



Banco de Costa Rica

**Audited Separate Financial Statements**

December 31, 2021

## Table of contents

### Audited separate financial statements

Separate statement of financial position

Separate statement of income

Separate statement of changes in equity

Separate statement of cash flows

### Audited notes to separate financial statements

(1)	Summary of operations and significant accounting policies.....	- 11 -
a.	Operations.....	- 11 -
b.	Accounting policies for financial statement preparation.....	- 13 -
c.	Interest in other companies.....	- 14 -
d.	Foreign currency.....	- 15 -
e.	Basis for the preparation of financial statements.....	- 17 -
f.	Financial instruments.....	- 17 -
g.	Cash and cash equivalents.....	- 20 -
h.	Investments in financial instruments.....	- 20 -
i.	Loan portfolio.....	- 23 -
j.	Allowance for loan losses.....	- 23 -
k.	Securities sold under repurchase agreements.....	- 29 -
l.	Accounting for accrued interest receivable.....	- 29 -
m.	Other receivables.....	- 30 -
n.	Foreclosed assets.....	- 30 -
o.	Offsetting.....	- 31 -
p.	Property, furniture and equipment.....	- 31 -
q.	Deferred charges.....	- 33 -
r.	Intangible assets.....	- 33 -
s.	Impairment of assets.....	- 33 -
t.	Obligations with the public.....	- 34 -
u.	Accounts payable and other payables.....	- 34 -
v.	Legal benefits (severance).....	- 34 -
w.	Legal reserve.....	- 35 -
x.	Revaluation surplus.....	- 35 -
y.	Use of estimates.....	- 35 -
z.	Recognition of main types of revenue and expenses.....	- 36 -
aa.	Income tax.....	- 36 -
bb.	Pension, retirement, and outgoing personnel.....	- 37 -
cc.	Statutory allocations.....	- 37 -
dd.	Development Financing Fund.....	- 38 -
ee.	Development Credit Fund.....	- 38 -
ff.	Economic period.....	- 39 -
(2)	Collateralized or restricted assets.....	- 39 -

(3)	Balances and transactions with related parties .....	- 40 -
(4)	Availabilities .....	- 41 -
(5)	Investments in financial instruments .....	- 42 -
(6)	Loan portfolio.....	- 44 -
(a)	Loan portfolio by sector.....	- 44 -
(b)	Loan portfolio by activity .....	- 45 -
(c)	Loan portfolio by arrears.....	- 46 -
(d)	Past due loans .....	- 46 -
(e)	Accrued interest receivable on loan portfolio.....	- 47 -
(f)	Allowance for loan impairment .....	- 48 -
(g)	Syndicated loans .....	- 48 -
(7)	Foreclosed assets, net .....	- 49 -
(8)	Investments in other companies .....	- 50 -
(9)	Property and equipment.....	- 53 -
(10)	Other assets.....	- 55 -
(a)	Other deferred charges.....	- 55 -
(b)	Intangible assets.....	- 55 -
(c)	Other assets .....	- 57 -
(11)	Demand obligations with the public.....	- 57 -
(12)	Term and demand deposits from clients.....	- 58 -
(13)	Repurchase and reverse repurchase agreements .....	- 59 -
(14)	Obligations with entities and obligations with the Central Bank of Costa Rica .....	- 59 -
(a)	Maturities of loans payable.....	- 60 -
(b)	Lease obligations .....	- 61 -
(15)	Income tax .....	- 63 -
(16)	Provisions .....	- 67 -
(17)	Other miscellaneous accounts payable.....	- 69 -
(18)	Equity .....	- 70 -
(19)	Commitments and contingencies.....	- 72 -
(20)	Trusts.....	- 74 -
(21)	Other debit memoranda accounts .....	- 75 -
(22)	Financial income on financial instruments.....	- 76 -
(23)	Financial income on credit portfolio .....	- 76 -
(24)	Expenses for obligations with the public .....	- 77 -
(25)	Expenses for allowance for impairment of investments in financial instruments and allowance for loan losses.....	- 77 -
(26)	Income from recovery of financial assets and decreases in allowances.....	- 78 -
(27)	Income from service fees and commissions.....	- 78 -
(28)	Income from interest in other companies .....	- 79 -
(29)	Administrative expenses.....	- 80 -
(30)	Statutory allocations of earnings .....	- 81 -

(31)	Components of other comprehensive income .....	- 81 -
(32)	Operating leases .....	- 82 -
(33)	Fair value.....	- 82 -
(34)	Risk Management.....	- 84 -
(35)	Financial Information of the Development Financing Fund .....	- 122 -
(36)	Situation of the Development Credit Fund.....	- 132 -
(37)	Transition to the International Financing Reporting Standards (IFRSs).....	- 141 -
(38)	Figures for 2020 .....	- 149 -
(39)	Relevant and subsequent events .....	- 149 -
(40)	Date of authorization for issuance of the financial statements.....	- 164 -

## **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, 2021, 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, 2021, 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.

### **Emphasis matters – 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 matter – Conditions reported by COVID-19**

In note 39 of the financial statements, disclosures related to the state of emergency due to the pandemic for COVID-19 are presented and how the administration has managed this condition.

**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**

The main asset of the Bank is the loan portfolio, which accounts for 56.13% 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, 2021, the amount of these estimates is of ¢152,927,986,661 which represents 2.53% of the total assets.

Through communication SGF-2584-2020 of August 04, 2020, SUGEF has required credit management plans because of payment arrangements and credit risk caused by the health crisis due to COVID-19, including the recognition of additional allowances.

**Audit Response**

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 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.k, 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**

Investments are classified and accounted for in accordance with IFRS 9 Financial Instruments, including the recognition of expected credit losses, which requires the application of a methodology that considers judgments and the use of assumptions by management.

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.

As of December 31, 2021, investments represent 28.97% of the total assets.

**Audit Response**

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.

We assessed whether the investment classification is adjusted to the contractual cash flows and the design and application of the methodology for determining the expected credit loss, by inspecting the methodology approved by the Board of Directors.

Notes 1.h, 5 and 34 includes the Bank's disclosures on accounting treatment and other aspects related to the investment portfolio.

**c) 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, 2021, obligations with the public represent 85.99% 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.

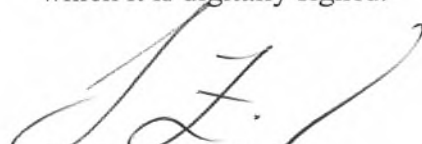
We communicate with those in charge of governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

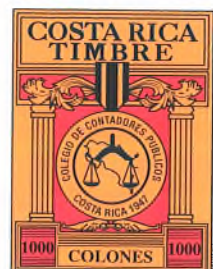
From the matters communicated with those in charge of governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or 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.

Our responsibility for this report of the audited financial statements as of December 31, 2021, extends until February 21, 2022. The date of this report indicates to the user that the auditor has considered the effect of the events and transactions of which he has become aware, and which have occurred up to that date; consequently, it is not extended by the reference of the date on which it is digitally signed.

  
San José, Costa Rica  
February 21, 2022

Opinion signed by  
Fabián Zamora Azofeifa N° 2186  
Policy 0116 FIG 7 due 30-sep.-2022  
Stamp Law 6663 €1.000  
Attached to the original



**BANCO DE COSTA RICA**  
**SEPARATE STATEMENT OF FINANCIAL POSITION**

As of December 31, 2021  
(with corresponding figures as of December 31, 2020)  
(In colones without cents)

	<u>Note</u>	<u>December</u> <u>2021</u>	<u>December</u> <u>2020</u>
<b>ASSETS</b>			
<b>Availabilities</b>	<b>4</b>	<b>¢ 864,405,461,581</b>	<b>733,128,044,604</b>
Cash		99,550,418,210	118,489,634,777
Central Bank of Costa Rica		578,167,488,236	557,099,188,822
Financial entities abroad		91,692,364,244	56,198,443,455
Demand documents receivable for collection		475,541,407	932,337,980
Restricted availabilities		94,519,649,484	408,439,570
<b>Investment in financial instruments</b>	<b>5</b>	<b>1,754,312,982,756</b>	<b>1,263,953,609,423</b>
At fair value through profit or loss		292,227,906,832	128,357,115,178
At fair value through other comprehensive income		1,433,296,430,848	1,064,183,964,567
At amortized cost		3,834,335,115	54,863,522,058
Interest receivable		24,954,309,961	16,549,460,349
(Allowance for impairment)		0	(452,729)
<b>Loan portfolio</b>	<b>6.b</b>	<b>3,038,196,017,415</b>	<b>2,832,062,814,548</b>
Current loans		2,922,314,277,517	2,763,220,884,473
Past due loans		219,463,566,540	125,113,834,464
Loans in legal collection		52,111,660,667	47,306,508,117
(Deferred income-loan portfolio)		(19,009,378,028)	(17,174,110,485)
Interest receivable	<b>6.e</b>	16,243,877,380	32,602,387,644
(Allowance for impairment)	<b>6.f</b>	(152,927,986,661)	(119,006,689,665)
<b>Accounts and commissions receivable</b>		<b>15,609,952,548</b>	<b>10,567,281,932</b>
Commissions receivable		1,348,615,046	802,979,752
Accounts receivable for transactions with related parties		3,257,979,554	3,582,818,901
Deferred income tax and income tax receivable	<b>15</b>	9,670,094,125	2,035,927,094
Other accounts receivable		13,918,807,842	14,798,778,916
(Allowance for impairment)		(12,585,544,019)	(10,653,222,731)
<b>Foreclosed assets</b>	<b>7</b>	<b>42,352,819,264</b>	<b>45,392,977,656</b>
Assets and securities acquired as recovery of loans		116,382,688,755	133,540,938,273
Other foreclosed assets		3,354,758,800	3,121,125,949
(Allowance for impairment and per legal requirements)		(77,384,628,291)	(91,269,086,566)
<b>Interest in other companies capital, net</b>	<b>8</b>	<b>128,725,242,930</b>	<b>121,084,071,453</b>
<b>Property, furniture and equipment, net</b>	<b>9</b>	<b>131,640,777,150</b>	<b>135,405,802,729</b>
<b>Property investments</b>		<b>6,441,924,521</b>	<b>6,441,924,521</b>
<b>Other assets</b>	<b>10</b>	<b>73,915,922,393</b>	<b>82,013,309,024</b>
Deferred charges	<b>10.a</b>	7,346,980,482	9,282,601,103
Intangible assets, net	<b>10.b</b>	14,859,851,080	13,073,558,764
Other assets	<b>10.c</b>	51,709,090,831	59,657,149,157
<b>TOTAL ASSETS</b>	<b>¢</b>	<b><u>6,055,601,100,558</u></b>	<b><u>5,230,049,835,890</u></b>

**BANCO DE COSTA RICA**  
**SEPARATE STATEMENT OF FINANCIAL POSITION**  
 As of December 31, 2021  
 (with corresponding figures as of December 31, 2020)  
 (In colones without cents)

	Note	December 2021	December 2020
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>Obligations with the public</b>		¢ 4,615,047,205,487	3,969,128,326,795
Demand obligations	11	3,283,466,617,831	2,558,767,229,179
Term obligations	12	1,318,752,537,179	1,396,513,269,069
Other obligations with the public		1,106,218,110	535,535,578
Financial charges payable		11,721,832,367	13,312,292,969
<b>Obligations with Central Bank of Costa Rica</b>	14	128,285,685,643	2,500,208,320
Term obligations		127,689,025,829	2,500,208,320
Financial charges payable		596,659,814	0
<b>Obligations with entities</b>		422,222,882,801	489,297,292,335
Demand obligations	14	35,221,034,718	34,348,836,719
Term obligations	12	385,295,377,909	453,867,145,312
Financial charges payable		1,706,470,174	1,081,310,304
<b>Accounts payable and provisions</b>		185,153,781,877	141,390,863,708
Provisions	16	50,305,344,252	57,920,719,075
Accounts payable for brokerage services		10,943,620	6,492,472
Deferred income tax	15	37,531,110,112	7,803,704,977
Other accounts payable	17	97,306,383,893	75,659,947,184
<b>Other liabilities</b>		16,232,013,807	34,156,939,757
Deferred income		629,842,899	622,260,727
Other liabilities		15,602,170,908	33,534,679,030
<b>TOTAL LIABILITIES</b>		¢ 5,366,941,569,615	4,636,473,630,915
<b>EQUITY</b>			
<b>Capital stock</b>	18	¢ 181,409,990,601	181,409,990,601
Paid-in-capital		181,409,990,601	181,409,990,601
<b>Equity adjustments - Other comprehensive income</b>		96,607,343,411	55,958,372,953
<b>Reserves</b>	l.w	296,709,547,031	283,820,516,011
Accrued earnings from previous periods		23,286,282,979	13,464,953,148
Profit of current period		54,434,355,511	25,612,643,802
Capital contributions in funds or special reserves		36,212,011,410	33,309,728,460
<b>TOTAL EQUITY</b>		688,659,530,943	593,576,204,975
<b>TOTAL LIABILITIES AND EQUITY</b>		¢ 6,055,601,100,558	5,230,049,835,890
<b>DEBIT CONTINGENT ACCOUNTS</b>	19	¢ 319,726,692,051	314,178,618,537
<b>TRUST ASSETS</b>	20	927,719,265,552	919,788,849,805
<b>TRUST LIABILITIES</b>		362,909,505,260	379,680,643,674
<b>TRUST EQUITY</b>		564,809,760,292	540,108,206,131
<b>OTHER DEBIT MEMORANDA ACCOUNTS</b>	21	¢ 15,234,563,101,376	20,374,911,227,431
Own debit memoranda accounts		7,597,110,442,952	13,950,931,108,630
Third party debit memoranda accounts		143,742,191,726	93,322,936,545
Own debit memoranda accounts for custodial activities		1,017,428,771,091	753,477,291,918
Third party debit memoranda accounts for custodial activities		6,476,281,695,607	5,577,179,890,338

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

Douglas Soto L.  
General Manager

Ana Lorena Brenes B.  
Accountant

Rafael Mendoza M.  
General Auditor a.i.

**COSTA RICA**

COLEGIO DE CONTADORES  
PRIVADOS DE COSTA RICA



**BANCO DE COSTA RICA**  
**SEPARATE STATEMENT OF INCOME**  
As of December 31, 2021  
(with corresponding figures as of December 31, 2020)  
(In colones without cents)

	<b>Note</b>	<b>December 2021</b>	<b>December 2020</b>
<b>Financial income</b>			
Cash	¢	748,447,734	836,392,144
Investments in financial instruments	22	81,466,411,696	58,040,227,405
Loan portfolio	23	231,218,677,560	237,105,466,472
For exchange differences and UD	1-d	2,726,227,722	5,597,975,003
For profit from financial instruments at fair value through profit or loss		765,304,457	3,037,580,075
For profit from financial instruments at fair value through other comprehensive income		8,950,137,723	7,356,663,481
Other financial income		1,064,509,803	1,386,070,585
<b>Total financial income</b>		<b>326,939,716,695</b>	<b>313,360,375,165</b>
<b>Financial expenses</b>			
Obligations with the public	24	98,866,228,141	122,273,344,868
Obligations with the Central Bank of Costa Rica		658,470,832	53,437,583
Obligations with financial and no-financial entities		6,531,122,864	10,391,972,919
For losses from financial instruments at fair value through profit or loss		179,571,182	5,183,106,382
For losses from financial instruments at fair value through other comprehensive income		175,726,490	69,293,176
<b>Total financial expenses</b>		<b>106,411,119,509</b>	<b>137,971,154,928</b>
Allowance for impairment of assets	25	44,130,674,244	53,982,443,783
Asset recovery and decrease in allowance and provisions	26	16,259,889,956	33,019,312,371
<b>FINANCIAL INCOME</b>		<b>192,657,812,898</b>	<b>154,426,088,825</b>
<b>Other operating income</b>			
Service fees	27	85,622,895,163	82,952,004,909
Foreclosed assets		33,790,926,978	30,531,204,751
Profit from capital investments in other companies	28	1,839,384,461	1,459,581,630
Profit from capital investments in entities supervised by SUGEVAL	28	6,191,079,601	6,133,621,814
Profit from capital investments in entities supervised by SUPEN	28	1,092,469,348	877,704,044
Profit from capital investments in entities supervised by SUGESE	28	3,094,208,787	3,044,466,497
Foreign currency exchange and arbitrations		21,909,380,062	22,667,394,235
Other income from related parties		3,595,325,895	3,540,292,779
Other operating income		26,017,902,930	20,243,018,015
<b>Total other operating income</b>		<b>183,153,573,225</b>	<b>171,449,288,674</b>
<b>Other operating expenses</b>			
Service fees		26,105,558,415	21,960,703,125
Foreclosed assets		41,119,868,563	42,688,990,550
Loss from capital investments in other companies	28	941,266,721	518,895,677
Loss from capital investments in entities supervised by SUGEVAL	28	0	35,483,456
Loss from capital investments in entities supervised by SUGESE	28	0	14,507,008
Provisions		1,242,520,081	4,240,080,769
Foreign currency exchange and arbitration		1,436,406,672	2,696,330,812
For other expenses with related parties		13,749,292	1,323,183,866
Other operating expenses		40,484,389,343	39,861,904,592
<b>Total other operating expenses</b>		<b>111,343,759,087</b>	<b>113,340,079,855</b>
<b>OPERATING INCOME, GROSS</b>		<b>264,467,627,036</b>	<b>212,535,297,644</b>
<b>Administrative expenses</b>			
Personnel expenses		93,754,886,806	94,664,738,946
Other administrative expenses		74,405,583,767	70,240,808,720
<b>Total administrative expenses</b>	29	<b>168,160,470,573</b>	<b>164,905,547,666</b>
<b>NET OPERATING INCOME, BEFORE TAXES AND STATUTORY ALLOCATIONS</b>		<b>96,307,156,463</b>	<b>47,629,749,978</b>
Income tax	15	21,879,235,843	13,624,899,236
Decrease in income tax		1,333,123,874	1,065,758,514
Statutory allocations over profit	30	21,326,688,983	9,457,965,454
<b>RESULTS OF THE PERIOD, NET</b>		<b>54,434,355,511</b>	<b>25,612,643,802</b>
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>			
Real estate revaluation surplus		(6,030,158,264)	0
Adjustment for valuation of investments at fair value through other comprehensive income		34,031,060,284	5,275,170,926
Reclassification of unrealized profit to the income statement		(6,142,087,863)	(5,101,159,214)
Adjustment for valuation of restricted financial instruments, net income tax		14,054,860,300	(22,735,894)
Other adjustments		4,735,296,001	4,566,574,784
<b>OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX</b>	31	<b>40,648,970,458</b>	<b>4,717,850,602</b>
<b>COMPREHENSIVE INCOME ATTRIBUTED TO THE FINANCIAL CONGLOMERATE</b>	¢	<b>95,083,325,969</b>	<b>30,330,494,404</b>

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

\_\_\_\_\_  
Douglas Soto L.  
General Manager

\_\_\_\_\_  
Ana Lorena Brenes B.  
Accountant

\_\_\_\_\_  
Rafael Mendoza M.  
General Auditor a.i.

**BANCO DE COSTA RICA**  
**SEPARATE STATEMENT OF CHANGES IN EQUITY**  
For the period ended December 31, 2021  
(with corresponding figures as of December 31, 2020)  
(In colones without cents)

<u>Adjustments to equity</u>									
Note	Capital stock	Surplus for revaluation of property, furniture and equipment	Adjustment for valuation of investments at fair value through other comprehensive income	Adjustment for valuation of capital investments in other companies	Total equity adjustment	Equity reserves	Accrued earnings from previous periods	Equity of the Development Financing Fund	Total equity
<b>Balance as of January 1, 2020</b>	€ 181,409,990,601	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
Recognition of impairment – Investment at fair value through other comprehensive income from previous periods	0	0	0	0	0	0	(1,601,529,951)	0	(1,601,529,951)
Allocation of legal reserve	0	0	0	0	0	19,421,553,585	(19,421,553,585)	0	0
Allocation to the Development Financing Fund	0	0	0	0	0	0	(3,555,796,205)	3,555,796,205	0
<b>Balance as of December 31, 2020</b>	<u>181,409,990,601</u>	<u>37,774,830,067</u>	<u>7,395,390,459</u>	<u>6,070,301,825</u>	<u>51,240,522,351</u>	<u>283,820,516,011</u>	<u>13,464,953,148</u>	<u>33,309,728,460</u>	<u>563,245,710,571</u>
<b>Other comprehensive income</b>									
Total other comprehensive income	0	0	151,275,818	4,566,574,784	4,717,850,602	0	25,612,643,802	0	30,330,494,404
<b>Balance as of December 31, 2020</b>	<u>181,409,990,601</u>	<u>37,774,830,067</u>	<u>7,546,666,277</u>	<u>10,636,876,609</u>	<u>55,958,372,953</u>	<u>283,820,516,011</u>	<u>39,077,596,950</u>	<u>33,309,728,460</u>	<u>593,576,204,975</u>
Attributed to the Financial Conglomerate	€ 181,409,990,601	37,774,830,067	7,546,666,277	10,636,876,609	55,958,372,953	283,820,516,011	39,077,596,950	33,309,728,460	593,576,204,975
<b>Balance as of December 31, 2020</b>	<u>181,409,990,601</u>	<u>37,774,830,067</u>	<u>7,546,666,277</u>	<u>10,636,876,609</u>	<u>55,958,372,953</u>	<u>283,820,516,011</u>	<u>39,077,596,950</u>	<u>33,309,728,460</u>	<u>593,576,204,975</u>
Allocation of legal reserve	0	0	0	0	0	12,889,031,020	(12,889,031,020)	0	0
Allocation to the Development Financing Fund	0	0	0	0	0	0	(2,902,282,951)	2,902,282,950	0
<b>Balance as of December 31, 2021</b>	<u>181,409,990,601</u>	<u>37,774,830,067</u>	<u>7,546,666,277</u>	<u>10,636,876,609</u>	<u>55,958,372,953</u>	<u>296,709,547,031</u>	<u>23,286,282,979</u>	<u>36,212,011,410</u>	<u>593,576,204,974</u>
<b>Other comprehensive income</b>									
Total other comprehensive income	0	(6,030,158,264)	41,943,832,721	4,735,296,001	40,648,970,458	0	54,434,355,511	0	95,083,325,969
<b>Balance as of December 31, 2021</b>	<u>181,409,990,601</u>	<u>31,744,671,803</u>	<u>49,490,498,998</u>	<u>15,372,172,610</u>	<u>96,607,343,411</u>	<u>296,709,547,031</u>	<u>77,720,638,490</u>	<u>36,212,011,410</u>	<u>688,659,530,943</u>
Attributed to the Financial Conglomerate	€ 181,409,990,601	31,744,671,803	49,490,498,998	15,372,172,610	96,607,343,411	296,709,547,031	77,720,638,490	36,212,011,410	688,659,530,943

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

\_\_\_\_\_  
Douglas Soto L.  
General Manager

\_\_\_\_\_  
Ana Lorena Brenes B.  
Accountant

\_\_\_\_\_  
Rafael Mendoza M.  
General Auditor a.i.

**BANCO DE COSTA RICA**  
**SEPARATE STATEMENT OF CASH FLOWS**  
For the period ended December 31, 2021  
(with corresponding figures as of December 31, 2020)  
(In colones without cents)

	Note	December 2021	December 2020
<b>Cash flows from operating activities</b>			
Profit of the year	€	54,434,355,511	25,612,643,802
<b>Items applied to results not requiring cash outlays</b>		<b>(115,417,480,443)</b>	<b>(87,433,223,394)</b>
<b>Increase or (decrease) for</b>			
Allowance for impairment or devaluation of investments		1,872,026,669	5,243,892,477
Allowance for impairment of loan portfolio		39,307,725,100	44,543,016,343
Allowance for impairment and default of other accounts receivable		2,950,922,475	4,195,534,963
Allowance for impairment of assets in lieu of payment		19,500,570,250	24,784,945,878
Income from reversal of allowance for impairment or devaluation of investments		(753,698,507)	(3,830,599,207)
Income from reversal of allowance for impairment of loan portfolio		(2,378,091,815)	(10,375,781,696)
Income from reversal of allowance for impairment and default of accounts receivable		(1,099,846,598)	(2,169,523,967)
Income from reversal of allowance for impairment of assets in lieu of payment		(33,087,363,274)	(29,609,811,572)
Profit or loss from the sale of assets received in lieu of payment and of property, furniture and		17,267,231,299	13,484,035,925
Interest in net profit of other companies		(11,275,875,476)	(10,946,487,844)
Depreciation		12,669,540,793	12,116,179,366
Amortization		15,240,198,085	12,040,960,078
Provisions for pending lawsuits		1,242,520,081	4,199,552,984
Other provisions		0	40,527,785
Income from provisions		(8,627,631,932)	(4,232,549,877)
Income tax		21,879,235,843	13,624,899,236
Decrease in income tax		(1,177,839,211)	(1,065,758,514)
Decrease in income tax from previous periods		(155,284,663)	0
Legal allocations on profit		21,326,688,983	9,457,965,454
Interests for obligations with the public		98,866,228,141	122,273,344,868
Interests for obligations with financial entities		7,189,593,696	10,445,410,502
Income from availabilities		(748,447,734)	(836,392,144)
Income from investment in financial instruments		(81,466,411,696)	(58,040,227,405)
Income from loan portfolio		(231,218,677,560)	(237,105,466,472)
Gain or loss for exchange rate differences and UD (Development Units), net		(2,740,793,392)	(5,670,890,555)
<b>Cash flows from operating activities</b>		<b>(666,475,175,071)</b>	<b>(230,247,846,453)</b>
<b>Net change in assets, increase or (decrease) for</b>			
Increase in financial instruments - at fair value through profit or loss		(1,277,587,219,937)	(7,773,075,993)
Decrease in financial instruments - at fair value through profit or loss		1,113,716,428,283	0
Increase in financial instruments - at fair value through other comprehensive income		(2,837,139,590,952)	(3,882,969,154,803)
Decrease in financial instruments - at fair value through other comprehensive income		2,507,281,894,583	3,613,624,709,879
Loan portfolio		(252,129,343,905)	5,895,171,087
Accounts and commissions receivable		(7,102,126,688)	(9,237,728,936)
Available-for-sale assets		30,617,875,936	20,169,511,456
Interest receivable from financial instruments		16,549,460,349	8,750,467,339
Interest receivable from loan portfolio		29,597,640,775	16,305,959,459
Other assets		9,719,806,485	4,986,294,059
<b>Net variations in liabilities, increase or (decrease)</b>		<b>582,667,706,868</b>	<b>138,309,980,438</b>
Obligations with the public		583,204,402,367	169,077,926,958
Obligations with the Central Bank of Costa Rica and other entities		46,871,721,889	37,100,029,952
Obligations for accounts and commissions payable and provisions		(14,672,442,400)	(29,745,114,806)
Interest payable for obligations with the public		(13,312,292,969)	(18,859,209,834)
Interest payable for obligations with BCCR and other entities		(1,081,310,304)	(2,245,275,924)
Other liabilities		(18,342,371,715)	(17,018,375,908)
Interests paid		(92,030,859,482)	(118,325,152,097)
Dividends received		9,000,000,000	15,658,000,001
Collected interest		275,240,096,518	249,666,669,021
Paid income tax		(7,574,467,260)	(18,878,275,109)
<b>Net cash flows provided by operating activities</b>		<b>39,844,176,641</b>	<b>(25,637,203,791)</b>
<b>Cash flow from investment activities</b>			
Increase in financial instruments at amortized cost		(15,341,777,570,818)	(4,073,465,727,689)
Decrease in financial instruments at amortized cost		15,392,803,401,641	4,018,578,642,340
Acquisition of property, furniture and equipment		(8,620,328,690)	(12,150,490,443)
Decrease for withdrawal and transfer of property, furniture and equipment		153,539,135	157,412,181
Acquisition of intangibles		(9,053,541,095)	(8,638,905,323)
Decrease for withdrawals and transfer of intangibles		14,227,866	330,910,217
Capital investments in other companies		(630,000,000)	0
Return of capital from subsidiaries		0	994,878,153
<b>Cash flows (used for) provided by investment</b>		<b>32,889,728,039</b>	<b>(74,193,280,564)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>72,733,904,680</b>	<b>(99,830,484,355)</b>
Cash and cash equivalents at the beginning of the year		817,924,074,792	895,558,712,608
Effect on changes in exchange rates on cash		15,687,084,067	22,195,846,539
Cash and cash equivalents at the end of the year	4 €	906,345,063,539	817,924,074,792

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

Douglas Soto L.  
General Manager

Ana Lorena Brenes B.  
Accountant

Rafael Mendoza M.  
General Auditor a.i.

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

(1) Summary of operations and significant accounting policies

a. Operations

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

The Bank's website is [www.bancobcr.com](http://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, 2021, the Bank has 162 distributed among the national territory (169 for December 2020) has in operation 603 automated teller machines (676 December 2020) and has 3,657 employees (3,645 December 2020).

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

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

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

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

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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

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

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

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

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

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

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

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



BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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

b. Accounting policies for financial statement preparation

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

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

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

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

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

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date, regardless of whether price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability on the measurement date.

Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for the stock-based payment transactions within the scope of IFRS 2, the lease transactions within the scope of IAS 17, and the measurements that have certain similarities with the fair value, but which are not fair value, such as the net realizable value in IAS 2 or the value in use in IAS 36.

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

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

c. Interest in other companies

Valuation of investments by the equity method

i. *Subsidiaries*

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

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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, 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.

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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, 2021, monetary assets and liabilities denominated in U.S. dollars were valued at the exchange rate of ₡645.25 for US\$1.00 (₡617.30 for December 2020).

Valuation in colones of monetary assets and liabilities in foreign currency during the period ended December 31, 2021, gave rise to foreign exchange losses of ₡736,150,970,825, (₡849,881,228,102, for December 2020) and gains for ₡738,877,198,547, (₡855,479,203,105, for December 2020), which are presented net in the income statement.

Additionally, valuation of other assets and other liabilities gave rise to gains and losses, respectively, which are recorded in “Other operating income” and “Other operating expenses”, respectively. For the period ended December 31, 2021, valuation of other assets gave rise to gains of ₡355,956,097 (₡1,099,526,635 for December 2020) and valuation of other liabilities gave rise to losses of ₡462,502,382 (₡1,449,369,458 for December 2020).

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

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

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

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

Valuation of the participation in the financial statements of this foreign subsidiary gave rise to net profits in the period ended December 31, 2021, for ₡1.204.741.412 (₡6.092.994.523 for December 2020).

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

e. Basis for the preparation of financial statements

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

f. Financial instruments

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

*(i) Classification*

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

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

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

*(ii) Recognition*

The Bank recognizes assets at fair value through other comprehensive income at the time it becomes an obligated party, according to the contractual clauses of the instrument. From this date, any gains or losses arising from changes in the fair value of the assets are recognized in equity.

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

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

*(iii) Measurement*

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

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

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

*(iv) Principles for measurement at fair value*

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

*(v) Gains and losses on subsequent measurement*

Gains and losses produced by a change in the fair value of assets with changes through other comprehensive income are recognized directly in equity, until an investment is considered impaired, at which time the loss is recognized in the income statement. When the financial assets are sold, collected, or otherwise disposed of, the cumulative gain or loss recognized in equity is transferred to the income statement.

*(vi) Derecognition*

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

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

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

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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

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

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

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

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

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

g. Cash and cash equivalents

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

h. Investments in financial instruments

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

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

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

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



BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

- c. Fair value through changes in profit or loss: Participations in open investment funds must be recorded in this category.

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

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

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

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

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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

In compliance with the provisions of the Financial Reporting Regulation with respect to IFRS 9, at the meeting of the General Board of Directors of October 29, 2019, the business model for the classification and valuation of own investments in financial assets for the Bank is approved according to the following valuation categories, in accordance with the defined business model:

- Main business model

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

- Secondary business model

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

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

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

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

i. Loan portfolio

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

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

j. Allowance for loan losses

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

Loan operations approved for individuals or legal entities with a total outstanding balance exceeding ₡65.000.000 (Group 1 under SUGEF Directive 1-05). From May 23, 2019, the amount of ₡100.000.000 or its equivalent in foreign currency according to the sales rate set by the Central Bank of Costa Rica, is established as the limit of the total outstanding balances from the Credit operations of the debtors referred to in Article 4 of the Regulation for Qualifying Debtors, SUGEF Agreement 1-05. This classification considers the following:

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

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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

Risk categories are summarized below:

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

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

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

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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

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

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

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

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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:

<b>Risk category</b>	<b>Specific allowance percentage on the uncovered portion of the loan</b>	<b>Specific allowance percentage on the covered portion of the loan</b>
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%

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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:

<b>Arrears</b>	<b>Specific allowance percentage on the uncovered portion of the loan</b>	<b>Specific allowance percentage on the covered portion of the loan</b>	<b>Creditworthiness (Borrowers Group 1)</b>	<b>Creditworthiness (Borrowers Group 2)</b>
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

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

<b>Delinquency in the entity at the end of the month</b>	<b>Specific allowance percentage on the uncovered portion of the loan</b>	<b>Specific allowance percentage on the covered portion of the loan</b>	<b>Creditworthiness (Borrowers Group 1)</b>	<b>Creditworthiness (Borrowers Group 2)</b>
To date	5%	0.5%	Level 1	Level 1
30 days or less	10%	0.5%	Level 1	Level 1
60 days or less	25%	0.5%	Level 1, Level 2,	Level 1, Level 2,
90 days or less	50%	0.5%	Level 1, Level 2, Level 3, Level 4	Level 1, Level 2, Level 3, Level 4
More than 90 days	100%	0.5%	Level 1, Level 2, Level 3, Level 4	Level 1, Level 2, Level 3, Level 4

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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

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

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

As of December 31, 2021, the total estimate of the loan portfolio in the accounting records amounts to ¢152,927,986,661, (As of December 31, 2020, the total estimate of the loan portfolio in the accounting records amounts to ¢119,006,689,665, of which ¢32,426,041,150 of additional estimates are recorded, from which ¢18,000,000,000 are for renegotiated operations for COVID-19)

As of December 31, 2021, the increases in the allowance for bad debts resulting from the minimum allowance are included in the accounting records, in compliance with article 17 of SUGEF Agreement 1-05 “Regulation for the qualification of debtors”, with prior authorization from the supervising entity, in accordance with article 10 of the Organic Law of the National Banking System.



BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

As of December 31, 2021, management considers the allowance to be sufficient to absorb any potential losses that could be incurred on recovery of the portfolio.

Accounts and accrued interest receivable

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

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

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

k. Securities sold under repurchase agreements

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

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.

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

m. Other receivables

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

n. Foreclosed assets

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

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

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

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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

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

o. Offsetting

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

p. Property, furniture and equipment

(i) *Own assets*

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

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

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

*(ii) Leased assets*

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

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

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

*(iii) Subsequent cost*

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

*(iv) Depreciation*

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

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

*(v) Revaluation*

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

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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

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

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

q. Deferred charges

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

r. Intangible assets

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

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

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

s. Impairment of assets

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

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

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

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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.

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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

w. Legal reserve

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

x. Revaluation surplus

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

y. Use of estimates

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

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

z. Recognition of main types of revenue and expenses

(i) *Financial income*

Financial income and expense are recognized in the separate income statement as it accrues considering the effective yield or interest rate. Financial income and expense include amortization of any premium or discount during the term of the instrument and until its maturity and is calculated on an effective interest basis.

(ii) *Fees and commissions income*

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

(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.



BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

(ii) *Deferred*

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

bb. Pension, retirement, and outgoing personnel

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

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

cc. Statutory allocations

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

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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

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

dd. Development Financing Fund

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

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.

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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

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

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

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

ff. Economic period

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

(2) Collateralized or restricted assets

The collateralized or restricted assets are as follows:

	<b>December 2021</b>	<b>December 2020</b>
Cash due from banks (see note 4)	¢ 642,658,686,723	544,171,191,625
Investment in financial instruments (see note 5)	184,673,105,382	16,703,795,700
	<b>¢ 827,331,792,105</b>	<b>560,874,987,325</b>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

(3) Balances and transactions with related parties

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

	<u>December 2021</u>	<u>December 2020</u>
<b>Assets:</b>		
Availabilities	¢ 31,656,768,349	34,098,351,225
Loan portfolio	197,687,717	213,935,454
Accounts receivable	3,793,619,122	3,434,983,191
Interest in other companies	128,725,242,930	121,084,071,453
<b>Total assets</b>	<b>¢ 164,373,318,118</b>	<b>158,831,341,323</b>
<b>Liabilities:</b>		
Obligations with the public	¢ 6,213,938,434	3,911,120,768
<b>Total liabilities</b>	<b>¢ 6,213,938,434</b>	<b>3,911,120,768</b>
<b>Income:</b>		
Financial income	¢ 646,694,969	287,897,131
Income from investments in other companies	12,217,142,197	11,515,373,985
Sundry operating income	3,863,921,014	3,794,701,969
<b>Total income</b>	<b>¢ 16,727,758,180</b>	<b>15,597,973,085</b>
<b>Expenses:</b>		
Finance expense	¢ 71,879,539	62,384,389
Expense from investments in other companies	941,266,721	568,886,141
Sundry operating expenses	16,273,212	2,563,771,369
<b>Total expenses</b>	<b>¢ 1,029,419,472</b>	<b>3,195,041,899</b>
<b>Equity:</b>		
Adjustment for valuation of investments in other companies	¢ <b>1,114,508,511</b>	<b>(1,526,419,740)</b>

As of December 31, 2021, there are no amounts in investments for participations in funds managed by BCR Sociedad Administradora de Fondos de Inversión, S. A. (subsidiary company). In December 2020 there were no such investments).

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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

	<b>December 2021</b>	<b>December 2020</b>
Short-term benefits	¢ 951,320,781	1,013,840,142
Board per-diem	116,809,534	106,641,917
	<b>¢ 1,068,130,315</b>	<b>1,120,482,059</b>

(4) Availabilities

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

	<b>December 2021</b>	<b>December 2020</b>
Cash	¢ 99,550,418,210	118,489,634,777
Demand deposits BCCR	578,167,488,236	557,099,188,822
Checking accounts and demand deposits in local financial entities	91,692,364,244	56,198,443,455
Notes payable on demand	475,541,407	932,337,980
Restricted availabilities	94,519,649,484	408,439,570
<b>Total cash and due from Banks</b>	<b>864,405,461,581</b>	<b>733,128,044,604</b>
Investment in financial instruments to be traded	41,939,601,958	84,796,030,188
<b>Total cash and cash equivalents</b>	<b>¢ 906,345,063,539</b>	<b>817,924,074,792</b>

As of December 31, 2021, demand deposits in the Central Bank of Costa Rica (BCCR) are restricted to comply with the minimum legal reserve for ¢642.658.686.723 (¢544.171.191.625 for December 2020).

As of December 31, 2021, there is a liability called “checks receivable” for an amount of ¢638.139.432 which are cleared with the account of immediate collection documents, in the clearinghouse the next day (¢1.185.956.937 for December 2020).

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

(5) Investments in financial instruments

Investments in financial instruments are as follows:

	<b>December 2021</b>	<b>December 2020</b>
At fair value through profit or loss	¢ 292,227,906,832	128,357,115,178
At fair value through other comprehensive income	1,433,296,430,848	1,064,183,964,567
At amortized cost	3,834,335,115	54,863,522,058
Interest receivable for investments at fair value through profit or loss	3,707,798,210	555,024,500
Interest receivable for investments at fair value through other comprehensive income	21,246,511,751	15,994,435,849
Allowance for investments in default	0	(452,729)
	<b>¢ 1,754,312,982,756</b>	<b>1,263,953,609,423</b>
	<b>December 2021</b>	<b>December 2020</b>
<b>At fair value through profit or loss</b>	<b>Fair value</b>	<b>Fair value</b>
<u>Local issuers:</u>		
Open investment funds	¢ 176,082,906,832	70,330,915,178
	<b>176,082,906,832</b>	<b>70,330,915,178</b>
<u>Issuers abroad:</u>		
Private banks	116,145,000,000	58,026,200,000
	¢ <b>292,227,906,832</b>	<b>128,357,115,178</b>
	<b>December 2021</b>	<b>December 2020</b>
<b>At amortized cost</b>	<b>Fair value</b>	<b>Fair value</b>
<u>Local issuers:</u>		
Government	¢ 3,834,335,115	54,863,522,058
	<b>¢ 3,834,335,115</b>	<b>54,863,522,058</b>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

	<b>December 2021</b>	<b>December 2020</b>
<b>At fair value through other comprehensive income</b>	<b>Fair value</b>	<b>Fair value</b>
<u>Local issuers:</u>		
Government	¢ 1,296,769,933,999	862,442,828,548
State-owned Banks	106,948,003,417	162,394,942,096
Private Banks	5,290,013,400	29,216,521,428
Private issuers	11,817,373,282	10,129,672,495
	<b><u>1,420,825,324,098</u></b>	<b><u>1,064,183,964,567</u></b>
<u>Issuers abroad:</u>		
Private issuers	12,471,106,750	0
	<b><u>¢ 1,433,296,430,848</u></b>	<b><u>1,064,183,964,567</u></b>

As of December 31, 2021, the investment portfolio amounts to ¢166.232.001.552 (¢146.390.267.241 for December 2020) corresponding to the managed amounts of the Development Credit Fund (See note 36).

Maturities for investments in financial instruments are from January 03, 2022, to August 23, 2028.

Purchased financial instruments earn annual yield rates as follows:

	<b>December 2021</b>	<b>December 2020</b>
Colones	0,42500% to 11,5000%	0,0099% to 9,5288%
US dollars	0,0124% to 9,2000%	0,0099% to 9,5837%

As of December 31, 2021, there are no collateral investments, to ¢184.673.105.382 (¢16.703.795.700 as of December 2020) (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, 2021, purchased financial instruments remain under resale agreements.

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

<u>Issuer</u>	<u>Asset's balance</u>	<u>Guarantee's fair value</u>	<u>Repurchase date</u>	<u>Repurchase Price</u>
Banco Central de Costa Rica	1,950,281,667	1,950,281,667	30/12/2021 to 03/01/2022	100.00%
Local government	¢ 1,884,666,990	1,884,666,990	30/12/2021 to 03/01/2022	100.00%
	¢ <u>3,834,948,657</u>	<u>3,834,948,657</u>		

As of December 31, 2020, purchased financial instruments remain under resale agreements

<u>Issuer</u>	<u>Asset's balance</u>	<u>Guarantee's fair value</u>	<u>Repurchase date</u>	<u>Repurchase Price</u>
Local government	¢ 38.533.178.993	38.533.178.993	01-01-2021 to 09/02/2021	100.00%
	¢ <u>38.533.178.993</u>	<u>38.533.178.993</u>		

(6) Loan portfolio

(a) Loan portfolio by sector

	<u>December 2021</u>	<u>December 2020</u>
<b>Current loans</b>		
Loans – Personal	¢ 1,262,405,058,495	1,167,141,012,514
Loans Development Banking System	61,422,876,460	52,169,272,262
Loans - Business	86,414,336,923	93,138,380,893
Loans - Corporate	1,374,296,959,465	1,223,916,945,949
Loans – Public Sector	55,223,173,142	106,937,583,896
Loans – Financial Sector	82,551,873,032	119,917,688,959
	<u>2,922,314,277,517</u>	<u>2,763,220,884,473</u>
<b>Past due loans</b>		
Loans – Personal	138,706,195,554	75,263,661,053
Loans Development Banking System		1,026,613,616
Loans - Business	18,312,186,433	15,541,804,550
Loans - Corporate	59,400,642,657	33,281,755,245
	<u>219,463,566,540</u>	<u>125,113,834,464</u>
<b>Loans in legal collection</b>		
Loans – Personal	29,835,518,344	35,271,822,067
Loans Development Banking System	53,376,648	96,844,502
Loans - Business	4,569,486,592	4,552,475,518
Loans - Corporate	17,653,279,083	7,385,366,030
	<u>52,111,660,667</u>	<u>47,306,508,117</u>
	¢ <u>3,193,889,504,724</u>	<u>2,935,641,227,054</u>



BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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

(b) Loan portfolio by activity

<b>Economic activity</b>	<b>December 2021</b>	<b>December 2020</b>
Agriculture, livestock, hunting and related services	¢ 149,043,571,577	154,654,885,618
Public administration	285,486,409,880	0
Fishing and aquaculture	46,000,000	11,172,166
Manufacturing	285,047,581,797	245,793,289,371
Telecommunications and public utilities	163,842,838,285	54,793,466,607
Mining and quarrying	35,408,877	41,301,001
Trade	201,575,626,184	13,459,233,392
Services	359,874,194,204	931,695,308,269
Transportation	37,588,886,200	38,252,582,196
Financial activity and stock exchange	3,747,089,931	4,064,820,107
Real estate, business, and lease activities	37,403,809,988	8,666,712,945
Construction, purchase, and repair of real estate	1,271,588,188,876	1,081,892,577,381
Consumer	280,742,362,650	294,160,093,165
Hospitality	116,341,025,761	103,285,509,304
Education	819,434,189	3,431,935,531
Other activities of the non- financial private sector	707,076,325	1,438,340,001
	<u>3,193,889,504,724</u>	<u>2,935,641,227,054</u>
Interest receivable	16,243,877,380	32,602,387,644
Deferred income from loan portfolio	(19,009,378,028)	(17,174,110,485)
Less allowance for loan losses	(152,927,986,661)	(119,006,689,665)
	<u>¢ 3,038,196,017,415</u>	<u>2,832,062,814,548</u>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

(c) Loan portfolio by arrears

The loan portfolio by arrears is detailed as follows:

	<b>December 2021</b>	<b>December 2020</b>
Current	¢ 2,922,314,277,517	2,763,220,884,473
01 to 30 days	97,881,257,243	59,670,688,030
31 to 60 days	50,160,113,927	25,265,938,445
61 to 90 days	33,431,546,719	13,493,047,548
91 to 120 days	6,950,701,209	6,070,854,751
121 to 180 days	3,489,845,313	3,219,291,465
More than 181 days	79,661,762,797	64,700,522,342
	¢ <u><u>3,193,889,504,725</u></u>	<u><u>2,935,641,227,054</u></u>

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

(d) Past due loans

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

	<b>December 2021</b>	<b>December 2020</b>
Number of operations	1,481	2,482
Past due loans in non-accrual status	¢ <u>79,661,762,798</u>	<u>64,700,522,343</u>
Past due loans in accrual status	¢ 191,913,464,409	107,719,820,238
Total unearned interest	¢ <u><u>12,456,568,838</u></u>	<u><u>14,951,149,687</u></u>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

Loans in legal collections as of December 31, 2021:

<u>No. of loans</u>	<u>Percentage</u>	<u>Balance</u>
987	1.63%	¢ <u>52,111,660,667</u>

As December 31, 2021, the average annual interest rate earned on loans is 7.47% in colones (9.09% for December 2020) and 6.98% in US (6.38% for December 2020).

Loans in legal collections as of December 31, 2020:

<u>No. of loans</u>	<u>Percentage</u>	<u>Balance</u>
1.212	1.61%	¢ <u>47.306.508.117</u>

(e) Accrued interest receivable on loan portfolio

Interest receivables by economic sector are detailed as follows:

	<u>December 2021</u>	<u>December 2020</u>
Loans – Personal	¢ 7,826,867,746	14,577,255,983
Loans Development Banking System	142,948,325	262,038,379
Loans - Business	1,068,517,022	2,304,086,284
Loans - Corporate	6,653,617,498	14,456,474,860
Loans – Public Sector	278,748,030	536,825,042
Loans – Financial Sector	273,178,759	465,707,097
	¢ <u>16,243,877,380</u>	<u>32,602,387,644</u>

Interest receivable by aging is detailed as follows:

	<u>December 2021</u>	<u>December 2020</u>
Current loans	¢ 8,689,842,298	26,832,482,286
Past due loans	4,803,207,484	4,405,886,400
Loans in legal collection	2,750,827,598	1,364,018,958
	¢ <u>16,243,877,380</u>	<u>32,602,387,644</u>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

(f) Allowance for loan impairment

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

<b>2021 opening balance</b>	¢	<b>119,006,689,665</b>
Plus:		
Allowance charged to profit or loss (see note 25)		39,307,725,100
Movement of balances		35,102
Adjustment for foreign exchange differences		2,460,005,646
Less:		
Adjustment for foreign exchange differences		(97,104,735)
Transfer paid balances		(5,370,964,943)
Reversal of allowance against income (see note 26)		(2,378,084,879)
Transfer of balances		(314,295)
<b>Balance as of December 31, 2021</b>	¢	<b><u>152,927,986,661</u></b>

Balance as of December 31, 2020

<b>2020 opening balance</b>	¢	<b>86,096,482,964</b>
Plus:		
Allowance charged to profit or loss (see note 25)		44,543,016,343
Transfer of balances		254,854,533
Adjustment for foreign exchange differences		3,158,257,818
Less:		
Adjustment for foreign exchange differences		(259,391,390)
Transfer paid balances		(4,497,371,710)
Reversal of allowance against income (see note 26)		(10,289,158,893)
<b>Balance as of December 31, 2020</b>	¢	<b><u>119,006,689,665</u></b>

(g) Syndicated loans

As of December 31, 2021, the Bank does not have a syndicated loan portfolio with other banks.

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

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

As of December 31, 2020, the Bank's syndicated loan portfolio is as follows:

	<u>Number of Operations</u>	<u>Syndicated balance, other</u>	<u>Syndicated balance BCR</u>	<u>Total, balance</u>
Banco Internacional de Costa Rica, S.A.	2	¢ 6.069.784.699	11.460.449.161	17.530.233.860
	<b>2</b>	<b>¢ 6.069.784.699</b>	<b>11.460.449.161</b>	<b>17.530.233.860</b>

(7) Foreclosed assets, net

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

	<u>December 2021</u>	<u>December 2020</u>
Real estate	¢ 115,853,794,973	132,846,965,515
Other acquired assets	528,893,782	693,972,758
Purchased for sale	1,386,351,974	977,446,409
Idle property and equipment	1,968,406,826	2,143,679,540
	<u>119,737,447,555</u>	<u>136,662,064,222</u>
Allowance for impairment and per legal requirement	<u>(77,384,628,291)</u>	<u>(91,269,086,566)</u>
	<b>¢ <u>42,352,819,264</u></b>	<b><u>45,392,977,656</u></b>

The movement of the foreclosed assets is as follows:

	<u>December 2021</u>	<u>December 2020</u>
<b>At the beginning of the year</b>	<b>¢ 136,662,064,222</b>	<b>134,898,824,316</b>
Increase of foreclosed assets	31,258,155,819	36,114,437,514
Transfer of property, furniture, and equipment out of use	573,500,629	81,847,646
Increase in acquired-for-sale assets	3,944,125,165	3,096,128,083
Sale of assets	(51,951,624,937)	(36,178,325,376)
Withdrawal of property, furniture and equipment out of use	<u>(748,773,343)</u>	<u>(1,350,847,961)</u>
<b>Balance at the end of the period</b>	<b>¢ <u>119,737,447,555</u></b>	<b><u>136,662,064,222</u></b>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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

	<b>December 2021</b>	<b>December 2020</b>
<b>Opening balance</b>	¢ <b>91,269,086,566</b>	<b>96,791,602,487</b>
Increases in allowance	19,500,570,250	24,784,945,878
Reversals in allowance	(33,087,363,274)	(29,609,811,572)
Transfer to unused accounts	(297,665,251)	(687,959,337)
Adjustment in allowance for revaluation surplus	0	(9,690,890)
<b>Balance at the end of the period</b>	¢ <b>77,384,628,291</b>	<b>91,269,086,566</b>

(8) Investments in other companies

Investments in other companies are as follows:

	<b>December 2021</b>	<b>December 2020</b>
<u>Local entities:</u>		
BCR Valores, S.A. (brokerage firm)	¢ 23,653,664,329	21,141,406,851
BCR Sociedad Administradora de Fondos de Inversión, S.A. (Investment Fund Manager Company)	8,869,014,944	9,073,349,274
Participación en BCR Pensión, Operadora de BCR Pensión, Operadora de Planes de Pensiones Complementarias, S.A. (Pension Fund Operator)	6,825,171,934	5,848,128,095
BCR Corredora de Seguros, S.A. Seguros (Insurance Broker)	8,363,202,405	8,264,822,445
Capital interest in Banprocesa, S.R.L.	192,593,965	536,364,510
Capital interest in Depósito Agrícola de Cartago S.A.	926,303,518	889,438,648
	<b>48,829,951,095</b>	<b>45,753,509,823</b>
<u>Foreign entities:</u>		
Banco Internacional de Costa Rica, S.A. and subsidiary	79,895,291,835	75,330,561,630
	¢ <b>128,725,242,930</b>	<b>121,084,071,453</b>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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 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, 2021, 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, 2021, includes ¢1.204.741.412 (¢864.341.486 for December 2020) for BICSA's result of operations.

The Bank's statement of changes in equity for the period ended December 31, 2021, includes an increase in equity for ¢3.620.787.490 (¢6.092.994.523 for December 2020), corresponding to changes arising from translation of BICSA's financial statements.

As of June 30, 2020, BCR Corredora de Seguros, S.A. distributed dividends in the amount of ¢3.000.000.000, in compliance with resolution of the Extraordinary General Shareholder's Meeting N° 20-2020, of June 2, 2020, and as of August 31, 2020, in the amount of ¢2.500.000.000.

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

As of July 17, 2020, BCR Pension Operadora de Planes de Pensiones Complementarias, S.A., distributed dividends in the amount of ¢1.158.000.000, in compliance with resolution of the Extraordinary General Shareholder's Meeting N° 20-2020, of June 2, 2020.

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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

As of September 9, 2020, BCR Sociedad Administradora de Fondos de Inversión, S.A., distributed dividends in the amount of ¢4.500.000.000, in compliance with resolution of the Extraordinary General Shareholder's Meeting N° 20-2020, of June 2, 2020.

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

As of September 25, 2020, BCR Valores, S.A., distributed dividends in the amount of ¢4.500.000.000, in compliance with resolution of the Extraordinary General Shareholder's Meeting N° 20-2020, of June 2, 2020.

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

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

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

As of December 31, 2021, for the presentation of the financial statements of the Banco de Costa Rica Financial Conglomerate, due to the incorporation as a member company, and due to the nature of Banprocesa SRL's business, an adjustment was made in the amount of ¢940,117,721, corresponding to the profit generated in the service provided in support of the Bank's software, in the statement of financial position and in the income statement.



BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

(9) Property and equipment

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

<u>Cost:</u>	<u>Land</u>	<u>Building</u>	<u>Furniture and equipment</u>	<u>Computer hardware</u>	<u>Vehicles</u>	<u>Finance leases</u>	<u>Total</u>
<b>Balance at December 31, 2020</b> €	<b>35,091,690,377</b>	<b>72,815,609,798</b>	<b>35,089,805,265</b>	<b>46,440,889,656</b>	<b>5,200,024,297</b>	<b>23,187,060,908</b>	<b>217,825,080,301</b>
Additions	225,971,000	1,056,941,041	3,280,010,854	3,064,984,085	115,071,640	0	7,742,978,620
Withdrawals	0	0	(1,157,538,257)	(746,741,476)	0	0	(1,904,279,733)
Transfers	0	0	(344,870,248)	(166,888,754)	0	0	(511,759,002)
Revaluation	0	0	926,555,472	0	0	0	926,555,472
<b>Balance at December 31, 2021</b>	<b>35,317,661,377</b>	<b>73,872,550,839</b>	<b>37,793,963,086</b>	<b>48,592,243,511</b>	<b>5,315,095,937</b>	<b>23,187,060,908</b>	<b>224,078,575,658</b>
<b><u>Accumulated depreciation and impairment:</u></b>							
<b>Balance at December 31, 2020</b>	<b>0</b>	<b>24,237,889,998</b>	<b>22,176,989,968</b>	<b>30,083,431,088</b>	<b>3,795,485,935</b>	<b>2,125,480,583</b>	<b>82,419,277,572</b>
Depreciation expense	0	1,870,288,861	2,569,301,040	5,271,404,216	251,320,329	2,707,226,347	12,669,540,793
Withdrawals	0	0	(1,389,442,141)	(754,439,772)	0	0	(2,143,881,913)
Transfers	0	0	24,276,960	(142,894,647)	0	(388,520,257)	(507,137,944)
<b>Balance at December 31, 2021</b> €	<b>0</b>	<b>26,108,178,859</b>	<b>23,381,125,827</b>	<b>34,457,500,885</b>	<b>4,046,806,264</b>	<b>4,444,186,673</b>	<b>92,437,798,508</b>
<b>December 31, 2021</b> €	<b>35,317,661,377</b>	<b>47,764,371,980</b>	<b>14,412,837,259</b>	<b>14,134,742,626</b>	<b>1,268,289,673</b>	<b>18,742,874,235</b>	<b>131,640,777,150</b>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

As of December 31, 2020, property and equipment is as follows:

<u>Cost:</u>	<u>Land</u>	<u>Building</u>	<u>Furniture and equipment</u>	<u>Computer hardware</u>	<u>Vehicles</u>	<u>Finance leases</u>	<u>Total</u>
<b>Balance at December 31, 2019</b>	¢ <b>34,441,191,347</b>	<b>70,190,737,721</b>	<b>35,605,059,007</b>	<b>43,026,103,436</b>	<b>5,077,339,307</b>	<b>0</b>	<b>188,340,430,818</b>
Additions	650,499,030	2,624,872,077	1,895,652,956	5,845,998,960	159,695,490	36,574,406,412	47.751.124.925
Withdrawals	0	0	(1,497,814,118)	(2,004,498,491)	0	(9,502,146,974)	(13.004.459.583)
Transfers	0	0	(913,092,580)	(426,714,249)	(37,010,500)	(3,885,198,530)	(5.262.015.859)
Revaluation	0	0	0	0	0	0	0
<b>Balance at December 31, 2020</b>	<b>35,091,690,377</b>	<b>72,815,609,798</b>	<b>35,089,805,265</b>	<b>46,440,889,656</b>	<b>5,200,024,297</b>	<b>23,187,060,908</b>	<b>217,825,080,301</b>
<b><u>Accumulated depreciation and impairment</u></b>							
<b>Balance at December 31, 2019</b>	<b>0</b>	<b>22,439,602,647</b>	<b>22,177,690,125</b>	<b>27,655,235,295</b>	<b>3,568,963,239</b>	<b>0</b>	<b>75,841,491,306</b>
Depreciation expense	0	1,798,287,351	2,251,269,783	4,860,933,109	263,533,197	2,942,155,926	12.116.179.366
Withdrawals	0	0	(1,421,416,602)	(1,997,546,744)	0	(460,532,144)	(3.879.495.490)
Transfers	0	0	(830,553,338)	(435,190,572)	(37,010,501)	(356,143,199)	(1.658.897.610)
<b>Balance at December 31, 2020</b>	¢ <b>0</b>	<b>24,237,889,998</b>	<b>22,176,989,968</b>	<b>30,083,431,088</b>	<b>3,795,485,935</b>	<b>2,125,480,583</b>	<b>82,419,277,572</b>
<b>December 31, 2020</b>	¢ <b>35,091,690,377</b>	<b>48,577,719,800</b>	<b>12,912,815,297</b>	<b>16,357,458,568</b>	<b>1,404,538,362</b>	<b>21,061,580,325</b>	<b>135,405,802,729</b>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

(10) Other assets

(a) Other deferred charges

Other deferred charges are detailed as follows:

	<b>December</b>		<b>December</b>
	<b>2021</b>		<b>2020</b>
Improvements in property in operating lease	¢ 1,090,977,686	¢	847,109,714
Pre-issuance costs of financial instruments	280,673,715		548,927,366
Other deferred charges	5,975,329,081		7,886,564,023
	<b>¢ 7,346,980,482</b>	¢	<b>9,282,601,103</b>

(b) Intangible assets

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

		<b>2021</b>
<i>Cost:</i>		
<b>Balance as of December 31, 2020</b>	¢	<b>36,626,210,835</b>
Additions to computer systems		9,053,541,095
Withdrawals		(293,971,303)
<b>Balance as of December 31, 2021</b>		<b>45,385,780,627</b>
<i>Accumulated amortization and impairment:</i>		
<b>Balance as of December 31, 2020</b>		<b>23,552,652,071</b>
Expense for amortization of computer systems		7,253,020,913
Transfer balances		814,545
Withdrawals		(280,557,982)
<b>Balance of amortization and impairment as of December 31, 2021</b>		<b>30,525,929,547</b>
<b>Balance as of December 31, 2021</b>	¢	<b>14,859,851,080</b>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

Balance as of December 31, 2020

	<b>2020</b>
<i>Cost:</i>	
<b>Balance as of December 31, 2019</b>	<b>¢ 39.568.772.259</b>
Additions to computer systems	8.638.905.322
Transfer balances	(4.471.107)
Withdrawals	<u>(11.576.995.639)</u>
<b>Balance as of December 31, 2020</b>	<b><u>36.626.210.835</u></b>
 <i>Accumulated amortization and impairment:</i>	
<b>Balance as of December 31, 2019</b>	<b>30.565.567.290</b>
Expense for amortization of computer systems	4.237.641.310
Transfer balances	(4.471.107)
Withdrawals	<u>(11.246.085.422)</u>
<b>Balance as of December 31, 2020</b>	<b><u>23.552.652.071</u></b>
 <i>Balances, net:</i>	
<b>Balance as of December 31, 2020</b>	<b>¢ <u>13.073.558.764</u></b>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

(c) Other assets

Other assets are detailed as follows:

	<b>December 2021</b>	<b>December 2020</b>
Prepaid taxes	19,995,273,395	14,369,247,597
Prepaid rentals	78,383	72,293
Prepaid insurance policy	50,297,343	38,178,675
Prepaid expenses	20,045,649,121	14,407,498,565
Stationery, supplies and other materials	166,254,296	126,642,244
Library and works of art	2,057,436	2,057,412
Constructions in process	5,266,177,614	6,491,211,602
Amortized applications in development	4,651,558,418	2,779,943,569
Rights in social and union institutions	36,633,800	36,633,800
Other sundry assets	2,064,373,131	2,064,373,131
Miscellaneous goods	12,187,054,695	11,500,861,758
Missing cash	46,699,731	78,186,600
Transactions to be settled	19,067,613,240	33,252,087,162
Other charge pending operations	138,719,811	200,028,769
Operations pending ascription	19,253,032,782	33,530,302,531
Deposits in guarantee	223,354,233	218,486,303
Restricted assets	223,354,233	218,486,303
	<b>51,709,090,831</b>	<b>59,657,149,157</b>

(11) Demand obligations with the public

Demand obligations with the public as follows:

	<b>December 2021</b>	<b>December 2020</b>
Checking accounts	2,273,166,980,463	1,684,542,352,579
Certification checks	33,244,663	103,293,252
Demand saving deposits	1,003,981,124,100	866,057,182,906
Matured term deposits	2,504,906,622	3,282,393,546
Other demand obligations with the public	3,780,361,983	4,782,006,896
	<b>3,283,466,617,831</b>	<b>2,558,767,229,179</b>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

(12) Term and demand deposits from clients

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

	<b>December 2021</b>	<b>December 2020</b>
	<b>Demand</b>	<b>Demand</b>
Public	¢ 3,279,686,255,848	2,553,985,222,283
Other obligations with the public	3,780,361,983	4,782,006,896
	<u>3,283,466,617,831</u>	<u>2,558,767,229,179</u>
State-owned entities	2,944,736,524	5,719,231,057
Deposits from other banks	3,317,575,896	3,253,729,303
Other financial entities	28,958,722,298	25,375,876,359
	<u>35,221,034,718</u>	<u>34,348,836,719</u>
	<b>¢ 3,318,687,652,549</b>	<b>2,593,116,065,898</b>
	<b>December 2021</b>	<b>December 2020</b>
	<b>Term</b>	<b>Term</b>
Public	¢ 1,318,752,537,179	1,396,513,269,069
	<u>1,318,752,537,179</u>	<u>1,396,513,269,069</u>
State-owned entities	82,772,160,448	56,827,897,834
Deposits from other banks	10,511,690,020	6,302,842,901
Other financial entities	292,011,527,441	390,736,404,577
	<u>385,295,377,909</u>	<u>453,867,145,312</u>
	<b>¢ 1,704,047,915,088</b>	<b>1,850,380,414,381</b>

As of December 31, 2021, demand deposits from customers include court-ordered deposits for ¢247,766,946,452 (¢224,285,191,705 for December 2020) which are restricted because of their nature.

As of December 31, 2021, the Bank has a total of 1,765,641 (1,979,536 for December 2020) customers with demand deposits and has a total 34,887 (35,689 for December 2020).

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

(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 30, de 2021 and 2020, the Bank does not hold repurchase agreements.

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

Obligations with entities are as follows:

	<u>December 2021</u>	<u>December 2020</u>
Term deposits with the Central Bank de Costa Rica	¢ 127,689,025,829	2,500,208,320
Charges payable for obligations with Central Bank of Costa Rica	596,659,814	0
	<u>128,285,685,643</u>	<u>2,500,208,320</u>
Checking accounts of local entities	28,644,104,653	27,544,898,693
Overdrafts on demand checking accounts in foreign financial entities	5,938,790,633	5,617,981,089
Obligations for checks to be cashed	638,139,432	1,185,956,937
Term deposits from local financial entities	119,845,276,717	84,287,771,110
Loans from foreign financial entities	26,128,829,427	162,404,367,657
Obligations for the right-of-use leased properties	25,155,577,916	26,469,005,968
Obligations for deferred liquidity operations	27,302,998,671	12,615,079,150
Obligations with resources from the Development Credit Fund (DCF)	186,862,695,178	168,090,921,427
Charges payable for obligations with financial and non-financial entities	1,706,470,174	1,081,310,304
	<u>422,222,882,801</u>	<u>489,297,292,335</u>
	¢ <u><b>550,508,568,444</b></u>	<u><b>491,797,500,655</b></u>

Maturities of term obligations with entities are from January 3, 2022, to December 23, 2026.

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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

	<b>December 2021</b>	<b>December 2020</b>
Colones	0,1999 % to 2,00%	0,26 % to 3,750%
US dollars	0,009% to 3,50%	0,009% to 3,2753%

As of December 2021, and 2020, there are no term obligations with foreign financial entities for the international issuance.

(a) Maturities of loans payable

As of December 31, 2021, loans payable mature as follows:

	<b>Banco Central de Costa Rica</b>	<b>Local financial entities</b>	<b>Foreign financial entities</b>	<b>International organizations</b>	<b>Total</b>
Less than one year	37,304,109,720	0	0	22,773,529,427	60,077,639,147
From three to five years	117,687,914,780	0	0	0	117,687,914,780
Over five years	0	0	0	3,355,300,000	3,355,300,000
<b>Total</b>	<b>154,992,024,500</b>	<b>0</b>	<b>0</b>	<b>26,128,829,427</b>	<b>181,120,853,927</b>

As of December 31, 2020, loans payable mature as follows:

	<b>Banco Central de Costa Rica</b>	<b>Local financial entities</b>	<b>Foreign financial entities</b>	<b>International organizations</b>	<b>Total</b>
Less than one year	2.500.208.320	12.615.079.150	54.013.750.000	64.816.500.000	133.945.537.470
Between one and two years	0	0	0	43.574.117.657	43.574.117.657
<b>Total</b>	<b>2.500.208.320</b>	<b>12.615.079.150</b>	<b>54.013.750.000</b>	<b>108.390.617.657</b>	<b>177.519.655.127</b>



BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

(b) Lease obligations

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

		<u>Installment</u>	<u>Interest</u>	<u>Maintenance</u>	<u>Amortization</u>
Less than one year	¢	3,965,951,780	1,433,739,475	0	2,532,212,305
Between one and five years		<u>27,735,320,427</u>	<u>5,111,954,816</u>	<u>0</u>	<u>22,623,365,611</u>
	¢	<u><b>31,701,272,207</b></u>	<u><b>6,545,694,291</b></u>	<u><b>0</b></u>	<u><b>25,155,577,916</b></u>

As of December 31, 2020, the Bank has following obligations from financial leases:

		<u>Installment</u>	<u>Interest</u>	<u>Maintenance</u>	<u>Amortization</u>
Less than one year	¢	3.812.768.809	1.519.542.903	0	2.293.225.906
Between one and five years		<u>30.470.935.269</u>	<u>6.295.155.208</u>	<u>0</u>	<u>24.175.780.061</u>
	¢	<u><b>34.283.704.078</b></u>	<u><b>7.814.698.111</b></u>	<u><b>0</b></u>	<u><b>26.469.005.967</b></u>

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

	<u>Colones</u>	<u>US\$ converted to colones</u>
1 year	246,831,566	2,285,380,739
2 years	264,208,508	2,422,503,565
3 years	258,499,600	2,348,105,104
4 years	301,007,159	2,708,740,246
5 years	322,198,063	2,871,264,699
Over 5 years	<u>1,143,349,468</u>	<u>9,983,489,199</u>
	¢	<u><b>2,536,094,364</b></u>
		<u><b>22,619,483,552</b></u>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

As of December 31, 2020, the estimate of future lease payments is as follows:

	<u>Colones</u>	<u>US\$ converted to colones</u>
1 year	230.597.502	2.062.628.405
2 years	246.831.566	2.186.385.943
3 years	264.208.508	2.317.569.082
4 years	258.499.600	2.246.393.306
5 years	301.007.159	2.591.406.980
Over 5 years	1.465.547.531	12.297.930.386
	<b><u>2.766.691.866</u></b>	<b><u>23.702.314.102</u></b>

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

Year	Payments	Present value	Amortization	Interest	Balance
1 31/12/2021	3,979,834,637	2,408,689,987	837,545,337	1,571,144,650	22,746,887,643
2 31/12/2022	3,979,834,637	2,701,427,915	1,423,021,194	1,278,406,722	20,045,459,727
3 31/12/2023	3,979,834,637	2,866,261,525	1,752,688,412	1,113,573,112	17,179,198,203
4 31/12/2024	3,979,834,637	3,041,178,406	2,102,522,175	938,656,231	14,138,019,797
5 31/12/2025	3,979,834,637	3,226,797,418	2,473,760,199	753,037,219	10,911,222,379
6 31/12/2026	3,979,834,637	3,423,775,139	2,867,715,642	556,059,498	7,487,447,239
7 31/12/2027	3,979,834,637	3,632,808,861	3,285,783,085	347,025,776	3,854,638,379
8 31/12/2028	3,979,834,637	3,854,638,379	3,729,442,120	125,196,258	0
9 31/12/2029	0	0	0	0	0
10 31/12/2030	0	0	0	0	0
	<b>¢ <u>31,838,677,096</u></b>	<b><u>25,155,577,630</u></b>	<b><u>18,472,478,164</u></b>	<b><u>6,683,099,466</u></b>	

As of December 31, 2020, future payments of the lease liability are presented as follows:

Year	Payments	Present value	Amortization	Interest	Balance
1 31-12-2021	3,825,298,530	2,161,772,650	498,246,769	1,663,525,881	24,307,233,064
2 31-12-2022	3,825,298,530	2,446,499,009	1,067,699,488	1,378,799,521	21,860,734,025
3 31-12-2023	3,825,298,530	2,595,855,994	1,366,413,457	1,229,442,537	19,264,878,031
4 31-12-2024	3,825,298,530	2,754,355,280	1,683,412,031	1,070,943,250	16,510,522,751
5 31-12-2025	3,825,298,530	2,922,557,788	2,019,817,046	902,740,742	13,587,964,963
6 31-12-2026	3,825,298,530	3,101,059,562	2,376,820,593	724,238,969	10,486,905,401
7 31-12-2027	3,825,298,530	3,290,493,013	2,755,687,496	534,805,517	7,196,412,388
8 31-12-2028	3,825,298,530	3,491,529,804	3,157,761,079	333,768,726	3,704,882,583
9 31-12-2029	3,825,298,530	3,704,882,583	3,584,466,637	120,415,947	0
10 31-12-2030	0	0	0	0	0
	<b><u>34,427,686,772</u></b>	<b><u>26,469,005,684</u></b>	<b><u>18,510,324,595</u></b>	<b><u>7,958,681,088</u></b>	

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

(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, 2021, the Bank's separate balances of income tax payable and expected income tax amount to ¢21,879,235,843 (¢10,254,574,344 for December 2020) (see note 17) and income tax advances for ¢19,995,273,395 (¢14,369,247,597 for December 2020) are recorded as "Other assets".

As of December 31, the difference between the income tax expense and the expense that would result from applying the corresponding tax rate to profits before income tax (30%) is reconciled as follows:

	<u>December 2021</u>	<u>December 2020</u>
Income before taxes	¢ 70,657,063,860	32,020,181,692
<i>Plus:</i>		
Non-deductible expenses	25,326,076,044	18,002,103,178
<i>Less:</i>		
Non-taxable income	<u>(23,052,353,759)</u>	<u>(15,840,370,392)</u>
Tax base	72,930,786,145	34,181,914,478
Tax rate	30%	30%
Expense for income tax	<u>21,879,235,844</u>	<u>10,254,574,343</u>
Income tax from previous period	<u>(155,284,664)</u>	<u>0</u>
Current income tax	¢ <u><u>21,723,951,180</u></u>	<u><u>10,254,574,343</u></u>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

Income tax expense is detailed as follows:

	<b>December 2021</b>	<b>December 2020</b>
Income tax	¢ 21,879,235,843	13,624,899,236
Decrease in income tax	0	(913,333,140)
Adjustment of income tax of previous period	0	(2,456,991,752)
	<u>21,879,235,843</u>	<u>10,254,574,344</u>
<u>Income tax expense:</u>		
Expense for current tax of the period	21,879,235,843	11,167,907,483
Expense for income tax from previous period	<u>21,879,235,843</u>	<u>2,456,991,753</u>
	21,879,235,843	13,624,899,236
Decrease in income tax	0	(913,333,140)
	<u>21,879,235,843</u>	<u>12,711,566,096</u>
<u>Deferred income tax</u>		
Income for deferred income tax	(1,177,839,211)	(152,425,375)
Decrease of income tax from previous periods	<u>(155,284,663)</u>	0
Income tax	¢ <u>20,546,111,969</u>	<u>12,559,140,721</u>
	<b>December 2021</b>	<b>December 2020</b>
Realization of deferred income tax	¢ <u>1,177,839,211</u>	<u>152,425,375</u>

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

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

	<b>Assets</b>	<b>Liabilities</b>	<b>Net</b>
Valuation of investments	¢ 478,172,726	(19,917,035,990)	(19,438,863,264)
Revaluation of buildings	0	(4,971,062,820)	(4,971,062,820)
Revaluation of property	0	(6,077,988,389)	(6,077,988,389)
Financial leases	7,587,894,926	<u>(6,565,022,913)</u>	1,022,872,013
Total	¢ <u>8,066,067,652</u>	<u>(37,531,110,112)</u>	<u>(29,465,042,460)</u>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

As of December 31, 2020, deferred tax assets and liabilities are attributed to the following:

	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Valuation of investments	¢ 736,637,755	(2,679,050,235)	(1,942,412,480)
Revaluation of buildings	0	(5,124,654,741)	(5,124,654,741)
<b>Total</b>	<b>¢ 736,637,755</b>	<b>(7,803,704,977)</b>	<b>(7,067,067,222)</b>

Movement of temporary differences is as follows:

As of December 31, 2021:

	<b>December 31, 2020</b>	<b>Income statement</b>	<b>Equity</b>	<b>December 31, 2021</b>
<b>Liabilities account</b>				
Valuation of investments	¢ (2,679,050,235)	0	(17,237,985,755)	(19,917,035,990)
Revaluation of buildings	(5,124,654,741)	154,967,198	(1,375,276)	(4,971,062,820)
Revaluation of property	0	0	(6,077,988,389)	(6,077,988,389)
Financial leases	0	(6,565,022,913)	0	(6,565,022,913)
<b>Assets account</b>				
Valuation of investments	736,637,755	0	(258,465,029)	478,172,726
Financial lease-tax on asset revaluation	0	7,587,894,926	0	7,587,894,926
<b>Total</b>	<b>¢ (7,067,067,221)</b>	<b>1,177,839,211</b>	<b>(23,575,814,449)</b>	<b>(29,465,042,459)</b>

As of December 31, 2020:

	<b>December 31, 2019</b>	<b>Income statement</b>	<b>Equity</b>	<b>December 31, 2020</b>
<b>Liabilities account</b>				
Valuation of investments	¢ (3.834.489.662)	0	1.155.439.427	(2.679.050.235)
Revaluation of buildings	(5.277.080.116)	152.425.375	0	(5.124.654.741)
<b>Assets account</b>				
Valuation of investments	981.374.269	0	(244.736.514)	736.637.755
<b>Total</b>	<b>¢ (8.130.195.509)</b>	<b>152.425.375</b>	<b>910.702.913</b>	<b>(7.067.067.221)</b>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

As of December 31, 2021, the Bank has a balance for income tax receivable of ¢85.609.965 (¢87.694.781 for December 2020), in addition to bear value added tax for ¢1.518.414.783 (¢1.211.556.671 for December 2020) and value added tax deductible as ¢1.725 (¢37.887 as of December 2020).

	<b>December 2021</b>	<b>December 2020</b>
Income tax receivable	¢ 85,609,965	87,694,781
Supported value added tax	1,518,414,783	1,211,556,671
Deductible value added tax	1,725	37,887
	<b><u>¢ 1,604,026,473</u></b>	<b><u>1,299,289,339</u></b>

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

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

As of December 31, the amount recorded by the Bank as provision is of ¢24.890.634.566 (¢33.377.662.908 for December 2020).

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

(16) Provisions

Movement in provisions is as follows:

	<u>Severance benefits</u>	<u>Litigations</u>	<u>Others</u>	<u>Total</u>
<b>Balance at December 31, 2020</b>	€ <b>8,931,398,706</b>	<b>15,611,657,461</b>	<b>33,377,662,908</b>	<b>57,920,719,075</b>
Increase in provision	0	1,242,520,081	607,011,617	1,849,531,698
Use of provision	(44,642,687)	(699,969,817)	(8,717,265,589)	(9,461,878,093)
Adjustment for foreign exchange	0	16,053,599	0	16,053,599
Reversal of provision	0	(19,082,027)	0	(19,082,027)
<b>Balance at December 31, 2021</b>	€ <b>8,886,756,019</b>	<b>16,151,179,297</b>	<b>25,267,408,936</b>	<b>50,305,344,252</b>

As of December 31, 2020, Movement in provisions is as follows:

	<u>Severance benefits</u>	<u>Litigations</u>	<u>Others</u>	<u>Total</u>
<b>Balance at December 31, 2019</b>	€ <b>8,995,447,418</b>	<b>16,284,350,888</b>	<b>35,072,116,918</b>	<b>60,351,915,224</b>
Increase in provision	0	4,199,552,984	40,527,785	4.240.080.769
Use of provision	(64,048,712)	(2,494,060,686)	0	(2.558.109.398)
Adjustment for foreign exchange	0	56,317,151	0	56.317.151
Reversal of provision	0	(2,434,502,876)	(1,734,981,795)	(4.169.484.671)
<b>Balance at December 31, 2020</b>	€ <b>8,931,398,706</b>	<b>15,611,657,461</b>	<b>33,377,662,908</b>	<b>57,920,719,075</b>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

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

- Ordinary suits filed against the Bank estimated at ₡24.091.229.184 and US\$71.714.326 for which the Bank has provisioned ₡1.810.526.748 and US\$1.395.500, respectively.
- The criminal lawsuits against the Bank have been estimated in ₡1.965.668.874 and \$5.857, for which the Bank has recorded a provision in the amount of ₡286.918.445.
- Labor suits by nature are difficult to estimate. However, they have been estimated at ₡5.143.391.270 and \$825.001 de for which the Bank has provisioned ₡2.126.188.640, corresponding to cases where a provisional judgment has been handed down
- There are administrative proceedings at different stages in the amount ₡11.042.195.510 and US\$2.000, for which the Bank has provisioned ₡11.027.099.088.
- In compliance with Law 9605 “Merger by absorption of Banco Crédito Agrícola de Cartago and Banco de Costa Rica” the amount of ₡801.701.887 was transferred for pending proceedings.
- A provision corresponding to the Deposit Guarantee Fund is created and recorded in "Others", in the amount of ₡376.774.370.

As of December 31, 2020, the Bank is a defendant in litigation, for which the following provisions have been established:

- Ordinary suits filed against the Bank estimated at ₡28.756.508.316 and US\$69.193.922 for which the Bank has provisioned ₡1.754.726.808 and US\$1.395.500, respectively.
- The criminal lawsuits against the Bank have been estimated in ₡2.416.905.449 and US\$10.077, for which the Bank has recorded a provision in the amount of ₡716.430.020.
- Labor suits by nature are difficult to estimate. However, they have been estimated at ₡5.179.322.543 and US\$825.001, for which the Bank has provisioned ₡1.868.413.533, corresponding to cases where a provisional judgment has been handed down.
- There are administrative proceedings at different stages in the amount ₡10.394.615.080 and US\$36.257 for which the Bank has provisioned ₡10.389.621.563 and US\$34.057, respectively.



BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

- In compliance with Law 9605 “Merger by absorption of Banco Crédito Agrícola de Cartago and Banco de Costa Rica” the amount of ¢801.701.887 was transferred for pending proceedings.
- Reversal is made due to the 2015 prescription to IFRIC 23 (see note 39), recorded in other provisions.

(17) Other miscellaneous accounts payable

Other miscellaneous accounts payable are detailed as follows:

	<b>December 2021</b>	<b>December 2020</b>
Fees payable	¢ 306,947,141	41,113,008
Current income tax (see note 15)	21,879,235,843	10,254,574,344
UD Income Tax	365,237,441	333,133,221
Value added tax payable	164,397,121	320,375,269
Employer contributions	1,191,825,051	1,455,480,244
Withholdings by legal order	885,978,525	873,324,267
Retained taxes payable	1,986,203,744	3,015,450,378
Employer withholdings	922,270,180	906,571,850
Other third-party withholdings	11,865,702,259	10,851,508,326
Compensations and salaries payable	7,185,257,235	7,327,274,599
Distributions payable on results of the period (see note 30)	21,326,688,983	9,457,965,454
Accrued vacation payable	5,949,176,535	5,607,680,912
Accrued statutory Christmas bonus payable	540,478,026	481,488,682
Commissions payable for insurance placement	56,068,977	51,938,166
Commissions payable related parties	0	2,100,992,193
Sundry creditors	<u>22,680,916,832</u>	<u>22,581,076,271</u>
	<b>¢ <u>97,306,383,893</u></b>	<b><u>75,659,947,184</u></b>

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.

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

(18) Equity

a) Capital Social

The Bank's capital is comprised as follows:

	<b>December 2021</b>	<b>December 2020</b>
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	18,907,432,694
Increase from revaluation of assets	14,130,125,230	14,130,125,230
Other	697,630,970	697,630,970
	<b>¢ 181,409,990,601</b>	<b>181,409,990,601</b>

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 ¢27.619.000.002. (¢27.619.000.002 for December 2020, respectively), for its capitalization, to stimulate the productive sectors, especially small and medium enterprises.

b) Surplus from revaluation

Corresponding to the increase in fair value of property owned by the Bank, as of December 31, 2021, revaluation surplus amounts to ¢31.744.671.803 (¢37.774.830.067 for December 2020).

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

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

As of December 31, 2021, the balance of the adjustment for valuation of available-for-sale investments corresponds to unrealized net losses in the amount of ¢49.490.498.998 (¢7.546.666.277 for December 2020).

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

d) Adjustment for valuations of investments in other companies

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

As of December 31, 2021, changes in equity include foreign exchange differences corresponding to investments in other companies in the amount of ¢15.372.172.610 (¢10.636.876.609 for December 2020).

e) Equity Development Financing Fund (FOFIDE)

As of December 31, 2021, the amount for the constitution of the equity of the Development Financing Fund are of ¢36.212.011.410 (¢33.309.728.460 as of December 2020). In compliance with Law 9605 "Merger by absorption of Banco Crédito Agrícola de Cartago and Banco de Costa Rica", the amount of ¢2,627,265,346 of the assets managed by the entity was transferred.

Regulatory Capital

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

	<b>December 2021</b>	<b>December 2020</b>
<u>Primary Capital</u>		
Ordinary paid in capital	¢ 181,409,990,601	181,409,990,601
Legal reserve	296,709,547,031	283,820,516,011
	<u>478,119,537,632</u>	<u>465,230,506,612</u>
<u>Secondary Capital</u>		
Adjustment for valuation of property	23,808,503,852	28,331,122,550
Adjustment for valuation of restricted financial instruments	0	(4,566,079)
Adjustment for valuation of shares in other companies	15,372,172,610	10,636,876,609
Retained earnings from previous periods	23,286,282,979	13,464,953,148
Results of the period	54,434,355,511	25,612,643,802
Development Financing Fund	36,212,011,410	33,309,728,460
	<u>153,113,326,362</u>	<u>111,350,758,490</u>
<u>Deductions</u>		
Interest in other companies	(128,725,242,930)	(121,084,071,453)
<b>Total regulatory capital</b>	<b>¢ <u>502,507,621,064</u></b>	<b><u>455,497,193,649</u></b>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

(19) Commitments and contingencies

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

Off-balance financial instruments with risk are as follows:

	<b>December 2021</b>	<b>December 2020</b>
Guarantees granted:		
Performance bonds	¢ 125,514,845,178	122,680,532,330
Bid bonds	630,432,213	898,266,860
Letters of credit issued, not negotiated	11,236,307,702	4,762,986,773
Letters of credit confirmed, not negotiated credit lines to be used automatically	109,255,132,604	109,920,179,845
Other contingencies	72,902,375,786	74,386,976,783
Credits pending disbursement	187,598,568	1,529,675,946
	<b>¢ 319,726,692,051</b>	<b>314,178,618,537</b>

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

	<b>December 2021</b>	<b>December 2020</b>
With prior deposit	¢ 8,639,339,884	7,226,846,987
Without prior deposit	238,184,976,382	232,564,794,767
Pending litigation and Claims	72,902,375,785	74,386,976,783
<b>Total deposits</b>	<b>¢ 319,726,692,051</b>	<b>314,178,618,537</b>

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, 2021, letters of credit are backed up by 100% of the stand-by balance or by lines of credit.

As of December 31, 2021, floating guarantees in custody are for ¢211.780.060.580 (¢240.876.163.489 for December 2020).

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

Other contingencies:

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

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

As of December 31, 2020, the Bank's Legal Division reported the following contingencies and commitments:

- Administrative suits against the Bank estimated at ₡27.001.781.507 and US\$67.798.421. In addition, other contentious processes are filed for preliminary injunction with no estimate.

In addition, there are contentious processes for precautionary measures without estimating.

- Ordinary labor suits estimated at ₡3.310.909.009 and US\$825.001.
- Criminal proceedings in which the Bank is a third-party defendant estimated at ₡1.700.475.429 and US\$10.077.
- Administrative proceedings against the Bank have been estimated in the amount of ₡4.993.517 y US\$2.200.

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

(20) Trusts

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

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

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

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

	<b>December 2021</b>	<b>December 2020</b>
Cash and due from banks	¢ 66,318,923,462	92,575,854,311
Investment	91,495,384,544	67,842,050,691
Loan portfolio	11,257,450,007	12,128,219,168
Allowance for loan losses	(8,430,654,646)	(9,162,850,564)
Assets held-for-sale	67,815,354,875	56,521,168,659
Investment in other companies	51,961,502,918	35,077,180,689
Other receivables	56,833,488,672	77,399,842,492
Property and equipment	355,462,578,061	400,990,434,662
Other assets	234,928,557,661	186,416,949,697
Buildings	76,679,998	0
	¢ <u><b>927,719,265,552</b></u>	<u><b>919,788,849,805</b></u>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

(21) Other debit memoranda accounts

Other debit memoranda accounts are as follows:

	<b>December 2021</b>	<b>December 2020</b>
Guarantees received and held in custody	¢ 5,621,141,497,028	3,899,315,393
Guarantees received and held by third parties	2,413,061,267	4,217,017,643
Other memoranda accounts, unused authorized lines of credit	343,559,841,167	311,411,503,714
Write-offs	205,966,010,874	202,882,195,014
Suspense interest receivable	21,460,177,921	24,309,516,440
Other memoranda accounts	1,402,569,854,696	13,404,211,560,427
Assets and securities held in custody for third parties	143,742,191,726	93,322,936,545
Trading securities received as Guarantee (Guarantee Trust))	0	45,524,405,011
Own trading securities	1,017,428,771,091	707,952,886,907
Cash and accounts receivable custodial activities	186,648,995,560	152,792,708,207
Third party trading securities pledged as guarantee (Guarantee Trust)	23,352,583,105	44,883,495,750
Third parties trading securities	6,266,280,116,941	5,379,503,686,380
	<b>¢ 15,234,563,101,376</b>	<b>20,374,911,227,431</b>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

(22) Financial income on financial instruments

Finance income on financial instruments is as follows:

	<b>December 2021</b>	<b>December 2020</b>
Interest for investments in financial instruments at fair value through profit or loss	0	508,296,635
Interest for investments in financial instruments at fair value through other comprehensive income	80,488,437,532	56,380,967,389
Interest from investments at amortized cost	445,546,471	644,603,220
Interest for investments in overdue and restricted financial instruments	532,427,693	506,360,161
	<b>81,466,411,696</b>	<b>58,040,227,405</b>

(23) Financial income on credit portfolio

Financial income on credit portfolio is as follows:

	<b>December 2021</b>	<b>December 2020</b>
<b>Current loans</b>		
Loans – Personal	111,516,939,743	111,558,495,905
Loans - Development Financing Fund	2,083,384,114	2,240,364,101
Loans - Business	6,530,069,120	7,410,702,447
Loans – Corporate	82,060,395,484	81,996,748,367
Loans – Public Sector	7,289,677,425	8,485,180,788
Loans – Financial Sector	7,799,906,186	13,040,856,579
	217,280,372,072	224,732,348,187
<b>Past due loans and loans in legal collection</b>		
Past due loans – Personal	715,234,596	869,586,393
Past due loans – Development Banking System	52,898,545	55,526,885
Past due loans – Business	1,543,044,217	1,764,103,959
Past due loans – Corporate	2,102,121,997	1,637,407,393
Loans in legal collection	3,156,812,226	3,224,215,572
	7,570,111,581	7,550,840,202
Amortization of the net commission of the direct incremental cost associated to loans	4,864,061,490	3,662,153,965
Interest for accounts receivable associated to credit portfolio and other financial interest, other concepts not included in the previous subaccounts and analytical accounts	1,504,132,417	1,160,124,118
	<b>231,218,677,560</b>	<b>237,105,466,472</b>



BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

(24) Expenses for obligations with the public

Finance expense for obligations with the public is as follows:

	<b>December 2021</b>	<b>December 2020</b>
Demand deposits	¢ 42,463,128,829	38,189,007,771
Term deposits	56,403,099,312	84,084,337,097
	¢ <b><u>98,866,228,141</u></b>	<b><u>122,273,344,868</u></b>

(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:

	<b>December 2021</b>	<b>December 2020</b>
Allowance for loan losses (see note 6-e)	¢ 39,222,321,989	44,099,635,182
Allowance for other doubtful Receivables	2,950,922,475	4,195,534,963
Allowance for stand-by credit Losses	0	32,685,848
Expenses generic estimation and against cyclic for loan (see note 6-e)	84,963,111	410,695,231
Expenses generic estimation and against cyclic for contingent credit portfolio	440,000	82
Expenses for allowance for impairment of securities at fair value through other comprehensive income	1,869,123,279	5,219,876,457
Expense for allowance of impairment of held-to-maturity investments	2,903,390	24,016,020
	¢ <b><u>44,130,674,244</u></b>	<b><u>53,982,443,783</u></b>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

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

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

	<b>December 2021</b>	<b>December 2020</b>
Recovery of loan write-offs	¢ 12,028,253,036	16,643,407,501
Decrease in allowance for loan losses (see note 6-e)	2,307,828,997	5,869,755,108
Decrease in allowance for other doubtful receivables	1,099,846,598	2,169,523,966
Decrease in allowance for stand by credit losses	0	44,555,220
Decrease in generic estimation and Against cyclic for loan (see note 6-e)	70,255,882	4,419,403,785
Decrease in generic estimation and against cyclic for contingent loans	6,936	42,067,583
Decrease in allowance for uncollectible investments securities	753,698,507	3,830,599,208
	¢ <u><u>16,259,889,956</u></u>	<u><u>33,019,312,371</u></u>

(27) Income from service fees and commissions

Income from service fees and commissions is as follows:

	<b>December 2021</b>	<b>December 2020</b>
Drafts and transfers	¢ 2,366,202,483	1,954,703,918
Foreign trade	671,380,401	579,690,807
Certified checks	2,188,944	2,193,131
Trust management	3,911,847,158	3,864,318,355
Custodial services	260,161,752	319,828,943
By mandate	659,464	322,974
Collections	512,623,408	457,079,509
Credit cards	44,064,534,900	46,260,283,697
Authorized custodial services for securities	901,342,639	715,487,279
Commissions for transactions with related parties	5,258,144	7,926,446
Other commissions	32,926,695,870	28,790,169,850
	¢ <u><u>85,622,895,163</u></u>	<u><u>82,952,004,909</u></u>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

(28) Income from interest in other companies

Income from interest in other companies is detailed as follows:

	<u>December 2021</u>	<u>December 2020</u>
<u>Local entities</u>		
Interest in BCR Valores, S.A.- Puesto de Bolsa	3,656,667,061	3,281,780,933
Administradora de Fondos de Inversión, S.A.	2,534,412,540	2,851,840,881
Interest in BCR Pensión, Operadora de Planes de Pensiones Complementarias, S.A..	1,092,469,348	877,704,044
Interest in BCR Corredora de Seguros, S.A.	3,094,208,787	3,042,648,454
Interest in BANPROCESA-TI, S.A.	596,347,176	223,198,407
Interest in Depósito Agrícola de Cartago, S.A.		
Interest in Bancrédito Agencia de Seguros S.A.	0	1,818,043
<u>Entities abroad:</u>		
Banco Internacional de Costa Rica, S. A And subsidiarie	1,204,741,413	1,213,585,081
¢	<u><u>12,217,142,197</u></u>	<u><u>11,515,373,985</u></u>

As of December 31, 2021, there is an expense for capital investments in Depósito Agrícola de Cartago in the amount of ¢1,149,000, (¢64,624,273 for December 2020).

As of December 31, 2021, for the presentation of the financial statements of the Banco de Costa Rica Financial Conglomerate, due to the incorporation as a member company of the Conglomerate, and due to the nature of Banprocesa SRL's business, an adjustment was made in the amount of ¢940,117. 721, corresponding to the profit generated from the service provided to support the Bank's software, in the statement of financial position and in the income statement, (¢105,027,809 for December 2020).

As of December 31, 2021, there is no expense for capital investments in Agencia de Seguros S.A. (¢14,507,008 for December 2020).

As of December 31, 2021, there is no expense for capital investments in BCR Valores S.A. (¢35.483.456 for December 2020).

As of December 31, 2021, there is no expense for capital investments in BICSA, (¢349.243.595, for December 2020).

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

(29) Administrative expenses

Administrative expenses are as follows:

	<b>Diciembre 2021</b>	<b>Diciembre 2020</b>
Salaries and bonuses, permanent staff	¢ 50,216,641,117	51,066,002,263
Salaries and bonuses, contractors	2,401,763,350	2,055,119,624
Compensation for directors and statutory examiners	116,809,534	106,641,917
Overtime	556,065,495	662,536,026
Per diem	278,684,899	266,952,177
Statutory Christmas bonus	4,617,445,827	4,565,210,861
Vacation	5,205,765,517	5,104,551,881
Other compensation	626,286,243	625,107,220
Severance payments	2,665,558,484	2,523,166,351
Employer social security taxes	19,239,643,647	17,963,835,621
Refreshments	17,290,804	43,726,067
Uniforms	6,195,705	23,072,127
Training	322,808,266	197,746,645
Employee insurance	171,666,228	150,683,613
Assets for personal use	154,462	685,220
“Back-to-school” bonus	5,086,056,270	7,147,950,926
Compulsory retirement savings account	1,763,679,712	1,644,486,277
Other personnel expenses	462,371,247	517,264,130
Outsourcing	17,541,667,379	15,777,793,670
Transportation and communications	3,341,492,015	4,554,957,811
Property insurance	277,829,715	126,489,347
Property maintenance and repairs	6,540,650,637	5,652,860,728
Public utilities	2,062,366,429	2,623,586,245
Leasing of property	2,707,226,347	2,942,155,926
Leasing of furniture and equipment	744,240,743	967,272,076
Depreciation of property and equipment, except vehicles	9,710,994,117	8,910,490,242
Amortization of leasehold property	477,647,186	400,683,213
Other infrastructure, expenses	3,841,829,967	4,516,453,423
Overhead	27,159,639,231	23,768,066,039
	¢ <b><u>168,160,470,573</u></b>	<b><u>164,905,547,666</u></b>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

(30) Statutory allocations of earnings

Statutory allocations of earnings are as follows:

	<b>December 2021</b>	<b>December 2020</b>
Allocation for CONAPE	¢ 3,827,212,394	1,747,414,017
Allocation for Instituto Nacional de Fomento Cooperativo	3,721,511,969	1,419,860,976
Allocation for the National Emergencies Commission	2,296,327,437	1,048,448,410
Allocation for Régimen de Invalidez, Vejez y Muerte	11,481,637,183	5,242,242,051
	<b>¢ 21,326,688,983</b>	<b>9,457,965,454</b>

As of December 31, 2021, and December 31, 2020, there are no decreases in the legal allocations of the period's profits.

(31) Components of other comprehensive income

The components of other comprehensive income are as follows:

	<b>December 2021</b>		
	<b>Amount before income tax</b>	<b>Profit (expense)</b>	<b>Net taxes</b>
Surplus for revaluation of property	0	(6,030,158,264)	(6,030,158,264)
Adjustment for investments at fair value through other comprehensive income	¢ 59,489,488,906	(17,545,656,185)	41,943,832,721
Exchange differences for conversion of financial statements, foreign entities	3,620,787,490	0	3,620,787,490
Changes in equity from foreign subsidiaries	(260,798,698)	0	(260,798,698)
Change in equity of subsidiaries from unrealized profit	1,375,307,209	0	1,375,307,209
	<b>¢ 64,224,784,907</b>	<b>(23,575,814,449)</b>	<b>40,648,970,458</b>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

	<b>December 2020</b>		
	<b>Amount before income tax</b>	<b>Profit (expense)</b>	<b>Net taxes</b>
Adjustment for valuation of available-for sale investments	¢ (759,427,095)	910,702,913	151,275,818
Exchange differences for conversion of financial statements, foreign entities	6,092,994,524	0	6,092,994,524
Changes in equity from foreign subsidiaries	(465,384,167)	0	(465,384,167)
Change in equity of subsidiaries from unrealized profit	(1,061,035,573)	0	(1,061,035,573)
	<b>¢ 3,807,147,689</b>	<b>910,702,913</b>	<b>4,717,850,602</b>

(32) Operating leases

The Bank as tenant

Non-cancellable operating leases are payable as follows:

	<b>December 2021</b>	<b>December 2020</b>
Less than one year	¢ 91,189,908	481,705,800
Between one and five years	0	240,852,900
	<b>¢ 91,189,908</b>	<b>722,558,700</b>

(33) Fair value

Fair values of financial instruments are as follows:

	<b>December 2021</b>		<b>December 2020</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
Cash and due from banks	¢ 864,405,461,582	864,405,461,582	733,128,044,604	733,128,044,605
Investment	1,754,312,982,756	1,729,358,672,795	1,263,954,062,153	1,247,404,601,803
Loan portfolio	3,191,124,004,077	2,275,380,295,718	2,951,069,504,213	2,890,513,196,044
	<b>5,809,842,448,415</b>	<b>4,869,144,430,095</b>	<b>4,948,151,610,970</b>	<b>4,871,045,842,452</b>
Demand deposits	3,296,294,668,308	3,296,294,668,308	2,572,615,057,726	2,572,615,057,726
Term deposits	1,318,752,537,179	1,307,309,370,695	1,396,513,269,069	1,384,136,056,485
Financial obligations	550,508,568,444	493,905,987,812	491,797,500,655	496,094,012,678
	<b>¢ 5,165,555,773,931</b>	<b>5,097,510,026,815</b>	<b>4,460,925,827,450</b>	<b>4,452,845,126,889</b>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

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.

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

(34) Risk Management

Comprehensive Risk Management

a. Risk Management

Comprehensive Risk Management

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

Corporate governance of the risk management area

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

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

Objective of the Comprehensive Risk Management System

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

General Risk Principles and Policies

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



BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

- 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:

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

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

Types of risks related to the strategic plan

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

Related strategic objective	Process	Type of risk	Risk Appetite Statement Indicator
1. Guarantee the financial solidity of the Conglomerate  2. Support the development of the country	1. Organizational strategy	Capital	Equity sufficiency index
	1. Financial treasury operations		
	1. Security management	Operative	Expected loss due to operational risk (last 12 months)
	2. Management of processes and regulations		Availability of the technology platform
	3. IT Security		Vulnerability analysis
			Change management
	1. Loan granting	Credit	Expected credit loss of the loan portfolio, SUGEF
			Non-high-risk generators
	2. Monitoring of loans		
	3. Loans recovery		
	1. Financial treasury operations	Market	VaR 03-06
			Elasticity of the financial margin to movements in interest rates
		PPME (Own position in foreign currency) sensitivity to changes in the exchange rate	
2. Investment services	Liquidity	Liquidity coverage ratio by currency	

## BANCO DE COSTA RICA

### Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

#### Risk Appetite Statement

A Risk Appetite Statement is established for the BCR Financial Conglomerate approved by the General Board of Directors as well as for each member entity of the Conglomerate approved by their boards of directors and the Assembly of Shareholders. These documents are part of the comprehensive risk management framework, which are periodically reviewed and updated.

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

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

#### Process of comprehensive risk management

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

#### Types of risk assessments

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

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

#### Risk control framework

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

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

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

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

Coverage

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

Evaluation of the effectiveness and maturity of the System

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

Information generated by the Comprehensive Risk Management System

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

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

(a) Credit risk management

Definition

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

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

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

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

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

Management methodology

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

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

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

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

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

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

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

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

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

Exposure and risk management

Considering the uncertainty generated by the pandemic for COVID 19, the Bank has been using the results of the analysis of the Loan Portfolio Management Plan to have greater credit risk coverage. As of December 2021, the percentage of arrears greater than 90 days was 2,85% (2,54% December 2020). The latter indicator is 1,13 percentage points below the regulatory limit to be in the normal range, with retail banking activities showing the highest delinquency.

The dollar portfolio accounts for 27,47% (32,26% December 2020, respectively) of the total portfolio. It is important to mention, the loan portfolio has been managed strategically to attract customers with an acceptable risk profile. In addition, regular monitoring of the loans in foreign currency is given, and the portfolio of clients not generating income in foreign currency.

The activities with greater relative importance are housing, services, and trade, as shown in Note 6.a (Loan portfolio by activity) to the financial statements; in addition, the exposure limits for the loan portfolio are monitored, as well as all its indicators, to maintain a credit portfolio structure according to the risk appetite defined by the General Board of Directors.

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

Also, the commercial area is kept informed on the inherent risks of the economic activities associated with credit underwriting, through specific studies, as well as new credit instruments the Bank is planning to offer.

With respect to the counterparty risk of the investment portfolio, compliance with the internal investment limits per issuer is monitored weekly. In addition, as of January 2020, the calculation of the expected loss for the investment portfolio under IFRS 9 starts. The foregoing allows for a buffer of resources to mitigate eventual defaults that may occur in the portfolio, thus maintaining a conservative profile. By the end of September 2021, the expected loss of the investment portfolio was of 0.23%, (0.24% in December 2020).

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

Expected losses are shown in the following table:

Banco de Costa Rica, expected losses of the investment portfolio by currency December 2020 and December 2021			
<u>Value correction for losses</u>	<u>12-month expected credit losses</u>	<u>Lifetime expected credit losses</u>	<u>Financial assets with loan impairment</u>
Value correction for losses as of December 31, 2021			
Colones	2,052,373,299	156,737,605	5,733,000,000
US dollars	2,006,601	0	0
UDES	0	92,251	14,024,800
Value correction for losses As of December 31, 2020			
Colones	1,410,973,478	174,719,197	6,753,000,000
US dollars	1,337,064	14,672	21,065,000
UDES	0	183,900	14,024,800
Transfer to 12-month expected credit losses			
Colones	641,399,821	(17,981,591)	(980,000,000)
US dollars	669,537	(14,672)	(21,065,000)
UDES	0	(91,648)	0



BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

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

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

As of December 31, 2021

	Note	Direct loan portfolio	Direct loan portfolio	Contingent loan portfolio	Contingent loan portfolio
		December 2021	December 2020	December 2021	December 2020
Principal	6 <sup>a</sup>	¢ 3,193,889,504,724	2,935,641,227,054	238,184,976,382	232,564,794,767
Interest		16,243,877,380	32,602,387,644	0	0
		<u>3,210,133,382,104</u>	<u>2,968,243,614,698</u>	<u>238,184,976,382</u>	<u>232,564,794,767</u>
Allowance for loan losses		(152,572,595,665)	(118,682,677,549)	(355,390,996)	(324,012,116)
Carrying amount	¢	<u>3,057,560,786,439</u>	<u>2,849,560,937,149</u>	<u>237,829,585,386</u>	<u>232,240,782,651</u>
<b>Loan Portfolio</b>					
Total Balance:					
A1	¢	2,531,988,166,648	2,252,641,974,421	226,452,306,640	216,785,669,119
A2		38,737,755,756	51,079,575,869	1,118,547,763	993,773,116
B1		193,827,062,547	317,076,523,159	3,942,754,364	4,750,549,387
B2		24,632,906,602	18,952,645,155	147,721,241	111,877,247
C1		71,479,256,554	50,179,872,607	3,900,594,358	6,386,300,335
C2		20,872,474,608	17,670,359,057	106,060,267	73,620,031
D		116,733,956,940	46,374,944,688	764,642,908	1,036,645,186
E		148,102,200,136	161,787,877,221	1,736,026,639	2,426,360,346
1		61,556,122,926	51,254,492,919	16,322,202	0
2		830,276,955	63,731,314	0	0
3		1,218,141,671	348,996,233	0	0
4		88,715,637	723,703,593	0	0
5		14,610,311	0	0	0
6		51,734,813	88,918,462	0	0
		<u>3,210,133,382,104</u>	<u>2,968,243,614,698</u>	<u>238,184,976,382</u>	<u>232,564,794,767</u>
Allowance for loan losses		(100,038,430,338)	(81,874,379,225)	(206,640,140)	(301,501,990)
Carrying amount, net		<u>3,110,094,951,766</u>	<u>2,886,369,235,473</u>	<u>237,978,336,242</u>	<u>232,263,292,777</u>
Carrying amount, net		3,210,133,382,104	2,968,243,614,698	238,184,976,382	232,564,794,767
Allowance for loan losses		(100,038,430,338)	(81,874,379,225)	(206,640,140)	(301,501,990)
(Excess) inadequacy of allowance					
over structural estimate		(52,534,165,327)	(36,808,298,324)	(148,750,856)	(22,510,126)
Carrying amount, net	6 <sup>a</sup> ¢	<u>3,057,560,786,439</u>	<u>2,849,560,937,149</u>	<u>237,829,585,386</u>	<u>232,240,782,651</u>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

Loan Portfolio	Direct Loan Portfolio				Contingent Loan Portfolio	
	Principal	Covered Balance	Overdraft	Allowance	Principal	Allowance
Direct generic allowance						
A1	¢ 2,531,988,166,648	1,755,797,344,473	776,190,822,175	(12,659,940,910)	226,452,306,641	(151,288,935)
A2	38,737,755,756	33,030,512,828	5,707,242,928	(193,688,781)	1,118,547,763	(37,402)
1	61,556,122,926	34,862,755,024	26,693,367,902	(156,525,424)	16,322,202	(10,447)
	<u>2,632,282,045,330</u>	<u>1,823,690,612,325</u>	<u>808,591,433,005</u>	<u>(13,010,155,115)</u>	<u>227,587,176,606</u>	<u>(151,336,784)</u>
Direct specific allowance						
A1						
A2						
B1	193,827,062,547	159,277,091,032	34,549,971,515	(2,523,884,031)	3,942,754,363	(11,505,144)
B2	24,632,906,602	20,390,138,129	4,242,768,473	(526,227,540)	147,721,241	0
C1	71,479,256,554	62,261,209,385	9,218,047,169	(2,615,817,843)	3,900,594,358	(439,510)
C2	20,872,474,608	18,445,751,654	2,426,722,954	(1,305,590,237)	106,060,267	0
D	116,733,956,940	91,847,285,276	24,886,671,664	(18,796,672,164)	764,642,908	(43,358,702)
E	148,102,200,136	84,054,838,808	64,047,361,328	(61,191,645,863)	1,736,026,639	0
2	830,276,955	522,384,401	307,892,554	(18,006,550)	0	0
3	1,218,141,671	1,082,479,235	135,662,436	(39,328,005)	0	0
4	88,715,637	86,852,875	1,862,762	(1,365,646)	0	0
5	14,610,311	8,647,766	5,962,545	(4,217,021)	0	0
6	51,734,813	46,446,724	5,288,089	(5,520,323)	0	0
	<u>¢ 577,851,336,774</u>	<u>438,023,125,285</u>	<u>139,828,211,489</u>	<u>(87,028,275,223)</u>	<u>10,597,799,776</u>	<u>(55,303,356)</u>
	<u>¢ 3,210,133,382,104</u>	<u>2,261,713,737,610</u>	<u>948,419,644,494</u>	<u>(100,038,430,338)</u>	<u>238,184,976,382</u>	<u>(206,640,140)</u>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

Loan Portfolio

Aging of loan portfolio

	Direct Loan Portfolio				Contingent Loan Portfolio	
	Principal	Covered Balance	Overdraft	Allowance	Principal	Allowance
Direct generic allowance						
Up to date	¢ 2,508,828,410,224	1,738,431,164,833	770,397,245,391	(12,697,021,048)	227,570,854,404	(151,336,785)
Equal or less than 30 days	60,911,049,025	49,554,785,659	11,356,263,366	(308,120,127)	0	0
Equal or less than 60 days	983,668,109	841,906,800	141,761,309	(4,999,964)	0	0
More than 180 days	2,795,037	0	2,795,037	(13,975)	0	0
	<u>2,570,725,922,395</u>	<u>1,788,827,857,292</u>	<u>781,898,065,103</u>	<u>(13,010,155,114)</u>	<u>227,570,854,404</u>	<u>(151,336,785)</u>
Direct specific allowance						
Up to date	422,175,709,581	329,136,134,750	93,039,574,831	(26,249,282,176)	10,613,586,420	(55,021,346)
Equal or less than 30 days	35,461,121,096	26,717,833,836	8,743,287,260	(5,483,953,052)	535,558	(282,009)
Equal or less than 60 days	52,296,255,885	42,016,448,037	10,279,807,848	(5,006,028,932)	0	0
Equal or less than 90 days	33,287,535,966	24,980,466,979	8,307,068,987	(5,962,834,410)	0	0
Equal or less than 180 days	11,924,632,862	6,359,736,467	5,564,896,395	(4,874,431,625)	0	0
More than 180 days	84,262,204,319	43,675,260,249	40,586,944,070	(39,451,745,029)	0	0
	<u>¢ 639,407,459,709</u>	<u>472,885,880,318</u>	<u>166,521,579,391</u>	<u>(87,028,275,224)</u>	<u>10,614,121,978</u>	<u>(55,303,355)</u>
	<u>¢ 3,210,133,382,104</u>	<u>2,261,713,737,610</u>	<u>948,419,644,494</u>	<u>(100,038,430,338)</u>	<u>238,184,976,382</u>	<u>(206,640,140)</u>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

As of December 31, 2020:

Loan portfolio	Direct Loan Portfolio				Contingent Loan Portfolio	
	Principal	Covered Balance	Overdraft	Allowance	Principal	Allowance
Direct generic allowance						
A1	2.252.641.974.421	1.616.745.472.141	635.896.502.295	(11.263.209.927)	216.785.669.119	(150.417.045)
A2	51.079.575.869	43.707.121.566	7.372.454.303	(255.397.880)	993.773.116	0
	<u>2.303.721.550.290</u>	<u>1.660.452.593.707</u>	<u>643.268.956.598</u>	<u>(11.518.607.807)</u>	<u>217.779.442.235</u>	<u>(150.417.045)</u>
Direct specific allowance						
B1	317.076.523.159	242.166.880.501	74.909.642.657	(4.956.316.537)	4.750.549.387	(17.061.287)
B2	18.952.645.155	17.753.340.695	1.199.304.460	(208.697.151)	111.877.247	0
C1	50.179.872.607	41.371.337.690	8.808.534.917	(2.418.190.331)	6.386.300.335	(14.894.140)
C2	17.670.359.057	15.524.240.196	2.146.118.861	(1.150.680.632)	73.620.031	0
D	46.374.944.688	36.814.962.263	9.559.982.425	(7.027.310.418)	1.036.645.186	(117.047.059)
E	161.787.877.221	99.737.215.863	62.050.661.358	(54.442.469.520)	2.426.360.346	(2.082.459)
1	51.254.492.919	24.067.555.806	27.186.937.112	(131.646.647)	0	0
2	63.731.314	61.710.563	2.020.751	(409.590)	0	0
3	348.996.233	336.391.423	12.604.810	(4.833.160)	0	0
4	723.703.593	705.766.328	17.937.265	(12.497.464)	0	0
6	88.918.462	86.631.652	2.286.810	(2.719.968)	0	0
	<u>664.522.064.408</u>	<u>478.626.032.980</u>	<u>185.896.031.426</u>	<u>(70.355.771.418)</u>	<u>14.785.352.532</u>	<u>(151.084.945)</u>
	<u>2.968.243.614.698</u>	<u>2.139.078.626.687</u>	<u>829.164.988.024</u>	<u>(81.874.379.225)</u>	<u>232.564.794.767</u>	<u>(301.501.990)</u>
Loan Portfolio						
Aging of loan portfolio						
Direct generic allowance						
Up to date	2.267.270.150.153	1.630.532.744.207	636.737.405.959	(11.466.141.660)	217.779.442.235	(150.417.046)
Equal or less than 30 days	35.941.488.451	29.533.210.561	6.408.277.890	(181.544.128)	0	0
Equal or less than 60 days	509.911.688	386.638.939	123.272.749	(2.568.667)	0	0
	<u>2.303.721.550.292</u>	<u>1.660.452.593.707</u>	<u>643.268.956.598</u>	<u>(11.650.254.455)</u>	<u>217.779.442.235</u>	<u>(150.417.046)</u>
Direct specific allowance						
Up to date	522.783.216.599	386.234.620.346	136.548.596.253	(30.572.674.886)	14.741.352.532	(149.284.855)
Equal or less than 30 days	23.306.055.364	17.517.152.270	5.788.903.094	(4.422.115.734)	0	0
Equal or less than 60 days	26.170.163.849	18.632.086.433	7.538.077.416	(2.072.318.302)	0	0
Equal or less than 90 days	12.930.556.366	9.033.452.404	3.897.103.963	(1.922.228.958)	0	0
Equal or less than 180 days	10.277.689.598	6.267.983.386	4.009.706.211	(3.422.480.751)	0	0
More than 180 days	69.054.382.630	40.940.738.141	28.113.644.489	(27.812.306.139)	44.000.000	(1.800.089)
	<u>664.522.064.406</u>	<u>478.626.032.980</u>	<u>185.896.031.426</u>	<u>(70.224.124.770)</u>	<u>14.785.352.532</u>	<u>(151.084.944)</u>
	<u>2.968.243.614.698</u>	<u>2.139.078.626.687</u>	<u>829.164.988.024</u>	<u>(81.874.379.225)</u>	<u>232.564.794.767</u>	<u>(301.501.990)</u>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

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

On December 31, 2021	Loans receivable from customer	
	Gross	Net
Risk Category:		
A1	¢ 2,531,988,166,637	2,519,328,225,729
A2	38,737,755,756	38,544,066,975
B1	193,827,062,550	191,303,178,517
B2	24,632,906,602	24,106,679,062
C1	71,479,256,555	68,863,438,713
C2	20,872,474,609	19,566,884,372
D	116,733,956,941	97,937,284,777
E	148,102,200,137	86,910,554,274
1	61,556,122,926	61,399,597,502
2	830,276,955	812,270,405
3	1,218,141,672	1,178,813,666
4	88,715,638	87,349,992
5	14,610,312	10,393,291
6	51,734,814	46,214,491
	¢ <u>3,210,133,382,104</u>	<u>3,110,094,951,766</u>

On December 31, 2020	Loans receivable from customer	
	Gross	Net
Risk Category:		
A1	¢ 2,252,641,974,421	2,241,378,764,495
A2	51,079,575,869	50,824,177,989
B1	317,076,523,159	312,120,206,622
B2	18,952,645,155	18,743,948,005
C1	50,179,872,607	47,761,682,276
C2	17,670,359,057	16,519,678,424
D	46,374,944,688	39,347,634,270
E	161,787,877,221	107,345,407,701
1	51,254,492,919	51,122,846,271
2	63,731,314	63,321,724
3	348,996,233	344,163,073
4	723,703,593	711,206,129
6	88,918,462	86,198,494
	¢ <u>2,968,243,614,698</u>	<u>2,886,369,235,473</u>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

In compliance with SUGEF Directive 1-05, as of December 31, 2021, the Bank must maintain a minimum allowance in the amount of ¢100.245.070.478 (¢82.175.881.215 for December 2020) of which ¢100.038.430.338 (¢81.874.379.225 for December 2020) is allocated to the valuation of the direct loan portfolio and ¢¢206.640.140 (¢301.501.990 for December 2020) to the contingent loan portfolio. Additionally, the countercyclical allowance is of ¢4.779.400.343 (¢4.779.400.343 for December 2020).

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

	December 2021		December 2020	
	Loan Portfolio	Contingent Accounts	Loan Portfolio	Contingent Accounts
Trade	¢ 201,575,626,184	22,218,278,320	13,459,233,392	18,756,586,239
Manufacturing	285,047,581,797	7,754,821	245,793,289,371	7,754,821
Construction, purchase and repair of real estate	1,271,588,188,876	45,321,317	1,081,892,577,381	64,882,118
Agriculture, livestock, hunting and related services	149,043,571,577	7,000,000	154,654,885,618	7,000,000
Fishing and aquaculture	46,000,000	0	11,172,166	0
Consumer	280,742,362,650	109,333,834,828	294,160,093,165	109,881,603,385
Education	819,434,189	0	3,431,935,531	0
Transportation	37,588,886,200	81,176,250	38,252,582,196	83,687,143
Financial and stock Exchange	3,747,089,931	0	4,064,820,107	0
Telecommunications and public utilities	163,842,838,285	0	54,793,466,607	0
Services	359,874,194,204	111,009,501,105	931,695,308,269	109,216,110,093
Hospitality	116,341,025,761	0	103,285,509,304	0
Mining and quarrying	35,408,877	0	41,301,001	0
Real estate, business and leasing activities	37,403,809,988	0	8,666,712,945	0
Public Administration	285,486,409,880	4,100,919,059	0	1,754,376,726
Other activities from the non-financial private sector	707,076,325	20,530,565	1,438,340,001	19,641,251
	<u>3,193,889,504,724</u>	<u>246,824,316,265</u>	<u>2,935,641,227,054</u>	<u>239,791,641,776</u>
Other contingencies	0	72,902,375,786	0	74,386,976,761
	<u>¢ 3,193,889,504,724</u>	<u>319,726,692,051</u>	<u>2,935,641,227,054</u>	<u>314,178,618,537</u>

As of December 31, 2021, and December 2020, the Bank's risk associated to the loan portfolio is concentrated in Costa Rica.

As of December 31, 2021, the Bank has banking mandates for ¢1.125.341 (¢1.545 December 2020).

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

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

		<b>December 2021</b>	<b>December 2020</b>
Properties	¢	115,853,794,973	132,846,965,515
Other		528,893,782	693,972,758
	¢	<b><u>116,382,688,755</u></b>	<b><u>133,540,938,273</u></b>

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:

		<b>December 2021</b>		<b>December 2020</b>	
		<b><u>Loan portfolio</u></b>	<b><u>Contingent accounts</u></b>	<b><u>Loan portfolio</u></b>	<b><u>Contingent accounts</u></b>
<b>Guarantee:</b>					
Fiduciary	¢	394,185,654,977	0	361,734,405,218	0
Mortgage		1,498,236,202,119	73,166,667	1,386,339,777,972	64,933,762
Chattel mortgage		115,244,334,786	0	122,047,249,502	0
Other		<u>1,186,223,312,842</u>	<u>246,751,149,598</u>	<u>1,065,519,794,362</u>	<u>239,726,708,014</u>
	¢	<b><u>3,193,889,504,724</u></b>	<b><u>246,824,316,265</u></b>	<b><u>2,935,641,227,054</u></b>	<b><u>239,791,641,776</u></b>

See notes 6 y 19.

As of December 31, 2021, 51% of the loan portfolio is secured by mortgage or chattel collaterals (51% for December 2020).

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

As of December 31, 2021, groups of borrowers (members) having operations that add 2% or more of adjusted capital and in groups report 5% or more of adjusted capital, are reported.

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

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

As of December 31, 2021:

<u>No.</u>	<u>Percentage</u>	<u>Band</u>	<u>Total value</u>	<u>N° customers</u>
1	0-4,99%	23,905,976,882	94,983,200,042	1
2	5-9,99%	47,811,953,763	262,135,305,013	3
3	10-14,99%	71,717,930,645	0	0
4	15-20%	95,623,907,526	0	0
<b>Total</b>		¢	<b>357,118,505,055</b>	<b>4</b>

As of December 31, 2020:

<u>No.</u>	<u>Percentage</u>	<u>Band</u>	<u>Total value</u>	<u>N° customers</u>
1	0-4.99%	23.261.525.331 ¢	15.058.079.520	1
2	5-9.99%	46.523.050.661	314.783.537.742	6
3	10-14.99%	69.784.575.992	0	0
4	15-20%	93.046.101.322	0	0
<b>Total</b>		¢	<b>329.841.617.262</b>	<b>7</b>

(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 its obligations with third parties, due to insufficient cash flow, resulting from the outcome between the term of the recoveries (active operations) and the term of the obligations (passive operations); or else, due to the inadequate price formation mechanism that makes it impossible to know the price to transform an asset and / or liability into liquidity.

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

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



## BANCO DE COSTA RICA

### Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

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

#### Management methodology

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

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

Management of operational liquidity risk is periodically assessed by daily updating the Bank's cash flow projected for six months and calculating the liquidity coverage indicator; term matches are prepared on a weekly basis. All liquidity risk indicators are calculated by currency.

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

#### Tolerance limits and risk indicators

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

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

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

- Interest rate risk: Sensitivity of the financial margin due to movements in the reference interest rates.

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

Exposure and risk management

(c) Liquidity risk

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

Cash and cash equivalents show a year-on-year increase of 10,81%, in almost all items except cash, checking accounts and demand deposits in foreign financial institutions and restricted availabilities (see cash and cash equivalents table in note 4).

Demand deposits increased by 28.32% on a year-on-year basis, due to the increase in current account balances, demand savings deposits and other demand obligations with the public (see chart of demand obligations with the public in note 11).

Wholesale funding show a year-on-year increase of 11.94% on a year-on-year basis, mainly due to the decrease in the overdraft account in demand checking accounts in foreign financial entities. (See table of obligations with financial institutions and the Central Bank in note 14 of this document).

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

	<b>December 2021</b>	<b>December 2020</b>
Liquidity coverage indicator (colones)	1.23	1.35
Liquidity coverage indicator (US dollars)	1.67	1.58
Regulatory limit	1.00	1.00

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2022)

On the other hand, the term matches, another regulatory indicator, had the following results as of December 31, 2021:

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	2.68	Limit:	1.10
1-month term matching colones		2.60	Limit:	1.00
3-months term matching US dollars		1.79	Limit:	0.94
3-months term matching colones		1.78	Limit:	0.85

As of December 31, 2020

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	1.70	Limit:	1,10
1-month term matching colones		1.44	Limit:	1.00
3-months term matching US dollars		1.16	Limit:	0,94
3-months term matching colones		1.12	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 strategy for compliance with the Liquidity Coverage Indicator but mainly to attend to the emergency due to the Covid-19 pandemic that the country has been facing since March 2020.

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

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

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

The Bank's assets and liabilities mature as follows:

As of December 31, 2021

Assets	Demand	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days	More than 365 days	More than 30 days past due	Total
Cash and due from banks	¢ 338,991,823,664	0	0	0	0	0	0	0	338,991,823,664
Cash reserve- BCCR	348,958,390,978	35,768,253,928	20,464,212,076	16,257,418,716	40,210,942,636	41,377,474,977	22,376,944,606	0	525,413,637,917
Investments	0	320,583,968,405	13,571,638,451	15,988,917,175	73,068,296,720	74,137,179,920	1,232,008,672,124	0	1,729,358,672,795
Interest on investments	0	19,193,388,815	2,990,680,001	1,429,944,850	1,340,296,295	0	0	0	24,954,309,961
Loan portfolio	0	43,007,877,252	36,112,876,001	30,477,696,695	105,363,484,658	142,008,718,393	181,124,362,782	2,636,785,110,916	3,174,880,126,697
Interest on loans	0	5,708,878,553	773,116,267	156,224,283	729,848,592	252,151,373	8,586,743,824	36,914,488	16,243,877,380
	¢ <b>687,950,214,642</b>	<b>424,262,366,953</b>	<b>73,912,522,796</b>	<b>64,310,201,719</b>	<b>220,712,868,901</b>	<b>257,775,524,663</b>	<b>1,444,096,723,336</b>	<b>2,636,822,025,404</b>	<b>5,809,842,448,414</b>
<b>Liabilities</b>									
Obligations with the public	¢ 3,283,466,617,831	260,126,383,161	154,502,001,965	125,618,930,132	299,405,484,983	315,333,276,086	164,872,678,962	0	4,603,325,373,120
Obligations with BCCR	0	10,001,111,049	0	0	0	0	117,687,914,780	0	127,689,025,829
Obligations with financial entities	35,221,034,718	219,633,212,087	15,186,450,676	32,362,257,758	46,609,776,057	47,880,315,707	23,623,365,624	0	420,516,412,627
Charges payable	1,219,462,589	2,357,782,517	2,626,094,604	1,571,020,695	2,825,614,790	1,906,214,713	1,518,772,447	0	14,024,962,355
	<b>3,319,907,115,138</b>	<b>492,118,488,814</b>	<b>172,314,547,245</b>	<b>159,552,208,585</b>	<b>348,840,875,830</b>	<b>365,119,806,506</b>	<b>307,702,731,813</b>	<b>0</b>	<b>5,165,555,773,931</b>
<b>Assets and liabilities spread</b>	¢ <b>(2,631,956,900,496)</b>	<b>(67,856,121,861)</b>	<b>(98,402,024,449)</b>	<b>(95,242,006,866)</b>	<b>(128,128,006,929)</b>	<b>(107,344,281,843)</b>	<b>1,136,393,991,523</b>	<b>2,636,822,025,404</b>	<b>644,286,674,483</b>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

As of December 31, 2020

	<u>Demand</u>	<u>1 to 30 days</u>	<u>31 to 60 days</u>	<u>61 to 90 days</u>	<u>91 to 180 days</u>	<u>181 to 365 days</u>	<u>More than 365 days</u>	<u>More than 30 days past due</u>	<u>Total</u>
<b>Assets</b>									
Cash and due from banks ¢	195.887.586.180	0	0	0	0	0	0	0	195.887.586.180
Cash reserve- BCCR	343.996.390.339	50.777.837.368	23.238.100.402	19.448.809.375	39.271.332.953	40.970.726.749	19.537.261.238	0	537.240.458.424
Investments	0	196.497.980.121	16.655.165.246	15.980.984.890	117.270.028.503	196.824.695.844	704.175.747.199	0	1.247.404.601.803
Interest on investments	0	6.722.169.749	6.603.631.746	1.331.611.539	1.892.047.315	0	0	0	16.549.460.349
Loan portfolio	0	33.828.358.650	33.145.313.111	27.951.311.765	98.962.003.408	122.965.456.363	2.477.396.338.675	124.218.334.598	2.918.467.116.570
Interest on loans	0	5.655.495.897	5.446.631.200	5.083.144.978	3.049.781.986	5.781.558.796	155.443.312	7.430.331.475	32.602.387.644
¢	<u>539.883.976.519</u>	<u>293.481.841.785</u>	<u>85.088.841.705</u>	<u>69.795.862.547</u>	<u>260.445.194.165</u>	<u>366.542.437.752</u>	<u>3.201.264.790.424</u>	<u>131.648.666.073</u>	<u>4.948.151.610.970</u>
<b>Liabilities</b>									
Obligations with the public ¢	2.558.767.229.179	364.686.667.204	174.566.417.367	146.944.627.076	284.925.298.866	294.889.327.523	131.036.466.611	0	3.955.816.033.826
Obligations with BCCR	0	2.500.208.320	0	0	0	0	0	0	2.500.208.320
Obligations with financial entities	34.348.836.719	211.230.333.154	36.893.498.619	69.962.249.665	51.467.130.745	60.138.153.068	24.175.780.061	0	488.215.982.031
Charges payable	1.184.108.503	3.397.682.463	2.632.524.482	1.628.076.778	2.749.193.771	2.040.480.391	761.536.885	0	14.393.603.273
	<u>2.594.300.174.401</u>	<u>581.814.891.141</u>	<u>214.092.440.468</u>	<u>218.534.953.519</u>	<u>339.141.623.382</u>	<u>357.067.960.982</u>	<u>155.973.783.557</u>	<u>0</u>	<u>4.460.925.827.450</u>
<b>Assets and liabilities spread</b> ¢	<u>(2.054.416.197.882)</u>	<u>(288.333.049.356)</u>	<u>(129.003.598.763)</u>	<u>(148.739.090.972)</u>	<u>(78.696.429.217)</u>	<u>9.474.476.770</u>	<u>3.045.291.006.867</u>	<u>131.648.666.073</u>	<u>487.225.783.520</u>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

(d) Price risk of the portfolio

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

In the case of own funds, a concentration of 61,27% is observed in instruments issued by the Ministry of Finance. In this sense and with the purpose of mitigating the market risk of these instruments, a strategy was defined in the investment position of this issuer.

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

	<b>December 2021</b>	<b>December 2020</b>
VaR	¢ 11,321,149,203	7,128,609,927

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

(e) Interest rate risk

The Bank has a credit portfolio, investments, and obligations with the public and with entities subject to variable interest rates and therefore sensitive to fluctuations in interest rates and cash flow risk. As of December 31, 2021, a sensitivity analysis on possible variations in interest rates has been developed.

Sensitivity to an increase in the interest rate of investments

	<b>December 2021</b>	<b>December 2020</b>
Investment in financial instruments	¢ 1,508,341,829,584	753,655,659,848
Increase in rates by 1%	291,722,625	193,762,699
Increase in rates by 2%	¢ 583,445,250	387,525,398

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

Sensitivity to a decrease in the interest rate of investments

	<b>December 2021</b>	<b>December 2020</b>
Investment in financial instruments	¢ 1,508,341,829,584	753,655,659,848
Decrease in rates by 1%	291,722,625	193,762,699
Decrease in rates by 2%	¢ 583,445,250	387,525,398

Sensitivity to an increase in the interest rate of loan portfolio

	<b>December 2021</b>	<b>December 2020</b>
Loan portfolio	¢ 3,322,631,749,946	3,056,756,166,060
Increase in rates by 1%	1,806,443,985	1,346,553,773
Increase in rates by 2%	¢ 3,626,374,359	2,730,186,649

Sensitivity to a decrease in the interest rate of loan portfolio

	<b>December 2021</b>	<b>December 2020</b>
Loan portfolio	¢ 3,322,631,749,946	3,056,756,166,060
Decrease in rates by 1%	1,794,415,508	1,297,609,468
Decrease in rates by 2%	¢ 3,586,765,803	2,992,331,781

Sensitivity to an increase in rates of obligations with the public

	<b>December 2021</b>	<b>December 2020</b>
Obligations with the public	¢ 4,595,900,641,742	3,947,112,080,455
Increase in rates by 1%	1,822,383,143	3,127,746,509
Increase in rates by 2%	¢ 3,644,766,286	6,225,493,017

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

Sensitivity to a decrease in rates of obligations with the public

	<b>December 2021</b>	<b>December 2020</b>
Obligations with the public	¢ 4,595,900,641,742	3,947,112,080,455
Decrease in rates by 1%	1,822,383,143	3,127,746,509
Decrease in rates by 2%	¢ 3,644,766,286	6,225,493,017

Sensitivity to an increase in rates of term financial obligations

	<b>December 2021</b>	<b>December 2020</b>
Obligations with the public	¢ 167,857,238,324	287,572,604
Increase in rates by 1%	139,847,287	147,932,140
Increase in rates by 2%	¢ 279,694,574	295,864,280

Sensitivity to a decrease in rates of term financial obligations

	<b>December 2021</b>	<b>December 2020</b>
Term financial obligations	¢ 167,857,238,324	287,572,604
Decrease in rates by 1%	139,847,287	147,932,140
Decrease in rates by 2%	¢ 279,694,574	295,864,280



BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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

	<u>Effective rate</u>	<u>1 to 30 days</u>	<u>31 to 90 days</u>	<u>91 to 180 days</u>	<u>181 to 360 days</u>	<u>361 to 720 days</u>	<u>More than 720 days</u>	<u>Total</u>
<i>Colones</i>								
<b>Assets</b>								
Investments	6.24%	¢ 130,564,386,560	29,141,565,195	59,756,361,130	49,928,700,000	161,257,550,000	778,990,666,280	1,209,639,229,165
Loan portfolio	7.47%	<u>1,491,107,259,132</u>	<u>176,389,813,963</u>	<u>122,125,309,781</u>	<u>48,837,054,341</u>	<u>65,139,000,687</u>	<u>806,372,174,173</u>	<u>2,709,970,612,077</u>
<b>Total recovered assets (*)</b>		<u><b>1,621,671,645,692</b></u>	<u><b>205,531,379,158</b></u>	<u><b>181,881,670,911</b></u>	<u><b>98,765,754,341</b></u>	<u><b>226,396,550,687</b></u>	<u><b>1,585,362,840,453</b></u>	<u><b>3,919,609,841,242</b></u>
<b>Liabilities</b>								
Obligations with the public		130,252,520,961	189,438,304,198	211,699,837,641	45,495,388,592	179,980,510,078	55,152,400,273	812,018,961,743
Demand	1.50%	0						0
Term	3.69%							
Obligations with the Central Bank of Costa Rica		10,001,111,049	0	0	0	0	0	10,001,111,049
Obligations with financial entities	1.22%	<u>29,556,351,028</u>	<u>38,540,261,637</u>	<u>36,261,565,236</u>	<u>1,065,250,000</u>	<u>159,531,201,325</u>	<u>0</u>	<u>264,954,629,226</u>
<b>Total matured liabilities (*)</b>		<u><b>169,809,983,038</b></u>	<u><b>227,978,565,835</b></u>	<u><b>247,961,402,877</b></u>	<u><b>46,560,638,592</b></u>	<u><b>339,511,711,403</b></u>	<u><b>55,152,400,273</b></u>	<u><b>1,086,974,702,018</b></u>
<b>Assets and liabilities spread</b>	¢	<u><b>1,451,861,662,654</b></u>	<u><b>(22,447,186,677)</b></u>	<u><b>(66,079,731,966)</b></u>	<u><b>52,205,115,749</b></u>	<u><b>(113,115,160,716)</b></u>	<u><b>1,530,210,440,180</b></u>	<u><b>2,832,635,139,224</b></u>
<i>Dollars</i>								
<b>Assets</b>								
Investments	3.92%	¢ 248,408,426,626	33,712,771,968	47,805,339,782	37,674,857,000	170,688,627,750	164,713,612,750	703,003,635,876
Loan portfolio	6.98%	<u>637,595,036,125</u>	<u>30,510,625,071</u>	<u>13,865,880,828</u>	<u>15,216,945,560</u>	<u>10,632,284,130</u>	<u>145,275,263,924</u>	<u>853,096,035,638</u>
<b>Total recovered assets (*)</b>		<u><b>886,003,462,751</b></u>	<u><b>64,223,397,039</b></u>	<u><b>61,671,220,610</b></u>	<u><b>52,891,802,560</b></u>	<u><b>181,320,911,880</b></u>	<u><b>309,988,876,674</b></u>	<u><b>1,556,099,671,514</b></u>
<b>Liabilities</b>								
Obligations with the public		13,820,110,879	11,671,450,224	12,783,631,968	9,613,462,687	18,019,787,052	14,357,713,279	80,266,156,089
Demand	45.00%							
Term	2.48%							
Obligations with financial entities	2.03%	<u>3,322,118,825</u>	<u>9,937,193,901</u>	<u>6,111,213,258</u>	<u>12,665,288,985</u>	<u>2,677,402,576</u>	<u>20,166,674,133</u>	<u>54,879,891,678</u>
<b>Total matured liabilities (*)</b>		<u><b>17,142,229,704</b></u>	<u><b>21,608,644,125</b></u>	<u><b>18,894,845,226</b></u>	<u><b>22,278,751,672</b></u>	<u><b>20,697,189,628</b></u>	<u><b>34,524,387,412</b></u>	<u><b>135,146,047,767</b></u>
<b>Assets and liabilities spread</b>	¢	<u><b>868,861,233,047</b></u>	<u><b>42,614,752,914</b></u>	<u><b>42,776,375,384</b></u>	<u><b>30,613,050,888</b></u>	<u><b>160,623,722,252</b></u>	<u><b>275,464,489,262</b></u>	<u><b>1,420,953,623,747</b></u>

(\*) Interest rate sensitive

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

As of December 31, 2020

	<u>Effective rate</u>	<u>1 to 30 days</u>	<u>31 to 90 days</u>	<u>91 to 180 days</u>	<u>181 to 360 days</u>	<u>361 to 720 days</u>	<u>More than 720 days</u>	<u>Total</u>
<b>Colones</b>								
<b>Assets</b>								
Investments	6.78%	¢ 75,184,111,107	33,139,918,761	98,363,065,758	135,980,000,000	70,582,009,838	424,799,198,270	838,048,303,734
Loan portfolio	9.06%	1,060,621,611,327	206,664,539,378	175,220,476,416	273,324,955,888	114,073,710,830	172,315,940,626	2,002,221,234,465
<b>Total recovered assets (*)</b>		<b>1,135,805,722,434</b>	<b>239,804,458,139</b>	<b>273,583,542,174</b>	<b>409,304,955,888</b>	<b>184,655,720,668</b>	<b>597,115,138,896</b>	<b>2,840,269,538,199</b>
<b>Liabilities</b>								
Obligations with the public		230,007,845,703	236,233,880,968	182,034,748,935	30,607,021,726	189,156,036,130	34,433,506,881	902,473,040,343
Demand	1.66%	2,500,208,320						2,500,208,320
Term	4.86%							
Obligations with financial entities	0.00%	17,515,399,324	22,162,645,796	24,594,204,486	0	30,933,372,248	0	95,205,621,854
<b>Total matured liabilities (*)</b>		<b>250,023,453,347</b>	<b>258,396,526,764</b>	<b>206,628,953,421</b>	<b>30,607,021,726</b>	<b>220,089,408,378</b>	<b>34,433,506,881</b>	<b>1,000,178,870,517</b>
<b>Assets and liabilities spread</b>		<b>¢ 885,782,269,087</b>	<b>(18,592,068,625)</b>	<b>66,954,588,753</b>	<b>378,697,934,162</b>	<b>(35,433,687,710)</b>	<b>562,681,632,015</b>	<b>1,840,090,667,682</b>
<b>Dollars</b>								
<b>Assets</b>								
Investments	3.86%	¢ 168,872,868,465	72,902,569,109	119,512,749,375	66,230,117,000	76,195,808,200	138,531,996,800	642,246,108,949
Loan portfolio	6.38%	550,742,747,506	250,298,638,969	24,542,690,931	58,266,481,286	26,335,459,134	35,228,374,508	945,414,392,334
<b>Total recovered assets (*)</b>		<b>719,615,615,971</b>	<b>323,201,208,078</b>	<b>144,055,440,306</b>	<b>124,496,598,286</b>	<b>102,531,267,334</b>	<b>173,760,371,308</b>	<b>1,587,660,501,283</b>
<b>Liabilities</b>								
Obligations with the public		12,518,308,327	15,701,542,794	15,726,103,742	9,504,322,883	15,806,862,745	11,157,214,656	80,414,355,147
Demand	0.42%							
Term	3.03%							
Obligations with financial entities	2.29%	25,695,069,625	85,106,185,029	23,670,218,922	33,058,982,923	1,358,058,359	24,175,780,062	193,064,294,920
<b>Total matured liabilities (*)</b>		<b>38,213,377,952</b>	<b>100,807,727,823</b>	<b>39,396,322,664</b>	<b>42,563,305,806</b>	<b>17,164,921,104</b>	<b>35,332,994,718</b>	<b>273,478,650,067</b>
<b>Assets and liabilities spread</b>		<b>¢ 681,402,238,019</b>	<b>222,393,480,255</b>	<b>104,659,117,642</b>	<b>81,933,292,480</b>	<b>85,366,346,230</b>	<b>138,427,376,590</b>	<b>1,314,181,851,216</b>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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, 2021, for ¢2.832.635.139.224 (¢1.840.090.667.682 for December 2020) while in foreign currency the same difference is of ¢1.420.953.623.747 (¢1.314.181.851.216 for December 2020) 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 2021, the total amount in local currency was of ¢519.819.857.087 (¢357.313.761.351 for December 2020) while in foreign currency, the collected data for the compliance of obligations was of ¢124.466.817.698 (¢129.912.022.169 for December 2020) however, on a consolidated basis it shows the necessary solvency to meet the liquid liabilities of the Organization.

(f) Foreign exchange risk

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

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

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

During the third quarter of 2021 the exchange rate has had a stable behavior, resulting in a volatility of 0.51%.

To comply with the Own Position in Foreign Currency, the Treasury Management had to maintain a positive position in foreign currency, reaching, US\$204 million (US\$227 million as of June 2021 and US\$235 million as of December 2020).

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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

		<b>December 2021</b>	<b>December 2020</b>
<b>Assets</b>			
Cash and due from banks	US\$	607,947,793	514,562,695
Investments in financial instruments		981,445,965	720,617,678
Loan portfolio		1,275,266,944	1,483,241,702
Accounts and accrued interest receivable		1,716,121	1,867,767
Investments in other companies		123,820,677	122,032,336
Other		5,074,689	12,731,211
<b>Total assets</b>		<u>2,995,272,189</u>	<u>2,855,053,389</u>
<b>Liabilities</b>			
Obligations with the public		2,503,270,146	2,098,156,468
Other financial obligations		256,885,258	475,065,079
Other account payable and provisions		22,145,587	22,957,958
Other liabilities		7,784,599	22,086,296
<b>Total liabilities</b>		<u>2,790,085,590</u>	<u>2,618,265,801</u>
<b>Net position (excess of monetary assets over monetary liabilities)</b>	US\$	<u><u>205,186,599</u></u>	<u><u>236,787,588</u></u>

From January 2020, monetary assets and liabilities in foreign currency are valued by using the reference sale rate established by BCCR on the last business day of each month (previously the purchase exchange rate was used); as of December 31, 2021, that rate was ₡645.25 for US\$1.00 (₡617,30 in December 2020).

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

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

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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

	<b>December 2021</b>	<b>December 2020</b>
Net position	205,186,599	236,787,587
Closing exchange rate	645.25	617.30
Increase in the exchange rate by 5%	32.26	30.87
Profit	<u>6,619,319,684</u>	<u>7,309,632,811</u>

Sensitivity to a decrease in the exchange rate

	<b>December 2021</b>	<b>December 2020</b>
Net position	205,186,599	236,787,587
Closing exchange rate	645.25	617.30
Decrease in the exchange rate by 5%	(32.26)	(30.87)
Loss	<u>(6,619,319,684)</u>	<u>(7,309,632,811)</u>

Monetary assets and liabilities in Euros are detailed as follows:

		<b>December 2021</b>	<b>December 2020</b>
<b>Assets:</b>			
Cash and due from banks	EUR€	6,958,224	7,344,314
Other assets		6,625	74
Total assets		<u>6,964,849</u>	<u>7,344,388</u>
<b>Liabilities:</b>			
Obligations with the public		5,748,836	5,020,732
Other financial obligations		753,785	643,414
Other accounts payable and provisions		18,680	32,776
Other liabilities		204,619	773,368
Total liabilities		<u>6,725,920</u>	<u>6,470,290</u>
Net position (excess of monetary assets over monetary liabilities)	EUR€	<u><b>238,929</b></u>	<u><b>874,098</b></u>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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

		<u>Demand</u>	<u>1 to 30 days</u>	<u>31 to 60 days</u>	<u>61 to 90 days</u>	<u>91 to 180 days</u>	<u>181 to 365 days</u>	<u>More than 365 days</u>	<u>More than 30 days past due</u>	<u>Total</u>
<b>Assets</b>										
Cash and due from banks	US\$	224,652,480	0	0	0	0	0	0	0	224,652,480
Cash reserve- BCCR		255,232,864	32,295,145	13,627,533	8,367,047	30,350,703	25,042,568	18,379,452	0	383,295,312
Investments		0	374,706,318	9,184,847	18,446	33,927,218	37,144,039	516,303,244	0	971,284,112
Interest on investments		0	4,753,146	4,634,917	0	773,792	0	0	0	10,161,855
Loan portfolio		0	7,098,342	12,603,600	10,052,567	59,669,983	91,469,737	130,480,342	1,044,751,638	1,356,126,209
Interest on loans		0	1,794,542	88,216	44,670	1,627	285,408	5,297,994	20,024	7,532,481
		<u>479,885,344</u>	<u>420,647,493</u>	<u>40,139,113</u>	<u>18,482,730</u>	<u>124,723,323</u>	<u>153,941,752</u>	<u>670,461,032</u>	<u>1,044,771,662</u>	<u>2,953,052,449</u>
<b>Liabilities</b>										
Obligations with public		1,662,984,935	210,420,940	88,791,002	54,515,996	197,751,817	163,166,344	119,752,418	0	2,497,383,452
Obligations with financial										
Entities		12,696,743	168,221,358	576,070	14,692,439	9,414,053	19,738,178	31,513,526	0	256,852,367
Charges payable		245,750	901,175	1,257,309	481,546	1,344,297	1,026,353	663,153	0	5,919,583
		<u>1,675,927,428</u>	<u>379,543,473</u>	<u>90,624,381</u>	<u>69,689,981</u>	<u>208,510,167</u>	<u>183,930,875</u>	<u>151,929,097</u>	<u>0</u>	<u>2,760,155,402</u>
<b>Assets and liabilities spread</b>	US\$	<u>(1,196,042,084)</u>	<u>41,104,020</u>	<u>(50,485,268)</u>	<u>(51,207,251)</u>	<u>(83,786,844)</u>	<u>(29,989,123)</u>	<u>518,531,935</u>	<u>1,044,771,662</u>	<u>192,897,047</u>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

As of December 31, 2020

		<u>Demand</u>	<u>1 to 30 days</u>	<u>31 to 60 days</u>	<u>61 to 90 days</u>	<u>91 to 180 days</u>	<u>181 to 365 days</u>	<u>More than 365 days</u>	<u>More than 30 days past due</u>	<u>Total</u>
<b>Assets</b>										
Cash and due from banks	US\$	158,781,694	0	0	0	0	0	0	0	158,781,694
Cash reserve- BCCR		211,148,502	39,557,157	13,159,665	10,470,076	28,738,228	31,506,404	21,200,970	0	355,781,002
Investments		0	232,346,048	11,096,862	2,003,263	74,640,659	93,840,152	300,230,574	0	714,157,558
Interest on investments		0	856,268	4,227,029	37,011	1,339,812	0	0	0	6,460,120
Loan portfolio		0	9,558,024	12,843,368	13,280,013	52,524,247	60,322,742	1,311,308,291	69,448,283	1,529,284,968
Interest on loans		0	2,407,293	5,534,741	5,097,759	1,100,192	1,491,497	0	3,576,729	19,208,211
		<u>369,930,196</u>	<u>284,724,790</u>	<u>46,861,665</u>	<u>30,888,122</u>	<u>158,343,138</u>	<u>187,160,795</u>	<u>1,632,739,835</u>	<u>73,025,012</u>	<u>2,783,673,553</u>
<b>Liabilities</b>										
Obligations with public		1,240,959,771	232,484,913	77,341,845	61,534,620	168,900,011	185,169,106	124,602,117	0	2,090,992,383
Obligations with financial										
Entities		11,992,100	196,513,602	40,613,635	97,091,209	34,381,067	58,913,931	35,055,379	0	474,560,923
Charges payable		318,437	1,223,884	1,408,309	1,297,938	1,696,065	1,260,824	462,783	0	7,668,240
		<u>1,253,270,308</u>	<u>430,222,399</u>	<u>119,363,789</u>	<u>159,923,767</u>	<u>204,977,143</u>	<u>245,343,861</u>	<u>160,120,279</u>	<u>0</u>	<u>2,573,221,546</u>
<b>Assets and liabilities spread</b>	US\$	<u>(883,340,112)</u>	<u>(145,497,609)</u>	<u>(72,502,124)</u>	<u>(129,035,645)</u>	<u>(46,634,005)</u>	<u>(58,183,066)</u>	<u>1,472,619,556</u>	<u>73,025,012</u>	<u>210,452,007</u>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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

For the period ended December 31, 2021, the separate accumulated financial statements show a net foreign exchange profit of ¢2.726.227.722 (¢5.597.975.003 for December 2020)

(g) Capital Management

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

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

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

The increase in liquidity risk for 2021 does not affect the regulatory capital coverage. At the end of June, the capital levels were sufficient to cover risks.

Capital indicators improve at the end of December 2021, compared to the previous year.

The preventive efforts of the equity sufficiency index allowed the indicator to remain within the appetite level during the start of the pandemic and the first half of 2021.



BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

(h) Systemic risk

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

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

The BCR Financial Conglomerate has a size equivalent to 61.98% of the national production; while. For its size and the complexity of its operations, the BCR is a systemic entity; therefore, its performance and the decisions taken have effects on the National Financial System.

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

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

(i) Operational risk management

Operational risk is defined as the possibility of loss resulting from inadequate use or unforeseen failure of processes, personnel, and internal and even automated systems or due to external events. This definition includes technological and legal risks but excludes the strategic and reputational risk.

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

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

Legal risk is the possibility of economic losses due to non-observance or incorrect or untimely application of legal or regulatory provisions, instructions issued by control bodies or adverse jurisdictional or administrative judgments or resolutions and the lack of clarity or deficient drafting in the contractual texts that may affect the formalization or execution of acts, contracts, or transactions.

The objective of the operational risk management is to minimize the financial losses of the Conglomerate, as well as achieving efficiency and effectiveness in the execution of processes and optimize its Internal Control System, for which an annual plan is established that incorporates the risk assessments to be carried out, and which is updated according to the internal and external environment, such as the pandemic for COVID-19 and its variants.

On the other hand, the pandemic for Covid-19 has increased alerts regarding technological risk since the population is online with banking platforms and thousands connect for the first time each day, which makes cyber insecurity represent a risk that must be attacked and requires increasing operational capacity as soon as possible to analyze alerts, paying special attention to monitoring the efficiency of the equipment and its capacity.

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

From this point of view, within the annual operational risk work plan, different risk assessments have been programmed in new services and products, such as the payment arrangements for loans for business clients, SMEs, and people with financial repercussions due to the pandemic for Covid 19 that continues to wreak havoc on the country's economic situation.

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.

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

Regarding the calculation of regulatory capital, the BCR uses the basic method and continuously provides efforts in the prevention and mitigation of relevant operational risks.

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

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

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

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

**Gross operating losses**  
**- Percentage distribution by type of risk-**

<b>Type of operational risk</b>	<b>December 2021</b>
Clients, products, and business practices	0.97%
Execution, delivery, and management of processes	3.46%
External fraud	61.86%
Internal fraud	24.01%
Business interruption and system failures	9.34%
Labor relations and safety in the workplace	0.36%
<b>Total</b>	<b>100,00%</b>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

**Gross operating losses**  
**- Percentage distribution by type of risk-**

<b>Type of operational risk</b>	<b>December 2020</b>
Clients, products, and business practices	0,02%
Execution, delivery, and management of processes	34,02%
External fraud	56,53%
Internal fraud	0,01%
Business interruption and system failures	6,28%
Labor relations and safety in the workplace	3,13%
<b>Total</b>	<b>100,00%</b>

Information and IT security risk management is carried out at the Conglomerate as a whole, and there is an annual assessment plan related to processes, contracts, applications, strategy, services, platforms, and IT security, in line with prudential regulations applicable and best international practices, supporting the fulfillment of technology objectives, as well as institutional strategic objectives.

In addition, as part of the IT risk management, indicators of the most relevant technological risks of the BCR Financial Conglomerate are considered and followed up on.

For each of them there are corrective actions or a mitigation plan that is activated in the event of non-compliance with the tolerance or the established limit; they are regularly reviewed and updated in conjunction with risk takers, as part of the continuous improvement of the management process.

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

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

(j) Business Continuity

The Business Continuity Management System is a process that identifies potential threats to the organization and the impacts on business operations if those materialize and provides a structure to build the organizational capacity to respond effectively and safeguard the interests of its reputation, brand, partners, and value-generating activities.

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

The BCR Financial Conglomerate has a business continuity management system with the purpose of providing effective responses to resume the operation of the entity as soon as possible after an unexpected interruption of its most critical processes. As part of this system, a business continuity plan was developed that establishes a response structure based on the timely identification of the interruption of its critical activities, assessment, and qualification of the crisis management teams to coordinate the activities of recovery, restoration, and communication.

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

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

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

(l) Regulatory risk management and regulatory compliance

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

Through the automated GRC tool, the incorporation of the applicable regulations according to the Kelsen pyramid is being generated. For the first quarter of 2022, the first regulatory risk management module will be implemented in the system.

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

(35) Financial Information of the Development Financing Fund

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

<b>Development Financing Fund</b>			
<b>Statement of financial position</b>			
As of December 31, 2021			
Financial Information			
<i>(In colones without cents)</i>			
		<u>December 2021</u>	<u>December 2020</u>
<b>ASSETS</b>			
<b>Availabilities</b>	¢	0	1,246,277,231
Cash		0	1,246,277,231
<b>Investments in financial instruments</b>		0	3,258,275,841
At fair value through profit or loss		0	2,506,287,491
At fair value through other comprehensive income		0	750,000,000
Interest receivable		0	1,988,350
<b>Loan portfolio</b>		<b>39,240,945,857</b>	<b>30,075,564,068</b>
Current loans		36,712,482,834	29,303,490,006
Past due loans		2,943,144,718	915,738,825
Loans on legal collection		49,958,231	83,900,091
(Deferred income loan portfolio)		(343,722,100)	(265,160,672)
Interest receivable		72,838,659	176,680,224
(Allowance for impairment)		(193,756,485)	(139,084,406)
<b>Accounts and commissions receivable</b>		<b>451,276</b>	<b>2,871,750</b>
Other accounts receivable		1,546,404	3,627,432
(Allowance for impairment)		(1,095,128)	(755,682)
<b>Other assets</b>		<b>4,334,310</b>	<b>4,358,015</b>
Other assets		4,334,310	4,358,015
<b>TOTAL ASSETS</b>	¢	<b><u>39,245,731,443</u></b>	<b><u>34,587,346,905</u></b>
<b>Liabilities</b>			
<b>Obligations with entities</b>	¢	<b>2,045,264,177</b>	<b>0</b>
Other Obligations with entities		2,045,264,177	0
<b>Accounts payable and provisions</b>	¢	<b>38,656,637</b>	<b>22,720,587</b>
Other sundry accounts payable		38,656,637	22,720,587
<b>Other liabilities</b>		<b>1,367,853</b>	<b>455,119</b>
Other liabilities		1,367,853	455,119
<b>TOTAL LIABILITIES</b>	¢	<b><u>2,085,288,667</u></b>	<b><u>23,175,706</u></b>
<b>EQUITY</b>			
<b>Contributions from Banco de Costa Rica</b>	¢	<b>26,014,386,470</b>	<b>24,366,546,259</b>
<b>Retained earnings from previous periods</b>		<b>10,197,624,940</b>	<b>8,943,182,201</b>
<b>Result of current period</b>		<b>948,431,366</b>	<b>1,254,442,739</b>
<b>TOTAL EQUITY</b>	¢	<b><u>37,160,442,776</u></b>	<b><u>34,564,171,199</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	¢	<b><u>39,245,731,443</u></b>	<b><u>34,587,346,905</u></b>
<b>DEBIT CONTINGENT ACCOUNTS</b>	¢	<b>16,322,202</b>	<b>0</b>
<b>OTHER DEBIT MEMORANDA ACCOUNTS</b>	¢	<b>8,870,052,639</b>	<b>5,753,706,249</b>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

**Development Financing Fund**

**Income Statement**

As of December 31, 2021

Financial Information

(In colones without cents)

	<b>December 2021</b>	<b>December 2020</b>
<b>Financial income</b>		
For investments in financial instruments	¢ 0	187
For loan portfolio	1,445,301,587	1,578,957,873
For profit on exchange differences	4,766,568	13,015,656
For other financial income	4,588,745	6,260,892
<b>Total financial income</b>	<b>1,454,656,900</b>	<b>1,598,234,608</b>
For allowance on asset impairment	49,925,648	173,882,351
For asset recovery and decrease in allowance	18,699,522	244,587,294
<b>FINANCIAL INCOME</b>	<b>1,423,430,774</b>	<b>1,668,939,551</b>
<b>Other operating income</b>		
For other operating income	443,108	660,314
For arbitrage and currency exchange	249	6
For services commissions	12,122,294	28,489,264
<b>Total other operating income</b>	<b>12,565,651</b>	<b>29,149,584</b>
<b>Other operating expenses</b>		
For foreclosed assets	411,364	0
For other operating expenses	487,153,695	443,646,396
<b>Total other operating expenses</b>	<b>487,565,059</b>	<b>443,646,396</b>
<b>Operating result, gross</b>	<b>948,431,366</b>	<b>1,254,442,739</b>
<b>RESULT OF THE PERIOD</b>	<b>¢ 948,431,366</b>	<b>1,254,442,739</b>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

Loan portfolio of the Development Financing Fund

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

a) Loan portfolio by sector

<b>Activity</b>	<b>December 2021</b>	<b>December 2020</b>
Agriculture, livestock, hunting and related services	¢ 11,215,641,480	9,819,784,391
Public administration	265,916,544	0
Fishing and aquaculture	46,000,000	11,172,166
Manufacturing	6,213,506,208	4,683,555,594
Trade	10,997,670,095	124,626,151
Services	8,323,269,288	13,905,247,401
Transportation	558,739,301	167,919,566
Financial and stock exchange activities	881,672,399	1,106,957,428
Real estate, business, and rental activities		
Construction, purchase, and repair of real estate	264,973,366	0
Construction, purchase, and repair of real estate	642,304,505	193,800,359
Hospitality	295,892,597	224,491,195
Education	0	65,574,671
	<u>39,705,585,783</u>	<u>30,303,128,922</u>
Plus: interest receivable	72,838,659	176,680,224
Less deferred income in loan portfolio	(343,722,100)	(265,160,672)
Allowance for impairment	<u>(193,756,485)</u>	<u>(139,084,406)</u>
	<u>¢ 39,240,945,857</u>	<u>30,075,564,068</u>



BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

b) Loan portfolio by arrears:

The loan portfolio by arrears is detailed as follows:

	<b>December 2021</b>	<b>December 2020</b>
Up to date	¢ 36,712,482,834	29,303,490,006
From 1 to 30 days	1,624,793,688	753,633,934
From 31 to 60 days	587,091,721	102,520,739
From 61 to 90 days	715,753,544	9,835,341
From 91 to 120 days	14,329,505	47,748,810
From 121 to 180 days	185,129	0
Over 180 days	991,131	2,000,000
Legal collection	49,958,231	83,900,092
	<b>¢ 39,705,585,783</b>	<b>30,303,128,922</b>

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:

	<b>December 2021</b>	<b>December 2020</b>
Number of operations	6	7
Past due loans in non- accrual status of interest	¢ 50,949,362	85,900,092
Past due loans for which interest is recognized	¢ 2,942,153,587	913,738,824
Total unearned interest	¢ 2,341,043	38,537,945

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

Loans on legal collection as of December 31, 2021:

<u># operations</u>	<u>Percentage</u>	<u>Balance</u>
4	0.13%	¢ <u>49,958,231</u>

Loans on legal collection as of December 31, 2020:

<u># operations</u>	<u>Percentage</u>	<u>Balance</u>
6	0,28%	¢ <u>83.900.091</u>

d) Interest receivable on loan portfolio:

Interest receivables are as follows:

		<u>December 2021</u>	<u>December 2020</u>
Current loans	¢	55,229,565	167,578,015
Past due loans		16,825,643	6,119,658
Loans in judicial collection		783,451	2,982,551
	¢	<u>72,838,659</u>	<u>176,680,224</u>

e) Allowance for bad loans:

The movement of allowance for bad loans is as follows:

<b>Opening balance 2021</b>	¢	<b>139,084,406</b>
Plus:		
Allowance charged to profit or loss		49,304,710
Transfer of balances		6,022,483
Adjustment for exchange differences		212,127
Less:		
Adjustment for exchange differences		(2,078)
Reversal of allowance against income		(865,163)
<b>Balance as of December 31, 2021</b>	¢	<u><b>193,756,485</b></u>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

As of December 31, 2020

<b>Opening balance 2020</b>	¢	<b>197,505,723</b>
Plus:		
Allowance charged to profit or loss		173,117,759
Transfer of balances		52,104
Adjustment for exchange differences		22,040,303
Less:		
Transfer to unpaid		(10,681,080)
Reversion of allowance against income		(242,950,403)
<b>Balance as of December 31, 2020</b>	¢	<b>139,084,406</b>

f) Loan portfolio by type of guarantee:

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

	<b>December 2021</b>	<b>December 2020</b>
<b>Guarantee</b>		
Fiduciary	¢ 720,275,520	162,133,222
Mortgage	27,342,362,474	19,106,693,082
Chattel	876,842,095	686,037,251
Others	10,766,105,694	10,348,265,367
	¢ <b>39,705,585,783</b>	<b>30,303,128,922</b>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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

		<b><u>Direct Loan Portfolio</u></b>	
		<b><u>December</u></b>	<b><u>December</u></b>
		<b>2021</b>	<b>2020</b>
Principal	¢	39,705,585,783	30,303,128,922
Interest receivable		72,838,659	176,680,224
		<u>39,778,424,442</u>	<u>30,479,809,146</u>
Allowance for bad loans		(193,756,485)	(139,084,406)
Carrying amount	¢	<u>39,584,667,957</u>	<u>30,340,724,740</u>
Loan portfolio			
Total balances:			
A1	¢	884,524,017	1,113,040,692
C2		0	3,291,111
1		36,792,311,640	28,529,599,737
2		728,386,349	63,731,314
3		1,218,141,672	237,251,665
4		88,715,638	443,976,165
5		14,610,312	0
6		51,734,814	88,918,462
		<u>39,778,424,442</u>	<u>30,479,809,146</u>
Minimum allowance		(164,542,618)	(95,859,116)
Carrying amount, net	¢	<u>39,613,881,824</u>	<u>30,383,950,030</u>
Carrying amount		39,778,424,442	30,479,809,146
Allowance for bad loans		(164,542,618)	(95,859,116)
Allowance (surplus) deficit on minimum allowance		(29,213,867)	(43,225,290)
Carrying amount, net	6a ¢	<u>39,584,667,957</u>	<u>30,340,724,740</u>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

The assessed loan portfolio including allowance is detailed as follows:

As of December 31, 2021

	Direct Loan Portfolio			
	Principal	Covered Balance	Overdraft	Allowance
Direct generic allowance				
1	¢ 36,792,311,641	25,823,207,897	10,969,103,744	92,191,906
D	884,524,017	0	884,524,017	4,422,620
	<u>37,676,835,658</u>	<u>25,823,207,897</u>	<u>11,853,627,761</u>	<u>96,614,526</u>
Direct specific allowance				
2	728,386,349	420,493,795	307,892,554	17,497,097
3	1,218,141,671	1,082,479,235	135,662,436	39,328,005
4	88,715,638	86,852,875	1,862,763	1,365,646
5	14,610,312	8,647,766	5,962,546	4,217,021
6	51,734,814	46,446,724	5,288,090	5,520,323
	<u>2,101,588,784</u>	<u>1,644,920,395</u>	<u>456,668,389</u>	<u>67,928,092</u>
	¢ <u>39,778,424,442</u>	<u>27,468,128,292</u>	<u>12,310,296,150</u>	<u>164,542,618</u>

Loan Portfolio

Aging of loan portfolio

Direct generic allowance

Up to date

¢ 884,524,017      0      884,524,017      96,614,526

884,524,017      0      884,524,017      96,614,526

Direct specific allowance

Up to date      35,883,188,382      24,960,268,104      10,922,920,278      10,925,253

Equal or less than 30 days      1,598,337,649      1,375,011,414      223,326,235      11,884,539

Equal or less than 60 days      624,506,126      437,824,585      186,681,541      11,782,947

Equal or less than 90 days      721,523,142      639,929,700      81,593,442      23,598,009

Equal or less than 180 days      14,610,312      8,647,766      5,962,546      4,217,021

Over 180 days      51,734,814      46,446,724      5,288,090      5,520,323

¢ 38,893,900,425      27,468,128,293      11,425,772,132      67,928,092

¢ 39,778,424,442      27,468,128,293      12,310,296,149      164,542,618

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

As of December 31, 2020

Loan Portfolio		Direct Loan Portfolio			
Direct generic allowance		Principal	Covered Balance	Overdraft	Allowance
1	¢	28.523.458.442	18.186.453.734	10.337.004.707	71.743.928
A1		1.119.181.987	477.529	1.118.704.459	5.595.910
		<u>29.642.640.429</u>	<u>18.186.931.263</u>	<u>11.455.709.166</u>	<u>77.339.838</u>
Direct specific allowance					
2		63.731.314	61.710.563	2.020.751	409.590
3		237.251.665	224.646.855	12.604.810	4.274.437
4		443.976.165	426.038.900	17.937.265	11.098.827
6		88.918.462	86.631.652	2.286.810	2.719.968
D		3.291.111	3.291.111	0	16.456
		<u>837.168.717</u>	<u>802.319.081</u>	<u>34.849.636</u>	<u>18.519.278</u>
	¢	<u>30.479.809.146</u>	<u>18.989.250.344</u>	<u>11.490.558.802</u>	<u>95.859.116</u>
Loan Portfolio		Direct Loan Portfolio			
Aging of loan portfolio		Direct Loan Portfolio			
Direct generic allowance		Principal	Covered Balance	Overdraft	Allowance
Up to date	¢	<u>1.119.181.988</u>	<u>477.529</u>	<u>1.118.704.459</u>	<u>77.339.838</u>
		1.119.181.988	477.529	1.118.704.459	77.339.838
Direct specific allowance					
Up to date		28.351.886.034	18.020.730.072	10.331.155.963	14.777.852
Equal or less than 30 days		749.786.317	713.537.808	36.248.509	75.561
Equal or less than 60 days		111.848.964	109.868.869	1.980.095	610.133
Equal or less than 90 days		9.847.080	9.664.113	182.966	94.062
Equal or less than 180 days		48.340.301	48.340.301	0	241.702
More than 180 days		88.918.462	86.631.652	2.286.810	2.719.968
		<u>29.360.627.158</u>	<u>18.988.772.815</u>	<u>10.371.854.343</u>	<u>18.519.278</u>
	¢	<u>30.479.809.146</u>	<u>18.989.250.344</u>	<u>11.490.558.802</u>	<u>95.859.116</u>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

As of December 31, 2021	<b>Loans receivable from clients</b>	
	<b>Gross</b>	<b>Net</b>
Risk category:		
1	¢ 36,792,311,640	36,700,119,734
2	728,386,349	710,889,253
3	1,218,141,672	1,178,813,666
4	88,715,638	87,349,992
5	14,610,312	10,393,291
6	51,734,814	46,214,491
A1	884,524,017	880,101,397
	¢ <u>39,778,424,442</u>	<u>39,613,881,824</u>

As of December, 2020	<b>Loans receivable from clients</b>	
	<b>Gross</b>	<b>Net</b>
Risk category:		
1	¢ 28,523,458,442	28,457,855,809
2	63,731,314	63,321,724
3	237,251,665	232,977,228
4	443,976,165	432,877,338
6	88,918,462	86,198,494
A1	1,119,181,987	1,107,444,782
C2	3,291,111	3,274,655
	¢ <u>30,479,809,146</u>	<u>30,383,950,030</u>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

(36) Situation of the Development Credit Fund

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

<b>DEVELOPMENT CREDIT FUND</b>		
STATEMENT OF FINANCIAL POSITION		
As of December 31, 2021		
Financial Information		
(In colones without cents)		
	<u>December 2021</u>	<u>December 2020</u>
<b>ASSETS</b>		
<b>Availabilities</b>	¢ 677,887,264	572,602,946
Central Bank of Costa Rica	677,887,264	572,602,946
<b>Investment in financial instruments</b>	<b>168,330,359,602</b>	<b>148,054,359,961</b>
At fair value through profit or loss	9,980,757,065	5,202,208,883
At fair value through other comprehensive income	153,559,065,746	141,088,054,191
At amortized cost	2,692,178,741	100,004,167
Interest receivable	2,098,358,050	1,664,092,720
<b>Loan Portfolio</b>	<b>24,599,730,190</b>	<b>22,741,655,708</b>
Current loans	24,694,451,340	22,921,063,273
Past due loans	101,397,179	110,874,791
(Deferred income loan portfolio)	(166,848,988)	(308,265,463)
Interest receivable	69,853,373	84,427,114
(Allowance for impairment)	(99,122,714)	(66,444,007)
<b>Accounts and commissions receivable</b>	<b>31,619,907</b>	<b>198,395,367</b>
Tax and deferred income tax	31,619,907	198,395,367
<b>Other assets</b>	<b>1,142,830,562</b>	<b>394,071,324</b>
Other assets	1,142,830,562	394,071,324
<b>TOTAL ASSETS</b>	<b>¢ 194,782,427,525</b>	<b>171,961,085,306</b>
<b>LIABILITIES</b>		
<b>Obligations with entities</b>	¢ 186,862,695,178	168,090,921,427
Demand	0	168,090,921,427
Term	186,862,695,178	0
<b>Accounts payable and provisions</b>	<b>1,306,845,253</b>	<b>378,106,823</b>
Deferred income tax	1,306,845,253	378,106,823
<b>Other liabilities</b>	<b>899,772,214</b>	<b>697,720,716</b>
Other liabilities	899,772,214	697,720,716
<b>TOTAL LIABILITIES</b>	<b>¢ 189,069,312,645</b>	<b>169,166,748,966</b>
<b>EQUITY</b>		
<b>Results of the previous period</b>	¢ 3,517,319,433	844,374,416
<b>Results of the current period</b>	<b>2,195,795,447</b>	<b>1,949,961,924</b>
<b>TOTAL EQUITY</b>	<b>¢ 5,713,114,880</b>	<b>2,794,336,340</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>¢ 194,782,427,525</b>	<b>171,961,085,306</b>
<b>Own debit memoranda account</b>		
Own debit memoranda account	¢ 21,119,325,983	16,243,717,176
Interest receivable memoranda accounts	¢ 6,235,038	6,083,172



BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

**DEVELOPMENT CREDIT FUND  
INCOME STATEMENT**

Fort the period ended December 31, 2021

Financial Information

(In colones without cents)

	<b>December 2021</b>	<b>December 2020</b>
<b>Financial income</b>		
For investments in financial instruments	¢ 7,284,373,823	6,778,153,143
For loan portfolio	1,242,514,983	1,004,806,997
For exchange rate differences	1,404,739,414	1,747,390,177
Other financial incomes	233,867,773	372,127,741
<b>Total financial income</b>	<b>10,165,495,993</b>	<b>9,902,478,058</b>
<b>Financial expenses</b>		
For obligations with the public	1,196,724,137	1,510,104,246
Other financial expenses	17,247,692	15,192,302
<b>Total financial expenses</b>	<b>1,213,971,829</b>	<b>1,525,296,548</b>
For allowance of asset impairment	304,995,921	(858,011,198)
Asset recovery and decrease in allowance	158,282,313	1,078,462,019
<b>Financial result</b>	<b>¢ 8,804,810,556</b>	<b>8,156,730,689</b>
<b>Other operating income</b>		
For commission for services	10,522	10,061
For arbitrage and currency exchange	284,102,924	274,448,061
For other operating income	14,256,774	201,184,518
<b>Total other operating income</b>	<b>¢ 298,370,220</b>	<b>475,642,640</b>
<b>Other operating expenses</b>		
For exchange and arbitration, foreign currency	111,746,775	87,879,569
For other operating expenses	71,634,755	270,473,869
<b>Total other operating expenses</b>	<b>¢ 183,381,530</b>	<b>358,353,438</b>
<b>Gross operating income</b>	<b>¢ 8,919,799,246</b>	<b>8,274,019,891</b>
Earnings transferred to the National Development Trust	6,724,003,799	6,324,057,967
<b>Result of the period</b>	<b>¢ 2,195,795,447</b>	<b>1,949,961,924</b>
<b>Profit allocation</b>		
Profit transferred to the National Development Trust	¢ 6,724,003,799	6,324,057,967
Commission for management of the Development Credit Fund, and the fund's own profits	2,195,795,447	1,949,961,924
	<b>¢ 8,919,799,246</b>	<b>8,274,019,891</b>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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

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

	<b>December 2021</b>	<b>December 2020</b>
At fair value through profit or loss	¢ 9,980,757,065	5,202,208,883
At fair value through other comprehensive income	153,559,065,746	141,088,054,191
At amortized cost	2,692,178,741	100,004,167
Interest receivable for investments at fair value through comprehensive income	2,098,358,050	1,664,092,720
	<b>¢ <u>168,330,359,602</u></b>	<b><u>148,054,359,961</u></b>
	<b>December 2021</b>	<b>December 2020</b>
<b>At fair value through profit or loss</b>	<b>Fair value</b>	<b>Fair value</b>
<u>Local issuers:</u>		
State-owned Banks	¢ 9,980,757,065	5,202,208,883
	<b>¢ <u>9,980,757,065</u></b>	<b><u>5,202,208,883</u></b>
	<b>December 2021</b>	<b>December 2020</b>
<b>At fair value through other comprehensive income</b>	<b>Fair value</b>	<b>Fair value</b>
<u>Issuers abroad:</u>		
Government	¢ 128,414,839,127	0
State-owned Banks	25,144,226,619	141,088,054,191
	<b>¢ <u>153,559,065,746</u></b>	<b><u>141,088,054,191</u></b>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

Loan portfolio of the Development Credit Fund

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

a) Loan portfolio by sector

<b>Sector</b>	<b>December 2021</b>	<b>December 2020</b>
Agriculture, livestock, hunting and related services	¢ 14,910,502,113	9,538,035,262
Manufacturing	9,885,346,406	11,398,279,034
Trading	0	6,000,000
Services	0	2,089,623,768
	<u>24,795,848,519</u>	<u>23,031,938,064</u>
Plus, interest receivable	69,853,373	84,427,114
Less deferred income loan portfolio	(166,848,988)	(308,265,463)
Allowance for impairment	(99,122,714)	(66,444,007)
	<u>¢ 24,599,730,190</u>	<u>22,741,655,708</u>

b) Loan portfolio by arrears:

Loan portfolio by arrears is detailed as follows:

	<b>December 2021</b>	<b>December 2020</b>
Up to date	¢ 24,694,451,340	22,921,063,273
From 1 to 30 days	101,397,178	0
From 61 to 90 days	0	110,874,791
	<u>¢ 24,795,848,518</u>	<u>23,031,938,064</u>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

c) Delinquent and past due loans

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

	<b>December 2021</b>	<b>December 2020</b>
Delinquent and past due loans		
with interest recognition	¢ 101,397,179	110,874,791
Total of not received interest	¢ 6,235,038	6,083,172

d) Interest receivable for loan portfolio

Interest receivables are detailed as follows:

	<b>December 2021</b>	<b>December 2020</b>
Current loans	¢ 69,359,946	83,557,337
Past due loans	493,427	869,777
	¢ <b>69,853,373</b>	<b>84,427,114</b>

e) Allowance for bad loans

<b>Balance at the beginning of 2021</b>	¢ <b>66,444,007</b>
Plus:	
Allowance charged to profit or loss	29,967,665
Transfer of balances	577,449
Adjustment for exchange differences	2,204,890
Less:	
Adjustment for exchange differences	(71,297)
<b>Balance as of December 31, 2021</b>	¢ <b>99,122,714</b>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

December 2020

<b>Balance at the beginning of 2020</b>	¢	<b>70,058,329</b>
Plus:		
Allowance charged to profit or loss		23,137,384
Adjustment for exchange differences		2,598,947
Less:		
Adjustment for exchange differences		(488,607)
Reversion of allowance against income		(28,862,046)
<b>Balance as of December 31, 2020</b>	¢	<b><u>66,444,007</u></b>

f) Loan portfolio by type of guarantee:

The loan portfolio detailed by guarantee is as follows:

	<b>December 2021</b>	<b>December 2020</b>
<b>Guarantee</b>		
Mortgage	¢ 382,491,506	489,542,633
Chattel	357,729,087	846,792,078
Other	<u>24,055,627,926</u>	<u>21,695,603,353</u>
	¢ <b><u>24,795,848,519</u></b>	<b><u>23,031,938,064</u></b>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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

	<b><u>Direct Loan Portfolio</u></b>	
	<b><u>December</u></b>	<b><u>December</u></b>
	<b><u>2021</u></b>	<b><u>2020</u></b>
Principal	¢ 24,795,848,519	23,031,938,064
Interest receivable	69,853,373	84,427,114
	<u>24,865,701,892</u>	<u>23,116,365,178</u>
Allowance for bad loans	(99,122,714)	(66,444,007)
Carrying amount	¢ <u>24,766,579,178</u>	<u>23,049,921,171</u>
Loan portfolio		
Total balances:		
1	¢ 24,763,811,286	22,724,893,182
2	101,890,606	0
3	0	111,744,568
4	0	279,727,428
	<u>24,865,701,892</u>	<u>23,116,365,178</u>
Minimum allowance	(64,842,970)	(61,860,080)
Carrying amount, net	¢ <u>24,800,858,922</u>	<u>23,054,505,098</u>
Carrying amount	24,865,701,892	23,116,365,178
Allowance for loans	(64,842,970)	(61,860,080)
(Surplus) inadequacy of		
Allowance	(34,279,744)	(4,583,927)
Carrying amount, net	6a ¢ <u>24,766,579,178</u>	<u>23,049,921,171</u>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

The assessed loan portfolio including allowance is detailed as follows:

As of December 31, 2021

Loan portfolio	Direct Loan Portfolio			
	Principal	Covered balance	Overdraft	Allowance
Direct generic allowance				
1	¢ 24,763,811,286	9,039,547,128	15,724,264,158	64,333,517
	24,763,811,286	9,039,547,128	15,724,264,158	64,333,517
Direct specific allowance				
2	101,890,606	101,890,606	0	509,453
	101,890,606	101,890,606	0	509,453
¢	24,865,701,892	9,141,437,734	15,724,264,158	64,842,970

Loan portfolio	Direct Loan Portfolio			
	Principal	Covered balance	Overdraft	Allowance
Aging of loan portfolio				
Direct generic allowance				
Up to date	¢ 24,763,811,286	9,039,547,128	15,724,264,158	64,333,517
	24,763,811,286	9,039,547,128	15,724,264,158	64,333,517
Direct generic allowance				
Equal or less than 60 days	101,890,606	101,890,606	0	509,453
	101,890,606	101,890,606	0	509,453
¢	24,865,701,892	9,141,437,734	15,724,264,158	64,842,970

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

As of December 31, 2020

Loan portfolio		Direct Loan Portfolio			
		Principal	Covered balance	Overdraft	Allowance
Direct generic allowance					
1	¢	22,724,893,182	5,874,960,777	16,849,932,405	59,902,720
		<u>22,724,893,182</u>	<u>5,874,960,777</u>	<u>16,849,932,405</u>	<u>59,902,720</u>
Direct specific allowance					
3		111,744,568	111,744,568	0	558,723
4		279,727,428	279,727,428	0	1,398,637
		<u>391,471,996</u>	<u>391,471,996</u>	<u>0</u>	<u>1,957,360</u>
	¢	<u>23,116,365,178</u>	<u>6,266,432,773</u>	<u>16,849,932,405</u>	<u>61,860,080</u>
Loan portfolio					
Aging of loan portfolio		Direct Loan Portfolio			
		Principal	Covered balance	Overdraft	Allowance
Direct generic allowance					
Up to date	¢	23,004,620,610	6,154,688,205	16,849,932,405	59,902,720
		<u>23,004,620,610</u>	<u>6,154,688,205</u>	<u>16,849,932,405</u>	<u>59,902,720</u>
Direct generic allowance		Principal	Covered balance	Overdraft	Allowance
Equal or less than 90 days		111,744,568	111,744,568	0	1,957,360
		<u>111,744,568</u>	<u>111,744,568</u>	<u>0</u>	<u>1,957,360</u>
	¢	<u>23,116,365,178</u>	<u>6,266,432,773</u>	<u>16,849,932,405</u>	<u>61,860,080</u>

As of December 31, 2021

Risk category

1

2

Loans receivable from clients

Gross

Net

¢	24,763,811,286	24,699,477,769
	<u>101,890,606</u>	<u>101,381,153</u>
¢	<u>24,865,701,892</u>	<u>24,800,858,922</u>

As of December 31, 2020

Risk category

1

3

4

Loans receivable from clients

Gross

Net

¢	22,724,893,182	22,664,990,462
	111,744,568	111,185,845
	<u>279,727,428</u>	<u>278,328,791</u>
¢	<u>23,116,365,178</u>	<u>23,054,505,098</u>



BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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

As of December 31, 2021, transfers of resources have been made from the Development Credit Fund.

	<b>December 2021</b>	<b>December 2020</b>
Banco Scotiabank	¢ 19,870,101,543	0
Banco Promerica	¢ 2,984,281,895	10,198,963,905
	<b>¢ 22,854,383,438</b>	<b>10,198,963,905</b>

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

a) IAS 1: Presentation of Financial Statements

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

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

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

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

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

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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

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

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

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

c) IAS 7: Statement of Cash Flows

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

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

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

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

Any change in accounting estimates is prospective and is recorded in profit or loss of the period.

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

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

e) IAS 12: Income tax

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

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

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

In the case of a dispute regarding a specific tax treatment by the Tax Authority, which begins with the notification of a transfer of charges, the entity must:

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

f) IAS 16: Property, Plant and Equipment

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

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

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

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

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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

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

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

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

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

h) IAS 27: Consolidated and Separate Financial Statements

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

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

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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.

i) IAS 28: Investments in Associates and Joint Ventures

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

Regulated entities must present their separate financial statements.

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

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

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

SUGEF requires that a provision for possible losses be recorded for contingent assets. IAS 37 does not allow such provisions

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

1) IAS 38: Intangible Assets

The commercial banks listed in article 1 of Internal Regulations National Banking System (Law No. 1644) may present organization and installation expenses as an asset in the balance sheet, however, those expenses must be fully amortized on the straight-line method over a maximum of five years. The foregoing is not in accordance with the provisions of the Standard.

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

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

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

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

The supervised entity's senior management must establish the appropriate mechanisms and procedures to determine whether an intangible asset with an indefinite useful life has deteriorated. For the verification, it will compare its recoverable amount with its carrying amount. This comparison should be carried out when there is any indication that the value of the asset could have deteriorated or, at least, on an annual basis.

This provision also applies to goodwill acquired in a business combination.

The automated applications in use must be systematically amortized by the straight-line method, during the period in which it is expected to produce the economic benefits for the entity, which must be based on its accounting policy.

In the case of commercial banks, indicated in article 1 of the Organic Law of the National Banking System, law 1644, the organization and installation expenses can be presented in the statement of financial position as an asset, but they must be fully amortized by the straight-line method within a maximum of a five-year period.

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

m) IAS 40: Investment Property

Investment properties must be valued at fair value.

For leased investment properties in which the fair value cannot be reliably measured on a continuous basis, its value will be measured by applying the cost model indicated in IAS 16 Property, Plant and Equipment. The residual value of the investment property should be assumed to be zero.

n) IFRS 3: Business Combinations

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

The combination that involves entities or businesses under common control or that the acquiree is a subsidiary of an investment entity, must be carried out by integrating its assets and liabilities at carrying amount using even accounting policies, for which adjustments in the financial statements of the acquiree will be previously carried out, to ensure that the accounting policies correspond to those employed by the acquirer.

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

In the case of entities supervised by SUGEF, assets awarded in judicial auctions or received in payment of obligations must be valued at the lower of:

- a) its carrying amount, and
- b) its fair value less cost of sales.

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

Within a 24-months period from the date of the award or receipt of the asset, the entity must request the Superintendent an extension for an equal period for the sale of the asset. By means of duly reasoned criteria, the Superintendent may deny the request for an extension, in which case he will demand the constitution of an estimate of the property for 100% of its carrying amount.

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

Likewise, an estimate of the asset will be required for 100% of its carrying amount when at the end of the term, the entity did not request the extension. Notwithstanding the foregoing, it will be a necessary condition that, within 24 months from the date of the award or receipt of the asset, it is estimated to be at least 50% of its carrying amount.

To determine the carrying amount of the assets awarded in judicial auctions or received in payment of obligations, the entity must register an estimate of the forty-eighth part per month until completing one hundred percent of the carrying amount of the asset. This accounting record will start from the closing of the month in which the asset was awarded or received in payment.

p) IFRS 9: Financial Instruments

The conventional purchase or sale of financial assets must be recorded applying the accounting of the settlement date.

Financial assets are divided into those that are measured at amortized cost and those that are measured at fair value. Based on the business model for managing financial assets and the characteristics of the contractual cash flows of the financial asset, the entity should classify its own investments or pooled portfolios in financial assets according to the following valuation categories:

- a. At amortized cost. If an entity, in accordance with its business model and the current regulatory framework, classifies a part of its investment portfolio in this category, it will disclose:
  - i. the fair value of financial assets classified in this category, in the quarterly financial statements and in the audited annual financial statement; and
  - ii. the gain or loss that should have been recognized in profit or loss for the financial statements indicated in the previous section.
- b. At fair value through other comprehensive income.
- c. At fair value through profit or loss: Participations in open investment funds must be recorded in this category.

Regulated entities must have policies and procedures to determine when to suspend the accrual of commissions and interest on loan operations.



BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

However, the period of suspension of accrual should not be more than one hundred and eighty days.

q) IFRS 13: Fair Value Measurement

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

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

(38) Figures for 2020

As of December 31, 2020, financial statement figures have not been reclassified for comparison with those of 2021, per modifications to the Chart of Accounts and SUGEF Directive 30-18: "Financial Information Regulations" approved by the National Supervisory Board of the Finance System.

(39) Relevant and subsequent events

As of December 2021, 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 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.

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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.

Thus, the Bank's first partial payment was not made, in order to minimize the economic effects of the pandemic in the institution

The amounts of the payment are presented as follows:

<b>Period</b>		<b>Income tax</b>	<b>Penalties</b>	<b>Total</b>
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
	¢	<u><b>12,931,868,340</b></u>	<u><b>1,206,245,077 ¢</b></u>	<u><b>14,138,113,417</b></u>

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

As of July 3, 2020, the BCCR publishes Law 9859 “Law to Combat Usury” with which it defines the cap on interest rates for loans and credit cards equivalent to 37.69% per year in colones and 30.36% in US dollars, valid for the second quarter of 2020. The BCR credit cards offer an interest rate of 32% per year, one of the lowest in the market at the time of the entry into force of Law 9859, therefore it did not generate a financial impact on the credit card returns.

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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

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

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 Banco 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 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.

## BANCO DE COSTA RICA

### Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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 Bancrédito's subsidiaries, even though the Bank already owns an Insurance Broker, so that BCR will determine the future of the company.

Upon expiration of the 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 memoranda 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.

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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, 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 Bancrédito'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 Bancrédito'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 contingencies

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.

If 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

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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 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 loss on loan portfolio over the total portfolio.

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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 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 Bancrédito'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 Government 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.

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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 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.

Declaration of health alert for COVID-19

Actions of the Government of Costa Rica

Given the increase in confirmed cases, on March 8, 2020, the Ministry of Health and the National Commission for Risk Prevention and Emergency Attention decided to decree the yellow alert throughout the country, due to the health emergency caused by the presence of COVID-19.

On March 11, 2020, the World Health Organization elevated the public health emergency caused by COVID-19 to an international pandemic. The rapidity in the evolution of events, on a national and international scale, requires the adoption of immediate and effective measures to face this crisis. The extraordinary circumstances that occur constitute, without a doubt, an unprecedented health crisis of enormous magnitude both due to the very high number of people affected, as well as the extraordinary risk to their lives and rights.



BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

The Board of Directors of the National Commission for Risk Prevention and Emergency Attention, in the extraordinary session of March 15, 2020, through agreement number 046-03-2020, recommended to the President of the Republic to declare a state of national emergency, according to Article 18 of the National Law on Emergencies and Risk Prevention.

As of March 17, 2020, the Tax Relief decree is approved, which establishes moratorium measures in the payment of income tax (VAT, selective consumption, and duties) from April to June 2020. They must be declared and can be paid without charge for interest or penalties until December 2020; a deferral of payment term is granted, but there is no forgiveness or amnesty.

In addition, it will not be necessary to pay the rent advance for the months of April to June 2020 and commercial leases are exempt from VAT from April to June 2020.

On March 18, 2020, guideline 075-H was signed to instruct the state's commercial banks so that, in the exercise of their constitutional autonomy, they carry out all the necessary and effective measures to readjust the credits of the debtors affected by the current situation.

The guideline urges banks to assess measures such as the following:

1. Decrease in interest rates according to conditions of each loan.
2. Extension of the term of loans.
3. Extension in the payment of the principal and / or interest for the time that is necessary.
4. Extraordinary payments to the principal without penalty.

Financial Information Regulation

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

**The CONASSIF approved**

- a. Extend to September 30, 2021, the option to renegotiate the agreed conditions of the loans up to twice in a 24-month period, without these adjustments having negative effects on the debtors' file at the Credit Information Center (CIC).
- b. This measure covers loans of more than ¢100 million and those equal to or less than this amount that already have two adjustments in the last 24 months.

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

- c. Loans of 100 million colones or less that to date have had two readjustments within the last 24 months, may readapt their operation once more during the period ending September 30, 2021, without qualifying as a special operation, and
- d. This measure allows a third payment readjustment to clients who have already had two arrangements; that the renegotiations be for any operation regardless of the balance and suspend, for one year, the countercyclical provisions (an amount of the profits that should be kept month by month), to all financial entities.
- e. The National Council for the Supervision of the Financial System approved on Monday, March 23, new mitigation measures against the negative effects of the coronavirus on the economy of Costa Rica. These measures are complementary to those already taken previously and have the objective of granting access to credit measures to the affected debtors.
- f. Measures regarding the Payment Capacity: It was agreed to maintain the level of payment capacity that the companies or individuals had prior to the effects of COVID-19. This measure aims to facilitate the readjustments and / or refinancing of the credits. The measure is temporary until March 31, 2021.
- g. Measures with respect to Credit Policies and Procedures: A measure that will facilitate the procedures for both the granting of new credits and the readjustments and / or refinancing thereof, where financial entities may omit, in their credit policies and procedures, the information that they ask on a daily basis to their clients to verify their payment ability. The provision will be in force until March 31, 2021. Measures regarding the Suspension of Classification of Irregularities - Sanitation Plan: It was agreed to suspend, for one year, the provision that classifies a financial entity as “type 2 irregularity”, when the institution presents losses for six months or more, in the last 12 months. When a financial institution presents losses for six months or more, in the last 12 months, SUGEF immediately orders the implementation of a sanitation plan to counter the situation. It is important to note that SUGEF must amend the parameters for determining liquidity indicators. This measure will be in force for 12-months period.
- h. Measures regarding the granting of periods of grace: In accordance with Directive 075-H issued by the Government, it was agreed to allow financial entities to establish grace periods for clients, without the payment of interest or principal. It is important to highlight that this measure will be implemented under the criteria of each financial entity, the term of the grace periods will be determined by each financial entity.

## BANCO DE COSTA RICA

### Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

- i. Measures regarding the de-accumulation of countercyclical provisions: It was agreed to allow financial entities to establish processes of de-accumulation of counter-cyclical provisions and classify them as income. These estimates correspond to the money those financial institutions reserve to protect themselves from economic cycle risks and / or the effects of portfolio defaults.

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

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

#### **General Superintendence of Financial Entities**

- a. By Resolution SGF-0971-2 dated March 20, 2020, SUGEF agreed to reduce the “M” factor in the countercyclical allowance formula with the aim of adding opportunity and effectiveness to the dynamics of the countercyclical allowance model.
- b. It was agreed to establish in 0,00% the value of the “M” factor referred to in Article 6 of the SUGEF 19-16 Agreement.
- c. This minimum required percentage level of countercyclical allowance (“M”) will apply from the monthly close of March 2020 and will be subject to revision during the year 2020.
- d. The measure will allow financial entities to allocate resources to grant credits, which would ordinarily be foreseen for the reserves required by law.

#### **Central Bank of Costa Rica**

The Board of Directors of the Central Bank of Costa Rica approved the following reforms:

- a. It reduced the Monetary Policy Rate (TPM) by 100 basis points, to locate it at 1.25% annually, as of March 17, 2020.

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

- b. In addition, it agreed to reduce the gross interest rate on overnight deposits (DON) to 0.01% per year as of March 17, 2020, and those of the Permanent Credit Facility and the Permanent Market Deposit Facility Integrated Liquidity at 2.00% and 0.01%, respectively; and
- c. Modify the control of the Minimum Legal Reserve from 97.5% to a minimum of 90%: “during each and every day of the reserve control period, the balance at the end of the day of deposits in the Central Bank must not be less than 90% of the minimum legal reserve requiring two previous natural fortnights “. This measure aims to free up a little daily liquidity in the country's commercial banks; however, it is important to note that the required percentages of the Minimum Legal Reserve have not changed (15% in US dollars and 12% in colones).
- d. With the aim of positively impacting the liquidity markets, as of March 24, the Central Bank will participate in the liquidity markets of the National Stock Market (overnight market and repurchase market) as an investor in US dollars. In addition, it will participate as an investor in colones in the markets with one-day and up to thirty-days terms.
- e. The Central Bank has informed its intention of participating in the Integrated Liquidity Market (the banks' liquidity market) during the next days, with investor positions in a one-day term.
- f. Through resolution JD-5922/09, the Board of Directors of the Central Bank agreed to modify the Regulations for credit operations of last instance in national currency of the Central Bank of Costa Rica, related to the reforms necessary for credit applications to be approved through a technological platform.
- g. The decisions are based on the analysis of the expected trajectory for inflation and its determinants, the risks in that forecast, and the lag with which the monetary policy measures take effect.
- h. These monetary policy measures are intended to continue to press down interest rates in the market, and thereby ease the financial situation of companies and households in the country.

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

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

Measures were issued in three areas:

- 1) Direct loans: A total grace period of 6 or 12 months will be provided, in which the client will pay only what corresponds to credit-related policies, thus, the principal and interest will not be charged during that period. The corresponding collection will be performed after the total grace period and will be treated according to the needs of each client.

The unpaid interest will be charged through a new credit that will take effect at the end of the grace period.

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

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

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

- 2) Credit cards: At the request of each client, a total grace period will be granted for a period of up to three months. During the months of the full grace period, no late fees or interest will be charged.

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

- 3) Line of credit: Specific situations will be addressed, punctually analyzing each client to identify the need and provide a tailor-made solution.

As an immediate response to the corporate sector, the Bank will allocate close to 100 billion colones to support the liquidity of its corporate clients, readjusting its credit operations in direct loans, to improve the cash flows of the companies.

In this first stage, facilities will be given with emphasis on Tourism and Commerce, which will allow a medium-term solution, ranging between 6 or 12 months in both currencies.

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

In a second stage, the Transportation and Commercial sector with real estate activity will be addressed with greater emphasis, also covering other economic activities.

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

Activity	Loans – Colonized balances	
	Colons	Colonized US dollars
Agriculture	2,174,669,273	34,744,175,119
Trade	89,785,046,202	36,340,685,119
Construction	5,675,761,357	11,363,286,508
Consumer goods	77,269,995,248	4,714,700,744
Cattle raising	3,884,370,495	114,878,942
Industry	33,347,876,145	2,533,929,316
Services	31,682,713,592	23,149,480,952
Transportation	23,558,277,903	140,791,730
Tourism	7,244,072,181	60,568,680,636
Housing	190,125,832,131	57,921,507,901
<b>Total by currency in ¢</b>	<b>¢ 464,748,614,526</b>	<b>231,592,116,966</b>
<b>Total General</b>	<b>¢ 696,340,731,492</b>	

Activity	Amount of US		
	Colons	dollars	Total
Agriculture	92	10	102
Trade	920	74	994
Construction	17	14	31
Consumer goods	8,312	531	8,843
Cattle raising	108	1	109
Industry	101	6	107
Services	471	46	517
Transportation	202	4	206
Tourism	54	79	133
Housing	8,617	1,229	9,846
<b>Total</b>	<b>18,894</b>	<b>1,994</b>	<b>20,888</b>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

Effects of the implementation of the Financial Information Regulation

Through decrees 34918-H, 35616-H and 41039-MH, the Government of Costa Rica adopted following international accounting standards: International Accounting Standards of the Costa Rican Public Sector for entities that are part of the General Government Sector, and International Financial Information Standards for public companies. Thus, the regulation must recognize this condition for the special case of non-financial issuers authorized for public offering that are state-owned entities or public institutions.

The regulation updates the regulatory accounting base to advance in the adoption of IFRS with its most recent texts, by the entities of the National Financial System, which favors its comparability and the reading of financial information, both for the national and foreign users. In addition, it includes in a single regulatory body, the provisions on remission, presentation and publication of financial statements, which provides greater uniformity in the performance of supervisory bodies, as well as avoiding duplication and redundancy.

It enters into force as of January 1, 2020, except for 1) Registration and control of custody activities in memoranda accounts and 2) Adoption of IAS 12 "Income tax" and IFRIC 23 "The Uncertainty regarding Income Tax Treatments", which will be implemented in 2019. This provides an adequate space for the industry and its regulatory bodies to carry out technological adjustments and assess the possible impacts on prudential indicators, so that required decisions are taken in a timely manner.

Upon entry into force of the Financial Reporting Regulations, the Bank reclassifies and adjusts the following balances:

	<b>December 2021</b>	<b>December 2020</b>
Reclassification due to change in investment categories	0	225,806,217,067
Adjustment for recognition of assets for the right-of-use	0	36,574,406,412
Adjustment for impairment of investments at fair value through other comprehensive income	0	1,601,529,951
	<b>0</b>	<b>263,982,153,430</b>

BANCO DE COSTA RICA

Notes to the separate financial statements

December 31, 2021

(With corresponding figures as of December 31, 2020)

Incorporation of Banprocesa S.R.L. to the BCR Financial Conglomerate

Banprocesa, S.R.L. will provide exclusive services to the BCR Financial Conglomerate, in the development of software related to information technology. Significant improvements are expected in the management of this process, with an impact on reducing costs for reprocessing, timely attention, custom development and in general, greater efficiency in management as well as supporting the strategic objective of turning Banco de Costa Rica into a digital bank. Due to the nature of the company's services, its impact is seen mainly in the bank's operational risk management, and to a lesser extent, with an impact on its solvency. Therefore, no technical aspects or risk exposure are identified that constitute a disability to its incorporation into the Financial Conglomerate.

By means of official letter GG-04-276-2020, of April 24, 2020, a request for formal authorization it is sent to the General Superintendency of Financial Entities (SUGEF) on April 27, 2020, to incorporate Banprocesa, S.R.L. to the BCR Financial Conglomerate and Subsidiaries, clarifying that, currently Banco de Costa Rica owns 100% of the shares of entity.

By means of official letter SGF-2069-2021 SGF-CONFIDENCIAL-202103143, dated July 23, 2021, a favorable opinion is rendered on the request for authorization to incorporate Banprocesa, S.R.L. to the BCR Financial Conglomerate.

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

The issuance of the separate financial statements was authorized on January 25, 2022, by the General Management of the Bank.

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