BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Financial Information Required by the
Superintendency General of Financial Entities

Consolidated Financial Statements

June 30, 2015
(*With corresponding figures for 2014*)

(With Independent Auditors' Report Thereon)

(Translation into English of the original Independent
Auditors' Report issued in Spanish)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2015 AND DECEMBER AND JUNE 2014
(In colones)

	Note	June 2015	December 2014	June 2014
ASSETS				
Cash and due from banks	4	**842,338,872,816**	**829,976,580,984**	**1,001,435,379,254**
Cash		61,019,037,169	69,196,626,393	49,175,655,160
Demand deposits in BCCR		607,446,980,844	576,311,012,910	573,847,765,256
Demand deposits in local financial entities		5,116,964,726	14,736,219,049	6,089,744,214
Demand deposits in foreign financial entities		156,250,586,380	163,881,119,963	352,085,077,670
Other cash and due from banks		12,505,303,697	5,851,602,669	20,236,497,831
Accounts and accrued interest receivable		-	-	639,123
Investments in financial instruments	5	**1,163,639,429,393**	**1,100,793,001,081**	**903,951,092,818**
Available for sale		1,115,716,637,377	1,052,451,509,868	863,179,425,654
Held to maturity		27,231,250,107	27,328,967,634	26,895,405,401
Derivative financial instruments - Position gap		9,240,051,349	11,281,570,780	3,780,056,071
Accounts and accrued interest receivable		11,511,211,266	9,791,452,357	10,156,035,929
(Allowance for impairment of investments in financial instruments)		(59,720,706)	(60,499,558)	(59,830,237)
Loan portfolio	6	**3,404,183,666,226**	**3,303,451,574,458**	**3,160,753,822,525**
Current		3,240,457,735,967	3,142,775,035,799	2,980,359,352,735
Past due		125,730,926,273	116,679,181,039	142,163,836,474
Legal collections		77,602,215,332	72,120,002,831	66,035,905,083
Accounts and accrued interest receivable		23,064,192,207	21,715,928,888	20,448,168,641
(Allowance for loan impairment)		(62,671,403,553)	(49,838,574,099)	(48,253,440,408)
Accounts and fees and commissions receivable	7	**2,521,745,343**	**3,140,260,913**	**3,293,758,988**
Fees and commissions receivable		1,028,305,066	1,011,708,508	891,849,457
Accounts receivable for brokerage operations		464,803	9,121,769	31,791,925
Accounts receivable for transactions with related parties		77,595,032	27,589,166	107,867,951
Deferred tax and income tax receivable		3,655,468,973	4,291,459,910	1,958,096,577
Other receivables		3,519,715,133	3,159,168,189	2,949,842,008
Accrued interest receivable		1,748,540	2,572,781	1,579,106
(Allowance for impairment of accounts and fees and commissions receivable)		(5,761,552,204)	(5,361,359,410)	(2,647,268,036)
Foreclosed assets	8	**18,032,182,111**	**19,355,058,030**	**17,968,409,055**
Assets and securities acquired in lieu of payment		78,157,173,788	76,541,792,707	74,688,249,632
Other foreclosed assets		1,756,777	1,756,777	1,756,777
(Allowance for impairment of foreclosed assets and per legal requirements)		(60,126,748,454)	(57,188,491,454)	(56,721,597,354)
Investments in other companies	9	**52,111,124,685**	**49,855,779,811**	**47,785,715,717**
Property and equipment, net	10	**180,412,668,073**	**167,465,656,710**	**163,105,074,050**
Other assets	11	**47,428,574,070**	**51,682,157,293**	**48,421,578,055**
Deferred charges		19,993,093,106	21,658,093,393	16,766,725,759
Intangible assets		3,784,631,646	4,502,747,244	2,302,267,842
Other assets		23,650,849,318	25,521,316,656	29,352,584,454
TOTAL ASSETS		5,710,668,262,717	5,525,720,069,280	5,346,714,830,462

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2015 AND DECEMBER AND JUNE 2014
(In colones)

LIABILITIES AND EQUITY	Note	June 2015	December 2014	June 2014
LIABILITIES				
Obligations with the public	12	**3,761,879,269,948**	**3,710,752,140,528**	**3,513,214,777,392**
Deposits and other demand obligations		2,247,077,297,243	2,272,307,002,207	2,083,686,418,725
Deposits and other term obligations		1,447,940,182,335	1,388,059,529,970	1,369,999,300,177
Other obligations		46,757,673,973	31,028,841,773	41,587,899,959
Charges payable		20,104,116,397	19,356,766,578	17,941,158,531
Obligations with BCCR	13	**171,772,418**	**182,746,931**	**40,199,829,553**
Term obligations		171,539,305	182,452,312	40,193,365,089
Charges payable		233,113	294,619	6,464,464
Obligations with entities	14	**1,211,186,139,920**	**1,089,524,631,830**	**1,114,729,604,755**
Demand obligations		332,847,801,573	284,583,917,797	279,022,402,976
Term obligations		871,302,767,221	798,409,817,482	828,974,194,925
Charges payable		7,035,571,126	6,530,896,551	6,733,006,854
Accounts payable and provisions		**101,131,523,920**	**124,048,750,344**	**104,821,326,238**
Accounts payable for brokerage services		1,050,430,761	835,751,867	1,906,177,384
Deferred tax	15-c	16,767,364,363	14,167,519,270	13,727,477,339
Provisions	16	25,459,660,457	39,502,894,655	34,313,870,002
Other sundry accounts payable	17	57,854,068,339	69,542,584,552	54,873,801,513
Other liabilities	18	**41,700,268,816**	**34,084,373,087**	**45,614,844,034**
Deferred income		11,587,578,313	9,003,262,472	5,469,998,020
Allowance for stand-by credit losses		1,516,038,202	1,319,693,076	1,185,342,814
Other liabilities		28,596,652,301	23,761,417,539	38,959,503,200
Subordinated obligations	14	**69,861,508,667**	**70,358,271,862**	**53,974,870,239**
Subordinated obligations		68,732,300,000	69,330,300,000	53,758,000,000
Finance charges payable		1,129,208,667	1,027,971,862	216,870,239
TOTAL LIABILITIES		**5,185,930,483,689**	**5,028,950,914,582**	**4,872,555,252,211**
EQUITY				
Share capital		**118,130,303,482**	**118,130,303,482**	**118,130,303,482**
Paid-up capital	19-a	118,130,303,482	118,130,303,482	118,130,303,482
Equity adjustments		**77,020,092,269**	**66,252,321,126**	**66,371,650,829**
Surplus from revaluation of property and equipment	19-b	68,571,839,671	63,639,596,055	63,639,596,055
Adjustment for valuation of available-for-sale investments	19-c	2,302,292,149	(1,746,379,939)	(1,498,049,606)
Adjustment for valuation of restricted financial instruments	19-c	(840,006,709)	(2,041,047,936)	(2,641,817,711)
Surplus from revaluation of other assets		69,678,787	70,246,625	70,246,625
Adjustment for valuation of investments in other companies	19-d	6,916,288,371	6,329,906,321	6,801,675,466
Equity reserves	1-u	**247,811,397,754**	**216,895,556,917**	**209,058,123,505**
Prior period retained earnings		**46,181,470,030**	**41,309,087,572**	**49,146,520,984**
Income for the year		**17,448,440,253**	**39,633,711,775**	**16,904,805,625**
Equity of the Development Financing Fund	49	**18,146,075,240**	**14,548,173,826**	**14,548,173,826**
TOTAL EQUITY		**524,737,779,028**	**496,769,154,698**	**474,159,578,251**
TOTAL LIABILITIES AND EQUITY		**5,710,668,262,717**	**5,525,720,069,280**	**5,346,714,830,462**
DEBIT MEMORANDA ACCOUNTS	20	**510,626,154,799**	**511,255,824,426**	**598,904,255,466**
TRUST ASSETS	21	**855,841,136,269**	**905,709,567,459**	**917,985,493,054**
TRUST LIABILITIES		**81,051,994,754**	**76,808,871,122**	**68,698,825,960**
TRUST EQUITY		**774,789,141,515**	**828,900,696,336**	**849,286,667,094**
TRUST MEMORANDA ACCOUNTS		**16,093,636,166**	**14,427,215,779**	**8,283,015,420**
OTHER DEBIT MEMORANDA ACCOUNTS	22	**19,065,227,178,991**	**18,344,060,940,216**	**16,383,349,033,477**
Own debit memoranda accounts		7,859,482,148,141	7,557,679,197,394	6,018,985,874,976
Third-party debit memoranda accounts		1,958,341,459,582	2,128,036,259,000	2,074,079,192,396
Own debit memoranda accounts for custodial activities		432,955,526,068	334,980,739,704	253,512,163,970
Third-party debit memoranda accounts for custodial activities		8,814,448,045,200	8,323,364,744,118	8,036,771,802,135

Juan Carlos Corrales Salas
Acting General Manager

Gerardo Gómez Solís
General Accountant

Ricardo Araya Jiménez
General Auditor

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

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2015
(In colones)

	Note	June 2015	June 2014	Six-month period ended June 30, 2015	Six-month period ended June 30, 2014
Finance income					
Cash and due from banks	26	201,023,427	131,120,241	112,369,315	58,193,092
Investments in financial instruments	26	24,343,455,778	20,832,024,826	12,636,483,332	9,761,143,223
Loan portfolio	27	162,029,672,377	146,345,983,791	81,604,665,900	75,530,820,501
Gain on foreign exchange differences and development units, net	1-d	159,089,140	-	(216,485,007)	-
Gain on available-for-sale financial instruments		830,388,578	1,362,984,257	675,451,281	422,605,692
Gain on derivative instruments	5-b	2,871,381,471	13,776,400,178	(4,555,268,865)	7,161,044,036
Other finance income	28	19,442,241,620	6,496,024,763	9,771,463,715	2,412,045,757
Total finance income		**209,877,252,391**	**188,944,538,056**	**100,028,679,671**	**95,345,852,301**
Finance expense					
Obligations with the public	29	55,909,542,349	49,068,488,021	27,585,094,522	24,772,441,358
Obligations with BCCR		481,739	699,606	216,339	327,243
Obligations with financial entities		23,204,506,139	18,960,656,108	13,922,120,251	9,868,295,582
Other sundry accounts payable		-	90,992	-	-
Subordinated, convertible, and preferred obligations		1,827,235,267	224,331,980	891,402,240	224,331,980
Loss on foreign exchange differences and development units, net	1-d	-	729,719,419	-	(1,669,593,298)
Loss on available-for-sale financial instruments		46,845,082	507,331,868	14,541,924	107,226,588
Other finance expense	14	15,634,910,112	17,508,322,541	71,123,011	7,843,628,169
Total finance expense		**96,623,520,688**	**86,999,640,535**	**42,484,498,287**	**41,146,657,622**
Allowance for impairment of assets	30	23,552,493,913	15,836,377,193	14,831,052,340	10,551,913,366
Recovery of assets and decrease in allowances	31	6,589,128,531	7,966,246,562	3,029,705,838	4,766,126,951
FINANCE INCOME		**96,290,366,321**	**94,074,766,890**	**45,742,834,882**	**48,413,408,264**
Other operating income					
Service fees and commissions	32	54,103,958,068	47,957,763,223	26,340,141,202	23,859,180,620
Foreclosed assets		800,955,877	12,744,731,955	(5,122,177,330)	6,637,125,069
Gain on investments in other foreign companies	1-a	2,714,905,912	2,748,418,591	1,563,922,326	1,688,139,409
Gain on investments in other local companies		4,394,615	4,850,997	-	4,850,997
Foreign currency exchange and arbitrage		11,741,437,530	13,312,949,702	5,807,329,691	5,894,371,560
Other income with related parties		-	596,160	-	7,090,126
Other operating income	33	11,225,802,165	10,854,751,154	6,626,758,411	8,775,979,563
Total other operating income		**80,591,454,167**	**87,624,061,782**	**35,215,974,300**	**46,866,737,344**

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2015
(In colones)

				Six-month period ended June 30,	
		June 2015	**June 2014**	**2015**	**2014**
Other operating expenses					
Service fees and commissions		3,082,606,066	3,335,599,598	1,405,219,641	1,620,244,468
Foreclosed assets	34	10,935,397,785	23,698,617,606	342,947,318	12,395,801,942
Sundry assets		986,480,512	174,733,294	24,662,600	82,403,707
Provisions	35	9,949,339,847	9,222,460,683	4,756,317,626	5,071,079,644
Discounts on fees and commissions of voluntary pension funds		41,652,321	-	24,158,028	-
Foreign currency exchange and arbitrage		1,102,434	11,595,664	72,870	1,191,230
Other expenses with related parties		4,183,673	-	(6,670)	-
Other operating expenses	36	27,078,098,258	25,343,800,816	13,353,337,390	12,104,232,135
Amortization of direct deferred costs related to loans		5,041,960,663	318,014,638	2,511,035,298	276,328,628
Total other operating expenses		**57,120,821,559**	**62,104,822,299**	**22,417,744,101**	**31,551,281,754**
GROSS OPERATING INCOME		**119,760,998,929**	**119,594,006,373**	**58,541,065,081**	**63,728,863,854**
Administrative expenses					
Personnel expenses	37	63,087,783,198	60,936,860,678	32,923,464,237	30,079,501,254
Other administrative expenses	38	29,245,499,493	32,528,396,595	15,879,729,595	16,208,591,814
Total administrative expenses		**92,333,282,691**	**93,465,257,273**	**48,803,193,832**	**46,288,093,068**
NET OPERATING INCOME BEFORE TAXES AND				-	-
STATUTORY ALLOCATIONS		**27,427,716,238**	**26,128,749,100**	**9,737,871,249**	**17,440,770,786**
Income tax	15-a	5,478,767,420	4,597,264,155	2,109,374,526	3,799,683,810
Deferred tax		33,288,176	124,385,250	33,283,757	124,385,250
Decrease in income tax	15-a	1,248,768,679	284,445,629	1,248,768,679	284,445,629
Decrease in prior period income tax	15-b	-	5,527,341	-	(1,998)
Deductible temporary differences		75,416,657	63,959,415	30,781,579	42,886,457
Statutory allocations	39	6,104,175,340	4,856,226,455	2,506,061,991	3,157,611,130
Decrease in statutory allocations	39	312,769,615	-	312,769,615	-
INCOME FOR THE YEAR		**17,448,440,253**	**16,904,805,625**	**6,681,470,848**	**10,686,420,684**
OTHER COMPREHENSIVE INCOME, NET OF TAX					
Surplus from revaluation of property and equipment		5,065,492,324	-	133,248,708	-
Adjustment for valuation of available-for-sale investments, net of income tax		4,048,672,088	161,742,504	1,611,971,691	(876,301,467)
Adjustment for valuation of restricted financial instruments, net of income tax		1,201,041,227	103,993,147	722,406,173	(564,244,131)
Surplus from revaluation of other assets		(567,838)	-	-	-
Adjustment for valuation of investments in other companies		586,382,050	3,484,396,946	(194,542,779)	3,676,904,454
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**10,901,019,851**	**3,750,132,597**	**2,273,083,793**	**2,236,358,856**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**28,349,460,104**	**20,654,938,222**	**8,954,554,641**	**12,922,779,540**

Juan Carlos Corrales Salas
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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2014
(In colones)

	Note	Share capital	Equity adjustments: Surplus from revaluation of property and equipment	Equity adjustments: Adjustment for valuation of available-for-sale investments and restricted financial instruments	Equity adjustments: Surplus from revaluation of other assets	Equity adjustments: Adjustment for valuation of investments in other companies	Total equity adjustments	Equity reserves	Opening retained earnings	Equity of the Development Financing Fund	Total
Balances at January 1, 2013		**118,130,303,482**	**63,639,596,055**	**(4,405,602,968)**	**70,246,625**	**3,317,278,520**	**62,621,518,232**	**196,909,225,981**	**64,525,416,596**	**12,243,803,201**	**454,430,267,492**
Legal and other statutory reserves		-	-	-	-	-	-	12,148,897,524	(12,148,897,524)	-	-
Adjustment for changes in equity of BN Vital		-	-	-	-	-	-	-	32,495,651	-	32,495,651
Statutory allocations - Mandatory pension funds, Employee Protection Law No. 7983		-	-	-	-	-	-	-	(958,123,114)	-	(958,123,114)
Equity of the Development Financing Fund		-	-	-	-	-	-	-	(2,304,370,625)	2,304,370,625	-
Total transactions with owners booked directly in equity		**118,130,303,482**	**63,639,596,055**	**(4,405,602,968)**	**70,246,625**	**3,317,278,520**	**62,621,518,232**	**209,058,123,505**	**49,146,520,984**	**14,548,173,826**	**453,504,640,029**
Comprehensive income for the year:											
Income for the year		-	-	-	-	-	-	-	16,904,805,625	-	16,904,805,625
Adjustment for valuation of available-for-sale investments, net of income tax		-	-	161,742,504	-	-	161,742,504	-	-	-	161,742,504
Adjustment for valuation of restricted financial instruments, net of income tax		-	-	103,993,147	-	-	103,993,147	-	-	-	103,993,147
Adjustment for valuation of investments in other companies		-	-	-	-	3,484,396,946	3,484,396,946	-	-	-	3,484,396,946
Total comprehensive income for the year		-	-	**265,735,651**	-	**3,484,396,946**	**3,750,132,597**	-	**16,904,805,625**	-	**20,654,938,222**
Balances at June 30, 2014	19	**118,130,303,482**	**63,639,596,055**	**(4,139,867,317)**	**70,246,625**	**6,801,675,466**	**66,371,650,829**	**209,058,123,505**	**66,051,326,609**	**14,548,173,826**	**474,159,578,251**

Juan Carlos Corrales Salas
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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2015
(In colones)

	Note	Share capital	Equity adjustments: Surplus from revaluation of property and equipment	Adjustment for valuation of available-for-sale investments and restricted financial instruments	Surplus from revaluation of other assets	Adjustment for valuation of investments in other companies	Total equity adjustments	Equity reserves	Opening retained earnings	Equity of the Development Financing Fund	Total
Balances at January 1, 2015		**118,130,303,482**	**63,639,596,055**	**(3,787,427,875)**	**70,246,625**	**6,329,906,321**	**66,252,321,126**	**216,895,556,917**	**80,942,799,347**	**14,548,173,826**	**496,769,154,698**
Transactions with owners booked directly in equity:											
Legal and other statutory reserves		-	-	-	-	-	-	30,915,840,837	(30,915,840,837)	-	-
Statutory allocations - Mandatory pension funds, Employee Protection Law No. 7983		-	-	-	-	-	-	-	(380,835,774)	-	(380,835,774)
Equity of the Development Financing Fund		-	-	-	-	-	-	-	(3,597,901,414)	3,597,901,414	-
Total transactions with owners booked directly in equity		**118,130,303,482**	**63,639,596,055**	**(3,787,427,875)**	**70,246,625**	**6,329,906,321**	**66,252,321,126**	**247,811,397,754**	**46,048,221,322**	**18,146,075,240**	**496,388,318,924**
Comprehensive income for the year:											
Income for the year		-	-	-	-	-	-	-	17,448,440,253	-	17,448,440,253
Adjustment for valuation of available-for-sale investments, net of income tax		-	-	4,048,672,088	-	-	4,048,672,088	-	-	-	4,048,672,088
Adjustment for valuation of restricted financial instruments, net of income tax		-	-	1,201,041,227	-	-	1,201,041,227	-	-	-	1,201,041,227
Adjustment for valuation of investments in other companies		-	-	-	-	586,382,050	586,382,050	-	-	-	586,382,050
Realization of surplus from revaluation of property and equipment			(133,248,708)				(133,248,708)		133,248,708		-
Surplus from revaluation of property and equipment		-	5,065,492,324	-	-	-	5,065,492,324	-	-	-	5,065,492,324
Surplus from revaluation of other assets		-	-	-	(567,838)	-	(567,838)	-	-	-	(567,838)
Total comprehensive income for the year		-	**4,932,243,616**	**5,249,713,315**	**(567,838)**	**586,382,050**	**10,767,771,143**	-	**17,581,688,961**	-	**28,349,460,104**
Balances at June 30, 2015	19	**118,130,303,482**	**68,571,839,671**	**1,462,285,440**	**69,678,787**	**6,916,288,371**	**77,020,092,269**	**247,811,397,754**	**63,629,910,283**	**18,146,075,240**	**524,737,779,028**

Juan Carlos Corrales Salas
Acting General Manager

Gerardo Gómez Solís
General Accountant

Ricardo Araya Jiménez
General Auditor

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

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2015
(With corresponding figures for 2014)
(In colones)

	Note	2015	2014
Net cash flows from operating activities			
Income for the year		17,448,440,253	16,904,805,625
Items not requiring cash			
Gain on sale of idle property and equipment		-	(67,142)
Gain on foreign exchange differences and development units, net		(3,843,261,413)	39,305,050,393
Loss on allowance for loan impairment		22,189,952,730	13,543,253,874
Income from reversal of allowance for impairment of investments		(280,121)	1,545,813
Loss on allowances for foreclosed assets and other receivables		3,648,079,192	1,172,546,732
Loss on sale of foreclosed assets		7,103,846,861	8,948,742,315
Expense for provisions for severance benefits, net		(18,076,928,254)	4,845,116,698
Depreciation and amortization		7,348,715,933	7,460,745,241
Share in net profit of foreign associate		(2,714,905,912)	(2,748,418,591)
Statutory allocations		6,104,175,340	4,856,226,455
Deferred tax		(507,012,667)	(386,147,208)
Current tax expense	15 -a	5,478,767,420	4,597,264,155
Finance income on loan portfolio and investments		(186,373,128,155)	(167,178,008,617)
Finance expense on term obligations with the public and financial entities		59,550,087,706	49,705,032,056
		(82,643,451,087)	**(18,972,312,201)**
(Increase) decrease in assets			
Credits and cash advances		(144,920,928,087)	(98,488,171,342)
Foreclosed assets		3,663,765,631	6,489,374,855
Accrued interest receivable on other receivables		824,241	28,978
Other assets		2,730,005,327	(17,209,849,691)
		(221,169,783,975)	**(128,180,929,401)**
Net increase (decrease) in liabilities			
Demand and term obligations		193,044,643,951	16,276,253,411
Other accounts payable and provisions		(9,026,670,101)	(33,866,091,848)
Other liabilities		7,821,338,445	16,611,592,958
		(29,330,471,680)	**(129,159,174,880)**
Interest received on loan portfolio and investments		183,305,105,927	169,029,143,441
Income tax paid		(7,451,254,174)	(1,712,423,689)
Interest paid on term obligations with the public and financial entities		(58,298,124,818)	(51,059,321,191)
Net cash from (used in) operating activities		**88,225,255,255**	**(12,901,776,319)**
Net cash flows from investing activities			
Increase in financial instruments		(1,040,084,170,769)	(2,163,133,950,332)
Decrease in financial instruments		931,303,883,725	2,258,993,697,901
Acquisition of property and equipment		(6,001,661,716)	(3,755,069,268)
Sale of property and equipment		(7,873,793,007)	347,503,531
Cash investments in other companies		665,107,314	(1,120,903,721)
Net cash (used in) from investing activities		**(121,990,634,453)**	**91,331,278,111**
Net cash flows from financing activities			
Other new financial obligations		7,965,160,941	40,630,733,273
New subordinated obligations		-	53,758,000,000
Settlement of financial obligations		(6,936,137,155)	(45,370,940,327)
Net cash from financing activities		**1,029,023,786**	**49,017,792,946**
Net (decrease) increase in cash and cash equivalents		**(32,736,355,412)**	**127,447,294,738**
Cash and cash equivalents at beginning of year		**1,005,007,009,161**	**906,647,914,809**
Cash and cash equivalents at end of year	4	**972,270,653,749**	**1,034,095,209,547**

Juan Carlos Corrales Salas
Acting General Manager

Gerardo Gómez Solís
General Accountant

Ricardo Araya Jiménez
General Auditor

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

(1) Summary of operations and significant accounting policies

(a) Operations

Banco Nacional de Costa Rica (the Bank) is an autonomous, independently managed, public law institution. As a State-owned 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 the Political Constitution of the Republic of Costa Rica. It is also subject to oversight by the Superintendency General of Financial Entities (SUGEF) and the Comptroller General of the Republic (CGR). The Bank's registered office is located in San José, Costa Rica.

Pursuant to current regulations, the services offered by the Bank have been divided into three departments: Commercial Banking, Mortgage Banking, and Rural Credit Banking.

Pursuant to IRNBS, if a bank divides its services into departments, its operations should be conducted through those departments based on the nature of the operations, rather than as a single banking institution. The Bank's three departments are independent from one another, except for administrative limitations established by the aforementioned regulations. Those regulations also prescribe that earnings should be calculated by combining the gains and losses of all departments and proportionally distributing the resulting net earnings to each department's equity.

Currently, due to major innovations in information technology and telecommunications, and especially because of the competition in the national and international financial sectors, the Bank has become a universal bank that offers services in all sectors of the Costa Rican market. Those services include: personal, business, corporate, and institutional banking, stock trading, pension fund management, investment funds, insurance brokerage, international banking services, and electronic banking services. The Bank aims to improve the quality of life of the largest possible number of people by offering prime financial services that promote the sustainable creation of wealth.

(Continued)

As of June 30, 2015 and 2014, the Bank has 181 offices (2014: 182 offices), 466 automated teller machines (2014: 464 automated teller machines), and, together with its subsidiaries, a total of 5,929 employees (2014: 5,930 employees). Employees are distributed as follows: Banco Nacional de Costa Rica - 5,508 employees (2014: 5,473 employees); BN Valores Puesto de Bolsa, S.A. - 76 employees (2014: 81 employees); BN Vital Operadora de Planes de Pensiones Complementarias, S.A. - 178 employees (2014: 181 employees); BN Sociedad Administradora de Fondos de Inversión, S.A. - 82 employees (2014: 87 employees); and BN Corredora de Seguros, S.A. - 85 employees (2014: 69 employees). The Bank's website is www.bncr.fi.cr.

The following subsidiaries are wholly owned by the Bank:

BN Valores Puesto de Bolsa, S.A. (the Brokerage Firm) was organized as a corporation in 1998 under the laws of the Republic of Costa Rica to operate as a brokerage firm and carry out the brokerage activities permitted under the Securities Market Regulatory Law and the general regulations and provisions issued by the Costa Rican National Securities Commission (SUGEVAL). Its main activity is executing securities transactions on the Costa Rican National Stock Exchange (Bolsa Nacional de Valores, S.A.) on behalf of third parties. Such transactions are regulated by the Costa Rican National Stock Exchange, the regulations and provisions issued by SUGEVAL, and the Securities Market Regulatory Law.

BN Sociedad Administradora de Fondos de Inversión, S.A. (the Investment Fund Manager) was organized as a corporation on April 29, 1998 under the laws of the Republic of Costa Rica. Its main activity is managing investment funds on behalf of third parties and managing closed and open investment funds listed in the Costa Rican National Stock Exchange and SUGEVAL.

BN Vital Operadora de Planes de Pensiones Complementarias, S.A. (the Pension Fund Manager) was organized as a corporation on December 31, 1998. In January 1993, the Pension Fund Manager acted a voluntary pension "trust" called BN Vital. Its main activity is offering supplemental old-age and death benefit plans and promoting medium- and long-term planning and savings. Its activities are governed by Law No. 7523 of the Private Supplemental Pension Fund System and the amendments thereto, the Employee Protection Law (Law No. 7983), and the Regulations on Opening and Operating Regulated Entities and Operating Pension, Compulsory, and Voluntary Retirement Savings Funds as prescribed in the Employee Protection Law, Regulations on Regulated-Entity Investments, and the directives issued by the Pensions Superintendency (SUPEN).

(Continued)

BN Corredora de Seguros, S.A. (the Insurance Brokerage Firm) was organized as a corporation on May 19, 2009 under the laws of the Republic of Costa Rica. Its main activity is insurance brokerage for policies issued by insurance companies authorized to operate in Costa Rica. Its activities are governed by the Insurance Market Regulatory Law (Law No. 8653) and the regulations and provisions issued by the Superintendency General of Insurance (SUGESE). This entity began operations in January 2010.

The Bank holds a 49% ownership interest in the following associate:

Banco Internacional de Costa Rica, S.A. and subsidiary (BICSA) was organized under the laws of the Republic of Panama in 1976. It operates under a general license granted by the Superintendency of Banks of Panama to engage in banking operations in Panama or abroad. BICSA's registered office is located in Panama City, Republic of Panama, Calle Manuel María Icaza No. 25. BICSA has a branch in Miami, Florida, United States of America. The Bank holds a 49% ownership interest in BICSA. Banco de Costa Rica owns the remaining 51% of shares.

As of June 30, the main components that comprise the financial statements of the entities in which the Bank holds ownership interest are detailed below:

June 2015

		Brokerage Firm	Pension Fund Manager	Investment Fund Manager	Insurance Brokerage Firm	BICSA
Assets	¢	69,830,174,905	8,551,341,564	5,133,940,488	2,073,564,660	452,026,840,148
Liabilities	¢	53,215,663,250	1,758,521,993	682,032,818	526,398,838	399,966,338,768
Equity	¢	16,614,511,655	6,792,819,571	4,451,907,670	1,547,165,822	52,060,501,380
Income for the year	¢	1,110,570,764	460,460,338	576,221,282	241,457,243	2,714,905,912
Memoranda accounts	¢	1,675,013,642,052	949,174,766,966	390,065,501,373	-	-

June 2014

		Brokerage Firm	Pension Fund Manager	Investment Fund Manager	Insurance Brokerage Firm	BICSA
Assets	¢	58,476,430,341	7,051,262,754	4,597,103,264	1,219,681,481	402,315,804,210
Liabilities	¢	44,184,684,471	674,804,102	561,045,298	277,057,101	354,580,711,793
Equity	¢	14,291,745,870	6,376,458,652	4,036,057,966	942,624,380	47,735,092,417
Income for the year	¢	316,101,545	461,209,848	441,096,596	169,151,192	2,748,418,591
Memoranda accounts	¢	1,421,794,094,171	803,493,525,914	301,723,189,718	-	-

(b) Basis of preparation

- Statement of compliance

The consolidated financial statements have been prepared in accordance with the accounting regulations issued by the National Financial System Oversight Board (CONASSIF), SUGEF, SUGEVAL, SUPEN, and SUGESE.

- Basis of measurement applied to assets and liabilities

The consolidated financial statements have been prepared on the fair value basis for available-for-sale assets and derivative instruments. Other financial assets and liabilities are stated at amortized cost. The accounting policies have been consistently applied.

(c) Basis of consolidation

i. Subsidiaries

Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

As of June 30, 2015 and 2014, the consolidated financial statements include the financial figures of the following subsidiaries:

Subsidiary	Ownership interest
Brokerage Firm	100%
Pension Fund Manager	100%
Investment Fund Manager	100%
Insurance Brokerage Firm	100%

Subsidiaries were consolidated based on the following accounting principles:

- All subsidiaries which the Bank controls, whether directly or indirectly, are consolidated.

- For cases in which there are long-term financial or legal restrictions on the transfer of resources or for cases in which the Bank controls the subsidiary temporarily, the subsidiary is not consolidated.

- On consolidation:

  - The effect of the equity method shown in the parent's unconsolidated financial statements has been eliminated.
  - Balances of accounts related to reciprocal intra-group transactions have been eliminated from the consolidated balance sheet and income statement.
  - Uniform accounting policies have been applied by group entities.
  - All significant intra-group balances and transactions have been eliminated. Profit or loss presented in the consolidated financial statements does not differ from profit or loss presented in the parent's unconsolidated financial statements since the subsidiaries were measured by the equity method when preparing the parent's unconsolidated financial statements.

ii. Associates

Associates are those entities in which the Bank has significant influence, but not control. The Bank updates the value of its associates using the equity method from the date that significant influence commences until the date significant influence ceases. As of June 30, 2015 and 2014, the Bank holds 49% ownership interest in BICSA.

(d) Foreign currency

i. Foreign currency transactions

Assets and liabilities held in foreign currency are translated to colones at the foreign exchange rate ruling at the balance sheet date, except for transactions that have a contractually agreed exchange rate. Transactions in foreign currency during the year are translated at the exchange rates ruling on the dates of the transactions. Foreign exchange gains and losses arising on translation are recognized in the accounts corresponding to gains or losses on foreign exchange and development units (DU), as appropriate.

ii. *Monetary unit and foreign exchange regulations*

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

As part of the transition toward an inflation targeting monetary scheme that requires greater exchange rate flexibility, the Board of Directors of the Central Bank of Costa Rica (BCCR), in Article 5 of Session 5677-2015 of January 30, 2015, declared the migration from a currency band regime to a managed float regime.

Under the managed float regime, the exchange rate is determined by the market, but BCCR still reserves the right to intervene in the foreign currency market to moderate significant fluctuations in the exchange rate and prevent deviations from the behavior of the variables that explain its medium and long-term trends (in effect as of February 2, 2015). In accordance with the Chart of Accounts, assets and liabilities denominated in foreign currency should be expressed in colones using the reference buy rate published by BCCR. As of June 30, 2015, the exchange rate was established at ¢528.71 and ¢540.97 (2014: ¢537.58 and ¢548.66) to US$1.00 for the purchase and sale of U.S. dollars, respectively.

As of June 30, 2015, the exchange rate for the purchase and sale of euros was established at ¢583.67 and ¢616.55 (2014: ¢721.36 y ¢756.36) to €1.00, respectively.

iii. *Valuation method for assets and liabilities denominated in foreign currency*

As of June 30, 2015, assets and liabilities denominated in U.S. dollars were valued at the exchange rate of ¢528.71 to US$1.00 (2014: ¢537.58 to US$1.00), which is the reference buy rate published by BCCR for June 30, 2015.

As of June 30, 2015, assets and liabilities denominated in euros were valued at the exchange rate of ¢592.42 to €1.00 (2014: ¢734.76 to €1.00). This exchange rate was calculated by multiplying the international exchange rate published by Reuters by the reference buy rate for U.S. dollars published by BCCR on the last business day of the month.

As of June 30, 2015, assets and liabilities denominated in DU were valued at the exchange rate of ¢861.10 to DU1.00 (2014: ¢850.48 to DU1.00). This exchange rate is based on the DU value tables published by SUGEVAL.

(Continued)

Valuation in colones of monetary assets and liabilities in foreign currency during the years ended June 30 gave rise to foreign exchange gains and losses, as follows:

		June 2015	June 2014
Foreign exchange gain	¢	61,957,518,410	252,200,896,155
Foreign exchange loss		61,798,429,270	252,930,615,574
Net gain (loss)	¢	159,089,140	(729,719,419)

Additionally, valuation of other assets and other liabilities during the year ended June 30 gave rise to gains and losses, respectively, which are booked in "Other operating income" and "Other operating expenses", respectively, as follows:

		June 2015	June 2014
Net gain on valuation of other assets (note 33)	¢	235,860,246	524,662,202
Net loss on valuation of other liabilities (note 36)		156,761,915	1,036,531,157
Net (loss) gain	¢	79,098,331	(511,868,955)

iv. *Financial statements of foreign operations (BICSA)*

The financial statements of BICSA are presented in U.S. dollars, which is the entity's functional currency. As of June 30, 2015 and 2014, the Bank holds a 49% stake in BICSA. Accordingly, the Bank should value its investment in that entity by the equity method rather than on a consolidated basis.

The financial statements of foreign operations are translated as follows:

- Monetary assets and liabilities denominated in U.S. dollars have been translated at the closing exchange rate.

- Non-monetary assets and liabilities have been translated at the exchange rate in effect on the date of the transaction (historical rates).

- Equity balances, except profit or loss for the period, have been translated at the exchange rate in effect on the date of the transaction (historical rates).

- Income and expenses have been translated at average exchange rates for the year, except depreciation expense, which has been translated at historical rates.

For the year ended June 30, 2015, a foreign exchange loss in the amount of ¢114,612,905 (2014: foreign exchange gain of ¢2,536,386,583) is presented in equity for the translation of the financial statements of foreign operations. As of June 30, 2015, the adjustment for valuation of investments in other companies amounts to ¢6,916,288,371 (2014: ¢6,801,675,466).

(e) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. Financial instruments include primary instruments, i.e. loan portfolio, investments in financial instruments, other accounts receivable, deposits from the public, financial obligations, and accounts payable.

i. Classification

Investments in financial instruments are recognized using settlement date accounting in accordance with the Accounting Regulations Applicable to Entities Regulated by SUGEF, SUGEVAL, SUPEN, and SUGESE and to Non-financial Issuers effective as of January 1, 2008. Those investments are classified as follows:

- Investments in financial instruments of regulated entities are to be classified as available for sale.
- Own investments in open investment funds are to be classified as trading financial assets.
- Own investments in closed investment funds are to be classified as available for sale.
- Entities regulated by SUGEVAL and SUGEF may classify other investments in financial instruments as trading instruments, provided there is an express statement of intent to trade them within 90 days from the acquisition date.

Until March 31, 2007, SUGEF allowed investments in financial instruments to be classified as held to maturity.

As of June 30, 2015, the Bank no longer classifies financial instruments as held to maturity, except for the securities denominated in DU received from the Central Government to capitalize the Bank. Those securities were authorized by the Executive Branch of the Government of Costa Rica as a capital contribution and are funded under Law No. 8703 "Amendment to Law No. 8627 on the Ordinary and Extraordinary Budget of the Republic for Tax Year 2008."

Trading securities

Trading securities are stated at fair value and have been acquired for the purpose of short-term profit-taking based on price variations. Variations in the fair value of these securities are recognized in net profit or loss for the year.

Available-for-sale securities

Available-for-sale securities are financial assets that are not held for trading purposes or originated by the Bank. Available-for-sale instruments include money market placements and certain debt investments. Available-for-sale securities are stated at fair value and interest earned and amortization of premiums and discounts are recognized as income or expenses, as appropriate.

Any changes in the fair value of available-for-sale securities are recognized directly in equity until the securities are sold or considered to be impaired, at which time the cumulative gain or loss previously recognized in equity is transferred to the income statement.

Derivative financial instruments

Derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value by the fair value method. The Bank does not hold derivative financial instruments for trading purposes.

Derivative instruments accounted for by the fair value method hedge exposure to changes in the fair value of a financial liability recognized in the balance sheet. Any valuation gains or losses are recorded in the income statement.

The valuation methodology applied to derivative financial instruments varies depending on the type of product to be valued. In the case of foreign exchange forward contracts (FX forwards), with short credit positions and maturities generally not exceeding one year, valuation involves comparing the present value of the negotiated forward exchange rate and the current foreign exchange rate. The present value of the negotiated forward exchange rate is calculated by using the difference between the zero coupon rates. In the case of swaps (FX swap or currency swap), valuation involves two steps. In the first step, future cash flows are estimated based on current market prices. The estimation of fixed-rate cash flows does not require assumptions but variable-rate cash flows are estimated based on the rates in effect. Calculating the present value of each type of cash flows requires a valuation rate for each cash flow, which is equivalent to the base rate plus a credit spread.

For fixed-rate cash flows, the base rate is the zero coupon rate. For variable-rate cash flows, the base rate is the benchmark rate plus the spread applicable to the term of the cash flow. The spread is applicable to the Bank's cash flows receivable or payable and depends on the credit rating of the counterparty and the instruments' maturity.

Originated loans and other receivables

Originated loans and other receivables are loans and receivables originated by the Bank providing money to a debtor other than those created with the intention of short-term profit taking. Originated loans and other receivables comprise loans and advances to banks and customers other than loans and bonds purchased from the original issuer.

The SUGEF Chart of Accounts for Financial Entities does not allow investments in financial instruments to be classified as held to maturity, except for the securities denominated in DU.

ii. Recognition

The Bank recognizes available-for-sale assets using settlement date accounting. From this date, any gains or losses arising from changes in the fair value of the assets are recognized in equity, except for gains and losses arising from changes in the fair value of investments in open investment funds, which are recorded in profit or loss.

Originated loans and other receivables are recognized on the date they are transferred to the Bank.

iii. Measurement

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

Subsequent to initial recognition, all trading and available-for-sale investments and derivative instruments are measured at fair value, except that any investment or instrument that does not have a quoted market price in an active market and which fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses. Starting September 2008 until July 31, 2013, fair values were determined using a market price valuation method established by Proveedor Integral de Precios Centroamérica, S.A. (PIPCA); and starting August 1, 2013, the price vector provided by VALMER Costa Rica, S.A. is applied. These methods have been duly approved by SUGEVAL.

For securities issued by foreign entities and listed in open systems such as Bloomberg, the permanent quotes published in these primary sources should be used. Given that the information in open systems is obtained from financial systems all over the world, the last price listed is used as the price of the security. As an exception applicable to all currencies, when it is not possible to obtain a quote from open systems, the security is valued at an amount equivalent to its purchase price.

Auction Rate Securities (ARSs) are valued using a valuation model developed by the Bank.

ARSs are valued using discounted future cash-flow models considering the instrument's options.

Cash flow discounts are based on the yield curves of municipal bonds associated to the rating of each issue. The dynamics of those yield curves are not directly analyzed; instead, they are adjusted to LIBOR caps quoted in the market using the Hull-White stochastic interest rate model.

Once the dynamic model for the rates is obtained, a trinomial tree is built for the variations in the rates using the standard Hull-White method. A term spread variable is added to this stochastic model based on a comparison of the forward LIBOR and municipal yield curves. This tree allows the instrument's options to be evaluated based on the scenarios proposed therein.

(Continued)

An additional element to be included is the benchmark interest rates for the instrument's coupons. For such purposes, the benchmark forward rates are compared with the forward LIBOR rate. Spreads, which depend on the average interest rates on student loans, are approximated using a regression analysis to correlate student rates with the LIBOR rate. The approximations derived from that analysis are sufficient to perform the valuation of ARSs, which solely depend on a benchmark rate at a specific point in time. In the case of ARSs for which payment involves a moving average of the benchmark rate and coupons (such as the ARSs issued by the Pennsylvania Higher Education Authority, PHEA), nominal quotations are determined through simplification, which are higher and lower than the quotation. In the event that those nominal quotations match, with acceptable accuracy, that result is used as the instrument's quote. The Bank's management considers that the values obtained using this valuation method represent the best estimate of the fair value of ARSs.

Internal debt Central Bank bonds received for the capitalization of State-owned banks are classified as held-to-maturity investments, as set forth in Law No. 8703 of December 23, 2008, which reads as follows: "These securities shall be delivered directly to State-owned banks and held to maturity and, therefore, they are not available for sale. Accordingly, these securities shall not be subject to market price valuation." Consequently, the classification applied to these securities is justified by the fact that it is prescribed by law. These securities are recognized at amortized cost and are zero-coupon securities.

The effect of valuating trading investments at market price is booked directly in profit or loss.

All non-trading financial assets and liabilities, originated loans and other receivables, and held-to-maturity investments are measured at amortized cost, including transaction costs, 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. Fair value measurement principles

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

v. Gains and losses on subsequent measurement

Gains and losses arising from changes in the fair value of available-for-sale assets are recognized directly in equity until an investment is considered to be 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 to a third party.

Available-for-sale investments that are sold are derecognized and the corresponding account due from the purchaser is recognized on the date the Bank sells the assets.

A financial liability is derecognized when the specific contractual obligation has been paid or settled, or when the obligation has expired.

vii. Offsetting

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

viii. Impairment of financial assets

The carrying amount of an asset is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the income statement for assets carried at cost and treated as a decrease in unrealized gains for assets carried at fair value.

The recoverable amount of an asset is equivalent to the greater of its net selling price and its 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 expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

(Continued)

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

ix. *Specific instruments*

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash deposited in BCCR, deposits in other banks, and highly-liquid short-term investments with original maturities of two months or less.

Demand deposits – overnight

Demand deposits that are classified as overnight deposits at the end of the business day are included in the "Cash and due from banks" account under the caption "Foreign financial entities."

Investments in financial instruments

Investments in financial instruments are classified as available for sale and were valued using the price vector furnished by PIPCA until July 31, 2013; starting August 1, 2013, the price vector provided by VALMER Costa Rica, S.A. is applied. In accordance with accounting standards issued by CONASSIF, starting January 1, 2008, the Bank no longer classifies financial instruments as held-to-maturity investments. However, pursuant to Law No. 8703 "Amendment to Law No. 8627 on the Ordinary and Extraordinary Budget of the Republic for Tax Year 2008", securities received to capitalize State-owned banks are to be classified as held to maturity and are not subject to market price valuation.

Investments that the Bank holds for the purpose of short-term profit-taking are classified as trading instruments. Other investments are classified as available-for-sale assets.

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

Regular purchases or sales of financial assets are recognized using settlement date accounting, i.e. are booked on the date the entity's financial asset was exchanged.

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

When a financial asset is acquired with accrued interest, such interest is booked in a separate account as accrued interest receivable.

An allowance is established for the entire value of securities that may not be traded in an active financial or stock market due to the legal form of the issuer and the transfer method of the security and for which interest payable is past due.

Loans and advances to banks and customers

Loans originated by the Bank are classified as loan portfolio.

Loans and advances are presented net of allowances to reflect the estimated recoverable amounts.

Securities sold under repurchase agreements

The Bank sells securities under agreements to repurchase them on a certain date in the future at a fixed price. The obligation to repurchase securities sold is reflected as a liability in the balance sheet and stated at the value of the original agreement. The underlying securities are booked in asset accounts. Interest is presented as finance expense in the income statement and accrued interest payable is recognized in the balance sheet.

Securities purchased under reverse repurchase agreements

The Bank purchases securities under agreements to sell them on a certain date in the future at a fixed price. The obligation to sell securities purchased is reflected as an asset in the balance sheet and stated at the value of the original agreement. The underlying securities are booked in asset accounts. Interest earned is presented as finance income in the income statement and accrued interest receivable is recognized in the balance sheet.

(Continued)

(f) Loan portfolio

SUGEF defines a credit operation as any operation related to any type of underlying instrument or document, except investments in financial instruments, whereby credit risk is assumed either by providing or committing to provide funds or credit facilities, acquiring collection rights, or guaranteeing that obligations with third parties will be honored. Credit operations include loans, guarantees, letters of credit, pre-approved lines of credit, and loans pending disbursement.

The loan portfolio is presented at the amount of outstanding principal. Interest is calculated based on the value of outstanding principal and the contractual interest rates, and is accounted for as income using the accrual method of accounting. The Bank follows the policy of suspending interest accruals on loans when principal or interest payments are more than 180 days past due. The recovery or collection of that interest is recognized as income when collected.

(g) Allowance for loan impairment

The allowance for loan impairment is based on a periodic assessment of the collectibility of the loan portfolio that considers a number of factors, including current economic conditions, prior experience with the allowance, the portfolio structure, borrower liquidity, and loan guarantees.

Additionally, the collectibility of the loan portfolio is assessed in conformity with the provisions of SUGEF Directive 1-05, "Regulations for Borrower Classification", which was approved by CONASSIF on November 24, 2005, was published in Official Gazette No. 238 dated December 9, 2005, and is effective as of October 9, 2006. That assessment considers parameters including borrower payment history, creditworthiness, the quality of guarantees, delinquency, etc.

SUGEF may require an allowance to be established for an amount greater than the amount determined by the Bank.

Management considers the allowance to be sufficient to absorb any potential losses that may be incurred on recovery of the portfolio.

As of June 30, 2015 and 2014, increases in the allowance for loan impairment are included in the accounting records in accordance with article 10 of IRNBS.

(Continued)

As of June 30, 2015 and 2014, the allowance for stand-by credit losses is presented in the liability section of the balance sheet, in the "Other liabilities" account, and amounts to ¢1,516,038,202 and ¢1,185,342,814, respectively (see note 18).

(h) Allowance for impairment of derivative instruments other than hedges

The provisions of article 35 of SUGEF Directive 9-08 are to be applied in calculating the allowance for clearing price risk in respect of each customer or counterparty. For such purposes, the capital requirement adjusted for clearing price risk (as defined in article 28 of SUGEF Directive 3-06) must be multiplied by the respective allowance percentage corresponding to the borrower rating included in SUGEF Directive 1-05.

(i) Other receivables

The recoverability of these accounts is assessed by applying criteria similar to those established by SUGEF Directive 1-05 for the loan portfolio. Notwithstanding the results of the assessment, if an account is not recovered within 120 days from the due date, an allowance is established for an amount equivalent to 100% of the balance receivable. Accounts with no specified due date are considered payable immediately.

(j) Property and equipment

i. Own assets

Property and equipment is stated at cost, net of accumulated depreciation. Significant improvements are capitalized, while minor repairs and maintenance that do not extend the useful life or improve the asset are directly expensed when incurred.

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

As of June 30, 2015, appraisals were made of the Bank's land and buildings by independent appraisers. The net effect derived therefrom was ¢26,485,021,251.62 in buildings and ¢15,109,316,075.39 in land, which was recognized in the "Surplus from revaluation of property and equipment" account.

ii. Leased assets

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

Property and equipment acquired under finance leases is measured at the lower of its fair value and the present value of minimum payments at the date of inception of the lease, less accumulated depreciation and amortization and impairment losses.

iii. Subsequent expenditure

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and renovation costs, is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognized in the income statement as an expense when incurred.

iv. Depreciation and amortization

Depreciation and amortization are charged to the income statement on a straight-line basis over the estimated useful lives of the assets, as follows:

Type of asset	Estimated useful life
Buildings	Based on appraisals
Vehicles	10 years
Furniture and equipment	10 years
Computer hardware	5 years
Portable computers	3 years
Leasehold improvements	To be determined or established in lease terms

(k) Intangible assets

i. Other intangible assets

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

ii. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits. All other expenditure is recognized in the income statement when incurred.

iii. Amortization

Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of the assets. Computer software and software licenses have an estimated useful life of 3 years and 1 year, respectively.

(l) Lease operations

Lease receivables are presented net of unearned interest pending collection. Interest on finance leases is recognized as income over the term of the finance lease agreement using the effective interest method. The difference between lease payments receivable and the cost of the leased asset is recorded as unearned interest and amortized to income accounts over the term of the lease. As of June 30, 2015 and 2014, the Bank has no finance leases.

The Bank's operating leases are mainly for vehicles and equipment and have terms of between 12 and 48 months.

(m) Foreclosed assets

Foreclosed assets are assets owned by the Bank for realization or sale, i.e. assets acquired in lieu of payment, assets awarded 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 booked in the accounting records, an impairment allowance must be booked for the amount of the difference between both values. Cost is the historical acquisition or production value in local currency. These assets should not be revalued or depreciated for accounting purposes and they are to be booked in local currency. The cost booked in the accounting records for a foreclosed asset may only be increased by the amount of improvements or additions, up to the amount by which they increase the asset's realizable value. Other expenditures related to foreclosed assets are to be expensed in the period incurred.

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

If an asset booked in this group is used by the Bank, it should be reclassified to the appropriate account in the corresponding group.

SUGEF Directive 34-02 requires that the allowance for impairment of foreclosed assets acquired or produced after May 2010 be established gradually by booking one-twenty-fourth of the value of such assets each month during two years until the allowance is equivalent to 100% of the assets' carrying amount.

For foreclosed assets prior to the aforementioned date, management of the Bank follows the policy of recognizing an allowance equivalent to 100% of the asset's realizable value for assets that are not sold or leased, within two years from the date of acquisition or production.

(n) Investments in other companies

Investments in the share capital of entities over which the Bank exercises control or significant influence are accounted using the equity method in the Bank's unconsolidated financial statements but are eliminated on consolidation. The following entities are wholly owned by the Bank and are measured by the equity method: BN Valores Puesto de Bolsa, S.A.; BN Vital Operadora de Planes de Pensiones Complementarias, S.A.; BN Sociedad Administradora de Fondos de Inversión, S.A.; and BN Corredora de Seguros, S.A. The Bank's 49% ownership interest in BICSA is also measured by the equity method. Under the equity method, investments are initially recognized at acquisition cost. Subsequently, the carrying amounts of the investments are increased or decreased in order to recognize the Bank's proportional share in the profits or losses of the issuer of the capital assets.

The operations of subsidiaries that affect the Bank's equity but have no effect on the results of its operations are also included in the Bank's accounting records.

(Continued)

As of June 30, 2015 and 2014, the Bank has no total or partial interest or influence over the management of other companies other than its subsidiaries and associate, in accordance with article 73 of IRNBS and article 146 of the Internal Regulations of the Central Bank of Costa Rica.

(o) Impairment of non-financial assets

The carrying amount of an asset is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the income statement for assets carried at cost and treated as a revaluation decrease for assets carried at revalued amounts.

The recoverable amount of an asset is equivalent to the greater of its net selling price and its 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 expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

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

(p) Provisions

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

The provision for legal risks is calculated using a mathematical-statistical model developed by the Bank's Corporate Risk Division based on data provided by the File Master system, which is used by the Bank's Legal Department to manage legal actions as of a given date. This system is comprised of modules that provide data to construct statistical series and analyze the status of settled and in-process legal actions.

This system includes the legal proceedings initiated against the Bank in connection with the Employee Protection and Retirement Fund and the Trust 897 arbitration case.

(Continued)

Administrative claims filed for phishing (a form of Internet fraud) are also included.

The data obtained from the modules are reviewed on a monthly basis by the Bank's Operational Risk Division in order to update the likelihood of favorable rulings and the percentages to be provisioned and to adjust the provision amount projected by the model and the amounts booked each month until the proposed limit has been reached.

(q) Severance benefits

Costa Rican legislation requires the payment of severance benefits to employees in the event of retirement, invalidity, death, or dismissal without just cause, equivalent to 20 days' salary for each year of continuous service, up to a maximum of 8 years. In the specific case of the Bank, that limit is 17 years for employees with more than 25 years of service. The Bank follows the policy of booking a provision to cover future disbursements related therewith for employees with more than 20 years of service, in compliance with article 34 of the Collective Bargaining Agreement. As of June 30, 2015, a total of ¢15,892,740,958 (2014: ¢24,350,289,096) is booked in the "Provisions" account for severance benefits. That amount is sufficient to cover the provisions required by current legislation as of those dates (see note 16). The Employee Association of Banco Nacional de Costa Rica (ASEBANACIO) was created in 2012. Accordingly, the Bank currently follows the practice of making monthly transfers of severance benefits to the Employee Association, equivalent to 5.33% of member employees' monthly salaries, for management and custody. Those funds are paid out to employees upon termination of employment. Severance payments are expensed when the funds are transferred.

In February 2000, the Employee Protection Law was enacted and published. Such law modifies the existing severance benefit system and establishes a compulsory supplemental pension system, 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.

(r) Employee benefits

Employee Protection and Retirement Fund

The Employee Protection and Retirement Fund of Banco Nacional de Costa Rica (the Fund) was created by Law No. 16 (Law of Banco Nacional de Costa Rica) of November 5, 1936 and has been amended on a number of occasions. The most recent amendment was included in Law No. 7107 (Law to Modernize the Financial System of the Republic) of October 26, 1988. Pursuant to Law No. 16, the Fund was established as a special employee protection and retirement system for the Bank's employees. The Fund is comprised of the following:

a. items established by the laws and regulations related to the Fund

b. contributions made by the Bank equivalent to 10% of total wages

c. contributions made by employees equivalent to 5% of total wages to strengthen the Fund

d. income from investments made by the Fund and other potential income.

For members of the Fund who terminate their employment prior to being entitled to a pension, the member's accrued balance is paid in accordance with the conditions stipulated in the Fund's Regulations on Retirement.

The governing body is responsible for the Fund's internal management. The Fund's accounting records are kept by Bank employees selected based on their qualifications, in accordance with the provisions of the governing body and with the oversight of the Internal Audit Department. Those employees are independent from the Bank's general accounting department and the Fund's accounting records are kept separately. The Fund operates based on the principle of solidarity.

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

Vacation, back-to-school bonus, and incentive plans

The Bank and its subsidiaries book accruals for vacation, back-to-school bonus, and incentive plans. Incentives to employees are calculated using the Incentives and Performance Assessment System (SEDI).

(Continued)

SEDI is an economic incentive that is granted provided that the following two conditions are met:

- The Bank reports profits in its audited financial statements for the corresponding period; and
- The employee eligible for the SEDI incentive has worked for at least 6 months for the Bank during the period and has obtained the required minimum score in the assessed areas.

The incentive aims to promote effective achievement of institutional objectives and goals, which requires continuous efforts by the Bank to coordinate and consolidate its work force, increase its productivity, and ensure its compensation is market-competitive.

The method applied considers the above conditions and income after income tax and statutory allocations. The incentive to be granted to each employee is determined based on salaries earned during the year and the score obtained by the employee. Incentives are paid to employees in a lump sum. Expenses are taken against a provision account on a monthly basis and, in the following year that account is cleared upon payment of incentives to employees that met the aforementioned conditions.

(s) Accounts payable and other liabilities

Accounts payable and other liabilities are carried at cost.

(t) Deferred income

Deferred income corresponds to income received in advance by the Bank and its subsidiaries that should not be recognized in profit or loss since it has not yet been accrued. Deferred income is recognized and credited to the corresponding income account as it accrues.

(u) Legal reserve

Pursuant to article 12 of IRNBS, the Bank appropriates 50% of each year's earnings after income taxes and statutory allocations to a legal reserve. Such appropriation is performed pursuant to the Chart of Accounts for Financial Entities, Groups, and Conglomerates. Accordingly, in the first and second halves of each year, income and expenses are offset and the sum of the results of each half year is transferred to opening retained earnings.

(Continued)

Other statutory reserves

Pursuant to Panamanian regulations, the associate Banco Internacional de Costa Rica, S.A. and subsidiary (BICSA) must create the following statutory reserves:

i. Regulatory reserve for foreclosed assets:

The Superintendency of Banks of Panama establishes at five (5) years the term to sell real estate acquired as payment for unpaid loans, from the date of the asset's registration in the Public Registry. Once this term has elapsed, if the Panamanian banks have not sold the acquired property, an independent appraisal must be performed to determine whether its value has decreased. If so, the provisions of IFRS apply.

Similarly, Panamanian banks must create a reserve in the equity account, through appropriation, in the following order, of: a) its retained earnings and b) profit for the period, making the following transfers of the value of the foreclosed asset:

First year:	10%
Second year:	20%
Third year:	35%
Fourth year:	15%
Fifth year:	10%

The aforementioned reserves will be maintained until the effective transfer of the acquired asset takes place. This reserve shall not be considered as a regulatory reserve for purposes of the equity index calculation.

ii. Excess of regulatory loan reserve:

As per the General Resolution of the Board of Directors SBP-GJD-003-2013 of the Superintendency of Banks of Panama, dated July 9, 2013, which establishes the accounting treatment for differences arising between the prudential regulations issued by the Superintendency of Banks and International Financial Reporting Standards (IFRSs), so that 1) the accounting records and financial statements are prepared in conformity with IFRSs, as required by Agreement No. 006-2012 of December 18, 2012, and 2) in the event that the calculation of a provision or reserve according to prudential regulations applicable to banks, which have specific accounting issues additional to those required by IFRSs, is higher than the corresponding calculation under IFRS, the excess of the provision or reserve under prudential regulations shall be recognized as a regulatory reserve in equity. This General Resolution became effective for accounting periods ending on or after December 31, 2014.

Subject to prior approval of the Superintendent of Banks, the established provision may be reversed, partially or in full, based on duly evidenced justifications submitted to the Superintendency of Banks of Panama.

iii. Regulatory dynamic provision:

Agreement No. 004-2013 of the Superintendency of Banks of Panama indicates that specific provisions originate from objective and concrete evidence of impairment. These provisions must be created for credit facilities with a risk category of special mention, subnormal, doubtful, or uncollectible, both for individual credit facilities and a group of such facilities.

As a minimum, as of December 31, 2014, Panamanian banks must calculate and maintain at all times the amount of the specific provisions determined through the methodology specified in this Agreement, which takes into consideration the outstanding balance of each credit facility classified in any of the aforementioned categories subject to the provision; the present value of each guarantee available for risk mitigation, as established by type of guarantee in this Agreement; and a table of the weighting factors applied to the net balance exposed to loss of such credit facilities.

If there is an excess amount in a specific provision calculated according to this Agreement, in relation to the provision calculated according to IFRSs, this excess shall be recorded in a regulatory reserve in equity that increases or decreases with allocations to or from retained earnings. The balance of the regulatory reserves shall not be considered as capital funds for the calculation of certain indexes or prudential ratios mentioned in the Agreement.

As of June 30, the balance in equity reserves is detailed below:

		2015	2014
Legal reserve	¢	237,921,037,924	209,058,123,505
Regulatory reserve for foreclosed assets		96,641,135	-
Excess of regulatory loan reserve		4,660,619,604	-
Regulatory dynamic provision		5,133,099,091	-
	¢	247,811,397,754	209,058,123,505

(Continued)

(v) Revaluation surplus

Revaluation surplus included in equity may be transferred directly to retained earnings when the surplus is realized. Total surplus is realized on the retirement, disposal, or use of the asset. The transfer of revaluation surplus to retained earnings is not made through the income statement. The Bank follows the policy of capitalizing revaluation surplus directly to share capital as authorized by SUGEF.

In prior periods, the Bank has capitalized surplus from revaluation of property and equipment, in compliance with SUGEF regulations.

(w) Income tax

Income tax is determined pursuant to the provisions of the Income Tax Law, which require that the Bank file its income tax returns for the 12 months ending June 30 of each year. Any resulting tax is recognized in profit or loss and credited to a liability account in the balance sheet.

iv. Current tax:

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

The Bank applies the AD-HOC methodology to calculate the percentage of nondeductible expenses by applying a proportional factor of annual average obligations with the public applied to the investment portfolio. The proportional factor of obligations is calculated by deducting from total obligations with the public (group of accounts 210, 230 and 260), the amount allocated to cash and due from banks (group of accounts 110) and the loan portfolio (group of accounts 130), divided by total obligations with the public. All data correspond to annual averages based on month-end balances.

The resulting proportional factor is applied to total finance expense for the year, net of the revaluation effect.

As of June 30, 2015, the Bank booked a current income tax liability in the net amount of ¢4,229,998,741 (2014: ¢4,291,117,360), which was calculated using the AD-HOC methodology (see notes 15 and 17).

For the subsidiaries BN Vital Operadora de Planes de Pensiones Complementarias, S.A.; BN Sociedad Administradora de Fondos de Inversión, S.A.; BN Valores Puesto de Bolsa, S.A., and BN Corredora de Seguros, S.A., income tax is calculated by applying the applicable tax rate to net income after deducting nontaxable income and adding nondeductible expenses.

v. *Deferred tax:*

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting 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 and a deferred tax asset represents a deductible temporary difference.

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

(x) Segment reporting

A business segment is a distinguishable component of the Bank that is engaged either in providing a specific product or service, or a group of related products or services within a particular economic environment, which is subject to risks and returns that are different from those of other business segments.

(y) Combination of financial statements of departments

The financial statements of the Commercial Banking, Mortgage Banking, and Rural Credit Banking departments were combined to determine the financial and economic position of the legal entity (the Bank), since those departments are dedicated to banking activities and are directly subordinate to the Bank's General Board of Directors, which is responsible for making decisions related to those departments.

All inter-department assets, liabilities, income, and expenses have been eliminated in the process of combining the financial statements.

Pursuant to the provisions of IRNBS, the accounting records of each of the Bank's departments are kept separately.

(Continued)

(z) Use of estimates

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

(aa) Recognition of income and expenses

i. Finance income and expense

Finance income and expense are recognized in the income statement as they accrue. Finance income and expense include amortization of any premium or discount during the term of the instrument until maturity.

The Bank follows the policy of suspending interest accruals on loans when principal or interest payments are more than 180 days past due. Finance income on those loans is recognized when collected.

DU are valued using the rates provided by SUGEVAL for such purposes. The effect of valuation of assets and liabilities denominated in DU is directly booked in the corresponding foreign exchange gain and foreign exchange loss accounts in the income statement.

ii. Fee and commission income

Fees and commissions on the loan portfolio are recognized directly in profit or loss provided they are related to costs incurred in loan portfolio activities, as stipulated in the current Chart of Accounts.

Fee and commission income arises on services provided by the Bank. Fee and commission income is recognized when the service is provided, i.e. on an accrual basis. When fees and commissions are deferred, they are recognized over the term of the service.

iii. Income from foreign currency exchange and arbitrage

Income from foreign currency exchange and arbitrage corresponds to foreign exchange gains arising from the purchase and sale of foreign currency. Cumulative foreign exchange gains arising from purchases and sales of foreign currency conducted during the month are recognized in the income statement on a monthly basis.

(Continued)

iv. Operating lease expenses

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

(bb) 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. In conformity with SUGEF's Chart of Accounts, statutory allocations on the year's net earnings payable to INFOCOOP, the National Emergency Commission (CNE), and the National Commission for Educational Loans (CONAPE) are presented as expenses in the income statement. Pursuant to paragraph a) of article 20 of Law No. 6041 "Law to Create the National Commission for Educational Loans (CONAPE)", the Bank is required to make statutory allocations equivalent to 5% of earnings before taxes and statutory allocations to CONAPE.

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 entities, 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.

Article 78 of Law No. 7983 "Employee Protection Law" establishes a contribution of up to 15% of the earnings of State-owned public companies, with the purpose of strengthening the funding base for the Disability, Old Age, and Death Benefit System (RIVM) of CCSS and to provide universal CCSS coverage for impoverished non-salaried workers. Accordingly, through Executive Order No. 37127-MTSS, published in Official Gazette No. 103 dated May 29, 2012, this contribution is established gradually as follows:

- 5% starting 2013
- 7% starting 2015
- 15% starting 2017.

(Continued)

(cc) Development Financing Fund (FOFIDE)

In accordance with article 32 of the Development Banking System Act No. 8634, 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 create and strengthen their own development funds. The objective of that appropriation is to provide financing to individuals and legal entities that present viable and feasible projects in conformity with the provisions of the aforementioned law.

For purposes of establishing and strengthening development financing funds, all State-owned banks shall transfer to their respective funds the amount corresponding to prior year earnings in the second quarter of each year. At that time, the development financing programs that have been approved by the Governing Board will start operations.

(dd) Development Credit Fund (FCD)

The Development Credit Fund (FCD) is comprised of the funds prescribed in article 59 of IRNBS. The FCD will be managed by State-owned banks. Accordingly, in compliance with Law No. 9094 "Repeal of Transition Provision VII of Law No. 8634", in agreement with article 35 of Law No. 8634 "Development Banking System Act", in meeting No. 119 of January 16, 2013, through agreement No. AG-1015-119-2013, Banco de Costa Rica and Banco Nacional de Costa Rica are appointed as managers for five years from the date of signing of the respective management agreements. Each bank is awarded the management of fifty percent (50%) of such fund.

Accordingly, through Official Letter CR/SBD-014-2013, the Technical Secretariat of the Governing Board required all private banks to open checking accounts with both Banco Nacional de Costa Rica and Banco de Costa Rica (Managing Banks) in local and foreign currency and allocate fifty percent (50%) of those funds to each Managing Bank.

The powers granted by the Governing Board to the Managing Banks are as follows:

a. Under article 6 of Law No. 8634, the Managing Banks may offer first-tier banking services to the beneficiaries of the Development Banking System.

b. Under article 35 of Law No. 8634, the Managing Banks may offer second-tier banking services with FCD funds for financial entities other than private banks, provided that the purposes and obligations established in Law No. 8634 are met and such entities are duly authorized by the Governing Board.

(Continued)

c. Under article 35 of Law No. 8634, the Managing Banks may channel FCD funds through placements to: associations, cooperatives, foundations, non-governmental organizations, producer organizations, or other formal entities, provided that they perform loan operations through development financing programs that meet the objectives established in Law No. 8634 and are duly authorized by the Governing Board.

d. The term of the agreement is five years, renewable for equal and successive periods, unless a written order by the Governing Board provides otherwise and is notified at least three months in advance. If a lack of capacity and competence is proven by the Managing Banks, this agreement may be terminated under paragraph j), article 12 of Law No. 8634 and the executive regulations thereto.

(2) Collateralized or restricted assets

Collateralized or restricted assets are as follows:

Restricted asset		Carrying amount			Cause of restriction
		June 2015	December 2014	June 2014	
Cash and due from banks	¢	575,583,925,401	548,764,416,720	536,599,787,398	Minimum cash reserve
Cash and due from banks	¢	318,224,969	239,089,673	236,652,672	Liquidation and compensation risk management fund
Investments in financial instruments	¢	60,148,498,591	38,566,722,512	44,175,278,696	Guarantee for repurchase agreements (tri-party)
Investments in financial instruments	¢	7,941,446,031	7,994,461,315	8,071,677,854	Guarantee for margin calls - term operations
Investments in financial instruments	¢	287,742,926,521	288,928,706,371	295,908,253,794	Guarantee for obligations with foreign financial entities
Investments in financial instruments	¢	400,076,028	335,132,100	334,725,800	Investments securing repurchase agreements
Investments in financial instruments	¢	-	-	44,799,944,711	Interbank Electronic Payment System (SINPE) guarantee
Other assets (note 11)	¢	443,585,163	334,553,479	257,714,628	Guarantee deposits

(Continued)

As of June 30, 2015 and 2014, the applicable percentage for the minimum cash reserve is 15%. The corresponding amount must be deposited in cash in BCCR pursuant to current banking legislation. The reserve is calculated as a percentage of third-party deposits, which varies based on the term and form of deposit-taking used by the Bank. As of June 30, 2015, the Bank must maintain a minimum cash reserve of ¢575,583,925,401 (December 2014: ¢548,764,416,720 and June 2014: ¢536,599,787,398).

Collateralized or restricted assets are as follows:

			June 2015	December 2014	June 2014
Restricted asset	Cause of restriction		Carrying amount	Carrying amount	Carrying amount
Checking account – colones	Minimum cash reserve	¢	384,166,982,067	374,788,268,448	350,670,661,806
Checking account – euros	Minimum cash reserve	€	8,462,490	7,962,840	7,891,786
Checking account – U.S. dollars	Minimum cash reserve	US$	351,684,945	316,529,644	355,076,745
Checking account – colones	Liquidation and compensation risk management fund	¢	318,224,969	239,089,673	236,652,672
Investments in financial instruments	Guarantee for repurchase agreements (tri-party)	¢	60,148,498,591	38,566,722,512	44,175,278,696
Securities issued by BCCR and the Government	Investments securing repurchase agreements	¢	400,076,028	335,132,100	334,725,800
External debt bonds	Guarantee for margin calls - term operations – Bank of America	¢	3,703,634,699	3,732,194,049	3,766,489,928
External debt bonds	Guarantee for margin calls - term operations – Citi Swap	¢	2,119,630,114	2,130,530,785	2,152,620,843
External debt bonds	Guarantee for margin calls - term operations – JP Morgan Swap	¢	2,118,181,218	2,131,736,481	2,152,567,083
Monetary stabilization bonds	Citibank guarantee	¢	15,512,443,564	15,009,933,300	39,236,795,056
Central Bank bond (global bonds)	Citibank guarantee	¢	126,974,904,661	127,659,542,800	104,475,955,769
External debt bonds	Barclays guarantee	¢	75,535,930,254	75,765,386,092	77,590,386,434
External debt bonds	Credit Suisse guarantee	¢	69,719,648,042	70,493,844,179	74,605,116,535
Monetary stabilization bonds	Interbank Electronic Payment System (SINPE) guarantee	¢	-	-	16,216,254,861
Central Bank bond (global bonds)	Interbank Electronic Payment System (SINPE) guarantee	¢	-	-	28,583,689,850
Other assets	Guarantee deposits	¢	443,585,163	334,553,479	257,714,628

(Continued)

As of June 30, 2015, the Brokerage Firm has restricted assets in the amount of ¢60,466,723,561 (December 2014: ¢38,805,812,185 and June 2014: ¢44,438,931,368), corresponding to guarantees for tri-party repurchase agreements and contributions to the liquidation and compensation risk management fund.

(3) Balances and transactions with related parties

Balances and transactions with related parties are as follows:

		June 2015	December 2014	June 2014
Assets:				
Checking accounts and demand deposits	¢	4,891,170,161	7,799,157,076	3,252,143,516
Investments in financial instruments and accrued interest receivable		-	-	13,439,500,000
Accounts receivable (note 7)		-	1,444,411	596,160
Allowance for impairment of transactions with related parties		(31,389,788)	(24,735,310)	(58,002,884)
Investments in other companies (note 9)		52,111,124,685	49,805,156,511	47,785,715,717
	¢	56,970,905,058	57,581,022,688	64,419,952,509
Liabilities:				
Demand deposits	¢	71,237,043	463,489,825	94,495,548
	¢	71,237,043	463,489,825	94,495,548
Income:				
Finance	¢	-	617,486,403	419,538,426
Operating		-	-	596,160
Gain on investments in other foreign companies		2,714,905,911	5,225,407,598	2,748,418,591
Gain on investments in entities supervised by SUGEVAL		4,394,615	4,850,997	-
	¢	2,719,300,526	5,847,744,998	3,168,553,177
Expenses:				
Operating		4,183,673	-	-
		4,183,673	-	-

Compensation paid to key personnel is as follows:

		June 2015	December 2014	June 2014
Short-term benefits	¢	685,729,936	2,012,799,746	1,014,339,414
Long-term benefits		89,144,892	261,663,966	131,864,123
Per diem for Board of Directors		38,678,568	138,528,618	72,168,308
	¢	813,553,396	2,412,992,330	1,218,371,845

(Continued)

(4) Cash and due from banks

Cash and due from banks is as follows for purposes of reconciliation with the consolidated statement of cash flows:

		June 2015	December 2014	June 2014
Cash and due from banks	¢	842,338,872,816	829,976,580,984	1,001,435,379,254
Investments with maturities of less than two months		129,931,780,933	175,030,428,177	32,659,830,294
	¢	972,270,653,749	1,005,007,009,161	1,034,095,209,547

Cash and due from banks is as follows:

		June 2015	December 2014	June 2014
Local currency:				
Cash	¢	35,593,331,308	39,070,745,022	33,491,693,056
Cash in transit		3,313,920,000	15,112,028,982	2,339,688,000
BCCR		416,856,322,734	393,336,216,822	376,738,290,854
Checking accounts and demand deposits		5,115,570,883	14,735,796,667	6,089,744,214
Outstanding checks and other		9,095,449,673	4,080,795,013	12,316,456,334
Margin calls - tri-party repurchase agreements		74,307,792	-	-
Foreign currency:				
Cash		21,082,095,273	13,413,193,044	12,242,033,997
Cash in transit		1,029,690,588	1,600,659,345	1,102,240,107
BCCR		190,590,658,110	182,974,796,088	197,109,474,402
Checking accounts and demand deposits		1,393,843	422,382	-
Foreign correspondent banks		144,289,801,319	151,045,102,800	153,110,866,402
Other demand deposits in foreign financial entities		59,289,551	53,607,475	41,181,657
Checking accounts and demand deposits in related parties		4,891,170,161	7,799,157,076	3,252,143,516
Overnight deposits in foreign financial entities		7,010,325,349	4,983,252,613	195,680,886,095
Outstanding checks and other		3,091,629,055	1,531,717,982	7,656,388,825
Guarantee fund of National Stock Exchange		243,917,177	239,089,673	263,652,672
Accrued interest receivable		-	-	639,123
	¢	842,338,872,816	829,976,580,984	1,001,435,379,254

(Continued)

Minimum cash reserve

Deposits in BCCR are restricted to cover minimum cash reserve requirements, as follows (see note 2):

Currency		June 2015	December 2014	June 2014
Local	¢	384,166,982,067	374,788,268,448	350,670,661,806
Foreign		191,416,943,334	173,976,148,272	185,929,125,592
	¢	575,583,925,401	548,764,416,720	536,599,787,398

The above figures correspond to the average amount for the second half of June of each year.

As of June 30, 2015, deposits in BCCR amount to ¢607,446,980,844 (December 2014: ¢576,311,012,910 and June 2014: ¢573,847,765,256).

Estimated minimum cash reserve obligations are compared with the balance of deposits in BCCR with a 30 calendar-day delay. Consequently, for each year, the average amount for the second half differs from the balance of deposits as of June 30.

(5) Investments in financial instruments and derivative financial instruments

(a) Investments in financial instruments

Investments in financial instruments are as follows:

		June 2015	December 2014	June 2014
Available for sale	¢	1,115,716,637,377	1,052,451,509,868	863,179,425,654
Held to maturity		27,231,250,107	27,328,967,634	26,895,405,401
Interest rate futures - Hedges (note 5-b)		8,739,975,360	10,619,377,926	3,346,334,489
Purchase of FX futures - Other than hedges (note 5-b)		-	-	442,970
Sale of FX futures - Other than hedges (note 5-b)		500,075,989	662,192,854	433,278,612
Accrued interest receivable		11,511,211,266	9,791,452,357	10,156,035,929
Allowance for impairment of investments		(57,322,739)	(57,821,470)	(58,284,424)
Allowance for impairment of derivative instruments other than hedges		(2,397,967)	(2,678,088)	(1,545,813)
	¢	1,163,639,429,393	1,100,793,001,081	903,951,092,818

(Continued)

		June 2015	December 2014	June 2014
Available for sale:				
Local issuers:				
Government of Costa Rica	¢	458,684,112,169	415,388,939,679	365,821,172,673
BCCR		178,602,568,968	203,635,312,251	189,888,489,074
State-owned banks		181,772,758,483	95,892,324,485	22,747,529,969
Private banks		28,594,045,578	25,390,077,595	220,922,624
Private issuers		7,722,865,162	4,611,733,631	5,422,268,674
		855,376,350,360	744,918,387,641	584,100,383,014
Foreign issuers:				
Governments		41,849,823,740	86,334,217,941	108,678,974,687
Private issuers		74,274,036,119	72,306,895,820	49,080,580,669
Private banks		144,216,427,158	148,892,008,466	121,319,487,284
		260,340,287,017	307,533,122,227	279,079,042,640
		1,115,716,637,377	1,052,451,509,868	863,179,425,654
Held to maturity:				
Government of Costa Rica		27,231,250,107	27,328,967,634	26,895,405,401
		27,231,250,107	27,328,967,634	26,895,405,401
Interest rate futures - Hedges (note 5-b)		8,739,975,360	10,619,377,926	3,346,334,489
Purchase of FX futures - Other than hedges (note 5-b)		-	-	442,970
Sale of FX futures - Other than hedges (note 5-b)		500,075,989	662,192,854	433,278,612
Accrued interest receivable		11,511,211,266	9,791,452,357	10,156,035,929
Allowance for impairment of investments		(57,322,739)	(57,821,470)	(58,284,424)
Allowance for impairment of derivative instruments other than hedges		(2,397,967)	(2,678,088)	(1,545,813)
	¢	1,163,639,429,393	1,100,793,001,081	903,951,092,818

The movement in the allowance for impairment of financial instruments, both investments and derivative instruments, is as follows:

		June 2015	December 2014	June 2014
Opening balance	¢	60,499,558	53,668,984	53,668,984
Allowance expense (note 30)		39,039,133	4,216,707	1,545,813
Decrease in allowance against income (note 31)		(39,319,254)	(1,538,619)	-
Foreign exchange differences		(498,731)	4,152,486	4,615,440
Closing balance	¢	59,720,706	60,499,558	59,830,237

(Continued)

As of June 30, 2015, the allowance for impairment of investments in non-derivative financial instruments amounts to ¢57,322,739 (December 2014: ¢57,821,470 and June 2014: ¢58,284,424) and is booked for investments in Z Bonds related to the Mortgage Securitization Trust (impairment of 26%).

As of June 30, 2015, the allowance for impairment of derivative instruments other than hedges amounts to ¢2,397,967 (December 2014: ¢2,678,088 and June 2014: ¢1,545,813) and is booked for FX futures other than hedges in accordance with SUGEF Directive 09-08.

Investments in financial instruments are detailed below:

		June 2015	December 2014	June 2014
Available for sale:				
Securities issued by BCCR	¢	112,058,019,538	117,955,741,724	132,264,065,141
Securities issued by local non-financial public sector		288,542,398,891	247,636,568,125	191,752,392,178
Securities issued by local financial entities		191,124,004,549	124,891,881,361	21,575,658,160
Securities issued by foreign financial entities		2,209,949,256	18,862,014,392	50,384,591,026
Financial instruments issued by foreign financial entities		71,977,487,195	68,275,605,974	43,845,462,351
Other securities issued abroad		32,955,827,743	33,906,883,848	11,083,847,239
Financial instruments issued abroad		-	-	13,497,961,823
Liquidity market operations – own resources		55,223,230,000	99,666,550,000	-
Other available-for-sale financial instruments		5,392,773,034	5,431,242,146	5,485,566,881
Financial instruments restricted for margin calls on term operations (note 2)		7,941,446,031	7,994,461,315	8,071,677,854
Financial instruments for tri-party repurchase agreements (note 2)		60,148,498,591	38,566,722,512	44,175,278,696
Financial instruments restricted for credit operations (note 2)		287,742,926,521	288,928,706,371	295,908,253,794
Other financial instruments (note 2)		400,076,028	335,132,100	334,725,800
Financial instruments for liquidity market operations		-	-	44,799,944,711
		1,115,716,637,377	1,052,451,509,868	863,179,425,654
Held to maturity:				
Securities issued by local non-financial public sector		27,231,250,107	27,328,967,634	26,895,405,401
		27,231,250,107	27,328,967,634	26,895,405,401
Derivative financial instruments:				
Interest rate futures - Hedges (note 5-b)		8,739,975,360	10,619,377,926	3,346,334,489
Purchase of FX futures - Other than hedges (note 5-b)		-	-	442,970
Sale of FX futures - Other than hedges (note 5-b)		500,075,989	662,192,854	433,278,612
		9,240,051,349	11,281,570,780	3,780,056,071
Accrued interest receivable		11,511,211,266	9,791,452,357	10,156,035,929
Allowance for impairment of investments		(57,322,738)	(57,821,470)	(58,284,424)
Allowance for impairment of derivative instruments other than hedges		(2,397,967)	(2,678,088)	(1,545,813)
	¢	1,163,639,429,393	1,100,793,001,081	903,951,092,818

Interest rates on investments in financial instruments are as follows:

Currency	June 2015	December 2014	June 2014
Colones	2.60% to 11.04%	4.25% to 11.04%	5.93% to 11.04%
U.S. dollars	0.05% to 7.63%	0.25% to 7.63%	0.25% to 7.59%
Euros	0.18% to 4.75%	0.25% to 4.25%	0.25% to 7.50%
DU	0.67% to 0.74%	0.67% to 0.74%	0.67% to 0.74%

As of June 30, 2015, the valuation of available-for-sale investments and restricted financial instruments gave rise to an unrealized gain, net of deferred tax, in the amount of ¢5,249,713,315 (December 2014: unrealized gain of ¢618,175,093 and June 2014: unrealized loss of ¢265,735,651). Accordingly, as of June 30, 2015, the cumulative balance of equity adjustments arising from valuation of these investments is an unrealized gain of ¢1,462,285,440 (December and June 2014: unrealized loss of ¢3,787,427,875 and ¢4,139,867,317, respectively).

(b) Derivative financial instruments

In Notice J.D. 5566/06/02 dated October 29, 2012, SUGEF authorized the Bank to trade derivative financial instruments (see note 47-a).

As of June 30, 2015 and 2014, the Bank holds the following types of derivative financial instruments:

✓ *Derivatives as risk hedging instruments:*

Interest rate swaps:

In 2013, five interest rate hedges were formalized to hedge exposure to the LIBOR rate related to international debt issues made in October 2013 in U.S. dollars at a fixed rate. The purpose of these financial instruments is to compensate for the changes in fair value attributable to fluctuations in such benchmark rate.

Gains and losses on the valuation of derivative financial instruments are booked under asset and liability accounts, respectively. As of June 30, 2015, the Bank booked an increase in the fair value of these hedges in the amount of US$15,485,124, equivalent to ¢8,739,975,360 (December and June 2014: increase of US$19,912,205, equivalent to ¢10,619,377,926 and US$6,224,812, equivalent to ¢3,346,334,489, respectively) (see note 5-a). As of December and June 2014, the Bank booked a decrease in the fair value of these hedges in the amount of US$387,629, equivalent to ¢206,726,657, and US$286,907, equivalent to ¢154,235,487, respectively, under “Other sundry accounts payable” (see note 17).

(Continued)

The valuation of these financial instruments is as follows:

		June 2015			
Issuing bank		Notional amount		Valuation	Purpose
Citibank	US$	100,000,000	US$	3,097,026	Swaps to hedge 10-year issues
JP Morgan		200,000,000		6,194,049	
Bank of America		200,000,000		6,194,049	
Subtotal		500,000,000		15,485,124	
Citibank		100,000,000		418,252	Swaps to hedge 5-year issues
JP Morgan		150,000,000		627,378	
Subtotal		250,000,000		1,045,630	
Total	US$	750,000,000	US$	16,530,754	
Amount in colones	¢	396,532,500,000	¢	8,739,975,360	

		December 2014			
Issuing bank		Notional amount		Valuation	Purpose
Citibank	US$	100,000,000	US$	3,982,441	Swaps to hedge 10-year issues
JP Morgan		200,000,000		7,964,882	
Bank of America		200,000,000		7,964,882	
Subtotal		500,000,000		19,912,205	
Citibank		100,000,000		(155,052)	Swaps to hedge 5-year issues
JP Morgan		150,000,000		(232,577)	
Subtotal		250,000,000		(387,629)	
Total	US$	750,000,000	US$	19,524,574	
Amount in colones	¢	399,982,500,000	¢	10,412,651,253	

		June 2014			
Issuing bank		Notional amount		Valuation	Purpose
Citibank	US$	100,000,000	US$	1,244,962	Swaps to hedge 10-year issues
JP Morgan		200,000,000		2,489,925	
Bank of America		200,000,000		2,489,925	
Subtotal		500,000,000		6,224,812	
Citibank		100,000,000		(114,763)	Swaps to hedge 5-year issues
JP Morgan		150,000,000		(172,144)	
Subtotal		250,000,000		(286,907)	
Total	US$	750,000,000	US$	5,937,905	
Amount in colones	¢	403,185,000,000	¢	3,192,099,002	

(Continued)

For purposes of valuating the aforementioned interest rate swaps, the Bank elected to apply the “Fair Value Hedge Method”; while the “Dollar Offset Method” is used for testing hedge effectiveness. The latter method was established by SUGEF and prescribes that effectiveness is to be assessed retrospectively. A hedge is considered highly effective if the ratio of the changes in the derivative and primary instruments ranges between 80% and 125%. As of June 30, 2015, the effectiveness of the 5- and 10-year issues is 90.55% (December 2014: 97.50% and June 2014: 87.23%) and 94.75%, respectively (December 2014: 112.41% and June 2014: 82.60%).

A valuation was performed as of June 30, 2015 and December and June 2014 in order to calculate the change in the fair value of the primary and derivative instruments based on the following inputs:

- ✓ A 5- or 10-year LIBOR rate at the issue of the bond;
- ✓ Discount rates from Bloomberg;
- ✓ Zero rates corresponding to the swap curve as of June 30, 2015 and December and June 2014;
- ✓ Only a portion of the bond cash flows is hedged (corresponding to the 5- and 10-year LIBOR rate in effect at the issue of the bond) rather than the total interest rate;
- ✓ Accrued and earned interest were segregated from the instruments to obtain variations in clean prices;
- ✓ Forward rate to calculate variable interest.

As of June 30, 2015, the total of the notional amounts is US$750 million, equivalent to ¢396,532,500,000 (December 2014: ¢399,982,500,000 and June 2014: ¢403,185,000,000), are booked under “Other debit memoranda accounts”.

- *Derivatives for trading purposes:*

Currency forwards:

In 2015, currency forwards were formalized with several clients. Under these derivative financial instruments, the Bank acts as an authorized intermediary (counterparty). These instruments serve as a trading tool that is not used for currency speculation and whereby no risks are hedged.

These instruments correspond to products that the Bank may offer to its customers as a result of the Central Bank's authorization granted to the Bank to act as an intermediary in the Foreign Exchange Derivatives Market.

As of June 30, 2015, the Bank booked an increase in the fair value of these forwards in the amount of ¢500,075,989 under an asset account (December 2014: ¢662,192,854 and June 2014: ¢433,721,582) (see note 5-a) and as of December 31, 2014, a decrease in the fair value of these forwards in the amount of ¢17,779,910 under "Other sundry accounts payable" (see note 17).

For long-term currency forwards, the Bank considers three risk factors in determining the value of a forward contract: the spot exchange rate and the interest rates in both local and foreign currency. The value of these financial instruments is determined using data related to the average exchange rate at MONEX and the market interest rates in colones and U.S. dollars applicable to different terms.

As of June 30, 2015, total notional amounts of US$11,470,000, equivalent to ¢6,064,303,700 (December 2014: US$28,640,000, equivalent to ¢15,273,998,400 and June 2014: US$21,935,000, equivalent to ¢11,791,817,300) are booked under "Other debit memoranda accounts" (see note 20).

The effect on profit or loss of derivative financial instruments is as follows:

		June 2015	December 2014	June 2014
Gain on derivative financial instruments	¢	20,107,619,632	33,852,436,868	18,177,042,738
Loss on derivative financial instruments		(17,236,238,161)	(12,237,460,188)	(4,400,642,560)
Gain (loss), net	¢	2,871,381,471	21,614,976,680	13,776,400,178

(6) Loan portfolio

(a) Loan portfolio by sector

The loan portfolio by sector is as follows:

		June 2015	December 2014	June 2014
Trade	¢	385,225,286,919	346,050,158,255	358,309,044,799
Services		691,995,342,626	664,830,572,542	606,616,113,496
Financial services		121,035,389,277	109,161,104,520	101,012,147,979
Mining		404,461,573	408,526,735	274,489,483
Manufacturing and quarrying		142,140,320,388	157,211,033,158	136,034,486,758
Construction		79,878,173,499	72,841,393,278	72,651,750,711
Agriculture and forestry		104,578,140,178	107,959,101,016	97,941,482,874
Livestock, hunting, and fishing		59,131,982,538	60,329,212,920	59,958,781,044
Electricity, water, sanitation, and other related sectors		291,448,811,082	269,517,208,860	243,381,834,850
Transportation and telecommunications		24,382,625,105	20,347,758,445	25,727,544,225
Housing		1,076,119,309,919	1,054,252,479,390	1,030,258,762,223
Personal or consumer		348,171,597,873	347,528,047,842	332,115,968,697
Tourism		119,279,436,595	121,137,622,708	124,276,687,153
Total direct loans		3,443,790,877,572	3,331,574,219,669	3,188,559,094,292
Accrued interest receivable		23,064,192,207	21,715,928,888	20,448,168,641
Allowance for loan impairment		(62,671,403,553)	(49,838,574,099)	(48,253,440,408)
Total loan portfolio	¢	3,404,183,666,226	3,303,451,574,458	3,160,753,822,525

Annual interest rates on loans receivable are as follows:

	June 2015		December 2014		June 2014	
Currency	Rates	Average	Rates	Average	Rates	Average
Colones	6.25% to 36.60%	15.54%	6.25% to 34.92%	15.20%	6.25% to 34.92%	15.32%
U.S. dollars	2.80% to 27.96%	8.05%	3.25% to 27.96%	8.35%	3.57% to 27.96%	8.28%
DU	3.85% to 10.00%	6.16%	3.85% to 10.00%	6.39%	3.85% to 10.00 %	6.26%

(Continued)

Sold and securitized portfolio

On August 22, 2006, 1, 2014, the Bank reintroduced the strategy of selling the securitized portfolio. The sole buyer was the same buyer as of August 22, 2006, date on which the Bank established the housing mortgage securitization structure for US$11,477,863 related to the BNCR$2006-1 Mortgage Securitization Trust, which is managed by Banco Improsa, S.A. The securitization structure was sold at par and gave rise to no gains or losses.

The Bank was the formal and final seller of the portfolio, which was duly assigned and transferred in the Property Registry. The Bank has no further obligations in respect of the borrower payment behavior for loans sold and all of the related risks, including default, prepayment, and foreclosure of property, were assumed by the investors who purchased the bonds issued.

As of June 30, 2015, the balance of the securitized portfolio is US$6,737,301, which is equivalent to ¢3,562,078,470 (December 2014: US$6,892,764, equivalent to ¢3,675,980,193 and June 2014: US$394,694,520, equivalent to ¢212,179,879,847).

Sale of portfolio

In 2014, the Bank partially assigned certain formalized loans to entities. The portfolio was sold at par; accordingly, no gains or losses were generated.

The Bank was the formal and final seller of the portfolio and will be unilaterally responsible for the management, follow-up, and control of the servicing of the loan.

As of June 30, 2015, the sales prices of the sold portfolio are as follows:

Purchaser		Sales price
Banco BICSA Panama	US$	33,500,000
Employee Association of BNCR		19,500,000
Bancrédito (BCAC)		15,000,000
Banco Davivienda		27,000,000
Global Bank de Panamá		19,550,000
Total	US$	114,550,000

(b) Loan portfolio by arrears

The loan portfolio by arrears is as follows:

		June 2015	December 2014	June 2014
Current	¢	3,241,402,100,236	3,143,210,637,508	2,981,242,204,186
1 to 30 days		86,620,828,031	56,467,793,117	99,202,507,454
31 to 60 days		21,130,996,981	42,853,384,472	20,196,737,483
61 to 90 days		19,141,942,481	17,939,113,286	23,075,927,847
91 to 120 days		8,053,255,339	11,214,144,396	7,587,005,808
121 to 180 days		11,631,072,704	11,470,895,350	12,164,497,364
More than 180 days		55,810,681,800	48,418,251,540	45,090,214,150
Total direct loans		3,443,790,877,572	3,331,574,219,669	3,188,559,094,292
Accrued interest receivable		23,064,192,207	21,715,928,888	20,448,168,641
Allowance for loan impairment		(62,671,403,553)	(49,838,574,099)	(48,253,440,408)
Total loan portfolio	¢	3,404,183,666,226	3,303,451,574,458	3,160,753,822,525

(c) Loan portfolio by origin

The loan portfolio by origin is as follows:

		June 2015	December 2014	June 2014
Loans originated by the Bank	¢	3,443,728,228,492	3,331,508,652,889	3,188,481,709,293
Loans purchased by the Bank		62,649,080	65,566,780	77,384,999
Total direct loans		3,443,790,877,572	3,331,574,219,669	3,188,559,094,292
Accrued interest receivable		23,064,192,207	21,715,928,888	20,448,168,641
Allowance for loan impairment		(62,671,403,553)	(49,838,574,099)	(48,253,440,408)
Total loan portfolio	¢	3,404,183,666,226	3,303,451,574,458	3,160,753,822,525

As of June 30, 2015 and 2014, loans purchased by the Bank were purchased from BICSA.

(d) Past due loans

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

		June 2015	December 2014	June 2014
Past due loans in accrual status: 21,733 loans in 2015 (December 2014: 17,843 and June 2014: 21,469 loans)	¢	146,060,573,159	139,945,330,621	141,952,424,375
Loans in legal collections: 6,946 loans in 2015, 2.25% of portfolio (December 2014: 6,025 loans, 2.16% of portfolio and June 2014: 4,672 loans, 2.07% of portfolio)	¢	77,602,215,337	72,120,002,831	66,035,905,084
Total unearned interest in 2015 and 2014	¢	909,663,163	424,946,962	148,395,596

As of June 30, 2015, the Bank increased the "Finance income on non-accrual loans" account as a result of the recovery of loans receivable over 180 days past due by ¢909,663,163 (increases) (December 2014: ¢424,946,962 and June 2014: ¢148,395,596 (increases)).

As of June 30, 2015, restructured loans amount to a total of ¢26,324,043,983 (December 2014: ¢26,654,096,704 and June 2014: ¢20,620,455,649).

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

(e) Accrued interest receivable on loan portfolio

Accrued interest receivable is as follows:

		June 2015	December 2014	June 2014
Current	¢	13,151,438,629	13,020,543,628	11,809,009,388
Past due		2,482,420,357	2,328,423,142	2,713,588,131
In legal collections		7,430,333,221	6,366,962,118	5,925,571,122
	¢	23,064,192,207	21,715,928,888	20,448,168,641

(Continued)

(f) Allowance for loan impairment

Movements in the allowance for loan impairment are as follows:

		June 2015	December 2014	June 2014
Opening balance	¢	49,838,574,099	45,646,182,874	45,646,182,874
Expense for the year (note 27)		22,502,422,020	26,164,806,164	13,653,776,155
Settlements		(9,508,297,267)	(21,708,233,163)	(12,094,114,607)
Decrease in allowance against income (note 28)		-	(1,200,000,000)	-
Foreign exchange differences		(161,295,299)	935,818,224	1,047,595,986
Closing balance	¢	62,671,403,553	49,838,574,099	48,253,440,408

Management considers the allowance for loan impairment to be sufficient based on its assessment of the recoverability of the portfolio and existing guarantees.

(7) Other receivables

Other receivables are as follows:

		June 2015	December 2014	June 2014
Fees and commissions	¢	1,028,305,066	1,011,708,508	891,849,457
Stock exchange transactions		464,803	9,121,769	31,791,925
Transactions with related parties		-	1,444,411	596,160
Transactions with related parties (officers and employees)		77,595,032	26,144,755	107,271,791
Deferred tax (note 15-c)		1,096,136,612	1,667,869,346	1,886,377,972
Income tax		2,559,332,361	2,623,590,564	71,718,605
Other sundry accounts		3,519,715,133	3,159,168,189	2,949,842,008
Accrued interest receivable on other sundry accounts receivable		1,748,540	2,572,781	1,579,106
Allowance for impairment of other accounts receivable		(5,761,552,204)	(5,361,359,410)	(2,647,268,036)
	¢	2,521,745,343	3,140,260,913	3,293,758,988

Movement in the allowance for impairment of other accounts receivable is as follows:

		June 2015	December 2014	June 2014
Opening balance	¢	5,361,359,410	2,303,226,624	2,303,226,624
Allowance expense (note 30)		804,130,743	4,558,394,588	1,178,343,472
Decrease in allowance against income (note 31)		(94,308,551)	(1,014,031,493)	(719,481,804)
Items settled against allowance		(307,344,897)	(495,113,902)	(126,503,821)
Foreign exchange differences		(2,284,501)	8,883,593	11,683,565
Closing balance	¢	5,761,552,204	5,361,359,410	2,647,268,036

(8) Foreclosed assets

Foreclosed assets are presented net of the allowance for impairment and per legal requirements are as follows:

		June 2015	December 2014	June 2014
Assets acquired in lieu of payment	¢	78,157,173,788	76,541,792,707	74,688,249,632
Idle property and equipment		1,756,777	1,756,777	1,756,777
Allowance for impairment		(60,126,748,454)	(57,188,491,454)	(56,721,597,354)
	¢	18,032,182,111	19,355,058,030	17,968,409,055

Movement in the allowance for impairment is as follows:

		June 2015	December 2014	June 2014
Opening balance	¢	57,188,491,454	56,007,912,290	56,007,912,290
Allowance expense (note 34)		2,938,257,000	23,421,294,389	12,338,239,960
Decrease in allowance against income		-	(22,240,715,225)	(11,624,554,896)
Closing balance	¢	60,126,748,454	57,188,491,454	56,721,597,354

(9) Investments in other companies

Investments in other companies are as follows:

		June 2015	December 2014	June 2014
Other financial and non-financial companies	¢	50,623,305	50,623,300	50,623,300
Banco Internacional de Costa Rica, S.A. and Subsidiary (BICSA)		52,060,501,380	49,805,156,511	47,735,092,417
	¢	52,111,124,685	49,855,779,811	47,785,715,717

(Continued)

The Bank holds a 49% stake in BICSA, which is represented in June 2015 and December 2014 by 6,506,563 ordinary shares (June 2014: 6,506,563 ordinary shares) with a par value of US$10 each.

At a BICSA shareholders meeting held in April 2014, shareholders agreed to capitalize US$7 million, which was booked in 2014 and included in BICSA's financial statements. As a result of the capitalization, total share capital amounted to US$132.78 million, represented by 13,278,700 shares with a par value of US$10 each.

The Bank's investments in other financial and non-financial entities are as follows:

		June 2015	December 2014	June 2014
National Stock Exchange	¢	15,000,000	15,000,000	15,000,000
Central de Valores de la Bolsa Nacional de Valores, S.A.		15,000,000	15,000,000	15,000,000
Interclear Central de Valores, S.A.		15,000,000	15,000,000	15,000,000
Depósito Libre Comercial de Golfito (Golfito Duty Free Shopping Center) per article 24 of Law No. 7131		5,200,000	5,200,000	5,200,000
Other entities		423,300	423,300	423,300
	¢	50,623,300	50,623,300	50,623,300

The shares held in the Costa Rican National Stock Exchange are required by the Securities Market Regulatory Law for the Brokerage Firm to operate as a brokerage firm. Those shares are carried at cost rather than fair value because they were withdrawn from public offering. Accordingly, they are not listed and are only traded by brokerage firms and the Costa Rican National Stock Exchange.

As of June 30, 2015 and December and June, 2014, the Brokerage Firm booked investments in the National Stock Exchange and Interclear Central de Valores, S.A. for ¢15,000,000 each, to operate as a custodian of electronic securities.

As of June 30, 2015 and December and June 2014, the Bank holds investments in other non-financial entities, the most significant of which is the investment in the Golfito Duty Free Shopping Center for ¢5,200,000. The remaining ¢423,300 of the balance of investments in other non-financial entities booked as of those dates corresponds to investments in various cooperatives.

(Continued)

(10) Property and equipment

Property and equipment is as follows:

		June 2015					
		Land	Buildings	Furniture and equipment	Computer hardware	Vehicles	Total
Cost:							
Opening balance	¢	43,172,317,837	110,297,273,275	54,512,881,977	53,524,427,013	453,581,087	261,960,481,189
Additions		-	9,018,391,378	2,800,709,989	1,615,363,337	-	13,434,464,704
Revaluation of assets		-	159,681,438	-	-	-	159,681,438
Retirements		-	-	(404,439,156)	(588,363,042)	(2,593,675)	(995,395,873)
Adjustments		3,187,248,621	4,824,203,527	(4,336,103)	(2,207,540)	-	8,004,908,505
Reclassifications		-	-	(14,563,703)	(8,672,579)	-	(23,236,282)
Closing balance		46,359,566,458	124,299,549,618	56,890,253,004	54,540,547,189	450,987,412	282,540,903,681
Accumulated depreciation:							
Opening balance		-	26,840,836,640	27,066,836,851	40,296,173,459	290,977,529	94,494,824,479
Depreciation expense on historical cost		-	502,584,036	2,307,004,046	2,414,176,065	17,649,612	5,241,413,759
Depreciation expense on revaluation		-	752,595,316	-	-	-	752,595,316
Retirements		-	-	(346,856,682)	(515,101,098)	(2,322,600)	(864,280,380)
Adjustments		-	2,492,429,152	7,022,780	4,230,502	-	2,503,682,434
Reclassifications		-	-	1,518,372	(1,518,372)	-	-
Closing balance		-	30,588,445,144	29,035,525,367	42,197,960,556	306,304,541	102,128,235,608
Net closing balance	¢	46,359,566,458	93,711,104,474	27,854,727,637	12,342,586,633	144,682,871	180,412,668,073

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to Consolidated Financial Statements

		December 2014					
		Land	Buildings	Furniture and equipment	Computer hardware	Vehicles	Total
Cost:							
Opening balance	¢	42,478,456,440	109,501,340,751	52,265,462,768	52,185,579,034	454,783,747	256,885,622,740
Additions		693,861,397	2,735,561,071	5,214,259,638	5,049,754,183	-	13,693,436,289
Retirements		-	-	(3,035,477,512)	(3,612,495,106)	(1,222,260)	(6,649,194,878)
Adjustments		-	(1,939,628,547)	(11,203,983)	(18,570,032)	19,600	(1,969,382,962)
Reclassifications		-	-	79,841,066	(79,841,066)	-	-
Closing balance		43,172,317,837	110,297,273,275	54,512,881,977	53,524,427,013	453,581,087	261,960,481,189
Accumulated depreciation:							
Opening balance		-	26,226,274,877	25,157,036,475	39,286,222,536	245,537,133	90,915,071,021
Depreciation expense on historical cost		-	1,586,922,291	4,368,524,426	4,584,089,714	46,643,055	10,586,179,486
Depreciation expense on revaluation		-	1,462,442,151	-	-	-	1,462,442,151
Retirements		-	-	(2,604,236,670)	(3,598,577,617)	(1,222,260)	(6,204,036,547)
Adjustments		-	(2,434,802,679)	73,453,410	96,498,037	19,600	(2,264,831,632)
Reclassifications		-	-	71,939,566	(71,939,566)	-	-
Closing balance		-	26,840,836,640	27,066,717,207	40,296,293,104	290,977,528	94,494,824,479
Net closing balance	¢	43,172,317,837	83,456,436,635	27,446,164,770	13,228,133,909	162,603,559	167,465,656,710

(Continued)

		June 2014					
		Land	Buildings	Furniture and equipment	Computer hardware	Vehicles	Total
Cost:							
Opening balance	¢	42,478,456,440	109,501,340,751	52,265,462,768	52,185,579,034	454,783,746	256,885,622,739
Additions		-	828,801,979	1,723,459,344	1,259,128,369	-	3,811,389,692
Retirements		-	-	(1,033,597,497)	(3,588,847,008)	-	(4,622,444,505)
Adjustments		-	-	(155,504,834)	(16,074,090)	-	(171,578,924)
Reclassifications		-	-	14,029,114	(14,029,114)	-	-
Closing balance		42,478,456,440	110,330,142,730	52,813,848,895	49,825,757,191	454,783,746	255,902,989,002
Accumulated depreciation:							
Opening balance		-	26,226,274,877	25,157,036,475	39,286,222,536	245,537,132	90,915,071,020
Depreciation expense on historical cost		-	1,009,795,804	2,159,543,654	2,307,838,174	23,166,324	5,500,343,956
Depreciation expense on revaluation		-	772,766,592	-	-	-	772,766,592
Retirements		-	-	(870,979,324)	(3,575,607,716)	-	(4,446,587,040)
Adjustments		-	-	13,283,374	43,037,050	-	56,320,424
Reclassifications		-	-	13,962,961	(13,962,961)	-	-
Closing balance		-	28,008,837,273	26,472,847,140	38,047,527,083	268,703,456	92,797,914,952
Net closing balance	¢	42,478,456,440	82,321,305,457	26,341,001,755	11,778,230,108	186,080,290	163,105,074,050

(Continued)

(11) Other assets

Other assets are as follows:

		June 2015	December 2014	June 2014
Deferred charges:				
Leasehold improvements	¢	1,014,192,240	831,999,093	1,063,404,996
Cost of issue of financial instruments (3)		1,280,419,674	1,401,680,466	1,520,942,603
Cost of subordinated debt project		577,665,041	615,917,148	555,106,473
Deferred direct costs related to loans		12,809,824,791	13,834,802,293	7,987,979,239
Other deferred charges		4,310,991,360	4,973,694,393	5,639,292,448
Subtotal		19,993,093,106	21,658,093,393	16,766,725,759
Intangible assets:				
Software (2)		3,782,860,802	4,500,259,966	2,299,780,564
Other intangible assets (2)		1,770,844	2,487,278	2,487,278
Subtotal		3,784,631,646	4,502,747,244	2,302,267,842
Other assets:				
Prepaid interest and fees and commissions		251,297,941	218,164,300	252,411,405
Estimated tax		3,292,913,198	393,627,806	736,986,954
Prepaid insurance policy		219,233,459	274,222,485	188,987,028
Other prepaid expenses		374,678,696	728,793,671	1,177,196,826
Stationery, office supplies, and other materials		325,858,933	377,118,432	226,799,170
Leased assets		102,796,517	149,956,917	150,581,979
Library and artwork		340,968,129	342,335,900	342,400,640
Construction work-in-progress		8,229,229,734	17,031,899,617	15,710,963,056
Software under development		278,904,780	254,109,573	231,481,353
Rights in welfare and trade associations		600,000	600,000	600,000
Other sundry assets		2,078,281,199	1,784,494,330	1,462,115,767
Cash shortages		-	-	107,517
Operations pending settlement		7,103,602,701	3,179,252,421	8,006,579,169
Other operations pending application		608,898,868	452,187,725	607,658,962
Guarantee deposits (1)		326,816,729	255,640,680	211,660,324
Legal and administrative deposits (1)		116,768,434	78,912,799	46,054,304
Subtotal		23,650,849,318	25,521,316,656	29,352,584,454
Total	¢	47,428,574,070	51,682,157,293	48,421,578,055

(1) As of June 30, 2015, guarantee deposits amount to ¢443,585,163 (December 2014: ¢334,553,479 and December and June 2014: ¢257,714,628) (see note 2).

(2) Intangible assets, net are as follows:

		June 2015		
		Software	Other intangible assets	Total
Cost:				
Opening balance	¢	19,066,822,045	96,516,837	19,163,338,882
Additions		365,845,153	4,258,122	370,103,275
Retirements		(100,297,628)	-	(100,297,628)
Reclassifications		(12,067,256)	(4,974,556)	(17,041,812)
Closing balance		19,320,302,314	95,800,403	19,416,102,717
Accumulated amortization:				
Opening balance		14,566,562,079	94,029,559	14,660,591,638
Expense for the year		1,071,763,714	4,974,556	1,076,738,270
Retirements		(72,182,154)	-	(72,182,154)
Reclassifications		(28,702,125)	(4,974,556)	(33,676,681)
Closing balance		15,537,441,512	94,029,559	15,631,471,071
Net closing balance	¢	3,782,860,802	1,770,844	3,784,631,646

		December 2014		
		Software	Other intangible assets	Total
Cost:				
Opening balance	¢	15,834,005,003	96,516,837	15,930,521,840
Additions		3,598,000,565	9,949,112	3,607,949,677
Retirements		(265,209,329)	-	(265,209,329)
Reclassifications		(63,943,006)	(9,949,112)	(73,892,118)
Adjustments		(36,031,188)	-	(36,031,188)
Closing balance		19,066,822,045	96,516,837	19,163,338,882
Accumulated amortization:				
Opening balance		13,016,984,268	94,029,559	13,111,013,827
Expense for the year		1,793,014,994	9,949,112	1,802,964,106
Retirements		(243,437,183)	-	(243,437,183)
Reclassifications		-	(9,949,112)	(9,949,112)
Closing balance		14,566,562,079	94,029,559	14,660,591,638
Net closing balance	¢	4,500,259,966	2,487,278	4,502,747,244

(Continued)

		June 2014		
		Software	Other intangible assets	Total
Cost:				
Opening balance	¢	15,834,005,002	96,516,837	15,930,521,839
Additions		413,362,648	4,974,556	418,337,204
Retirements		(201,216,249)	-	(201,216,249)
Reclassifications		(44,068,700)	(4,974,556)	(49,043,256)
Closing balance		16,002,082,701	96,516,837	16,098,599,538
Accumulated amortization:				
Opening balance		13,016,984,268	94,029,559	13,111,013,827
Expense for the year		886,721,061	4,974,556	891,695,617
Retirements		(201,403,192)	-	(201,403,192)
Reclassifications		-	(4,974,556)	(4,974,556)
Closing balance		13,702,302,137	94,029,559	13,796,331,696
Net closing balance	¢	2,299,780,564	2,487,278	2,302,267,842

(3) Costs related to the issue of financial instruments are as follows:

		June 2015		
		5-year issue	10-year issue	Total
Commission - structuring banks	¢	264,355,000	264,355,000	528,710,000
Commission - Moody’s Investors Service		132,177,500	132,177,500	264,355,000
Commission - Société de la Bourse de Luxembourg, S.A.		6,461,365	6,461,365	12,922,730
RR Donelley		5,787,788	5,787,767	11,575,555
BNY Mellon		2,089,991	2,089,991	4,179,982
Moody’s - issuer rating		17,500,301	17,500,301	35,000,602
Fitch Ratings		132,177,500	132,177,500	264,355,000
Milbank		77,804,964	77,804,964	155,609,928
Shearman & Sterling		77,905,947	77,905,947	155,811,894
External audit		100,454,900	100,454,900	200,909,800
Subtotal		816,715,256	816,715,235	1,633,430,491
Deferral		(249,957,328)	(103,053,489)	(353,010,817)
Total	¢	566,757,928	713,661,746	1,280,419,674

(Continued)

		December 2014		
		5-year issue	10-year issue	Total
Commission - structuring banks	¢	266,655,000	266,655,000	533,310,000
Commission - Moody's Investors Service		133,327,500	133,327,500	266,655,000
Commission - Société de la Bourse de Luxembourg, S.A.		6,517,582	6,517,582	13,035,164
RR Donelley		5,838,145	5,838,123	11,676,268
BNY Mellon		2,108,174	2,108,174	4,216,348
Moody's - issuer rating		17,652,561	17,652,561	35,305,122
Fitch Ratings		133,327,500	133,327,500	266,655,000
Milbank		78,481,900	78,481,900	156,963,800
Shearman & Sterling		78,583,762	78,583,762	157,167,524
External audit		101,328,900	101,328,900	202,657,800
Subtotal		823,821,024	823,821,002	1,647,642,026
Deferral		(174,321,409)	(71,640,151)	(245,961,560)
Total	¢	649,499,615	752,180,851	1,401,680,466

		June 2014		
		5-year issue	10-year issue	Total
Commission - structuring banks	¢	268,790,000	268,790,000	537,580,000
Commission - Moody's Investors Service		134,395,000	134,395,000	268,790,000
Commission - Société de la Bourse de Luxembourg, S.A.		6,569,765	6,569,765	13,139,530
RR Donelley		5,884,888	5,884,867	11,769,755
BNY Mellon		2,125,054	2,125,054	4,250,108
Moody's - issuer rating		17,793,898	17,793,898	35,587,796
Fitch Ratings		134,395,000	134,395,000	268,790,000
Milbank		79,110,273	79,110,273	158,220,546
Shearman & Sterling		79,212,951	79,212,951	158,425,902
External audit		102,140,200	102,140,200	204,280,400
Subtotal		830,417,029	830,417,008	1,660,834,037
Deferral		(99,233,452)	(40,657,982)	(139,891,434)
Total	¢	731,183,577	789,759,026	1,520,942,603

Issue costs are amortized over the term of the financial instrument.

(Continued)

(12) Obligations with the public

(a) By cumulative amount

Obligations with the public by cumulative amount are as follows:

		June 2015	December 2014	June 2014
Demand obligations:				
Checking accounts	¢	1,156,077,025,746	1,198,704,476,197	1,050,394,591,449
Certified checks		183,276,510	103,521,169	120,407,167
Savings deposits		1,035,368,097,118	1,015,801,186,963	971,801,815,334
Matured term deposits		18,957,763,075	19,745,314,768	21,796,367,958
Other demand deposits		24,815,769,140	24,057,553,654	26,281,994,402
Drafts and transfers		217,491,778	198,809,563	206,267,965
Cashier’s checks		4,931,054,896	6,126,485,979	6,389,938,329
Advance collections from customers for credit cards		6,481,172,925	7,450,712,822	6,665,585,492
Obligations for trust funds		45,646,055	118,941,091	29,450,629
Subtotal		2,247,077,297,243	2,272,307,002,207	2,083,686,418,725
Term obligations:				
Deposits from the public		1,363,918,019,685	1,308,840,107,479	1,305,521,853,688
Other term deposits		84,022,162,650	79,219,422,491	64,477,446,489
Subtotal		1,447,940,182,335	1,388,059,529,970	1,369,999,300,177
Other obligations with the public:				
Obligations for tri-party repurchase agreements		46,757,673,973	31,028,841,773	41,587,899,959
Subtotal		46,757,673,973	31,028,841,773	41,587,899,959
Charges payable for obligations with the public		20,104,116,397	19,356,766,578	17,941,158,531
Total	¢	3,761,879,269,948	3,710,752,140,528	3,513,214,777,392

As of June 30, 2015 and 2014, deposits in checking accounts denominated in colones bear interest at a maximum rate of 2% per annum on balances and at a minimum rate of 0.25% per annum on balances greater than or equal to ¢500,001. Deposits in checking accounts denominated in U.S. dollars bear interest at a maximum rate of 0.05% per annum on balances and at a minimum rate of 0.01% per annum on balances greater than or equal to US$1,000.

Term obligations correspond to term certificates of deposit in colones, U.S. dollars, and euros. Term certificates bear annual interest at the following rates:

Currency	June 2015	December 2014	June 2014
Colones	2.15% to 7.25%	3.52% to 7.05%	3.42% to 6.96%
U.S. Dollars	0.10% to 3.00%	0.50% to 2.15%	0.50 to 2.40%
Euros	0.01% to 0.05%	0.02% to 0.10%	0.06% to 0.39%

The Bank has term certificates of deposit that are restricted to secure certain loan operations. As of June 30, 2015, those term certificates of deposit amount to ¢27,967,877,766 (December 2014: ¢23,805,901,801 and June 2014: ¢19,157,562,653). As of that date, the Bank has no inactive deposits with State-owned entities or other banks.

(b) By number of customers

The obligations with the public by number of customers are as follows:

	June 2015	December 2014	June 2014
Obligations with the public:			
Demand	1,805,048	1,777,763	1,750,508
Term	66,334	64,441	63,984

Demand and term deposits from customers by cumulative amount are as follows:

		June 2015	December 2014	June 2014
Obligations with the public:				
Deposits from the public	¢	3,715,121,595,975	3,679,723,298,756	3,471,626,877,433
Obligations for tri-party repurchase agreements		46,757,673,973	31,028,841,773	41,587,899,959
Subtotal		3,761,879,269,948	3,710,752,140,528	3,513,214,777,392
Obligations with State-owned entities:				
Deposits from State-owned entities		171,772,418	182,746,931	40,199,829,553
Subtotal		171,772,418	182,746,931	40,199,829,553
Obligations with financial entities:				
Deposits from other banks		255,854,745,545	133,980,076,375	141,162,222,062
Deposits from other local entities		4,337,681,331	1,818,472,759	6,991,808,527
Deposits from management of funds		157,061,726,605	156,295,635,782	144,090,395,873
Deposits from other foreign entities		786,896,415,313	790,899,550,363	815,752,171,439
Charges due to other entities		7,035,571,126	6,530,896,551	6,733,006,854
Subtotal		1,211,186,139,920	1,089,524,631,830	1,114,729,604,755
	¢	4,973,237,182,286	4,800,459,519,289	4,668,144,211,700

(13) Obligations with BCCR

Obligations with BCCR are as follows:

		June 2015	December 2014	June 2014
Financing for loans using internal funds	¢	2,613,095	2,705,427	40,002,797,529
Financing for loans using external funds		168,926,210	179,746,885	190,567,560
Interest payable on obligations		233,113	294,619	6,464,464
Subtotal	¢	171,772,418	182,746,931	40,199,829,553

(Continued)

(14) Obligations with entities and subordinated obligations

(a) Obligations with entities

Obligations with entities are as follows:

		June 2015	December 2014	June 2014
Demand:				
Checking accounts of local financial entities	¢	166,998,126,470	123,921,208,197	126,279,525,630
Savings deposits from local financial entities		62,949,217	38,289,746	29,666,308
Overdrafts in demand deposit accounts with foreign financial entities		40,978	-	-
FCD fund management		157,061,726,605	156,295,635,782	144,090,395,873
Outstanding checks		7,917,747,555	3,421,821,488	7,726,511,090
Checking accounts and obligations with related parties		71,237,043	463,489,825	94,495,548
Other demand obligations with financial entities		735,973,705	443,472,759	801,808,527
Subtotal		332,847,801,573	284,583,917,797	279,022,402,976
Term:				
Term deposits from local financial entities		80,804,685,262	6,135,267,119	7,032,023,486
Term deposits from foreign financial entities (3)		531,391,647,806	537,734,760,627	534,388,603,153
Funds from liquidity market		3,800,000,000	2,500,000,000	-
Loans from local financial entities		3,601,707,624	1,375,000,000	1,625,000,000
Loans from foreign financial entities (1)(2)		251,704,726,529	250,664,789,736	281,363,568,286
Liquidity market operations		-	-	4,565,000,000
Subtotal		871,302,767,221	798,409,817,482	828,974,194,925
Charges payable for other demand and term obligations with financial entities –foreign currency		95,621,532	4,375,166	3,457,333
Charges payable for other demand and term obligations with financial entities –local currency		531,470,043	73,523,264	58,902,322
Charges payable for loans with foreign financial entities (1)		1,493,298,337	1,501,293,430	1,677,320,518
Charges payable for loans with local financial entities		13,598,908	7,476,563	9,512,083
Charges payable for term deposits from foreign financial entities (3)		4,901,582,306	4,944,228,129	4,983,814,598
Subtotal		7,035,571,126	6,530,896,551	6,733,006,854
Total	¢	1,211,186,139,920	1,089,524,631,830	1,114,729,604,755

(Continued)

(1) Loans from foreign financial entities are as follows:

	Annual interest rate			Maturity				Balance		
Entity	June 2015	December 2014	June 2014	June 2015	December 2014	June 2014		June 2015	December 2014	June 2014
CABEI	4.55% to 8.00%	4.55% to 8.00%	4.55% to 8.00%	2015 to 2021	2015 to 2021	2015 to 2021	¢	18,369,934,078	21,430,327,428	24,502,359,317
Barclays	6.20% to 6.65%	6.20% to 6.65%	6.20% to 6.65%	2023 to 2029	2023 to 2029	2023 to 2029		66,421,320,877	67,011,197,761	67,535,652,752
Standard Chartered Bank	-	-	2.33%	-	-	2014		-	-	25,965,837,942
Credit Suisse Bank	3.61%	3.58%	3.58%	2017	2017	2017		56,305,572,207	56,777,835,415	57,243,669,034
Citibank	3.03%	2.99%	2.98%	2016 to 2017	2016 to 2017	2016 to 2017		106,023,221,594	106,946,722,562	107,793,369,759
KFW	3.32%	-	-	2023	-	-		6,077,976,110	-	-
							¢	253,198,024,866	252,166,083,166	283,040,888,804

(2) Guarantees backing the above loans are detailed in note 2.

Loans due to foreign financial entities bear interest at rates ranging between 3.03% and 8% per annum (December 2014: between 2.99% and 8% per annum and June 2014: between 2.33% and 8% per annum).

(3) On October 29, 2013, the Bank made two international issues with a face value of US$1 billion equivalent to ¢524,488,250,650 in June 2015 (December 2014: ¢529,051,519,650 and June 2014: ¢533,287,423,700) and the following characteristics:

(Continued)

a. 5-year issue:

- ✓ Face value: US$500 million
- ✓ Traded amount: 99.331%
- ✓ Term: 5 years
- ✓ Interest rate: 4.875% per coupon payment
- ✓ Maturity: November 1, 2018

b. 10-year issue:

- ✓ Face value: US$500 million
- ✓ Traded amount: 99.072%
- ✓ Term: 10 years
- ✓ Interest rate: 6.250% per coupon payment
- ✓ Maturity: November 1, 2023

The balances of those issues in the accounting records are as follows:

		June 2015		
		5-year issue	10-year issue	Total
Issue	¢	262,586,465,050	261,901,785,600	524,488,250,650
Adjustment to fair value of item hedged measured at cost of international issues		(61,536,557)	6,114,122,864	6,052,586,307
Amortization of discount in traded amount of issues		541,263,680	309,547,169	850,810,849
Subtotal		263,066,192,173	268,325,455,633	531,391,647,806
Charges payable		2,147,884,375	2,753,697,931	4,901,582,306
Total	¢	265,214,076,548	271,079,153,564	536,293,230,112

		December 2014		
		5-year issue	10-year issue	Total
Issue	¢	264,871,078,050	264,180,441,600	529,051,519,650
Adjustment to fair value of item hedged measured at cost of international issues		(834,343,773)	8,924,915,278	8,090,571,505
Amortization of discount in traded amount of issues		377,479,815	215,189,657	592,669,472
Subtotal		264,414,214,092	273,320,546,535	537,734,760,627
Charges payable		2,166,571,875	2,777,656,254	4,944,228,129
Total	¢	266,580,785,967	276,098,202,789	542,678,988,756

		June 2014		
		5-year issue	10-year issue	Total
Issue	¢	267,670,607,794	270,493,340,341	538,163,948,135
Adjustment to fair value of item hedged measured at cost of international issues		(1,424,319,823)	(2,688,034,395)	(4,112,354,218)
Amortization of discount in traded amount of issues		214,882,510	122,126,726	337,009,236
Subtotal		266,461,170,481	267,927,432,672	534,388,603,153
Charges payable		2,183,918,750	2,799,895,848	4,983,814,598
Total	¢	268,645,089,231	270,727,328,520	539,372,417,751

A valuation was performed as of June 30, 2015 and December and June 30, 2014 in order to calculate the change in the fair value of the primary instrument based on the following inputs:

- ✓ A 5- or 10-year LIBOR rate at the issue of the bond;
- ✓ Discount rates from Bloomberg;
- ✓ Zero rates corresponding to the swap curve as of June 30, 2015 and December and June 2014;
- ✓ Only a portion of the bond cash flows is hedged (corresponding to the 5- and 10-year LIBOR rate in effect at the issue of the bond) rather than the total interest rate;
- ✓ Accrued and earned interest were segregated from the instruments to obtain variations in clean prices;
- ✓ Forward rate to calculate variable interest.

For the period ended June 30, 2015, the Bank booked an increase in the fair value of these issues in the amount of ¢17,434,546,796 under “Other finance income” (December 2014: ¢11,354,254,000 and June 2014: ¢4,112,354,218) (see note 28). For the year ended June 30, 2015, the Bank booked a decrease in the fair value of these issues in the amount of ¢15,496,476,053 (December 2014: ¢31,798,043,109 and June 2014: ¢17,251,831,758) under “Other finance expenses”. The balance of this account amounts to a total of ¢15,634,910,112 (December 2014: ¢32,412,368,057 and June 2014: ¢17,508,322,541).

Maturities of loans due to entities

The maturities of loans due to entities are as follows:

		June 2015		
		Local	Foreign	Total
Less than 1 year		2,614,184	289,822,143	292,436,327
Between 1 and 2 years		43,513,822	106,818,413,353	106,861,927,175
Between 3 and 5 years		1,131,117,187	62,129,368,810	63,260,485,997
More than 5 years		2,609,833,757	83,960,420,560	86,570,254,317
	¢	3,787,078,950	253,198,024,866	256,985,103,816

		December 2014		
		Local	Foreign	Total
Less than 1 year	¢	-	584,686,485	584,686,485
Between 1 and 2 years		-	54,811,230,679	54,811,230,679
Between 3 and 5 years		1,436,872,528	117,193,596,699	118,630,469,227
More than 5 years		128,350,966	79,576,569,303	79,704,920,269
	¢	1,565,223,494	252,166,083,166	253,731,306,660

		June 2014		
		Local	Foreign	Total
Less than 1 year	¢	44,571,787,262	25,965,837,970	70,537,625,232
Between 1 and 2 years		-	56,644,729,163	56,644,729,163
Between 3 and 5 years		1,699,111,268	119,214,451,876	120,913,563,144
More than 5 years		128,443,106	81,215,869,795	81,344,312,901
	¢	46,399,341,636	283,040,888,804	329,440,230,440

As of June 30, 2015 and 2014, loans due to local entities correspond to obligations with Banco Crédito Agrícola de Cartago and BCCR.

(b) Subordinated obligations

The Bank's subordinated obligations are as follows:

Entity	Annual interest rates	Maturity		June 2015	December 2014	June 2014
IDB	6-month LIBOR + 4.50% in the first 5 years and 6-month LIBOR + 5.00% thereafter	08/15/2024	US$	100,000,000	100,000,000	100,000,000
CABEI	6-month LIBOR + 5.25% in the first 5 years and 6-month LIBOR + 5.75% thereafter	10/23/2029		30,000,000	30,000,000	-
Total			US$	130,000,000	130,000,000	100,000,000
Total in colones			¢	68,732,300,000	69,330,300,000	53,758,000,000
Finance charges payable				1,129,208,667	1,027,971,862	216,870,239
			¢	69,861,508,667	70,358,271,862	53,974,870,239

For the year ended June 30, 2015, the Bank presents no instances of noncompliance with payments of principal or interest.

As of June 30, 2015, the Bank's subordinated debt amounts to US$130,000,000, which is equivalent to ¢69,861,508,667 (December 2014: ¢70,358,271,862). Subordinated debt was negotiated as follows:

- ✓ May 27, 2014: total face value of US$100 million, equivalent to ¢52,732,000,000 with the Inter-American Development Bank (IDB) for a term of 10 years.
- ✓ October 23, 2014: total face value of US$30 million, equivalent to ¢15,925,500,000, with the Central American Bank for Economic Integration (CABEI) for a term of 15 years.

As of June 30, 2015, interest earned by subordinated liabilities amounts to US$2,135,781 equivalent to ¢1,129,208,667 (December 2014: US$1,927,532 equivalent to ¢1,027,971,862).

In accordance with IRNBS, the debt of State-owned commercial banks will be secured with guarantees issued by the Government and all its divisions and institutions. Government guarantees provided for in the aforementioned regulations do not apply to subordinated loans subscribed by State-owned commercial banks or rights and obligations derived therefrom. Subordinated financial instruments or loans (and the rights and obligations derived therefrom) may only be subscribed by multilateral development banks or bilateral development organizations.

Pursuant to SUGEF's prudential regulations on full unsubordinated debt prepayment by borrowers, if classified as Tier II capital, loans (including principal and interest) will be categorized as subordinated debt and ranked below other loans, such that borrowers will first fully repay any unsubordinated debt (existing on the effective date, or subsequently subscribed, assumed, or secured) in accordance with banking regulations.

(15) Income tax

Pursuant to the Costa Rican Income Tax Law, the Bank is required to file annual income tax returns for the year ending June 30 of each year.

a) Current period income tax

The income tax expense is as follows:

		June 2015	December 2014	June 2014
Current	¢	5,478,767,420	12,699,481,806	4,597,264,155
Decrease in income tax		(1,248,768,679)	(314,765,092)	(284,445,629)
Temporary differences		-		(21,701,166)
	¢	4,229,998,741	12,384,716,714	4,291,117,360

The difference between the income tax expense and the amount computed by applying the corresponding tax rate to pretax income (30%) is reconciled as follows:

		June 2015	December 2014	June 2014
Expected income tax on accounting income	¢	8,944,927,762	19,913,592,067	8,250,805,556
Plus (less):				
Nondeductible expenses		6,902,307,449	9,508,773,325	4,478,423,972
Deductible expenses		(614,170,631)	(1,337,337,859)	(621,848,502)
Nontaxable income		(11,010,383,964)	(16,162,151,613)	(8,130,451,864)
Taxable income		7,318,125	-	
Tax loss from excess deductible expenses on taxable income		-	461,840,794	314,188,198
Subtotal income tax	¢	4,229,998,741	12,384,716,714	4,291,117,360
Less:				
Estimated income tax		(3,277,057,751)	(1,555,704,963)	(717,812,532)
Total income tax payable (note 17)		952,940,990	10,829,011,751	3,573,304,828

b) Prior period income tax

		June 2015	December 2014	June 2014
Decrease in Pension Fund Manager's prior period income tax	¢	-	1,743,205	5,527,341
Decrease in Insurance Brokerage Firm's prior period income tax		-	3,785,135	-
	¢	-	5,529,340	5,527,341

c) Deferred tax

Deferred tax assets arise from temporary differences in the following financial statement items:

		June 2015	December 2014	June 2014
Unrealized losses	¢	908,711,636	1,484,152,904	1,799,789,967
Legal provisions		187,424,976	183,716,442	86,588,005
Subtotal	¢	1,096,136,612	1,667,869,346	1,886,377,972

During June 2015, movement in temporary differences that give rise to deferred tax assets is as follows:

		December 31, 2014	Included in income statement	Included in equity	June 30, 2015
Unrealized losses	¢	1,484,152,904	32,507,518	(607,948,786)	908,711,636
Legal provisions		183,716,442	3,708,534	-	187,424,976
	¢	1,667,869,346	36,216,052	(607,948,786)	1,096,136,612

During December 2014, movement in temporary differences that give rise to deferred tax assets is as follows:

		December 31, 2013	Included in income statement	Included in equity	December 31, 2014
Unrealized losses	¢	2,009,931,243	-	(525,778,339)	1,484,152,904
Legal provisions		168,717,007	14,999,435	-	183,716,442
	¢	2,178,648,250	14,999,435	(525,778,339)	1,667,869,346

During June 2014, movement in temporary differences that give rise to deferred tax assets is as follows:

		December 31, 2013	Included in income statement	Included in equity	June 30, 2014
Unrealized losses	¢	2,009,931,243	157,801,537	(367,942,813)	1,799,789,967
Legal provisions		168,717,007	(82,129,002)	-	86,588,005
	¢	2,178,648,250	75,672,535	(367,942,813)	1,886,377,972

Deferred tax liabilities arise from temporary differences in the following financial statement items:

		June 2015	December 2014	June 2014
Revaluation of assets	¢	14,107,278,242	13,283,636,328	13,283,636,328
Unrealized gains		2,660,086,121	883,882,942	443,841,011
	¢	16,767,364,363	14,167,519,270	13,727,477,339

(Continued)

During June 2015, movement in temporary differences that give rise to deferred tax liabilities is as follows:

		December 31, 2014	Included in income statement	Included in equity	June 30, 2015
Revaluation of assets	¢	13,283,636,328	-	823,641,914	14,107,278,242
Unrealized gains		883,882,942	1,579,740	1,774,623,439	2,660,086,121
	¢	14,167,519,270	1,579,740	2,598,265,353	16,767,364,363

As of December 2014, movement in temporary differences that give rise to deferred tax liabilities is as follows:

		December 31, 2013	Included in income statement	Included in equity	December 31, 2014
Revaluation of assets	¢	13,605,138,374	-	(321,502,046)	13,283,636,328
Unrealized gains		671,583,288	-	212,299,654	883,882,942
	¢	14,276,721,662	-	(109,202,392)	14,167,519,270

During June 2014, movement in temporary differences that give rise to deferred tax liabilities is as follows:

		December 31, 2013	Included in income statement	Included in equity	June 30, 2014
Revaluation of assets	¢	13,605,138,374	-	(321,502,046)	13,283,636,328
Unrealized gains		671,583,288	386,147,208	(613,889,485)	443,841,011
	¢	14,276,721,662	386,147,208	(935,391,531)	13,727,477,339

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

Tax returns filed by the Bank for the periods ended 2010, 2011, 2012, 2013, and 2014, and the tax return that will be filed for the period ended 2015, are open to review by Tax Authorities.

(Continued)

(16) Provisions

Provisions are as follows:

		June 2015	December 2014	June 2014
Severance benefits	¢	15,892,740,958	28,436,142,592	24,350,289,096
Litigation		2,806,575,864	2,680,918,923	3,430,158,921
Other		6,760,343,635	8,385,833,140	6,533,421,985
	¢	25,459,660,457	39,502,894,655	34,313,870,002

The movement in provisions is as follows:

		Severance benefits	Litigation	Other	Total
Balance at December 31, 2013	¢	32,453,960,945	9,468,849,446	8,200,794,772	50,123,605,163
Provisioned		15,024,883,164	2,369,875,932	7,835,687,969	25,230,447,065
Used		(23,127,065,343)	(2,125,299,973)	(8,936,350,195)	(34,188,715,511)
Decrease in provisions against profit		(1,489,670)	(6,283,266,484)	(566,710,561)	(6,851,466,715)
Balance at June 30, 2014	¢	24,350,289,096	3,430,158,921	6,533,421,985	34,313,870,002
Balance at December 31, 2013		32,453,960,945	9,468,849,446	8,200,794,772	50,123,605,163
Provisioned		9,942,743,000	1,333,646,569	7,986,651,475	19,263,041,044
Used		(13,959,071,685)	(387,507,369)	(7,127,857,932)	(21,474,436,986)
Decrease in provisions against profit		(1,489,668)	(7,734,069,723)	(673,755,175)	(8,409,314,566)
Balance at December 31, 2014	¢	28,436,142,592	2,680,918,923	8,385,833,140	39,502,894,655
Provisioned		3,288,085,241	635,816,210	6,025,438,396	9,949,339,847
Used		(12,458,403,601)	(354,043,568)	(5,188,728,039)	(18,001,175,208)
Decrease in provisions against profit		(3,373,083,274)	(156,115,701)	(2,462,199,862)	(5,991,398,837)
Balance at June 30, 2015	¢	15,892,740,958	2,806,575,864	6,760,343,635	25,459,660,457

The provision for litigation is as follows:

		June 2015	December 2014	June 2014
Ordinary suits	¢	2,100,348,713	1,998,040,666	3,009,011,223
Ordinary suits against subsidiaries		290,084,218	265,110,324	3,379,765
Phishing		416,142,933	417,767,933	417,767,933
	¢	2,806,575,864	2,680,918,923	3,430,158,921

(Continued)

As of June 30, 2015 and 2014, the Bank is a defendant in litigation and management considers that an outflow of economic benefits will be required to settle the corresponding obligations. The Bank has estimated future disbursements and made the following provisions:

- Ordinary suits filed against the Bank have been estimated at ¢66,830,138 (December 2014: ¢65,961,788,888 and June 2014: ¢65,578,262,872) and US$345,005,608 (December 2014: US$341,991,608 and June 2014: US$357,362,769). Management of the Bank has provisioned ¢2,100,348,713 (December 2014: ¢1,998,040,666 and June 2014: ¢3,009,011,223) for ordinary and labor suits and judicial litigation.

- For criminal proceedings in which the Bank is the civil defendant, the total potential liability has been estimated at ¢428,116,375 (December 2014: ¢427,042,800 and June 2014: ¢70,346,308,182). The amount provisioned by the Bank in connection therewith is included in the provision for ordinary suits.

- Due to their nature, labor suits are difficult to estimate. However, they have been estimated at ¢5,560,118,270 (December 2014: ¢2,703,131,086 and June 2014: ¢2,701,194,350). The amount provisioned by the Bank in connection therewith is included in the provision for ordinary suits.

- The accounting records of the Bank's subsidiaries include provisions for ordinary suits filed against the subsidiaries for a total of ¢290,084,218 (December 2014: ¢265,110,324 and June 2014: ¢3,379,765).

    - The provision recognized by the Pension Fund Manager amounts to ¢265,110,324 in 2015 (December 2014: ¢265,110,324 and June 2014: ¢3,144,859).
    - The provision booked by the Investment Fund Manager amounts to ¢234,906 in June 2014.
    - The provision booked by the Brokerage Firm amounts to ¢24,973,894 in June 2015.
    - The Insurance Brokerage Firm has not booked provisions for pending litigation.

- As of June 30, 2015, the Bank faces 514 administrative actions related to Internet fraud (phishing) for a total of ¢416,142,933 (December and June 2014: 514 administrative actions for a total of ¢417,767,933). The Bank has provisioned 100% of that amount.

(17) Other sundry accounts payable

Other sundry accounts payable are as follows:

		June 2015	December 2014	June 2014
Professional fees	¢	3,928,250	3,220,299	43,028,549
Creditors - goods and services		2,729,046,355	2,729,365,999	5,403,313,515
Current tax (note 15)		4,229,998,741	10,829,011,751	4,291,117,360
Employer contributions (1)		6,586,190,593	9,152,489,769	6,473,952,657
Court-ordered withholdings		3,125,437,396	2,601,809,304	2,525,483,537
Tax withholdings		2,119,420,514	839,701,237	862,928,141
Employee withholdings		580,319,467	543,289,264	521,719,359
Other third-party withholdings		227,606,900	24,442,456	266,705,718
Compensation		4,054,155,945	6,962,434,513	3,468,984,243
Dividends		1,151,259	1,151,259	1,151,259
Statutory allocations		5,791,405,738	11,601,170,413	4,856,226,468
Clearing house operations		-	4,414,157,187	571,083,894
Accrued vacation		7,339,161,328	6,322,729,792	7,044,876,954
Accrued statutory Christmas bonus		5,082,210,836	1,633,351,748	4,864,191,842
Contributions to superintendencies		6,237,895	9,071,297	-
Foreclosed assets		323,873,821	502,916,892	501,574,748
Various creditors - Local currency (2)		8,285,163,856	6,608,677,466	7,977,914,454
Various creditors - Foreign currency		7,361,351,939	4,539,087,339	5,045,313,328
Interest rate futures - Hedges (note 5-b)		-	206,726,657	154,235,487
FX futures - Other than hedges (note 5-b)		-	17,779,910	-
Bonus payable on commissions – voluntary pension fund		7,407,506	-	-
	¢	57,854,068,339	69,542,584,552	54,873,801,513

(1) The “Employer contributions” line item mainly includes employer contributions due to the CCSS, Banco Popular y de Desarrollo Comunal, National Learning Institute (INA), and Mixed Institute of Social Welfare (IMAS).

(2) As of June 30, 2015, the “Creditors – goods and services” line item includes ¢2,230.96 million (December 2014: ¢956.3 million and June 2014: ¢1,119 million) for the operations of the Bank’s Electronic Means of Payment Division (Visa). The remaining amount corresponds to normal operations of other divisions.

(18) Other liabilities

Other liabilities are as follows:

		June 2015	December 2014	June 2014
Deferred income:				
Deferred finance income	¢	11,572,758,626	8,985,345,777	5,453,771,539
Deferred fees and commissions for trust management		14,743,263	17,605,208	15,952,455
Other		76,424	311,487	274,026
Subtotal		11,587,578,313	9,003,262,472	5,469,998,020
Allowance for stand-by credit losses (1)		1,516,038,202	1,319,693,076	1,185,342,814
Operations pending application:				
Operations pending settlement		14,295,357,295	16,684,027,434	20,581,123,378
Other		14,301,295,006	7,077,390,105	18,378,379,822
Subtotal	¢	28,596,652,301	23,761,417,539	38,959,503,200
Total		41,700,268,816	34,084,373,087	45,614,844,034

(1) Movement in the allowance for stand-by credit losses is as follows:

		June 2015	December 2014	June 2014
Opening balance	¢	1,319,693,076	138,964,729	138,964,729
Allowance expense charged to profit or loss (note 30)		206,902,017	1,196,180,293	1,002,711,753
Adjustment for foreign exchange differences		(10,556,891)	34,548,054	43,666,332
Decrease in allowance against income (note 31)		-	(50,000,000)	-
Closing balance	¢	1,516,038,202	1,319,693,076	1,185,342,814

(19) Equity

(a) Share capital

The Bank's share capital is as follows:

		June 2015	December 2014	June 2014
Capital under Law No. 1644	¢	90,511,345,645	90,511,345,645	90,511,345,645
Bank capitalization bonds		27,618,957,837	27,618,957,837	27,618,957,837
	¢	118,130,303,482	118,130,303,482	118,130,303,482

(Continued)

On December 23, 2008, the Executive Branch of the Costa Rican Government authorized a capital contribution funded under Law No. 8703 “Amendment to Law No. 8627 on the Ordinary and Extraordinary Budget of the Republic for Tax Year 2008.” 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 received four securities for a total of US$50,000,000 (equivalent to ¢27,619,000,002) and denominated in DU maturing in 2013, 2017, 2018, and 2019 (No. 4183, No. 4184, No. 4185, and No. 4190 for DU10,541,265,09 each, at a reference exchange rate of ¢655.021 to DU1.00). As of June 30, 2015 and based on the exchange rate as of that date, the balance of those investments is ¢27,231,250,107 (December 2014: ¢27,328,967,634 and June 2014: ¢26,895,405,401) (see note 5-a).

As of June 30, 2015, the Bank has appropriated ¢18,146,075,240 (December and June 2014: ¢14,548,173,826) from its earnings to form the equity of its FOFIDE.

(b) Revaluation surplus

Revaluation surplus corresponds to the increase in fair value of property.

As of June 30, 2015 the revaluation surplus amounts to ¢68,571,839,671 (December and June 2014: ¢63,639,596,055).

(c) Adjustment for valuation of available-for-sale investments and restricted financial instruments

This item corresponds to variations in the fair value of available-for-sale investments and restricted financial instruments.

As of June 30, 2015, the adjustment for valuation of available-for-sale investments and restricted financial instruments amounts to ¢1,462,285,440 (unrealized gain), (December 2014: ¢3,787,427,875 and June 2014: ¢4,139,867,317 (unrealized loss)).

(d) Adjustment for valuation of investments in other companies

This item corresponds to the valuation of the Bank’s investments in other financial entities (companies or subsidiaries) over which the Bank exercises control or significant influence.

As of June 30, 2015, the adjustment for valuation of investments in foreign associates by the equity method amounts to ¢6,916,288,371 (December 2014: ¢6,329,906,321 and June 2014: ¢6,801,675,466). These investments correspond to the Bank's 49% ownership interest in BICSA and subsidiary.

(20) Commitments and contingencies

The Bank has off-consolidated balance sheet commitments and contingencies that arise in the normal course of business and involve elements of credit and liquidity risk, and the notional amounts of foreign exchange derivatives, as follows:

		June 2015	June 2014
Performance bonds	¢	36,217,916,133	38,181,591,859
Bid bonds		2,042,252,917	1,083,837,838
Other guarantees		2,148,714,873	340,866,212
Letters of credit		10,443,746,252	17,343,919,029
Credits pending disbursement		326,913,200	339,485,339
Subtotal		51,179,543,375	57,289,700,277
Pre-approved lines of credit		196,826,885,455	195,728,666,813
Other contingencies not related to credits		532,022,775	212,170,340
Other contingencies - Pending litigation and lawsuits (note 44)		256,023,399,494	333,881,900,736
Subtotal	¢	453,382,307,724	529,822,737,889
FX futures - Other than hedges (note 5-b)		6,064,303,700	11,791,817,300
Total	¢	510,626,154,799	598,904,255,466

Letters of credit, guarantees, and sureties granted expose the Bank to credit loss in the event of noncompliance by the customer. The Bank's policies and procedures for approving credit commitments and financial guarantees are the same as those for granting loans booked. Guarantees and sureties granted have fixed maturity dates and, in most cases, no funds are disbursed on maturity. Therefore, they do not represent a significant exposure to liquidity risk. Most letters of credit are used and those used are generally available on demand, issued, and confirmed by correspondent banks, and payable immediately.

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

The Bank has off-consolidated balance sheet financial instruments (stand-by and without prior deposit) that arise in the normal course of business and involve elements of credit and liquidity risk. Those financial instruments include letters of credit, guarantees, and sureties without prior deposit.

Off-balance sheet financial instruments with risk (no prior deposit) and without risk (prior deposit) are as follows:

	June 2015	June 2014
Contingencies without prior deposit:		
Letters of credit	¢ 9,187,128,546	14,943,672,048
Guarantees and sureties granted	37,731,473,221	37,429,654,311
Subtotal	46,918,601,767	52,373,326,359
Contingencies with prior deposit:		
Letters of credit	1,256,617,706	2,400,246,979
Guarantees and sureties granted	2,677,410,702	2,176,641,600
Subtotal	3,934,028,408	4,576,888,579
Credits pending disbursement	326,913,200	339,485,339
Total	¢ 51,179,543,375	57,289,700,277

(21) Trust assets

The Bank provides trust services whereby it manages assets at the direction of the customer. The Bank receives a fee for providing those services. Those assets, liabilities, and equity are not recognized in the Bank’s consolidated financial statements. The Bank is not exposed to any credit risk relating to such placements, as it does not guarantee these assets.

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

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

As of June 30, 2015, trust capital is invested in the following assets:

Nature of trust	Cash or property management	Securitization	Portfolio management	Guaranty	Testamentary	Custody of stock with testamentary clause	Custody and management of stock	Cash guaranty and management	Pre-sales management	Guaranty and custody of stock	Total
Trust assets											
Cash and due from banks	¢ 83,541,845	1,213,664	300,000	37,281,472	1,588,081	7,825	8,411	-	951,678	-	124,892,976
Investment securities and term deposits	173,492,736,764	12,354,948,594	2,419,854,399	496,280,539,908	1,350,947,086	-	1,834,296	-	439,816,893	-	686,340,677,940
Loan portfolio	2,292,865,228	-	2,729,495,440	-	-	-	-	-	-	-	5,022,360,668
Accounts and accrued interest receivable	7,760,303,579	11,685,898,261	2,119,864,297	22,841,373	-	-	-	24,852,179	-	-	21,613,759,689
Foreclosed assets	5,447,246	-	4,668,852	-	-	-	-	-	-	-	10,116,098
Investments in other companies	1,011,477,384	-	-	-	2,332,000	2,406,000	-	-	-	845,936,000	1,862,151,384
Property and equipment	991,117,928	66,776,016,659	-	67,936,385,506	-	-	-	1,544,041,161	-	-	137,247,561,254
Other assets	363,611,489	785,826,352	22,428,776	2,445,016,878	868,902	-	-	-	1,863,863	-	3,619,616,260
Total	¢ 186,001,101,463	91,603,903,530	7,296,611,764	566,722,065,137	1,355,736,069	2,413,825	1,842,707	1,568,893,340	442,632,434	845,936,000	855,841,136,269

As of June 30, 2014, trust capital is invested in the following assets:

Nature of trust	Cash or property management	Securitization	Portfolio management	Guaranty	Testamentary	Custody of stock with testamentary clause	Custody and management of stock	Cash guaranty and management	Pre-sales management	Management Custody and Guaranty	Guaranty and custody of stock	Total
Trust assets												
Cash and due from banks	¢ 159,394,248	8,658,680	19,319,354	14,535,972	806,508	7,956	-	-	913,904	1,343,950	-	204,980,572
Investment securities and term deposits	159,590,830,688	6,345,686,307	1,137,517,977	576,921,203,678	1,427,824,187	-	1,705,665	-	513,248,586	850,817	-	745,938,867,905
Loan portfolio	2,033,400,108	356,465,044	2,261,223,967	52,687,956	-	-	-	-	-	-	-	4,703,777,075
Accounts and accrued interest receivable	8,919,569,571	1,658,461,003	2,516,630,933	1,582,614	6,274	-	-	-	-	-	-	13,096,250,395
Foreclosed assets	86,655,824	-	-	-	-	-	-	-		-	-	86,655,824
Investments in other companies	1,182,854,958	71,999,114,114	-	-	2,330,000	2,304,000	-	-	-	-	860,128,000	74,046,731,072
Property and equipment	2,847,357,369	-	-	72,134,971,560	-	-	-	1,544,041,161	-	-	-	76,526,370,090
Other assets	74,108,778	379,718,330	18,545,430	2,908,789,952	693,272	-	-	-	4,359	-	-	3,381,860,121
Total	¢ 174,894,171,544	80,748,103,478	5,953,237,661	652,033,771,732	1,431,660,241	2,311,956	1,705,665	1,544,041,161	514,166,849	2,194,767	860,128,000	917,985,493,054

(Continued)

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

a) Housing mortgage

These trusts are exclusively dedicated to managing housing loan portfolios.

b) Cash or property management

These trusts are dedicated to managing cash or property for any of several purposes, including investing the cash or property placed in the trust and making payments.

c) Securitization

These trusts are used to obtain funds from liquid assets by issuing asset-backed securities.

d) Portfolio management

These trusts are dedicated to managing portfolios of loans granted for housing, agriculture, or reforestation projects or for any other activity aimed at promoting the country’s social and economic development.

e) Special accounts

These accounts are “special” funds (not trusts) managed by BN-Fiduciaria that are created for different purposes in order to help facilitate the control, management, location, and future settlement of certain accounting items used to settle trust contingencies, the maturity of mortgage investment certificates (CIH), the management of fixed assets, etc.

f) Guaranty

These trusts hold trust property that is to be transferred as a guaranty for loan operations at the direction of the trustor.

g) Testamentary

The purpose of these trusts is to meet the listed needs of individuals identified by the trustors upon their death. Testamentary trusts include life insurance policies, wills, and inheritances.

(Continued)

h) Custody of stock with testamentary clause

These trusts hold in custody capital stock, plus an added value based on the testamentary trust agreement. The purpose of these trusts is to manage the assets represented by the aforementioned stock on behalf of third parties.

(22) Other debit memoranda accounts

Other debit memoranda accounts are as follows:

		June 2015	June 2014
Pension Fund Manager's own investments in custody – Face value of principal	¢	6,560,956,500	5,280,237,000
Pension Fund Manager's own investments in custody – Coupons		2,392,285,149	662,752,503
Pension Fund Manager's own investments in custody – Number of shares		23	23
Guarantees received in the Bank's custody		6,326,632,284,705	4,665,340,596,541
Unused, authorized lines of credit		677,862,419,111	506,916,130,526
Write-offs		177,829,864,244	167,743,460,061
Finance income on non-accrual loans		7,623,662,297	6,437,447,768
Supporting documentation received in the Bank's custody		908	723
Nondeductible expenses		26,453,870,224	26,718,947,081
Nontaxable income		47,100,847,967	57,012,987,259
Other memoranda accounts		587,025,957,013	582,873,315,491
Subtotal		7,859,482,148,141	6,018,985,874,976
Third-party debit memoranda accounts (a)		1,958,341,459,582	2,074,079,192,396
Own debit memoranda accounts for custodial activities		432,955,526,068	253,512,163,970
Third-party debit memoranda accounts for custodial activities		8,814,448,045,200	8,036,771,802,135
Subtotal		11,205,745,030,850	10,364,363,158,501
Total (note 22-a)	¢	19,065,227,178,991	16,383,349,033,477

(a) According to SUGEVAL Decision SGV-R-1706 of June 6, 2007, the Bank is registered with the National Registry of Securities and Brokers as a class C custodian, in conformity with current regulations.

Other memoranda accounts by entity are as follows:

		June 2015	June 2014
Bank	¢	16,050,973,268,600	13,856,338,223,674
Brokerage Firm (note 23)		1,675,013,642,052	1,421,794,094,171
Investment Fund Manager (note 24)		390,065,501,373	301,723,189,718
Pension Fund Manager (note 25)		949,174,766,966	803,493,525,914
	¢	19,065,227,178,991	16,383,349,033,477

Banking mandates are as follows:

		June 2015	June 2014
Management of banking mandates	¢	620,846,736,493	967,165,229,790
Assets in custody on behalf of third parties		392,901	2,359,967
"TUDES" securities received in custody from affiliates under article 75 of Law No. 7531		1,421,388,468	1,636,629,375
Pension funds (note 25)		938,737,072,011	795,871,389,624
Investment funds (note 24)		390,005,811,365	301,698,274,253
Portfolio management (note 23-a)		7,330,058,344	7,705,309,387
	¢	1,958,341,459,582	2,074,079,192,396

(23) Current and term brokerage operations and security portfolio management

Memoranda accounts are summarized as follows:

		June 2015	June 2014
Own			
Trading securities in custody (note 23-a)	¢	5,501,085,356	8,054,674,389
Trading securities pledged as guarantees		50,834,182,900	42,699,681,022
Confirmed cash agreements pending settlement		606,000,001	-
Repurchase agreements pending settlement (note 23-b)		47,113,166,080	41,824,622,193
Other own memoranda accounts		5,299,734,173	5,402,659,444
		109,354,168,510	97,981,637,048
Third-party			
Trading securities in custody (note 23-a)		1,392,033,687,579	1,216,014,915,342
Trading securities received as guarantees		29,315,809,350	22,878,687,240
Trading securities pledged as guarantees		59,899,579,671	31,415,745,558
Trading securities pending receipt		1,893,719,446	34,191,101
Trading securities pending settlement		1,982,692,390	122,109,310
Repurchase agreements pending settlement (note 23-b)		72,153,003,824	43,703,531,164
Cash and accounts receivable		1,050,922,938	1,937,968,021
Portfolio management		7,330,058,344	7,705,309,387
		1,565,659,473,542	1,323,812,457,123
	¢	1,675,013,642,052	1,421,794,094,171

(Continued)

In accordance with the Regulations on Repurchase Agreements and the Regulations on Term Operations, all operations are backed by guarantees in order to cover any related contingencies.

Securities that back repurchase agreements are held in the custody of CEVAL or in foreign entities with which CEVAL has custody agreements.

a) Securities held in custody are as follows:

Location	Type of custody		June 2015	June 2014
Custodial activities on own behalf				
Local	At face value - available	¢	4,559,002,117	8,020,831,376
Local	At purchase value of shares - available		21,561,315	21,561,315
Local	At purchase value of investments - available		65,231,625	510,701
Local	At face value - pledged		165,290,800	11,300,000
Local	Amount of physical coupons - pledged		2,999,499	470,997
Local	At face value - pending delivery		687,000,000	-
			5,501,085,356	8,054,674,389
Custodial activities on behalf of third parties				
Local	At face value - available		1,021,722,836,603	836,244,588,457
Local	Amount of physical coupons - available		3,585,352	26,723,688
Local	At purchase value of shares - available		46,994,372,952	47,647,790,169
Local	At purchase value of investments - available		320,640,179,587	328,863,731,807
Local	At face value - pledged		2,442,424,469	2,490,814,263
Local	At purchase value of shares - pledged		63,884,629	82,638,751
Local	At purchase value of investments - pledged		16,119,945	616,680,230
Local	At face value - pending delivery		89,306,501	30,191,103
Local	At purchase value of shares - pending delivery		17,250,000	-
Local	At purchase value of investments - pending delivery		43,727,541	11,756,874
			1,392,033,687,579	1,216,014,915,342
		¢	1,397,534,772,935	1,224,069,589,731

b) Term buyer and seller positions in tri-party repurchase agreements involving the Brokerage Firm are as follows:

June 2015								
	Term buyer				Term seller			
	Colones	U.S. dollars	U.S. dollars expressed in colones	Total	Colones	U.S. dollars	U.S. dollars expressed in colones	Total
Own	42,743,300,333	8,265,147	4,369,865,747	47,113,166,080	-	-	-	-
Third parties	27,510,385,759	38,732,489	20,478,254,169	47,988,639,928	18,750,797,889	10,239,197	5,413,566,007	24,164,363,896
Total	70,253,686,092	46,997,636	24,848,119,916	95,101,806,008	18,750,797,889	10,239,197	5,413,566,007	24,165,363,896

June 2014								
	Term buyer				Term seller			
	Colones	U.S. dollars	U.S. dollars expressed in colones	Total	Colones	U.S. dollars	U.S. dollars expressed in colones	Total
Own	37,828,931,132	7,432,738	3,995,691,061	41,824,622,193	-	-	-	-
Third parties	11,179,124,425	23,216,847	12,480,912,741	23,660,037,166	14,933,603,693	9,505,358	5,109,890,305	20,043,493,998
Total	49,008,055,557	30,649,585	16,476,603,802	65,484,659,359	14,933,603,693	9,505,358	5,109,890,305	20,043,493,998

As of June 30, 2015, term buyer and seller positions in tri-party repurchase agreements in U.S. dollars were valued at the exchange rate of ¢528.71 to US$1.00 (2014: ¢537.58 to US$1.00).

c) The maturity structure of term buyer and seller positions in tri-party repurchase agreements involving the Brokerage Firm is as follows:

June 2015				
	Term buyer		Term seller	
	Colones	U.S. dollars	Colones	U.S. dollars
Own				
1 to 30 days	¢ 518,795,335	5,625,005	-	-
31 to 60 days	30,905,866,623	2,640,142	-	-
61 to 90 days	11,318,638,375	-	-	-
	42,743,300,333	8,265,147	-	-
Third parties				
1 to 30 days	2,190,096,349	2,537,942	2,471,106,353	90,074
31 to 60 days	17,234,788,834	9,685,196	11,821,826,275	3,104,851
61 to 90 days	7,258,441,716	26,509,351	4,457,865,261	7,044,272
More than 91 days	827,058,860	-	-	-
	27,510,385,759	38,732,489	18,750,797,889	10,239,197
	¢ 70,253,686,092	46,997,636	18,750,797,889	10,239,197

	June 2014			
	Term buyer		Term seller	
	Colones	U.S. dollars	Colones	U.S. dollars
Own				
1 to 30 days	¢ 10,261,794,792	2,075,409	-	-
31 to 60 days	24,941,065,118	758,984	-	-
61 to 90 days	2,626,071,222	4,598,345	-	-
	37,828,931,132	7,432,738	-	-
Third parties				
1 to 30 days	378,337,066	1,930,317	5,399,305,807	621,530
31 to 60 days	10,172,242,622	8,191,365	8,692,081,681	8,169,512
61 to 90 days	628,544,737	13,095,165	842,216,205	714,316
	¢ 11,179,124,425	23,216,847	14,933,603,693	9,505,358
	49,008,055,557	30,649,585	14,933,603,693	9,505,358

In tri-party repurchase agreements and term operations, the Brokerage Firm is contingently liable for the short balance that arises when a security is sold for an amount that is less than the amount payable to the respective term seller. In accordance with the Regulations on Repurchase Agreements and the Regulations on Term Operations, all operations are backed by guarantees in order to cover any related contingencies.

Securities that back tri-party repurchase agreements are held in the custody of CEVAL or in foreign entities with which CEVAL has custody agreements.

As of June 30, 2015 and 2014, the Brokerage Firm has no margin calls that require disclosure.

(24) Investment fund management agreements

As of June 30, the Investment Fund Manager's memoranda accounts are as follows:

		June 2015		
Fund		Net value	Shares	Value per share
Funds in colones:				
Súper Fondo - colones	¢	71,273,744,120	19,595,300,175	3.63728769
Fon Depósito - colones		85,564,735,639	63,180,104,310	1.35429874
Crecí Fondo - colones		1,788,371,038	413,787,887	4.321951154
Redí Fondo - colones		5,956,235,815	1,927,717,959	3.089785924
Diner Fondo - colones		53,566,860,210	21,664,716,252	2.472539198
Subtotal - colones	¢	218,149,946,822	106,781,626,583	
Funds in U.S. dollars:				
Súper Fondo - U.S. dollars	US$	23,313,562	16,459,833	1.416391146
Crecí Fondo - U.S. dollars		1,844,124	1,133,365	1.627122592
Redí Fondo - U.S. dollars		8,337,850	6,062,921	1.375220032
Diner Fondo - U.S. dollars		138,787,869	110,923,988	1.251197975
Fon Depósito - U.S. dollars		71,207,894	67,231,642	1.059142566
Súper Fondo Plus - U.S. dollars		77,392,758	75,942,593	1.019095538
Fondo Hipotecario - U.S. dollars (mortgage fund)		509,091	505,805	573.9473281
Subtotal - U.S. dollars	US$	321,393,148	278,260,147	
Subtotal - U.S. dollars, expressed in colones	¢	169,923,771,261	147,118,922,320	
Funds in euros:				
Diner Fondo - euros	€	3,261,359	3,056,847	1.066903012
Subtotal - euros	€	3,261,359	3,056,847	
Subtotal - euros, expressed in colones	¢	1,932,093,282	1,810,937,300	
Total assets of managed funds (note 22-a)	¢	390,005,811,365	255,711,486,203	
Guarantees:				
Performance bonds	¢	57,714,704		
Outstanding checks		1,975,304		
Total memoranda accounts (note 22-a)	¢	390,065,501,373		

(Continued)

Fund		June 2014 Net value	Shares	Value per share
Funds in colones:				
Súper Fondo - colones	¢	32,523,163,371	9,342,791,930	3.48109683
Fon Depósito - colones		78,477,435,215	60,060,834,951	1.306632438
Crecí Fondo - colones		1,063,404,533	264,338,426	4.022890467
Redí Fondo - colones		2,928,158,407	1,016,203,518	2.881468482
Diner Fondo - colones		31,985,138,355	13,420,530,780	2.383299057
Subtotal - colones	¢	146,977,299,881	84,104,699,605	
Funds in U.S. dollars:				
Súper Fondo - U.S. dollars	US$	32,000,035	22,838,593	1.40113864
Crecí Fondo - U.S. dollars		698,372	439,632	1.588536669
Redí Fondo - U.S. dollars		5,241,267	3,891,981	1.346683374
Diner Fondo - U.S. dollars		141,448,007	114,032,165	1.240422004
Fon Depósito - U.S. dollars		69,779,276	66,496,645	1.049365358
Súper Fondo Plus - U.S. dollars		32,172,133	32,001,697	1.00532587
Fondo Hipotecario - U.S. dollars (mortgage fund)		692,962	687,957	781.24
Subtotal - U.S. dollars	US$	282,032,052	240,388,670	
Subtotal - U.S. dollars, expressed in colones	¢	151,614,790,532	129,228,141,219	
Funds in euros:				
Diner Fondo - euros	€	4,227,456	3,964,704	1.06627274
Subtotal - euros	€	2,227,456	3,964,704	
Subtotal - euros, expressed in colones	¢	3,106,183,840	2,913,123,117	
Total assets of managed funds (note 22-a)	¢	301,698,274,253	216,245,963,941	
Guarantees:				
Performance bonds	¢	23,305,067		
Outstanding checks		1,610,398		
Total memoranda accounts (note 22-a)	¢	301,723,189,718		

The main activity of the Investment Fund Manager is managing funds and securities in investment funds.

An investment fund is capital formed by contributions from individuals or legal entities for the purpose of investing such capital in securities or in other assets authorized by SUGEVAL, which is managed by a company dedicated to such activities on behalf of fund participants, who assume all related risks. Contributions are documented in share certificates. The objective of investment funds is to maximize goodwill on the invested amount by managing securities or other assets for which the respective return depends on changes in the fair value of the assets.

The Investment Fund Manager has registered the following funds with SUGEVAL:

- BN SuperFondo - Colones No Diversificado (non-diversified - colones): This is an open-end (floating number of outstanding shares) money market fund with a variable income portfolio. Returns on the investment portfolio are not distributed until the customer requests partial or full redemption of shares.

- BN CreciFondo - Colones No Diversificado (non-diversified - colones): This is an open-end (floating number of outstanding shares) growth fund with a variable income portfolio. Returns on the investment portfolio are not distributed until the customer requests partial or full redemption of shares.

- BN RediFondo Mensual - Colones No Diversificado (monthly, non-diversified - colones): This is an open-end (floating number of outstanding shares) income fund with a fixed income portfolio. Returns on the investment portfolio are not distributed until the customer requests partial or full redemption of shares.

- BN DinerFondo - Colones No Diversificado (non-diversified - colones): This is an open-end (floating number of outstanding shares) money market fund with a fixed income portfolio. Returns on the investment portfolio are not distributed until the customer requests partial or full redemption of shares.

- BN FonDepósito - Colones No Diversificado (non-diversified - colones): This is an open-end (floating number of outstanding shares) money market fund with a fixed income portfolio. Returns on the investment portfolio are not distributed until the customer requests partial or full redemption of shares.

(Continued)

- BN SuperFondo - Dólares Diversificado (diversified - U.S. dollars): This is an open-end (floating number of outstanding shares) money market fund with a variable income portfolio. Returns on the investment portfolio are not distributed until the customer requests partial or full redemption of shares.

- BN CreciFondo - Dólares No Diversificado (non-diversified - U.S. dollars): This is an open-end (floating number of outstanding shares) growth fund with a variable income portfolio. Returns on the investment portfolio are not distributed until the customer requests partial or full redemption of shares.

- BN RediFondo Trimestral - Dólares No Diversificado (quarterly, non-diversified - U.S. dollars): This is an open-end (floating number of outstanding shares) income fund with a fixed income portfolio. Returns on the investment portfolio are not distributed until the customer requests partial or full redemption of shares.

- BN DinerFondo - Dólares No Diversificado (non-diversified - U.S. dollars): This is an open-end (floating number of outstanding shares) money market fund with a fixed income portfolio. Returns on the investment portfolio are not distributed until the customer requests partial or full redemption of shares.

- BN FonDepósito - Dólares No Diversificado (non-diversified - U.S. dollars): This is an open-end (floating number of outstanding shares) money market fund with a fixed income portfolio. Returns on the investment portfolio are not distributed until the customer requests partial or full redemption of shares.

- BN Fondo de Inversión de Titularización Hipotecaria - Dólares (mortgage securitization - U.S. dollars): This is mainly a closed-end mortgage investment fund, i.e. investor shares are listed and traded on a stock exchange.

- BN Diner Fondo - Euros No Diversificado (non-diversified - euros): This is an open-end (floating number of outstanding shares) money market fund with a fixed income portfolio. Returns on the investment portfolio are not distributed until the customer requests partial or full redemption of shares.

(Continued)

- BN Fondo de Desarrollo Inmobiliario CCRC - A (real estate development - U.S. dollars): This is a long-term, closed-end fund in U.S. dollars mainly dedicated to investing in real estate; however, a portion of its portfolio may be invested in securities. Returns are only distributed in the real estate operation phase on a quarterly basis. Payments are made within 10 days after quarter-end (cutoff dates of June 30, June 30, September 30, and December 31 of each year). The fund will distribute net returns after deducting expenses incurred, reserves, and the corresponding taxes. Returns are generated from the total or partial sale of the real estate development, including goodwill and negative goodwill derived from such sale, rental income from the leased property portfolio, and the returns on securities, less costs incurred in the real estate development works. Accordingly, returns are distributed if the financial statements of the fund present distributable profits.

Investment fund management is regulated by SUGEVAL and the Securities Market Regulatory Law.

(25) Pension fund management agreements

The Pension Fund Manager's memoranda accounts are as follows:

		June 2015	June 2014
Mandatory Pension Fund	¢	748,222,018,300	632,315,592,985
Mandatory Retirement Savings Account		101,470,162,911	85,453,684,380
Pension Fund in Colones		43,893,709,995	38,511,701,790
Pension Fund in Colones B		8,848,542,193	6,643,337,505
Notary Fund		20,574,179,928	18,298,672,435
Pension Fund in U.S. dollars (a)		9,314,987,265	8,678,761,067
Pension Fund in U.S. dollars B (b)		6,413,471,419	5,969,639,462
Total assets of managed funds (note 22-a)		938,737,072,011	795,871,389,624
Securities and assets in own custody		8,953,241,672	1,636,629,374
Bid and performance bonds – colones		13,333,665	20,130,645
Bid and performance bonds – U.S. dollars (c)		49,731,150	22,386,745
Securities in DU		1,421,388,468	5,942,989,526
Total memoranda accounts (note 22-a)	¢	949,174,766,966	803,493,525,914

(a) As of June 30, 2015, this fund amounts to US$17,618,330 and was valued at the exchange rate of ¢528.71 to US$1.00 (June 2014: US$16,144,129 valued at the exchange rate of ¢537.58 to US$1.00).

(b) As of June 30, 2015, this fund amounts to US$12,130,414 and was valued at the exchange rate of ¢528.71 to US$1.00 (June 2014: US$11,104,653 valued at the exchange rate of ¢537.58 to US$1.00).

(c) As of June 30, 2015, this fund amounts to US$94,061 and was valued at the exchange rate of ¢528.71 to US$1.00 (June 2014: US$41,644 valued at the exchange rate of ¢537.58 to US$1.00).

(26) Finance income on cash and due from banks and investments in financial instruments

Finance income on cash and due from banks and investments in financial instruments is as follows:

		June		Quarter from April 1 to June 30	
		2015	2014	2015	2014
Cash and due from banks:					
Deposits in BCCR	¢	20,584,241	23,454,502	10,747,603	9,539,412
Checking accounts and demand deposits in local entities		31,906,380	12,767,464	15,878,483	6,313,463
Checking accounts and demand deposits in foreign entities		148,532,806	94,898,275	85,743,229	42,340,217
		201,023,427	131,120,241	112,369,315	58,193,092
Financial instruments:					
Investments in available-for-sale securities		20,157,541,582	15,639,920,964	10,539,869,577	7,102,380,203
Investments in committed deposits and securities		4,185,914,196	5,192,103,862	2,096,613,755	2,658,763,020
Subtotal		24,343,455,778	20,832,024,826	12,636,483,332	9,761,143,223
Total	¢	24,544,479,205	20,963,145,067	12,748,852,647	9,819,336,315

(27) Finance income on loan portfolio

Finance income on the loan portfolio is as follows:

	June		Quarter from April 1 to June 30	
	2015	2014	2015	2014
Current loans:				
Checking account overdrafts	¢ 49,146,337	34,746,432	24,772,371	7,776,342
Loans granted with funds from BCCR	735,154,459	886,149,272	355,915,762	448,992,617
Loans granted with other funds	128,225,304,614	114,179,235,496	65,173,694,807	58,816,147,853
Credit cards	9,803,553,431	8,865,612,977	4,865,645,887	4,718,493,888
Issued letters of credit	653,445	258,050	225,156	242,415
Other loans	2,243,519	2,400,633	1,087,663	1,590,219
Subtotal	138,816,055,805	123,968,402,860	70,421,341,646	63,993,243,334
Past due loans and loans in legal collections:				
Checking account overdrafts	645,569	972,989	277,038	433,507
Loans granted with funds from BCCR	182,228,734	141,098,949	107,281,530	73,744,400
Loans granted with other funds	21,691,959,916	20,862,955,299	10,423,274,941	10,689,114,124
Credit cards	1,338,235,628	1,371,190,787	652,399,897	774,226,062
Other	546,725	1,362,907	90,848	59,074
Subtotal	23,213,616,572	22,377,580,931	11,183,324,254	11,537,577,167
Total	¢ 162,029,672,377	146,345,983,791	81,604,665,900	75,530,820,501

(28) Other finance income

Other finance income is as follows:

	June		Quarter from April 1 to June 30	
	2015	2014	2015	2014
Fees and commissions on letters of credit	¢ 21,251,747	43,838,740	13,156,997	11,930,547
Fees and commissions on guarantees granted	371,392,688	295,871,229	219,356,425	142,288,783
Fees and commissions on lines of credit	85,029,758	38,626,087	34,792,254	18,703,087
Gain on fair value hedge item measured at cost	17,434,546,796	4,112,354,218	8,790,175,722	1,251,298,273
Other sundry finance income	1,530,020,631	2,005,334,490	713,982,317	987,825,067
	¢ 19,442,241,620	6,496,024,764	9,771,463,715	2,412,045,757

(29) Expenses for obligations with the public

Expenses for obligations with the public are as follows:

	June		Quarter from April 1 to June 30	
	2015	2014	2015	2014
Demand deposits	¢ 17,235,299,515	16,221,966,422	8,313,129,132	8,113,428,382
Term deposits	37,502,892,816	31,785,097,829	18,612,755,719	16,104,436,837
Tri-party repurchase agreements and securities lending	1,170,669,105	1,061,423,770	659,209,671	554,576,139
Other term obligations with the public	680,913	-	-	-
	¢ 55,909,542,349	49,068,488,021	27,585,094,522	24,772,441,358

(30) Expenses for allowances for impairment of assets

Expenses for allowances for impairment of assets are as follows:

	June		Quarter from April 1 to June 30	
	2015	2014	2015	2014
Allowance for loan impairment (note 6)	¢ 21,741,496,993	13,628,205,273	13,714,379,354	9,754,778,908
Allowance for impairment of other accounts receivable (note 7)	804,130,743	1,178,343,472	294,245,367	467,162,088
Allowance for stand-by credit losses (note 18)	149,000,005	975,582,439	33,000,000	280,652,004
General and counter-cyclical allowance for stand-by credit losses (note 6)	760,925,027	25,570,882	751,864,026	25,570,882
General and counter-cyclical allowance for stand-by credit losses (note 18)	57,902,012	27,129,314	32,090,005	22,275,293
Allowance for impairment of derivative financial instruments (note 5-a)	39,039,133	1,545,813	5,473,588	1,474,191
	¢ 23,552,493,913	15,836,377,193	14,831,052,340	10,551,913,366

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

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

	June		Quarter from April 1 to June 30	
	2015	2014	2015	2014
Recovery of loan write-offs	¢ 6,454,875,306	7,246,430,844	2,932,037,272	4,138,076,503
Recovery of receivables write-offs	625,420	333,914	201,441	228,071
Decrease in allowance for impairment of other accounts receivable (note 7)	94,308,551	719,481,804	58,147,871	627,822,377
Decrease in allowance for investments in financial instruments (note 5)	39,319,254	-	39,319,254	-
	¢ 6,589,128,531	7,966,246,562	3,029,705,838	4,766,126,951

(Continued)

(32) Operating income from service fees and commissions

Operating income from service fees and commissions is as follows:

		June		Quarter from April 1 to June 30	
		2015	2014	2015	2014
Drafts and transfers	¢	3,536,447,770	3,417,803,546	1,739,081,950	1,732,417,551
Certified checks		2,472,161	3,024,498	1,280,089	1,510,523
Trusts		413,651,031	424,742,729	207,308,846	215,323,334
Custodial services		611,973,388	474,947,211	281,057,851	250,895,772
Banking mandates		74,589	252,407	37,168	66,459
Collections		19,631,661	24,908,324	8,565,727	13,064,628
Credit cards		20,636,460,990	17,170,396,417	9,837,465,469	8,458,708,486
Management services		1,710,609,317	1,663,395,811	829,034,603	933,552,456
Management of investment funds		2,113,743,999	1,933,781,867	1,108,118,806	965,333,122
Management of pension funds		3,893,830,921	3,179,857,524	2,021,331,151	1,631,351,161
Insurance underwriting		1,673,998,732	1,466,597,077	792,060,602	654,841,486
Brokerage operations (third parties in local market)		1,328,624,304	796,366,855	755,390,875	344,208,974
Brokerage operations (third parties in other markets)		44,709,032	31,649,254	13,060,343	20,073,492
Individual portfolio management		635,487	3,403,388	317,591	1,823,231
Other		18,117,094,686	17,366,636,315	8,746,030,131	8,636,009,945
	¢	54,103,958,068	47,957,763,223	26,340,141,202	23,859,180,620

(33) Other operating income

Other operating income is as follows:

		June		Quarter from April 1 to June 30	
		2015	2014	2015	2014
Leasing of assets	¢	23,566,863	6,382,134	8,550,000	3,191,067
Recovery of expenses		2,809,847,051	753,809,001	2,750,849,266	375,570,618
Net valuation of other assets (note 1-d-iii)		235,860,246	524,662,202	98,574,516	308,478,371
Other income from accounts receivable		1,451,388	1,365,932	390,717	299,543
Sundry operating income		2,163,677,779	2,717,065,170	1,208,697,548	1,247,520,595
Decrease in provisions		5,991,398,838	6,851,466,715	2,559,696,364	6,847,413,335
	¢	11,225,802,165	10,854,751,154	6,626,758,411	8,782,473,529

(Continued)

(34) Expenses for foreclosed assets

Expenses for foreclosed assets are as follows:

		June		Quarter from April 1 to June 30	
		2015	2014	2015	2014
Loss on sale of property and other assets acquired in lieu of payment	¢	192,045,000	6,489,374,855	103,419,925	3,685,242,098
Loss on sale of assets awarded in judicial auctions		3,471,720,630	-	860,127,558	-
Management of assets acquired in lieu of payment		-	963,741	-	963,741
Management of assets awarded in judicial auctions (note 8)		4,278,660,695	4,298,702,288	2,335,751,908	2,293,401,719
Loss on impairment of foreclosed assets (note 8)		428,450,464	215,832,813	47,919,125	135,927,586
Loss on allowance for impairment of foreclosed assets and per legal requirements (note 8)		2,509,806,536	12,122,407,147	(3,037,672,149)	6,004,738,730
Other expenses for foreclosed assets		54,714,460	571,336,762	33,400,951	275,528,068
	¢	10,935,397,785	23,698,617,606	342,947,318	12,395,801,942

(35) Expenses for provisions

Expenses for provisions are as follows:

		June		Quarter from April 1 to June 30	
		2015	2014	2015	2014
Severance benefits	¢	3,288,085,241	4,981,307,636	1,846,923,650	2,920,619,595
Pending litigation		635,816,210	276,780,701	568,415,932	140,229,832
Other provisions		6,025,438,396	3,964,372,346	2,340,978,044	2,010,230,217
	¢	9,949,339,847	9,222,460,683	4,756,317,626	5,071,079,644

(Continued)

(36) Other operating expenses

Other operating expenses are as follows:

		June		Quarter from April 1 to June 30	
		2015	2014	2015	2014
Penalties for noncompliance with regulatory provisions	¢	101,406,589	11,515,645	57,065,175	1,662,027
Net valuation of other liabilities (note 1-d-iii)		156,761,915	1,036,531,157	119,438,621	182,245,333
Income tax on foreign remittances		3,763,688	-	3,763,688	-
Income tax (8%) on interest on investments in financial instruments		1,694,489,600	1,543,503,483	892,665,701	699,599,338
Property tax		102,540,990	98,860,885	63,211,371	46,321,387
Licenses		415,585,816	225,863,407	238,295,905	47,998,120
Other local taxes		170,342,958	839,091,718	94,340,581	650,762,864
Transfers to FINADE		1,635,781,832	856,520,047	862,026,397	439,861,533
Sundry operating expenses		22,797,424,870	20,731,914,474	11,022,529,951	10,035,781,533
	¢	27,078,098,258	25,343,800,816	13,353,337,390	12,104,232,135

(Continued)

(37) Personnel expenses

Personnel expenses are as follows:

		June		Quarter from April 1 to June 30	
		2015	2014	2015	2014
Salaries and bonuses, permanent staff	¢	28,402,129,639	26,709,671,552	15,603,088,549	12,675,829,056
Salaries and bonuses, contractors		1,027,182,090	1,088,212,745	525,606,096	511,670,892
Compensation for directors and statutory examiners		92,460,819	87,421,868	45,594,081	40,223,591
Overtime		496,331,448	561,605,157	242,312,835	251,865,529
Travel expenses		359,560,669	507,442,737	194,559,283	243,402,622
Statutory Christmas bonus		3,677,247,422	3,520,560,897	1,809,012,367	1,814,074,686
Vacation		4,484,490,871	3,532,344,127	2,643,012,169	1,882,186,919
Other compensation		2,398,417,273	4,058,602,749	750,660,878	2,117,265,928
Severance benefits		2,160,773,053	2,198,586,955	1,057,674,687	2,170,114,934
Employer social security taxes		14,016,334,011	13,362,931,170	6,884,257,081	5,713,492,473
Refreshments		220,035,193	298,307,057	120,202,065	123,683,295
Uniforms		220,709,750	5,641,137	206,748,091	2,500,065
Training		439,251,266	435,240,111	261,587,078	201,810,809
Employee insurance		129,246,921	145,364,740	66,037,576	76,285,173
Back-to-school bonus		3,354,400,629	2,977,905,853	1,722,243,086	1,504,425,354
Mandatory retirement savings account		1,359,292,733	1,289,985,435	665,776,506	664,911,568
Other personnel expenses		249,919,411	157,036,388	125,091,809	85,758,360
	¢	63,087,783,198	60,936,860,678	32,923,464,237	30,079,501,254

(38) Other administrative expenses

Other administrative expenses are as follows:

		June		Quarter from April 1 to June 30	
		2015	2014	2015	2014
Outsourcing	¢	5,808,700,986	7,927,729,623	3,014,743,682	4,329,276,088
Transportation and communications		2,085,037,225	2,522,474,968	1,084,320,020	1,169,958,010
Infrastructure		16,368,280,403	15,756,458,765	9,061,517,568	7,754,988,996
Overhead		4,983,480,879	6,321,733,239	2,719,148,325	2,954,368,720
	¢	29,245,499,493	32,528,396,595	15,879,729,595	16,208,591,814

(Continued)

(39) Statutory allocations

Statutory allocations are as follows:

	June		Quarter from April 1 to June 30	
	2015	2014	2015	2014
CONAPE 5%	¢ 1,410,360,775	1,287,019,626	549,516,612	863,565,932
National Emergency Fund 3%	900,189,474	783,453,780	369,494,124	523,007,376
INFOCOOP 10%	2,122,094,326	1,969,055,867	842,929,445	1,245,745,850
Public capital pension operators	460,460,338	-	279,495,073	-
RIVM 5%	1,211,070,427	816,697,182	464,626,737	525,291,972
	¢ 6,104,175,340	4,856,226,455	2,506,061,991	3,157,611,130

The decreases in statutory allocations are as follows:

	June		Quarter from April 1 to June 30	
	2015	2014	2015	2014
CONAPE 5%	¢ 100,043,827	-	100,043,827	-
National Emergency Fund 3%	77,752,300	-	77,752,300	-
INFOCOOP 10%	57,431,174	-	57,431,174	-
RIVM 5%	77,542,314	-	77,542,314	-
	¢ 312,769,615	-	312,769,615	-

(Continued)

(40) Fair value of financial instruments

Carrying amounts and fair values of all financial assets and liabilities that are not carried at fair value are compared in the following table:

		June 2015	
		Carrying amount	Fair value
Financial assets:			
Cash and due from banks	¢	842,338,872,816	842,338,872,816
Investments in financial instruments		1,163,639,429,393	1,163,639,429,393
Loan portfolio		3,466,855,069,779	3,209,285,076,395
	¢	5,472,833,371,988	5,215,263,378,604
Financial liabilities:			
Demand deposits from the public and financial entities	¢	2,588,353,849,558	2,588,353,849,558
Other demand obligations with the public		11,675,365,655	11,675,365,655
Term deposits from the public and financial entities		2,389,275,997,528	2,396,135,662,846
Obligations for tri-party repurchase agreements		46,757,673,973	46,757,673,973
	¢	5,036,062,886,714	5,042,922,552,032

		June 2014	
		Carrying amount	Fair value
Financial assets:			
Cash and due from banks	¢	1,001,435,379,254	1,001,435,379,254
Investments in financial instruments		903,951,092,818	903,951,092,818
Loan portfolio		3,209,007,262,933	2,829,954,437,513
	¢	5,114,393,735,005	4,735,340,909,585
Financial liabilities:			
Demand deposits from the public and financial entities	¢	2,367,358,737,815	2,367,358,737,815
Other demand obligations with the public		13,291,242,417	13,291,242,417
Term deposits from the public and financial entities		2,293,141,730,430	2,317,142,833,170
Obligations for tri-party repurchase agreements		41,587,899,959	41,587,899,959
	¢	4,715,379,610,621	4,739,380,713,361

Fair value estimates

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

a. Cash and due from banks, accrued interest receivable, other receivables, demand deposits from the public, accrued interest payable, and other liabilities

The carrying amounts approximate fair value because of the short-term nature of these instruments.

(Continued)

b. Investments in financial instruments

The fair values of available-for-sale investments in financial instruments are based on quoted market prices, except for Auction Rate Securities (ARS), which fair values are determined using the valuation method developed by the Bank.

c. Loan portfolio

The fair value of loans is calculated by discounting future cash flows expected for principal and interest. Loan payments are assumed to be made on the contractually agreed payment dates. Future expected cash flows for loans are discounted at the interest rates offered for similar loans to new borrowers as of June 30, 2015 and 2014.

d. Term deposits

The fair value of term deposits is calculated by discounting cash flows at the interest rates offered for term deposits with similar maturities as of June 30, 2015 and 2014.

e. Obligations with entities

The fair value of obligations with entities is calculated by discounting cash flows at the interest rates in effect as of June 30, 2015 and 2014.

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 point in time. 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.

As of June 30, 2015 and 2014, the following table analyzes financial instruments measured at fair value by the level in the fair value hierarchy:

		June 2015			
		Level 1	Level 2	Level 3	Total
Available for sale	¢	894,425,519,510	225,965,401,680	5,641,682,132	1,126,032,603,322
Held to maturity	¢	-	27,231,250,107	-	27,231,250,107

		June 2014			
		Level 1	Level 2	Level 3	Total
Available for sale	¢	788,556,367,925	78,376,804,475	5,729,553,134	872,662,725,534
Held to maturity	¢	-	26,895,405,401	-	26,895,405,401

The table above sets out information about financial instruments measured at fair value using a valuation method. The fair value hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial instruments categorized as Level 3 in the fair value hierarchy are measured as follows:

		June 30,	
		2015	2014
Opening balance	¢	5,627,570,800	5,734,048,717
Closing balance	¢	5,641,682,132	5,729,553,134

(41) Vehicle operating leases

As of June 30, 2015, vehicle lease agreements have expired and are settled through a purchase order. Additionally, extension requests and the new tender process are under review in accordance with the new guidelines from senior management to minimize the expense for vehicle lease agreements.

(42) Segments

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

(Continued)

Profit or loss, assets, and liabilities of each segment are as follows:

		As of June 30, 2015							
		Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	Total	Eliminations	Consolidated
ASSETS									
Cash and due from banks	¢	839,406,264,116	2,857,582,280	169,905,693	141,798,341	1,543,502,234	844,119,052,664	1,780,179,848	842,338,872,816
Investments in financial instruments		1,086,299,832,826	66,105,402,714	4,264,334,521	7,013,159,332	-	1,163,682,729,393	43,300,000	1,163,639,429,393
Loan portfolio, net		3,404,183,666,226	-	-	-	-	3,404,183,666,226	-	3,404,183,666,226
Accounts and fees and commissions receivable, net		1,301,144,768	49,671,021	71,080,537	879,865,636	267,627,259	2,569,389,221	47,643,876	2,521,745,345
Fees and commissions		127,998,677	26,759,884	13,957,810	670,084,945	203,167,225	1,041,968,541	13,663,475	1,028,305,066
Brokerage services		-	464,805	-	-	-	464,805	-	464,805
Transactions with related parties		100,100,654	762,578	6,548,908	4,128,293	35,000	111,575,433	33,980,401	77,595,032
Deferred tax and income tax		3,388,811,442	7,626,726	50,456,650	144,149,121	64,425,034	3,655,468,973	-	3,655,468,973
Other		3,444,037,659	14,057,028	117,169	61,503,277	-	3,519,715,133	-	3,519,715,133
Accrued interest		1,748,540	-	-	-	-	1,748,540	-	1,748,540
Allowance for impairment of accounts and fees and commissions		(5,761,552,204)	-	-	-	-	(5,761,552,204)	-	(5,761,552,204)
Foreclosed assets, net		18,032,182,111	-	-	-	-	18,032,182,111	-	18,032,182,111
Investments in other companies		81,487,529,397	30,000,000	-	-	-	81,517,529,397	29,406,404,714	52,111,124,683
Property and equipment, net		179,373,159,901	489,252,362	202,082,930	326,369,675	21,803,205	180,412,668,073	-	180,412,668,073
Other assets		46,272,990,193	298,266,528	426,536,807	190,148,580	240,631,962	47,428,574,070	-	47,428,574,070
TOTAL ASSETS	¢	5,656,356,769,538	69,830,174,905	5,133,940,488	8,551,341,564	2,073,564,660	5,741,945,791,155	31,277,528,438	5,710,668,262,717
LIABILITIES AND EQUITY									
LIABILITIES									
Obligations with the public	¢	3,714,976,493,274	46,946,076,674	-	-	-	3,761,922,569,948	43,299,999	3,761,879,269,949
Obligations with BCCR		171,772,418	-	-	-	-	171,772,418	-	171,772,418
Obligations with entities		1,209,159,405,873	3,806,913,890	-	-	-	1,212,966,319,763	1,780,179,843	1,211,186,139,920
Demand		334,627,981,414	-	-	-	-	334,627,981,414	1,780,179,843	332,847,801,571
Term		867,502,767,221	3,800,000,000	-	-	-	871,302,767,221	-	871,302,767,221
Finance charges payable		7,028,657,238	6,913,890	-	-	-	7,035,571,128	-	7,035,571,128
Accounts payable and provisions		95,749,541,462	2,462,672,686	682,032,818	1,758,521,993	526,398,838	101,179,167,797	47,643,878	101,131,523,919
Other liabilities		41,700,268,816	-	-	-	-	41,700,268,816	-	41,700,268,816
Subordinated obligations		69,861,508,667	-	-	-	-	69,861,508,667	-	69,861,508,667
TOTAL LIABILITIES	¢	5,131,618,990,510	53,215,663,250	682,032,818	1,758,521,993	526,398,838	5,187,801,607,409	1,871,123,720	5,185,930,483,689

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to Consolidated Financial Statements

		As of June 30, 2015							
		Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	Total	Eliminations	Consolidated
EQUITY									
Share capital	¢	118,130,303,482	6,600,000,000	1,500,000,000	3,795,407,230	369,700,000	130,395,410,712	12,265,107,230	118,130,303,482
Non-capitalized capital contributions		-	-	-	1,199,517,779	-	1,199,517,779	1,199,517,779	-
Equity adjustments		77,020,092,269	759,466,847	24,511,234	77,557,767	-	77,881,628,117	861,535,848	77,020,092,269
Capital reserves		247,811,397,754	1,010,943,805	300,000,000	300,000,000	73,940,000	249,496,281,559	1,684,883,805	247,811,397,754
Prior period retained earnings		46,181,470,030	7,133,530,238	2,051,175,154	959,876,457	862,068,579	57,188,120,458	11,006,650,428	46,181,470,030
Income for the year		17,448,440,253	1,110,570,765	576,221,282	460,460,338	241,457,243	19,837,149,881	2,388,709,628	17,448,440,253
FOFIDE		18,146,075,240	-	-	-	-	18,146,075,240	-	18,146,075,240
TOTAL EQUITY	¢	524,737,779,028	16,614,511,655	4,451,907,670	6,792,819,571	1,547,165,822	554,144,183,746	29,406,404,718	524,737,779,028
TOTAL LIABILITIES AND EQUITY	¢	5,656,356,769,538	69,830,174,905	5,133,940,488	8,551,341,564	2,073,564,660	5,741,945,791,155	31,277,528,438	5,710,668,262,717
Debit memoranda accounts	¢	510,361,044,475	-	-	265,110,324	-	510,626,154,799	-	510,626,154,799
Trust assets	¢	853,802,269,335	2,038,866,934	-	-	-	855,841,136,269	-	855,841,136,269
Trust liabilities	¢	81,051,567,291	427,463	-	-	-	81,051,994,754	-	81,051,994,754
Trust equity	¢	772,750,702,044	2,038,439,471	-	-	-	774,789,141,515	-	774,789,141,515
Other debit memoranda accounts	¢	16,050,973,268,600	1,675,013,642,052	390,065,501,373	949,174,766,966	-	19,065,227,178,991	-	19,065,227,178,991

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to Consolidated Financial Statements

		For the year ended June 30, 2015							
		Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	Total	Eliminations	Consolidated
Finance income	¢	206,693,026,917	2,733,857,122	183,831,038	297,516,683	25,608,589	209,933,840,349	56,587,958	209,877,252,391
Finance expense		95,345,507,838	1,316,739,484	17,861,324	-	-	96,680,108,646	56,587,958	96,623,520,688
Allowance expense		23,552,493,913	-	-	-	-	23,552,493,913	-	23,552,493,913
Income from recovery of assets		6,589,128,531	-	-	-	-	6,589,128,531	-	6,589,128,531
FINANCE INCOME		94,384,153,697	1,417,117,638	165,969,714	297,516,683	25,608,589	96,290,366,321	-	96,290,366,321
Other operating income		74,229,207,973	1,929,468,186	2,222,470,669	3,967,078,428	1,175,322,271	83,523,547,527	2,932,093,360	80,591,454,167
Other operating expenses		56,230,062,861	326,920,265	328,423,833	649,526,890	59,235,492	57,594,169,341	473,347,782	57,120,821,559
GROSS OPERATING INCOME		112,383,298,809	3,019,665,559	2,060,016,550	3,615,068,221	1,141,695,368	122,219,744,507	2,458,745,578	119,760,998,929
Personnel expenses		58,303,509,298	1,432,396,436	985,554,225	1,680,643,844	685,679,395	63,087,783,198	-	63,087,783,198
Other administrative expenses		27,873,450,558	411,612,939	314,595,192	605,436,501	110,440,254	29,315,535,444	70,035,951	29,245,499,493
Total administrative expenses		86,176,959,856	1,844,009,375	1,300,149,417	2,286,080,345	796,119,649	92,403,318,642	70,035,951	92,333,282,691
NET OPERATING INCOME BEFORE STATUTORY ALLOCATIONS AND TAXES		26,206,338,953	1,175,656,184	759,867,133	1,328,987,876	345,575,719	29,816,425,865	2,388,709,627	27,427,716,238
Income tax		4,783,630,287	37,307,903	193,357,357	390,418,409	107,341,640	5,512,055,596	-	5,512,055,596
Decrease in income tax		1,248,768,679	7,492,168	32,507,519	22,220,846	13,196,124	1,324,185,336	-	1,324,185,336
Statutory allocations		5,535,806,707	35,269,685	22,796,013	500,329,975	9,972,960	6,104,175,340	-	6,104,175,340
Decrease in statutory allocations		312,769,615	-	-	-	-	312,769,615	-	312,769,615
INCOME FOR THE YEAR	¢	17,448,440,253	1,110,570,764	576,221,282	460,460,338	241,457,243	19,837,149,880	2,388,709,627	17,448,440,253

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Profit or loss, assets, and liabilities of each segment are as follows:

		As of June 30, 2014							
		Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	Total	Eliminations	Consolidated
ASSETS									
Cash and due from banks	¢	999,199,050,040	3,966,901,944	195,183,474	164,655,666	803,246,480	1,004,329,037,604	2,893,658,350	1,001,435,379,254
Investments in financial instruments		841,454,961,077	53,655,153,417	3,750,139,519	5,489,373,932	-	904,349,627,945	398,535,127	903,951,092,818
Loan portfolio, net		3,160,753,822,525	-	-	-	-	3,160,753,822,525	-	3,160,753,822,525
Accounts and fees and commissions receivable, net		2,209,576,159	153,270,973	23,601,042	668,539,876	267,288,586	3,322,276,636	28,517,648	3,293,758,988
Fees and commissions		126,192,122	21,244,546	10,240,175	548,171,352	210,093,549	915,941,744	24,092,289	891,849,455
Brokerage services		-	31,791,925	-	-	-	31,791,925	-	31,791,925
Transactions with related parties		103,310,598	634,865	3,834,598	4,416,149	97,100	112,293,310	4,425,359	107,867,951
Deferred tax and income tax		1,746,465,241	91,812,245	9,244,651	53,476,503	57,097,937	1,958,096,577	-	1,958,096,577
Other		2,879,297,128	7,787,392	281,618	62,475,872	-	2,949,842,010	-	2,949,842,010
Accrued interest		1,579,106	-	-	-	-	1,579,106	-	1,579,106
Allowance for impairment of accounts and fees and commissions		(2,647,268,036)	-	-	-	-	(2,647,268,036)	-	(2,647,268,036)
Foreclosed assets, net		17,968,409,055	-	-	-	-	17,968,409,055	-	17,968,409,055
Investments in other companies		73,402,602,584	30,000,000	-	-	-	73,432,602,584	25,646,886,862	47,785,715,722
Property and equipment, net		162,027,151,469	452,682,343	189,995,743	417,965,016	17,279,479	163,105,074,050	-	163,105,074,050
Other assets		47,322,377,700	218,421,664	438,183,486	310,728,264	131,866,936	48,421,578,050	-	48,421,578,050
TOTAL ASSETS	¢	5,304,337,950,609	58,476,430,341	4,597,103,264	7,051,262,754	1,219,681,481	5,375,682,428,449	28,967,597,987	5,346,714,830,462
LIABILITIES AND EQUITY									
LIABILITIES									
Obligations with the public	¢	3,471,911,651,396	41,702,705,152	-	-	-	3,513,614,356,548	399,579,156	3,513,214,777,392
Obligations with BCCR		40,199,829,553	-	-	-	-	40,199,829,553	-	40,199,829,553
Obligations with entities		1,117,622,219,075	-	-	-	-	1,117,622,219,075	2,892,614,320	1,114,729,604,755
Demand		281,915,017,296	-	-	-	-	281,915,017,296	2,892,614,320	279,022,402,976
Term		828,974,194,925	-	-	-	-	828,974,194,925	-	828,974,194,925
Finance charges payable		6,733,006,854	-	-	-	-	6,733,006,854	-	6,733,006,854
Accounts payable and provisions		100,854,958,061	2,481,979,319	561,045,298	674,804,102	277,057,101	104,849,843,881	28,517,643	104,821,326,238
Other liabilities		45,614,844,034	-	-	-	-	45,614,844,034	-	45,614,844,034
Subordinated obligations		53,974,870,239	-	-	-	-	53,974,870,239	-	53,974,870,239
TOTAL LIABILITIES	¢	4,830,178,372,358	44,184,684,471	561,045,298	674,804,102	277,057,101	4,875,875,963,330	3,320,711,119	4,872,555,252,211

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to Consolidated Financial Statements

As of June 30, 2014

		Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	Total	Eliminations	Consolidated
EQUITY									
Share capital	¢	118,130,303,482	6,600,000,000	1,500,000,000	4,610,290,869	369,700,000	131,210,294,351	13,079,990,869	118,130,303,482
Non-capitalized capital contributions		-	-	-	384,634,140	-	384,634,140	384,634,140	-
Equity adjustments		66,371,650,829	(123,737,921)	(15,642,398)	19,817,312	-	66,252,087,822	(119,563,007)	66,371,650,829
Capital reserves		209,058,123,505	978,689,215	300,000,000	300,000,000	50,242,478	210,687,055,198	1,628,931,693	209,058,123,505
Prior period retained earnings		49,146,520,984	6,520,693,031	1,810,603,768	600,506,483	353,530,710	58,431,854,976	9,285,333,991	49,146,520,985
Income for the year		16,904,805,625	316,101,545	441,096,596	461,209,848	169,151,192	18,292,364,806	1,387,559,182	16,904,805,624
FOFIDE		14,548,173,826	-	-	-	-	14,548,173,826	-	14,548,173,826
TOTAL EQUITY	¢	474,159,578,251	14,291,745,870	4,036,057,966	6,376,458,652	942,624,380	499,806,465,119	25,646,886,868	474,159,578,251
TOTAL LIABILITIES AND EQUITY	¢	5,304,337,950,609	58,476,430,341	4,597,103,264	7,051,262,754	1,219,681,481	5,375,682,428,449	28,967,597,987	5,346,714,830,462
Debit memoranda accounts	¢	598,893,268,959	-	234,907	10,751,600	-	598,904,255,466	-	598,904,255,466
Trust assets	¢	917,301,588,010	683,905,044	-	-	-	917,985,493,054	-	917,985,493,054
Trust liabilities	¢	68,698,391,324	434,636	-	-	-	68,698,825,960	-	68,698,825,960
Trust equity	¢	848,603,196,686	683,470,408	-	-	-	849,286,667,094	-	849,286,667,094
Other debit memoranda accounts	¢	13,856,338,223,674	1,421,794,094,171	301,723,189,718	803,493,525,914	-	16,383,349,033,477	-	16,383,349,033,477

For the year ended June 30, 2014

		Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	Total	Eliminations	Consolidated
Finance income	¢	437,826,111,354	2,858,427,127	187,388,618	272,443,778	17,412,595	441,161,783,472	16,349,261	441,145,434,211
Finance expense		337,275,891,346	1,877,125,204	36,524,975	24,371,375	2,973,051	339,216,885,951	16,349,261	339,200,536,690
Allowance expense		15,836,377,193	-	-	-	-	15,836,377,193	-	15,836,377,193
Income from recovery of assets		7,966,246,562	-	-	-	-	7,966,246,562	-	7,966,246,562
FINANCE INCOME		92,680,089,377	981,301,923	150,863,643	248,072,403	14,439,544	94,074,766,890	-	94,074,766,890
Other operating income		82,079,425,427	1,318,006,095	1,941,234,594	3,195,006,886	926,779,914	89,460,452,916	1,836,391,134	87,624,061,782
Other operating expenses		61,261,369,117	247,726,379	370,548,296	471,436,644	59,820,358	62,410,900,794	306,078,495	62,104,822,299
GROSS OPERATING INCOME		113,498,145,687	2,051,581,639	1,721,549,941	2,971,642,645	881,399,100	121,124,319,012	1,530,312,639	119,594,006,373
Personnel expenses		56,562,336,934	1,268,965,687	861,593,274	1,667,546,906	576,417,877	60,936,860,678	-	60,936,860,678
Other administrative expenses		31,195,416,238	456,738,070	301,237,347	622,867,673	94,890,725	32,671,150,053	142,753,458	32,528,396,595
Total administrative expenses		87,757,753,172	1,725,703,757	1,162,830,621	2,290,414,579	671,308,602	93,608,010,731	142,753,458	93,465,257,273
NET OPERATING INCOME BEFORE STATUTORY ALLOCATIONS AND TAXES		25,740,392,515	325,877,882	558,719,320	681,228,066	210,090,500	27,516,308,283	1,387,559,183	26,128,749,100
Income tax		4,234,989,938	-	122,564,308	312,033,626	52,061,533	4,721,649,405	-	4,721,649,405
Decrease in income tax		202,760,722	-	21,703,164	112,452,249	17,016,250	353,932,385	-	353,932,385
Statutory allocations		4,803,357,674	9,776,336	16,761,580	20,436,842	5,894,023	4,856,226,455	-	4,856,226,455
INCOME FOR THE YEAR	¢	16,904,805,625	316,101,546	441,096,596	461,209,847	169,151,194	18,292,364,808	1,387,559,183	16,904,805,625

(Continued)

(43) Risk management

The Bank has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risks
  - interest rate risk
  - currency risk and
- operational risk.

The Corporate Risk Division is responsible for identifying and measuring credit, market, liquidity, and operational risks. For such purposes, all types of risks to which the Bank is exposed are monitored by that Division on an ongoing basis using a mapping procedure to classify risks based on their severity or impact and their frequency or probability of occurrence.

Policies and procedures for managing market and liquidity risks are also being formalized in specific manuals for each type of risk that describe the methodologies used to manage those risks. This activity has been extended to the Bank's subsidiaries, i.e. Brokerage Firm, Investment Fund Manager, Pension Fund Manager, and Insurance Brokerage Firm.

The Bank manages the above risks as follows:

a) Credit risk

This is the risk that the borrower or issuer of a financial asset will fail to discharge an obligation, fully and on time, in accordance with the terms and conditions agreed upon at the time the financial asset was acquired. Credit risk is mainly related to the loan portfolio and investments in financial instruments. The exposure to credit risk on those assets is represented by the carrying amount of the assets in the consolidated balance sheet.

The Bank also has exposure to credit risk for off-balance sheet credits, such as commitments, letters of credit, sureties, and guarantees.

The Bank monitors credit risk on an ongoing basis through reports on portfolio status and classification. Credit analyses include periodic assessments of the financial position of customers, an analysis of the country's economic, political, and financial environment, and the potential impact on each sector. For such purposes, a thorough understanding is obtained of customers on an individual basis and their capacity to generate cash flows that enable them to honor their debt commitments.

(Continued)

The Bank has established the following credit risk management procedures:

1. The Bank has defined procedures for loan follow-up and processing as well as for the application of loan controls. The functions, tasks, and procedures performed by the Credit Risk Division have been documented with the support of the Quality Management Division. As a result, the Bank has been able to unify, standardize, and improve the process.
2. The Bank has performed and reviewed the administrative loan follow-up procedures for branches and regional offices.
3. The Bank is comprehensively evaluating the Loan Process and, based on that evaluation, the procedures performed through offices, business development centers (BDCs), shared service centers, trade zones, and corporate centers in accordance with the organizational structure project named “Transformation.”
4. The work plan for loan follow-up includes an evaluation of main borrowers (higher balances in the loan portfolio), which involves continuous monitoring and visits to regional offices.

At the date of the consolidated balance sheet, there are no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

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

	Note		Direct 2015	Direct 2014	Note	Stand-by 2015	Stand-by 2014
Loan portfolio							
Principal	6-a	¢	3,443,790,877,572	3,188,559,094,292	20	248,006,428,830	253,018,367,090
Accounts and accrued interest receivable			23,064,192,207	20,448,168,641		-	-
Carrying amount, gross			3,466,855,069,779	3,209,007,262,933		248,006,428,830	253,018,367,090
Allowance for loan impairment (accounting records)			(62,671,403,553)	(48,253,440,408)		(1,516,038,202)	(1,185,342,814)
Carrying amount, net		¢	3,404,183,666,226	3,160,753,822,525		246,490,390,628	251,833024,276
Loan portfolio							
Total balances:							
A1		¢	2,842,396,557,104	2,526,155,727,885		241,852,733,660	243,729,167,130
A2			38,415,927,473	31,550,718,427		371,764,200	391,192,024
B1			271,495,782,105	299,002,197,602		2,225,615,851	4,338,686,176
B2			8,053,341,182	7,768,816,426		90,785,334	18,329,774
C1			62,181,255,841	80,149,245,937		1,817,707,069	1,886,166,876
C2			6,559,121,599	8,166,966,387		23,186,322	13,007,491
D			78,294,847,606	116,380,382,690		355,238,726	1,137,365,009
E			159,458,236,869	139,833,207,579		1,269,397,668	1,504,452,610
			3,466,855,069,779	3,209,007,262,933		248,006,428,830	253,018,367,090
Structural allowance (subledger – database)			(55,526,117,011)	(42,785,827,216)		(752,599,805)	(1,089,154,840)
Carrying amount, net		¢	3,411,328,952,768	3,166,221,435,717		247,253,829,025	251,929,212,250

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to Consolidated Financial Statements

		Direct		Stand-by	
		2015	2014	2015	2014
Individually assessed loans with allowance:					
A1	¢	2,842,396,557,104	2,526,155,727,885	237,972,133,300	239,275,377,229
A2		38,415,927,473	31,550,718,427	368,422,550	391,192,024
B1		271,495,782,105	299,002,197,602	2,181,131,856	4,220,892,222
B2		8,053,341,182	7,768,816,426	90,535,334	18,329,774
C1		62,181,255,841	80,149,245,937	1,817,707,069	1,886,166,876
C2		6,559,121,599	8,166,966,387	23,186,322	11,945,216
D		78,294,847,606	116,380,382,690	355,138,117	1,133,685,987
E		159,458,236,869	139,833,207,579	1,264,145,789	1,503,889,183
		3,466,855,069,779	3,209,007,262,933	244,072,400,337	248,441,478,511
Structural allowance (subledger – database)		(55,526,117,011)	(42,785,827,216)	(752,599,805)	(1,089,154,840)
Carrying amount, net	¢	3,411,328,952,768	3,166,221,435,717	243,319,800,532	247,352,323,671

(Continued)

			Direct		Stand-by	
			2015	2014	2015	2014
Current loans without allowance:						
A1		¢	-	-	3,880,600,360	4,453,789,900
A2			-	-	3,341,650	-
B1			-	-	44,483,995	117,793,954
B2			-	-	250,000	-
C2			-	-	-	1,062,275
D			-	-	100,609	3,679,022
E				-	5,251,879	563,429
Carrying amount		¢	-	-	3,934,028,493	4,576,888,580
Carrying amount, gross			3,466,855,069,779	3,209,007,262,933	248,006,428,830	253,018,367,090
Allowance for loan impairment (database)			(55,526,117,011)	(42,785,827,216)	(752,599,805)	(1,089,154,840)
(Excess) insufficiency of allowance over structural allowance			(7,145,286,542)	(5,467,613,192)	(763,438,397)	(96,187,974)
Carrying amount, net	6-a	¢	3,404,183,666,226	3,160,753,822,525	246,490,390,628	251,833,024,276
Restructured loans	6-d	¢	26,324,043,983	20,620,455,649	11,172,071	7,033,221

(Continued)

As of June 30, 2015, no information is available for past due and current loans without allowance because an allowance has been established for the whole loan portfolio pursuant to CONASSIF Directive No. 1058/07 dated August 21, 2013, which became effective on January 1, 2014.

Set out below is an analysis of the gross and net (of allowance for loan impairment) amounts of loans by risk rating according to SUGEF Directive 1-05:

		June 2015	
		Loans to customers	
		Gross	Net
A1	¢	2,842,396,557,105	2,831,271,715,838
A2		38,415,927,473	38,362,128,690
B1		271,495,782,105	270,086,703,169
B2		8,053,341,182	8,000,300,218
C1		62,181,255,841	61,198,435,135
C2		6,559,121,599	6,294,247,895
D		78,294,847,606	72,676,295,984
E		159,458,236,868	116,293,839,297
	¢	3,466,855,069,779	3,404,183,666,226

		June 2014	
		Loans to customers	
		Gross	Net
A1	¢	2,526,155,727,885	2,519,679,706,924
A2		31,550,718,427	31,538,094,972
B1		299,002,197,602	297,895,790,034
B2		7,768,816,426	7,679,102,167
C1		80,149,245,937	78,601,274,927
C2		8,166,966,387	7,774,376,537
D		116,380,382,690	107,339,917,892
E		139,833,207,579	110,245,559,072
	¢	3,209,007,262,933	3,160,753,822,525

As shown above, as of June 30, 2015, the gross portfolio amounts to ¢3,160 billion. Of that amount, 91.16% is classified in risk ratings “A + B” and 8.84% in risk ratings “C+ D+ E” (2014: ¢3,178 billion, of which 89.26% is classified in risk ratings “A + B” and 10.74% in risk ratings “C+ D+ E”).

Individually assessed loans with allowance:

Pursuant to SUGEF Directive 1-05, a risk rating is assigned to all borrowers. Applicable allowance percentages are determined based on that risk rating. Individually assessed loans with allowance are loan operations that after considering the guarantee for the loan, there is still a balance to which the applicable allowance percentage will be applied.

Past due loans without allowance:

Past due loans without allowance correspond to loan operations with a guarantee for at least the outstanding balance due to the Bank. Accordingly, no allowance is established.

Restructured loans:

Restructured loans are those for which the Bank has changed the original contractual terms due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured, it remains in this category regardless of improvement in the borrower's position after restructuring. Following are the various types of restructured loans.

a. Extended loan: Loan operation in which at least one full or partial payment of principal or interest due under the current contractual terms has been postponed.

b. Modified loan: Loan operation in which at least one of the current contractual repayment terms has been modified, excluding extensions, additional payments not included in the loan repayment schedule, additional payments to reduce the amount of installments, and a change in the currency used while respecting the original loan maturity date.

c. Refinanced loan: Loan operation in which at least one payment of principal or interest is made fully or partially with another loan operation extended to the borrower or to an individual from its economic interest group by the same financial intermediary or any other company of the same financial group or conglomerate. In the event of full settlement of the loan, the new loan operation is considered to be refinanced. In the event of partial settlement, both the new and existing loan operations are considered to be refinanced.

(Continued)

Restructured loans are as follows:

		Direct		Stand-by	
		June 2015	June 2014	June 2015	June 2014
Restructured loans	¢	26,324,043,983	20,620,455,649	11,172,071	7,033,221

Loan charge-off policy:

The Bank charges off a loan (and any allowance for loan impairment) when it determines the loan to be uncollectible based on an analysis of significant changes in the financial conditions of the borrower preventing compliance with the payment obligation, or when it determines that the guarantee is insufficient to cover the entire amount of the loan facility. For standard loans with smaller balances, charge-offs are generally based on the level of arrears of the loan granted.

Risk ratings

The loan portfolio by borrower classification is as follows:

		Direct		Stand-by	
Borrower classification		June 2015	June 2014	June 2015	June 2014
Group 1	¢	1,981,995,710,486	1,762,229,969,171	55,019,853,925	60,882,772,617
Group 2		1,484,859,359,293	1,446,777,293,762	195,630,917,691	192,135,594,473
	¢	3,466,855,069,779	3,209,007,262,933	248,006,428,830	253,018,367,090

The Bank individually classifies its borrowers in one of eight risk ratings, identified as A1, A2, B1, B2, C1, C2, D, and E, with rating A1 as the lowest credit risk and rating E as the highest credit risk.

Borrower classification

Analysis of creditworthiness

The Bank must define effective mechanisms to determine the creditworthiness of borrowers in Group 1. Based on whether the borrowers are individuals or legal entities, those mechanisms should permit an assessment of the following aspects:

a. *Financial position and expected cash flows*: Analysis of the stability and continuity of main sources of income. The effectiveness of the analysis depends on the quality and timeliness of information.

b. *Experience in the line of business and quality of management*: Analysis of the capacity of management to lead the business with appropriate controls and adequate support from the owners.

c. *Business environment*: Analysis of the main sector variables that affect the borrower's creditworthiness.

d. *Vulnerability to changes in interest rates and foreign exchange rates*: Analysis of the borrower's ability to confront unexpected adverse changes in interest rates and foreign exchange rates.

e. *Other factors:* Analysis of other factors that affect the borrower's creditworthiness. In the case of legal entities, considerations include, but are not limited to, environmental issues, technological aspects, operating licenses and permits, representation of products or foreign offices, relationship with significant customers and suppliers, sales agreements, legal risks, and country risk (the latter for foreign-domiciled borrowers). In the case of individuals, the following borrower characteristics may be taken into consideration: marital status, age, level of education, profession, gender, etc.

When a borrower has been assigned a risk rating by a rating agency, that rating should be an additional consideration when assessing the borrower's creditworthiness.

The Bank must classify the borrower's creditworthiness into one of four levels: level 1 - has the ability to pay; level 2 - has minor weaknesses in the ability to pay; level 3 - has serious weaknesses in the ability to pay; and level 4 - has no ability to pay. For purposes of this classification, the borrower and co-borrower(s) must be assessed jointly. Joint classification of creditworthiness may only be used to determine the allowance percentage for operations in which the parties are borrower and co-borrower.

Analysis of historical payment behavior

The Bank must determine a borrower's historical payment behavior based on the level assigned to the borrower by SUGEF's Credit Information Center (CIC).

(Continued)

The Bank must classify historical payment behavior into one of three levels: level 1 - good historical payment behavior; level 2 - acceptable historical payment behavior; and level 3 - poor historical payment behavior.

			Direct		Stand-by	
Risk rating	Arrears		June 2015	June 2014	June 2015	June 2014
A1	30 days or less	¢	2,842,396,557,104	2,526,155,727,885	241,852,733,660	243,729,167,130
A2	60 days or less		38,415,927,473	31,550,718,427	371,764,200	391,192,024
B1	60 days or less		271,495,782,105	299,002,197,602	2,225,615,851	4,338,686,176
B2	60 days or less		8,053,341,182	7,768,816,426	90,785,334	18,329,774
C1	90 days or less		62,181,255,841	80,149,245,937	1,817,707,069	1,886,166,876
C2	90 days or less		6,559,121,599	8,166,966,387	23,186,322	13,007,491
D	120 days or less		78,294,847,606	116,380,382,690	355,238,726	1,137,365,009
E	More than 120 days or other factors		159,458,236,869	139,833,207,579	1,269,397,668	1,504,452,610
		¢	3,466,855,069,779	3,209,007,262,933	248,006,428,830	253,018,367,090

Pursuant to SUGEF Directive 1-05, borrowers are classified in two groups: Group 1, borrowers whose total outstanding balance exceeds ¢65,000,000; and Group 2, borrowers whose total outstanding balance is less than ¢65,000,000.

Borrower classification

Until December 31, 2013, for purposes of borrower classification, pursuant to SUGEF Directive 1-05, borrowers in Group 1 were to be classified based on arrears, historical payment behavior, and creditworthiness; whereas, pursuant to the Bank's internal policies and based on the credit web, borrowers in Group 2 were to be classified based on arrears and historical payment behavior. Starting January 1, 2014, borrowers are classified in Group 1 and Group 2 based on arrears, historical payment behavior, and creditworthiness.

In all cases, borrowers without valid authorization for a credit check through SUGEF's CIC cannot be classified in risk categories A1 to B2.

Likewise, borrowers with at least one loan operation purchased from a financial intermediary domiciled in Costa Rica and regulated by SUGEF must be classified for at least one month in the rating of higher risk between the rating assigned by the selling bank and the rating assigned by the buying bank at the time of the purchase.

(Continued)

Structural allowance for loan impairment

From January 2014, the allowances for loan impairment are as follows:

- ✓ General allowance for total outstanding balances, not considering the corresponding guarantees.
- ✓ Specific allowance for covered portion (with guarantees).
- ✓ Specific allowance for uncovered portion (with no guarantees).

The general allowance only applies to loan operations corresponding to borrowers rated A1 and A2. The specific allowances for covered and uncovered portions are applicable to all borrowers, except for those rated A1 and A2. Until December 2013, allowances were established solely for the uncovered portion of loan operations.

If the result of this calculation is negative or zero, the allowance is zero. If the total outstanding balance includes a stand-by principal balance, the credit equivalent indicated below should be used.

The adjusted value of the corresponding guarantee must be weighted with 100% when the borrower or co-borrower with the lowest risk rating is rated C2 or in another lower-risk rating, with 80% when rated D, and with 60% when rated E.

Risk ratings are as follows:

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

Pursuant to articles 11 bis and 12 of SUGEF Directive 1-05, the calculations of the general allowance and the specific allowance for covered portion for loan operations must consider the provisions of Transition Provision XII of such Directive. Accordingly, as of June 30, 2014, the Bank applied an allowance percentage of 0.08%, which will gradually increase on a quarterly basis to 0.5%, pursuant to the aforementioned Transition Provision.

Allowance percentages based on borrower risk rating are as follows:

Risk rating	General allowance	Specific allowance percentage - Uncovered portion	Specific allowance percentage - Covered portion
A1	0.5%	0%	0%
A2	0.5%	0%	0%
B1	N/A	5%	0.50%
B2	N/A	10%	0.50%
C1	N/A	25%	0.50%
C2	N/A	50%	0.50%
D	N/A	75%	0.50%
E	N/A	100%	0.50%

In accordance with article 11 bis, *General allowance*, of CONASSIF Directive 1058/07 dated August 21, 2013, at each month-end, entities must book the general allowance for a minimum of 0.5% of the total outstanding balance for loan portfolios rated A1 and A2, without considering the effect of guarantees. The provisions of article 13 of the aforementioned Directive are to be applied to stand-by credits.

Starting January 2014 and as an exception in the case of risk rating E, the minimum specific allowance for borrowers whose historical payment behavior is classified in level 3 should be calculated as follows:

Arrears	Specific allowance percentage - Uncovered portion	Specific allowance percentage - Covered portion	Creditworthiness (Group 1 borrowers)	Creditworthiness (Group 2 borrowers)
30 days or less	20%	0.50%	Level 1	Level 1
30 days or less	50%	0.50%	Level 2	Level 1
More than 60 days	100%	0.50%	Level 1, Level 2, Level 3, or Level 4	Level 1 or Level 2

As of June 30, 2015, the allowance was calculated as follows:

Arrears	Allowance percentage
0 to 30 days	20%
31 to 60 days	50%
More than 61 days	100%

If a borrower was rated E before subscribing a special loan operation, the borrower should remain in such rating during at least 180 days. During such period, the allowance percentage will be of 100% and the aforementioned exception should not be applied.

In accordance with articles 11 bis and 12 of SUGEF Directive 1-05, at each month-end, the Bank must book, as a minimum, the general allowance and the sum of the specific allowances for each loan operation subscribed.

Pursuant to the provisions of SUGEF Directive 1-05, as of December 31, the Bank must maintain a structural allowance:

		June 2015		
		Allowance booked	Structural allowance	Excess (insufficiency) of allowance
Direct	¢	62,671,403,553	(55,526,117,011)	7,145,286,542
Stand-by		1,516,038,202	(752,599,805)	763,438,397
	¢	64,187,441,755	(56,278,716,816)	7,908,724,939

		June 2014		
		Allowance booked	Structural allowance	Excess (insufficiency) of allowance
Direct	¢	48,253,440,408	(42,785,827,216)	5,467,613,192
Stand-by		1,185,342,814	(1,089,154,840)	96,187,974
	¢	49,438,783,222	(43,874,982,056)	5,563,801,166

As of June 30, 2015, the excess above the minimum allowance required by the current regulations in the amount of ¢7,908,724,939 (2014: ¢5,563,801,166) that represents 13.83% (2014: 7.62%) corresponds to an excess of ¢126,689,659 (2014: ¢2,220,826,956) arising from CONASSIF Directive 1058/07 (gradual general allowance) and an excess of ¢7,782,035,280 (2014: ¢3,342,974,210) in the specific allowance.

SUGEF External Circular Letter 021-2009 dated May 30, 2009 indicates that the expense for the allowance for loan impairment corresponds to the amount necessary to reach the required minimum allowance. Furthermore, there must be duly documented technical justification for any excess above the minimum required allowance, which is to be sent to SUGEF with the authorization request. The excess may not surpass 15% of the minimum required allowance for the loan portfolio. This notwithstanding, if any additional allowances are required above 15%, they must be taken from net earnings for the period pursuant to article 10 of IRNBS.

As of June 30, 2015, the balance of the Bank's allowance for loan impairment (direct and stand-by), accrued interest receivable, and other receivables amounts to ¢69,948,993,959 (2014: ¢52,086,051,258).

Credit equivalent

The following stand-by credit operations must be converted to credit equivalents based on the credit risk they represent. The credit equivalent is obtained by multiplying the balance of the stand-by principal by the corresponding credit equivalent conversion factor, as follows:

a. Bid bonds and export letters of credit without prior deposit: 0.05;

b. Other sureties and guarantees without prior deposit: 0.25; and

c. Pre-approved lines of credit: 0.50.

Allowance for other assets

Allowances should be established for the following assets:

a. Accounts and accrued interest receivable unrelated to loan operations, based on arrears calculated from the first day overdue or the date booked in the accounting records, as follows:

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

b. Foreclosed assets acquired prior to May 2010 that have not been sold or leased within two years from the date of their acquisition, an allowance equivalent to 100% of their value. The booking of the allowance shall begin at month-end of the month in which the assets were: i) acquired, ii) produced for sale or lease, or iii) retired from use. After May 2010, an allowance must be established gradually by booking one-twenty-fourth of the value of the assets each month until the allowance is equivalent to 100% of the assets' carrying amount. The booking of the allowance shall begin at month-end of the month in which the assets were acquired.

As of June 30, 2015, the carrying amount of the allowance for impairment of foreclosed assets and per legal requirements amounts to ¢60,126,748,454 (2014: ¢56,721,597,354).

The concentration of the loan portfolio by sector is as follows:

		Direct		Stand-by	
Sector		June 2015	June 2014	June 2015	June 2014
Trade	¢	387,151,212,318	360,080,898,760	83,787,136	79,085,604
Services		694,487,916,696	608,535,390,502	50,891,148,358	56,985,596,631
Financial services		121,479,904,270	101,318,896,049	-	-
Mining		406,642,025	276,483,476	-	-
Manufacturing and quarrying		142,833,904,751	136,438,135,345	1,357,459	1,063,534
Construction		80,211,398,032	73,295,594,291	-	-
Agriculture and forestry		105,684,600,963	98,914,891,112	13,883,971	12,461,126
Livestock, hunting, and fishing		59,907,902,245	60,656,428,503	7,151,867	3,013,017
Electricity, water, sanitation, and other related sectors		292,803,839,742	244,320,774,213	-	-
Transportation and telecommunications		24,417,518,562	25,768,091,808	-	-
Housing		1,085,170,952,171	1,039,006,532,092	12,264,471	10,470,339
Personal or consumer		352,220,751,364	335,235,873,404	196,826,885,454	195,728,666,823
Tourism		120,078,526,640	125,159,273,378	169,950,114	198,010,016
	¢	3,466,855,069,779	3,209,007,262,933	248,006,428,830	253,018,367,090

The concentration of the loan portfolio by geographic area is as follows:

		Direct		Stand-by	
		June 2015	June 2014	June 2015	June 2014
Central America	¢	3,466,855,069,779	3,209,007,262,933	248,006,428,830	253,018,367,090

(Continued)

The loan portfolio by type of guarantee is as follows:

	Direct		Stand-by	
Guarantee	June 2015	June 2014	June 2015	June 2014
Back to back	¢ 9,902,782,251	8,511,951,130	1,422,780	26,879,000
Mortgage bond	10,613,039,120	10,614,462,236	-	-
Assignment of loans	346,516,600,574	279,931,642,546	-	-
Mortgage	1,581,159,567,215	1,557,382,789,396	369,032,501	302,147,350
Surety	638,867,125,542	590,476,850,539	95,117,312	82,531,481
Trust	302,267,882,346	245,801,736,977	85,791,588	135,550,916
Securities	1,127,479,021	1,410,966,897	-	-
Chattel mortgage	134,398,577,361	119,112,991,580	-	-
Other	442,002,016,349	395,763,871,632	247,455,064,649	252,471,258,343
	¢ 3,466,855,069,779	3,209,007,262,933	248,006,428,830	253,018,367,090

Guarantees:

Collateral: The Bank accepts collateral guarantees —usually mortgages, chattel mortgages, or securities— to secure its loans. The value of those guarantees is determined based on their fair value in the case of securities or, for mortgages and chattel mortgages, based on an appraisal made by an independent appraiser who determines the estimated fair value of land and buildings using comparable market offerings and prior appraisals.

Personal: The Bank also accepts sureties from individuals or legal entities. The Bank evaluates the guarantor’s ability to honor the debt obligations on the borrower’s behalf, as well as the integrity of the guarantor’s credit history.

The Bank conducts strict credit analyses before granting loans and requires guarantees from its borrowers before disbursing loans. As of June 30, 2015, 45.61% of the loan portfolio is secured by collateral guarantees (June 2014: 48.53%).

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

		Direct		Stand-by	
Loan portfolio concentration		June 2015	June 2014	June 2015	June 2014
¢1 to ¢3,000,000	¢	142,781,683,866	147,316,670,413	89,354,588,304	86,900,944,604
¢3,000,001 to ¢15,000,000		508,605,555,280	502,799,159,215	105,052,924,964	106,505,112,425
¢15,000,001 to ¢30,000,000		407,940,888,395	404,374,812,896	5,715,093,364	5,597,039,432
¢30,000,001 to ¢50,000,000		395,289,756,237	366,401,180,773	1,629,621,752	2,038,010,899
¢50,000,001 to ¢75,000,000		267,094,498,996	247,946,674,791	1,546,541,506	1,733,639,624
¢75,000,001 to ¢100,000,000		120,261,778,298	111,273,859,170	1,301,032,578	1,196,992,950
¢100,000,001 to ¢200,000,000		200,062,909,542	197,690,765,126	3,097,850,277	3,390,256,267
More than ¢200,000,000		1,424,817,999,165	1,231,204,140,549	40,308,776,085	45,656,370,889
	¢	3,466,855,069,779	3,209,007,262,933	248,006,428,830	253,018,367,090

As of June 30, 2015 and 2014, the portion of the loan portfolio (direct and stand-by loans) corresponding to economic interest groups amounts to ¢242,591,222,598 and ¢247,720,317,466, respectively.

For credit risk management purposes, the Bank applies an internal model to estimate the loan portfolio's Expected Losses (EL) and Value at Risk (VaR) over a one-year holding period using the "Monte Carlo simulations" approach. Loan portfolio risks are assessed, controlled, and monitored on a monthly basis based on one-year projections (maximum loss with a confidence level of 99% over one year).

This approach is applied using a computational system developed in "Matlab" software. Also, the credit risk model takes into consideration the impact of changes in macroeconomic variables (endogenous and exogenous) on the loan portfolio when determining systemic factors. Results are compared with prior-month estimates and historical trends (for comparison purposes, loan portfolio information is available for 2003 and thereafter).

The Bank's loan portfolio is comprised of operations in various currencies, i.e. the Costa Rican colon, the U.S. dollar, and DU. Consequently, the VaR analysis is performed separately for each currency. The data is then consolidated to determine a maximum loss for the entire portfolio, expressed in colones. VaR is also calculated for each of the Bank's 13 economic activities, its credit card accounts, and the BN-Desarrollo portfolio.

(Continued)

Various technical tools are used to provide other angles for the analysis. Other types of estimates are made in addition to those obtained using the VaR methodology, such as the performance of the portfolio in legal collections, concentration of the portfolio by economic activity, vintage analysis, stress testing, transition matrixes, and sensitivity analyses for new loans, and/or follow-up. Accordingly, the Bank has developed specialized internal methodologies to model credit risk that quantify risk indicators and potential impacts on institutional development.

The use of the above analyses has led to sound credit risk management practices that, along with tight control over loan collection, have helped to substantially improve the level of arrears in the loan portfolio.

With that purpose and to continually improve the calculation models, a recent adjustment in the parameters used for quantification of credit risk was performed to obtain more accurate credit risk estimates. Consequently, subsequent to the aforementioned adjustment, results obtained exceed prior results (specifically between March and June 2014). The Corporate Risk Committee and the Board of Directors approved the methodology.

The monthly decrease in the VaR of credit was due to the decrease in loan operations in legal collection and more than 90 days past due in the portfolios in colones and DUs.

With respect to currency, the VaR increases due to the increase in the balance in DU between 46 and 60 days past due, and the portfolios in colones and U.S. dollars decrease accordingly.

Most of the activities show a monthly decrease in the VaR due to the recovery of arrears indicators. This is the case for Industry, Housing, Construction, Trade, Transportation, Consumer, and Tourism. The decrease observed in Services and Livestock is related to the decrease in legal collections and reduction of the balance between 31 and 90 days past due, respectively.

The only increase in VaR corresponds to Agriculture resulting from the decrease in arrears between 61 and 90 days.

The performance of the VaR of Energy, Financial Services, and Mining is strongly influenced by the concentration of such portfolios, which causes monthly increases and decreases.

For the Investment Fund Manager, credit risk is the risk that the borrower or issuer of a financial asset will fail to discharge an obligation, fully and on time, in accordance with the terms and conditions agreed upon at the time the financial asset was acquired.

Credit risk is considered to be minimal since the Investment Fund Manager's portfolio is comprised of securities issued by BCCR and the Ministry of Finance. Such risk is measured and monitored using the Return on Risk-Adjusted Capital (RORAC) methodology.

To mitigate credit risk, the Investment Fund Manager monitors the issuers' risk, obtains ratings assigned to issuers by risk rating agencies, and maintains access to information necessary for following-up on significant events for each issuer that could adversely affect its rating or outlook.

The Investment Fund Manager has established the following procedures to manage credit risk:

- formulation of credit policies

- definition of concentration and exposure limits, which are included in the risk management and investment policy

- policy compliance reviews through analyses of the composition of the investment portfolio.

The Investment Fund Manager enters into repurchase agreements, which can lead to credit risk exposure if the counterparty to the transaction is unable to fulfill its contractual obligations. Repurchase agreements are secured by securities pledged by the counterparty, but are not directly secured by the Costa Rican National Stock Exchange. In the event of default, the Investment Fund Manager has recourse to the guarantee fund and to traditional recovery mechanisms such as termination of the agreement and foreclosure.

For the Brokerage Firm, credit risk is the risk of potential losses resulting from an issuer's failure to pay or from deterioration in the credit rating of the security or issuer.

To manage credit risk, the Brokerage Firm has identified risk factors, i.e. variables for which changes could affect the equity of the Brokerage Firm.

(Continued)

To mitigate credit risk, the Brokerage Firm's liquidity policy sets the following limits:

Pursuant to the requirements set out in the investment policy, the Brokerage Firm takes into consideration the ratings granted by rating agencies to local or international issues, in compliance with the provisions of current regulations.

The Brokerage Firm assesses the marketability of the instruments based on internally calculated indicators. In the case of investments in the local market, the Brokerage Firm considers those registered with the National Registry of Securities and Brokers, while for investments in international markets, the Brokerage Firm considers instruments that may be sold at any point in time.

Consequently, in order for the Brokerage Firm to acquire securities issued abroad, those securities must have been assigned a risk rating by a risk rating agency authorized by SUGEVAL or by a renowned international risk rating agency such as Standard & Poor's, Moody's, or Fitch. This requirement does not apply to securities issued abroad by the Government of Costa Rica, BCCR, and other Costa Rican public institutions.

The Brokerage Firm may acquire the following instruments:

- Fixed income external debt securities issued by the Government of Costa Rica, BCCR, and other Costa Rican public institutions.
- Fixed income securities issued by the government or the central bank of countries that have been assigned an investment grade rating.
- Investment grade corporate bonds and fixed income securities issued by supranational entities.
- Structured notes issued by investment grade banks, provided that the underlying instrument is not related to commodities, stock indexes, or shares; has a risk rating that is not below the risk rating assigned to Costa Rica; and is available for public offering on a national or international stock exchange, subject to prior approval of General Management.

<u>Local currency:</u>

In local currency, the Brokerage Firm may invest in instruments issued by the Government of Costa Rica, BCCR, commercial State-owned banks, and local and foreign public or private entities authorized by SUGEVAL, which issue securities that meet the set criteria and investment limits and that may be freely transferred in the Costa Rican securities market.

The weighted average duration of the total portfolio based on Macauley's duration and by weighing the carrying amount of each investment shall not exceed 2.75 years.

The Brokerage Firm's financial instruments are concentrated as follows:

As of December 2014, the accounting records showed investments in colones, investments in instruments issued by local issuers in U.S. dollars ($CR), and investments in instruments issued by foreign issuers in U.S. dollars ($USA). The Brokerage Firm holds no investments in DU. By currency, the majority (94.03%) of the Brokerage Firm's financial instruments is concentrated in the portfolio denominated in colones.

The consolidated portfolio is comprised of investments in instruments issued by the Government of Costa Rica (65.37%), BCCR (16.88%), BPDC (8.36%), MUCAP (3.03%), BCAC (0.31%), and the Bank (0.07%). These issuers represent 94.03% of the consolidated portfolio. The portfolio denominated in U.S. dollars represents 5.97%, comprised of investments issued by the Government of Costa Rica (5.06%), Banco de San José (0.82%) and other issuers (0.09%).

For the Pension Fund Manager, since April 2008, the Bank's Credit Risk Division has applied a method based on the Merton model to quantify the VaR levels of the investment portfolio. Such method assumes a normal loss distribution and those exposures are perfectly correlated, which causes VaR to be overestimated.

The Merton model utilizes the following three basic inputs: the fair values of securities, the probability of default for each issuer, and the percentage of expected losses for each issuer. Fair values are obtained from the Oracle Financial Services Application (OFSA) and the remaining two inputs are obtained using estimates from international rating agencies, primarily Moody's.

Additionally, based on whether the issuer is a private or public issuer, a correlation table is calculated based on quarterly changes in equity prices or the government's creditworthiness.

Once the above information has been obtained, the Merton model uses the "Monte Carlo simulation" approach to generate loss scenarios (maximum loss with a confidence level of 99%).

The above method is used to generate monthly analyses of changes in the balances in the Pension Fund Manager's investment portfolio in each currency, by type of fund, and to quantify the corresponding VaR.

(Continued)

A yearly analysis of maximum and minimum VaR for the Pension Fund Manager by currency is also generated as required by SUPEN's Regulations on Investments. Those values are calculated for both the portfolio in colones and the portfolio in U.S. dollars, using the Merton model based on the limits set by SUPEN for investments per issuer.

As of June 30, 2015, the assets of the funds managed by the Pension Fund Manager amount to ¢938,737 million, growing year-on-year by ¢142,865.68 million. This implies a growth rate of 17.95% with respect to the portfolio managed as of June 2014. These data do not include the Pension Fund Manager's own assets.

The pension fund with the highest share is ROP, which represents 79.71% and shows a year-on-year growth of ¢115,906.43 million and a growth rate of 18.33% with respect to June 2014.

The VaR of credit represented ¢27.88 million and 0.53% of the portfolio in absolute and relative terms, respectively (June 2014: ¢28 million and 0.53% of the portfolio in absolute and relative terms, respectively).

For the Insurance Brokerage Firm, credit risk is the risk that the borrower or issuer of a financial asset will fail to discharge an obligation, fully and on time, in accordance with the terms and conditions agreed upon at the time the financial asset was acquired. Credit risk arises mainly on cash and due from banks and investments in financial instruments and is represented by the carrying amount of the assets in the balance sheet.

At the consolidated balance sheet date, there are no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset and is based on parameters established by current regulations.

As of June 30, 2015 and 2014, exposure to credit risk is represented by the carrying amounts of cash and due from banks and available-for-sale investments. As of those dates, cash and due from banks corresponds to deposits made in checking accounts in a State-owned bank. As of June 30, 2015 investments in financial instruments correspond to investments in the investment fund denominated BN Fon Depósito - Colones No Diversificado (non-diversified – colones), which is secured by term certificates of deposit issued by the Bank.

b) Liquidity risk

Liquidity risk arises when the financial entity is unable to honor its commitments or obligations with third parties due to insufficient cash flows, among other factors. It also represents the risk of potential losses due to forced sales of assets or forced acceptances of liabilities under unfavorable conditions.

To support liquidity risk management, the Market Risk Division monitors indicators such as liability structure, daily changes and trends in demand and term account balances, volatility of deposit-taking from the public (duration by liability and currency), VaR of liquidity, levels of concentration of the Bank’s funding sources, liquidity coverage ratio, systemic liquidity indicators, and variables with the greatest impact on SUGEF’s term matching indicators. All of this information is communicated to management in a monthly report that is reviewed by the Corporate Risk Committee and subsequently escalated to the Board of Directors.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to Consolidated Financial Statements

As of June 30, 2015, the terms of the Bank's assets and liabilities denominated in local currency are matched as follows:

		Days								
		Past due	Demand	1 to 30	31 to 60	61 to 90	91 to 180	181 to 365	More than 365	Total
Cash and due from banks	¢	-	53,192,579,661	-	-	-	-	-	-	53,192,579,661
Minimum cash reserve in BCCR		-	416,856,322,734	-	-	-	-	-	-	416,856,322,734
Investments		-	-	60,741,975,651	4,695,842,475	17,940,294,767	31,872,903,701	107,593,782,727	301,208,050,549	524,052,849,870
Loan portfolio		90,984,971,038	5,057,364,743	38,370,492,461	30,635,693,752	22,804,515,425	75,330,719,565	83,092,217,901	1,809,096,964,796	2,155,372,939,681
Total recovery of assets	¢	90,984,971,038	475,106,267,138	99,112,468,112	35,331,536,227	40,744,810,192	107,203,623,266	190,686,000,628	2,110,305,015,345	3,149,474,691,946
Obligations with the public	¢	-	1,492,078,864,079	228,582,964,079	105,375,555,460	90,851,651,656	336,184,397,289	186,590,903,809	83,968,829,447	2,523,633,165,819
Obligations with BCCR		-	-	2,613,095	-	-	-	-	168,926,210	171,539,305
Obligations with financial entities		-	95,995,007,943	36,511,380,460	1,817,254,391	5,875,650,978	9,227,110,264	343,001,557	3,131,559,504	152,900,965,097
Charges payable		-	6,492,638,082	5,049,761,813	2,232,119,434	1,135,238,445	2,548,364,283	532,294,196	123,793,839	18,114,210,092
Total maturity of liabilities	¢	-	1,594,566,510,104	270,146,719,447	109,424,929,285	97,862,541,079	347,959,871,836	187,466,199,562	87,393,109,000	2,694,819,880,313
Difference	¢	90,984,971,038	(1,119,460,242,966)	(171,034,251,335)	(74,093,393,058)	(57,117,730,887)	(240,756,248,570)	3,219,801,066	2,022,911,906,345	454,654,811,633

As of June 30, 2015, the terms of the Bank's assets and liabilities denominated in foreign currency, expressed in local currency, are matched as follows:

		Days								
		Past due	Demand	1 to 30	31 to 60	61 to 90	91 to 180	181 to 365	More than 365	Total
Cash and due from banks	¢	-	181,455,395,141	-	-	-	-	-	243,917,176	181,699,312,317
Minimum cash reserve in BCCR		-	190,590,658,110	-	-	-	-	-	-	190,590,658,110
Investments		-	-	49,133,564,897	15,360,397,910	17,174,222,477	105,800,926,985	169,101,010,106	283,076,177,854	639,646,300,229
Loan portfolio		33,376,788,736	17,754,605,030	30,222,230,785	22,850,122,872	32,019,730,786	70,391,788,934	70,430,396,952	1,034,436,466,002	1,311,482,130,097
Total recovery of assets	¢	33,376,788,736	389,800,658,281	79,355,795,682	38,210,520,782	49,193,953,263	176,192,715,919	239,531,407,058	1,317,756,561,032	2,323,418,400,753
Obligations with the public	¢	-	754,998,433,165	97,709,183,067	68,185,273,255	43,964,603,169	188,337,083,909	58,841,384,506	6,106,026,661	1,218,141,987,732
Obligations with financial entities		-	238,632,973,471	15,841,794,611	5,287,100,000	111,029,100	7,703,184,154	2,939,627,600	780,733,894,761	1,051,249,603,697
Charges payable		-	731,079,656	788,556,817	1,535,848,000	230,628,668	5,546,045,046	174,193,206	19,359,151	9,025,710,544
Total maturity of liabilities	¢	-	994,362,486,292	114,339,534,495	75,008,221,255	44,306,260,937	201,586,313,109	61,955,205,312	786,859,280,573	2,278,417,301,973
Difference	¢	33,376,788,736	(604,561,828,011)	(34,983,738,813)	(36,797,700,473)	4,887,692,326	(25,393,597,190)	177,576,201,746	530,897,280,459	45,001,098,780

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to Consolidated Financial Statements

As of June 30, 2014, the terms of the Bank's assets and liabilities denominated in local currency are matched as follows:

		Days								
		Past due	Demand	1 to 30	31 to 60	61 to 90	91 to 180	181 to 365	More than 365	Total
Cash and due from banks	¢	-	54,237,581,604	-	-	-	-	-	-	54,237,581,604
Minimum cash reserve in BCCR		-	376,738,290,854	-	-	-	-	-	-	376,738,290,854
Investments		-	-	9,956,234,579	14,441,532	5,846,983,473	19,123,450,249	134,707,533,021	303,421,767,210	473,070,410,064
Loan portfolio		77,304,925,149	1,047,465,056	35,267,690,870	23,993,446,587	26,027,641,179	66,537,862,331	80,969,801,424	1,670,292,945,516	1,981,441,778,112
Total recovery of assets	¢	77,304,925,149	432,023,337,514	45,223,925,449	24,007,888,119	31,874,624,652	85,661,312,580	215,677,334,445	1,973,714,712,726	2,885,488,060,634
Obligations with the public	¢	-	1,317,406,598,904	218,954,759,416	127,101,084,293	113,143,229,273	339,511,995,772	159,830,040,223	47,679,761,799	2,323,627,469,680
Obligations with BCCR		-	-	40,000,000,000	-	-	-	-	193,365,089	40,193,365,089
Obligations with financial entities		-	91,098,749,816	6,979,609,913	600,417,896	372,409,054	215,460,795	602,490,472	707,936,177	100,577,074,123
Charges payable		-	5,823,135,595	5,240,563,837	2,218,010,038	636,507,368	1,206,354,647	292,113,338	123,778,469	15,540,463,292
Total maturity of liabilities	¢	-	1,414,328,484,315	271,174,933,166	129,919,512,227	114,152,145,695	340,933,811,214	160,724,644,033	48,704,841,534	2,479,938,372,184
Difference	¢	77,304,925,149	(982,305,146,801)	(225,951,007,717)	(105,911,624,108)	(82,277,521,043)	(255,272,498,634)	54,952,690,412	1,925,009,871,192	405,549,688,450

As of June 30, 2014, the terms of the Bank's assets and liabilities denominated in foreign currency, expressed in local currency, are matched as follows:

		Days								
		Past due	Demand	1 to 30	31 to 60	61 to 90	91 to 180	181 to 365	More than 365	Total
Cash and due from banks	¢	-	373,045,294,833	-	-	-	-	-	304,737,561	373,350,032,394
Minimum cash reserve in BCCR		-	197,109,474,402	-	-	-	-	-	-	197,109,474,402
Investments		-	-	20,852,232,779	1,836,921,402	24,450,807,528	33,702,092,726	98,006,344,153	252,092,114,404	430,940,512,992
Loan portfolio		37,967,690,785	10,916,083,228	21,079,876,605	21,703,488,293	26,286,830,282	51,220,218,720	48,594,689,523	1,009,796,607,385	1,227,565,484,821
Total recovery of assets	¢	37,967,690,785	581,070,852,463	41,932,109,384	23,540,409,695	50,737,637,810	84,922,311,446	146,601,033,676	1,262,193,459,350	2,228,965,504,609
Obligations with the public	¢	-	766,279,819,821	86,992,302,428	83,220,971,725	44,344,449,393	146,832,543,328	36,753,208,525	7,377,089,448	1,171,800,384,668
Obligations with financial entities		-	190,816,267,480	49,520,235	102,140,200	28,193,817,519	27,026,254	256,164,778	787,974,587,312	1,007,419,523,778
Charges payable		-	794,210,462	629,816,775	1,327,492,763	649,890,446	5,599,121,699	100,984,323	38,650,089	9,140,166,557
Total maturity of liabilities	¢	-	957,890,297,763	87,671,639,438	84,650,604,688	73,188,157,358	152,458,691,281	37,110,357,626	795,390,326,849	2,188,360,075,003
Difference	¢	37,967,690,785	(376,819,445,300)	(45,739,530,054)	(61,110,194,993)	(22,450,519,548)	(67,536,379,835)	109,490,676,050	466,803,132,501	40,605,429,606

(Continued)

For the Investment Fund Manager, liquidity risk is the risk that it will be unable to liquidate its investments on a timely basis and for an amount that approximates fair value in order to meet its liquidity needs.

Liquidity risk management is closely related to credit risk management since they both involve facilitating the trading of securities in the financial market.

For the Brokerage Firm, liquidity risk is the risk of potential losses due to premature or forced sales of assets at unusual discounts in order to fulfill commitments, or the risk that a position cannot be liquidated, acquired, or hedged in a timely manner by offsetting it with an equivalent position.

To manage liquidity risk, the Brokerage Firm has established its liquidity levels based on its cash needs, diversified its funding sources, and formulated policies to monitor risk exposures.

Liquidity risk is also the risk that the Brokerage Firm will be unable to meet all of its obligations due to an unexpected withdrawal of funds from creditors or customers, a decrease in the value of investments, the excessive concentration of liabilities in a single creditor, a mismatch of assets and liabilities, the lack of liquid assets, or the financing of long-term assets with short-term liabilities, etc. The Brokerage Firm's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due under normal conditions.

Risk management has become essential for most entities that operate in financial markets since successful investment portfolio management is directly linked to good risk management practices. These entities have increasingly become aware of the importance of having an adequate system in place to measure and monitor positions assumed in order to manage risk exposures.

The Brokerage Firm has been compelled to increasingly diversify its investments in response to the development of the securities market, which has given rise to the need for a mechanism for making timely decisions to take advantage of investment opportunities in domestic and international markets.

In light of that situation, the Brokerage Firm must have sufficient tools for measuring and monitoring the risks on its investments in order to maximize return while minimizing risk. For such purposes, the Brokerage Firm has documented liquidity risk policies aimed at limiting liquidity risk exposures.

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The Brokerage Firm's liquidity policies establish that the trader of the Brokerage Firm's own portfolio is responsible for executing investments and making any investment decisions related to that portfolio, in accordance with the provisions set forth in the guidelines for management of the Brokerage Firm's own portfolio and in compliance with current legal regulations and with the Brokerage Firm's internal and corporate rules, regulations, and procedures.

Marketability of local market investments is determined based on indicators calculated by the Brokerage Firm for such purposes and on whether they are registered in the National Registry of Securities and Brokers. The Brokerage Firm must comply with maximum and minimum maturity concentrations, which require that a minimum of 20% of the total portfolio correspond to investments with maturities of 12 months or less. The investment portfolio should not include investments in equity instruments or investments in publicly-offered real estate funds.

The liquidity level of the Pension Fund Manager corresponds to the nature of its operations. The entity holds a portfolio of short-term assets as well as liquid investments to ensure it has sufficient liquidity. As part of liquidity controls, cash flows are monitored on a daily basis, taking into consideration checking account balances and projected cash needs for up to 3 days after the calculation. Accordingly, the entity could sell financial assets or invest surpluses that will not be used in the short term, if necessary.

When analyzing liquidity, the net maximum amount expected to be withdrawn from each pension fund is determined based on historical information assuming normal conditions. This liquidity analysis uses historical data for the period running from inception of each fund until the present. The analysis calculates the percentile (95% and 99% in this case) of the empirical distribution of net withdrawals for each of the funds analyzed to determine the VaR of liquidity.

The methodology used consists of calculating the percentile (in this case 95% and 99%) on the empirical distribution of net withdrawals for each of the funds to be analyzed. The result will be considered in the VaR of liquidity.

Set out below are the main results of the VaR of liquidity assessment. Such analysis is based on three scenarios: Scenario one includes all movements and scenario two includes data for which withdrawals are greater than contributions. For these two scenarios, observations with one or two deviations over the average were eliminated with the purpose of performing a comparative analysis. Scenario three includes extreme values; for example, the annual transfer of the FCL to ROP.

(Continued)

	All movements		Withdrawals > Contributions		Extreme values		Cash/Equity	
Fund	2015	2014	2015	2014	2015	2014	2015	2014
ROP	0.60%	0.57%	0.31%	0.30%	0.79%	0.78%	2.40%	2.30%
FCL	0.96%	0.94%	2.19%	2.06%	18.64%	16.06%	1.40%	2.90%
NOT	0.09%	0.09%	0.21%	0.18%	0.32%	0.32%	0.70%	1.40%
FPC A	0.78%	0.75%	1.20%	1.20%	2.99%	2.92%	1.50%	3.40%
FPC B	0.50%	0.48%	1.32%	1.32%	2.30%	2.12%	2.70%	4.60%
FPD A	1.37%	1.33%	3.00%	3.00%	7.54%	7.36%	3.70%	3.70%
FPD B	0.90%	0.74%	1.80%	1.20%	3.37%	3.21%	7.90%	1.90%

According to the results, for the scenario that considers all movements, the VaR of funds at a 99% confidence level with two standard deviations would not exceed 1%, except for the FPD A where the VaR at 99%, eliminating two standard deviations, would reach 1.33%. The FPD A and FCL show the highest risk exposure considering all movements in cash and due from banks, while the VaR of NOT is almost nil, which is in line with prior liquidity reports and the closed nature of this fund.

The second scenario shows higher VaR levels for all funds since it only considers the variables where withdrawals are higher than contributions. The voluntary pension funds and FCL are the funds with higher risk levels. In spite of presenting higher risk exposure, for all cases, risk levels are equivalent to or below 3%.

The third scenario shows higher liquidity needs to face extreme conditions; however, as mentioned above, the most extreme situation is the transfer of FCL to ROP, which represents a VaR of 16.06% as of June 2015.

The liquidity levels at month-end are presented for each of the funds as a proportion of net assets. Liquidity levels are consistent with the VaR calculated for each fund, without compromising the yield thereof.

Liquidity risk management

Risk Management policies establish a liquidity limit which determines that a maximum liquidity level will be maintained to address the investment needs and operations of the Company and the characteristics of the pension plan, according to the need arising from the nature of the Pension Fund Manager itself.

All policies and procedures are subject to review and approval by the Risk Committee and the Investment Committee. The Board of Directors has established minimum liquidity levels on the minimum portion of funds available to meet the fund requirements.

The liquidity level of the Pension Fund Manager corresponds to the nature of its operations. The entity holds a portfolio of short-term assets as well as highly-liquid investments to ensure it has sufficient liquidity. As part of liquidity controls, cash flows are monitored on a daily basis, taking into consideration checking account balances and projected cash needs for up to 3 days after the calculation. Accordingly, the entity could sell financial assets or invest surpluses that will not be used in the short term, if necessary.

For the Insurance Brokerage Firm, liquidity risk is the risk that the entity will be unable to honor its commitments or obligations with third parties due to insufficient cash flows, resulting from a mismatch of the terms of assets and liabilities.

c) Market risks

To assess market risk, the Bank analyzes the probability that the value of its own investments will decrease as a result of changes in interest rates, foreign exchange rates, prices of instruments, and other economic and financial variables as well as the economic impact of those changes, which could expose the Bank to market risk. The objective of market risk management is to follow-up on and control market risk exposures within acceptable parameters (risk limits approved by the Board of Directors), while optimizing the return.

The main indicator used is the VaR of the Bank’s investments, which is determined for each currency in which the Bank holds positions. That indicator is complemented with the Risk-Adjusted Return on Capital (RAROC), which summarizes the Bank’s risk-return profile derived from holding an investment portfolio.

As of June 30, 2015, investments in Z Bonds related to the Mortgage Securitization Trust in the amount of ¢220,472,070 (2014: ¢224,170,860), equivalent to US$417,000 (2014: US$417,000) were valued at 74% of their face value (impairment of 26%).

For the Investment Fund Manager, market risk is the risk of potential losses in the fair value of its financial instrument portfolio or its trading positions before they are derecognized. The loss is equivalent to the difference between the fair value when the instrument was acquired and the fair value at the date the instrument was derecognized. The degree of risk depends on the settlement period and the volatility and liquidity of markets.

As a systemic risk, market risk depends on a series of factors that are strongly linked to macroeconomic performance and is inherent to the market environment, thereby affecting all participants in a given market.

Market risk management

Market risks have been calculated since late 2003 and a database of those calculations is available for consultation when setting corresponding risk limits.

Potential losses arising on changes in risk factors, such as changes in interest rates, which affect the valuation of positions are calculated daily.

For such purposes, the Investment Fund Manager uses the RiMeR methodology, which was internally developed by the Mathematical Modeling and Market Risk Divisions of the Bank. This methodology permits calculating the VaR of portfolios comprised of fixed income instruments. The model considers yield curves, rate model parameter estimation, scenario simulations, and calculation of VaR. This methodology uses a two-factor rate model (G2++ model), which involves decomposing the short rate into two processes and a deterministic function to be selected.

VaR of price risk and fair value is calculated on a daily basis, and all results are reported to the Investment Fund Manager's Financial Resources Investment Committee each month.

The Investment Fund Manager uses the above methods and calculations to analyze a portion of risk on its portfolios and the correlation between risk and return over a given period of time. The Sharpe ratio measures the risk-adjusted return based on the relationship between return and a risk-free assets and the volatility of returns.

Market risk exposure – trading portfolio:

The Investment Fund Manager sets VaR limits for all identified market risks. The structure of those limits is subject to review and approval by the Investment Committee and Board of Directors, respectively, and is based on the local VaR limits of the trading portfolio. VaR is calculated at each month-end, with reports on the usage of VaR limits submitted to the Investment Committee.

The VaR of the Investment Fund Manager’s portfolio is as follows:

	June 2015	June 2014
VaR (99% confidence level)	1.64%	0.48%

Fair values

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 point in time.

These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision.

As of June 30, 2015 and 2014, the carrying amount of the following financial instruments approximates fair value: cash, investments in financial instruments, interest receivable, obligations under repurchase agreements, interest payable, fees and commissions, and other accounts payable. Investments are carried at the fair value determined using the method described above.

For the Brokerage Firm, market risk is the potential losses due to changes in risk factors that affect the valuation of positions, such as interest rates, foreign exchange rates, and price indices, which can result in either loss or gain for the Brokerage Firm. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

All derivatives, trading investments, and available-for-sale investments are recognized at fair value, and therefore, any changes in market conditions directly affect the Brokerage Firm’s net income. Market risk is the risk that the fair value of those instruments will fluctuate as a result of changes in interest rates, foreign exchange rates, or equity prices.

Management of the Brokerage Firm controls market risk exposures on a daily basis by applying VaR analyses and other methods supported by the investment parameters under which the Brokerage Firm operates.

Additionally, the Brokerage Firm’s approach to market risk management is to identify risk factors, monitor any such factors identified using market analyses, and assess positions that are subject to price risk using models that measure potential losses on those positions as a result of changes in equity prices, interest rates, or foreign exchange rates.

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Price risk exposure:

The Brokerage Firm mainly measures and controls price risk exposure using VaR, which estimates possible losses in a portfolio over a predetermined time period ("holding period"). Because the portfolio may be affected by adverse changes in the market, a specific probability is quantified and used as the confidence level applied in the VaR calculation. Price risk exposure is low and has been controlled through investments.

The Brokerage Firm uses the historical method to calculate VaR, as established in the risk regulations issued by SUGEVAL, based on a confidence level of 95% and a holding period of 22 days. As a complement to determine price risk exposure, the Brokerage Firm uses the consolidated VaR model, provided by the Bank's Risk Division, which assumes a 99% confidence level and a 30-day holding period, based on the Monte Carlo approach.

The Pension Fund Manager manages market risk for each of its funds by applying a VaR model pursuant to Section 41 of IFRS 7. The calculation of market risk indicators are mainly performed using the RiMeR software, which estimates the VaR of the portfolios managed by the Bank and its subsidiaries. VaR is determined by adjusting the portfolio and calculating its duration and price. The total portfolio duration is the average amount-weighted durations. The RiMeR methodology applies daily parameters (modeling rising volatility curves) and efficiently captures market movements. Such parameters are denominated G2++ and are an extension of the Hull-White model.

As of June 30, 2015, net assets managed by the Pension Fund Manager amount to a total of ¢938,737 million (2014: ¢795,871 million). That amount is distributed among eight funds, i.e. ROP, FCL, FPC A, FPC B, FPD A, FPD B, NOT, and OPC. ROP represents 79.71% of the balance managed.

Currently, the Pension Fund Manager's funds are comprised of funds in various currencies, i.e. the Costa Rican colon, the U.S. dollar (local issuers and international portfolio), and DU, for which the Corporate Risk Division performs separate VaR analyses in respect of each currency. Subsequently, those analyses are consolidated using a model that includes interest rate and currency risks. Also, a VaR of investment funds is included to calculate the possible loss of the total investment portfolio over a holding period with a specific confidence level.

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Interest rate risk

Interest rate risk is the risk of losses in the value of a financial asset or liability arising from fluctuations in interest rates, when changes in interest rates for the asset and liability portfolios are mismatched and when the Bank does not have the necessary flexibility to make a timely adjustment.

The Bank is sensitive to this type of risk due to the mix of rates and terms for both assets and liabilities. Therefore, the Market Risk Division monitors this risk regularly and reports monthly on its performance to the Bank's Corporate Risk Committee.

At the June 2015 close, the interest rate risk indicator in local and foreign currency closed considerably below SUGEF's regulatory maximum limit of 5%, at 1.53% (2014: 1.42%), due to the increase in the expected change in the base rate (from 0.57 to 0.64) and 0.08% (2014: 0.05%), respectively.

Fair value hedge

Fair value hedges are recognized as follows:

Gains or losses arising from valuation of the hedging instrument at fair value are recognized immediately in profit or loss for the period.

Gains or losses arising from valuation of the primary instrument that are attributable to the hedged risk are booked as an adjustment to the carrying amount of the instrument and recognized immediately in profit or loss for the period.

In 2013, five derivative instruments were formalized to hedge exposure to the LIBOR rate related to the issue of debt in U.S. dollars at a fixed rate, with the purpose of compensating for changes in fair value attributable to changes in such benchmark rate. Three of those instruments were formalized with the correspondent banks Bank of America, CitiBank, and JP Morgan Chase, fully covering the 10-year issue for a total of US$500,000,000 and maturing on November 1, 2023. The remaining two derivatives were formalized with CitiBank and JP Morgan Chase, partially covering the 5-year issue for a total of US$250,000,000 and maturing on November 1, 2018 (see note 5-b).

For the Investment Fund Manager, interest rate risk in respect of cash flows and fair value are the risks that the future cash flows and the fair value of a financial instrument will fluctuate as a result of changes in market interest rates.

For the Pension Fund Manager's funds, the consolidated VaR increased during the year between June 2014 and June 2015 from 1.10% to 4.22%. This is explained by management's strategy of increasing positions in the long term by taking advantage of the rate scenario and economic conditions of the period under analysis.

As of April 2014 the Pension Fund Manager adopted the RIMER methodology to calculate the VaR of market risk. Consequently, the 2014 values calculated under this methodology are not comparable to those from prior periods (calculated under another methodology).

For the Insurance Brokerage Firm, interest rate risk is the risk of losses in the value of a financial asset or liability arising from fluctuations in interest rates, when interest rates for financial assets and liabilities are mismatched, and when the Insurance Brokerage Firm does not have the necessary flexibility to make a timely adjustment.

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As of June 30, 2015, the interest rate terms for the Bank's assets and liabilities are matched as follows (differences between the recovery of assets and the maturity of liabilities):

		1 to 30	31 to 90	91 to 180	181 to 360	361 to 720	More than 720	Total
Local currency (LC)								
Investments	¢	60,723,789,107	22,149,460,751	31,860,393,778	107,570,583,172	162,848,913,414	110,099,198,632	495,252,338,854
Loan portfolio		134,524,348,479	43,465,872,001	70,737,150,102	83,957,747,845	144,073,680,646	1,592,724,790,634	2,069,483,589,707
Total recovery of rate-sensitive assets LC (A)	¢	195,248,137,586	65,615,332,752	102,597,543,880	191,528,331,017	306,922,594,060	1,702,823,989,266	2,564,735,928,561
Obligations with the public	¢	266,349,013,286	206,822,820,296	347,411,239,842	187,308,104,054	47,586,961,209	38,713,572,254	1,094,191,710,941
Obligations with BCCR		2,846,208	10,820,671	-	10,937,756	21,523,369	125,644,412	171,772,416
Obligations with financial entities LC		587,977,947	100,538,205	196,340,349	316,317,947	667,147,459	2,271,540,781	4,139,862,688
Total maturity of rate-sensitive liabilities LC (B)	¢	266,939,837,441	206,934,179,172	347,607,580,191	187,635,359,757	48,275,632,037	41,110,757,447	1,098,503,346,045
LC difference, recovery of assets less maturity of liabilities (A - B)	¢	(71,691,699,855)	(141,318,846,420)	(245,010,036,311)	3,892,971,260	258,646,962,023	1,661,713,231,819	1,466,232,582,516
Foreign currency (FC)								
Investments	¢	49,133,563,834	32,534,621,027	105,411,446,472	168,529,352,230	136,290,951,382	138,988,039,790	630,887,974,735
Loan portfolio		41,263,822,961	42,831,601,918	59,099,468,340	54,197,545,413	89,641,281,417	991,000,128,449	1,278,033,848,498
Total recovery of rate-sensitive assets FC (C)	¢	90,397,386,795	75,366,222,945	164,510,914,812	222,726,897,643	225,932,232,799	1,129,988,168,239	1,908,921,823,233
Obligations with the public	¢	114,457,756,398	118,193,476,525	201,149,603,275	60,129,073,239	6,491,449,614	532,436,955,520	1,032,858,314,571
Obligations with entities		1,731,559,748	1,288,618,179	1,460,974,504	2,388,408,211	110,144,335,770	136,279,682,800	253,293,579,212
Total maturity of rate-sensitive liabilities FC (D)	¢	116,189,316,146	119,482,094,704	202,610,577,779	62,517,481,450	116,635,785,384	668,716,638,320	1,286,151,893,783
FC difference, recovery of assets less maturity of liabilities (C - D)	¢	(25,791,929,351)	(44,115,871,759)	(38,099,662,967)	160,209,416,193	109,296,447,415	461,271,529,919	622,769,929,450
Total recovery of rate-sensitive assets 1/ (A + C)	¢	285,645,524,381	140,981,555,697	267,108,458,692	414,255,228,660	532,854,826,859	2,832,812,157,505	4,473,657,751,794
Total recovery of rate-sensitive liabilities 2/ (B + D)	¢	383,129,153,587	326,416,273,876	550,218,157,970	250,152,841,207	164,911,417,421	709,827,395,767	2,384,655,239,828
LC + FC difference, recovery of assets less maturity of liabilities (item 1 – item 2)	¢	(97,483,629,206)	(185,434,718,179)	(283,109,699,278)	164,102,387,453	367,943,409,438	2,122,984,761,738	2,089,002,511,966

(Continued)

As of June 30, 2014, the interest rate terms for the Bank’s assets and liabilities are matched as follows (differences between the recovery of assets and the maturity of liabilities):

		1 to 30	31 to 90	91 to 180	181 to 360	361 to 720	More than 720	Total
Local currency (LC)								
Investments	¢	9,951,806,797	5,846,989,656	19,777,430,762	133,606,904,209	126,836,720,908	150,051,009,358	446,070,861,690
Loan portfolio		132,939,205,982	38,552,991,900	59,521,588,874	80,203,679,740	134,983,004,603	1,463,669,837,621	1,909,870,308,720
Total recovery of rate-sensitive assets LC (A)	¢	142,891,012,779	44,399,981,556	79,299,019,636	213,810,583,949	261,819,725,511	1,613,720,846,979	2,355,941,170,410
Obligations with the public	¢	225,842,459,175	243,918,730,777	340,773,894,547	161,526,812,496	16,499,173,630	32,641,657,076	1,021,202,727,701
Obligations with BCCR		40,030,967,670	10,851,407	46,146	11,034,091	22,394,566	149,008,170	40,224,302,050
Obligations with financial entities LC		4,675,215,561	84,351,063	171,739,004	265,383,653	560,075,764	501,649,361	6,258,414,406
Total maturity of rate-sensitive liabilities LC (B)	¢	270,548,642,406	244,013,933,247	340,945,679,697	161,803,230,240	17,081,643,960	33,292,314,607	1,067,685,444,157
LC difference, recovery of assets less maturity of liabilities (A - B)	¢	(127,657,629,627)	(199,613,951,691)	(261,646,660,061)	52,007,353,709	244,738,081,551	1,580,428,532,372	1,288,255,726,253
Foreign currency (FC)								
Investments	¢	20,852,232,734	26,287,729,122	33,580,443,239	95,140,875,996	125,517,551,648	126,215,369,073	427,594,201,812
Loan portfolio		35,058,252,289	41,902,803,835	49,660,457,353	47,528,937,009	97,473,095,956	918,097,083,978	1,189,720,630,420
Total recovery of rate-sensitive assets FC (C)	¢	55,910,485,023	68,190,532,957	83,240,900,592	142,669,813,005	222,990,647,604	1,044,312,453,051	1,617,314,832,232
Obligations with the public	¢	87,733,682,620	130,719,690,451	152,117,677,440	37,972,756,349	2,494,056,933	539,624,027,329	950,661,891,122
Obligations with entities		1,814,334,774	27,113,924,481	1,469,153,731	2,996,653,971	5,530,986,455	244,119,171,564	283,044,224,976
Total maturity of rate-sensitive liabilities FC (D)	¢	89,548,017,394	157,833,614,932	153,586,831,171	40,969,410,320	8,025,043,388	783,743,198,893	1,233,706,116,098
FC difference, recovery of assets less maturity of liabilities (C - D)	¢	(33,637,532,371)	(89,643,081,975)	(70,345,930,579)	101,700,402,685	214,965,604,216	260,569,254,158	383,608,716,134
Total recovery of rate-sensitive assets 1/ (A + C)	¢	198,801,497,802	112,590,514,513	162,539,920,228	356,480,396,954	484,810,373,115	2,658,033,300,030	3,973,256,002,642
Total recovery of rate-sensitive liabilities 2/ (B + D)	¢	360,096,659,800	401,847,548,179	494,532,510,868	202,772,640,560	25,106,687,348	817,035,513,500	2,301,391,560,255
LC + FC difference, recovery of assets less maturity of liabilities (item 1 – item 2)	¢	(161,295,161,998)	(289,257,033,666)	(331,992,590,640)	153,707,756,394	459,703,685,767	1,840,997,786,530	1,671,864,442,387

(Continued)

Currency risk

Pursuant to SUGEF Directive 24-00, an entity faces currency risk when the value of its assets and liabilities in foreign currency is affected by exchange rate variations and the amounts of the corresponding assets and liabilities are mismatched.

Starting May 2009, the Bank's Asset and Liability Committee decided to take a neutral foreign currency position, which has been ratified annually by the Corporate Risk Committee. The goal is to protect the Bank from any variation in the exchange rate. The Bank's foreign currency position is monitored daily by the Market Risk Division. Additionally, the Bank calculates the SUGEF currency risk indicator on a monthly basis. As of June 2015, that indicator was established at 0.01%, which is much lower than the 0.35% calculated for June 2014 and considerably below the regulatory maximum limit of 5%.

The Bank is exposed to currency risk when the value of its assets and liabilities in foreign currency is affected by variations in the exchange rate, which is recognized in the income statement.

Investments in Europe

- The Bank's Market Risk Division analyzes and follows-up on the investment portfolio on an ongoing basis through the Comprehensive Risk Assessment Report, which is submitted to the Corporate Risk Committee and the Board of Directors.

- For the portfolios denominated in international dollars and euros, the Bank periodically analyzes the portfolio's balance performance by currency, composition by issuer, term and yield, VaR, stress scenarios related to shifts in yield curves (sovereign yield curve in the euro area, sovereign yield curve in the U.S., and yield curve for the 6-month LIBOR rate), and accrued market valuation.

Investments in euros - Europe

- The investment portfolio denominated in euros amounts to €39 million as of June 2015 and represents 3% of the Bank's total investment portfolio, which is in line with the strategy for investment diversification and portfolio currency matching. This portfolio has remained relatively stable during the past year, ranging between €39 million and €43 million. The main issuers are The Netherlands (27%), France (22%), Germany (13%), and Belgium (13%). Of the portfolio, 5% corresponds to the European Investment Bank.

(Continued)

- Most issuers included in this portfolio are sovereign issuers with very high credit ratings.

- The VaR of fair value was 0.62% and the duration locates at 1.30 years.

- Of the portfolio, 96% bears interest at a fixed rate, 62% matures between 6 months and 2 years.

- As a result of the ongoing monitoring performed by the Market Risk Division regarding the situation in Europe, the strategy used to manage the portfolio is based on increased liquidity and reduced exposure of the most volatile instruments.

Investments in dollars - Europe

- As of June 2015, the total balance of the portfolio denominated in international dollars is $493 million. Of that amount, 32% (equivalent to $156 million) corresponds to a component of European instruments. However, excluding the note issued by Barclays with underlying bonds issued by the Government of Costa Rica, the share in the portfolio decreases to 21%.

- In this case, the portfolio concentrates in instruments issued by sovereign issuers that are considered to have very high credit ratings, including Germany, Belgium, France, The Netherlands, England, etc.

The Insurance Brokerage Firm is exposed to currency risk when the value of its assets and liabilities in U.S. dollars is affected by exchange rate variations. The effect of this risk is recognized in the income statement.

For the Insurance Brokerage Firm, currency risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of variations in foreign exchange rates. The effect of this risk is recognized in the consolidated income statement.

The assets and liabilities denominated in foreign currency are as follows:

		U.S. dollars	
		June 2015	June 2014
Assets:			
Cash and due from banks	US$	685,570,977	1,045,802,329
Investments in financial instruments		1,163,832,544	740,502,048
Loan portfolio		2,450,019,691	2,253,552,330
Accounts and accrued interest receivable		421,477	508,890
Investments in other companies		98,467,026	88,796,258
Other assets		6,163,966	5,858,075
Total assets	US$	4,404,475,681	4,135,019,930
Liabilities:			
Obligations with the public	US$	2,247,354,809	2,117,404,421
Obligations with entities		1,998,041,078	1,876,757,647
Accounts payable and provisions		16,877,562	13,130,125
Other liabilities		30,034,639	29,725,935
Subordinated obligations		132,135,781	100,403,419
Total liabilities	US$	4,424,443,869	4,137,421,547
Excess of assets over liabilities in U.S. dollars	US$	(19,968,188)	(2,401,617)

		Euros	
		June 2015	June 2014
Assets:			
Cash and due from banks	€	16,579,013	11,237,807
Investments in financial instruments		40,949,117	44,644,708
Total assets	€	57,528,130	55,882,515
Liabilities:			
Obligations with the public	€	54,822,988	48,787,978
Obligations with entities		2,288,592	7,045,485
Accounts payable and provisions		88,394	102,835
Other liabilities		-	4,190
Total liabilities	€	57,199,974	55,940,488
Excess (deficit) of assets over liabilities in euros	€	328,156	(57,973)

(Continued)

		DU	
		June 2015	June 2014
Assets:			
Investments in financial instruments	UD	39,227,427	39,108,034
Loan portfolio		36,795,152	47,559,129
Other assets		-	635
Total assets	UD	76,022,579	86,667,798
Liabilities:			
Accounts payable and provisions	UD	1,035,429	1,120,753
Other liabilities		7,768	8,089
Total liabilities	UD	1,043,197	1,128,842
Excess of assets over liabilities in DU	UD	74,979,382	85,538,956

The Bank’s net position is not hedged. However, the Bank considers its position to be acceptable and in compliance with the internal policy limits established by the Asset and Liability Committee.

As of June 30, 2015 and 2014, the financial statements show a net foreign exchange gain and loss of ¢159,089,140 and ¢729,719,419, respectively.

The value of financial assets and liabilities includes future interest to be earned in the corresponding time band.

For the Investment Fund Manager, currency risk is the risk of a decrease in an investor’s purchasing power due to unexpected variations in foreign exchanges rates for the currencies in which the investor holds positions.

The investment funds managed by this subsidiary are currency specific, i.e. the assets and liabilities of the investment portfolios are denominated in the same currency. Additionally, the investment funds are managed as memoranda accounts rather than as liabilities.

For the Brokerage Firm, a significant change in the devaluation rate, depending on the magnitude of such change, could adversely impact the local market and, to a certain degree, counterparty risk in the stock market. Business units, together with the risk management department, monitor market changes on a daily basis and measure the impact of positions acquired on the Brokerage Firm’s liquidity and equity based on simulations of extreme conditions.

(Continued)

The Brokerage Firm incurs currency risk mainly on cash and investments in U.S. dollars.

In respect of its assets and liabilities denominated in U.S. dollars, the Brokerage Firm aims to ensure that its net exposure is maintained at an acceptable level by holding sufficient assets in U.S. dollars to be able to settle its liabilities in that currency.

As of June 30, 2015, the Pension Fund Manager's assets of own funds represented by investments in U.S. dollars is 1.80%. Within the funds managed, ROP, FCL, FPC A, and FPC B have 8.91%, 0.58%, 0.79%, and 8.28% in investments in the portfolio denominated in U.S. dollars.

For each of the funds managed, the Comprehensive Risk Management Unit (UAIR) performs simulations of exchange rate variations and their effect on changes in the value of the assets managed and the share value.

d) <u>Operational risk</u>

Operational risk is the risk of losses resulting from inadequate or failed internal processes, personnel, information systems, and controls or from external events. This definition includes legal risk but excludes strategic, business, or reputational risks.

The policy adopted by the Bank stipulates that all of the Bank's employees are inherently responsible for managing operational risk. The Bank's employees are also required at all times to comply with the policies, regulations, procedures, and controls applicable to their positions and to ensure that the Bank's institutional values, code of conduct, and ethics are adopted across all levels of the organization.

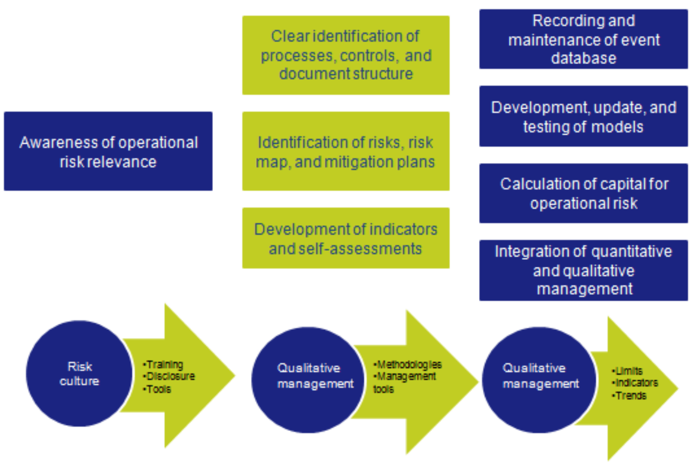
That policy is implemented through a comprehensive model with roles and responsibilities assigned to each level:

- Board of Directors: Approve and provide a general oversight of the operational risk management framework.
- Corporate Risk Committee: Analyze, validate, and authorize policies, best practices, limits, and strategies.
- General Risk Management: Implement the strategy.
- Operational Risk Management: Implement the strategy in coordination with the respective processes and areas.
- Monitoring and follow-up groups: Perform independent evaluations to determine the effectiveness of the management framework.
- Process owners: Implement and follow up on mitigating action.

- Process guardians: Update and adjust the process to the operating reality.
- Risk liaisons: Liaise with the Operational Risk Management to identify and assess risks, report events, etc.
- Heads of Business Areas and Support Units: Establish mitigating action and controls necessary to reduce operational risk.
- Officers: Apply procedures in job positions and support superior officers to mitigate risk.

One of the Bank's fundamental operational risk management principles is transparency, defined as the identification, documentation, and reporting of risk events in order to allow the Bank to adequately measure risk events and carry out any necessary corrective, preventive, and mitigation measures in a timely manner, including insurance where this is effective.

Also, the main activity in operational risk management is the assessment of risk in institutional processes by applying a specific methodology that controls the frequency, impact, and quality of identified risk events. The diagram below shows how such methodology is applied to institutional processes:



Upper management has defined operational risk limits that specifically measure the performance of risk management and total operating losses. These measurements are performed and reported to the upper levels on a monthly basis.

For legal risk, the Bank applies a model to estimate the EL and VaR of legal actions, considering the subject matter of the cases when calculating the likelihood of loss and a continuous model for the duration of the legal actions. Such model provides a direct estimate of the duration of each legal action in the corresponding court and the possible outcomes. The results thereof are used to address possible losses from unfavorable rulings.

(Continued)

For IT risk, the critical systems supporting the business are identified. System availability is measured on a monthly basis, while risk maps are updated annually based on a methodology established for such purposes. Events affecting normal operations are identified, classified, and reported to the Bank's upper management through a periodic information system that determines risk exposure.

For the Investment Fund Manager, operational risk is the risk of possible direct or indirect loss arising from Investment Fund Manager's processes, personnel, technology, and infrastructure, in addition to external factors other than credit, market, and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Also, the Institutional Risk Assessment System (SEVRI) measures operating risk activities, which are weighted with other risk categories to determine a global rating for institutional risk.

The Investment Fund Manager aims to manage operational risk so to avoid financial losses and damage to its reputation.

The Investment Fund Manager has worked in the following six areas related to operational risk:

- Identification: Tools have been developed to accurately identify the different risks associated with each of the Investment Fund Manager's fundamental processes. Each process was analyzed together with any related processes to formulate a risk portfolio for the entire company. As a first step, the risks included in that portfolio were grouped by type and by class.

- Analysis: Using tools defined by international methods, the Investment Fund Manager analyzed the risks identified for each business unit and determined the degree of impact, the probability of occurrence, and the origin of each risk. In addition to this analysis, the Investment Fund Manager assesses aspects of the business that can affect risk such as its image, operations, income, human resources, etc.

- Measurement: Similar to the analysis mentioned above, each risk identified was assessed from two perspectives (its probability of occurrence and its potential impact) in order to determine which risks require the most attention and the formulation of action plans to be carried out in the event that the risk materializes. Such information is included in the Business Continuity Plan (PCN).

- Follow-up: Periodic assessments are made of the institutional risk map to identify changes that could increase or decrease the probability that risk events will occur in order to adapt the Investment Fund Manager's strategies to address areas in which risk exposures are considered unacceptable.

- Control: The Investment Fund Manager's strategies to control and mitigate the potential impact of different operational risks include contingent computer hardware, a redundant power infrastructure, personnel turnover, documentation of the activities performed by each position, specialized training, varied and continually open channels of communication, development of a general culture focused on operational controls, etc.

- Communication: Upper management informs employees of risk management trends and strategies as well the results of assessments through meetings with employees or announcements.

For the Brokerage Firm, operational risk is the risk of losses resulting from inadequate or failed internal processes, personnel, information systems, and internal controls or from external events.

Management of this risk is the responsibility of all business units within the Brokerage Firm and considers the following:

- identification of risk factors
- mapping of the Brokerage Firm's operational risks
- operational risk database of information on risk events, including type, description, and number of events, business unit in which the event originated, date, and monetary loss incurred
- compliance with corporate governance practices and established conduct guidelines
- compliance with regulatory and other legal or contractual requirements applicable to the Brokerage Firm
- integrity, security, and availability of the Brokerage Firm's information technology (IT).

Fair value of financial instruments

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 point in time.

Estimates could vary significantly if changes are made to those assumptions. The following methods and assumptions were used by the Brokerage Firm to estimate the fair value of financial instruments:

(a) The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable approximate fair value because of the short-term nature of these instruments.

(b) Available-for-sale investments are booked at fair value. The fair values are based on quoted market prices or prices quoted by brokers. The fair values of held-to-maturity investments are estimated using discounted cash flow techniques.

For the Insurance Brokerage Firm, operational risk is related to the quality of the information in the systems, since an error in entering the information may lead to failed processing or renewal of individual insurance policies.

It is important to note that we are currently in the process of purchasing information systems, which implies a risk since the current information system process is not appropriate.

For the Pension Fund Manager, operational risk is the risk of possible direct or indirect loss arising from the Pension Fund Manager's processes, personnel, technology, and infrastructure, in addition to external factors other than credit, market, and liquidity risks. Operational risk is an inherent risk for the sector in which the Pension Fund Manager operates and for all of its main activities. It manifests as failures, errors, business interruptions, or inappropriate employee behavior, and may cause financial loss, penalties from regulatory authorities, or damage to the reputation of the Pension Fund Manager.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to management in each business area. This responsibility is supported by the development of standards for the management of operational risk in the following areas:

- appropriate segregation of duties, including the independent authorization of transactions
- requirements for effective reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- communication and application of conduct guidelines or ethical standards
- monitoring of risks using measurement tools
- reporting of operational losses and proposed remedial actions

- comprehensive planning for resuming activities, including plans to restore key operations and internal and external support to ensure services are not interrupted
- personnel training
- development of risk mitigation activities, including security policies.

At the financial conglomerate level, the UAIR furnishes necessary operational risk results.

Compliance with the standards established by the Bank at the financial conglomerate level is supported by a program of periodic reviews undertaken by General and Internal Audit. The results of such reviews are discussed with the personnel of the Pension Fund Manager.

Legal risk: This risk focuses on the legal contingencies that result from the nature and operation of the industry when applying and interpreting pension's legislation and regulations. The Pension Fund Manager is provided with legal advice and agreements authorized by SUPEN.

Risk management is comprised of three types of risk, namely:

Contract risk: This risk is assumed when the Pension Fund Manager makes investments with its own funds or the funds it manages. Accordingly, the contracts must comply with the regulations in effect and the performance bond signed by the parties. To ensure that these actions are executed from a legal standpoint, measures are coordinated and backed by the Bank.

Regulatory compliance risk: This risk refers to the scope and adoption of regulations in effect of the Pension Fund Manager. For such purposes, a Compliance Officer is in charge of reviewing in a systematic and comprehensive manner any departure from regulations. The UAIR analyzes and verifies the limits established by SUPEN in the Investment Regulations of the regulated entities.

Litigation risk: The UAIR follows up monthly on the legal actions filed against the Pension Fund Manager. The legal actions must be timely communicated and fed by management into the database of the Bank's Legal Department. Mathematical models are then applied to estimate the amounts of EL and VaR.

As of June 30, 2015 the Bank's General Risk Division presented the results of the calculation of the VaR of legal actions for the Pension Fund Manager. The amount to be provisioned is equivalent to an expected loss of ¢265.11 million. In addition, the Pension Fund Manager is a defendant in 5 lawsuits, all of which are at the court of first instance.

Capital management

Costa Rican banking legislation requires the financial conglomerate to maintain a capital surplus at all times (i.e. a ratio of one or higher obtained by dividing the sum of total transferable surpluses of each company in the conglomerate and the individual surplus of the controlling company by the absolute value of the sum of individual deficits).

The capital surplus or capital deficit of the financial group or conglomerate is calculated as the individual surplus or deficit of the controlling company plus the transferable surpluses and minus the individual deficits of each company in the financial group or conglomerate.

The individual surplus of each company in the financial conglomerate is calculated as the excess of the capital base over the respective minimum capital requirement for each type of company stipulated in the CONASSIF prudential standard.

Regulatory capital is analyzed with consideration for the following three areas:

Tier I capital: ordinary and preferred paid-in capital plus reserves.

Tier II capital: calculated as the sum of equity adjustments for property revaluations up to a maximum of 75% of the adjustments to the fair value of available-for-sale financial instruments, additional paid-in capital, prior period retained earnings, and profit or loss for the period, less statutory deductions.

Deductions: Investments in other companies and loans granted to the controlling entity of the same financial group or conglomerate are to be deducted from the sum of Tier I and Tier II capital.

Risk-weighted assets: Assets and contingent liabilities are weighted according to the risk level established by regulations plus a price risk adjustment per capital requirements.

The Bank’s policy is to maintain a strong capital base so as to maintain a balance between share capital and return on investment. Throughout the year, the Bank has complied with capital requirements and no significant changes were made to its capital management.

As of June 30, 2015 and 2014, the Bank’s risk rating is at a normal level since its capital adequacy ratio is above the required 10% ratio.

(Continued)

(44) Contingencies

As of June 30, 2015 and 2014, the Bank, Pension Fund Manager, and Investment Fund Manager are defendants in ordinary, labor, and criminal lawsuits. The legal actions filed are as follows:

	Number of cases				Total estimated amount	
	2015	2014	Phase		2015	2014
Bank	245	205	First instance	¢	238,538,146,074	326,529,293,248
	13	10	Second instance		10,468,993,096	325,810,982
	5	8	Appeal		6,751,150,000	7,015,810,000
	263	233	Subtotal	¢	255,758,289,170	333,870,914,230
Pension Fund Manager	3	1	Second instance		265,110,324	10,751,600
Investment Fund Manager	-	1	Second instance	¢	-	234,906
	266	236	Total (note 20)	¢	256,023,399,494	333,881,900,736

As of June 30, 2015 and 2014, the legal actions filed against the Bank and its subsidiaries are booked in memoranda accounts under “Other contingencies - pending litigation and lawsuits”.

As of June 30, 2015 and 2014, the Bank is a claimant in ordinary, labor, and criminal lawsuits, which outcome is uncertain and are not booked in the accounting records, as follows:

Number of cases				Total estimated amount	
2015	2014	Phase		2015	2014
43	58	First instance	¢	3,760,106,857	5,250,867,116
1	1	Second instance		150,000,000	150,000,000
44	59	Total	¢	3,910,106,857	5,400,867,116

Disclosure of legal action filed against SUGEF

Starting September 2013, the Bank implemented a credit strategy called “BN Vivienda 10”, whereby the Bank assumes notary and independent appraiser fees and expenses related to loan formalization. Accordingly, the customer is not directly charged therefor; instead, such expenses are recovered during the term of the loan by adding an additional spread to the interest rate. Such expenses are accounted for under “Other operating expenses” (account No. 439-99).

(Continued)

SUGEF's Chart of Accounts establishes that the aforementioned expenses are to be booked under account No. 182-99, "Deferred charges." However, the account's description indicates that expenses are to be deferred over a maximum term of 5 years. As a result, the Bank submitted Inquiry SGER-042-2013 to SUGEF on September 30, 2013 requesting an extension of the term established to book deferred expenses and income over the term of the loan, rather than solely over 5 years as prescribed by the regulations.

SUGEF replied through Official Letter SUGEF 3020-20130748 dated December 16, 2013, which was received by the Bank on January 6, 2014, indicating that deferral of costs within the loan's effective yield was to be applied from January 2014, date from which the accounts are authorized because the accounting regulations do not permit or provide line items for such deferral.

On January 8, 2014, the Bank filed a motion for reconsideration with an appeal to a higher court (GG-004-14) and suspension of the effects of the administrative act of Official Letter SUGEF 3020-201307148, requesting that the contested decision be reversed in every respect and reconsidered, as it causes serious or irreparable harm.

Through Official Letter SUGEF 0180-2014 dated January 30, 2014, SUGEF dismissed the request for suspension of the effects of the administrative act. Accordingly, the Bank requested that precautionary measures be taken against SUGEF, which was upheld by the Administrative Litigation Court of the Second Judicial Circuit of San José. The judge granted SUGEF three days to reply. As of the date of the approval of the 2013 audited financial statements, a final decision was pending in respect of the precautionary measures requested by the Bank; consequently, the expenses derived from BN Vivienda 10 are deferred in the accounting records over 5 years.

Through Official Letter SGRF 093-2014 dated March 25, 2014, the Bank provided justification for the deferral of expenses associated with BN Vivienda 10, which is applicable to income. Additionally, Official Letter SGRF 094-2014 dated March 25, 2014 complemented and expanded on Official Letter SGRF 093-2014.

Through Official Letter SUGEF 0644-2014 dated March 28, 2014, SUGEF requested additional documentation, which was furnished by the Bank through Official Letter SGRF-112-2014 of April 2, 2014.

(Continued)

Through Official Letter 1417-201400096 dated June 16, 2014, SUGEF summarized the events occurring from the date Inquiry SGER-042-2013 was submitted by the Bank and reached a conclusion based on the documents submitted in Official Letter DGF 095-2014 on April 21, 2014 in respect of additional documentation filed with SUGEF to prevent amendment of the audited financial statements as of December 2013, as follows:

"In light of the preceding arguments, the motion for reconsideration filed against Official Letter SUGEF 3020-2013 of December 16, 2013 is upheld, permitting Banco Nacional de Costa Rica to defer direct and incremental costs incurred in connection with the "BN Vivienda 10" and "BN Vivienda" products, as established in subaccount 182-05, i.e. for the entire life of the loan. Additionally, the arguments included in Official Letter SUGEF 180-2014 dated January 30, 2014 are dismissed".

(45) Statutory allocations made to the Development Financing Fund (FOFIDE)

The information included in this note is supplemental and based on unaudited figures.

In 2010, FOFIDE was created in accordance with article 31 of Law No. 8634 "Development Banking System Act", which stipulates that all State-owned banks, except BANHVI, shall create development financing funds. The objective of those funds is to provide financing to individuals and legal entities that present viable and feasible projects in conformity with the provisions of the aforementioned law and the regulations thereto.

The equity of the development financing funds is comprised, in accordance with article 32 of such law, of the following resources:

1. All State-owned banks, except BANHVI, must 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. This notwithstanding, the Board of Directors of each State-owned bank may agree to make additional yearly contributions to those funds through a majority vote.
2. Donations and bequests from individuals or public or private institutions, both local and international.
3. Profits obtained through transactions executed with the above funds.

SUGEF Directive 31-04, "*Regulations on the Financial Reporting of Financial Entities, Groups, and Conglomerates*", requires that banks that manage FOFIDEs include a balance sheet and an income statement for such funds in the notes to their financial statements.

For purposes of establishing and strengthening development financing funds, all State-owned banks shall transfer to their respective funds the amount corresponding to prior year earnings in the second quarter of each year. At that time, the development financing programs that have been approved by the Governing Board will start operations.

Assets corresponding to the statutory allocations made to FOFIDE are only booked in local currency.

The unaudited financial information is as follows:

Development Financing Fund
Balance Sheet
As of June 30, 2015
(*With corresponding figures for 2014)*

Assets		2015	2014
Loan portfolio	¢	10,140,769,445	11,372,561,833
Current		8,991,201,804	10,276,176,103
Past due		979,399,011	957,631,191
Legal collections		363,608,536	305,346,978
Accrued interest receivable		95,073,412	94,615,682
(Allowance for loan impairment)		(288,513,318)	(261,208,121)
Accounts receivable		2,741,089	4,152,536
Other assets		8,506,006,371	3,739,189,809
Total assets	¢	18,649,516,905	15,115,904,178
Liabilities			
Accounts payable and provisions	¢	22,346,646	24,420,618
Other liabilities		41,198,721	27,218,703
Total liabilities	¢	63,545,367	51,639,321
Equity			
Equity of FOFIDE (note 19-a)	¢	18,146,075,240	14,548,173,826
Income for the year		439,896,298	516,091,031
Total equity	¢	18,585,971,538	15,064,264,857
Total liabilities and equity	¢	18,649,516,905	15,115,904,178
Other debit memoranda accounts	¢	308,083,181	488,642,160

(Continued)

Development Financing Fund
Income Statement
For the year ended June 30, 2015
(With corresponding figures for 2014)

		2015	2014
Finance income		583,801,541	614,913,040
Income from recovery of assets and decrease in provisions		24,881,957	66,048,989
Expenses for allowance for impairment of assets		(86,967,468)	(75,370,230)
Net finance income		521,716,030	605,591,799
Other operating income		200,990	13,053
Other operating expenses		(4,388,173)	(4,867,426)
Gross operating income		517,528,847	600,737,426
Administrative expenses		(77,632,549)	(84,646,395)
Income for the year	¢	439,896,298	516,091,031

a. Loan portfolio

i. Loan portfolio by sector

The loan portfolio by sector is as follows:

		June 2015	June 2014
Trade	¢	3,078,430,940	3,886,919,667
Services		2,843,186,497	3,138,425,967
Manufacturing and quarrying		507,060,031	566,894,013
Agriculture and forestry		1,267,347,985	1,400,412,587
Livestock, hunting, and fishing		1,196,724,498	1,331,303,470
Transportation and telecommunications		1,256,922,512	1,000,398,399
Tourism		184,536,888	214,800,169
Total direct loans		10,334,209,351	11,539,154,272
Accrued interest receivable		95,073,412	94,615,682
Allowance for loan impairment		(288,513,318)	(261,208,121)
Total	¢	10,140,769,445	11,372,561,833

(Continued)

The annual interest rates on loans receivable are summarized below:

	June 2015		June 2014	
Currency	Rates	Average	Rates	Average
Colones	6% to 16.30%	11.11%	8.5% to 15.45%	11.05%

ii. Loan portfolio by arrears

The loan portfolio by arrears is as follows:

		June 2015	June 2014
Current	¢	8,991,201,804	10,276,176,103
1 to 30 days		647,935,735	655,017,641
31 to 60 days		72,549,923	163,221,591
61 to 90 days		263,556,139	170,743,030
91 to 120 days		77,027,416	43,612,574
121 to 180 days		42,876,959	53,024,159
More than 180 days		239,061,375	177,359,174
Total		10,334,209,351	11,539,154,272
Accrued interest receivable		95,073,412	94,615,682
Allowance for loan impairment		(288,513,318)	(261,208,121)
Total	¢	10,140,769,445	11,372,561,833

iii. Loan portfolio by origin

The loan portfolio by origin is as follows:

		June 2015	June 2014
Loans originated by the Bank	¢	10,334,209,351	11,539,154,272
Total direct loans	¢	10,334,209,351	11,539,154,272
Accrued interest receivable		95,073,412	94,615,682
Allowance for loan impairment		(288,513,318)	(261,208,121)
Total	¢	10,140,769,445	11,372,561,833

(Continued)

iv. Past due loans

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

		June 2015	June 2014
Past due loans in accrual status: 142 loans in 2015 (2014: 151 loans)	¢	1,064,787,670	957,631,191
Loans in legal collections: 54 loans, 2.75% of portfolio in 2015 (2014: 45 loans, 2.64%)	¢	289,678,891	305,346,978
Total unearned interest	¢	8,160,396	6,325,862

In 2015, the Bank increased the “Finance income on non-accrual loans” account by ¢8,160,396 (2014: ¢6,325,862), as a result of the increase in loans receivable over 180 days past due in the loan portfolio generated by the statutory allocations to FOFIDE.

As of June 30, 2015, restructured loans amount to a total of ¢50,606,842 (2014: ¢48,278,238).

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

v. Accrued interest receivable on loan portfolio

The accrued interest receivable is as follows:

		June 2015	June 2014
Current	¢	42,462,697	47,876,140
Past due		16,395,531	15,026,943
Legal collections		36,215,184	31,712,599
	¢	95,073,412	94,615,682

b. Risk management

Credit risk

This is the risk that the borrower or issuer of a financial asset will fail to discharge an obligation, fully and on time, in accordance with the terms and conditions agreed upon at the time the financial asset was acquired. Credit risk is mainly related to the loan portfolio. The exposure to credit risk on those assets is represented by the carrying amount of the assets in the balance sheet.

At the balance sheet date, there are no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

			Direct	
	Note		June 2015	June 2014
Loan portfolio				
Principal	45-a	¢	10,334,209,351	11,539,154,272
Accounts and accrued interest receivable			95,073,412	94,615,682
Carrying amount, gross			10,429,282,763	11,633,769,954
Allowance for loan impairment (accounting records)			(288,513,318)	(261,208,121)
Carrying amount, net		¢	10,140,769,445	11,372,561,833
Loan portfolio				
Total balances:				
A1		¢	8,688,642,468	10,052,585,504
A2			267,660,750	124,456,884
B1			167,381,058	395,809,875
B2			40,906,874	18,395,465
C1			189,322,507	194,690,920
C2			28,323,158	47,536,885
D			236,566,754	97,469,177
E			810,479,194	702,825,244
			10,429,282,763	11,633,769,954
Structural allowance (subledger – database)			(281,128,645)	(244,144,574)
Carrying amount, net		¢	10,148,154,118	11,389,625,380

			Direct	
			June 2015	June 2014
Individually assessed loans with allowance:				
A1		¢	8,688,642,468	10,052,585,504
A2			267,660,750	124,456,884
B1			167,381,058	395,809,875
B2			40,906,874	18,395,465
C1			189,322,507	194,690,920
C2			28,323,158	47,536,885
D			236,566,754	97,469,177
E			810,479,194	702,825,244
			10,429,282,763	11,633,769,954
Structural allowance (subledger – database)			(281,128,645)	(244,144,574)
Carrying amount, net		¢	10,148,154,118	11,389,625,380
Carrying amount, gross			10,429,282,763	11,633,769,954
Allowance for loan impairment (database)			(281,128,645)	(244,144,574)
(Excess) insufficiency of allowance over structural allowance			(7,384,673)	(17,063,547)
Carrying amount, net	45-a	¢	10,140,769,445	11,372,561,833
Restructured loans	45-a	¢	50,606,842	48,278,238

Set out below is an analysis of the gross and net (of allowance for loan impairment) amounts of FOFIDE's individually assessed loans with allowance by risk rating according to SUGEF Directive 1-05:

		June 2015	
		Loans to customers	
		Gross	Net
A1	¢	8,688,642,468	8,669,093,697
A2		267,660,750	267,286,025
B1		167,381,058	165,703,816
B2		40,906,874	40,163,350
C1		189,322,507	183,381,885
C2		28,323,158	26,578,586
D		236,566,754	199,019,268
E		810,479,194	589,542,818
	¢	10,429,282,763	10,140,769,445

(Continued)

		June 2014	
		Loans to customers	
		Gross	Net
A1	¢	10,052,585,504	10,031,500,923
A2		124,456,884	124,407,101
B1		395,809,875	392,484,248
B2		18,395,465	16,966,769
C1		194,690,920	183,126,667
C2		47,536,885	41,895,157
D		97,469,177	86,499,382
E		702,825,244	495,681,586
	¢	11,633,769,954	11,372,561,833

Restructured loans

Restructured loans are as follows:

		June 2015	June 2014
Restructured loans	¢	50,606,842	48,278,238

Risk ratings

The loan portfolio by borrower classification (including interest receivable) is as follows:

		June 2015	June 2014
Borrower classification:			
Group 1	¢	524,034,769	529,192,182
Group 2		9,905,247,994	11,104,577,772
	¢	10,429,282,763	11,633,769,954

Borrower classification

The loan portfolio by risk rating assigned to borrowers according to SUGEF Directive 1-05 is as follows:

Risk rating	Arrears		June 2015	June 2014
A1	30 days or less	¢	8,688,642,464	10,052,585,502
A2	60 days or less		267,660,750	124,456,884
B1	60 days or less		167,381,058	395,809,875
B2	60 days or less		40,906,874	18,395,465
C1	90 days or less		189,322,507	194,690,920
C2	90 days or less		28,323,158	47,536,885
D	120 days or less		236,566,754	97,469,177
E	More than 120 days or other factors		810,479,198	702,825,246
		¢	10,429,282,763	11,633,769,954

Loan portfolio by sector

The concentration of the loan portfolio by sector is as follows:

Sector		June 2015	June 2014
Agriculture and forestry	¢	1,293,796,114	1,430,947,039
Livestock, hunting, and fishing		1,218,933,007	1,354,612,950
Manufacturing and quarrying		510,956,085	569,123,662
Trade		3,098,727,305	3,911,842,357
Transportation and telecommunications		1,265,271,827	1,005,755,042
Services		2,855,767,072	3,145,994,875
Tourism		185,831,353	215,494,029
	¢	10,429,282,763	11,633,769,954

Loan portfolio by geographic area

The concentration of the loan portfolio by geographic area is as follows:

		June 2015	June 2014
Central America	¢	10,429,282,763	11,633,769,954

(Continued)

Loan portfolio by type of guarantee

The loan portfolio by type of guarantee is as follows:

Guarantee		June 2015	June 2014
Back to back	¢	2,361,969	13,275,635
Assignment of loans		108,074,402	34,661,054
Mortgage		5,989,133,963	6,625,616,998
Surety		2,607,144,860	3,455,743,101
Trust		77,733,266	116,707,246
Securities		60,138,283	110,819,007
Chattel mortgage		1,507,363,006	1,237,006,987
Other		77,333,014	39,939,926
	¢	10,429,282,763	11,633,769,954

Loan portfolio by individual borrower or economic interest group

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

Loan portfolio concentration		June 2015	June 2014
¢1 to ¢3,000,000	¢	1,147,275,271	1,449,229,636
¢3,000,001 to ¢15,000,000		4,735,144,495	5,199,182,837
¢15,000,001 to ¢30,000,000		2,281,139,027	2,450,452,236
¢30,000,001 to ¢50,000,000		1,621,492,573	1,717,410,590
¢50,000,001 to ¢75,000,000		644,231,397	817,494,655
	¢	10,429,282,763	11,633,769,954

(46) Statutory allocations to the Development Credit Fund (FCD)

The information included in this note is supplemental and based on unaudited figures.

Starting March 15, 2013, in accordance with Law No. 8634 and the amendments thereto, the Bank is awarded 50% of the management of the FCD for a 5-year term, renewable for equal periods as of the signing of the management agreement. The FCD will be comprised of funds established under article 59 of IRNBS (Law No. 1644), as follows:

i. Private banks must maintain in the Bank and Banco de Costa Rica a balance of at least seventeen percent (17%) of total deposits of 30 days or less, after deducting the corresponding minimum cash reserve, in both local and foreign currency, for loans to State-owned banks. State-owned banks will pay those private entities an interest rate equivalent to fifty percent (50%) of the base deposit rate for the aforementioned funds.

ii. Private banks must open at least four agencies or branches distributed throughout the Chorotega, Central Pacific, Brunca, Atlantic Huetar, and Northern Huetar regions for purposes of providing basic banking services (i.e. deposit-taking and lending). Additionally, private banks must maintain a balance of at least ten percent (10%) of total deposits of 30 days or less, after deducting the corresponding minimum cash reserve, in both local and foreign currency, for loans to be used in development programs selected through an executive order. The loans will bear interest at a rate not to exceed the base deposit rate calculated by BCCR for placements in colones and at the 1-month LIBOR rate for placements in foreign currency.

SUGEF Directive 31-04 requires that banks that manage the FCD include a balance sheet and income statement for such fund in the notes to their financial statements.

The unaudited financial information is as follows:

Development Credit Fund
Balance Sheet
As of June 30, 2015
(With corresponding figures for 2014)

		June 2015	June 2014
Assets			
Investments in financial instruments	¢	155,926,119,451	142,210,730,189
Current loans		211,345,817	-
Past due loans		2,480,000	-
Loan portfolio – included in Trust		3,436,653	-
Allowance for loan impairment		(13,822,666)	-
Accounts receivable		8,268,349	3,486,607
Other assets		2,441,514,953	2,929,311,108
Total assets	¢	158,579,342,557	145,143,527,904
Liabilities			
Obligations with entities	¢	157,061,726,789	144,090,395,873
Accounts payable and provisions		67,999,933	86,216,424
Other provisions		74,453	-
Total liabilities	¢	157,129,801,175	144,176,612,297
Equity			
Equity adjustments	¢	136,588,441	187,570,059
Prior period retained earnings		1,063,056,822	503,798,027
Profit for the year		249,896,119	275,547,521
Total equity	¢	1,449,541,382	966,915,607
Total liabilities and equity	¢	158,579,342,557	145,143,527,904
Other debit memoranda accounts	¢	5,258,931	1,673,242

(Continued)

Development Credit Fund
Income Statement
For the three months ended June 30, 2015

		June 2015	June 2014
Finance income	¢	5,922,823,717	12,342,394,746
Finance expenses		(3,715,454,833)	(10,920,225,169)
Gross finance income		2,207,368,884	1,422,169,577
Expenses for allowance for impairment of assets		(13,822,666)	-
Other operating expenses		(1,943,650,099)	(1,146,622,056)
Income for the year	¢	249,896,119	275,547,521

a. Investments in financial instruments

Investments in financial instruments are as follows:

		June 2015	June 2014
Available for sale	¢	154,740,137,450	141,165,649,876
Accrued interest receivable		1,185,982,001	1,045,080,313
	¢	155,926,119,451	142,210,730,189

		June 2015	June 2014
Available for sale:			
Local issuers:			
Government of Costa Rica	¢	18,578,019,692	54,676,589,610
BCCR		-	22,154,373,480
Private banks		125,734,094,927	19,689,634,364
		144,312,114,619	96,520,597,454
Foreign issuers:			
Governments		10,128,904,049	24,097,371,179
Private banks		299,118,782	20,547,681,243
Subtotal		10,428,022,831	44,645,052,422
Accrued interest receivable on investments		1,185,982,001	1,045,080,313
	¢	155,926,119,451	142,210,730,189

(Continued)

As of June 30, annual returns on investments in financial instruments are as follows:

Currency	June 2015	June 2014
Colones	6.20% to 10.58%	7.47% to 9.66%
U.S. dollars	1.60% to 5%	0.25% to 5.15%
Euros	3.63%	0.63%

As of June 30, 2014, the valuation of available-for-sale investments gave rise to an unrealized gain, net of deferred tax, in the amount of ¢52,657,917 (2014: loss of ¢240,939,044), which is booked under “Equity adjustments for valuation of available-for-sale investments”.

b. Loan portfolio

i. Loan portfolio by sector

The loan portfolio by sector is as follows:

		June 2015	June 2014
Trade		12,154,748	-
Agriculture and forestry		40,871,069	-
Livestock, hunting, and fishing		160,800,000	-
Total direct loans		213,825,817	-
Accrued interest receivable		3,436,653	-
Allowance for loan impairment		(13,822,666)	-
Total loan portfolio	¢	203,439,804	-

The annual interest rates on loans are as follows:

	June 2015		June 2014	
Currency	Rates	Average	Rates	Average
Colones	6.80% to 9.62%	8.09%	-	-

ii. Loan portfolio by arrears

The loan portfolio by arrears is as follows:

		June 2015	June 2014
Current	¢	211,345,817	-
1 to 30 days		2,480,000	-
Total	¢	213,825,817	-
Accrued interest receivable		3,436,653	-
Allowance for loan portfolio		(13,822,666)	-
Total loan portfolio	¢	203,439,804	-

iii. Loan portfolio by origin

The loan portfolio by origin is as follows:

		June 2015	June 2014
Loans originated by the Bank	¢	213,825,817	-
Total direct loans	¢	213,825,817	-
Accrued interest receivable		3,436,653	-
Allowance for loan impairment		(13,822,666)	-
Total	¢	203,439,804	-

As of June 30, 2015, restructured loans amount to a total of ¢133,473,165.

iv. Accrued interest receivable on loan portfolio

Accrued interest receivable is as follows:

		June 2015	June 2014
On current loan portfolio	¢	3,421,005	-
On past due loan portfolio		15,648	-
	¢	3,436,653	-

c. Obligations with entities

As of June 30, obligations with entities correspond to balances of checking accounts held by private banks in the Bank, one of the Managing Banks of the FCD together with Banco de Costa Rica, as required by Official Letter CR/SBD-014-2013 issued by the Technical Secretariat of the Governing Board.

(Continued)

Obligations with entities bear interest equivalent to 50% of the base deposit rate for accounts in colones, 50% of the 1-month LIBOR rate for accounts in U.S. dollars, and 50% of the 1-month Euro-LIBOR rate for accounts in euros.

d. Finance income

Finance income is as follows:

		June 2015	June 2014
Accrued interest on investments in available-for-sale investment securities	¢	3,163,838,335	2,150,298,804
Accrued interest on loan portfolio		286,185	-
Accrued interest on other products		7,317,334	-
Foreign exchange differences on other financial obligations		1,927,543,783	1,580,141,706
Foreign exchange differences on investments in financial instruments		822,229,709	8,457,339,781
Realized gain on available-for-sale financial instruments		1,559,605	154,614,455
Other sundry finance income		48,767	-
	¢	5,922,823,718	12,342,394,746

e. Finance expenses

Finance expenses are as follows:

		June 2015	June 2014
Demand obligations with financial entities	¢	1,016,380,396	880,098,931
Foreign exchange differences on other financial obligations		815,068,949	8,418,136,805
Foreign exchange differences on investments in financial instruments		1,883,503,602	1,619,361,922
Realized loss on available-for-sale financial instruments		501,886	-
	¢	3,715,454,833	10,917,597,658

f. Other operating expenses

Other operating expenses are as follows:

		June 2015	June 2014
Fees and commissions for brokerage services	¢	3,169,156	99,676,830
Fees and commissions for custodial services of financial instruments		37,155,509	27,746,341
Income tax (8%) on interest on investments in financial instruments		267,543,602	162,678,838
Transfer to FINADE (1)		1,635,781,832	856,520,047
	¢	1,943,650,099	1,146,622,056

(1) The transfer to FINADE corresponds to 90% of the net (base) earnings of the FCD. Base earnings are calculated by deducting monthly expenses incurred by the FCD and net foreign exchange differences from net earnings, as stipulated in article 35 of Law No. 8634 published in Official Gazette No. 87 dated May 7, 2008 and article 104 of Executive Order No. 34901-MEIC-MAG published in Official Gazette No. 22 dated December 1, 2008. For the year ended June 30, 2015, the amount transferred to FINADE is allocated as follows: 45%, equivalent to ¢736,101,824 (2014: 62%, equivalent to ¢426,208,656) to FOFIDE; 30%, equivalent to ¢490,734,550 (2014: 37%, equivalent to ¢273,745,570) to the Surety Fund; and 25%, equivalent to ¢408,945,458 (2014: 1%, equivalent to ¢156,565,821) to the Development Services Fund. These amounts are deposited in the respective checking accounts.

g. Risk management

i. Market and liquidity risk management

The Market Risk Division identifies, measures, monitors, and analyzes the different types of risk to which the Bank's investments are exposed in order to ensure a timely, efficient, and effective management of market and liquidity risks.

Management of the FCD risk analysis is as follows:

Portfolio composition

The Bank's management reviews the changes in the face value and composition of funds in investments based on their currency, rate, issuer, and term, as well as the detail of the main purchases and sales observed during a specified period. Additionally, a market concentration index (Herfindahl-Hirschman) is used to determine the level of concentration of the portfolios.

(Continued)

Return

An analysis is made of the RAROC, which measures investment portfolio management in respect of the risk assumed. It measures the gross rate of return by currency, gains on the sale and purchase of trading securities, and changes in the cumulative portfolio valuation. Management also uses the Sharpe Ratio, which is a risk-adjusted return indicator that determines whether the portfolio's returns are due to smart investment decisions or result from excess risk.

Price risk

Currently, the Bank's management uses the Risk Manager module of the software OFSA (Oracle Financial Services Application). This module is used to calculate indicators such as VaR, which determines the maximum expected loss of a portfolio under normal market conditions, at a specific holding period and confidence level, based on the risk appetite of the portfolio investor or manager. Other techniques include duration and modified duration, which determine the price sensitivity of a security as a result of a change in interest rates, in the former case, and changes in yield upon maturity, in the latter case. Finally, stochastic fair values determine the present value of a portfolio's future cash flows using a simulated rate structure, to determine the economic value of the portfolio.

Internally, the Bank has its own methodology, developed by RiMeR, to perform calculations such as VaR (parametric and simulation methods) and conditional value at risk (CVaR). CVaR measures expected loss when the value of the portfolio exceeds VaR, is applicable to undiversified portfolios, and allows for a more effective reaction in situations of extreme risk exposure. One of the most innovative aspects of this methodology is the use of a two-factor rate model (G2++ model), as opposed to the traditional one-factor model used in simulation processes (Hull-White model). The G2++ model decomposes the short rate into two processes similar to those of the Hull-White model.

The cumulative valuation of the portfolio is monitored to identify the instruments with larger valuation gains and losses.

The VaR calculation could be performed as established in SUGEF regulations.

Interest rate risk

Similarly, stress scenarios are performed that examine the effect on the portfolios of simulated interest rate movements. These scenarios help determine the changes in fair value of the portfolio under adverse interest rate conditions.

(Continued)

Currency risk

Currency risk is the maximum expected loss in the present value for a specific holding period with a confidence level as a result of adverse movements in exchange rates. The internal modeling system, developed in the "Matlab" platform, is used for such purposes. This system helps determine the VaR of exchange rate, which multiplied by the currency positions held by the portfolio (whether long or short), provides the largest loss caused by exchange rate volatility.

A report on the local foreign currency market could be issued periodically that includes the VaR of exchange rate by currency, compliance with limits for foreign currency positions, changes in the local market, etc.

Liquidity risk

The guidelines for identifying, measuring, and monitoring the Bank's liquidity risk are established in order to determine when the Bank is unable to face situations such as withdrawals, non-renewals of certificates of deposit, maturities of certificates, and other obligations, based on recovery of loans and investments, cash and due from banks, and other assets; or when assets may not be sold at a price close to market.

Particularly, in respect of investment liquidity, indicators like instrument marketability are analyzed to determine whether the instruments comprising the portfolio may be easily sold when the Bank presents liquidity needs that are not covered by liabilities or cash and due from banks.

Balances of demand deposits and term certificates of deposit of the General Ledger System (e-Business Suite - eBS) are used to analyze the duration indicator and determine the volatility of the balances within a specified period. That information also helps determine the VaR of liquidity, which measures the risk of unexpected withdrawals from accounts.

Additionally, information from SUGEF's trial balances is used to calculate a comparative liquidity indicator to measure the Bank's ability to meet its short-term obligations. This indicator is used for comparative purposes with respect to the banking industry.

(Continued)

ii. *Credit risk management*

The credit risk of a loan portfolio is measured when the loan is originated and when the loan is formalized. Risk at loan origination is measured using a score. Risk at loan formalization is measured individually using a performance score or rating or collectively through portfolio credit risk, which measures loan correlation through the influence of macroeconomic variables.

When the Bank measures a formalized loan, it assigns an origination score to five main portfolios: Housing, Development, Consumer, Credit Cards, and Loans without Guarantor. These tools, which are applied since 2006 and are recalibrated at least once a year, were validated by Experian in 2008 and more recently in 2013 by Equifax.

A performance score and rating are applied once a loan is granted. The performance score only considers the customer's payment behavior, thus providing probability of default assessments which lead to a rating (AAA, AA, A, B, C, D; an AAA rating is assigned to the best customers, while a D rating is assigned to customers with payment difficulties). The rating is issued monthly and is used for granting new loans to customers with an AAA, AA, or A ratings.

Rating applies to large companies and combines the customer's payment behavior and financial information, thereby providing a more robust rating system. The rating scale is more extensive than the performance score (AAA, AA, A, BBB, BB, B, CCC, CC, C, D) because there is a greater diversity of customers. This rating is performed monthly and is used when originating new business loans.

For credit risk management purposes, the Bank applies an internal model to estimate the loan portfolio's EL and VaR over a one-year holding period using the "Monte Carlo simulation" approach. Loan portfolio risks are assessed, controlled, and monitored on a monthly basis based on one-year projections (maximum loss with a confidence level of 99% over one year).

This approach is applied using a computational system developed in "Matlab" software. Also, the credit risk model takes into consideration the impact of changes in macroeconomic variables (endogenous and exogenous) on the loan portfolio when determining systemic factors. Results are compared with prior-month estimates and historical trends (for comparison purposes, loan portfolio information is available for 2003 and thereafter).

The Bank's loan portfolio is comprised of operations in various currencies, i.e. the Costa Rican colon, the U.S. dollar, and DU. Consequently, the VaR analysis is performed separately for each currency. The data is then consolidated to determine a maximum loss for the entire portfolio, expressed in colones. VaR is also calculated for each of the Bank's 13 economic activities, its credit card accounts, and the BN-Desarrollo portfolio.

Various technical tools are used to provide other angles for the analysis, such as the performance of the portfolio in legal collections, concentration of the portfolio by economic activity, vintage analysis, stress testing, transition matrixes, and sensitivity analyses for new loans and/or follow-up. Accordingly, the Bank has developed specialized internal methodologies to model credit risk that quantify risk indicators and potential impacts on institutional development.

The use of the above analyses has led to sound credit risk management practices that, along with tight control over loan collection, have helped to substantially improve the level of arrears in the loan portfolio.

A quality management system was developed where all tasks are associated with a procedure that establishes promises of quality for each credit risk assessment report.

(Continued)

At the balance sheet date, there are no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

			Direct	
	Note		June 2015	June 2014
Loan portfolio				
Principal	46-b	¢	213,825,817	-
Accounts and accrued interest receivable			3,436,653	-
Carrying amount, gross			217,262,470	-
Allowance for loan impairment (accounting records)			(13,822,666)	-
Carrying amount, net		¢	203,439,804	-
Loan portfolio				
Total balances:				
A1		¢	83,789,305	-
C1			133,473,165	-
			217,262,470	-
Structural allowance (subledger – database)			(13,876,266)	-
Carrying amount, net		¢	203,386,204	-
Individually assessed loans with allowance:				
A1		¢	83,789,305	-
C1			133,473,165	-
			217,262,470	-
Structural allowance (subledger – database)			(13,876,266)	-
Carrying amount, net		¢	203,386,204	-
Carrying amount, gross			217,262,470	-
Allowance for loan impairment (database)			(13,876,266)	-
(Excess) insufficiency of allowance over structural allowance			53,600	-
Carrying amount, net	46-b	¢	203,439,804	-
Restructured loans	46-b	¢	133,473,165	-

(Continued)

Set out below is an analysis of the gross and net (of allowance for loan impairment) amounts of FOFIDE's individually assessed loans with allowance by risk rating according to SUGEF Directive 1-05:

		2015	
		Loans to customers	
		Gross	Net
A1	¢	83,789,305	-
C1		133,473,165	-
	¢	217,262,470	-

Restructured loans

Restructured loans are as follows:

		June 2015	June 2014
Restructured loans	¢	133,473,165	-

Risk ratings

The loan portfolio by borrower classification (including interest receivable) is as follows:

		June 2015	June 2014
Borrower classification:			
Group 1	¢	65,817,130	-
Group 2		151,445,340	-
	¢	217,262,470	-

Borrower classification

The loan portfolio by risk rating assigned to borrowers according to SUGEF Directive 1-05 is as follows:

Risk rating	Arrears		June 2015	June 2014
A1	30 days or less	¢	83,789,305	-
C1	90 days or less		133,473,165	-
		¢	217,262,470	-

Loan portfolio by sector

The concentration of the loan portfolio by sector is as follows:

Sector		June 2015	June 2014
Agriculture and forestry	¢	41,362,352	-
Livestock, hunting, and fishing		163,692,555	-
Trade		12,207,563	-
	¢	217,262,470	-

Loan portfolio by geographic area

The concentration of the loan portfolio by geographic area is as follows:

		June 2015	June 2014
Central America	¢	217,262,470	-

Loan portfolio by type of guarantee

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

Type of guarantee		June 2015	June 2014
Assignment of loans	¢	23,823,517	-
Mortgage		151,373,771	-
Surety		42,065,182	-
	¢	217,262,470	-

Loan portfolio by individual borrower or economic interest group

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

Loan portfolio concentration		June 2015	June 2014
¢1 to ¢3,000,000	¢	5,223,166	-
¢3,000,001 to ¢15,000,000		114,873,715	-
¢30,000,001 to ¢50,000,000		31,348,459	-
¢50,000,001 to ¢75,000,000		65,817,130	-
	¢	217,262,470	-

(Continued)

The assets and liabilities in foreign currency are as follows:

		June 2015	June 2014
U.S. dollars			
Assets:			
Investments in financial instruments	US$	192,569,937	167,297,826
Other assets		787,008	3,115,512
Total assets	US$	193,356,945	170,413,338
Liabilities:			
Obligations with entities	US$	191,475,489	169,334,328
Total liabilities	US$	191,475,489	169,334,328
Excess of assets over liabilities in U.S. dollars	US$	1,881,456	1,079,010

		June 2015	June 2014
Euros			
Assets:			
Investments in financial instruments	€	516,878	3,219,178
Other assets		253,158	506,486
Total assets	€	770,036	3,725,664
Liabilities:			
Obligations with entities	€	695,438	3,762,642
Total liabilities	€	695,438	3,762,642
Excess (deficit) of assets over liabilities in euros	€	74,598	(36,978)

(Continued)

Assets and liabilities in local and foreign currency are as follows:

Assets		June 2015	June 2014
Local currency:			
Financial instruments of BCCR – own resources	¢	-	22,154,373,480
Financial instruments from the local non-financial public sector – own resources		18,578,019,564	27,168,250,070
Financial instruments from local financial entities – own resources		34,473,058,692	-
Accrued interest receivable associated to investments in financial instruments		755,180,966	586,818,617
Loan portfolio		203,439,804	-
Deferred tax		8,268,349	3,486,607
Balances with other departments		1,875,440,009	882,326,880
Total assets in local currency		55,893,407,384	50,795,255,654
Foreign currency:			
Financial instruments from the local non-financial public sector – own resources	¢	-	27,508,339,536
Financial instruments from local financial entities – own resources		91,261,036,231	19,689,634,358
Financial instruments from central banks and foreign public sector entities – own resources		299,118,841	26,457,420,041
Financial instruments from foreign financial entities – own resources		10,128,904,122	18,187,632,392
Accrued interest receivable associated to investments in financial instruments		430,801,034	458,261,695
Balances with other departments		566,074,944	2,046,984,228
Total assets in foreign currency		102,685,935,172	94,348,272,250
Total assets	¢	158,579,342,556	145,143,527,904
Liabilities			
Local currency:			
Obligations from management of FCD	¢	55,414,729,728	50,295,008,593
Deferred tax		67,999,933	86,216,424
Deferred finance income		74,453	-
Total liabilities in local currency		55,482,804,114	50,381,225,017
Foreign currency:			
Obligations from management of FCD	¢	101,646,997,062	93,795,387,280
Total liabilities in foreign currency		101,646,997,062	93,795,387,280
Total liabilities	¢	157,129,801,176	144,176,612,297

(Continued)

(47) Significant events

a) Derivative financial instruments

Pursuant to the provisions of SUGEF Directive 9-08 "Regulations to Authorize and Execute Operations with Foreign Exchange Derivatives" approved by the Board of Directors of BCCR and as recorded in article 6 of the minutes of meeting No. 5566-2012 held on October 24, 2012, the Board of Directors of BCCR agreed to grant final authorization to the Bank to act as an intermediary in the Foreign Exchange Derivatives Market and trade forwards, FX Swaps, and Currency Swaps.

b) Audit by Tax Authorities - 2010, 2011, 2012, and 2013 periods

On May 21, 2014, the Bank was informed that the Tax Authorities were to perform an audit in respect of the 2010, 2011, 2012, and 2013 periods. Through Notice No. 1-10-015-14-077-011-03 and Notice No. 1-10-015-14-078-111-03 issued by the Large Taxpayer Administration, the Bank received the "Notification of the Start of the Tax Audit and Initial Information Requirements" for the 2012 and 2013 periods, which involves confirming the veracity of the tax returns filed. Additionally, on June 27, 2014, the periods to be audited were extended to include 2010 and 2011 through the "Notification of the Extension to the Tax Audit and Initial Information Requirements" (Notice No. 1-10-015-14-025-012-03 and Notice No. 1-10-015-14-016-121-03).

On November 27, 2014, the Bank's management issued Document No. SGRF-397-2014 presenting management's technical and legal criteria that support its disagreement with the adjustments determined by the Large Taxpayer Administration, as a response to the "Provisional Regularization Proposal and Proposed Sanctioning Ruling Based on Article 81 of the Tax Code of Standards and Procedures (CNPT)".

On January 9, 2015, the National Large Taxpayer Audit Subdirection issued Document No. 1-10-015-14-091-341-03, "Regularization Proposal", detailing the required tax adjustments or corrections to the tax base included in the tax returns filed by the Bank for the 2010, 2011, 2012, and 2013 tax periods. The total tax liability, interest thereon, and the corresponding penalties amount to ¢29,089,100,723, ¢9,036,647,719, and ¢11,286,519,808, respectively.

On January 16, 2015, the Bank presented Official Letter SGR-012-2015 stating its disagreement with the "Regularization Proposal". Also, the Tax Authorities issued Notice No. 2-10-015-14-044-03 "Postponement of the Sanctioning Ruling", whereby the pronouncement of the sanctioning ruling is suspended until the Tax Authorities present the supporting jeopardy assessment of taxes. Additionally, Notice No. 1-10-015-14-038-03 "Postponement of the Jeopardy Assessment of Taxes" suspends the assessment process until the Constitutional Chamber issues a decision on the appeal claiming violation of constitutional rights against article 144 of CNPT (File No. 14-011798-0007-CO).

The National Large Taxpayer Audit Subdirection issued Document No. SFGCN-020-15 dated January 19, 2015 (notified to the Bank on January 21, 2015), whereby it maintains its decision and confirms the actions taken.

Notification No. D.J. 176-2015 ref. 365 of the Legal Department, dated February 3, 2015, reads as follows:

"Therefore, as a result of the consultations, no legally-binding tax liability has been established for the Bank. For such purposes, an administrative act must be issued in respect of the jeopardy assessment of taxes, which is subject to the decision of the Constitutional Chamber of the Supreme Court of Justice in respect of the appeal against article 144. If the appeal is dismissed by the Constitutional Chamber, the debt will become immediately applicable, final, and a present obligation, due to the issue of the jeopardy assessment of taxes".

(48) Other significant events

a- Dividends paid to the Bank

- *BN Corredora de Seguros, S.A.*

  Under article No. 2 of meeting No. 11.888 held on February 11, 2014, the Board of Directors agreed to authorize the distribution of dividends from retained earnings in accordance with Official letter SGRF-047-2014 dated February 6, 2014 in the amount of ¢250 million.

- *BN Sociedad Administradora de Fondo de Inversión, S.A. – BN SAFI, S.A.*

  Under article No. 2 of meeting No. 11.887 held on February 11, 2014, the Board of Directors agreed to authorize the distribution of dividends from retained earnings in accordance with Official letter SGRF-047-2014 dated February 6, 2014 in the amount of ¢1,000 million.

- *Puesto de Bolsa Sociedad Anónima - BN Valores, S.A.*

  Under article No. 2 of meeting No. 11.885 held on February 11, 2014, the Board of Directors agreed to authorize the distribution of dividends from retained earnings in accordance with Official letter SGRF-047-2014 dated February 6, 2014 in the amount of ¢4,000 million.

- *Operadora de Planes de Pensiones Complementarias Sociedad Anónima – BN Vital, S.A.*

  Under article No. 2 of meeting No. 11,886 held on February 11, 2014, the Board of Directors agreed to authorize the distribution of dividends from retained earnings in accordance with Official letter SGRF-047-2014 dated February 6, 2014 in the amount of ¢333 million.

b- *Amendments to accounting regulations*

Through Articles 8 and 5 of the minutes of meetings No. 1034-2013 and No. 1035-2013 held on April 2, 2013, CONASSIF upheld the amendments to SUGEF Directive 31-04 in respect of the financial statements and explanatory notes, SUGEF Directive 33-07 in respect of new accounts to be included in the financial reports, and SUGEF Directive 34-02 in respect of accounting regulations applicable to regulated entities. These amendments are effective starting January 1, 2014.

(49) Transition to International Financial Reporting Standards (IFRSs)

Through various resolutions, CONASSIF (the Board) agreed to partial adoption starting January 1, 2004 of IFRSs promulgated by the International Accounting Standards Board (IASB).

In order to regulate application of those Standards, the Board issued the *Terms of the Accounting Regulations Applicable to Entities Regulated by SUGEF, SUGEVAL, SUPEN, and SUGESE and to Non-financial Issuers* (the Regulations) and approved a comprehensive revision of those Regulations on December 17, 2007.

On May 11, 2010, the Board issued private letter ruling C.N.S. 413-10 to revise the Regulations, whereby regulated entities adopted IFRSs and the corresponding Interpretations issued by the IASB in effect as of January 1, 2008, except for the special treatment indicated in Chapter II of the Regulations.

Subsequently, through Circular Letter C.N.S. 1034-08 dated April 4, 2013, the Board published a number of amendments to SUGEF Directive 31-04 "*Regulations on the Financial Reporting of Financial Entities, Groups, and Conglomerates*" in respect of presentation of annual financial statements, unaudited interim consolidated and unconsolidated financial statements prepared by the entity, and audited consolidated and unconsolidated financial statements. Also, the Board amended SUGEF Directive 34-02 "*Accounting Regulations Applicable to Entities Regulated by SUGEF, SUGEVAL, SUPEN, and SUGESE"* to adopt IFRSs in effect as of January 1, 2011, except for the special treatments indicated in Chapter II of the Regulations. These amendments are effective for annual reporting periods beginning on or after January 1, 2014.

When the regulations issued by the Board differ from IFRSs, noncompliance with such IFRSs and the nature of the specific departure applicable to the entity must be disclosed for each reporting period.

Pursuant to the Regulations, adoption of new IFRSs or Interpretations issued by the IASB, as well as any other revisions of IFRSs adopted will require the prior authorization of the Board.

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

a) IAS 1: Presentation of Financial Statements

The presentation of financial statements required by the Board differs in some respects from presentation under this Standard. 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, foreign exchange differences, income taxes, etc. 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.

Also, interest receivable and payable is presented in the main asset or liability account rather than as other assets or other liabilities.

b) Revised IAS 1: Presentation of Financial Statements

The revised Standard introduces the term “Statement of total comprehensive income”, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Other comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the statement of operations and all non-owner changes in equity in a single statement) or in a separate income statement and statement of comprehensive income. Adoption of Revised IAS1 was mandatory for the 2009 financial statements. As of December 31, 2013, these changes had not been adopted by the Board; however, the approval of the amendments to SUGEF Directive 31-04 and SUGEF Directive 34-02 requires the aforementioned presentation for financial statements as of December 31, 2014.

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 this Standard.

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

SUGEF authorized the booking of notices of deficiency received from Tax Authorities against prior period retained earnings under certain circumstances. The amendments to SUGEF Directive 34-02 eliminate the above treatment for notices of deficiency related to taxes and phase out the difference between IFRSs and the accounting regulations issued by the Board for financial statements as of December 31, 2014.

e) IAS 12: Income Taxes

SUGEF’s Chart of Accounts presents deferred income tax assets, liabilities, income, and expenses separately. IAS 12 permits presenting assets and liabilities on a net basis if the taxes are levied on the same taxable entity. In accordance with IAS 12, income or expenses must be presented on a net basis as part of total income tax.

f) IAS 16: Property, Plant and Equipment

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

Additionally, SUGEF has allowed certain regulated entities to convert (capitalize) revaluation surplus into share capital. This Standard only permits realization of revaluation surplus through the sale or depreciation of the asset. As a result of this treatment, regulated entities must recognize the effect of any impaired fixed assets in profit or loss, since the effect cannot be credited to equity. Under this Standard, impairment is charged to revaluation surplus and any difference is recognized in profit or loss. The amendments to SUGEF Directive 31-04 and SUGEF Directive 34-02 eliminate the option of capitalizing the surplus derived from revaluation of assets for financial statements as of December 31, 2014.

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 foreclosed assets.

g) IAS 18: Revenue

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

The Board has also allowed deferral of the net excess of loan fee and commission income minus expenses incurred for activities such as assessment of the borrower's financial position, evaluation and recognition of guarantees, sureties, or other collateral instruments, negotiation of the terms of the instrument, preparation and processing of documents, and settlement of the operation. This Standard does not allow deferral on a net basis of such income. Instead, it prescribes deferral of 100% of loan fee and commission income and permits the deferral of only certain incremental transaction costs, rather than all direct costs. Accordingly, when costs exceed income, loan fee and commission income may not be deferred in full, since the Board only allows the net excess of income over expenses to be deferred. This treatment does not conform to IAS 18 and IAS 39, which prescribe separate treatment for income and expenses (see comments on IAS 39). With the amendments to SUGEF Directive 31-04 and SUGEF Directive 34-02, the Board adopted the accounting treatment prescribed by IAS 18 and IAS 29 for fees and commissions and transaction costs. However, the following differences remain between the accounting standards issued by the Board and IAS 18 and IAS 39:

(Continued)

- The Board requires that fee and commission income be recognized as a liability and booked under “Deferred income” (liability) and incremental direct costs be amortized in “Deferred charges” (asset). Under IAS 39, fees and commissions and incremental costs are part of the amortized cost of financial instruments, rather than separate assets and liabilities.
- The Board requires that fee and commission income be deferred in “Other income” and costs be amortized in “Other expenses”. Under IAS 18 and IAS 39, income and costs must be booked as part of “Finance income on financial instruments”.
- The Board requires that the effective interest rate be calculated over the financial instrument’s contractual life. Under IAS 39, the effective interest rate for financial instruments is calculated over their expected life (or over a shorter period, if appropriate).
- Under SUGEF regulations, in the event of issuance of a credit-related guarantee, deferred income and incremental costs pending deferral or amortization as of the issue date are not included in the instrument’s amortized cost or the calculation of the foreclosed asset’s carrying amount. As a result, upon issuance, fees and commissions pending deferral and costs pending amortization are booked in profit or loss for the period.

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

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

i) IAS 27: Consolidated and Separate Financial Statements

The Board requires that the financial statements of a parent be presented separately, measuring its investments by the equity method. Under this Standard, a parent is required to present consolidated financial statements. A parent need not 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, this Standard 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 arrangements.

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

With the amendments to SUGEF Directive 31-04 and SUGEF Directive 34-02, savings and credit cooperatives and the Education Savings and Loan Association, as parents, are not required to consolidate the interim and annual audited financial statements of their investees, such as funeral homes and other entities not related to the financial and stock market sector; except for entities that own or manage the cooperatives' personal and real property, which must be consolidated.

j) IAS 28: Investments in Associates

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

k) Revised IAS 32: Financial Instruments - Presentation

The revised Standard provides new guidelines clarifying the classification of financial instruments as liabilities or equity (e.g. preferred shares). SUGEVAL determines whether issues fulfill the requirements of share capital.

l) 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.

m) IAS 37: Provisions. Contingent Liabilities and Contingent Assets

SUGEF prescribes recognition of a provision for possible losses on contingent assets. This type of provision is prohibited under this Standard.

n) IAS 38: Intangible Assets

The commercial banks listed in article 1 of IRNBS (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. Also, under SUGEF regulations, intangible assets must be amortized over five years. This is not in accordance with IAS 38.

o) IAS 39: Financial Instruments: Recognition and Measurement

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

The revised Standard introduced changes with respect to classification of financial instruments, which have not been adopted by the Board. Those changes include the following:

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

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

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

i) Pooled portfolios

Investments in pooled investment funds, pension and mandatory retirement saving funds, similar trusts, and Demand Cash Management Accounts (OPABs) are to be classified as available for sale.

ii) Own investments of regulated entities

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

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

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

Banks regulated by SUGEF may not classify investments in financial instruments as held to maturity. The above classifications do not necessarily adhere to IAS 39.

The amendment to this Standard clarifies the existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amended Standard became mandatory for 2010 financial statements with retrospective application required. These amendments have not been adopted by the Board.

p) IAS 40: Investment Property

This Standard allows entities to choose between the fair value model and the cost model to measure their investment property. The Standard issued by the Board only allows entities to use the fair value model to measure this type of assets except in the cases for which no clear evidence is provided to determine their fair value.

q) Revised IFRS 3: Business Combinations

The revised Standard (2008) incorporates the following changes:

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

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

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

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

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

The revised Standard became mandatory for 2010 financial statements with prospective application required. The Board adopted this Standard through the amendments to the accounting regulations in effect as of January 1, 2014. However, the Board established that a business combination between jointly controlled entities must consider assets and liabilities measured at fair value.

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

The Board requires booking an allowance of one-twenty-fourth of the value of non-current assets classified as available for sale each month, so that if they are not sold within two years from acquisition, an allowance is recognized equivalent to 100% of the assets' carrying amount. This Standard requires that these assets be recorded at the lower of the carrying amount or fair value less costs to sell, discounted to the present value of the assets that will be sold in periods greater than one year. Accordingly, assets could be understated, with excess allowances.

s) Amendments to IFRS 7: Financial Instruments: Disclosures

In March 2009, the IASB issued certain amendments to this Standard, which require enhanced disclosures about fair value measurements and liquidity risk in respect of financial instruments.

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

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

The amendments require disclosure of a maturity analysis for non-derivative and derivative financial liabilities, but contractual maturities are required to be disclosed for derivative financial liabilities only when contractual maturities are essential for an understanding of the timing of cash flows. For issued financial guarantee contracts, the amendments require the maximum amount of the guarantee to be disclosed in the earliest period in which the guarantee could be called. The Board adopted this Standard through the amendments to the accounting regulations in effect as of January 1, 2014.

t) IFRS 9: Financial Instruments

IFRS 9 replaces IAS 39, "*Financial Instruments: Recognition and Measurement*". IFRS 9 amends the classification and measurement requirements for financial instruments, including a new financial instrument impairment model based on the premise of providing for expected credit losses and the new guidelines on hedge accounting. IFRS 9 does not change the principles for financial instrument recognition and derecognition provided for under IAS 39.

The Standard is effective for annual periods beginning on or after January 1, 2018. Early application is permitted. This Standard has not been adopted by the Board.

u) IFRS 10: Consolidated Financial Statements

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

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

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

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

1) determine the date when the investor obtained control of that investee on the basis of the requirements of this Standard

2) measure the assets, liabilities and noncontrolling interests as if acquisition accounting had been applied from that date.

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

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

v) <u>IFRS 11: Joint Arrangements</u>

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

w) <u>IFRS 12: Disclosure of Interests in Other Entities</u>

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

x) IFRS 13: Fair Value Measurement

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

y) IFRIC 10: Interim Financial Reporting and Impairment

This Interpretation prohibits the reversal of an impairment loss recognized in a previous interim period in respect of goodwill, an investment in an equity instrument, or a financial asset carried at cost. This Interpretation applies to goodwill, investments in equity instruments, and financial assets carried at cost from the date that an entity first applied the measurement criteria of IAS 36 and IAS 39 (i.e. January 1, 2004). The Board permits the reversal of allowances.

z) IFRIC 12: Service Concession Arrangements

This Interpretation gives guidance on the accounting by operators for public-to-private service concession arrangements. This Interpretation applies to both:

- infrastructure that the operator constructs or acquires from a third party for the purpose of the service arrangement, and

- existing infrastructure to which the grantor gives the operator access for the purpose of the service arrangement.

This Interpretation became mandatory for annual periods beginning on or after July 1, 2009. The Board adopted this Standard through the amendments to the accounting regulations in effect as of January 1, 2014.

aa) IFRIC 13: Customer Loyalty Programs

This Interpretation gives guidance on the accounting by entities that grant loyalty award credits to customers as part of a sales transaction which, subject to meeting any further qualifying conditions, the customers can redeem in the future for free or discounted goods or services. This Interpretation became mandatory for annual periods beginning on or after January 1, 2011. The Board adopted this Standard through the amendments to the accounting regulations in effect as of January 1, 2014.

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bb) IFRIC 14: IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This Interpretation applies to all post-employment defined benefits and other long-term employee defined benefits. Also, it considers the minimum funding requirements to fund a post-employment or other long-term defined benefit plan. It also addresses when a minimum funding requirements might give rise to a liability. This Interpretation became mandatory for annual periods beginning on or after January 1, 2011 with retrospective application required. The Board adopted this Standard through the amendments to the accounting regulations in effect as of January 1, 2014.

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

This Interpretation allows entities that use the step-by-step consolidation method to choose an accounting policy that hedges currency risk to determine the amount of the cumulative foreign currency translation reserve that is reclassified to profit or loss on the disposal of a net investment in a foreign operation, which is equivalent to the amount that would have been reclassified had the entity used the direct method of consolidation. This Interpretation became mandatory for annual periods beginning on or after July 1, 2009. The Board adopted this Standard through the amendments to the accounting regulations in effect as of January 1, 2014.

dd) IFRIC 17: Distributions of Non-cash Assets to Owners

This Interpretation gives guidance on the accounting of distributions of non-cash assets to owners at the beginning and end of the reporting period.

If, after the end of a reporting period but before the financial statements are authorized for issue, an entity declares a dividend to distribute a non-cash asset, it must disclose:

a) the nature of the asset to be distributed
b) the carrying amount of the asset to be distributed as of the end of the reporting period
c) whether fair values are determined, in whole or in part, directly by reference to published price quotations in an active market or are estimated using a valuation technique, and the method used to determine fair value and, when a valuation technique is used, the assumptions applied.

This Interpretation became mandatory for annual periods beginning on or after July 1, 2009. The Board adopted this Standard through the amendments to the accounting regulations in effect as of January 1, 2014.

ee) IFRIC 18: Transfers of Assets from Customers

This Interpretation gives guidance on the accounting of transfers of items of property, plant and equipment by entities that receive such transfers from their customers. This Interpretation also applies to agreements in which an entity receives cash when that amount of cash must be used only to construct or acquire an item of property, plant and equipment and that the entity must then use the item either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to both. This Interpretation became mandatory for annual periods beginning on or after July 1, 2009. The Board adopted this Standard through the amendments to the accounting regulations in effect as of January 1, 2014.

ff) IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments

This Interpretation gives guidance on the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. This Interpretation became mandatory for annual periods beginning on or after July 1, 2010. The Board adopted this Standard through the amendments to the accounting regulations in effect as of January 1, 2014.

(50) Disclosure of economic impact of departure from IFRSs

Since the basis of accounting used by the Bank’s management described in note 1-b differs from IFRSs, discrepancies may arise related to the balances of certain accounts.

The Bank’s management has chosen not to determine the economic impact of those differences since they consider such determination impractical.

(51) 2013 figures

Certain 2013 figures have been restated for purposes of comparison with the 2014 figures, as presented below.

Pursuant to articles 8 and 5 of the minutes of meetings No. 1034-2013 and No. 1035-2013, respectively, held on April 2, 2013, CONASSIF informed through Notice C.N.S. 1034-08 dated April 4, 2013 of the agreement reached to amend the income statement model included in SUGEF Directive 31-04, requiring the following modification:

- For the year ended December 31, 2014, foreign exchange gains and losses are presented under finance income and finance expenses, respectively. In the 2013 financial statements, those figures were presented on a net basis as foreign exchange gains in the amount of ¢2,957,518,326 (see note 1-d).