income tax receivable	¢	85.427.352	120,745,759
Total	**¢**	**85.427.352**	**120,745,759**

IFRIC-23 "Uncertainty against 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:

		December 2019	**December 2018**
Banco de Costa Rica	¢	35.072.116.918	0

(16) Provisions

As of December 31, movement in provisions is as follows:

		Severance benefits	Litigations	Others	Total
Balance at December 31, 2018	¢	**9.334.693.232**	**8.596.390.325**	**0**	**17.931.083.557**
Increase in provision		393.675.436	13.128.034.092	6.988.201.066	20.509.910.594
Use of provision		(235.469.625)	(1.465.882.191)	0	(1.701.351.816)
Transfer of balances		0	0	28.083.915.852	28.083.915.852
Adjustment for foreign exchange		0	(65.167.583)	0	(65.167.583)
Reversal of provision		(497.451.625)	(3.909.023.755)	0	(4.406.475.380)
Balance at December 31, 2019	¢	**8.995.447.418**	**16.284.350.888**	**35.072.116.918**	**60.351.915.224**

		Severance benefits	Litigations	Others	Total
Balance at December 31, 2017	¢	**20.117.560.808**	**2.707.586.860**	0	**22.825.147.668**
Increase in provision		649.878.407	4.904.636.987	0	5.554.515.394
Use of provision		(1.126.243.403)	(116.913.630)	0	(1.243.157.033)
Transfer of balances		73.444.222	1.281.105.087	0	1.354.549.309
Adjustment for foreign exchange		0	(33.330.187)	0	(33.330.187)
Reversal of provision		(10.379.946.802)	(146.694.792)	0	(10.526.641.594)
Balance at December 31, 2018	¢	**9.334.693.232**	**8.596.390.325**	**0**	**17.931.083.557**

As of December 31, 2019 the Bank is a defendant in litigation, for which the following provisions have been established:

- Ordinary suits filed against the Bank estimated at ¢27.832.009.258 and US$57.017.807 for which the Bank has provisioned ¢3.825.811.572 and US$1.311.000, respectively.

- The criminal lawsuits against the Bank have been estimated in ¢1.794.475.429 and US$10.077, for which the Bank has recorded a provision in the amount of ¢89.000.000

- Labor suits by nature are difficult to estimate. However, they have been estimated at ¢4.447.266.539 and US$825.000, for which the Bank has provisioned ¢2.102.326.309, corresponding to cases where a provisional judgment has been handed down.

- There are administrative proceedings at different stages in the amount ¢8.130.013 and US$36.257 for which the Bank has provisioned ¢2.646.000 and US$34.057, respectively.

- In compliance with Law 9605 "Merger by absorption of Banco Crédito Agrícola de Cartago and Banco de Costa Rica" the amount of ¢820.105.087was tranferred for pending proceedings.

As of February 28, 2019, the amounts provisioned for ¢2.838.356.417 related to tax procedures are reversed since the Bank accepts the tax amnesty as indicated in Transitory XXIV of the Law on Strengthening of Public Finances No. 9635.

As of December 31, 2018 the Bank is a defendant in litigation, for which the following provisions have been established:

- Ordinary suits filed against the Bank estimated at ¢21.387.153.445 and US$56.279.664 for which the Bank has provisioned ¢1.001.535.353 and US$3.578.120, respectively.

- Labor suits by nature are difficult to estimate. However, they have been estimated at ¢2.626.124.619 and US$825.000, for which the Bank has provisioned ¢1.200.583.525, corresponding to cases where a provisional judgment has been handed down.

- The arbitration proceedings against the Bank are estimated in the amount of US$12.549.617, for which it has been recomended not record any provision.

- There are administrative proceedings at different stages in the amount ¢8.130.013 and US$34.257 for which the Bank has provisioned ¢2.646.000 and US$34.057, respectively.

- For tax proceedings, and due to the possible future confirmation of tax payments or dismissal, plus corresponding interest and penalties, the Bank has provisioned the amount of ¢2.838.356.417.

- In compliance with Law 9605 "Merger by absorption of Banco Crédito Agrícola de Cartago and Banco de Costa Rica" the amount of ¢1.281.105.087 was tranferred for pending proceedings.

(17) Other miscellaneous accounts payable

Other miscellaneous accounts payable are detailed as follows:

		December 2019	December 2018
Fees payable		6.019.836	893.738
Current income tax (see note 15)	¢	12.590.625.670	655.372.428
UD Income Tax		329.895.807	310.179.687
Employer contributions		1.308.600.083	1.258.162.807
Court-ordered withholdings		893.124.091	862.300.939
Tax withholdings		2.990.499.598	945.774.300
Employer withholdings		678.724.862	612.366.113
Other third-party withholdings		18.815.848.817	9.797.960.323
Compensation and salaries		7.342.573.562	7.036.268.691
Distributions payable on results of the period (see note 30)		14.893.003.891	4.316.225.421
Obligations with the National Development Trust		524.739.762	355.384.201
Accrued vacation payable		5.728.611.751	5.746.254.063
Accrued statutory Christmas bonus payable		466.359.750	445.461.153
Commissions payable for insurance placement		152.717.091	45.446.136
Fees and commissions payable related parties		5.106.157	0
Sundry creditors	¢	24.108.422.595	23.122.797.847
		90.834.873.323	**55.510.847.847**

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

(18) Equity

a) Capital

The Bank's capital is a comprised as follows:

		December 2019	December 2018
Capital under Law 1644	¢	30.000.000	30.000.000
Bank capitalization bonds		1.288.059.486	1.288.059.486
Capital increase under Law 7107		118.737.742.219	118.737.742.219
Capital increase under Law 8703		27.619.000.002	27.619.000.002
Capital increase under Law 9605		18.907.432.694	
Increase from revaluation of assets		14.130.125.230	14.130.125.230
Other		697.630.970	697.630.970
	¢	**181.409.990.601**	**162.502.557.907**

On December 23, 2008, the Executive Branch of the Costa Rican Government authorized a capital contribution funded under Law No. 8703 "Amendment to the Law on the Ordinary and Extraordinary Budget of the Republic for Tax Year 2008 (Law No. 8627)". Such law grants funds to capitalize three State-owned banks, including the Bank, in order to stimulate productive sectors, particularly small and medium-sized enterprises. For such purposes, the Bank handed over four securities for a total of US$50.000.000 equivalent to ¢28.120.000.000 and denominated in DU maturing in 2017, 2018 y 2019 (No. 4180, 4181 y 4182, for UD10.541.265 each, at a reference exchange rate of ¢655.021). As of December 31, 2019, there are no investments held to maturity in Development Units (UDES) (¢ 9,486,147,702 as of December 2018). (See note 5)

As of December 18, 2019,there are maturity dates of securities in Development Units (UDES) in the amount of ¢9.660.342.108.

As of December 24, 2018,there are maturity dates of securities in Development Units (UDES) in the amount of ¢9.475.838.345.

On February 13, 2018, the National Financial System Supervisory Board (CONASSIF) authorized the Bank to increase its capital stock by ¢9.713.866.564 for accumulated profits and the revaluation surplus for realized assets amounting to ¢275.499.394 for a total of ¢9.989.365.958.

As of December 31, 2019, the amount for the constitution of the Development Financing Fund's equity is ¢29.753.932.255 (¢27.644.163.794 as of December 2018). 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 equity managed by the entity was transferred.

b) Non-capitalizable capital contributions

Corresponds to amounts received for capital contributions to the entity, some of them destined to increase the stock capital, in this case, compliance with Law 9605 "Merger by absorption of Banco Crédito Agrícola de Cartago and Banco de Costa Rica."

As of December 31, 2019 non-capitalized capital contributions amount to ¢18,907,432,694 are trasnfered to the capital stock.

c) Surplus from revaluation of property and equipment

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

As of December 31, 2019 and 2018, revaluation surplus amounts to ¢37.774.830.067.

d) Adjustments for revaluation of available-for-sale investments

Corresponding to variations in the fair value of available-for-sale investments, as of December 31, 2019, the balance of the adjustment for valuation of available-for-sale investments corresponds to unrealized net profits in the amount of ¢7.395.390.459 (net losses for ¢8.298.777.182 as of December 31, 2018).

e) Adjustment for valuations of investments in other companies

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

As of December 31, 2019 changes in equity include foreign exchange differences corresponding to investments in other companies in the amount of ¢6.070.301.826 (¢7.994.666.118 as of December 31, 2018).

Regulatory Capital

As of December 31, the primary and secondary capital of the Bank is detailed as follows:

		December 2019	December 2018
Primary Capital			
Ordinary paid capital	¢	181.409.990.601	162.502.557.907
Legal reserve		264.398.962.426	253.327.207.494
		445.808.953.027	415.829.765.401
Secundary Capital			
Ajustment for valuation of property		28.331.122.550	28.331.122.550
Adjustment for valuation of available-for-sale investments		0	(6.947.295.208)
Adjustment for valuation of restricted financial instruments		0	(1.351.481.972)
Contributions for capital increase		0	18.907.432.694
Adjustment for valuation of shares in other companies		6.070.301.826	7.994.666.118
Retained earnings from previous periods		974.784.271	34,427,953,825
Results of the period		37.069.048.618	21.950.383.108
Subordinated credit instruments		0	6.043.900.000
Development Financing Fund		29.753.932.255	27.644.163.794
		102.199.189.520	137.000.844.909
Deductions			
Participation in other companies		(122.223.886.977)	(111.419.631.318)
Total regulatory capital	¢	**425.784.255.570**	**441.410.978.992**

(19) Commitments and contingencies

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

As of December 31, off-balance sheet financial instruments with risk are as follows:

		December 2019	December 2018
Guarantees:			
Performance bonds	¢	98.253.950.476	127.052.994.813
Bid bonds		10.799.902.010	4.207.052.002
Issued but unused letters of credit		4.716.978.015	9.363.284.057
Preapproved lines of credit		110.306.458.982	108.390.309.374
Other contingencies		60.297.313.845	76.216.977.073
Credits pending disbursement		1.419.685.651	4.649.935.971
	¢	**285.794.288.979**	**329.880.553.290**

As of December 31, off-balance sheet financial instruments with risk by type of deposit are as follows:

		December 2019	December 2018
With prior deposit	¢	9.437.532.897	10.357.353.091
Without prior deposit		216.059.442.237	243.306.223.126
Pending litigation and claims		60.297.313.845	76.216.977.073
Total deposits	¢	**285.794.288.979**	**329.880.553.290**

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

As of December 31, 2019 and 2018, letters of credit are backed up by 100% of the stand-by balance or by lines of credit.

As of December 31, 2019, floating guarantees in custody are for ¢307.017.094.167 (¢208,940,808,968 as of December 31, 2018).

Other contingencies:

As of December 31, 2019, the Bank's Legal Division reported the following contingencies and commitments:

- Administrative suits against the Bank estimated at ¢24.006.197.685 and US$55.706.803. In addition other contentious processes are filed for preliminary injunction with no estimate.
- Ordinary labor suits estimated at ¢2.344.940.230 and US$825.000.
- Criminal proceedings in which the Bank is a third-party defendant estimated at ¢1.705.475.429 and US$10.077.
- Administrative proceedings against the Bank have been estimated in the amount of ¢5.484.013 and US$2.200.
- In tax matters, for taxes plus interest and proportional penalties, no estimates were recorded since the Bank is eligible for tax amnesty as indicated in Transitory XXIV of the Law on Strengthening Public Finances No. 9635.

As of December 31, 2018, the Bank's Legal Division reported the following contingencies and commitments:

- Administrative suits against the Bank estimated at ¢20.385.618.092 and US$52.701.544. In addition other contentious processes are filed for preliminary injunction with no estimate.
- Ordinary labor suits estimated at ¢1.425.541.094 and US$825.000.
- Criminal proceedings in which the Bank is a third-party defendant estimated at ¢109.481.552 and US$10.077.
- Arbitration proceedings against the Bank are estimated in the amount of US$12.509.617.
- Administrative proceedings against the Bank have been estimated in the amount of ¢5.484.013 and US$200. There is an administrative proceeding againts the Costa Rican Social Security, not to pay 15% on the profits of the Bank's subsidiaries, as the Bank considers that this obligation does not apply; in addition BICSA does not correspond to 100% of its profits but to 51%. The amount estimated to date corresponds to ¢12,000 million. The criterion of the Bank's legal area has been submitted, which determines the degree of probability of payment, indicating that the accounting provision should not be made.

- In tax matters, for taxes plus interest and proportional penalties, the amount of ¢14.348.870.320 has been estimated.

(20) Trusts

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

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

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

As of December 31, the assets in which capital trust is invested are detailed as follows:

		December 2019	December 2018
Cash and due from banks	¢	95.387.205.909	64.385.775.730
Investment		113.654.806.148	186.815.836.410
Loan portfolio		162.812.849.386	164.479.111.819
Allowance for loan losses		(16.020.871.060)	(14.474.855.534)
Foreclosed assets		17.318.316.996	16.950.685.196
Investment in other companies		37.451.201.114	51.979.747.268
Other receivables		78.996.060.198	97.814.143.839
Property and equipment		317.398.230.692	1.137.537.958.341
Other assets		346.983.737.416	322.520.914.547
	¢	**1.153.981.536.799**	**2.028.009.317.616**

(21) Other debit memoranda accounts

Other debit memoranda accounts are as follows:

		December 2019	December 2018
Guarantees received and held in custody	¢	4.209.898.736	6.957.365.166
Guarantees received and held by third parties		5.081.703.774	2.462.450.961
Unused authorized lines of credit		300.155.338.096	324.483.372.469
Write-offs		203.382.312.635	202.506.330.955
Suspense interest receivable		17.133.090.114	14.698.345.607
Other memoranda acounts		12.624.147.444.317	1.388.042.116.049
Assets and securities held in custody for third parties		77.684.623.517	65.515.794.969
Traiding securities held in custody		0	327.809.636.986
Trading securities received as Guarantee (Guarantee Trust)		37.971.351.184	0
Own trading securities		518.467.971.624	0
Cash and accounts recevable custodial activities		106.674.298.511	74.654.715.414
Traiding securities held in custody		0	4.191.775.253.833
Third-party trading securities received as guarantee (Guarantee Trust)		105.771.027.533	93.608.929.010
Third-party trading securities pledged as guarantee (Guarantee Trust)		0	82.635.627.868
Third parties trading securities		4.797.607.082.172	0
	¢	**18.798.286.142.213**	**6.775.149.939.287**

(22) Finance income on loan portfolio

Finance income on loan portfolio is as follows:

		December	
		2019	**2018**
Interest for investment in held-for-trading financial instruments		0	66
Interest for invetment in available-for-sale financial instruments	¢	55.633.996.539	59.664.999.329
	¢	**55.633.996.539**	**59.664.999.329**

(23) Finance income on credit portfolio

Finance income on credit portfolio is as follows:

		December	
		2019	**2018**
Checking account overdrafts	¢	2.476.023.995	2.398.517.387
Loans with other funds		264.817.336.662	254.033.009.769
Credit cards		10.829.002.866	10.721.252.050
Factoring		78.269.439	192.758.847
Issued and used letters of credit		7.061.951	9.011.276
Past due loans in legal collection		2.941.951.526	613.907.756
	¢	**281.149.646.439**	**267.968.457.085**

(24) Expenses for obligations with the public

Finance expense for obligations with the public is as follows:

		December	
		2019	**2018**
Demand deposits	¢	39.627.524.326	36.143.787.215
Term deposits		113.475.472.224	104.337.441.407
	¢	**153.102.996.550**	**140.481.228.622**

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

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

		December	
		2019	**2018**
Allowance for loan losses (see note 6-e)	¢	30.793.918.026	61.227.655.576
Allowance for other doubtfull receivables		3.697.290.068	2.393.983.339
Allowance for stand-by credit losses		557.062.129	540.410.391
Expenses generic estimation and against cyclic for loan (see note 6-e)		3.017.620.604	4.621.325.387
Expenses generic estimation and against cyclic for contingent credit portfolio		38.894.166	299.362.106
	¢	**38.104.784.993**	**69.082.736.799**

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

As of December 31, income from recovery of financial assets and decreases in allowances is as follows:

		December	
		2019	**2018**
Recovery of loan write-offs	¢	16.210.579.474	5.186.039.664
Recovery of accounts receivable		0	2.000.000
Decrease in allowance for loan losses (see note 6-e)		30.084.197.147	7.510.822.749
Decrease in allowance for other doubtfull receivables		1.872.297.612	455.001.577
Decrease in Allowance for stand-by credit losses		550.856.987	470.236.639
Decrease in generic estiamtion and against cyclic for loan (see note 6-e)		3.307.076.789	3.284.801.508
Decrease in generic estimation and against cyclic for contigent loans		72.442.934	187.686.325
	¢	**52.097.450.943**	**17.096.588.462**

(27) Income from service fees and commissions

Income from service fees and commissions is as follows:

		December	
		2019	**2018**
Drafts and tranfers	¢	2.528.483.651	2.486.494.651
Foreign trade		204.493.628	181.195.271
Certified checks		3.985.556	4.254.091
Trust management		6.279.029.011	5.632.828.487
Custodial services		316.049.679	321.958.448
Banking mandates		466.430	305.419
Collections		430.472.779	416.026.329
Credit cards		47.884.223.805	45.028.011.621
Authorized custodial services for secutiries		649.610.029	566,597,323
Commissions for transactions with related parties		3.696.415	0
Other commissions		33.535.430.578	27.553.489.485
	¢	**91.835.941.561**	**82.191.161.125**

(28) Income from interest in other companies

Income from interest in other companies is detailed as follows:

		December	
		2019	**2018**
Local entities			
Interest in BCR Valores, S.A.- Puesto de Bolsa	¢	2.881.003.304	2.518.378.471
Interest in BCR Sociedad Aministradora de Fondos de Inversión, S.A.		2.198.356.003	2.850.437.265
Interest in BCR Pensión, Operadora de Planes de Pensiones Complementarias, S.A.		1.107.213.183	887.991.426
Interest in BCR Corredora de Seguros, S.A.		2.735.208.089	2.917.119.619
Interest in Depósito Agrícola de Cartago S.A.		111.943.523	32.327.410
Interest in Bancrédito Agencia de Seguros S.A.		12.412.194	20.930.652
Entities abroad:			
Banco Internacional de Costa Rica. S.A. and Subsidiaries		3.424.672.366	3.288.247.591
	¢	**12.470.808.662**	**12.515.432.434**

As of December 31, 2019, income from interest in the capital of the subsidiaries Bancrédito Agencia de Seguros S.A. and Depósito Agrícola de Cartago S.A. and its subsidiary, are the amounts generated as of September 19, 2018, the date Law 9605 "Merger by absorption of Banco Crédito Agrícola de Cartago and Banco de Costa Rica" was published.

BANCO DE COSTA RICA

Notes to the separate Financial Statements
(with corresponding figures for 2018)

(29) Administrative expenses

As of December 31, administrative expenses are as follows:

		December	
		2019	**2018**
Salaries and bonues, permanent staff	¢	50.702.213.549	49.072.603.862
Salaries and bonuses, contractors		2.138.060.506	2.030.622.294
Compensation for directors and statutory examiners		135.448.577	164,825,121
Overtime		842.427.794	783.703.086
Per diem		463.693.741	498.828.331
Statutory Christmas bonus		4.554.222.572	4.402.112.746
Vacation		5.613.983.816	4.971.442.094
Other compensation		867.389.619	801.467.367
Severance		2.492.962.195	2.365.160.883
Employer social security taxes		17.859.658.701	17.258.513.390
Refreshments		136.573.195	191.768.699
Uniforms		78.284.200	48.138.469
Training		456.575.865	602.891.523
Employe insurance		161.388.244	270.833.320
Assets for personal use		64.714.667	2.228.968
“Back-to-school” bonus		7.186.188.446	6.892.759.879
Compulsory retirement savings account		1.641.588.534	1.586.788.492
Outsourcing		497.180.738	445.176.425
Expenses for external services		14.204.209.307	13.573.801.343
Transportation and communications		4.647.063.585	4.484.237.869
Property insurance		26.213.281	95.180.139
Property maintenance and repairs		5.750.409.480	5.068.963.234
Public utilities		2.940.326.018	2.883.694.483
Leasing of property		6.568.434.671	6.727.940.035
Leasing of furniture and equipment		951.437.345	772.602.825
Depreciation of property and equipment		8.151.442.023	7.993.114.256
Amortization of leasehold property		599.768.374	1.240.831.834
Other infrastructure, expenses		3.415.959.342	3.872.527.324
Overhead		22.174.191.527	16.411.988.358
	¢	**165.322.009.912**	**155.514.746.649**

(30) Statutory allocations of earnings

Statutory allocations of earnings are as follows:

		December	
		2019	**2018**
Allocation for CONAPE	¢	2.639.051.925	897.306.741
Allocation or Instituto Nacional de Fomento Cooperativo		2.753.365.034	1.226.757.771
Allocation for the National Emergencies Commission		1.583.431.155	538.384.045
Allocation for Régimen de Invalidéz, Vejez y Muerte		8.464.205.147	2.691.920.223
	¢	**15.440.053.261**	**5.354.368.780**

As of May 31, 2019, the amount of ¢547.049.371 is transferred to the Costa Rican Social Security (CCSS) for the settlement of differences in the parafiscal contribution of the Disability, Old Age and Death Regime (IVM) of the years 2013 to 2016.

As of December 31, 2019, the amount of ¢11,057,611,045 is provisioned in response to the claim made by the Costa Rican Social Security (CCSS) regarding the calculation of 15% on the profits of the Bank of Costa Rica in compliance of the article 78 of the Workers Protection Law.

As of December 31, 2019 and 2018, there are not decreases in the legal allocations of the period's profits.

(31) Components of others comprehensive income

As of December 31, the components of other comprehensive income are as follows:

	December					
	2019			2018		
	Amount before income tax	Profit (expense)	Net taxes	Amount before income tax	Profit (expense)	Net taxes
Adjustment for valuation of available-for sale investments	21.040.971.628	(5.346.803.988)	15.694.167.640	(1.951.548.948)	(126.188.619)	(2.077.737.567)
Exchange differences for conversation of financial statements, foreign entities	(3.774.072.554)	0	(3.774.072.554)	4.508.555.586	0	4.508.555.586
Changes in equity from foreign subsidiaries	31.114.552	0	31.114.552	(2.891.659.065)	0	(2.891.659.065)
Change in equity of subsidiaries from unrealized gain	1.818.593.710	0	1.818.593.710	(1.025.384.438)	0	(1.025.384.438)
	¢ 19.116.607.336	**(5.346.803.988)**	**13.769.803.348**	**(1.360.036.865)**	**(126.188.619)**	**(1.486.225.484)**

(32) Operating leases

The Bank as tenant

Non-cancellable operating leases are payable as follows:

		December 2019	December 2018
Less than one year	¢	112.644.450	323.017.444
Between one and five years		901.155.600	1.411.008.894
	¢	**1.013.800.050**	**1.734.026.338**

(33) Fair value

Fair values of financial instruments are as follows:

		December 2019		December 2018	
		Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Cash and due from banks	¢	640.271.292.748	640.271.292.749	742.278.663.255	742.278.663.255
Investment		1.067.691.046.479	1.058.940.579.140	857.513.058.297	846.572.970.516
Loan portfolio		2.909.787.467.240	2.826.303.108.531	2.996.361.927.267	2.854.966.164.875
		4.617.749.806.467	4.525.514.980.420	4.596.153.648.819	4.443.817.798.646
Demand deposits		2.143.729.855.967	2.143.729.855.967	2.039.571.218.954	2.039.571.218.954
Term deposits		1.566.860.210.518	1.556.161.355.873	1.558.317.799.781	1.554.389.914.004
Finacial obligations		410.809.972.827	424.977.282.893	584.761.807.046	603.415.091.166
	¢	4.121.400.039.312	4.124.868.494.733	4.182.650.825.781	4.197.376.224.124

As of December 31, 2019, there are no subordinated obligations. (¢6,065,401,676 as of December 2018).

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

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

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

(b) Investments in financial instruments

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

(c) Securities sold under repurchase agreements

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

(d) Loan portfolio

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

(e) Deposits and loans payable

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

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

(34) Risk Management

Comprehensive Risk Management

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

Corporate governance of the risk management area

Boards of Directors, committees and senior managers of member institutions of the Financial Conglomerate strengthen and ensure the above mentioned Sigir, aware of its contribution to the improvement of institutional processes, and hence to the achievement of objectives and goals.

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

Objective of the Comprehensive Risk Management System

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

General Risk Principles and Policies

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

- A robust regulatory framework to provide legal, technical and administrative certainty for the functioning, evaluation and improvement of the Sigir.
- Strategies that seek to strengthen the system's maturity level.
- The risk management culture is promoted at all levels of the organization, thereby raising awareness of the importance of effective risk-based management.
- Methodologies and measurement models are available for the valuation of the different types of risk, which are periodically subjected to retrospective and stress tests, to adjust the variables and factors that influence the exposure to risks.
- Updated tools and systems are available to meet the needs of managing each type of risk.

- Risk and contingency management plans are in place to deal with situations that prevent the fulfillment of the stated objectives, as well as for materialized events whose consequences may generate negative impacts on the entities.

Classification of significant risks

The relevant risks to the Bank are classified as follows:

Financial
Credit
• Loan portfolio
• Investment portfolio (counterparty)

Market
• Liquidity
• Exchange rates
• Interest rates
• Prices

Operational
• Operating
• Legal
• Technological

Other
• Strategic
• Reputational
• Trust management
• Securitization management
• Conglomerate (intragroup)
• Money laundering and terrorism financing

Risk profile and limit structure

The members of the Conglomerate define a risk profile for each entity, which is approved by the corresponding Board of Directors, and according to which, parameters of acceptability, appetite, tolerance limits and risk indicators defining the exposure levels to assume, are established, thereby generating alerts to deviations from normal behavior, enabling timely decision making.

Process of comprehensive risk management

The process in risk assessments includes identification, analysis, evaluation, management, review, documentation and risk communication.

Types of risk assessments

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

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

Risk control framework

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

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

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

Mitigation coverage

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

Evaluation of the effectiveness and maturity of the System

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

Information generated by the Comprehensive Risk Management System

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

(a) Credit risk management

Definition

The credit risk is the possibility of economic losses due to non-compliance with the conditions agreed upon by the debtor.

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, models and systems measuring credit risk that accurately reflect the value of the positions and their sensitivity to various risk factors are applied in corporative 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 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 standarads of Basel II.

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 Committee. Finally, there are limits to exposure to credit risk, to control exposure levels.

Exposure and risk management

As of December 2019, the percentage of arrears greater than 90 days was 2.65% (2.84% as of December 2018). The latter indicator is 1.35 percentage points below the regulatory limit to be in the normal range, with retail banking activities showing the highest delinquency; additionally, wholesale banking customers affected by the weather events that affected the country, entered this range of delinquency; nevertheless, payment arrangements are being made that allow clients to regularize their situation in the coming months.

The dollar portfolio accounts for 31.14% (35.96% in December 2018) of the total portfolio. It is important to mention that the loan portfolio has been managed strategically in order to attract customers with an acceptable risk profile. In addition, regular monitoring of the loans in foreign currency is given, and in particular, the portfolio of clients not generating income in foreign currency.

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

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

Also, the commercial area is kept informed on the inherent risks of the economic activities associated with credit underwriting, through specific studies, 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 December 2019, the expected loss methodology for investments was approved under the IFRS 9 approach, which will be effective from January 2020.

For the months of April, May and July 2019, the financial indicators of the loan portfolio of Banco de Costa Rica were affected, due to the loan portfolio received from Banco Crédito Agrícola de Cartago, in the indicator of default greater than 90 days.

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As of December, 31, the maximum exposure to credit risk is represented by the carrying amount of each financial asset:

			Direct Loans			Contingent Loan Portfolio	
			December	December		December	December
	Note		2019	2018	Note	2019	2018
Principal	6a	¢	2.890.645.076.789	2.974.955.076.905		216.059.442.237	243 306 223 126
Interest			19.142.390.452	21.406.850.362		0	0
			2.909.787.467.241	2.996.361.927.267		216.059.442.237	243 306 223 126
Allowance for loan losses			(86 096 482 964)	(95.595.104.413)		0	0
Carrying amount		¢	2 823 690 984 277	2.900.766.822.854		216.059.442.237	243.306.223.126
Loan portfolio							
Total balance:							
A1		¢	2.140.096.497.300	2.333.044.421.273		207.521.255.529	231 900 929 664
A2			32.609.815.445	24.696.596.914		641.636.118	541 563 168
B1			284.540.809.597	279.542.984.375		3.716.911.860	4 521 880 849
B2			22.139.029.614	30.418.866.589		148.243.202	77 982 607
C1			151.027.085.878	83.072.430.022		1.671.067.682	3 175 211 850
C2			18.926.297.078	29.425.123.392		58.679.901	167 520 857
D			61.591.553.118	20.632.634.079		1.319.235.516	879 008 820
E			144.679.599.194	195.528.870.623		971.235.998	2 042 125 311
1			50.697.217.698	0		11.176.431	0
2			663.646.827	0		0	0
3			1.878.811.421	0		0	0
4			610.828.899	0		0	0
6			326.275.172	0		0	0
			2.909.787.467.241	2.996.361.927.267		216.059.442.237	243 306 223 126
Allowance for loan losses			(72 437 945 136)	(83.756.518.417)		(309.348.550)	(355.673.142)
Carrying amount, net			2 837 349 522 105	2.912.605.408.850		215.750.093.687	242.950.549.984
Carrying amount			2 909 787 467 241	2.996.361.927.267		216.059.442.237	243.306.223.126
Allowance for loan losses			(72 437 945 136)	(83.756.518.417)		(309.348.550)	(355.673.142)
(Excess) inadequacy of allowance over structural estimate			(13.658.537.828)	(11.838.585.996)		(31.909.486)	(35.304.725)
Carrying amount, net	6a	¢	2 823 690 984 277	2.900.766.822.854		215.718.184.201	242.915.245.259

The assessed loan portfolio with allowance is detailed as follows:

As of December 31, 2019

Loan portfolio		Direct Loan Portfolio				Contingent Loan Portfolio	
Direct generic allowance		Principal	Covered balance	Overdraft	Allowance	Principal	Allowance
A1	¢	2.140.096.497.304	1.421.109.524.419	718.986.972.885	10.700.482.593	207.521.255.527	141.743.866
A2		32.609.815.445	28.082.878.468	4.526.936.677	163.049.078	641.636.118	0
1		50.697.217.694	18.572.490.503	32.124.727.195	132.644.469	11.176.431	6.735
		2.223.403.530.443	1.467.764.893.390	755.638.636.757	10.996.176.140	208.174.068.076	141.750.601
Direct specific allowance							
B1		284.540.809.597	239.227.981.862	45.312.827.736	3.461.781.297	3.716.911.862	5.587.769
B2		22.139.029.614	20.457.582.814	1.681.446.801	270.432.595	148.243.202	12.471
C1		151.027.085.878	141.380.704.671	9.646.381.207	3.118.498.827	1.671.067.682	49.572.974
C2		18.926.297.078	17.704.807.389	1.221.489.689	699.268.883	58.679.901	0
D		61.591.553.118	51.691.577.982	9.899.975.136	7.385.412.816	1.319.235.516	112.424.735
E		144.679.599.194	92.515.618.420	52.163.980.774	46.398.294.344	971.235.998	0
2		663.646.827	639.497.954	24.148.873	4.404.933	0	0
3		1.878.811.421	1.567.006.813	311.804.608	85.786.186	0	0
4		610.828.899	590.590.011	20.238.888	13.072.394	0	0
6		326.275.172	323.073.820	3.201.352	4.816.721	0	0
		686.383.936.798	566.098.441.735	120.285.495.063	61.441.768.996	7.885.374.161	167.597.949
		2.909.787.467.241	2.033.863.335.125	875.924.131.820	72.437.945.136	216.059.442.237	309.348.550

Loan portfolio							
Anging loan portfolio		Direct Loan Portfolio				Contingent Loan Portfolio	
Direct generic allowance		Principal	Covered balance	Overdraft	Allowance	Principal	Allowance
Up to date		2.095.347.786.968	1.384.364.870.217	710.982.916.756	10.605.889.754	208.157.891.645	141.725.601
Equal or less than 30 days		75.482.895.641	63.226.160.758	12.256.734.882	380.908.235	0	0
Equal or less than 60 days		1.866.850.165	1.594.622.387	272.227.478	9.334.252	5.000.000	25.000
More than 180 days		8.779.971	6.749.526	2.030.445	43.900	0	0
		2.172.706.312.744	1.449.192.402.887	723.513.909.562	10.996.176.140	208.162.891.645	141.750.601
Direct specific allowance							
Up to date		515.256.584.542	415.168.018.518	100.088.566.025	18.759.878.216	7.896.550.592	167.597.949
Equal or less than 30 days		39.424.176.245	34.969.342.603	4.454.833.642	2.104.161.281	0	0
Equal or less than 60 days		76.425.558.490	64.272.802.096	12.152.756.394	6.905.607.932	0	0
Equal or less than 90 days		24.173.122.973	19.918.091.154	4.255.031.819	3.149.302.752	0	0
Equal or less than 180 days		17.157.055.151	11.722.413.577	5.434.641.573	4.801.881.511	0	0
More than 180 days		64.644.657.095	38.620.264.289	26.024.392.806	25.720.937.305	0	0
		737.081.154.496	584.670.932.238	152.410.222.259	61.441.768.996	7.896.550.592	167.597.949
	¢	2.909.787.467.240	2.033.863.335.124	875.924.131.820	72.437.945.137	216.059.442.237	309.348.550

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(with corresponding figures for 2018)

As of December 31, 2018

Loan portfolio		Direct Loan Portfolio				Contingent Loan Portfolio	
Direct generic allowance		Principal	Covered balance	Overdraft	Allowance	Principal	Allowance
A1	¢	2.333.044.421.273	1.396.939.818.468	936.104.602.805	12.145.918.373	231.900.929.664	179.578.067
A2		24.696.596.914	20.944.734.321	3.751.862.592	123.482.332	541.563.167	141.740
		2.357.741.018.187	1.417.884.552.789	939.856.465.397	12.269.400.705	232.442.492.831	179.719.807
Direct specific allowance							
B1		279.542.984.375	244.071.876.873	35.471.107.502	2.994.830.306	4.521.880.849	26.522.213
B2		30.418.866.589	28.422.919.078	1.995.947.511	341.707.685	77.982.607	0
C1		83.072.430.022	77.117.170.589	5.955.259.432	1.836.850.988	3.175.211.850	45.838.822
C2		29.425.123.392	28.105.154.382	1.319.969.010	799.869.405	167.520.857	170.532
D		20.632.634.079	15.441.510.555	5.191.123.524	3.250.712.787	879.008.819	33.382.979
E		195.528.870.623	122.875.671.503	72.653.199.127	62.263.146.541	2.042.125.313	70.038.789
		638.620.909.080	516.034.302.980	122.586.606.106	71.487.117.712	10.863.730.295	175.953.335
		2.996.361.927.267	1.933.918.855.769	1.062.443.071.503	83.756.518.417	243.306.223.126	355.673.142

Loan portfolio Anging loan portfolio		Direct Loan Portfolio				Contingent Loan Portfolio	
Direct generic allowance		Principal	Covered balance	Overdraft	Allowance	Principal	Allowance
Up to date		2.282.111.456.373	1.358.722.812.158	923.388.644.215	11.891.273.367	232.437.492.832	179.694.807
Equal or less than 30 days		73.671.064.534	57.524.723.945	16.146.340.589	368.339.194	0	0
Equal or less than 60 days		1.202.590.675	999.974.042	202.616.634	6.012.287	5.000.000	25.000
More than 180 days		755.906.604	637.042.645	118.863.960	3.775.858	0	0
		2.357.741.018.186	1.417.884.552.790	939.856.465.398	12.269.400.706	232.442.492.832	179.719.807
Direct specific allowance							
Up to date		383.865.706.092	332.565.268.235	51.300.437.857	14.138.661.975	10.819.730.294	174.775.620
Equal or less than 30 days		46.488.777.074	37.528.064.102	8.960.712.972	4.049.099.431	0	0
Equal or less than 60 days		72.230.181.660	60.156.091.671	12.074.089.989	5.385.461.734	44.000.000	1.177.715
Equal or less than 90 days		46.460.514.193	33.014.587.669	13.445.926.524	12.061.807.708	0	0
Equal or less than 180 days		32.051.303.040	20.297.621.671	11.753.681.369	10.640.765.867	0	0
More than 180 days		57.524.427.022	32.472.669.631	25.051.757.394	25.211.320.996	0	0
		638.620.909.081	516.034.302.979	122.586.606.105	71.487.117.711	10.863.730.294	175.953.335
	¢	2.996.361.927.267	1.933.918.855.769	1.062.443.071.503	83.756.518.417	243.306.223.126	355.673.142

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

		Loans receivable from customer	
At December 31, 2019		Gross	Net
Risk category:			
A1	¢	2.140.096.497.300	2.129.396.014.706
A2		32.609.815.445	32.446.766.367
B1		284.540.809.597	281.079.028.300
B2		22.139.029.614	21.868.597.019
C1		151.027.085.878	147.908.587.051
C2		18.926.297.078	18.227.028.195
D		61.591.553.118	54.206.140.302
E		144.679.599.194	98.281.304.850
1		50.697.217.698	50.564.573.230
2		663.646.827	659.241.893
3		1.878.811.421	1.793.025.235
4		610.828.899	597.756.505
6		326.275.172	321.458.451
	¢	2.909.787.467.241	2.837.349.522.105

		Loans receivable from customer	
At December 31, 2018		Gross	Net
Risk category:			
A1	¢	2.333.044.421.273	2.320.898.502.899
A2		24.696.596.914	24.573.114.582
B1		279.542.984.375	276.548.154.069
B2		30.418.866.589	30.077.158.904
C1		83.072.430.022	81.235.579.033
C2		29.425.123.392	28.625.253.987
D		20.632.634.079	17.381.921.292
E		195.528.870.623	133.265.724.084
	¢	2.996.361.927.267	2.912.605.408.850

In compliance with SUGEF Directive 1-05, as of December 31, 2019, the Bank must maintain a minimum allowance in the amount of ¢86.437.741.000 of which ¢86.096.482.964 is allocated to the valuation of the direct loan portfolio and ¢341.258.036 to the contingent loan portfolio. Additionally, the countercyclical allowance is of ¢8.573.550.597 (¢10.080.620.964 as of December 2018). As of December 31, 2018, the Bank must maintain a structural allowance in the amount of ¢95.986.082.280 (corresponding to the direct loan portfolio for ¢95.595.104.413 and contingent loans for ¢390.977.867).

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

		December 2019		December 2018	
		Loan Portfolio	**Contingent Accounts**	**Loan Portfolio**	**Contingent Accounts**
Trade	¢	10.990.548.796	17.780.321.043	14.419.208.062	31.941.583.534
Manufacturing		250.688.667.156	8.211.862	257.064.872.167	530.395.061
Construction, purchase and repair of real estate		1.010.316.349.093	1.196.274.319	865.573.201.002	1.196.274.319
Agriculture, livestock, hunting and related services		147.217.819.585	8.341.350	135.144.456.577	8.827.594
Fishing and aquaculture		0	0	0	0
Consumer		312.912.260.814	110.242.622.378	321.732.450.703	105.257.909.160
Education		3.132.752.060	0	2.975.261.640	0
Transportation		38.495.998.941	68.842.769	48.960.610.947	181.724.030
Financial and stock exchange		4,428,284,885	0	4.755.620.543	0
Telecommunications and public utilities		56,060,114,266	0	43.332.063.176	0
Services		953.296.568.084	93.993.268.171	1.182.118.716.854	110.242.415.568
Hospitality		96,951,324,016	0	87.781.644.996	0
Mining and quarrying		42,958,074	0	125.055.288	0
Real estate, business and leasing activities		4.631.954.197	0	9.257.764.707	0
Public Administration		0	3.280.111.258	0	4.285.216.454
Other activities from the non-financial private sector		1.479.476.822	18.139.117	1.714.150.243	19.230.497
		2.890.645.076.789	225.496.975.134	2.974.955.076.905	253.663.576.217
Other contingencies		0	60.297.313.845	0	76.216.977.073
	¢	**2.890.645.076.789**	**285.794.288.979**	**2.974.955.076.905**	**329.880.553.290**

As of December 31, 2019 and 2018, the Bank's risk associated to the loan portfolio is concentrated in Costa Rica.

As of December 31, 2019, the Bank has banking mandates for ¢2.963.305 (¢6.076.900 as of December 31, 2018).

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

		December 2019	December 2018
Properties	¢	129.160.837.596	119.324.551.617
Other		1.867.125.680	2.540.700.359
	¢	**131.027.963.276**	**121.865.251.976**

The loan portfolio by type of guarantee is as follows:

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

		2019		2018	
		Loan portfolio	**Contingent accounts**	**Loan portfolio**	**Contingent accounts**
Guarantee:					
Fiduciary	¢	769.462.231	109.737.344.296	5.072.620.750	135.967.179.646
Mortage		1.485.179.788.953	0	1.473.435.402.379	0
Chattel mortage		361.280.642.797	1.303.450.926	414,616,030,159	2.461.862.264
Other		1.043.415.182.807	114.456.179.912	1.081.831.023.617	115.234.534.307
	¢	**2.890.645.076.788**	**225.496.975.134**	**2.974.955.076.905**	**253.663.576.217**

See notes 6 and 19.

As of December 31, 2019, 64% of the loan portfolio is secured by mortgage or chattel collaterals (63% in December 2018).

Pursuant to SUGEF Directive 5-04: "Regulations on Credit Limits to Individual Persons and Economic Interest Groups", the Bank depurales information on reported data of economic interest groups as part of their responsibility to identify significant administrative and stockholder's equity relationships among debtors with total active operations. As of December 31, 2019, groups of borrowers (members) having operations that add 2% or more of adjusted capital and in groups report 5% or more of adjusted capital, are reported.

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

As of December 31, 2019:

No.	Percentage	Band	Total value	Nº customers
1	0-4.99%	22.290.447.651	30.906.885.864	2
2	5-9.99%	44.580.895.303	25.051.670.231	0
3	10-14.99%	66.871.342.954	106.787.344.751	1
4	15-20%	89.161.790.605	0	0
Total			**162.745.900.846**	**3**

As of December 31, 2018:

No.	Percentage	Band	Total value	Nº customers
1	0-4.99%	20.791.488.270	15.802.094.790	2
2	5-9.99%	41.582.976.540	83.148.909.794	3
3	10-14.99%	62.374.464.810	119.463.421.498	2
4	15-20%	83.165.953.080	65.644.087.989	1
Total			**284.058.514.071**	**8**

(b) Market risk management

Definitions

Market risk refers to potential losses that may occur in the value of assets and liabilities in the balance sheet due to adverse movements in the factors that determine their price, also known as risk factors, such as liquidity, interest rates, exchange rate and inflation, including the portfolios under management.

The liquidity risk is generated when the financial entity cannot meet the requirements or obligations with third parties due to insufficient cash flow, resulting from the outcome between term recoveries (asset operations) and term obligations (liability operations), or to improper price formation mechanism that disables the price to transform an asset and/or liability into cash.

Price of assets and inflations risk measures the potential losses that may occur in financial assets included in the Investment portfolios, and a decline in the purchasing power of the cash flows received by the Bank.

The risk of interest rates measures the possibility that the entity incurs in losses as a result of changes in the present value of assets and liabilities in which the Bank holds positions on or off balance.

The exchange rate risk is the possibility of economic loss due to variations in the exchange rate. This risk also arises when the net result of the exchange rate adjustments does not compensate proportionally the adjustment in the value of assets in foreign currency, causing a reduction in the equity indicator or in any model affected negatively in the determination of the exchange rate risk by variations in this macro price, as in Camel's indicators or own statisticians.

Management methodology

Regarding the management of market risk for the BCR's investments portfolio, daily monitoring of risk factors (interests rates and exchange rate) impact is given through the Value at Risk methodology (VaR).

In addition, the risk derived from the Price quotations of financial instruments in the market is monitored through the methodology of historical simulation of VaR calculations established in SUGEF's agreement 3-06; this allows the entity to manage the impact of this risk on the net worth adequacy.

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.

Counterparty risk management is carried out through the fulfillment of the investments profile established by the Bank in its internal policies, and the reporting of issuers, which analyzes the financial statements and the default risk by issuers, according to internal studies and risk rating. These limits are monitored weekly as established in the policies for managing the BCR's investment in securities.

The management of the liquidity risk is periodically assessed by daily updating of the BCR projected cash flows to six months through an automated application, for the preparation of the gap report to one and three months both in colones and in US dollars.

In order to decrease the liquidity risk, following variables are taken into consideration: 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: VaR by currency both in colones and US dollars, term matching to one and three month both in colones and in US dollars and coverage of Liquidity Index (ICL).
- Price risk: VaR of the Investment portfolio through internal models.
- Exchange risk: VaR of the equity position through internal models and the daily management of the equity positions.

Exposure and risk management

(c) Liquidity risk

The Bank continues with the liquidity strategy that seeks to increase deposits with the public and reduce their volatility, as well as diversify sources of wholesale funding. The foregoing in order to achieve a consistent growth of deposits with their placements, which not only allows compliance with regulatory indicators but also strengthens the Bank and promotes the fulfillment of the commercial goals given by its budget. These efforts have not only been carried out at the Bank level, but have also permeated the BCR Financial Conglomerate; mainly in the topic of concentration of liabilities.

Cash and cash equivalents show a year-on-year upward trend of 9.43% in almost all items except cash, checking accounts and demand deposits in foreign financial institutions and investments in financial instruments. This is an effect of the liquidity strategy to comply with regulatory liquidity indicators (see cash and cash equivalents table in note 2).

Demand deposits increased by 5.16% on a year-on-year basis, due to the increase in current account balances and savings deposits (see chart of demand obligations with the public in note 4).

Wholesale funding decreases by 29.7% on a year-on-year basis, mainly due to the settlement of term deposits with the Central Bank and term deposits from financial entities abroad. (See table of obligations with financial institutions and the Central Bank in note 5 of this document).

As of December 31, 2019, the Bank´s liquidity coverage indicator (ICL) was of 1.45 times in colones and 1.19 times in US dollars, complying satisfactory values for the limits defined by SUGEF of 1 and according to the entity's risk profile.

In the following table, we observe, at the end of December 2019, an improvement both in US dollars and in colones, responding to the gradual increase of the regulatory limits established for this indicator. From November of this year, this indicator had important changes in its calculation that allowed a looser compliance in both currencies.

	December 2019	**December 2018**
Liquidity coverage indicator (colones)	1,45	1.08
Liquidity coverage indicator (US dollars)	1,19	1.02
Regulatory limit	1,00	0.90

On the other hand, the term matches, another regulatory indicator, had the following results as of December 31, 2019:

Regulatory liquidity matches by currency and term

Indicator	Interpretation	Observation	Approved levels	
1 month term matching US dollars	Ratio between assets and liabilities with account´s volatility	1.88	Limit:	1.13
1 month term matching colones		2.02	Limit:	1.03
3 month term matching US dollars		1.33	Limit:	0.98
3 month term matching colones		1.25	Limit:	0.88

As of December 31, 2018, the results of mached terms are shown as follows:

Regulatory liquidity matches by currency and term

Indicator	Interpretation	Observation	Approved levels	
1 month term matching US dollars	Ratio between assets and liabilities with account´s volatility	1.16	Limit:	1.10
1 month term matching colones		1.35	Limit:	1.00
3 month term matching US dollars		1.03	Limit:	0.94
3 month term matching colones		0.96	Limit:	0.85

The term matches show a constant and significant loose with respect to regulatory limits, which is a direct effect of the measures taken in the liquidity strategy for compliance with the Liquidity Coverage Indicator.

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The Bank's assets and liabilities mature as follows:

As of December 31, 2019

ASSETS		Demand	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days	More than 365 days	More than 30 days past due	Total
Cash and due from banks	¢	147.235.132.853	0	0	0	0	0	0	0	147.235.132.853
Cash reserve- BCCR		282.163.908.195	35.484.858.562	26.229.955.506	24.735.371.910	49.513.694.556	52.330.822.824	22.577.548.342.	0	493.036.159.895
Investments		0	374.577.175.323	6.207.653.594	81.047.421.796	101.368.253.300	164.040.928.275	331.699.146.852.	0	1.058.940.579.140
Interest on investments		0	2.198.497.232	1.545.105.343	3.072.969.570	1.933.895.194	0	0	0	8.750.467.339
Loan portfolio		0	35.314.549.085	36.656.852.682	26.485.977.988	149.983.833.334	169.279.431.134	2.290.789.822.706	182.134.609.859	2.890.645.076.788
Interest on loans		0	9.250.088.880	64.787.609	91.399.259	1.023.400.883	40.147.131	1.025.211.180	7.647.355.510	19.142.390.452
	¢	**429.399.041.048**	**456.825.169.082**	**70.704.354.734**	**135.433.140.523**	**303.823.077.267**	**385.691.329.364**	**2.646.091.729.080**	**189.781.965.369**	**4 617 749 806 467**
Liabilities										
Obligations with public	¢	2.124.223.521.229	267.504.031.941	194.003.489.125	190.647.814.104	369.844.987.872	396.947.379.852	148.559.632.529	0	3.691.730.856.652
Obligations with financial									0	
entities		161.131.106.391	20.978.705.357	28.017.956.003	11.571.727.163	44.307.993.507	43.881.336.374	98.675.872.107	0	408 564 696 902
Charges payable		1.179.567.120	5.305.671.078	4.234.494.195	2.895.640.356	4.550.757.459	2.223.791.078	714.564.472	0	21.104.485.758
		2.286.534.194.740	**293.788.408.376**	**226.255.939.323**	**205.115.181.623**	**418.703.738.838**	**443.052.507.304**	**247.950.069.108**	**0**	**4 121 400 039 312**
Assets and liabilities spread	¢	**(1.857.135.153.692)**	**163.036.760.706**	**(155.551.584.589)**	**(69.682.041.100)**	**(114.880.661.571)**	**(57.361.177.940)**	**2.398.141.659.972**	**189.781.965.369**	**496.349.767.155**

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As of December 31, 2018

ASSETS		Demand	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days	More than 365 days	More than 30 days past due	Total
Cash and due from banks	¢	171.105.848.032	0	0	0	0	0	0	0	171.105.848.032
Cash reserve- BCCR		321.251.070.932	48.517.406.948	33.904.481.982	28.367.041.866	68.804.109.394	44.046.684.745	26.282.019.356	0	571.172.815.223
Investments		0	104.506.499.683	24.168.291.485	33.733.204.998	107.987.620.713	197.769.501.553	378.407.852.084	0	846.572.970.516
Interest on investments		0	3.017.483.069	379.522.638	4.595.204.808	2.413.414.766	534.462.500	0	0	10.940.087.781
Loan portfolio		0	40.098.703.965	41.837.838.617	95.362.026.904	224.857.533.516	155.458.908.844	2.202.175.955.113	215.164.109.946	2.974.955.076.905
Interest on loans		0	9.062.655.904	96.474.499	97.491.635	1.064.485.695	18.390.059	3.047.834.421	8.019.518.149	21.406.850.362
	¢	**492.356.918.964**	**205.202.749.569**	**100.386.609.221**	**162.154.970.211**	**405.127.164.084**	**397.827.947.701**	**2.609.913.660.974**	**223.183.628.095**	**4,596,153,648,819**
Liabilities										
Obligations with public	¢	2.019.903.951.960	303.954.707.230	213.158.705.792	179.592.193.481	431.570.119.897	270.797.169.622	163.217.634.451	0	3.582.194.482.433
Obligations with BCCR		94.396.193	120.075.405.189	0	0	0	0	0	0	120.169.801.382
Obligations with financial entities		155.255.028.496	32.389.765.453	54.951.200.000	6.370.549.128	34.240.061.950	35.906.319.702	138.209.772.061	0	457.322.696.790
Charges payable		794.894.339	5.856.148.560	2.946.864.028	2.336.589.432	2.892.042.443	1.551.385.644	520.519.054	0	16.898.443.500
		2.176.048.270.988	**462.276.026.432**	**271.056.769.820**	**188.299.332.041**	**468.702.224.290**	**308.254.874.968**	**301.947.925.566**	**0**	**4.176.585.424.105**
Assets and liabilities spread	¢	**(1.683.691.352.024)**	**(257.073.276.863)**	**(170.670.160.599)**	**(26.144.361.830)**	**(63.575.060.206)**	**89.573.072.733**	**2.307.965.735.408**	**223.183.628.095**	**419.568.224.714**

(d) Price risk of the portfolio

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

In the case of own funds, a concentration of 49.17% 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

As for the result of the 21-day VaR indicators applying the Montecarlo simulation methodology for the portfolio of Own Funds in colones the indicator stands at 0.65%, while in US$ dollars it is around 2.17%. In the case of the CDF portfolio, the VaR is 0.17% in colones and 1.53% in foreign currency.

This risk has shown a downward behavior, as a result of the diversification of the investment portfolio.

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

		December 2019	**December 2018**
VaR	¢	2.242.439.220	2.312.939.570
Investment portfolio	¢	13.454.635.317	13.877.637.417
Risk Price		134.546	138.776
Observation 25		(0,0031155560)	(0,0037081720)
Exchange rate UDES	¢	916,80000	899,53900
Exchange rate USD	¢	564,72000	603,69000
Nominal value investment portfolio	¢	710.232.657.825	635.790.552.576
Market value investment portfolio	¢	7.197.557.977.743	623.711.116.319

As part of the mitigation actions to contain the price risk, the Bank has a policy of having investment concentrations within its risk appetite.

(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 December 31, 2019 a sensitivity analysis on possible variations in interest rates has been developed.

Sensitivity to an increase in the interest rate of investments

	December 2019	**December 2018**
Investment in financial instruments	702.938.150.543	735.330.464.963
Increase in rates by 1%	236.746.099	97.030.341
Increase in rates by 2%	473.492.197	194.060.683

Sensitivity to a decrease in the interest rate of investments

	2019	**2018**
Investment in financial instruments	702.938.150.543	735.330.464.963
Decrease in rates by 1%	236.746.099	97.030.341
Decrease in rates by 2%	473.492.197	194.060.683

Sensitivity to an increase in rates of the loan portfolio

	December 2019	**December 2018**
Loan portfolio	2.839.611.174.240	2.974.955.076.905
Increase in rates by 1%	1.346.357.701	1.394.647.028
Increase in rates by 2%	2.829.750.124	2.906.368.891

Sensitivity to a decrease in rates of the loan portfolio

	2019	**2018**
Loan portfolio	2.839.611.174.240	2.974.955.076.905
Decrease in rates by 1%	1.087.474.318	1.253.462.152
Decrease in rates by 2%	2.046.836.772	2.282.367.861

Sensitivity to an increase in rates of obligations with the public

		December 2019	December 2018
Obligations with the public	¢	3.679.889.881.633	3.565.792.878.215
Increase in rates by 1%		245.393.547.638	2.279.642.489
Increase in rates by 2%	¢	490.787.095.275	4.559.284.978

Sensitivity to a decrease in rates of obligations with the public

		2019	2018
Obligations with the public	¢	3.679.889.881.633	3.565.792.878.215
Decrease in rates by 1%		245.393.547.638	2.279.642.489
Decrease in rates by 2%	¢	490.787.095.275	4.559.284.978

Sensitivity to an increase in rates of term financial obligations

		December 2019	December 2018
Term financial obligations	¢	165.110.807.193	260.178.012.971
Increase in rates by 1%		137.592.339	216.815.011
Increase in rates by 2%	¢	275.184.679	433.630.022

Sensitivity to a decrease in rates of term financial obligations

		2019	2018
Term financial obligations	¢	165.110.807.193	260.178.012.971
Decrease in rates by 1%		137.592.339	216.815.011
Decrease in rates by 2%	¢	275.184.679	433.630.022

The sensitivity to variations in interest rates is applied to the amounts that are exposed to these possible fluctuations.

As of December 31, 2019, interest rate terms for assets and liabilities are matched as follows:

	Effective 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									
Investments	7,11%	¢	255.072.258.327	104.587.742.015	72.439.657.643	117.869.650.000	126.973.300.000	61.699.981.329	738.642.589.314
Loan portfolio	10,04%		1.280.243.431.573	72.351.780.420	126.181.035.891	50.905.846.760	187.840.965.683	260.615.069.250	1.978.138.129.577
Total recovered assets (*)			**1.535.315.689.900**	**176.939.522.435**	**198.620.693.534**	**168.775.496.760**	**314.814.265.683**	**322.315.050.579**	**2.716.780.718.891**
Liabilities									
Obligation with the public			182.015.748.573	255.739.283.663	243.261.416.345	44.781.899.824	262.652.697.996	30.447.117.240	1.018.898.163.641
Demand	2,29%								
Term	7,86%								
Obligations with financial entities	4,07%		6.047.099.316	14.675.860.860	28.062.503.499	0	33.869.137.758	0	82.654.601.433
Total matured liabilities (*)			**188.062.847.889**	**270.415.144.523**	**271.323.919.844**	**44.781.899.824**	**296.521.835.754**	**30.447.117.240**	**1.101.552.765.074**
Assets and liabilities spread		¢	**1 347 252 842 011**	**(93.475.622.088)**	**(72.703.226.310)**	**123.993.596.936**	**18.292.429.929**	**291.867.933.339**	**1.615.227.953.817**
Dollars									
Assets									
Investments	2,82%	¢	122.097.051.122	12.724.826.305	61.264.442.112	45.522.256.590	47.572.870.320	41.007.713.880	330.189.160.329
Loan portfolio	9,42%		744.594.313.230	37.327.210.222	13.183.790.477	18.673.438.880	15.745.601.615	32.568.519.521	862.092.873.945
Total recovered assets (*)			**866.691.364.352**	**50.052.036.527**	**74.448.232.589**	**64.195.695.470**	**63.318.471.935**	**73.576.233.401**	**1.192.282.034.274**
Liabilities									
Obligation with the public			12.566.985.730	14.591.439.121	13.895.859.861	12.063.345.330	18.658.391.109	4.693.735.318	76.469.756.469
Demand	0,55%								
Term	3,89%								
Obligations with financial entities	2,93%		15.684.416.701	25.564.335.609	10.911.589.346	18.611.761.763	3.192.721	98.675.872.068	169.451.168.208
Total matured liabilities (*)			**28.251.402.431**	**40.155.774.730**	**24.807.449.207**	**30.675.107.093**	**18.661.583.830**	**103.369.607.386**	**245.920.924.677**
Assets and liabilities spread		¢	**838 439 961 921**	**9.896.261.797**	**49.640.783.382**	**33.520.588.377**	**44.656.888.105**	**(29.793.373.985)**	**946.361.109.597**

(*) Rate-sensitive

BANCO DE COSTA RICA

Notes to the separate Financial Statements
(With corresponding figures for 2018)

As of December 31, 2018, interest rate terms for assets and liabilities are matched as follows:

	Effective 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								
Investments	7.46%	¢ 58.355.386.219	77.586.662.088	94.323.819.427	141.475.133.602	109.754.732.000	150.657.901.669	632.153.635.005
Loan portfolio	10.18%	1.206.623.115.157	75.553.602.575	114.359.585.597	57.448.014.472	95.473.070.541	346.410.093.655	1.895.867.481.997
Total recovered assets (*)		**1.264.978.501.376**	**153.140.264.663**	**208.683.405.024**	**198.923.148.074**	**205.227.802.541**	**497.067.995.324**	**2.528.021.117.002**
Liabilities								
Obligation with the public		215.626.325.218	231.023.646.217	265.564.500.009	161.177.067.789	45.783.518.394	36.837.216.167	956.012.273.794
Demand	2.34%							
Term	7.76%							
Obligatons with the Central Bank of Costa Rica		120.075.405.189	0	0	0	0	0	120.075.405.189
Obligations with financial entities	4.59%	13.136.390.239	14.492.538.234	18.795.897.350	5.107.418.526	0	0	51.532.244.349
Total matured liabilities (*)		**348.838.120.646**	**245.516.184.451**	**284.360.397.359**	**166.284.486.315**	**45.783.518.394**	**36.837.216.167**	**1.127.619.923.332**
Assets and liabilities spread		**¢ 916.140.380.730**	**(92.375.919.788)**	**(75.676.992.335)**	**32.638.661.759**	**159.444.284.147**	**460.230.779.157**	**1.400.401.193.670**
Dollars								
Assets								
Investments	3.06%	¢ 49.688.603.521	12.568.517.301	46.360.246.868	57.962.814.170	46.261.219.380	35.355.001.830	248.196.403.070
Loan portfolio	9.34%	845.301.138.192	77.495.959.781	23.417.321.941	21.494.171.728	13.657.496.349	34.426.626.572	1.015.792.714.563
Total recovered assets (*)		**894.989.741.713**	**90.064.477.082**	**69.777.568.809**	**79.456.985.898**	**59.918.715.729**	**69.781.628.402**	**1.263.989.117.633**
Liabilities								
Obligation with the public		5.389.272.036	194.748.852.101	125.863.249.456	98.606.637.348	18.119.581.114	12.071.333.366	454.798.925.421
Demand	0.53%							
Term	3.47%							
Obligations with financial entities	4.50%	20.201.338.702	51.019.761.140	15.761.998.138	31.835.645.696	0	138.209.772.060	257.028.515.736
Total matured liabilities (*)		**25.590.610.738**	**245.768.613.241**	**141.625.247.594**	**130.442.283.044**	**18.119.581.114**	**150.281.105.426**	**711.827.441.157**
Assets and liabilities spread		**¢ 869.399.130.975**	**(155.704.136.159)**	**(71.847.678.785)**	**(50.985.297.146)**	**41.799.134.615**	**(80.499.477.024)**	**552.161.676.476**

(*) Rate-sensitive

Within the gap report (rate-sensitive assets and liabilities) in local currency, a total difference of asset recovery less maturity of liabilities as of December 31, 2019, for ¢1.615.227.953.817 (¢1.400.401.193.670 as of December 31, 2018) while in foreign currency the same difference is of ¢946.361.109.597 (¢552.161.676.476 as of December 31, 2018) is shown, being an improved inference in the balance sheet due to positive changes in interest rates, since the entity presents more assets than liabilities in both currencies. Regarding to term matching (sum of liquidity of assets and liabilities) as of December 2019, the total amount in local currency was of ¢376.795.859.265 (¢302.129.703.088 as of December 2018), while in foreign currency, the collected data for the compliance of obligations was of ¢119.553.907.888 (¢117.438.521.625 as of December 2018), which shows the necessary solvency to meet the liquid liabilities of the Organization.

a) Foreign exchange risk

The Bank incurs in transactions denominated in US dollars and in a minority of Euros. This currency experiences periodic fluctuations with respect to the Costa Rican colon, in accordance with the monetary and exchange policies of the Central Bank of Costa Rica (BCCR). Therefore, any fluctuation in the value of the US Dollar affects the results, financial position and cash flows of the Entity, which constantly monitors its net foreign currency exposure in order to minimize this risk.

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

During the third quarter of 2019, the exchange rate has had a stable behavior, resulting in a volatility of 0.60% at the end of December.

With the purpose of complying with the Own Position in Foreign Currency, the Treasury Management had to maintain a positive position in foreign currency, reaching US$235 million (US $225 million as of December 2018).

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

		December 2019	**December 2018**
Assets:			
Cash and due from banks	US$	425.740.060	407.037.298
Investments in financial instruments		580.996.541	400.196.324
Loan portfolio		1.528.352.296	1.713.030.409
Accounts and accrued interest receivable		762.413	370.700
Investments in other companies		120.750.425	114.424.288
Other		23.017.803	5.280.498
Total assets		2.679.619.538	2.640.339.517
Liabilities:			
Obligations with the public		1.926.721.745	1.808.376.200
Obligations with the BCCR		0	156.184
Other financial obligations		457.851.641	585.782.300
Other account payable and provisions		32.994.006	24.828.425
Other		15.815.898	10.564.604
Subordinated obligations		0	10.035.576
Total liabilities		2.433.383.290	2.439.743.289
Net position (excess of monetary assets over monetary liabilities)	US$	**246.236.248**	**200.596.228**

Monetary assets and liabilities in foreign currency are valued by using the reference buy rate established by BCCR on the last business day of each month. As of December 31, 2019, that rate was ¢570,09 por US $1,00 (¢604,39 as of December 31, 2018).

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

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

Sensitivity to an increase in the exchange rate

	December 2019	December 2018
Net position	246.236.248	200.596.228
Closing exchange rate	570,09	604.39
Increase in the exchange rate by 5%	28,50	30.22
Profit	7.017.733.068	6.062.018.010

Sensitivity to a decrease in the exchange rate

	December 2019	December 2018
Net position	246.236.248	200.596.228
Closing exchange rate	570,09	604.39
Decrease in the exchange rate by 5%	(28,50)	(30.22)
Loss	(7.017.733.068)	(6.062.018.010)

Monetary assets and liabilities in Euros are detailed as follows:

		December 2019	December 2018
Assets:			
Cash and due from banks	EUR€	5.837.784	6.341.110
Other assets		165	0
Total assets		5.837.949	6.341.110
Liabilities:			
Obligations with the public		4.048.490	4.454.535
Other financial obligations		616.428	666.728
Other accounts payable and provisions		24.779	7.626
Other		0	6.000
Total liabilities		4.689.697	5.134.889
Net position (excess of monetary assets over monetary liabilities)	EUR€	1.148.252	1.206.221

BANCO DE COSTA RICA

Notes to the separate Financial Statements
(With corresponding figures for 2018)

As of December 31, 2019, complying with SUGEF´s regulations, the term matching of the most important US dollar accounts is 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	More than 30 days past due	Total
Cash and due from banks	US$	80.649.904	0	0	0	0	0	0	0	80.649.904
Cash reserve- BCCR		191.228.677	23.850.652	19.672.263	14.338.701	35.149.137	33.833.157	27.017.569	0	345.090.156
Investments		0	213.875.435	3.407.333	16.075.312	102.979.289	80.379.024	161.141.713	0	577.858.106
Interest on investments		0	250.781	1.711.371	73.492	1.102.792	0	0	0	3.138.436
Loan portfolio		0	17.393.813	17.330.158	17.173.691	120.868.085	120.430.521	1.158.056.218	127.564.091	1.578.816.577
Interest on loans		0	3.955.980	15.464	138.509	0	47.011	0	4.573.829	8.730.793
		271.878.581	**259.326.661**	**42.136.589**	**47.799.705**	**260.099.303**	**234.689.713**	**1.346.215.500**	**132.137.920**	**2 594 283 972**
LIABILITIES										
Obligations with public		1.063.464.668	132.638.711	109.401.773	79.740.667	195.472.070	188.153.615	150.250.632	0	1.919.122.136
Obligations with financial entities		160.732.809	26.540.028	35.000.000	9.341.805	16.829.029	34.647.059	173.088.235	0	456 178 965
Charges payable		398.435	2.637.438	1.567.305	711.918	1.923.461	1.342.367	691.359	0	9.272.283
		1.224.595.912	**161.816.177**	**145.969.078**	**89.794.390**	**214.224.560**	**224.143.041**	**324.030.226**	**0**	**2.384.573.384**
Assets and liabilities spread	US$	**(952.717.331)**	**97.510.484**	**(103.832.489)**	**(41.994.685)**	**45.874.743**	**10.546.672**	**1.022.185.274**	**132.137.920**	**209.710.588**

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Notes to the separate Financial Statements
(With corresponding figures for 2018)

As of December 31, 2018, complying with SUGEF´s regulations, the term matching of the most important US dollar accounts is 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	More than 30 days past due	Total
Cash and due from banks	US$	63.001.324	0	0	0	0	0	0	0	63.001.324
Cash reserve- BCCR		188.273.744	29.559.118	19.890.289	15.370.865	41.386.920	32.080.492	17.474.547	0	344.035.975
Investments		0	81.915.795	14.520.432	5.306.379	71.465.335	95.525.314	129.661.694	0	398.394.949
Interest on investments		0	253.719	407.480	41.563	1.098.611	0	0	0	1.801.373
Loan portfolio		0	28.322.458	23.114.803	105.476.962	242.248.712	76.349.523	1.130.404.616	164.143.616	1.770.060.690
Interest on loans		0	4.711.990	41.935	138.348	0	0	806.252	5.631.023	11.329.548
		251.275.068	**144.763.080**	**57.974.939**	**126.334.117**	**356.199.578**	**203.955.329**	**1.278.347.109**	**169.774.639**	**2.588.623.859**
LIABILITIES										
Obligations with public		986.307.641	154.851.032	104.199.042	80.523.184	216.813.211	168.059.732	91.543.721	0	1.802.297.563
Obligations with BCCR		156.184	0	0						156.184
Obligations with financial Entities		163.657.908	33.264.981	80.000.000	670.306	26.005.000	52.668.889	228.676.471	0	584.943.555
Charges payable		229.268	1.649.798	1.322.391	1.191.857	1.282.099	963.257	278.712	0	6.917.382
		1.150.351.001	**189.765.811**	**185.521.433**	**82.385.347**	**244.100.310**	**221.691.878**	**320.498.904**	**0**	**2.394.314.684**
Assets and liabilities spread	US$	**(899.075.933)**	**(45.002.731)**	**(127.546.494)**	**43.948.770**	**112.099.268**	**(17.736.549)**	**957.848.205**	**169.774.639**	**194.309.175**

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

For the year end December 31 2019, the separate accumulated financial show a net loss on exchange rate differential for ¢3.236.908.518 (net gain of ¢ 2.264.000.478 as of December, 2018).

b) 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 objective of the operational risk management is to minimize the financial losses of the Conglomerate; as well as achieving efficiency and effectiveness in the execution of processes and optimize its Internal Control System.

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

Regarding the calculation of regulatory capital, the BCR uses the basic method; however, it has been proposed to soon start the project to evolve to the standard method proposed by the Basel Committee. However, the priority in the operational risk management continues to focus on prevention and mitigation in the relevant processes.

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

Given the nature of the entity and the risks inherent to its activities, the risk of internal and external fraud is considered as relevant, for which periodic training programs are implemented on elements that collaborate in the early detection of cases, as well as prevention announcements that warn of the different types of fraud and their evolution in our environment. Likewise, there are mitigation plans that will be activated in case of non-compliance with the tolerance limit.

Through the automated OpRisk tool, the operational risks detected in the risk evaluations are managed with their respective treatment plans. Additionally, the tool is fed with the materialized event reports recorded by the Bank's different offices, for which it has a consolidated database, complying with the provisions of the SUGEF Agreement 18-16. Reglamento sobre la gestión del riesgo operative

Regarding the IT risk management, there is availability and implementation of an annual risk assessment plan in accordance with provisions established by SUGEF 14-17 “Regulation on the management of information technology”, outsourcing service contracts, strategic projects, new products, products on demand and subsidiaries. These exercises identify and analyze the main risk events that might affect the smooth operation of the technological platform to develop risk treatment plans for a proper control.

In addition, as part of the IT risk management, indicators are considered for the most relevant technological risks, which are given an exhaustive follow-up. The reports with the results are presented periodically to the corresponding bodies of corporate governance, as part of the System of Management Information.

It should be noted that these indicators are reviewed and updated regularly in conjunction with the risk takers, as part of the continuous improvement of the management process and that for each of them there are corrective actions or a mitigation plan that are activated in case of non-compliance with the tolerance or the established limit.

Business Continuity

The Business Continuity Unit of Banco de Costa Rica defined within its work plan to carry out the Business Impact Analysis in the BCR Financial Conglomerate, which was approved by the Business Continuity Committee on August 30, 2019.

Business Impact Analysis (BIA) is aa analysis that takes into account the business activities and the assets supporting them such as: resources, people, infrastructure, technology, among others, to identify critical processes, functions, products and services of its operation. Also, the BIA allows establishing a prioritization as necessary inputs to develop the Disaster Recovery Plan and the Business Continuity Plan; it also allows estimating the magnitude of the operational and financial impact associated with an interruption caused by an incident or disaster.

In the current BIA, 1030 business activities that currently exist were analyzed, among processes, functions, products and services of the BCR Financial Conglomerate and once the best practices methodology of the international standard ISO 22301 was applied, 33 critical activities were identified.

In addition, as part of the Business Continuity Management System, in 2019 a test plan of the continuity plan and the different contingency plans was developed. To date, one of the most effective business contingency plans is the so-called "Finesse Offline". With this contingency procedure, offices were visited to accompany tests (298) and training (15). These exercises help develop skills in collaborators to maintain the continuity of the service and thus protect the corporate image.

In 2019 two comprehensive drills were developed in which the Crisis Management Group and the Crisis Support Teams were considered. For its part, the IT area has developed recovery tests for numerous configuration elements that support critical services, allowing the identification of failure points that, when attended, avoid interruptions and protect the corporate image.

Finally, regarding the management of risk of legitimization of capital and financing of terrorism and proliferation of weapons of mass destruction, the permanent reinforcement of the culture in the business areas is maintained with respect to the risk-based management scope. This management is aimed at preventing operations of concealment and mobilization of capital of doubtful origin or, aimed at legitimizing capital, financing terrorist activities or the proliferation of weapons of mass destruction through the Bank. This effort integrates normatively defined evaluation factors such as customers, products, services, channels and geographical areas.

(35) Financial Information of the Development Financing Fund

As of December 31, the Bank presents the following financial information as manager of its Development Financing Fund (DCF):

BANCO DE COSTA RICA

Notes to the separate Financial Statements
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DEVELOPMENT FINANCING FUND

BALANCE SHEET

BANCO DE COSTA RICA

Financial information

(In colones without cents)

		December 2019	December 2018
ASSETS			
Availabilities	¢	**967.115.679**	**23.703.809**
Cash		967.115.679	23.703.809
Investments in financial instruments		**506.304.167**	**8.239.066.920**
Maintained to negotiate		0	3.143.466.484
Available-for-sale		500.000.000	5.048.000.000
Accrued interest receivable		6.304.167	47.600.436
Loan portfolio		**29.567.945.197**	**20.435.016.288**
Current loans		26.985.436.932	18.286.854.196
Past due loans		2.457.760.301	2.119.658.027
Loans on legal collection		225.232.792	342.211.749
Interest receivable		97.020.895	95.056.829
(Allowance for impairment)		(197.505.723)	(408.764.513)
Accounts and commissions receivable		**0**	**0**
Other accounts receivable		370.017	0
(Allowance for impairment)		(370.017)	0
Other assets		**4.330.698**	**4.418.215**
Intangible assets		4.330.698	4.418.215
TOTAL ASSETS	¢	**31.045.695.741**	**28.702.205.232**
LIABILITIES			
Accounts payable and provisions	¢	**15.291.150**	**17.495.538**
Other miscellaneous accounts payable		15.291.150	17.495.538
Other liabilities		**297.165.901**	**202.190.074**
Other liabilities		2.660.784	137.750
Allowance for impairment of contigent loans		6.735	63.015
Diferred income		294.498.382	201.989.309
TOTAL LIABILITIES	¢	**312 457 051**	**219.685.612**
EQUITY			
Contributions from Banco de Costa Rica	¢	**21.790.056.490**	**20.518.643.855**
Retained earnings from previous periods		**7.963.875.765**	**7.125.519.939**
Result of current period		**979.306.435**	**838.355.826**
TOTAL EQUITY	¢	**30.733.238.690**	**28.482.519.620**
TOTAL LIABILITIES AND EQUITY	¢	**31.045.695.741**	**28.702.205.232**
DEBIT CONTINGENT ACCOUNTS	¢	**11.176.431**	**50.411.906**
OTHER DEBIT MEMORANDA ACCOUNTS			
Own debit memoranda accounts		**3.612.270.090**	**6.547.334.606**

BANCO DE COSTA RICA

Notes to the separate Financial Statements
(With corresponding figures for 2018)

Development Financing Fund
Income Statement
For the year ended December 31, 2019 and 2018
Financial information
(In colones without cents)

		December 2019	December 2018
Financial income			
Investments in financial instruments	¢	1.257.766	3
For loan portfolio		1.750.855.086	1.335.685.406
For exchange differences		0	14.396.967
For gain financial instruments held for trading		0	186.681.061
For other financial income		58.795.762	0
Total financial income		**1.810.908.614**	**1.536.763.437**
Financial expenses			
For losses of exchange differences		10.117.647	0
Total financial expenses		**10.117.647**	0
For allowance on asset impairment		163.380.048	383.638.615
For asset recovery and decrease in allowance		398.805.698	186.930.903
FINANCIAL INCOME		**2.036.216.617**	**1.340.055.725**
Other operating income			
For other operating income		690.840	330.630
For arbitrage and currency exchange		30.893	70.686
For services commissions		34.543.388	28.589.335
Total other operating income		**35.265.121**	**28.990.651**
Other operating expenses			
For arbitrage and currency exchange		120	900
For other operating expenses		1.092.175.183	530.689.650
Total other operating expenses		**1 092.175.303**	**530.690.550**
GROSS OPERATIONAL RESULT		**979.306.435**	**838.355.826**
RESULTS OF THE PERIOD	¢	**979.306.435**	**838.355.826**

BANCO DE COSTA RICA

Notes to the separate Financial Statements
(With corresponding figures for 2018)

Loan portfolio of the Development Financing Fund

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

a) Loan portfolio by sector

		December 2019	December 2018
Sector			
Agriculture, livestock, hunting and related services	¢	8.922.605.824	7.271.512.788
Manufacturing		4.060.840.178	2.614.372.248
Mining and quarrying		0	54.518.892
Trade		65.904.474	103.941.694
Services		14.705.190.873	8.558.370.281
Transportation		134.953.694	196.979.751
Financial and stock exchange		1.335.059.554	1.567.958.500
Construction, purchase and repair of real estate		163.325.091	71.465.958
Hospitality		235.452.292	268.712.706
Education		45.098.045	40.891.154
		29.668.430.025	20.748.723.972
Plus: interest receivable		97.020.895	95.056.829
Less: allowance for impairment		(197.505.723)	(408.764.513)
	¢	**29.567.945.197**	**20.435.016.288**

b) Loan portfolio by arrears:

The loan portfolio by arrears is detailed as follows:

		December 2019	December 2018
Up to date	¢	26.985.436.932	18.286.854.196
From 1 to 30 days		1.289.247.941	1.218.756.485
From 31 to 60 days		884.608.081	533.988.969
From 61 a 90 days		134.960.769	295.231.661
From 91 a 120 days		58.853.631	31.948.769
From 121 a 180 days		0	10.520.905
More than 180 days		315.322.671	371.422.987
	¢	**29.668.430.025**	**20.748.723.972**

c) Delinquent and past due loan portfolio

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

		December 2019	December 2018
Number of operations		13	35
Past due loans in non-accrual status of interest	¢	315.322.671	371.422.987
Past due loans for which interest is recognized	¢	2.367.670.422	2.090.446.789
Total unearned interest	¢	19 521 440	38.562.236

Loans on legal collection as of December 31, 2019:

# operations	**Percentage**	**Balance**
9	0,76%	¢ 225.232.792

Loans on legal collection as of December 31, 2018:

# operations	**Percentage**	**Balance**
13	1,65%	¢ 342.211.749

d) Interest receivable on loan portfolio:

Interest receivables are as follows:

		December 2019	**December 2018**
Current loans	¢	61.050.072	50.914.921
Pat due loans		27.666.875	30.085.168
Loans on judicial collection		8.303.948	14.056.740
	¢	**97.020.895**	**95.056.829**

e) Allowance for bad loans:

The movement of allowance for bad loans is as follows:

Opening balance 2019	¢	**408.764.513**
Plus:		
Allowance charged to profit or loss		162.704.155
Transfer of balances		40.267
Adjustments for exchange rate differences		1.342
Less:		
Adjustments for exchange rate differences		(35.576)
Transfer to insolute		(100.643)
Reversal of allowance against income		(373.831.643)
Transfer of balances		(36.692)
Balance as of December 31, 2019	¢	**197.505.723**
Opening balance 2018	¢	**213.689.820**
Plus:		
Allowance charged to profit or loss		383.352.868
Transfer of balances		29.237.573
Adjustments for exchange rate differences		53.771
Less:		
Transfer to insolute	¢	(33.075.384)
Reversal of allowance against income		(184.494.135)
Balance as of December 31, 2018		**408.764.513**

f) Loan portfolio by type of guarantee:

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

		December 2019	**December 2018**
Guarantee			
Fiduciary	¢	12.149.697	25.936.075
Mortgage		7.257.345.028	5.649.218.844
Chattel		9.222.894.403	4.494.771.094
Others		13.176.040.897	10.578.797.959
	¢	**29.668.430.025**	**20.748.723.972**

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

			December 2019	December 2018
Principal		¢	29.668.430.025	20.748.723.972
Interest receivable			97.020.895	95.056.829
			29.765.450.920	20.843.780.801
Allowance for bad loans			(197.505.723)	(408.764.513)
Carrying amount		¢	29.567.945.197	20.435.016.288

Loan portfolio				
Total balances:				
A1		¢	1.340.973.582	17.634.450.220
A2			7.202.613	263.472.636
B1			2.319.454	884.176.514
B2			0	230.036.040
C1			0	705.807.935
C2			0	102.867.427
D			159.100	108.479.802
E			0	539.760.205
1			25.001.298.677	0
2			663.646.827	0
3			1.812.746.596	0
4			610.828.899	0
6			326.275.172	0
			29.765.450.920	20.843.780.801
Minimum allowance			(177.419.648)	(379.416.913)
Carrying amount, net		¢	29.588.031.272	20.464.363.888
Carrying amount			29.765.450.920	20.843.780.801
Allowance for bad loans			(177.419.648)	(379.416.913)
Allowance (surplus) déficit on minimum allowance			(20.086.075)	(29.347.600)
Carrying amount, net	6a	¢	29.567.945.197	20.435.016.288

BANCO DE COSTA RICA

Notes to the separate Financial Statements
(With corresponding figures for 2018)

The assessed loan portfolio including allowance is detailed as follows:

As of December 31, 2019

Loan portfolio		Direct Loan Portfolio			
Direct generic allowance		Principal	Covered balance	Overdraft	Allowance
1	¢	25.001.298.677	13.561.856.489	11.439.442.188	69.657.345
		25.001.298.677	13.561.856.489	11.439.442.188	69.657.345
Direct specific allowance					
2		663.646.827	639.497.954	24.148.873	4.404.933
3		1.812.746.596	1.500.941.988	311.804.608	85.455.862
4		610.828.899	590.590.011	20.238.888	13.072.394
6		326.275.172	323.073.820	3.201.352	4.816.721
A1		1.340.973.582	2.701.595	1.338.271.987	0
A2		7.202.613	7.202.613	0	0
B1		2.319.454	2.319.454	0	11.597
D		159.100	159.100	0	796
		4.764.152.243	3.066.486.535	1.697.665.708	107.762.303
		29.765.450.920	16.628.343.024	13.137.107.896	177.419.648

Loan portfolio Aging of loan portfolio	Direct Loan Portfolio			
Direct generic allowance	Principal	Covered balance	Overdraft	Allowance
Up to date	1.344.816.782	6.544.794	1.338.271.988	6.740.881
	1.344.816.782	6.544.794	1.338.271.988	6.740.881
Direct specific allowance				
Up to date	25.699.422.206	14.074.862.917	11.624.559.288	144.006.242
Equal or less than 30 days	1.298.770.257	1.175.195.178	123.575.079	4.507.477
Equal or less than 60 days	897.457.521	853.069.760	44.387.761	15.592.237
Equal or less than 90 days	138.086.251	134.973.824	3.112.428	1.452.976
Equal or less than 180 days	60.622.731	60.622.731	0	303.114
More than 180 days	326.275.172	323.073.820	3.201.352	4.816.721
	28.420.634.138	16.621.798.230	11.798.835.908	170.678.767
	29.765.450.920	16.628.343.024	13.137.107.896	177.419.648

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As of December 31, 2018

Loan portfolio	Direct Loan Portfolio			
	Principal	Covered balance	Overdraft	Allowance
Direct generic allowance				
A1	¢ 17.634.450.220	7.502.786.714	10.131.663.507	88.172.251
A2	263.472.636	204.030.884	59.441.752	1.317.363
	17.897.922.856	7.706.817.598	10.191.105.259	89.489.614
Direct specific allowance				
B1	884.176.514	758.208.346	125.968.167	10.089.450
B2	244.828.275	244.828.275	0	1.224.141
C1	462.716.793	449.872.480	12.844.312	5.460.441
C2	28.373.794	28.373.794	0	141.869
D	192.013.251	178.957.779	13.055.472	10.686.393
E	1.133.749.318	615.671.448	518.077.871	262.325.005
	2.945.857.945	2.275.912.122	669.945.822	289.927.299
	20.843.780.801	9.982.729.720	10.861.051.081	379.416.913

Loan portfolio Aging of loan portfolio	Direct Loan Portfolio			
Direct generic allowance	Principal	Covered balance	Overdraft	Allowance
Up to date	17.137.942.380	7.040.638.135	10.097.304.245	85.689.712
Equal or less than 30 days	759.980.476	666.179.462	93.801.014	3.799.902
	17.897.922.856	7.706.817.597	10.191.105.259	89.489.614
Direct specific allowance				
Up to date	1.199.826.736	779.030.233	420.796.503	95.626.481
Equal or less than 30 days	513.491.538	480.027.901	33.463.637	24.092.610
Equal or less than 60 days	534.044.845	447.941.826	86.103.019	43.559.875
Equal or less than 90 days	263.041.739	244.958.793	18.082.946	13.528.848
Equal or less than 180 days	127.409.104	106.724.929	20.684.175	21.217.800
More than 180 days	308.043.983	217.228.441	90.815.542	91.901.685
	2.945.857.945	2.275.912.123	669.945.822	289.927.299
	20.843.780.801	**9.982.729.720**	**10.861.051.081**	**379.416.913**

As of December 31, 2019		Loans receivable from clients	
		Gross	Net
Risk category:			
1	¢	25.001.298.677	24.938.382.213
2		663.646.827	659.241.893
3		1.812.746.596	1.727.290.734
4		610.828.899	597.756.505
6		326.275.172	321.458.451
A1		1.340.973.582	1.334.268.714
A2		7.202.613	7.166.600
B1		2.319.454	2.307.857
D		159.100	158.305
	¢	29.765.450.920	29.588.031.272

As of December 31, 2018		Loans receivable from clients	
		Gross	Net
Risk category:			
A1	¢	17.634.450.220	17.546.277.969
A2		263.472.636	262.155.273
B1		884.176.514	874.087.063
B2		244.828.275	243.604.134
C1		462.716.793	457.256.352
C2		28.373.794	28.231.925
D		192.013.251	181.326.858
E		1.133.749.318	871.424.314
	¢	20.843.780.801	20.464.363.888

(36) Situation of the Development Credit Fund

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

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Notes to the separate Financial Statements
(With corresponding figures for 2018)

DEVELOPMENT CREDIT FUND
Statement of Financial Positon
Banco de Costa Rica
Financial Information
(In colones without cents)

		December 2019	December 2018
ASSETS			
Availabilities	¢	**2.109.123.315**	**1.564.584.756**
Banco Central de Costa Rica		2.109.123.315	1.564.584.756
Investment in financial instruments		**106.529.939.477**	**111.996.857.646**
Available-to-trade		901.249.500	601.378.246
Available-for-sale		105.057.768.125	110.641.127.281
Interest receivable		570.921.852	754.352.119
Loan portfolio		**25.688.566.104**	**18.691.834.851**
Current loans		25.246.681.612	18.772.750.378
Past due loans		426.921.047	315.267.777
Interest receivable		85.021.774	76.875.123
(Allowance for impairment)		(70.058.329)	(473.058.427)
Accounts and commissions receivable		**0**	**45.887.828**
Deferred income tax and income tax receivable		0	45.887.828
TOTAL ASSETS	¢	**134.327.628.896**	**132.299.165.081**
LIABILITIES			
Obligations with entities	¢	**132.102.507.270**	**132.395.995.315**
Demand		132.102.507.270	132.395.995.315
Accounts payable and provisions		**524.739.762**	**355.384.201**
Other miscellaneous accounts payable		524.739.762	355.384.201
Other liabilities		**295.819.819**	**200.232.845**
Other liabilities		0	20.189
Deferred income		295.819.819	200.212.647
TOTAL LIABILITIES	¢	**132.923.066.851**	**132.951.612.361**
EQUITY			
Adjustment to equity	¢	**738.121.207**	**(1.295.971.089)**
Adjustment for valuation of available-for-sale financial instruments		738.121.207	(1.295.971.089)
Results of the current period		**666.440.838**	**643.523.809**
TOTAL EQUITY	¢	**1.404.562.045**	**(652.447.280)**
TOTAL LIABILITIES AND EQUITY	¢	**134.327.628.896**	**132.299.165.081**
OTHER DEBIT MEMORANDA ACCOUNTS			
Own debit memoranda account		18.970.464.122	34.265.116.025
Interest receivable memoranda accounts		5.268.957	6.456.858

BANCO DE COSTA RICA

Notes to the separate Financial Statements
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DEVELOPMENT CREDIT FUND
INCOME STATEMENT

Financial Information
(In colones without cents)

		December 2019	December 2018
Financial income			
For investments in financial instruments	¢	6.152.011.156	5.781.696.877
For loan portfolio		971.136.869	863.233.445
For exchange rate differences		0	739.609.715
For profit of available-for-sale financial instruments		1.052.113.640	72.252.710
Total financial income		**8.175.261.665**	**7.456.792.747**
Financial expenses			
For obligations with the public		2.410.963.268	2.258.800.690
For losses in exchange rate differences		939.444.862	0
Other financial expenses		12.082.684	6.980.564
Total financial expenses		**3.362.490.814**	**2.265.781.254**
Allowance for impairment		1.569.463.406	623.416.042
Asset recovery and decrease in allowance		1.948.609.126	286.390.367
FINANCIAL INCOME		**5.191.916.571**	**4.853.985.818**
Other operating income			
For commission for services		83.750	43.094
For arbitrage and currency exchange		107.679.244	77.856.243
For other operating income		5.144.189	18.921.908
Total other operating incomes		**112.907.183**	**96.821.245**
Other operating expenses			
For exchange and arbitration. foreign currency		30.827.546	32.125.005
For other operating expenses		157.287.386	9.797.903
Total other operating expenses		**188.114.932**	**41.922.908**
GROSS OPERATING INCOME		**5.116.708.822**	**4.908.884.155**
Earnings transferred to the National Development Trust		4.450.267.984	4.265.360.346
RESULT OF THE PERIOD	¢	**666.440.838**	**643.523.809**
TOTAL COMPREHENSIVE INCOME OF THE PERIOD		**666.440.838**	**643.523.809**
PROFIT SHARING			
Profit transferred to the National Development Trust	¢	4.450.267.984	4.265.360.346
Commission for management of the Development Credit Fund		666.440.838	643.523.809
	¢	**5.116.708.822**	**4.908.884.155**

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

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

		December 2019	**December 2018**
Available-to-trade	¢	901.249.500	601.378.246
Available-for-sale		105.057.768.125	110.641.127.281
Interest receivable for available-for-sale instruments		570.921.852	754.352.119
	¢	**106.529.939.477**	**111.996.857.646**

Available-for-sale:		**December 2019 Fair value**	**December 2018 Fair value**
Local issuers:			
State-owned Banks	¢	901.249.500	601.378.246
	¢	**901.249.500**	**601.378.246**

Available-for-sale:		**December 2019 Fair value**	**December 2018 Fair value**
Issuers abroad:			
Government	¢	3.775.108.731	57.165.470.734
State-owned Banks		101.282.659.394	53.475.656.547
	¢	**105.057.768.125**	**110.641.127.281**

Loan portfolio of the Development Credit Fund

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

a) Loan portfolio by sector

		December 2019	December 2018
Sector			
Agriculture, livestock, hunting and Related services	¢	12.312.973.607	7.657.005.296
Manufacturing		10.175.305.382	7.679.940.866
Trading		8.000.000	10.000.000
Services		3. 177.323.670	3.741.071.993
		25.673.602.659	19.088.018.155
Plus: interest receivable		85.021.774	76.875.123
Less allowance for impairment		(70.058.329)	(473.058.427)
	¢	**25.688.566.104**	**18.691.834.851**

b) Loan portfolio by arrears:

Loan portfolio by arrears is detailed as follows:

		December 2019	December 2018
Up to date	¢	25.246.681.612	18.772.750.378
From 1 to 30 days		361.572.283	229.546.805
From 31 to 60 days		65.348.764	67.551.353
From 61 to 90 days		0	18.169.619
	¢	**25.673.602.659**	**19.088.018.155**

c) Delinquent and past due loans

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

		December 2019	December 2018
Delinquent and past due loans with interest recognition	¢	426.921.047	315.267.777
Total of not received interest	¢	**5.268.957**	**6.456.858**

d) Interest receivable for loan portfolio

Interest receivable are detailed as follows:

		December 2019	December 2018
Current loans	¢	81.651.573	74.800.185
Past due loans		3.370.201	2.074.938
	¢	**85.021.774**	**76.875.123**

e) Allowance for bad loans

Balance at the beginning of 2019	¢	**473.058.427**
Plus:		
Allowance charged to profit or loss		1.569.463.406
Adjustment for exchange differences		101.613
Less:		
Adjustment for exchange differences		(23.955.991)
Reversion of allowance against income		(1.948.609.126)
Balance as of September 31, 2019	¢	**70.058.329**
Balance at the beginning of 2018	¢	**135.704.392**
Plus:		
Allowance charged to profit or loss		623.416.042
Adjustment for exchange differences		328
Less:		
Reversion of allowance against income		(286.390.367)
Balance as of December 31, 2018	¢	**473.058.427**

f) Loan portfolio by type of guarantee:

The loan portfolio detailed by guarantee is as follows:

		December 2019	December 2018
Guarantee			
Mortgage	¢	5.501.786.497	3.023.564.734
Chattel		9.394.229.265	4.296.429.800
Other		10.777.586.897	11.768.023.621
	¢	**25.673.602.659**	**19.088.018.155**

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

		December 2019	December 2018
Principal	¢	25.673.602.659	19.088.018.155
Interest receivable		85.021.774	76.875.123
		25.758.624.433	19.164.893.278
Allowance for bad loans		(70.058.329)	(73.058.427)
Carrying amount	¢	25.688.566.104	18.691.834.851
Loan portfolio			
Total balances:			
A1	¢	0	18.225.815.023
A2		0	261.533.202
D		0	468.598.136
E		0	208.946.917
1		25.692.559.608	0
3		66.064.825	0
		25.758.624.433	19.164.893.278
Minimum allowance		(70.058.329)	(449.529.416)
Carrying amount, net	¢	25.688.566.104	18.715.363.862
Carrying amount		25.758.624.433	19.164.893.278
Allowance for bad loans		(70.058.329)	(23.529.011)
(Surplus) inadequacy of allowance			
Over the mínimum allowance		0	(339.752)
Carrying amount, net 6ª	¢	25.688.566.104	18.691.834.851

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The assessed loan portfolio including allowance is detailed as follows:

As of December 31, 2019

Loan portfolio		Direct Loan Portfolio			
Direct generic allowance		**Principal**	**Covered balance**	**Overdraft**	**Allowance**
1	¢	25.692.559.609	5.007.274.600	20.685.285.008	69.728.005
		25.692.559.609	5.007.274.600	20.685.285.008	69.728.005
Direct specific allowance					
3		66.064.824	66.064.825	0	330.324
		66.064.824	66.064.825	0	330.324
	¢	25.758.624.433	5.073.339.425	20.685.285.008	70.058.329

Loan portfolio					
Aging of loan portfolio		Direct Loan Portfolio			
Direct generic allowance		**Principal**	**Covered balance**	**Overdraft**	**Allowance**
Up to date	¢	25.328.333.184	4.670.762.528	20.657.570.656	68.817.439
Equal to or less than 30 days		364.226.423	336.512.072	27.714.352	910.566
		25.692.559.607	5.007.274.600	20.685.285.008	69.728.005
Direct specific allowance		**Principal**	**Covered balance**	**Overdraft**	**Allowance**
Equal to or less than 90 days		66.064.826	66.064.825	0	330.324.
		66.064.826	66.064.825	0	330.324.
	¢	25.758.624.433	5.073.339.425	20.685.285.008.	70.058.329.

As of December 31, 2018

Loan portfolio		Direct Loan Portfolio			
Direct generic allowance		**Principal**	**Covered balance**	**Overdraft**	**Allowance**
A1	¢	18.225.815.023	5.573.433.584	12.652.381.439	91.129.075
A2		261.533.202	260.641.156	892.046	1.307.666
		18.487.348.225	5.834.074.740	12.653.273.485	92.436.741
Direct specific allowance					
D		468.598.136	0	468.598.136	351.448.602
E		208.946.917	204.324.465	4.622.452	5.644.073
		677.545.053	204.324.465	473.220.588	357.092.675
		19.164.893.278	6.038.399.205	13.126.494.073	449.529.416

		Direct Loan Portfolio			
Direct generic allowance		**Principal**	**Covered balance**	**Overdraft**	**Allowance**
Up to date		18.256.787.069	5.603.513.584	12.653.273.485	91.283.935
Equal to or less than 30 days		230.561.156	230.561.156	0	1.152.806
		18.487.348.225	5.834.074.740	12.653.273.485	92.436.741
Direct specific allowance					
Up to date		590.763.494	122.165.358	468.598.136	352.059.429
Equal to or less than 60 days		68.316.977	68.316.977	0	341.585
Equal to or less than 90 days		18.464.582	13.842.130	4.622.452	4.691.661
		677.545.053	204.324.465	473.220.588	357.092.675
	¢	19.164.893.278	6.038.399.205	13.126.494.073	449.529.416

		Loans receivable from clients	
As of December 31, 2019		**Gross**	**Net**
Risk category:			
1	¢	25.692.559.608	25.622.831.604
3		66.064.825	65.734.500
	¢	25.758.624.433	25.688.566.104

		Loans receivable from clients	
As of December 31, 2018		**Gross**	**Net**
Risk category:			
A1	¢	18.225.815.023	18.134.685.948
A2		261.533.202	260.225.536
D		468.598.136	117.149.534
E		208.946.917	203.302.844
	¢	19.164.893.278	18.715.363.862

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

The detail of the amounts transferred is as follows:

		December 2019	**December 2018**
BAC Credomatic	¢	16.361.583.000	14.026.683.120
Banco BCT		2.226.442.849	1.591.148.550
Banco Improsa		0	690.107.200
	¢	**18.588.025.849**	**16.307.938.870**

(37) Merger of Banco Crédito Agrícola de Cartago

On September 10, 2018, the bill "Merger by absorption of Banco Crédito Agrícola de Cartago and Banco de Costa Rica" was approved by the Legislative Assembly. The Law approved by the Congress establishes that the operative merger between Bancrédito and BCR will be effective within a maximum period of 60 working days, after the Law comes into effect.

The Law "Merger by absorptio of Banco Crédito Agrícola de Cartago and Banco de Costa Rica", Legislative Decree N ° 9605, File N ° 20-366, became effective as of September 19, 2018, after it was published in the official paper La Gaceta. As result of this merger, Banco Crédito Agrícola will be ceased as a legal entity and its net assets will be transferred to Banco de Costa Rica, which will be a full party as of the effective date of this Law.

As of September 19, 2018, the subsidiaries that belonged to Bancrédito became part of the BCR Financial Conglomerate, which are: Bancrédito Agencia de Seguros, S.A. and Depósito Agrícola de Cartago, S.A. and its subsidiary (DACSA).

According to Law 9605, Article 1, Absorption of Banco Crédito Agrícola de Cartago by Banco de Costa Rica, it indicates that the shares of Bancrédito´s subsidiaries will be understood as fully transferred to Banco de Costa Rica, which will assess to keep them in operation, sale or settlement, within the maximum and non-extendable period of eighteen calendar months after the entry into force of this law, within which period it will be authorized to act as the sole shareholder of such companies.

The accounting record of the transfer of the subsidiaries generated an account payable that will be settled at the time of the merger.

The values of the acquired assets and liabilities are presented as follows:

Data of absorption of other companies (Bancrédito)		**2018**
Assets		
Availabilities	¢	10.669.426.874
Inversrment securities and deposits		33.048.470.128
Loan portfolio		62.384.435.583
Accounts and interest receivable, net		821.272.917
Foreclosed assets		9.550.034.824
Interest in the capital of other companies		1.775.426.523
Properties, furniture and equipment in use, net		12.458.596.560
Other assets		2.045.233.742
	¢	**132.752.897.151**

Liabilities		
Obligations with the public	¢	137.201.252.314
Accounts payable and provisions		5.846.633.059
Other liabilities		850.089.084
	¢	**143.897.974.457**
Net assets or equity	¢	(11.145.077.306)
Less:		
Csh of the acquired Company		10.669.426.874
Cash to be reimbursed for absorption	¢	**(21.814.504.180)**
Net assets or equity		11.145.077.306
Capital contribution Law 9605		18.907.432.694
Cash to be reimbursed for absorption		**30.052.510.000**

The amounts received in own debit memoranda accounts are for ¢ 126,647,404,664.

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

Through various resolutions, CONASSIF (the Board) agreed to partial adoption, starting January 1, 2004, of IFRSs promulgated by the International Accounting Standards Board (IASB). In order to regulate application of those Standards, the Board issued the Terms of the Accounting Regulations Applicable to Entities Regulated by SUGEF, SUGEVAL, SUPEN, and SUGESE and to Non-financial Issuers and approved a comprehensive revision of those regulations. On March 17, 2007 the Board adopted a comprehensive reform of the "Accounting standards applicable to supervised entities by SUGEF, SUGEVAL, SUPEN and SUGESE and nonfinancial issuers."

On May 11, 2010, the Board issued private letter ruling CNS 413-10 to revise the Accounting Regulations Applicable to Entities Regulated by SUGEF, SUGEVAL, SUPEN, and SUGESE and to Non-financial Issuers (the Regulations), which mandate application by regulated entities of IFRSs and the corresponding interpretations issued by the IASB in effect as of January 1, 2008, except for the special treatment indicated in Chapter II of the aforementioned Regulations.

Pursuant to the Regulations and in applying IFRSs in effect as of January 1, 2008, any new IFRSs or interpretations issued by the IASB, as well as any other revisions of IFRSs adopted that will be applied by regulated entities, will require the prior authorization of CONASSIF.

On April 4, 2013 C.N.S. 1034/08 was issued, stating that, for the period starting January 1, 2014. IFRS 2011 shall be applied with exception of special treatments referred to in Chapter II of the rules for regulated financial entities.

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

New IAS I is effective as from the periods beginning on or after January 1, 2009.

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

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

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

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

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

Revised IAS I changes the name of some financial statements, using "statement of financial position" instead of balance sheet.

IAS I 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.

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.

e) IAS 12: Income tax

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

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.

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 realizable assets.

g) IAS 18: Revenue

The Board has allowed regulated financial entities to recognize loan fees and commissions collected prior to January 1, 2003 as revenue. Additionally, the Board has permitted the deferral of the credit fee formalization of 25%, 50%, and 100% of loan fees and commissions for transactions completed in 2003, 2004, and 2005, respectively. IAS 18 prescribes deferral of 100% of those fees and commissions over the loan term.

The Board has also allowed deferral of the net excess of loan fee income minus expenses incurred for activities such as assessment of the borrower's financial position, evaluation and recognition of guarantees, sureties, or other collateral instruments, negotiation of the terms of the instrument, preparation and processing of documents, and settlement of the operation. IAS 18 does not allow deferral on a net basis of loan fee income. Instead, it prescribes deferral of 100% of loan fee income, and permits the deferral of only certain incremental transaction costs, rather than all direct costs. Accordingly, when costs exceed income, loan fee income is not deferred, since the Board only allows the net excess of income over expenses to be deferred. This treatment does not conform to IAS 18 and IAS 39, which prescribe separate treatment for income and expenses (see comments on IAS 39).

From January 1, 2014 the treatment of loan commissions was implemented as directed in IAS 18.

h) <u>Revised IAS 19: Employee Benefits</u>

This standard is modified to recognize that the discount rate to be used must correspond with bonds in local currency.

The transition date is for periods beginning on or after January 1, 2016 and may be applied in advance, disclosing that fact. Any adjustment for its application must be made against retained earnings at the beginning of the period.

This standard is for application in the periods that begin in or after January, 1, 2013. It includes changes referring to the benefit plans defined for which it previously required that the measurements of the actuarial appraisals were recognized in the income statement or in the other comprehensive income. The new IAS 19 will require the changes in measurements to be included in other comprehensive income and the cost of services and net interest to be included in the income statement.

i) <u>IAS 21: The Effects of Changes in Foreign Exchange Rates</u>

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

j) <u>IAS 23: Borrowing costs</u>

A company treats as part of the general financing any financing originally made to develop an asset when an asset is ready for use or sale.

k) IAS 24: Related Party Disclosures

The International Accounting Standards Board revised IAS 24 in 2009 in order to: (a) simplify the definition of "related parties", clarify the meaning to be given to this term and eliminate the incoherencies of the definition; (b) Provide a partial exemption from the requirement of information disclosed by entities related to the government.

This standard will be applied retroactively for the annual periods starting as from January 1, 2011.

l) 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.

m) IAS 28: Investments in Associates and Joint Ventures

The Board requires consolidation of investments in companies in which an entity holds twenty-five percent (25%) or more equity interest, irrespective of any considerations of control. Such treatment does not conform to IAS 27 and IAS 28.

The objective of this standard is to describe the accounting treatment for Investments in partners and it determines the requirements for the application of the method of equity participation when recording investments in associates and joint ventures.

n) Revised IAS 32: Financial Instruments: Presentation

Revised IAS 32 provides new guidelines clarifying the classification of financial instruments as liabilities or equity (e.g. preferred shares), SUGEVAL determines whether those shares fulfill the requirements of capital stock.

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

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

p) 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.

q) IAS 38: Intangible Assets

The commercial banks listed in article 1 of Internal Regulations National Banking System (Law No. 1644) may present organization and installation expenses as an asset in the balance sheet, however, those expenses must be fully amortized on the straight-line method over a maximum of five years. 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 CONASSIF standards.

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

r) IAS 39: Financial Instruments: Recognition and Measurement

The Board requires that the loan portfolio be classified pursuant to SUGEF Directive 1-05 and that the allowance for loan impairment be determined based on that classification. It also allows excess allowances to be booked. IAS 39 requires that the allowance for loan impairment be determined based on a financial analysis of actual losses. IAS 39 also prohibits the recording of provisions for contingent accounts. Any excess allowances must be reversed in the income statement.

Revised IAS 39 introduced changes with respect to classification of financial instruments, which have not been adopted by the Board. The revised version includes the following changes:

- The option of classifying loans and receivables as available for sale was established.
- Securities quoted in an active market may be classified as available for sale, held-for-trading, or held to maturity.
- The "fair value option" was established to designate any financial instrument to be measured at fair value through profit or loss, provided a series of requirements are met (e.g. the instrument has been measured at fair value since the original acquisition date.)
- The category of loans and receivables was expanded to include purchased loans and receivables that are not quoted in an active market.

The Board has also allowed capitalization of direct costs incurred for assessment of the borrower's financial position, evaluation and recognition of guarantees, sureties, or other collateral instruments, negotiation of the terms of the instrument, and preparation and processing of documents, net of income from loan fees. However, IAS 39 only permits capitalization of incremental transaction costs, which are to be presented as part of the financial instrument and may not be netted against loan fee income (see comments on IAS 18).

Regular purchases and sales of securities are to be recognized using the settlement date accounting only.

Depending on the type of entity, financial assets are to be classified as follows:

a) Pooled portfolios.

   Investments in pooled investment funds, pension and retirement savings accounts, and similar trusts are to be classified as available for sale.

b) Own investments of regulated entities.

   Investments in financial instruments of regulated entities are to be classified as available for sale.

Own investments in open investment funds are to be classified as held-for-trade financial assets. Own investments in closed investment funds are to be classified as available for sale.

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

Banks regulated by SUGEF may not classify investments in financial instruments as held to maturity.

The above classifications do not necessarily adhere to the provisions of IAS 39.

The amendment to IAS 39 clarifies the existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendments to IAS 39 became mandatory for 2010 financial statements, with retrospective application. This amendment has not been adopted by the Board.

s) IAS 40: Investment Property

   IAS 40 allows entities to choose between the fair value model and the cost model to measure their investment property. The Standard issued by the Board only allows entities to use the fair value model to measure this type of assets, unless clear evidence for determining the fair value of the assets is unavailable.

t) Revised IFRS 3: Business Combinations

The revised standard (2008) incorporates the following changes:

- The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.

- Contingent consideration will be measured at fair value, with subsequent changes therein recognized in profit or loss.

- Transaction costs, other than share and debt issue costs, will be expensed as incurred.

- Any pre-existing interest in the acquirer will be measured at fair value, with the related gain or loss recognized in profit or loss.

- Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquirer, on a transaction-by-transaction basis.

Revised IFRS 3, which became mandatory for 2010 financial statements, will be applied prospectively. This Standard has not been adopted by the Board.

u) IFRS 5: Non-current Assets Held for Sale and Discontinued Operations

The Board requires that an allowance be booked for 100% of the carrying amount of assets that have not been sold within two years. IFRS 5 requires that such assets be recorded and measured at the lower of cost or fair value, discounting the future cash flows of assets to be sold in more than one year. Accordingly, assets could be understated, with excess allowances.

v) Amendments to IFRS 7: Financial Instruments – Disclosures

In March 2009, the IASB issued certain amendments to IFRS 7, Financial Instruments: Disclosure, which requires enhanced disclosures about fair value measurements and liquidity risk in respect of financial instruments.

The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. Specific disclosures are required when fair value measurements are categorized as Level 3 (significant unobservable inputs) in the fair value hierarchy. The amendments require that any significant transfers between Level 1 and Level 2 of the fair value hierarchy be disclosed separately, distinguishing between transfers into and out of each level. Furthermore, changes in valuation techniques from one period to another, including the reasons therefor, are required to be disclosed for each class of financial asset.

Furthermore, the definition of liquidity risk has been amended and it is now defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The amendments require disclosure of a maturity analysis for non-derivative and derivative financial liabilities, but contractual maturities are required to be disclosed for derivative financial liabilities only when contractual maturities are essential for an understanding of the timing of cash flows. For issued financial guarantee contracts, the amendments require the maximum amount of the guarantee to be disclosed in the earliest period in which the guarantee could be called. These amendments have not been adopted by the Board.

w) <u>IFRS 9: Financial Instruments</u>

IFRS 9 deals with classification and measurement of financial assets. The requirements of this Standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The Standard contains two primary measurement categories for financial assets: amortized cost and fair value. The Standard eliminates the existing IAS 39 categories of held to maturity, available for sale, and loans and receivables. For an investment in an equity instrument which is not held for trading, the Standard permits an irrevocable election, at initial recognition, on an individual share-by-share basis, to present all fair value changes in other comprehensive income. No amount recognized in other comprehensive income would ever be reclassified to profit or loss at a later date.

The standard requires that derivatives embedded in contracts with a host contract that is a financial asset within the scope of the standard not to be separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortized cost or fair value.

This standard requires entities to determine whether presenting the effects of changes in the credit risk of a liability designated at fair value through profit or loss would create an accounting mismatch based on facts and circumstances at the date on which the financial liability is initially recognized.

The objective of this IFRS is to establish the principles for the financial information about financial assets so that it will present useful and relevant information for the users of the financial statements facing the evaluation of the amounts, schedule and uncertainty of the future cash flows of the entity. The standard includes three chapters on recognition, impairment of financial assets and heading instruments.

This standard supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013). However, for annual periods beginning in or before January 1, 2018, and entity may elect to apply previous versions of IFRS 9 if, and only if the corresponding date of the entity initial application is prior to February 1, 2015.

x) IFRS 10: Consolidated Financial Statements

This Standard provides a revised control definition and application guidance. Therefore, this IFRS supersedes IAS 27 (2008) and SIC 12, Consolidation - Special Purpose Entities, and is applicable to all investees.

Early application is permitted. Entities that apply this IFRS earlier must disclose that fact and apply IFRS 11, IFRS 12, IAS 27 (as amended in 2011), and IAS 28 (as amended in 2011) simultaneously.

An entity is not required to make adjustments to the accounting for its involvement with an investee when entities are previously consolidated or unconsolidated in accordance with IAS 27 (2008), SIC 12, and this IFRS, continue to be consolidated or continue not to be consolidated.

When application of this IFRS results in an investor consolidating an investee that is a business not previously consolidated, the investor:

1) must determine the date when the investor obtained control of that investee on the basis of the requirements of this IFRS; and

2) will assess the assets, liabilities, and no-controlling interests as if acquisition accounting had been applied from that date.

If (2) is impracticable, then the deemed acquisition date must be the beginning of the earliest period for which retroactive application is practicable, which may be the current period.

The standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. This standard has not been adopted by the Board.

y) IFRS 11: Joint Arrangements

This standard was issued in May 2011 with an effective date of January 1, 2013. The Standard addresses the inconsistencies in the accounting for joint arrangements and requires a single accounting treatment for interests in jointly controlled entities. This standard has not been adopted by the Board.

The objective of this IFRS is to establish principles for joint arrangements disclosures.

It supersedes IAS 31, Interest in Joint Ventures and SIC 13, Jointly Controlled Entities, nonmonetary contributions by ventures.

z) IFRS 12: Disclosure of Interests in Other Entities

This Standard was issued in May 2011 with an effective date of January 1, 2013. This Standard requires an entity to disclose information that enables users of financial statements to evaluate the nature and financial effects of its investments in other entities, including joint arrangements, associates, structured entities, and "off balance" activities. This Standard has not been adopted by the Board.

aa) IFRS 13: Fair Value Measurement

This Standard was issued in May 2011 and clarifies the definition of fair value, establishes a single procedure for measuring fair value, and defines the measurements and applications required or permitted by IFRSs. This Standard is to be applied for annual periods beginning on or after January 1, 2013. Earlier application is permitted. This Standard has not been adopted by CONASSIF.

This standard is applicable for periods beginning on or after January 1, 2013. This IFRS defines "fair value", establishes a single conceptual framework in IFRS to measure fair value and requires disclosures about the measurement of fair value. This IFRS applies to other IFRSs that allow measurement at fair value.

bb) IFRS 15: Revenue from Contracts with Customers

International Financial Reporting standard IFRS 15, Revenue derived from contracts and clients established principles for presentation of useful information to users of the financial statements about the nature, amount, schedule and uncertainty of revenue and cash flows arising from an entity's contracts with their customers.

IFRS 15 applies to annual periods that begin in or after January 1, 2017. Earlier application is permitted.

IFRS 15 supersedes:

a. IAS 11: Construction Contracts;
b. IAS 18: Revenue;
c. IFRIC 13: Customer loyalty programs;
d. IFRIC 15: Agreements for the construction of real estate;
e. IFRIC 18: Transfer of assets from customers; and
f. SIC-31 Revenue —Barter transactions involving advertising services.

Revenue is important information for users of financial statements, assessing the situation and financial performance of an entity. However, the above requirements for the recognition of revenue on International Financial Reporting Standards (IFRS) differ from accounting principles generally accepted in the United States of America (US GAAP) and both requirements sets needed improvement. The requirements for recognition of revenue from previous IFRS provided limited guidance and, therefore, the two main standards for the recognition of revenue, IAS 18 and IAS 11, could be difficult to apply to complex transactions. Furthermore, IAS 18 provided limited guidance on many important issues of revenue, such as accounting of agreements with multiple elements. Instead, US GAAP comprised broader aspects in the recognition of revenue, along with numerous requirements for industries or specific transactions, which resulted in a different accounting of similar transactions.

Therefore, the International Accounting Standards Board (IASB) and the issuer of national standards in the United States, the Financial Accounting Standards Board (FASB), initiated a joint project to clarify the principles for recognition of revenue and to develop a common standard for revenue to IFRS and US GAAP that:

a. Eliminates inconsistencies and weaknesses of the above requirements on revenue;
b. Provides a solid framework to address the problems of revenue;
c. Improves comparability of recognition practices of revenue between entities, industries, jurisdictions and capital market;
d. Provides more useful information to users of the financial statements through disclosure requirements improved; and
e. Simplify the preparation of the financial statements, reducing the number of requirements that and entity must refer.

The basic principle of IFRS 15 is that an entity recognizes revenue to represent transfer of goods or services committed to customers in exchange for an amount that reflects the consideration to which the entity expects to be entitled to exchange of such goods or services. An entity recognizes revenue in accordance with the basic principle by applying the following steps:

a. Step 1: Identify the contract (contracts) with the client - a contract is an agreement between two or more parties that creates enforceable rights and obligations. The requirements of IFRS 15 apply to each contract which has been agreed with a client and meets the specified criteria. In some cases, IFRS 15, requires an entity to combine contracts and accounted for as one. IFRS 15 also provides requirements for the posting contracts changes.

b. Step 2: Identify performance obligations in the contract - a contract includes commitments to transfer goods or services to a customer. If goods or services are different, commitments and performance obligation are accounted for separately. A good or service different if the client can take advantage of the good or service itself or with other resource that are available to the customer and commitment of the institution to transfer the good or service to the customer is separately recognizable from other contract commitments.

c. Step 3: To determine the transaction Price - the Price of transaction is the amount of consideration in a contract to which an entity expects to be entitled in exchange for the transfer of goods or services involved with the client. The transaction price can be a fixed amount of the consideration for the client, but may sometimes include a variable compensation in cash or other form. The transaction price is also adjusted by the value of money over time if the contract includes a significant financing component, as well as any consideration payable to the customer. If the consideration is variable, an entity shall estimate the amount of the consideration to which it shall be entitled to the exchange for goods or services involved. The estimated variable compensation amount is included in the price of transaction only to the extended that is highly likely that a significant reversal of the amount of income recognized accumulated to not occur when the uncertainty associated with the variable compensation was subsequently resolved.

d. Step 4: Allocate the transaction price between performance obligations of the contract -an entity usually allocate the transaction price to each performance obligation based on the relative independent selling prices of each good or service involved in the contract. If a selling price is not observable independently, an entity shall estimate. Sometimes, the transaction price includes a discount or a variable amount of the consideration that relates entirely to a part of the contact. The requirements specify when an entity assigns the discount or variable consideration to one or more, but not all the performance obligations (different goods or services) of the contract.

e. Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation -an entity recognizes the revenue when (or as) it satisfies a performance obligation by transferring goods or services committed to the client (which is when the customer obtains control of that good or service). The amount of income recognized is the amount allocated to the performance obligation satisfied. A performance obligation can be met at any given time (usually for commitments to serve the customer). For performance obligations that are satisfied overtime, an entity recognizes revenue over time by selecting an appropriate method to measure the progress of the entity toward complete satisfaction of that performance obligation.

cc) IFRIC 10: Interim Financial Reporting and Impairment

This statement prohibits the reversal of an impairment loss recognized in a previous interim period, regarding to surplus value, investment in an equity instrument or a financial asset booked at cost, IFRIC 10 applies to surplus value, investment in equity instruments and financial assets booked at cost starting from the date the first time the criteria of measurement of NIC 36 and NIC 39 was applied (i.e. January 1, 2004). The Board allows reversal of estimates.

dd) IFRIC 12: Services Concession Arrangements

This interpretation provides guidelines for the posting of public service concession arrangements to a private operator. This interpretation applies both to:

- The infrastructure that the operator builds or purchases from a third party. to be used for the provision of services agreements; and

- Existing infrastructure to which the operator has access in order to provide the services established in the agreement.

IFRIC 12 is mandatory for financial statements as of July 1. 2009. This IFRIC has not been adopted by the Board.

ee) IFRIC 13: Customer Loyalty Programs

This interpretation provides guidance to the entity that grants credits -awards to its customers for loyalty as part of sales transaction which, subject to compliance with any additional condition established as a requirement, the customer can redeem in the future in form of goods, free services or discounts. IFRIC 13 is mandatory for financial statements starting from January 1, 2011. This IFRIC has not been adopted by the Board.

ff) IFRIC 14, IAS 19: Limit on Defined Benefit Asset, Minimum Finding Requirement and their Interaction

This interpretation applies to benefits defined for former employees and other long term benefits for employees. It also considers requirements to maintain a minimum level of funding to any requirement to fund a benefits plan for former employees or other long term benefits plans. It also covers the situation where a minimum level of funding may result in a liability. The IFRIC 14 is mandatory for financial statements starting from January 1, 2011, which retrospective application. This IFRIC has not been adopted by the Board.

gg) IFRIC 16: Hedges of a Net Investment in a Foreign Operation

This interpretation allows an entity using step considerations to choose an accounting policy that covers the risk of exchange rate, in order to determine the accumulative adjustment of currency conversion that is reclassified in results for the disposal of net investments in abroad business, as if the direct method has been used. The IFRIC 16 is mandatory for financial statements as of July, 1, 2009. The Board has not adopted his standard.

hh) IFRIC 17: Distribution of Non-Cash Assets to Owners

This interpretation provides guidance for accounting dividends payable distributed using non- cash assets, at the beginning and the end of the period.

If an entity declares dividends to be distributed through non- cash assets, after the closing of a reported period but before the financial statements are authorized to be issued, it will disclose:

a) The nature of the asset to be distributed;

b) The carrying amount of the asset at the closing date; and

c) If the fair values are determined, wholly or partially, by reference to price quotes published in an active market or are estimated using a valuation method, as well as the method used to determine the fair value and the assumptions applied when using a valuation method.

IFRIC 17 is mandatory for financial statements starting from July 1, 2009. This standard has not been adopted by the Board, Its application is prospective; a retrospective application is not permitted.

ii) IFRIC 18: Transfer of Assets from Customers

This interpretation offers guidance for accounting of transfers of property, plant and equipment for entities receiving such transfer from customers, as well as those agreements in which an entity receives cash from customers and must use the cash amount only for construction or purchasing property, plant and equipment. This IFRIC is mandatory for financial statements from July 1, 2009. This IFRIC has not been adopted by the Board.

jj) IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments

This interpretation provides guidance for accounting renegotiated terms of financial liability and give rise to the entity that issues the equity instruments to extinguish the financial liability totally or in part, IFRIC 19 is mandatory for financial statements starting from July 1, 2010. This IFRIC has not been adopted by the Board.

kk) IFRIC 17: Distributions of Non- Cash Assets to Owners

This IFRIC is mandatory for financial statements from July 1, 2009. Its application is prospective; a retrospective application is not permitted.

ll) IFRIC 18: Transfer of Assets from Customers

This interpretation is mandatory for financial statements form July 1, 2009. This interpretation is applicable to entities that transfer assets to other entities for goods or services of different nature, for which an income has to be recognized due to the difference in value.

mm) IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is mandatory for financial statements starting from July 1, 2010.

nn) IFRIC 21: Levies

This interpretation addresses the accounting of a liability to pay a levy if that liability is within IAS 37. It also addresses the accounting of a liability to pay a levy where the amount and maturity are true.

This interpretation does not address the accounting of cost arising from the recognition of a liability to pay a levy. Entities should apply other standards to decide whether the recognition of a liability to pay a tax results in an asset or an expense.

The event that triggers the obligation and results in a liability to pay a levy is the activity that produces the levy payment, as established by law. For example, if the activity that results in the levy payment is to generate an income from ordinary activities in this period, and the calculation of this tax is based on income from ordinary activities that took place in an earlier period, the event that results in the obligation of the levy is the income generation in the current period. Generating revenue in the previous periods is necessary, but not sufficient to create a present obligation.

An entity does not have an implied obligation to pay a levy to be generated by future period operation; as a result, the entity is economically compelled to continue operating in that future period.

The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy to be generated by operations in future periods.

The liability to pay a levy is recognized progressively if the event results in the obligation over a period (for example, if the activity that generates the payment of the tax occurs as established by law, over a period). For example, if the event that results in the obligation is the generation of a regular income for activities over a period, the corresponding liability is recognized as the entity produces that income.

An entity shall apply this interpretation for annual periods beginning on or after January 1, 2014.

oo) Amendments to Existing Standards:

Employee Benefits
(Amendment to IAS19)

This standard is modified to recognized the discount rate to be used corresponding with local currency bonds.

The transition date is for annual periods that begin in or after January 1, 2016; it may be applied in advance and disclose that fact. Any application adjustment must be made against retained earnings at the beginning of the period.

This standard is for application in the periods that begin in or after January 1, 2013. It includes changes referring to the benefit plans defined for which it previously required that the re measurement of the actuarial appraisals were recognized in the income statement or in other integral results. The new IAS 19 will require changes in the measurements to be included in other integral results and the cost of services and net interest to be included in the income statement.

Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

Loss of Control

When a controlling company loses control of a subsidiary, the controlling company:

a. Will derecognize assets and liabilities of former subsidiary of the consolidated statement of financial position.

b. Recognizes an investment retained in the former subsidiary at fair value and subsequently accounted for this investment and the amount owed by or to the former subsidiary thereof, in accordance with relevant IFRS's. This retained interest at fair value is measured again, as described in paragraph B98 (b) (iii) and B99(a). The value measured again, if applicable, at the date when control is lost, is regarded as the fair value on initial recognition of financial assets, in accordance with IFRS 9 or cost on initial recognition of an investment in an associate or joint venture.

c. Will recognize gain or loss associated with the loss of control of previous controlling company as specified in paragraphs B98 to B99A.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

Issued in September 2014, it amended paragraphs 25 and 26 and added paragraph B99A. An entity will apply such amendments in a prospective manner to transactions that take places in annual periods starting as of January 1, 2016 An early application is allowed. If an entity applied the amendments earlier, this must be disclosed.

Accounting for Acquisition of Interests in Joint Operations
(Amendments to IFRS11)

This IFRS requires the acquirer of an interest in a joint venture whose activity is a business, as defined in IFRS Business Combinations, to apply all the principles on accounting for business combinations of IFRS 3 and other IFRS, except those in conflict with the guidelines of this IFRS. In addition, the acquirer shall disclose the information required by IFRS 3 and other IFRS for business combinations.

Accounting for Acquisition of Interests in Joint Operations (Amendments to IFRS 11), issued in May 2014, amended the heading after paragraph B33 and added paragraphs.

If an entity applies these amendments but doesn't apply IFRS 9, the reference in these amendments to IFRS 9 shall be read as a reference to IAS 39, Financial Instruments: Recognition and Measurement. Amendments to IFRS 11, May, 2014. An entity shall apply those amendments prospectively for annual periods that begin in or after January 1, 2016. Earlier application is permitted. If an entity applies these amendments for a period beginning before, it will disclose that fact.

Equity Method in Separate Financial Statements
(Amendments to IAS 27)

Separate financial statements are those presented by a controller (inverter with control on a subsidiary) or an investor with joint control in an investee or significant influence over it. Subject to the requirements of this standard, an entity may choose to account for its investment in subsidiaries, joint ventures and associates at cost, in accordance with IFRS 9, Financial Instruments, or using the equity method as described in IAS 28, Investments in associates and joint ventures.

When an entity prepares separate financial statements, it shall account for investments in subsidiaries, joint ventures and associates:

a. at cost, or;
b. in accordance with IFRS 9; or
c. Using the equity method as described in IAS 28.

An entity shall apply the same accounting for each category of investment. The accounted investments are registered at cost or using the equity method in accordance with IFRS 5, non-current assets held for sale and discontinued operations, in cases where they are classified as held for sale or for distribution (or included in a group of assets for disposal that are classified as held for sale or for distribution). Under these circumstances, the measurement of investments accounted is not amended in accordance with IFRS 9.

The equity method in separate financial statements (Amendments to IAS 27), issued in August, 2014, amended paragraphs 4 to 7, 10, 11 B and 12. An entity shall apply those amendments for annual periods beginning on or after January 1, 2016, retrospectively, in accordance with IAS 8, Accounting Policies, changes in Accounting Estimates and Errors. Earlier application is permitted. If an entity applies these amendments for a period beginning before, it will disclose that fact.

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)

This document established amendments to IAS 39, Financial Instruments: Recognition and Measurement. These amendments result from proposals of the standard project 2013/2: Novation of Derivatives and Continuation of Hedge Accounting, and the corresponding responses received (Proposed Amendments to IAS 39 and IFRS 9) was published in February 2013.

IASB has amended IAS 39 to discontinue exempting the hedge accounting when the novation of a derivative designed as a hedging instrument meets certain conditions. A similar exception will be included in IFRS 9, Financial Instruments.

It is effective from annual periods beginning on or after January 1, 2014.

Disclosure of the recoverable amount of non- financial assets

This document establishes the amendments to IAS 36, Impairment of Assets, The amendments result from proposal of the standard project 2013/1, Disclosure of the recoverable amount of non-financial assets and corresponding response received (Proposed Amendments to IAS 36) that was published in January 2013.

In May 2013, paragraphs 130 and 134, and the heading above paragraph 138, were amended. An entity shall apply those changes retroactively to annual periods beginning on or after January 1, 2014. Early application is permitted. An entity shall not apply those modifications to periods (including comparative periods) in which IFRS 13 does not apply.

The changes made in this document along the disclose requirements to IAS 36 with the original intention of the IASB. For the same reason, the IASB also amended IAS 36 to require amount of assets that present impairment is based on fair value less cost of disposal, consistent with the disclosure requirements for impairment assets presented in U.S. GAAP.

pp) Amendments to Standards Established by CONASSIF

The following amendments to the accounting standards applicable to entities supervised by SUGEF, SUGEVAL, SUGESE, SUPEN and non- financial issuers established by CONASSIF shall apply from January 1, 2014:

1. Delete the last paragraph of article 8. Therefore, not allowed to commercial state banks to capitalize total revaluation surplus, but may continue to capitalize revaluation surplus as permitted by IAS 16, i.e., the part already used of that surplus (or realized by selling the asset), since on that subject no exception is included by SUGEF.

2. Delete paragraph two of article 19, IAS 40, Investment Property for rent or goodwill, Therefore, the adjustments to fair value of investment properties are recognized in the income statement.

3. Modify paragraph four of the concept of Group 130, Loan portfolio, so the commissions representing an adjustment to the effective yield should be recorded as a deferred credit.

4. Add the account of deferred direct cost associated with credit, recognizing the direct cost incurred by the entity in the formalization of credit and must be repaid by means of effective interest method.

5. Another important change is that the formats and the scope of the information to be disclosed in the financial statements will be made mostly based on IAS 1, including the concept of other comprehensive income, adjusting the statement of changes in equity, and requiring the presentation criteria, for the intermediate financial information in accordance with IAS 34.

(39) Figures for 2018

As of December 31, 2018, financial statement figures have not been reclassified for comparison with those of 2014, per modifications to the Chart of Accounts and SUGEF Directive 31-04: "Regulation on the financial information of entities, groups and financial conglomerates" approved by CONASSIF.

(40) Relevant and subsequent events

As of December 2019, there are relevant and subsequent events to disclose as follows:

Transfer of charges and observations

On November 21, 2014, Provisional Regularization Proposal No. 1-10-017-14-124-031-03 was notified, which informs the Bank of the differences found in tax bases and tax assessments, as well as the Legal facts and basis. The total tax debt is of ¢3.003.887.889 and interest of ¢1.079.849.565 corresponding to fiscal periods 2010-2011-2012 and 2013.

The Bank of Costa Rica expressed partial disagreement with the proposed regularization and awaits notification of the administrative act of liquidation, with concrete expression of the Legal facts and basis that motivate the differences in tax bases and assessments.

On January 14, 2015, according to the last Proposed Regularization, the Tax authorities notified the Bank, in respect of the items presented, together constituting a tax contingency, which from the point of view of legal risk would mean their eventual confirmation of payment obligation or dismissal in the future. For the purpose of making the corresponding provision, the total of the adjustments confirmed for tax plus interest and proportional penalties to January 8, 2015, date of the liquidation, is the amount of ¢5.116.774.222.

On August 30, 2016 Provisional Regularization Proposal No. 1-10-071-16-085-041-03 was notified, which informs the bank of the differences found in tax bases and tax assessments, as well as the Legal facts and basis. The total tax debt is of ¢9.932.739.485 and interest of ¢2.145.983.333 corresponding to fiscal period 2014.

The Bank expressed partial disagreement with the proposed regulation and is expecting the administrative liquidation to be notified, containing concrete facts and legal principles motivating the differences in the tax bases and tax fees.

On January 2, 2019, the Bank proceeds with the payment of ¢14,138,113,417 to the Ministry of Finance, corresponding to the amounts determined in the audit procedures for the periods from 2010 to 2014, under the tax amnesty, as indicated in Transitory XXIV of the Law on Strengthening of Public Finances No. 9635.

The amounts of the payment are presented as follows:

Period		Income tax	Penalties		Total
2010	¢	679.647.526	33.982.376	¢	713.629.902
2011		1.059.187.613	52.959.381		1.112.146.994
2012		987.937.205	98.793.721		1.086.730.926
2013		272.356.511	27.235.651		299.592.162
2014		9.932.739.485	993.273.948		10.926.013.433
	¢	12.931.868.340	1.206.245.077	¢	14.138.113.417

As of June 2018, within the measures taken by the Governing Council, the presidential directive 09-H was issued, ordering the administrative and management authorities of the Public Sector to review the current collective agreements and determine the existence of clauses that imply an expense of public resources not in compliance with constitutional jurisprudence. In view of such directive, the Board of Directors of the Bank instructed Management to review the current collective agreement and submit to assessment articles that do not comply with the constitutionality parameter given by the Constitutional Chamber.

The measures resulting from the pronouncement of the Chamber will always be within the framework of legality and with respect to the rights and conditions of all workers of this institution.

Adjustment of severance provision

As of December 31, 2018, the adjustment to results of a partial balance of the severance payment was based on the criteria of the Bank's legal area, based on the new law of Strenghtening of Public Finances according to the following articles:

Article 39- Severance payment

"The compensation for severance payment for all officials of the institutions referred to in article 26 of this law shall be regulated according to the provisions of the Labor Code and may not exceed 8 years."

As of January 8, 2020, the Constitutional Chamber in vote 2020-000321 declares as unconstitutional the rule contained in article 29 of the Collective Convention of the Employees of the Bank of Costa Rica.

Payment for allocation of bonds in international markets

As of August 13, 2018, the Bank paid US$500 million for the international issuance made in August 2013 at a rate of 5.25%, without pressuring the domestic markets to obtain such funds. The funds corresponding to the payment were transferred to the Bank of New York Mellon, entity in charge of making the payment to the bondholders.

As planned, the Bank of Costa Rica, did not affect the local financial and exchange market due to the extraction of these resources or else, it has not taken resources from other issuers in that currency through auctions or windows. For the payment of an issuance of these characteristics, the Bank made an adequate cash flow planning in order to have the funds available by the due date.

Merger by Absorption of Banco Crédito Agrícola de Cartago and Banco de Costa Rica

1. Absorption of Banco Crédito Agrícola de Cartago by Banco de Costa Rica

As of September 10, 2018, through Law 9605 "Merger by absorption of Banco Crédito Agrícola de Cartago and Baco de Costa Rica", the merger of Banco Crédito Agrícola de Cartago (Bancrédito) and Banco de Costa Rica (BCR) is decreed, by which the latter will absorb the former and continue its legal being as the prevailing entity.

The operative merger will be effective within a maximum term of sixty business days after the law comes into force, so that within the aforementioned term Bancrédito must carry out, by means of whoever is exercising its administration, the pertinent administrative or operative tasks to consolidate the merger and absorption process, including the settlement of the remaining personnel of the banking entity.

Consequently, as a result of this merger, Banco Crédito Agrícola de Cartago will be ceased as a legal entity, and its net assets will be transferred to Banco de Costa Rica, of which it will be a full party as of the effective date of this law.

In the event that at the time of the merger Bancrédito's equity is negative or less than the amount required for Bancrédito to comply with a minimum capital adequacy equal to the BCR's capital adequacy indicator at the effective date of merger, with a minimum limit of ten percent (10%), this difference will be contributed by the Government to Banco de Costa Rica; the amount of the contribution during the 2018 period was of ¢18,907,432,694.

This contribution must be made immediately on the effective date of the merger, which will be made by decreasing the liability that Bancrédito has with the Ministry of Finance for deposits, first charging interest and then the principal of the debt held by Bancrédito with the Ministry of Finance.

The shares of the subsidiaries of the absorbed Bank will be understood as transferred in full right to Banco de Costa Rica, which will assess keeping them in operation, for sale or settlement, all within the maximum and non-extendable period of eighteen subsequent calendar months upon the entry into force of this law, within which period it will be authorized to act as the sole shareholder of such companies.

For all legal purposes, Banco de Costa Rica is authorized to act as the owner of one hundred percent (100%) of the shares of Bancredito's subsidiaries, even though the Bank already owns an Innsurance Broker, so that BCR will determine the future of the company.

Upon expiration of the aforementioned term, the company may not remain in force independently.

2. Integration of the assets of the extinct Banco Crédito Agrícola de Cartago into the equity of Banco de Costa Rica

   The equity of Banco Crédito Agrícola de Cartago (Bancrédito), that is, all of its assets, liabilities, contracts, contingent and debit meoranda accounts, and, in general, all of its rights and obligations, all of the subjective legal situations existing at the effective date of this law and of which it is the holder, will be fully integrated into the legal-equity sphere of Banco de Costa Rica (BCR) and, consequently, will be reflected in the balance sheet from which the merger provided by this law is effective, as provided in Article 1.

The equity of Banco Crédito Agrícola de Cartago will increase the capital stock of Banco de Costa Rica, except in the portion corresponding to the resources of the Financing Development Fund (FOFIDE) managed by the absorbed bank, which will also become part of the equity of Banco de Costa Rica, but added to the equity resource of FOFIDE, so that they are managed by Banco de Costa Rica, pursuant to Law No. 8634, Development Banking System, of April 23 of 2008.

The methodology that will be followed in recording of the merger will be based on carrying values.

Banco de Costa Rica will assume the legal position held by Banco Crédito Agrícola de Cartago with respect to any pre-existing legal relationship.

The National Registry is authorized to, within the term provided in article 1 of this law, proceeds with the change of the owner´s name in favor of Banco de Costa Rica, as well as in the position of creditor held by Banco Crédito Agrícola de Cartago.

If by means of what is indicated in the previous paragraph, Banco de Costa Rica must assume the contractual position of fiduciary with respect to any trust in which it is already a trustee, then the trustor must substitute the fiduciary, for which it is fully authorized, in order to comply with the provisions of article 656 of Law No. 3284, Code of Commerce, of April 30, 1964.

3. About the employees and the directors of Banco Crédito Agrícola de Cartago

The appointments of all the members of the managing bodies of Banco Crédito Agrícola de Cartago (Bancrédito) and its subsidiaries, and of all the management positions of the absorbed Bank and its subsidiaries, which were in force as of this date, shall be settled in full right from the effect date of this law.

The settlement of its personnel will be carried out by Banco Crédito Agrícola de Cartago, through the Interventoría or by someone who is in the exercise of its administration at the time of this law entering into force. The settlement procedure will be carried out in accordance with the legal system applicable to Bancredito's labor relations upon the entry into force of this law, and must be completed within the term established by article 1 of this law.

Any labor contingency that arises after the labor settlement is carried out, according to a final judicial decision, will be processed before and assumed by the Government.

This law does not affect in any way the possible responsibilities, of any nature, that may arise due to the exercise of the position by Bancredito´s staff, including those derived from the actions of the members of the managing bodies of this Bank or its subsidiaries, as well as those who held managing positions, without prejudice to the application of the limitation periods that may correspond.

4. Other liabilities or supervening contingenies

The eventual tax contingencies derived from the income tax that Banco Crédito Agrícola de Cartago (Bancrédito) and its subsidiaries had at the merger date will not be transferred to Banco de Costa Rica (BCR) but will be assumed by the Government.

In the event that subsequent to the merger, other contingent liabilities or contingencies arise according to final judicial resolution, including collection of professional fees of lawyers or experts for judicial proceedings or pending administrative proceedings, or of any other type that were not recorded in the balance sheet of Banco Crédito Agrícola de Cartago or its subsidiaries, must be claimed and processed directly before the Government.

With respect to possible obligations or losses of any kind, which in the future may arise from the different risks inherent to the trusts, due to the fault or negligence of Bancrédito as trustee and which must be assumed with the trustee's equity, be processed before and claimed directly to the Government, in addition to what is required in article 642 of Law No. 3284, Commercial Code, of April 30, 1964.

With respect to compliance with Law No. 8204, "Law on Narcotic Drugs, Psychotropic Substances, Drugs of Unauthorized Use, Related Activities, Money Laundering and Financing of Terrorism", dated December 26, 2001, in case penalties or sanctions are originated, derived from customers that come from Bancrédito, and that at the time of the merger those risks have not been identified in spite of the due diligence performed by BCR, this Bank is exonerated from all responsibility for the actions by Bancrédito during the five years prior to the effective date of the merger.

5. Settlement of the closed Collective Capitalization Fund

The management and operation of the closed Collective Capitalization Fund of Banco Crédito Agrícola de Cartago (Bancrédito) is transferred to Banco de Costa Rica (BCR). If upon settlement of the aforementioned Fund there is a positive balance of resources, these will become part of BCR's equity.

In case the Fund loses its sustainability in the future that originates an actuarial deficit for the payment of pensions, such deficit will be assumed by BCR.

6. Transitory dispositions

Transitory I- Related to the indicators mentioned below and included in the Regulation for Judging the Economic-Financial Situation of the Supervised Entities (Agreement SUGEF 24-00), or related to the regulations and indicators that may be issued or substituted in the future, the General Superintendence of Financial Entities (SUGEF) is authorized to exclude within its assessments the effects that on such indicators may be derived from the credit portfolio that Banco de Costa Rica (BCR) has received from Banco Crédito Agrícola de Cartago (Bancrédito), by means of the merger operated by the provisions of this law. The foregoing for a term of three years, counted from the monthly closing date near to the day on which the merger provided for in this law is effective. The indicators that will be excluded are the following:

a) Portfolio with delinquency greater than ninety days on the direct portfolio.
b) Expected los son loan portfolio over the total portfolio.

In addition, that same exception will also apply to any other regulatory indicator, of any kind, that may be adversely affected during that three-year period, as a result of the merger.

Transitory II- Banco Crédito Agrícola de Cartago (Bancrédito) will transfer, within the term established in Article 1 of this law, the active portfolio that is impaired in the risk categories D and E, settled accounts – insolvent -, whose effects should be reduced from the value of Bancrédito's equity that will be delivered to Banco de Costa Rica (BCR), in order to apply the scope of article 1 of this law.

As a result of this transfer, the portfolio indicating arrears greater than 90 days over the direct portfolio must be collected; the indicator must represent a result equal to or lower than that presented at the effective date of merger by BCR, with a maximum limit of three percent (3%), so that the results o BCR will not deteriorate.

Once the Portfolio in categories D and E is transferred, if this indicator in Bancrédito is greater than the one presented by BCR, the additional amount of the impaired portfolio (from higher to lower impairment) must be transferred to liquidated - insolvent accounts with delinquency greater than ninety days, so that the indicator is at least equal to that of BCR, whose effects must be reduced from the value of Brancrédito's equity that will be delivered to Banco de Costa Rica, in order to apply the scope of Article 1 of this Law.

Payment Agreement of Merger by Absorption of Banco Crédito Agrícola de Cartago and Banco de Costa Rica

The Bank and the Ministry of Finance signed an agreement that will allow compliance with Law 9605 "Merger by Absorption of Banco Crédito Agrícola de Cartago and the Bank of Costa Rica", where the latter will pay the Costa Rican Governement the amount of US$50,000. 000 and ¢100,000,000,000, plus accrued interest as of the subscription date, amounting to US$1,104,639 and ¢5,928,991,551. To cancel these amounts, on November 20, the Bank transferred in advance the amount of US$50,000,000 and interest accrued on the debt.

In addition, the Bank will issue four term deposit certificates in favor of the Ministry of Finance; the first in the amount of ¢30,052,510,000 due on March 29, 2019. In addition, three certificates of term deposits will be issued in favor of the Ministry of Finance, the first two for ¢23,000,000,000 for a one and two-year term, respectively, and the last one for ¢24,000,000,000 with a maturity of three years, for a total of ¢70,000,000,000. These three certificates with an issuance date of December 10, 2018.

The structuring of these certificates was carried out in accordance with the provisions of Law No. 9605 of September 12, 2018,

Dissolution of Bancrédito Sociedad Agencia de Seguros S.A.

On December 17, 2018, in Extraordinary General Shareholders' Meeting No. 29-18, the General Board of Banco de Costa Rica, by law, agrees to dissolve Bancrédito Sociedad de Seguros S.A., in accordance with the article two hundred and one, subsection b) of the Commercial Code and agree to appoint a liquidator to proceed with the distribution of the company's existing assets within the term of the law and according to the inventory made.

Properties investment

The Bank determines that in order to safeguard the institutional permanence and not affect the operation of the Consejo Nacional de Producción, to sign a contract to modify the leasing area, so that the new leasing area contemplates the current one, such as the one that is being used in precarious conditions. Due to the foregoing, as of January 31, 2018, the amounts corresponding to the property and building that were kept in other assets were reclassified to Properties Investments.

Value added Tax

With the promulgation of Law No. 9635, Law on Strengthening Public Finances of December 3, 2018, the sales tax system is comprehensively reformed, repealing in its entirety the General Sales Tax Law, Law No. 6826 of November 8, 1982 and its reforms, and migrated in its Title 1 to a new regulatory framework, called the Value Added Tax Law. This tax is regulated in article 1 of the aforementioned Law. In this new regulatory framework, all goods and services are taxed as a general rule, presupposing an improvement in the control and oversight of the tax, since the list of exempt goods and services is considerably reduced, according to what is established in Article 8 of the Law. Likewise, the essential elements of the tax, be it the taxable event, the accrual, the taxpayers, and the taxable base, were modified with the Article 1 of the Law for Strengthening Public Finances.

Financial Information Regulation

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

b) The Regulation aims to regulate the application of International Financial Reporting Standards (IFRS) and their interpretations (SIC and IFRIC), issued by the International Accounting Standards Board (IASB), considering prudential or regulatory accounting treatments, as well as the definition of a specific treatment or methodology when IFRS proposes two or more application alternatives.

(41) Date of authorization for issuance of the financial statements

The issuance of the separate financial statements was authorized on January 8, 2020 by the General Management of the Bank.

SUGEF can require modifications to the financial statements after the authorization for issuance date.