

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Financial Information required by the
Superintendency General of Financial Entities

Consolidated Financial Statements

As of June 30, 2024
(With corresponding figures for 2023)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2024 AND 2023 AND DECEMBER 31, 2023
(In colones)

	Note	June 2024	December 2023	June 2023
ASSETS				
Cash and due from banks	9	1,550,929,699,350	1,429,362,414,317	1,422,351,539,288
Cash		98,582,859,959	102,718,169,600	105,165,214,926
BCCR		1,018,141,840,834	926,640,987,647	913,561,199,851
Local financial entities		1,453,463,040	786,731,635	756,627,787
Foreign financial entities		287,582,057,502	258,384,327,377	265,955,306,383
Notes payable on demand		6,699,664,145	7,794,869,384	7,036,757,585
Restricted cash and due from banks		138,469,813,870	133,037,328,674	129,876,432,756
Investments in financial instruments	10	1,554,345,050,274	1,389,619,789,751	1,484,968,917,321
At fair value through profit or loss (FVTPL)		14,274,909,524	23,521,412,984	8,185,106,541
At fair value through other comprehensive income (FVOCI)		557,894,380,574	614,745,008,391	749,622,282,412
At amortized cost		960,265,977,301	730,519,651,897	705,141,219,354
Derivative financial instruments	11	144,167,956	364,305,137	81,663,356
Accrued interest receivable		23,488,012,570	21,887,088,090	24,333,592,916
(Allowance for impairment of investments in financial instruments)		(1,722,397,651)	(1,417,676,748)	(2,394,947,258)
Loan portfolio	12	5,069,557,954,930	4,877,622,526,140	4,801,654,098,999
Current		4,861,563,746,700	4,662,670,755,200	4,600,236,819,805
Past due		233,227,192,151	218,111,190,606	197,303,436,281
In legal collection		82,790,352,429	77,537,248,628	84,539,894,301
Direct incremental costs related to loans		6,903,471,720	6,360,771,801	5,997,216,309
(Deferred income on loan portfolio)		(51,133,491,509)	(48,113,222,075)	(45,168,114,099)
Accrued interest receivable		87,864,428,546	90,753,414,848	94,813,024,533
(Allowance for loan losses)		(151,657,745,107)	(129,697,632,868)	(136,068,178,131)
Accounts and fees and commissions receivable	13	6,539,476,745	5,488,163,215	6,381,263,197
Fees and commissions receivable		2,498,977,191	2,200,365,080	2,302,275,284
Accounts receivable for brokerage operations		-	-	213,389
Accounts receivable for transactions with related parties		36,949,842	22,176,642	31,354,570
Deferred tax and income tax receivable		3,326,319,147	2,660,122,574	3,453,399,538
Other receivables		8,286,391,258	8,216,956,498	4,537,795,468
Accrued interest receivable		1,235,279	2,012,794	1,054,295
(Allowance for impairment of accounts and fees and commissions receivable)		(7,610,395,972)	(7,613,470,373)	(3,944,829,347)
Assets held for sale	14	45,255,340,992	36,457,157,242	38,540,720,626
Assets and securities acquired in lieu of payment		98,294,212,204	98,643,910,547	98,128,950,666
Other assets held for sale		-	-	50,816,861
(Allowance for impairment of assets held for sale and per legal requirements)		(53,038,871,212)	(62,186,753,305)	(59,639,046,901)
Investments in other companies	15	70,804,712,701	68,426,438,887	68,551,577,803
Property, furniture, equipment and right-of-use assets, net	16	232,171,748,919	238,627,811,109	227,746,454,590
Other assets	17	64,912,477,248	61,387,895,555	52,457,149,998
Deferred charges		47,479,670	22,377,026	7,162,470,611
Intangible assets		4,421,724,789	5,627,898,600	6,405,824,707
Other assets		60,443,272,789	55,737,619,929	38,888,854,680
TOTAL ASSETS		8,594,516,461,159	8,106,992,196,216	8,102,651,721,822

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

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2024 AND 2023 AND DECEMBER 31, 2023
(In colones)

LIABILITIES AND EQUITY	Note	June 2024	December 2023	June 2023
LIABILITIES				
Obligations with the public	18	6,976,551,798,593	6,450,404,259,373	6,296,930,496,380
Demand deposits		4,724,650,107,183	4,437,525,057,675	4,239,443,865,268
Term deposits		2,195,748,630,155	1,954,394,980,375	2,003,055,801,452
Finance charges payable		56,153,061,255	58,484,221,323	54,430,829,660
Obligations with BCCR	19	137,456,967,428	147,587,061,477	171,864,593,121
Term obligations		134,035,365,507	144,471,880,512	169,164,553,584
Finance charges payable		3,421,601,921	3,115,180,965	2,700,039,537
Obligations with entities	20	434,222,048,298	454,234,706,977	634,601,139,394
Demand obligations		59,676,301,998	60,292,899,127	50,334,382,701
Term obligations		373,471,463,866	391,797,263,728	581,203,912,682
Finance charges payable		1,074,282,434	2,144,544,122	3,062,844,011
Accounts payable and provisions		139,250,909,338	171,258,829,113	140,798,932,957
Provisions	22	12,994,899,643	23,286,568,787	13,745,673,369
Accounts payable for brokerage services		1,074,306,355	483,204,964	2,778,732,283
Deferred tax	21-b	18,478,700,402	17,823,955,778	14,318,128,032
Other sundry accounts payable	23	106,703,002,938	129,665,099,584	109,956,399,273
Other liabilities	24	29,448,398,393	33,111,379,327	33,280,965,332
Deferred income		79,244,797	88,687,508	80,275,434
Other liabilities		29,369,153,596	33,022,691,819	33,200,689,898
Subordinated obligations	25	58,527,590,663	59,065,779,037	62,291,207,157
Subordinated obligations		56,488,665,000	56,903,040,000	60,168,060,000
Finance charges payable		2,038,925,663	2,162,739,037	2,123,147,157
TOTAL LIABILITIES		7,775,457,712,713	7,315,662,015,304	7,339,767,334,341
EQUITY				
Share capital		172,237,030,102	172,237,030,102	172,237,030,102
Paid-in capital	26-a	172,237,030,102	172,237,030,102	172,237,030,102
Equity adjustments - Other comprehensive income		78,696,122,434	80,711,724,550	70,945,847,205
Reserves	26-b	465,757,272,410	422,198,198,610	422,855,114,135
Prior-period retained earnings		20,409,233,949	33,835,547,527	32,751,235,583
Income for the period		26,199,476,202	33,723,084,897	15,470,565,230
Capital contributions or special funds	26-c	55,759,613,349	48,624,595,226	48,624,595,226
TOTAL EQUITY		819,058,748,446	791,330,180,912	762,884,387,481
TOTAL LIABILITIES AND EQUITY		8,594,516,461,159	8,106,992,196,216	8,102,651,721,822
DEBIT MEMORANDA ACCOUNTS	27	445,072,778,404	411,531,590,103	435,622,203,196
TRUST ASSETS	28	2,916,960,440,563	2,842,910,508,528	2,878,400,697,089
TRUST LIABILITIES		65,751,072,307	64,250,521,545	68,940,033,782
TRUST EQUITY		2,851,209,368,256	2,778,659,986,983	2,809,460,663,307
TRUST MEMORANDA ACCOUNTS		6,826,843,125	7,438,086,100	7,052,855,641
OTHER DEBIT MEMORANDA ACCOUNTS	29	38,626,177,109,642	35,447,674,483,367	32,937,678,781,268
Own debit memoranda accounts		14,222,749,211,238	12,546,160,266,211	10,503,222,268,488
Third-party debit memoranda accounts		5,297,054,426,151	4,956,547,223,229	4,810,733,816,951
Own debit memoranda accounts for custodial activities		549,798,208,106	640,304,967,101	723,585,307,599
Third-party debit memoranda accounts for custodial activities		18,556,575,264,147	17,304,662,026,826	16,900,137,388,230

Rosaysella Ulloa Villalobos
General Manager a.i.

Alejandra Morales Centeno
General Accountant
CPI 21119

Ricardo Araya Jiménez
General Auditor

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

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BANCO NACIONAL DE COSTA RICA
Atención: SUGEF
Registro Profesional: 21119
Contador: MORALES CENTENO
ALEJANDRA
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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS AND THREE MONTHS ENDED JUNE 30, 2024 AND 2023
(In colones)

	Note	Six months ended		Three months ended	
		June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Finance income					
Cash and due from banks	33	8,349,441,358	7,197,945,316	4,462,727,115	3,634,614,977
Investments in financial instruments	33	48,979,389,490	41,883,768,095	24,627,118,895	22,646,510,412
Loan portfolio	34	232,949,703,131	237,644,136,348	117,200,204,712	120,156,777,099
Gain on financial instruments at FVTPL		732,167,583	186,496,596	134,878,525	33,784,980
Gain on financial instruments at FVOCI		6,458,951,342	4,081,166,320	4,060,651,631	3,881,575,996
Gain on derivative financial instruments, net	11	42,729,792	-	15,003,689	(118,972,679)
Other finance income	35	1,666,060,451	3,424,695,301	720,835,029	2,589,087,186
Total finance income		299,178,443,147	294,418,207,976	151,221,419,596	152,823,377,971
Finance costs					
Obligations with the public	36	108,663,829,993	118,426,874,184	52,501,177,535	63,117,117,893
Obligations with BCCR		570,980,828	667,763,916	282,996,583	329,967,537
Obligations with financial and non-financial entities	37	10,377,760,842	18,020,236,257	4,985,829,133	9,416,116,493
Subordinated, convertible and preferred obligations		3,123,726,654	3,296,336,107	1,534,341,351	1,662,175,868
Loss on foreign exchange differences and DU, net		141,212,853	1,739,928,675	(119,233,441)	(102,716,941)
Loss on financial instruments at FVTPL	6-d	375,769,967	1,005,432,583	2,260,477	1,461,315
Loss on financial instruments at FVOCI		253,467,371	853,298,466	150,364,783	440,068,501
Loss on investment property		-	-	-	-
Loss on derivative financial instruments, net	11	-	115,381,039	-	115,381,039
Other finance costs	38	302,187,748	3,179,094,716	148,148,932	1,267,198,945
Total finance costs		123,808,936,256	147,304,345,943	59,485,885,353	76,246,770,650
Allowance for impairment of assets	39	39,890,522,296	21,705,769,862	22,637,276,209	9,691,735,119
Recovery of assets and decrease in allowances	40	7,738,460,781	9,166,847,499	3,816,569,781	3,997,192,798
FINANCE INCOME		143,217,445,376	134,574,939,670	72,914,827,815	70,882,065,000
Other operating income					
Service fees and commissions	41	84,473,692,567	84,132,662,612	41,931,820,287	40,789,509,307
Assets held for sale		10,236,082,911	3,606,038,259	5,427,599,875	834,956,349
Gain on investments in other companies	8	2,010,932,529	1,639,561,285	1,121,657,664	835,730,103
Foreign currency exchange and arbitrage		16,353,630,712	17,330,943,973	8,212,449,340	8,266,735,147
Other income from related parties		68,779,466	13,524,469	20,401,069	6,862,773
Other operating income	42	4,960,513,439	6,788,008,254	1,986,414,333	4,761,292,250
Total other operating income		118,103,631,624	113,510,738,852	58,700,342,568	55,495,085,929

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BANCO NACIONAL DE COSTA RICA
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS AND THREE MONTHS ENDED JUNE 30, 2024 AND 2023
(In colones)

		Six months ended		Three months ended	
	Note	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Other operating expenses					
Service fees and commissions		19,534,751,929	21,551,652,290	9,161,609,360	10,352,919,616
Assets held for sale	43	5,409,120,503	7,599,843,101	3,074,095,062	4,746,337,278
Provisions	44	13,132,994,396	10,980,866,496	7,091,656,766	5,270,497,315
Bonuses on fees and commissions of voluntary pension funds		178,867,075	193,009,349	111,553,315	149,816,443
Foreign currency exchange and arbitrage		2,401,425	6,973,420	2,388,490	1,442,618
Other operating expenses	45	39,975,353,275	34,374,207,743	20,090,670,126	17,784,465,438
Total other operating expenses		78,233,488,603	74,706,552,399	39,531,973,119	38,305,478,708
GROSS OPERATING INCOME		183,087,588,397	173,379,126,123	92,083,197,264	88,071,672,221
Administrative expenses					
Personnel expenses	46	82,121,699,962	80,381,253,595	40,553,806,985	40,316,039,872
Other administrative expenses	47	43,394,406,214	38,556,711,932	23,441,850,900	20,656,567,082
Total administrative expenses		125,516,106,176	118,937,965,527	63,995,657,885	60,972,606,954
NET OPERATING INCOME BEFORE TAXES AND STATUTORY ALLOCATIONS		57,571,482,221	54,441,160,596	28,087,539,379	27,099,065,267
Income tax	21-a	15,695,043,001	16,342,557,857	11,723,835,359	8,467,560,741
Prior-period income tax	21-a	277,934	7,117,119,540	-	3,547,309,483
Deferred tax	21-a	431,595,677	1,400,409,361	58,700,173	541,149,280
Decrease in prior-period income tax	21-a	-	22,678	-	-
Deferred tax income	21-a	909,162,281	1,008,504,470	792,318,068	623,150,417
Statutory allocations	48	16,154,251,688	15,119,035,756	7,388,154,651	7,494,171,962
INCOME FOR THE PERIOD		26,199,476,202	15,470,565,230	9,709,167,264	7,672,024,218
OTHER COMPREHENSIVE INCOME, NET OF TAX					
Items that will not be reclassified to profit or loss					
Surplus from revaluation of property		170,933,533	116,169,074	87,081,037	58,405,446
Other adjustments		(806,350,492)	(4,833,247,892)	3,210,015,194	1,537,050,776
Items that are or may be reclassified to profit or loss					
Adjustment for valuation of investments at FVOCI		(793,226,610)	10,958,047,361	(1,885,394,943)	5,809,475,917
Adjustment for valuation of restricted financial instruments		114,221,636	21,153	114,230,413	21,153
Surplus from revaluation of other assets		2,320,105	(427,572)	(81,694)	(214,967)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		(1,312,101,828)	6,240,562,124	1,525,850,007	7,404,738,325
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		24,887,374,374	21,711,127,354	11,235,017,271	15,076,762,543

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Contador: MORALES CENTENO
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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, NET
FOR THE SIX MONTHS ENDED JUNE 30, 2024 AND 2023
(In colones)

	Note	Share capital	Equity adjustments - Other comprehensive income	Reserves	Capital contributions in special funds	Prior-period retained earnings	Total
Balance at December 31, 2022		172,237,030,102	65,091,090,087	387,165,279,581	44,436,595,670	71,035,884,962	739,965,880,402
Adjustment to statutory allocations from prior periods		-	-	-	-	1,207,379,725	1,207,379,725
Balance at January 1, 2023		172,237,030,102	65,091,090,087	387,165,279,581	44,436,595,670	72,243,264,687	741,173,260,127
Transactions with owners booked directly in equity:							
Legal reserves		-	-	37,365,747,265	-	(37,365,747,265)	-
Other statutory reserves		-	-	(1,675,912,711)	-	1,675,912,711	-
Capital contributions in special funds		-	-	-	4,187,999,556	(4,187,999,556)	-
Total transactions with owners booked directly in equity		-	-	35,689,834,554	4,187,999,556	(39,877,834,110)	-
Comprehensive income for the period:							
Income for the period		-	-	-	-	15,470,565,230	15,470,565,230
Surplus from revaluation of property		-	116,169,074	-	-	-	116,169,074
Adjustment for valuation of investments at FVOCI	10	-	10,958,047,361	-	-	-	10,958,047,361
Adjustment for valuation of restricted financial instruments	10	-	21,153	-	-	-	21,153
Surplus from revaluation of other assets		-	(427,572)	-	-	-	(427,572)
Other adjustments		-	(4,833,247,892)	-	-	-	(4,833,247,892)
Realization of surplus from revaluation of property		-	(385,805,006)	-	-	385,805,006	-
Total comprehensive income for the period		-	5,854,757,118	-	-	15,856,370,236	21,711,127,354
Balance at June 30, 2023	26	172,237,030,102	70,945,847,205	422,855,114,135	48,624,595,226	48,221,800,813	762,884,387,481

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, NET
FOR THE SIX MONTHS ENDED JUNE 30, 2024 AND 2023
(In colones)

	Note	Share capital	Equity adjustments - Other comprehensive income	Reserves	Capital contributions in special funds	Prior-period retained earnings	Total
Balance at December 31, 2023		172,237,030,102	80,711,724,550	422,198,198,610	48,624,595,226	67,558,632,424	791,330,180,912
Adjustment to statutory allocations from prior periods		-	-	-	-	2,841,193,160	2,841,193,160
Balance at January 1, 2024		172,237,030,102	80,711,724,550	422,198,198,610	48,624,595,226	70,399,825,584	794,171,374,072
<i>Transactions with owners booked directly in equity:</i>							
Legal reserves		-	-	39,024,687,745	-	(39,024,687,745)	-
Other statutory reserves		-	-	4,534,386,055	-	(4,534,386,055)	-
Capital contributions in special funds		-	-	-	7,135,018,123	(7,135,018,123)	-
Total transactions with owners booked directly in equity		-	-	43,559,073,800	7,135,018,123	(50,694,091,923)	-
Comprehensive income for the period:							
Income for the period		-	-	-	-	26,199,476,202	26,199,476,202
Surplus from revaluation of property		-	170,933,533	-	-	-	170,933,533
Adjustment for valuation of investments at FVOCI	10	-	(793,226,610)	-	-	-	(793,226,610)
Adjustment from valuation of restricted financial instruments	10	-	114,221,636	-	-	-	114,221,636
Surplus from revaluation of other assets		-	2,320,105	-	-	-	2,320,105
Other adjustments		-	(806,350,492)	-	-	-	(806,350,492)
Realization of surplus from revaluation of property		-	(703,500,288)	-	-	703,500,288	-
Total comprehensive income for the period		-	(2,015,602,116)	-	-	26,902,976,490	24,887,374,374
Balance at June 30, 2024	26	172,237,030,102	78,696,122,434	465,757,272,410	55,759,613,349	46,608,710,151	819,058,748,446

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2024 AND 2023
(In colones)

	Note	June 30	June 30
Cash flows from operating activities			
Income for the period		26,199,476,202	15,470,565,231
Items not requiring cash			
Depreciation and amortization		12,594,924,092	12,031,784,037
Loss (gain) on foreign exchange differences and DU, net		5,547,221,963	(59,123,817,640)
Loss on sale of non-financial assets		2,206,608,425	2,944,974,171
Finance income		(281,929,092,621)	(279,527,904,443)
Finance costs		69,656,945,015	83,612,055,132
Allowance for investments, net		(135,098,559)	689,253,171
Allowance for loan losses, net		38,381,303,479	19,353,391,098
Allowance for other accounts receivable, net		437,650,545	390,339,674
(Gain) on allowance for assets held for sale, net		(9,147,882,094)	(1,042,798,501)
Severance provision		26,816,796	10,840,900
Other provisions		12,402,752,760	(2,831,679,577)
Share of net profit of foreign associate		(2,010,932,540)	(1,639,561,298)
Statutory allocations, net		16,154,251,688	15,119,035,756
Income tax expense, net	21-a	15,695,320,935	23,459,654,719
Deferred tax	21-a	(477,566,604)	391,904,890
		(94,397,300,518)	(170,691,962,680)
Cash flows from operating activities			
Loan portfolio		(233,894,460,711)	(319,866,946,804)
Accounts and fees and commissions receivable		(4,182,062,382)	324,452,292
Assets held for sale		10,592,395,908	15,383,351,464
Other assets		(5,011,594,935)	11,711,743,863
Obligations with the public		509,571,619,779	360,359,262,159
Obligations with BCCR and other entities		(16,074,263,884)	(26,715,049,592)
Obligations for accounts payable, fees and commissions payable and provisions		(3,726,293,008)	26,728,068,848
Other liabilities		(3,621,246,414)	3,315,886,504
		253,654,094,353	71,240,768,734
Income tax paid		(24,415,055,311)	(36,413,300,937)
Interest received on loan portfolio and investments		283,217,154,443	282,422,141,116
Interest paid on term obligations with the public and financial entities		(72,751,945,815)	(65,144,822,719)
Statutory allocations paid		(26,721,013,239)	(23,464,949,153)
Net cash from operating activities		318,585,933,913	57,947,874,361
Cash flows from investing activities			
Increase in financial instruments		(939,473,461,175)	(696,148,280,003)
Decrease in financial instruments		774,301,702,383	659,321,326,637
Acquisition of property and equipment		(20,161,450,777)	(43,981,231,414)
Sale of property and equipment		290,126,386	65,043,925
Acquisition of intangible assets		(1,045,156,406)	(447,239,670)
Net cash (used in) investing activities		(186,088,239,589)	(81,190,380,525)
Cash flows from financing activities			
Settlement of financial obligations		(12,055,104,107)	(14,377,281,258)
Other financing activities		-	16,000,000,000
Payment of lease liabilities		(1,249,544,005)	(1,033,864,514)
Net cash (used in) from financing activities		(13,304,648,112)	588,854,228
Net increase (decrease) in cash and cash equivalents		119,193,046,212	(22,653,651,936)
Cash and cash equivalents at beginning of year		1,648,529,317,528	1,578,737,708,410
Cash and cash equivalents at end of year	9	1,767,722,363,740	1,556,084,056,474

Rosaysella Ulloa Villalobos
General Manager a.i.

Alejandra Morales Centeno
General Accountant
CPI 21119

Ricardo Araya Jiménez
General Auditor

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

Céd. 4000001021

BANCO NACIONAL DE COSTA RICA

Atención: SUQUEF

Registro Profesional: 21119

Contador: ALEJANDRA MORALES CENTENO

Estado de Flujos de Efectivo

2024-06-30 14:46:53 -0600



TIMBRE 300.0 COLONES

VERIFICACIÓN: Cm3Ctfmg
<https://timbres.contador.cc.cr>

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of June 30, 2024

(With corresponding figures for 2023)

(1) Reporting entity

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 General Superintendency of Financial Entities (SUGEF) and the Comptroller General of the Republic (CGR). Its 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.

In agreement with IRNBS, if a bank divides its services into departments, its operations must 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 must 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 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 market, pension fund management, investment funds, insurance brokerage, international banking services and electronic banking services. It seeks to become the most digitalized, leading financial conglomerate in Costa Rica by offering the best customer experience, obtaining sufficient profitability levels to grow and support the country's development, and ensuring excellent organizational health.

(Continúa)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of June 30, 2024, the Bank has 153 offices, 460 ATMs and along with its subsidiaries a total of 5,795 employees (2023: 153 offices, 460 ATMs and along with its subsidiaries a total of 5,740 employees). Employees are distributed as follows: Banco Nacional de Costa Rica – 5,307 employees (2023: 5,277); BN Valores Puesto de Bolsa, S.A. - 75 employees (2023: 70); BN Vital Operadora de Planes de Pensiones Complementarias, S.A. - 207 employees (2023: 192); BN Sociedad Administradora de Fondos de Inversión, S.A. - 100 employees (2023: 94); and BN Sociedad Corredora de Seguros, S.A. - 106 employees (2023: 107). 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. Its main activity is performing securities transactions in 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 the Superintendency General of Securities (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 the management on behalf of third parties of 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, under the laws of the Republic of Costa Rica. 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 the *Law of the Private Supplemental Pension Fund System* (Law No. 7523) 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)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

BN Sociedad 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).

BN Centro de Procesos, S.A. was organized as a corporation under the laws of the Republic of Costa Rica. It was authorized to operate in the financial conglomerate of Banco Nacional according to a resolution by the National Financial System Oversight Board (CONASSIF), agreement in Article 10 of Minutes of Meeting No. CNS-1817/10 held on August 28, 2023. Subsequently, on October 9, through official communication SGF 2620-2023, the registration of the entity was confirmed. Its activities are regulated by the legal framework for the creation of a company for a financial conglomerate, paragraph 2 of Article 141 of the *Internal Regulations of the Central Bank of Costa Rica* (Law No. 7558) and numeral 3 of Article 73 of the *Internal Regulations of the National Banking and Financial System* (Law No. 1644) and CONASSIF through its regulations and provisions.

As of June 30, 2024, BN Centro de Procesos S.A. has not begun operations until the Office of the Comptroller General of the Republic authorizes the corresponding budget.

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

Banco Internacional de Costa Rica, S.A. and Subsidiary (BICSA), which was organized under the laws of the Republic of Panama in 1976, BICSA 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. Banco de Costa Rica holds the remaining 51% ownership interest.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The main components of the financial statements of the entities in which the Bank holds ownership interest are as follows:

June 2024					
	BN Valores Puesto de Bolsa, S.A.	BN Sociedad Administradora de Fondos de Inversión, S.A.	BN Vital Operadora de Planes de Pensiones Complementarias, S.A.	BN Sociedad Corredora de Seguros, S.A.	BICSA
Assets	¢ 67,751,548,107	15,190,799,518	19,731,967,739	8,252,573,640	507,242,369,487
Liabilities	¢ 51,190,447,653	1,862,335,244	5,141,795,744	2,130,174,388	437,538,280,093
Equity	¢ 16,561,100,454	13,328,464,274	14,590,171,995	6,122,399,252	69,704,089,394
Income for the period	¢ 834,160,557	1,559,890,264	1,337,085,881	2,684,490,114	1,930,687,202
Memoranda accounts	¢ 1,123,626,999,455	771,854,617,142	2,767,727,108,915	-	-

December 2023					
	BN Valores Puesto de Bolsa, S.A.	BN Sociedad Administradora de Fondos de Inversión, S.A.	BN Vital Operadora de Planes de Pensiones Complementarias, S.A.	BN Sociedad Corredora de Seguros, S.A.	BICSA
Assets	¢ 67,388,346,248	13,955,082,732	19,074,819,581	10,578,594,680	511,769,423,869
Liabilities	¢ 51,737,845,036	2,353,484,871	4,564,604,483	3,141,308,150	444,443,608,280
Equity	¢ 15,650,501,212	11,601,597,861	14,510,215,098	7,437,286,530	67,325,815,589
Income for the year	¢ 1,566,100,206	2,386,931,399	1,542,119,927	4,733,729,988	3,297,830,863
Memoranda accounts	¢ 1,111,429,293,217	682,701,900,813	2,546,790,872,491	-	-

June 2023					
	BN Valores Puesto de Bolsa, S.A.	BN Sociedad Administradora de Fondos de Inversión, S.A.	BN Vital Operadora de Planes de Pensiones Complementarias, S.A.	BN Sociedad Corredora de Seguros, S.A.	BICSA
Assets	¢ 70,761,172,129	11,884,773,363	16,277,199,712	7,821,062,450	506,872,234,769
Liabilities	¢ 54,737,029,063	1,536,792,637	2,938,822,345	1,885,989,416	438,371,280,270
Equity	¢ 16,024,143,066	10,347,980,726	13,338,377,368	5,935,073,034	68,500,954,499
Income for the period	¢ 841,769,109	1,122,712,125	747,048,959	2,231,516,492	1,639,004,226
Memoranda accounts	¢ 1,164,414,532,287	633,263,355,799	2,414,602,570,107	-	-

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(2) Basis of accounting

(a) Basis of accounting

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

With the entrance into effect of CONASSIF Directive 6-18 *Regulation on Financial Information* (RFI), the regulatory basis of accounting is updated in order to make progress in the adoption of International Financial Reporting Standards (IFRS). It also includes a single body of regulations, provisions regarding the remission, presentation and publication of financial statements, providing more uniformity in the actions of the superintendencies, as well as preventing duplications.

(b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for financial assets and liabilities at fair value through other comprehensive income (FVOCI), at fair value through profit or loss (FVTPL) and derivative financial instruments, which are measured at fair value; and assets held for sale, which are measured at the lower of their carrying amount and their estimated realizable value.

Loans, accounts receivable and deposits are initially recognized on the date on which they are originated. All other financial assets (including assets at FVTPL) are initially recognized on the transaction date, the date on which the Conglomerate commits to purchase or sell an instrument.

(3) Functional and presentation currency

These consolidated financial statements and notes thereto are expressed in colones (¢), the currency of the Republic of Costa Rica, in accordance with the accounting regulations issued by CONASSIF, SUGEF, SUGEVAL, SUPEN and SUGESE.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(4) Use of estimates and judgments

In preparing these consolidated financial statements management has made judgments, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Management applies judgment when determining, through the established control indicators, whether the Conglomerate controls an entity or a separate vehicle.

a- Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 5 (c) (ii) – Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the asset are solely payment of principal and interest (SPPI) on the principal amount outstanding.
- Note 5 (j) (ii) – Lease term: Whether the Conglomerate is reasonably certain that it will exercise extension options.
- Note 5 (c) (iii) – Establishing the criteria for determining whether credit risk on a financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information in the measurement of ECL and selection and approval of models used to measure ECL.

b- Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment for the period ended June 30, 2024, is related to the impairment of financial instruments.

(i) Fair value measurement

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(5) Material accounting policies

The Conglomerate has consistently applied the following accounting policies to the years presented in the consolidated financial statements.

(a) Basis of consolidation

i. Subsidiaries

Subsidiaries are entities controlled by the Conglomerate. The Conglomerate controls an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries described in Note 1 are included in the consolidated financial statements from the date that control commences until the date on which control ceases.

ii. Non-controlling interests

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. As of June 30, 2024, the Bank holds 49% ownership interest in Banco Internacional de Costa Rica, S.A. and Subsidiary (BICSA), a Panamanian entity.

Changes in the Bank's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

iii. Loss of control

When the Bank loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained by the Bank in the former subsidiary is measured at fair value when control is lost.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

iv. *Interests in equity-accounted investees*

CONASSIF requires the financial statements of investees to be presented unconsolidated and to account for those investments under the equity method. BICSA is a bank that was organized under the laws of the Republic of Panama. Since 1976, BICSA operates under a general license granted by the Superintendency of Banks of Panama to engage in banking operations in Panama or abroad.

v. *Transactions eliminated on consolidation*

Intra-group balances and transactions and any unrealized income and expenses (except for foreign exchange gains and losses) arising from intra-group transactions are eliminated during the preparation of the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

(b) Foreign currency

i. *Foreign currency transactions*

Monetary assets and liabilities denominated in foreign currencies are translated into colones at the exchange rate at the date of the consolidated statement of financial position, except for transactions that have a contractually agreed exchange rate. Transactions in foreign currencies during the period are translated at the exchange rates at the dates of the transactions. Foreign currency differences arising on translation are generally recognized in profit or loss for the period.

ii. *Monetary unit and foreign exchange regulations*

The parity of the colón with the US dollar is determined in a free exchange market, under the supervision of the Central Bank of Costa Rica (BCCR) through 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, using the reference selling rate published by BCCR.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

iii. Method for valuation of assets and liabilities in foreign currency

As of June 30, 2024, assets and liabilities in US dollars are valued at the exchange rate of ¢530.41 to US\$1.00 (December and June 2023: ¢526.88 and ¢549.48 to US\$1.00), which is the reference selling rate established by BCCR.

As of June 30, 2024, assets and liabilities denominated in euro are valued at the exchange rate of ¢567.49 to €1.00 (December and June 2023: ¢582.31 and ¢600.09 to €1.00, respectively), which is obtained by multiplying the international Reuters exchange rate by the reference rate set by BCCR for the sale of US dollars on the last business day of the month.

As of June 30, 2024, assets and liabilities denominated in Development Units (DU) were valued at the exchange rate of ¢1,012.92 to DU1.00 (December and June 2023: ¢1,013.32 and ¢1,017.01 to DU1.00, respectively). This exchange rate is based on the DU value tables published by SUGEVAL.

iv. Foreign operations

The financial statements of BICSA are presented in US dollars, which is the entity's functional currency. They have been converted as follows:

- Monetary assets and liabilities denominated in US 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 transaction date (historical rate)
- 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 rate)
- Income and expenses have been translated at average exchange rates in effect for the year.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (c) Financial instruments
(i) Recognition and initial measurement

The Conglomerate initially recognizes cash, deposits in checking accounts and cash equivalents on the date on which they are originated. All other financial instruments are recognized on the trade date, which is the date on which the Conglomerate becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transactions costs that are directly attributable to its acquisition or issue.

- (ii) Classification and subsequent measurement

Financial assets

Classification

On initial recognition, a financial asset is classified as measured at: amortized cost, FVOCI, or FVTPL, according to the business model under which it is managed as well as the characteristics of the contractual cash flows.

Financial assets are not reclassified subsequent to their initial recognition, unless the Conglomerate changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

A financial asset is measured at FVOCI if it meets both of the following conditions and it is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI, as described above, are measured at FVTPL.

On initial recognition, the Conglomerate may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Conglomerate makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Conglomerate's senior management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reason for such sales and its expectations about future sales activity.

The transfer of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for that purpose, in conformity with the continuous recognition of assets.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. However, the principal may change over time (e.g. if there are reimbursements of the principal).

'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Conglomerate considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Conglomerate considers:

- contingent events that would change the amount and timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension terms;

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- terms that limit the Conglomerate's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Subsequent measurement and gains and losses

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial assets at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income and are accumulated in the fair value reserve. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Financial liabilities

Classification

Financial liabilities are classified as measured at amortized cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held for trading or it is designated as such on initial recognition.

Subsequent measurement and gains and losses

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(iii) Impairment of financial assets

The Conglomerate recognizes loss allowance for ECL on the following assets that are not measured at FVTPL:

- investments in financial instruments (amortized cost and FVOCI)
- accrued interest receivable.

The Conglomerate measures loss allowances at an amount equal to 12-month ECL or lifetime ECL.

12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are recognized are referred to as 'Stage 1 financial instruments'. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognized but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.

Financial instruments for which lifetime ECL are recognized and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Conglomerate expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

ECL are discounted using the effective interest rate of the financial asset.

At each reporting date, the Conglomerate assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Bank on terms that it would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for financial assets measured at amortized cost are presented as a deduction from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income.

Forward-looking information

The Conglomerate incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Conglomerate will formulate a base scenario of the future direction of the relevant economic variables, considering the advice of the Risk Committee, the Investments Committee, external information and forecasts. This process entails the development of two or more additional economic scenarios and assessing their likelihood.

The base scenario will represent a more likely outcome; it is aligned with information used by the Conglomerate for other purposes such as strategic planning and budgeting. The other scenarios are one upside scenario and one downside scenario. Periodically, the Conglomerate carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Impairment of non-financial assets

At each reporting date, the Conglomerate reviews the carrying amounts of its non-financial assets (other than investment properties and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets with indefinite useful lives are tested annually for impairment.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in the consolidated statement of comprehensive income. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU (or groups of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(iv) Derecognition

Financial assets

The Conglomerate derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Conglomerate neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognized in profit or loss.

Financial liabilities

The Conglomerate derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Conglomerate currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis in the consolidated statement of comprehensive income only when permitted under IFRS Accounting Standards, or for gains and losses arising from a group of similar transactions, such as gains or losses on financial assets measured at FVTPL.

(d) Derivative financial instruments

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. All derivatives are measured at fair value in the consolidated statement of financial position.

If a derivative is not held for trading, and is not designated in a qualifying hedging relationship, then all changes in its fair value are recognized immediately in profit or loss as a component of net income from other financial instruments at FVTPL.

(e) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Conglomerate accounts for an embedded derivative separately from the host contract when:

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- the host contract is not itself carried at FVTPL;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognized in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship. Separated embedded derivatives are presented in the consolidated statement of financial position together with the host contract.

The Conglomerate currently has the following derivative financial instruments:

i. Derivatives held for risk management

These financial instruments have the purpose of compensating for changes in fair value attributable to changes in the benchmark rate.

On November 1, 2023, the international issue of bonds matured, in conformity with that set forth in the contract; therefore, the issue, interest, valuation and other corresponding items were settled, thus complying with the established maturity of the bond and corresponding hedging instruments.

ii. Derivatives other than hedges

The Conglomerate entered into currency forwards with several clients. Under these derivative financial instruments, the Conglomerate 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 types of instruments are products which the Conglomerate can offer to its clients pursuant to the authorization provided by BCCR to operate exchange rate derivatives.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For currency forwards, the Conglomerate 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 market interest rates in colones and in US dollars, applicable to the different terms.

(f) Cash and cash equivalents

Cash and cash equivalents include demand deposits in other banks and deposits in BCCR with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Conglomerate in the management of its short-term commitments.

Cash and cash equivalents are carried at amortized cost in the consolidated statement of financial position.

(g) Property, furniture, equipment and leasehold improvements

(i) Recognition and measurement

Items of property, furniture, equipment and leasehold improvements are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes disbursements directly attributable to the acquisition of the asset. If significant parts of an item of property, furniture, equipment and leasehold improvements have different useful lives, then they are accounted for as separate items (major components) of property, furniture, equipment and leasehold improvements. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

(ii) Subsequent costs

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Conglomerate. Ongoing repairs and maintenance are expensed as incurred.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Depreciation and amortization

Depreciation and amortization are calculated using the straight-line method over the estimated useful life of each item of property, furniture, equipment and leasehold improvements and it is recognized in profit or loss for the period. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Conglomerate will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current period and comparative periods are as follows:

<u>Type of asset</u>	<u>Estimated useful life</u>
Buildings	25 to 120 years
Vehicles	10 years
Furniture and equipment	10 years
Computer hardware	5 years
Laptops	3 years
Leasehold improvements	According to the estimated useful life or the term of the lease

(h) Intangible assets

(i) Recognition and measurement

Intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Amortization

Software is amortized on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software is three to five years.

(iii) Subsequent costs

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as it is incurred.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(i) Leases

At inception of a contract, the Conglomerate assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For purposes of recognition, measurement, presentation and disclosure of information, it is done according to IFRS 16 *Leases*.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Conglomerate allocates consideration in the contract to each lease component on the basis of its relative stand-alone price.

The Conglomerate recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated under the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Conglomerate by the end of the lease term or the cost of the right-of-use asset reflects that the Conglomerate will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Conglomerate's incremental borrowing rate. Generally, the Conglomerate uses its incremental borrowing rate as the discount rate.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Conglomerate determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments; and
- the exercise price under a purchase option that the Conglomerate is reasonably certain to exercise, lease payments in an optional renewal period if the Conglomerate is reasonably certain to exercise an extension option and penalties for early termination of a lease unless the Conglomerate is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Conglomerate's estimate of the amount expected to be payable under a residual value guarantee, if the Conglomerate changes its assessment of whether it will exercise a purchase, extension, or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(ii) Short-term leases and leases of low-value assets

The Conglomerate has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases.

The Conglomerate recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(j) 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 Conglomerate 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.

(k) Allowance for loan losses

The allowance for loan losses is based on a periodic assessment of the probability of recovery 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.

As of January 1, 2024, the comprehensive analysis of the loan portfolio is based on CONASSIF Directive 14-21 *Regulation on the Calculation of the Allowance for Loan Losses*. This assessment includes parameters such as: borrower's payment history, creditworthiness (payment capacity), quality of guarantees and delinquency. As of December 31, 2023, the evaluation considered the provisions set forth by CONASSIF as per SUGEF Directive 1-05 *Regulations for Borrower Classification*.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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, 2024, increases in the allowance for loan losses are included in the accounting records in accordance with Article 10 of IRNBS.

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

The provisions of Article 22 of SUGEF Directive 9-20 *Regulations to Authorize and Execute Operations with Foreign Exchange Derivatives* are applied by the Conglomerate 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 *Regulations on Capital Adequacy of Financial Entities*) must be multiplied by the respective allowance percentage corresponding to the borrower rating, in conformity with the applicable prudential regulation on loss allowances.

(m) Other receivables

Other receivables are recorded at amortized cost. The recoverability of these accounts is assessed by applying criteria of IFRS 9.

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.

(n) Assets held for sale

Assets held for sale are assets owned by the Conglomerate for realization or sale in conformity with IFRS 5. These include assets received in lieu of payment and assets awarded in judicial auctions.

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Notes to the Consolidated Financial Statements

With the entrance into effect of CONASSIF Directive 06-18, Article 16, IFRS 5 *Non-current assets held for sale and discontinued operations*, assets received in lieu of payment as of January 1, 2024, are regulated by that set forth in the modification to the Regulation on Financial Information.

Regarding the inventory of the entity's assets held for sale as of December 31, 2023, and the corresponding regulatory allowance, a gradual treatment is established that must be completed by December 31, 2024, at the latest. Moreover, entities must determine which assets recorded in Account 151 "Assets and securities received in lieu of payment" will be maintained in that account and which will be reclassified to Account 188 "Other assets held for sale beyond the scope of IFRS 5."

As of January 1, 2024, the registration of the regulatory allowance will be suspended as of the month when the entity applies that set forth in provisions c), d) and e) of the Regulations, and as of December 31, 2024, at the latest, the balance accumulated in subaccount 159.10 (Regulatory allowance for assets held for sale) must be reclassified to subaccount 139.02.M.04 (General component for the loan portfolio – Transitory). For this purpose, the entity must perform the following, in the same monthly accounting period:

- i. Reverse against income the regulatory allowance booked in subaccount 159.10.
- ii. Record an expense to recognize the allowance in the subaccount 139.02.M.04 (General component for the loan portfolio – Transitory). The expense amount should match the amount of the reversal in income.
- iii. The balance that remains in subaccount 139.02.M.04 after the movements indicated above must be used solely to cover the future requirements of counter-cyclical allowances.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(o) Accounts payable and other liabilities

Accounts payable and other liabilities are carried at amortized cost.

(p) Provisions

A provision is recognized in the consolidated statement of financial position if, as a result of a past event, the Conglomerate 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 date of the consolidated statement of financial position, directly affecting the consolidated statement of comprehensive income.

(q) Employee benefits

(i) *Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) *Statutory Christmas bonus*

Each month, the Conglomerate books an accrual to cover future statutory Christmas bonus disbursements. Costa Rican legislation requires the payment of one-twelfth of an employee's monthly salary for each month of service. That payment is made to the employee in December, even in the event of dismissal. In the case of dismissals or resignations that occur prior to December, the employee is entitled to a bonus that is proportional to the time worked during the year.

(iii) *Vacation*

Costa Rican legislation establishes that for every fifty weeks of service, employees are entitled to two weeks of vacation. The Conglomerate follows the policy that for all of its personnel, the accrued vacation days at year end may not exceed one year.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iv) *Incentives plan*

The Conglomerate has an incentives and performance assessment system (*Sistema de Evaluación del Desempeño e Incentivos*, SEDI). It is defined at the BNCR financial conglomerate level and is subject to management models that have been previously approved.

The score obtained in this assessment is the sum of the percentages obtained in the individual and group evaluations. The minimum score to be obtained is 80 points.

These incentives aim to promote effective achievement of institutional objectives and goals, which requires continuous efforts by the Conglomerate to coordinate and consolidate its work force, increase its productivity and ensure its compensation is market competitive.

These incentives are paid as compensations for the employees' business effort and individual effort, so as to promote an extraordinary performance, reaching the goals established in the Annual Operating Plan and in the Strategic Plan. This salary incentive is annual; the evaluation covers from January to December of each year. The allowance is calculated as 15% of income after income tax and statutory allocations. The amount obtained from that percentage includes the social security contributions corresponding to that payment.

This item may not exceed 60% of the employee's monthly salary, in conformity with the guidelines set forth by the Executive Branch in Directive No. 026-H dated May 26, 2015 "Regarding the Policies on the Payment of Incentives at State-owned Banks" and Directive No. 036-H dated November 10, 2015 "Regarding the Parameters to be Used in Determining the Feasibility of the Payment of Incentives to Employees of State-owned Banks".

The expense for the incentive is booked monthly in a liability account, which is liquidated the following year when the payment is made to employees and former employees who met the required conditions. For 2022, there is an arbitration process underway, which prevents the payment of the incentive for 2020 and 2021.

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Notes to the Consolidated Financial Statements

(v) *Annuities*

Since 2018, a constitutional motion was being processed against Article 37 of the Collective Bargaining Agreement relating to annuities. In Vote No. 2021025969, the Constitutional Chamber indicated that Article 37 of the VII Collective Bargaining Agreement was not unconstitutional; therefore, that article will remain during the validity term of the VII Collective Bargaining Agreement. However, this article was affected by the regulations of Law No. 9635, effective as of December 4, 2018, which modified the *Law on Public Administration Salaries*.

Consequently, the Bank already has the annuity calculations made by the Risk Division and in conformity with official communication DDH-1188-202 dated August 10, 2022, issued by the Human Resources Department, the amount has been provisioned.

(vi) *Defined contribution plans*

Obligations for contributions to defined contribution plans are expensed as the related service is provided. This includes the contributions to supplemental pension fund operators.

Pursuant to the *Employee Protection Law*, all 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.

(vii) *Defined benefit plans*

The Bank's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Bank, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Conglomerate determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the year as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Conglomerate recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(viii) *Termination benefits*

Termination benefits are expensed when the Conglomerate has an obligation in relation to those benefits. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

Costa Rican legislation requires the payment of severance benefits to employees in the event of retirement, death or dismissal without just cause, equivalent to seven days' salary for employees with between three and six months of service, 14 days' salary for employees with between six months and one year of service and an amount prescribed by the *Employee Protection Law* for employees with more than 1 year of service, up to a maximum of eight years.

The Conglomerate follows the policy of making monthly transfers to the Employee Association (*Asociación Solidarista de Empleados del Banco Nacional, ASEBANACIO*) equivalent to 5.33% of member employees' monthly salaries for management and custody, which are expensed in the year incurred. The aforementioned contributions and those made to the Supplemental Pension System are considered advance severance payments.

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Notes to the Consolidated Financial Statements

In the event of dismissal without just cause, the amount payable to the former employee is calculated and if there are any differences between the calculation and the amount payable by the Employee Association, the Conglomerate assumes the difference as an expense. If the dismissal is with just cause, then the Conglomerate does not have to make any payments.

(ix) *Employee Protection and Retirement Fund*

The Employee Protection and Retirement Fund of Banco Nacional de Costa Rica (the Fund) was created by the *Law of Banco Nacional de Costa Rica* (Law No. 16) dated November 5, 1936 and has been amended on a number of occasions. The most recent amendment was included in the *Law to Modernize the Financial System of the Republic* (Law No. 7107) dated 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:

- items established by the laws and regulations related to the Fund;
- contributions made by the Bank equivalent to 10% of total wages;
- contributions made by employees equivalent to 5% (June 2023: 5%) of total wages to strengthen the Fund; and
- 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. The Fund operates based on the principle of solidarity.

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

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Currently, bill No. 21,824 named *Law to repeal the special, supplementary pension systems* seeks to repeal the Fund. This bill eliminates special supplementary pensions financed by the National Budget and the last motion by the fund received in September 2023, and it proposes the elimination of the supplementary pension systems of the following public institutions: Banco de Costa Rica, Banco Nacional de Costa Rica, Junta de Protección Social, public entities of the Telecom Sector and Instituto Costarricense de Turismo (ICT).

(r) Deferred income

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

(s) 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.

Other statutory reserves

In order to comply with Panamanian regulations, the associate BICSA must create the following statutory reserves:

Statutory reserve	Agreement of the Superintendency of Banks of Panama
Statutory reserve for assets held for sale	Agreement No. 003-2009
Statutory dynamic provision	Agreement No. 004-2013
Country risk reserve	Agreement No. 007-2000 and Agreement No. 001-2001

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Notes to the Consolidated Financial Statements

(t) Revaluation surplus

Revaluation surplus included in the consolidated statement of changes in equity may be transferred directly to prior year 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 prior year retained earnings is not made through the consolidated statement of comprehensive income. Per SUGEF's authorization, the Bank follows the policy of transferring the revaluation surplus to prior period retained earnings for subsequent capitalization, in conformity with Article 8 of IRNBS (Law No. 1644).

(u) Income tax

Income tax is determined pursuant to the provisions of the *Income Tax Law* (Law No. 7092), which require that the Bank file its income tax returns for the 12 months ending December 31 of each year. Any resulting tax is recognized in profit or loss for the year and credited to a liability account in the consolidated statement of financial position.

i. *Current tax*

Current tax comprises the expected tax payable or receivable on taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

ii. *Deferred tax*

Deferred tax is recognized using the liability method in the consolidated statement of financial position in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

iii. Tax benefits - FOCREDE

Regarding the tax benefits applied to the Development Credit Fund (FOCREDE), the Development Financing Fund (FOFIDE) and the National Development Trust (FINADE) as part of the resources of the Development Banking System managed by the Bank, as established in Article 15 of the *Development Banking System Act* (Law No. 8634), effective from November 27, 2014, that fund is exempt from income tax and from any other type of tax.

(v) Segment reporting

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

(w) Financial statements of the different departments

The consolidated financial statements include the financial statements of the Commercial Banking, Mortgage Banking and Rural Credit Banking departments, which 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 subordinated to the Bank's General Board of Directors.

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

Pursuant to the provisions of Article 43 of IRNBS (Law No. 1644), the accounting records of each of the Bank's departments are kept separately.

(x) Recognition of income and expenses

i. Interest income and interest expense

Interest income and interest expense are recognized in the consolidated statement of comprehensive income on an accrual basis. Interest income and interest expense include amortization of any premium or discount during the term of the instrument until maturity.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Conglomerate follows the policy of suspending interest accruals on loans when principal or interest payments are more than 180 days past due. Interest 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 statement of comprehensive income.

The Bank took extraordinary measures to help its customers and give flexibility with payments to borrowers affected by the economic crisis caused by the pandemic. The solutions offered included COVID-19 restructuring, which allowed the customer to suspend the payment for a specific number of installments, which were then restructured as follows:

- a) The principal of the unpaid installments is prorated among the remaining installments of the payment plan, to be paid within the remaining term of the operation.
- b) Interest corresponding to the restructured installments shall be payable at the end of the term of the operation, or it can be settled previously by the customer if they wish to do so.

These measures were adopted considering the cycle of economic activities, some of them exceed six months, which entailed the accrual of interest for more than 180 days.

Regarding accrual on the loan portfolio over 180 days, official letter CNS-1698/08 indicates that the Bank must have an allowance, which as of June 30, 2024, amounts to ¢15,119 million. According to the plan for accrued interest receivable, the allowance to be booked amounts to ¢21,398 million. This plan must be carried out during the next 36 months, with bi-annual cutoffs. However, the balance must be updated at the beginning of each semester, considering the payments made, refinancing, default and other effects.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

<u>Semester</u>	<u>Minimum allowance percentage of the balance of accrued interest receivable</u>	<u>Minimum allowance required</u>
	<u>over 180 days</u>	
2024-06	56%	12,542
2024-12	70%	14,979
2025-06	85%	18,188
2025-12	100%	21,398

ii. *Fee and commission income*

Fee and commission income arises on services provided by the Conglomerate and is recognized when the corresponding service is provided. When fees and commissions are an integral part of the return on the underlying operation, they are deferred over the term of the operation and amortized using the effective interest method.

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 consolidated statement of comprehensive income on a monthly basis.

iv. *Operating lease expenses*

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

(y) Statutory allocations

In accordance with SUGEF's Chart of Accounts, statutory allocations on the year's net earnings payable to the National Institute for Cooperative Development (INFOCOOP), the National Emergency Commission (CNE), the National Commission for Educational Loans (CONAPE) and the Disability, Old Age and Death Benefit System (RIVM) are recognized as expenses in the consolidated statement of comprehensive income.

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 INFOCOOP; and the remainder to increase the Bank's capital, pursuant to Article 178 of the *Cooperative Associations Law* (Law No. 4179).

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Pursuant to paragraph a) of Article 20 of the *Law to Create the National Commission for Education (CONAPE)* (Law No. 6041), 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* (Law No. 8488), 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 the *Employee Protection Law* (Law No. 7983) 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 RIVM of CCSS and to provide universal CCSS coverage for impoverished non-salaried workers.

For the Pension Fund Manager, Article 49 of Law No. 7983 establishes that public capital pension operators must allocate 50% of their earnings to the affiliates of the Compulsory Retirement Savings Fund.

(z) Development Financing Fund (FOFIDE)

In accordance with Article 32 of the *Development Banking System Act* (Law No. 8634), all State-owned banks, except Banco Hipotecario para la Vivienda (BANHVI), must 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.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For purposes of establishing and strengthening development financing funds, all State-owned banks must transfer to their respective funds the amount corresponding to prior year's 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.

(aa) Development Credit Fund (FOCREDE)

The Development Credit Fund (FOCREDE) is comprised of the funds prescribed in Article 59 of IRNBS (Law No. 1644), FOCREDE will be managed by State-owned banks, Accordingly, in compliance with the *Repeal of Transition Provision VII of Law No. 8634* (Law No. 9094) and Article 36 of the *Development Banking System Act* (Law No. 8634), 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 managers for five years from the date of signing of the respective management agreements, renewable for equal periods. Each bank is awarded the management of fifty percent (50%) of such fund.

As a result, 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. Pursuant to Article 6 of Law No. 8634, the Managing Banks may offer first-tier banking services to the beneficiaries of the Development Banking System.
- b. Pursuant to Article 36 of Law No. 8634, State-owned Managing Banks may channel second-tier banking services with FOCREDE funds through placements made to associations, cooperatives, microfinance entities, foundations, non-governmental organizations, producer organizations or other formal entities, except for private banks, provided that the purposes and beneficiaries established in the law are met and such entities are duly authorized by the Governing Board.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- c. 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 14 of Law No. 8634 and amendments thereto.

(bb) Trust operations

Assets managed by the Conglomerate as trustee are not considered part of the Conglomerate's equity and, therefore, are not included in the financial statements. Fee and commission income derived from trust management is recognized on an accrual basis.

(6) Risk management

The Conglomerate has exposure to the following risks:

- credit risk
- liquidity risk
- market risk
 - interest rate risk
 - currency risk
- 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 Conglomerate 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. the Brokerage Firm, Investment Fund Manager and Pension Fund Manager.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Conglomerate manages the above risks as follows:

a) Credit risk

i. Banco Nacional de Costa Rica

This is the risk that the borrower or issuer of a financial asset fails to meet its contractual obligations, 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 investment securities. The exposure to credit risk on those assets is represented by the carrying amount of the assets in the consolidated statement of financial position. 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.

The Bank has established the following credit risk management procedures:

- The Bank has defined procedures for the monitoring, application of controls and loan processing. The functions, tasks and procedures performed by the Credit Risk Division have been documented with the support of the Quality Management Division. Consequently, the Bank has been able to optimize and standardize the process.
- The Bank has performed and reviewed the administrative loan follow-up procedures for branches and regional offices.
- The Bank is performing a comprehensive assessment of the credit granting process and the procedures performed in offices, shared service centers, commercial areas and corporate center.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 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.

As of January 1, 2024, the comprehensive analysis of the loan portfolio and investments is based on CONASSIF Directive 14-21 *Regulation on the calculation of the allowance for loan losses*. The main changes are as follows:

- calculation of the allowance according to the standard methodology
- segmentation of the portfolio
- categories and risk rating by borrower.

Based on the above, the presentation is for comparative purposes, except for items where the information is presented according to SUGEF Directive 1-05 for data with cutoff as of June 30, 2023, and in conformity with CONASSIF Directive 14-21, for data with cutoff as of June 30, 2024.

At the date of the consolidated statement of financial position, 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 exposure to credit risk are as follows:

	Direct loan portfolio		Stand-by credits	
	June 2024	June 2023	June 2024	June 2023
<i>Loan portfolio</i>				
Principal	¢ 5,177,581,291,280	4,882,080,150,387	379,847,895,733	343,432,397,078
Accounts and accrued interest receivable	87,864,428,546	94,813,024,533	-	-
Gross carrying amount	5,265,445,719,826	4,976,893,174,920	379,847,895,733	343,432,397,078
Incremental direct costs related to loans	6,903,471,720	5,997,216,309	-	-
Deferred income from loan portfolio	(51,133,491,509)	(45,168,114,099)	-	-
Allowance for loan losses (accounting records)	(151,657,745,107)	(132,195,348,564)	(187,938,848)	(1,114,620,039)
Net carrying amount	¢ 5,069,557,954,930	4,805,526,928,566	379,659,956,885	342,317,777,039

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Bank's financial instruments with exposure to credit risk according to CONASSIF Directive 14-21 are as follows:

		Direct loan portfolio	Stand-by credits
		June 2024	June 2024
Loan portfolio			
Total balances:			
1	¢	4,201,871,089,077	357,039,370,505
2		619,207,033,410	18,073,561,546
3		28,243,000,330	782,226,306
4		125,710,100,055	3,763,639,592
5		109,520,840,221	156,994,851
6		16,104,175,678	1,426,726
7		17,299,340,415	5,108,081
8		147,490,140,640	25,568,126
		5,265,445,719,826	379,847,895,733
Structural allowance (subledger – database)		(109,628,558,457)	(187,938,848)
Net carrying amount		¢ 5,155,817,161,369	379,659,956,885
Individually assessed loans with allowance:			
1	¢	4,200,595,130,937	345,854,278,063
2		619,207,033,410	7,589,602,416
3		28,243,000,330	782,226,163
4		125,710,100,055	3,499,563,298
5		109,520,840,221	154,494,850
6		16,104,175,678	1,426,726
7		17,299,340,415	5,108,081
8		147,490,140,640	25,568,126
		5,264,169,761,686	357,912,267,723
Structural allowance (subledger – database)		(109,628,558,457)	(187,938,848)
Net carrying amount		¢ 5,154,541,203,229	357,724,328,875

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		Direct loan portfolio	Stand-by credits
		June 2024	June 2024
Current loan portfolio, without allowance:			
1	¢	1,275,958,140	11,185,092,358
2		-	10,483,959,214
3		-	143
4		-	264,076,295
5		-	2,500,000
6		-	-
7		-	-
8		-	-
Carrying amount	¢	1,275,958,140	21,935,628,010
Gross carrying amount	¢	5,265,445,719,826	379,847,895,733
Allowance for loan losses (database)		(109,628,558,457)	(187,938,848)
Allowances for other statutory requirements		(42,029,186,650)	-
Incremental direct costs related to loans		6,903,471,720	-
Deferred income from loan portfolio		(51,133,491,509)	-
Net carrying amount	¢	5,069,557,954,930	379,659,956,885
Restructured loans	¢	1,451,407,938	-

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

According to SUGEF Directive 1-05, risk exposure is as follows:

		Direct loan portfolio	Stand-by credits
		June 2023	June 2023
Loan portfolio			
Total balances:			
0	¢	43,977,436,592	-
A1		3,917,049,162,011	322,935,026,022
A2		68,158,277,238	1,380,086,046
B1		453,027,023,470	2,798,242,633
B2		11,182,373,437	56,629,361
C1		123,367,221,664	1,544,001,438
C2		14,758,401,056	37,361,396
D		176,051,341,462	13,613,595,499
E		169,321,937,990	1,067,454,683
		4,976,893,174,920	343,432,397,078
Structural allowance (subledger – database)		(92,361,726,992)	(77,999,648)
Net carrying amount	¢	4,884,531,447,928	343,354,397,430
Individually assessed loans with allowance:			
0	¢	42,645,700,306	-
A1		3,913,933,916,411	20,843,919,602
A2		68,158,277,238	112,773,989
B1		451,981,459,177	406,980,005
B2		11,182,373,437	-
C1		123,367,221,664	24,671,189
C2		14,758,401,056	-
D		176,051,341,462	13,054,439,285
E		169,321,937,990	16,118,951
		4,971,400,628,741	34,458,903,021
Structural allowance (subledger – database)		(92,361,726,992)	(77,999,648)
Net carrying amount	¢	4,879,038,901,749	34,380,903,373

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		Direct loan portfolio	Stand-by credits
		June 2023	June 2023
Current loan portfolio, without allowance:			
0	¢	1,331,736,286	-
A1		3,115,245,600	302,091,106,418
A2		-	1,267,312,057
B1		1,045,564,293	2,391,262,628
B2		-	56,629,361
C1		-	1,519,330,250
C2		-	37,361,396
D		-	559,156,214
E		-	1,051,335,733
Carrying amount	¢	<u>5,492,546,179</u>	<u>308,973,494,057</u>
Gross carrying amount	¢	4,976,893,174,920	343,432,397,078
Allowance for loan losses (database)		(92,361,726,992)	(77,999,648)
Allowances for other statutory requirements		(39,833,621,572)	(1,036,620,391)
Incremental direct costs related to loans		5,997,216,309	-
Deferred income from loan portfolio		<u>(45,168,114,099)</u>	<u>-</u>
Net carrying amount	¢	<u>4,805,526,928,566</u>	<u>342,317,777,039</u>
Restructured loans	¢	<u>6,445,249,980</u>	<u>-</u>

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Set out below is an analysis of the Bank's loan portfolio balances as of June 30, gross and net of the allowance for loan losses, by risk rating according to SUGEF Directive 1-05 (June 2023 cutoff), CONASSIF Directive 14-21 (June 2024 cutoff) and SUGEF Directive 15-16 *Regulations on credit risk management and evaluation for the Development Banking System*:

		June 2024	
		Loans to customers	
		Gross	Net
1	¢	4,201,871,089,077	4,188,656,396,406
2		619,207,033,410	573,130,203,291
3		28,243,000,330	26,972,643,653
4		125,710,100,055	119,214,218,764
5		109,520,840,221	99,623,271,250
6		16,104,175,678	9,589,371,032
7		17,299,340,415	11,751,142,535
8		147,490,140,640	84,850,727,788
	¢	<u>5,265,445,719,826</u>	<u>5,113,787,974,719</u>

According to CONASSIF Directive 14-21, as observed in the table above, the gross portfolio as of June 30, 2024, amounts to ¢5,265 billion, of which the risk categories “1+2” represent 96.56% and categories “3+4+5+6+7+8” represent 3.44%.

		June 2023	
		Loans to customers	
		Gross	Net
0	¢	43,977,436,632	42,912,025,230
A1		3,917,049,161,971	3,854,691,951,925
A2		68,158,277,238	67,626,812,815
B1		453,027,023,470	448,677,835,683
B2		11,182,373,437	11,008,818,202
C1		123,367,221,664	119,074,461,261
C2		14,758,401,056	13,829,365,273
D		176,051,341,462	158,546,968,115
E		169,321,937,990	128,329,587,852
	¢	<u>4,976,893,174,920</u>	<u>4,844,697,826,356</u>

According to SUGEF Directive 1-05, the gross portfolio as of June 30, 2023, amounted to ¢4,977 billion, of which the risk ratings “A+B” represent 90.29% and risk ratings “C+D+E” represent 9.71%.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Individually assessed loans with allowance:

According to CONASSIF Directive 14-21, for 2024, a risk rating is assigned to all borrowers. Applicable allowance percentages are determined based on the portfolio rating and segmentation (Article 15). Individually assessed loans with allowance are loan operations for which, after considering the guarantee for the loan, there is still a balance to which the allowance percentage will be applied, according to the risk level assigned by the Bank.

Pursuant to SUGEF Directive 1-05, for 2023, 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 for which, after considering the guarantee for the loan, there is still a balance to which the applicable allowance percentage will be applied, according to the risk level assigned by the Bank.

Past due loans without allowance:

Past due loans without allowance correspond to loan operations with a guarantee that covers 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. The various types of restructured loans are as follows:

- 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, in order to prevent default.
- b. Modified loan: Loan operation in which at least one of the current contractual repayment terms has been modified, in order to prevent default, except for modification due to extension.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- c. Refinanced loan: Loan operation in which at least one payment is made fully or partially with another loan operation in order to prevent default.

As per CONASSIF 14-21, for borrowers with a least one special loan operation, Section IV Borrowers with Special Loan operations shall be applied, based on the following:

Classification due to Special Loan Operations

Reclassification to Categories 4, 5 or 6: when during the observation period of 24 months, on two occasions, at least one of the borrower's loan operations has been subject to intervention by the financial entity. Intervention is understood as approval by the entity of any modification or group of modifications in at least one of the borrower's loan operations.

Reclassification to Categories 7 or 8: when during the observation period of 24 months, on two or more occasions, at least one of the borrower's loan operations has been subject to intervention by the financial entity. Intervention is understood as approval by the entity of any modification or group of modifications in at least one of the borrower's loan operations.

Criteria to no longer qualify as a special operation

A borrower with a special loan operation may be classified in lower risk categories when all of the following conditions are met:

- a) When it is verified that the borrower with a special loan operation complies with the classification criteria corresponding to the lower risk categories established in these Regulations.
- b) When the borrower has demonstrated, with regard to the new loan payment schedule, the payment of at least four (4) consecutive installments. Payment will be understood as compliance with the obligation established in the contract.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Transition Provision XXV of SUGEF Directive 1-05 *Regulations for Borrower Classification*

Starting January 1, 2023, and until December 31, 2023, for purposes of Number 2, Subparagraph i) of Article 3 of said regulations, a borrower with at least one operation that has been modified twice within a period of 24 months will be classified as risk rating B2. Furthermore, a borrower with at least one operation modified more than twice within a period of 24 months will be classified in risk rating C1. The number of modifications will include those applied as of January 1, 2022. The borrower maintains the risk rating prior to obtaining the special operation referred in Paragraph 1 of this Transition Provision, if and when it is B2 or C1, respectively, or a higher risk rating. Nevertheless, if the borrower's conditions justify reclassification to higher risk ratings, the entity must make the corresponding reclassification.

Transition Provision XXVI of SUGEF Directive 1-05 *Regulations for Borrower Classification*

Starting January 1, 2023, and until December 31, 2023, the following text must be applied, which substitutes Article 18. Special loan operation: "Article 18. Special loan operation. Borrowers with at least one special loan operation must immediately be classified by the entity as follows: if before having a special loan operation the borrower was classified in risk ratings A1 to C1 or was not classified according to these Regulations, said borrower must be classified in risk rating C1, or risk ratings B2 or C1 when applicable, as per Transition Provision XXV of these Regulations, or a higher credit risk rating for at least 180 days.

When a supervised entity acquires a loan portfolio from entities within its own business group, it may request authorization from SUGEF to improve the risk rating of the borrower before the established term of 90 days, for which SUGEF must confirm the proposed category in order to issue the authorization. If, before having a special loan operation, the borrower was classified in risk ratings C2 or D, the borrower must be classified in risk rating C2 or D, respectively, or a higher risk rating, for at least 180 days.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

If, before having a special loan operation, the borrower was classified in risk rating E, that risk rating must be maintained for at least 180 days. When applying the previous paragraphs, it is worth noting that: a) the period during which the borrower's risk rating cannot be improved will begin after the grace period ends, if there is one, for the principal granted in the special loan operation; b) the 90-day or 180-day periods indicated will only be valid when the special loan operation stipulates monthly payments or payments with shorter frequency (bi-weekly, weekly, etc.).

If the special loan operation stipulates payments with a frequency greater than one month, the period during which the borrower's risk rating cannot be improved will be extended for a period equivalent to six consecutive payments of the principal according to the agreed frequency, and c) a borrower with at least one special loan operation as per Subparagraphs i3 and i4 of Article 3 of these Regulations or any other loan operation which due to its characteristics can be used to prevent arrears must remain in the risk rating while at least one of those special loan operations is maintained.

Once the period during which the borrower's risk rating cannot be improved has elapsed, as per the previous paragraphs, the entity can reclassify the borrower according to its assessment based on these Regulations. When SUGEF, based on an evaluation of the facts and circumstances, determines the existence of a special loan operation, it must communicate to the entity the reasons why it considers the loan operation to be a special operation, and it must grant a maximum term of five business days for the entity to submit allegations and evidence it considers pertinent.

Loan write-off policy:

The Bank writes off a loan (and any allowance for loan losses) 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, write-offs are generally based on the level of arrears of the loan granted.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Portfolio segmentation (previously borrower classification):

Pursuant to Article 5 of CONASSIF Directive 14-21, borrowers (individuals or legal entities), with a total owed amount excluding mortgages, that have exceeded at least once the thresholds of ₡1,000 and ₡500 million, are classified into: Business 1 and Business 2, respectively. All other loans that do not meet these criteria are classified as Business 3, plus revolving lines of credit (consumer credit) for legal entities.

Regarding segmentation, the portfolio must be classified into:

- a) revolving lines of credit (consumer credit) for individuals
- b) car loans for individuals or legal entities, with the sole purpose of purchasing a vehicle
- c) regular consumer credits: consumer credits for individuals that do not belong to the previous categories
- d) mortgage loans for individuals and legal entities
- e) business loans: loans to micro and small entities, medium entities, large entities (corporate) and Central Government.

As of June 2024, the amount of the portfolio by classification is as follows:

Portfolio segmentation	Direct loan portfolio		Stand-by credits	
		June 2024		June 2024
Consumer	₡	411,776,576,308		1,587,186,231
Business 1		2,052,133,174,995		20,889,147,189
Business 2		117,055,861,804		3,449,912,777
Business 3		573,127,215,896		23,345,111,941
Revolving		125,932,397,189		330,542,352,517
SBD		209,453,276,702		34,185,078
Car		240,579,502,614	-	
Mortgage		1,535,387,714,318	-	
	₡	<u>5,265,445,719,826</u>		<u>379,847,895,733</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Pursuant to Article 4 of SUGEF Directive 1-05, borrowers are classified in two groups: Group 1, borrowers whose total outstanding balance exceeds ¢100 million, according to Note SGF-1514-2019 and Group 2, borrowers whose total outstanding balance is less than ¢100 million.

As of June 2023, the loan portfolio by borrower classification is as follows:

Borrower classification	Direct		Stand-by	
	June 2023		June 2023	
Group 1	¢	2,676,715,784,639		39,847,191,547
Group 2		2,300,177,390,281		303,585,205,531
	¢	4,976,893,174,920		343,432,397,078

Risk rating categories:

For purposes of the entrance into effect of CONASSIF Directive 14-21, the Standard Methodology, eight risk ratings are established, from 1 (low risk) to 8 (high risk). In turn, they are associated with the following three stages of classification, consistent with IFRS 9:

- Stage 1: Operations with normal risk, includes ratings 1 and 2; there is no evidence of a significant increase in credit risk since initial recognition.
- Stage 2: Operations under special monitoring, includes ratings 3 and 4; there is an observable significant increase in credit risk since initial recognition.
- Stage 3: Operations of doubtful recovery (credit-impaired), includes ratings 5, 6, 7 and 8. Includes past due loans and loans with a high probability of default.

For purposes of classification into the Business 1 and Business 2 segments, borrower classification also takes into consideration the following parameters: maximum arrears with the entity at the current month's close, level of historical payment behavior and borrower's payment capacity (creditworthiness), as summarized below:

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

<u>Stages</u>	<u>Risk rating</u>	<u>Arrears</u>	<u>Historical payment behavior</u>	<u>Creditworthiness</u>
Stage 1	1	Current	Level 1	Level 1
	2	30 days or less	Level 1 or Level 2	Level 1 or Level 2
	3	60 days or less	Level 1 or Level 2	Level 1 or Level 2
Stage 2			Level 1 or Level 2 or	
	4	90 days or less	Level 3	Level 1 or Level 2 or Level 3
			Level 1 or Level 2 or	Level 1 or Level 2 or Level 3 or
	5	120 days or less	Level 3	Level 4
Stage 3			Level 1 or Level 2 or	Level 1 or Level 2 or Level 3 or
	6	150 days or less	Level 3	Level 4
			Level 1 or Level 2 or	Level 1 or Level 2 or Level 3 or
	7	180 days or less	Level 3	Level 4
	8	More than 181 days		

As established in SUGEF Directive 15-16 *Regulations on Credit Risk Management and Evaluation for the Development Banking System*, for the calculation of specific allowances for risk ratings 2 to 6, both in the microcredit portfolio and development banking, as well as second-tier banking, these will be subject to specific allowances according to the percentages indicated in the following table:

<u>Risk rating</u>	<u>Specific allowance percentage – Uncovered portion</u>
1	0%
2	5%
3	25%
4	50%
5	70%
6	100%

In addition, SUGEF Directive 15-16 establishes the criteria for borrower classification by category and by portfolio (microcredits, development banking and second-tier banking), which are summarized below:

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

<u>Risk rating</u>	<u>Classification criteria</u>	
	<u>Microcredit portfolio</u>	<u>Development banking and second-tier banking</u>
1	a) Borrowers up to date in the payment of their operations with the entity, or b) Borrowers with arrears of 30 days or less with the entity.	a) Borrowers up to date in the payment of their operations with the entity, or b) Borrowers with arrears of 30 days or less with the entity.
2	Borrowers with arrears of more than 30 days with the entity	Borrowers with arrears of 30 to 60 days with the entity.
3	Borrowers with arrears of 60 to 90 days with the entity	a) Borrowers with arrears of 60 to 90 days with the entity, or b) Borrowers with arrears of 60 days or less with the entity, that have had arrears in the DBS of more than 90 days in the last 12 months, or c) Borrowers with arrears of 60 days or less with the entity, that have been subject to a restructuring in any of their operations with the entity during the last 12 months.
4	Borrowers with arrears of 90 to 120 days with the entity	a) Borrowers with arrears of 90 to 120 days with the entity. b) Borrowers with arrears of 90 days or less with the entity that have had arrears in the DBS of more than 120 days in the last 12 months, or c) Borrowers with arrears of 90 days or less with the entity that have been subject to at least 2 restructurings in any of their operations with the entity during the last 12 months.
5	Borrowers with arrears of 120 to 180 days with the entity	Borrowers with arrears of 120 to 180 days with the entity
6	Borrowers with arrears of more than 180 days with the entity	Borrowers with arrears of more than 180 days with the entity.

For entities supervised by SUGEF, borrowers without a valid authorization for a credit check through SUGEF's Credit Information Center (CIC), must be classified (the borrower or their operations) in risk rating 4 or a higher risk rating when applicable, according to the classification criteria established in these Regulations.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

According to Article 12 of CONASSIF Directive 14-21, the entity must classify the following operations in risk rating 8:

- a) Operations with balances for which reimbursement has been legally requested through the execution of the collateral, even if they are secured, as well as operations in which the borrower has initiated a lawsuit and the outcome thereof determines the payment.
- b) Operations in which the process for execution of the collateral has begun, including finance leases in which the entity has decided to rescind the contract to recover ownership of the asset.
- c) Operations of owners who have declared bankruptcy, or it has been verified that they will declare bankruptcy, without a request for liquidation.
- d) Operations secured by collaterals granted or sureties declared in a bankruptcy, for which it has been verified that liquidation has been declared or will be declared, and there is a significant and unrecoverable decrease in their solvency, even if the beneficiary of the surety has not claimed payment.

In 2023 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.

For purposes of the analysis of payment capacity (creditworthiness), pursuant to Article 10 of SUGEF Directive 1-05, borrowers in Group 1 are classified based on arrears, historical payment behavior and creditworthiness. Based on CONASSIF communication CNS-1775/07 and pursuant to the Bank's internal policies, borrowers in Group 2 are classified based on arrears and historical payment behavior, as follows:

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- Group 1

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

- Group 2

<u>Risk rating</u>	<u>Arrears</u>	<u>Historical payment behavior</u>
A1	30 days or less	Level 1
A2	30 days or less	Level 2
B1	60 days or less	Level 1
B2	60 days or less	Level 2
C1	90 days or less	Level 1
C2	90 days or less	Level 2
US dollars	120 days or less	Level 1 or Level 2

Through that set forth in SUGEF Directive 15-16 *Regulations on credit risk management and evaluation for the Development Banking System* to calculate specific allowances, risk ratings 2 to 6 for the microcredit, development and second-tier banking portfolios are subject to specific allowances according to the percentages in the following table:

<u>Risk rating</u>	<u>Specific allowance percentage (uncovered portion)</u>
1	0%
2	5%
3	25%
4	50%
5	70%
6	100%

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

In all cases, borrowers without valid authorization for a credit check through SUGEF's Credit Information Center (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.

Borrowers are to be assigned a risk rating of E if they fail to meet the conditions for any of the risk ratings defined above, are in a state of bankruptcy, meeting of creditors, court protected reorganization procedure or takeover or if the Bank considers assignment of such rating to be appropriate.

Analysis of creditworthiness

According to Article 7 of CONASSIF Directive 14-21, the entity must classify the payment capacity (creditworthiness) of borrowers classified in segments Business 1 or Business 2, both in the credit-granting stage and in the follow up and control stages, based on the methodologies approved by the Directing Body or equivalent authority. The methodology defined by the Bank must consider as a minimum the aspects and factors defined in the Regulation on Allowances.

When a borrower has a risk rating by a rating agency, it should be considered as an additional element in the assessment of creditworthiness.

The Bank must classify the creditworthiness of borrowers in segments Business 1 and Business 2 into the following levels:

- i. Level 1: has payment capacity,
- ii. Level 2: has minor weaknesses in payment capacity,
- iii. Level 3: has serious weaknesses in payment capacity, and
- iv. Level 4: has no payment capacity.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

According to SUGEF Directive 1-05, 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 financial position and expected cash flows, experience in the line of business and quality of management, business environment, vulnerability to changes in interest rates and foreign exchange rates and other factors.

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 payment capacity; level 2 - has minor weaknesses in payment capacity; level 3 - has serious weaknesses in payment capacity; and level 4 - has no payment capacity. 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 CIC.

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.

Structural allowance for loan losses

Pursuant to Article 15 of CONASSIF Directive 14-21, the Bank must calculate the specific allowance of each loan operation, multiplying the factor of regulatory exposure at default (EAD-R) by the regulatory loss given default (LGD-R), and lastly by the default rate (TI from its name in Spanish).

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The default rate (TI) is calculated for each segment and risk rating, and is summarized below:

<u>Segment</u>	<u>Ratings</u>							
	1	2	3	4	5	6	7	8
Revolving lines of credit (consumer)	2%	7.5%	15%	30%	50%	70%	100%	100%
Consumer credit	1%	3.5%	7.5%	15%	25%	50%	75%	100%
Car loans	0.5%	3.5%	7.5%	15%	25%	50%	75%	100%
Mortgage loans	0.5%	3.5%	7.5%	15%	25%	50%	75%	100%
Business loans 1	0.5%	2.0%	7.5%	15%	25%	50%	75%	100%
Business loans 2	1%	2.0%	7.5%	15%	25%	50%	75%	100%
Business loans 3	1%	3.5%	7.5%	15%	25%	50%	75%	100%

Exposure at default (EAD-R) is determined according to:

Direct loans: equal to the total owed amount of the operation, which comprises the principal, interest, other accrued interest and accounts receivable related to a direct loan operation.

Stand-by credits: equal to the result of multiplying the balance of the stand-by credit by the credit equivalent factor and adding other accrued interest and accounts receivable related to the stand-by credit operation.

A summary of the allowance booked as of June 30, 2024, in conformity with CONASSIF Directive 14-21 and SUGEF Directive 19-16 *Regulations to Determine and Book Counter-cyclical Allowances*, is presented below:

	June 2024		
	Allowance booked	Structural allowance	Difference in allowance
Allowance for direct loans	¢ 109,628,558,457	(109,628,558,457)	-
Allowance for stand-by credits	187,938,848	(187,938,848)	-
Allowance plan per CNS-1698	15,608,119,802	(15,608,119,802)	-
Borrowers with risk exposure	1,651,476,218	(1,651,476,218)	-
	127,076,093,325	(127,076,093,325)	-
Counter-cyclical allowance per SUGEF Directive 19-16	24,581,651,782	(24,581,651,782)	-
	¢ 151,657,745,107	(151,657,745,107)	-

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Notes to the Consolidated Financial Statements

Pursuant to Article 12 of SUGEF Directive 1-05, the specific allowance is calculated on the covered and uncovered balance of each loan operation. The allowance on the uncovered balance is equivalent to the total outstanding balance of each loan operation less the adjusted weighted value of the corresponding guarantee, multiplying the resulting amount by the allowance percentage corresponding to the risk rating of the borrower or co-borrower in the lowest risk rating. 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 should be used in accordance with Article 13 of SUGEF Directive 1-05.

Specific allowance percentages based on borrower risk rating are as follows:

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

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

<u>Arrears</u>	<u>Specific allowance percentage - Uncovered portion</u>	<u>Specific allowance percentage - Covered portion</u>	<u>Creditworthiness (Group 1 borrowers)</u>	<u>Creditworthiness (Group 2 borrowers)</u>
Current	5%	0.50%	Level 1 Level 1	Level 1 Level 1
30 days or less	10%	0.50%	Level 1	Level 1
60 days or less	25%	0.50%	Level 1 or Level 2	Level 1 or Level 2
90 days or less	50%	0.50%	Level 1 or Level 2 or Level 3 or Level 4	Level 1 or Level 2 or Level 3 or Level 4
More than 90 days	100%	0.50%	Level 1 or Level 2 or Level 3 or Level 4	Level 1 or Level 2 or Level 3 or Level 4

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

If a borrower was rated E before subscribing a special loan operation, the borrower should remain in such a rating during at least 180 days. During such a period, the allowance percentage will be 100%, and the aforementioned exception should not be applied. The sum of specific allowances for each loan operation constitutes the minimum specific allowance, as amended in Minutes of Meeting No. 1775-2022.

Decreased amounts may only be reassigned to increases in specific allowances for borrowers reclassified to risk ratings C1, C2, D and E, in conformity with Articles 10 and 11 of SUGEF Directive 1-05.

In accordance with Article 11 bis of SUGEF Directive 1-05, at each month-end, the Bank must book the general allowance for a minimum of 0.50% of the total outstanding balance of loan operations rated A1 and A2, without reducing the effect of guarantees. The provisions of Article 13 of the aforementioned directive shall be applied to the principal balance of stand-by credits.

Without detriment to that indicated in the previous paragraph, according to SUGEF Directive 15-16 *Regulations on Credit Risk Management and Evaluation for the Development Banking System*, Article 11 establishes the use of the methodology to calculate general expected losses: for the total portfolio with arrears of 30 days or less, the percentages of 0.25% and 0.50% must be used for borrowers not exposed to currency risk (loans in national currency) and for borrowers exposed to currency risk (loans in foreign currency), respectively.

Starting in January 2024, Article 11 of SUGEF Directive 15-16 changes the weighting so that 0.25% will be applied to all loans subject to this regulation, regardless of the currency in which they were created.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

General allowance percentages, based on borrower risk ratings, are as follows:

<u>Risk rating</u>	<u>General allowance</u>	<u>Specific allowance percentage - Uncovered portion</u>	<u>Specific allowance percentage - Covered portion</u>
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%

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, the Bank must maintain a structural allowance, as follows:

		<u>June 2023</u>		
		<u>Allowance booked</u>	<u>Structural allowance</u>	<u>Difference in allowance</u>
Allowance for direct loans	¢	120,333,791,417	(92,361,726,992)	27,972,064,425
Allowance for stand-by credits		1,114,620,039	(77,999,648)	1,036,620,391
Allowance plan per CNS-1698		10,746,937,108	(10,746,937,108)	-
		132,195,348,564	(103,186,663,748)	29,008,684,816
Counter-cyclical allowance per SUGEF Directive 19-16		3,872,829,567	(3,872,829,567)	-
	¢	<u>136,068,178,131</u>	<u>(107,059,493,315)</u>	<u>29,008,684,816</u>

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Counter-cyclical allowance

The counter-cyclical allowance is understood as the allowance applied to the loan portfolio that currently does not have any indication of impairment, determined by the expected level of allowances in periods of economic recession and whose purpose is to mitigate the effect of the economic cycle of the financial results derived from the allowance for nonpayment of the loan portfolio.

The amount of the portfolio impaired due to high risk is as follows:

Year		Principal	Allowance	Number of operations	Number of customers
March 2023	¢	156,619,307,087	46,494,899,340	10,195	6,114
June 2023	¢	179,992,374,256	47,755,022,148	12,498	7,211
September 2023	¢	180,733,037,486	47,660,010,940	14,005	7,882

Credit equivalent

According to Article 17 of CONASSIF Directive 14-21, 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:

Stand-by credit operations	Equivalent factor
Bid bonds and export letters of credit without prior deposit	0.05
Other sureties and guarantees without prior deposit	0.25
Lines of credit for credit cards	0.10
Other pre-approved lines of credit	0.50
Portion of the balance of the stand-by credit covered by a deposit	0.00
Remaining stand-by credit operations	1.00

According to SUGEF Directive 1-05, 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:

- bid bonds and export letters of credit without prior deposit: 0.05
- other sureties and guarantees without prior deposit: 0.25
- pre-approved lines of credit: 0.50.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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%

As of June 30, 2024, the carrying amount of the allowance for impairment of assets held for sale and per legal requirements amounts to ¢53,038,871,212 (2023: ¢59,639,046,901).

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

Sector	Direct		Stand-by	
	June 2024	June 2023	June 2024	June 2023
Trade	¢ 411,436,158,865	394,670,637,014	-	-
Services	1,279,601,866,465	1,207,948,995,662	31,878,913,551	46,685,929,378
Financial services	76,594,279,325	112,613,123,660	-	-
Mining	486,320,801	385,688,796	-	-
Manufacturing and quarrying	159,434,478,803	162,694,912,806	-	-
Construction	74,172,531,805	64,518,490,520	-	-
Agriculture and forestry	110,540,461,386	112,493,350,755	-	-
Livestock, hunting and fishing	78,105,793,018	76,921,385,872	-	-
Electricity, water, sanitation and other related sectors	402,862,416,138	418,506,870,806	-	-
Transportation and telecommunications	44,996,980,814	41,819,250,701	-	-
Housing	1,550,717,224,976	1,489,567,617,339	-	-
Personal or consumer	789,545,239,320	624,705,808,071	347,853,748,847	296,628,034,365
Tourism	286,951,968,110	270,047,042,918	115,233,335	118,433,335
	¢ <u>5,265,445,719,826</u>	<u>4,976,893,174,920</u>	<u>379,847,895,733</u>	<u>343,432,397,078</u>

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The concentration of financial assets by geographic location is as follows:

	Direct		Stand-by	
	June 2024	June 2023	June 2024	June 2023
Central America	¢ 5,265,445,719,826	4,976,893,174,920	379,847,895,733	343,432,397,078

The loan portfolio by type of guarantee is as follows:

Type of guarantee	Direct		Stand-by	
	June 2024	June 2023	June 2024	June 2023
Security	¢ 52,550,428,052	18,574,167,684	55,665,107	175,206,706
Mortgage bond	42,721,065,216	45,438,034,842	-	-
Assignment of loans	654,508,706,243	483,689,276,022	5,304,100	5,494,800
Mortgage	1,734,905,396,022	1,705,802,140,721	8,873,659	28,516,655
Surety	816,555,867,068	839,201,356,513	-	13,054,439,285
Trust	640,747,473,575	568,444,704,242	23,682,000	61,471,656
Securities	27,669,553,077	60,653,986,773	14,490,715	5,135,466
Chattel mortgage	334,159,919,207	312,464,478,777	-	-
Other	961,627,311,366	942,625,029,346	379,739,880,152	330,102,132,510
	¢ 5,265,445,719,826	4,976,893,174,920	379,847,895,733	343,432,397,078

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, 2024, 59.87% of the loan portfolio is secured by collateral guarantees (2023: 60.59%).

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Notes to the Consolidated Financial Statements

The concentration of the loan portfolio by individual borrower is as follows:

Loan portfolio concentration	Direct		Stand-by	
	June 2024	June 2023	June 2024	June 2023
¢1 to ¢3,000,000	¢ 173,793,049,162	145,786,398,361	141,767,652,130	115,994,623,417
¢3,000,001 to ¢15,000,000	691,091,646,882	585,643,368,856	206,178,471,642	180,698,993,191
¢15,000,001 to ¢30,000,000	567,504,814,394	502,786,396,317	4,991,471,189	5,413,455,880
¢30,000,001 to ¢50,000,000	498,978,197,264	493,591,137,586	2,347,808,982	2,329,848,452
¢50,000,001 to ¢75,000,000	509,858,845,679	481,390,540,043	1,691,470,278	2,374,980,358
¢75,000,001 to ¢100,000,000	306,728,039,334	288,427,832,544	1,836,452,879	2,189,280,943
¢100,000,001 to ¢200,000,000	286,861,497,049	263,854,751,396	2,346,570,799	5,550,478,346
More than ¢200,000,000	2,230,629,630,062	2,215,412,749,817	18,687,997,834	28,880,736,491
	¢ 5,265,445,719,826	4,976,893,174,920	379,847,895,733	343,432,397,078

As of June 30, 2024 and 2023, the direct and stand-by loans of the portion of the loan portfolio corresponding to economic interest groups amount to ¢859,641,853,158 and ¢510,024,739,386, respectively, equivalent to 16.31% and 10.24% of the loan portfolio, respectively.

For credit risk management purposes, the Bank applies an internal model to estimate the loan portfolio's expected credit losses (ECL) 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.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Bank's loan portfolio is comprised of operations in various currencies, i.e. the Costa Rican colon, the US dollar and DU. Therefore, the consolidated expected loss (EL) analysis is applied by currency. Also, the methodological change of the VaR is made, aligned to the EL methodology according to the segments defined in the Bottom-Up Stress Test (BUST), which is calculated in a consolidated manner and by segment, according to the BUST classification.

Other types of estimates are made in addition to those obtained using the VaR methodology, such as the performance of the portfolio in legal collection, concentration of the portfolio by economic activity, vintage analysis, stress testing, transition matrixes, roll rates, write-off ratio and sensitivity analyses for new loans and/or follow-up. Accordingly, the Conglomerate has developed specialized internal methodologies to model credit risk that quantify risk indicators and potential impacts on institutional development.

The year-on-year decrease observed in the ECL of the entire loan portfolio was from 2.60% in June 2023 to 2.59% in June 2024.

Compared to the results from June 2023, the behavior of ECL for economic activities showed a mixed result (increases and decreases), but with a predominant upward trend. The activities with the largest decreases are Transport, Livestock and Trade, with decreases exceeding 50 basis points (bp), while the activity with the largest increase is Construction, with a variation of 30 percentage points.

For the result of the VaR of the loan portfolio, there was a year-on-year decrease from 8.05% to 7.98%, which is an expected behavior given the variations in the portfolio balance by type of sector.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

ii. BN Sociedad Administradora de Fondos de Inversión, S.A.

Credit risk is the risk that the borrower or issuer of a financial asset property of the Investment Fund Manager 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 composed 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; and
- 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.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

With the entrance into effect of CONASSIF Directive 6-18 *Regulation on Financial Information* (RFI), regulated entities are required to calculate estimated credit losses for their investment portfolios.

Financial instruments are classified according to the business models defined and approved by the board of directors.

The calculation of ECL applies only to instruments measured at amortized cost or at FVOCI.

ECL due to impairment in the issuer's credit is not calculated for those instruments that directly affect equity.

At the period close, an allowance for ECL is booked for the managed portfolio, as follows:

Portfolio	June 2024	June 2023
Investments in financial instruments at FVOCI	¢ 29,202,563	67,161,502

iii. BN Valores Puesto de Bolsa, S.A.

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.

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.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 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.

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 Macaulay's duration and by weighing the carrying amount of each investment shall not exceed 2.75 years.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

For the June 2024 close, the accounting records showed investments in colones and in US dollars issued by local issuers in colones and issued by foreign issuers in US dollars. The Brokerage Firm holds no investments in DU. By currency, the largest portion continues to be concentrated in the portfolio in colones with 88.32% and 11.68% in US dollars.

With respect to the consolidated portfolio, investments in instruments issued by the Government of Costa Rica correspond to 88.29% and BNCR 0.03%. The sum of these issuers represents 88.32% of the consolidated portfolio in colones. The portfolio in US dollars is represented by G issues 11.54% and BNSFI 0.14%, for a total of 11.68%.

At the period close, an allowance for ECL was booked for the managed portfolio, as follows:

Portfolio		June 2024	June 2023
Investments measured at FVOCI	¢	9,197,177	23,224,830
Investments measured at amortized cost	¢	179,871,669	354,544,941

iv. BN Vital Operadora de Planes de Pensiones Complementarias, S.A.

For the Pension Fund Manager, the credit risk of an investment is defined as the uncertainty that the issuer of the acquired instrument or counterparty, may not fulfill its obligations, resulting in nonpayment, also known as issuer credit risk. For risk management reporting purposes, the Pension Fund Manager considers and consolidates all elements of credit risk exposure – e.g., individual obligor default risk, country and sector risk.

Credit risk management

To mitigate credit risk, the Pension 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.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Pension Fund Manager monitors the notes on relevant events provided by SUGEVAL, which evidence changes in ratings by local rating agencies. With this information, Management and the committees are able to make timely decisions to maintain the investments that are favorable to the portfolios managed by the Pension Fund Manager, protecting the affiliates' interests and wellbeing.

As of the period close, an allowance for ECL was booked for the managed portfolio, as follows:

		June 2024	June 2023
Investments measured at FVOCI	¢	36,378,900	50,479,024
Investments measured at amortized cost		8,358,915	-

v. BN Corredora de Seguros, S.A.

Credit risk is the risk of financial loss to the Insurance Brokerage Firm if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Insurance Brokerage Firm's investment debt securities and accounts receivable. For risk management reporting purposes, the Insurance Brokerage Firm considers and consolidates all elements of credit risk exposure – e.g., individual obligor default risk, country and sector risk.

Credit risk management

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

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

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

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At the period close, an allowance for ECL was booked for the managed portfolio, as follows:

Portfolio		June 2024	June 2023
Amortized cost	¢	7,614,395	18,101,302

Investments in financial instruments

With the entrance into effect of CONASSIF 06-18 *Regulation on Financial Information* (RFI), Article 18 requires regulated entities to calculate estimated credit losses for their investment portfolios. This calculation has been performed monthly since January 2020 for the Conglomerate's investments.

The Conglomerate has a classification of its instruments aligned with the three business models defined and updated as of the first quarter of 2021. The calculation of ECL applies only to instruments measured at amortized cost and instruments measured at FVOCI. For instruments measured at FVTPL, expected credit losses are not calculated for impairment of the issuer's credit.

Instruments classified under model 1 (measured at amortized cost) are held to collect contractual cash flows and give rise to cash flows that are SPPI.

Instruments classified under model 2 (measured at FVOCI) are held to obtain income from collecting contractual cash flows and selling financial assets, for reinvestment or to be used to address the liquidity needs of the investments portfolio.

Instruments classified under model 3 (other assets) are held to obtain income from cash flows generated by trading the assets and are recorded at FVTPL.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of the period close, the ECL of instruments by model is as follows:

		June 2024		
Month		Model 1 Amortized cost	Model 2 FVOCI	Total estimated losses
January	¢	1,363,994,003	1,245,885,616	2,609,879,619
February	¢	1,464,273,505	1,288,877,192	2,753,150,697
March	¢	1,547,950,366	1,243,685,945	2,791,636,312
April	¢	1,632,041,207	1,345,470,285	2,977,511,492
May	¢	1,636,344,414	1,239,401,134	2,875,745,548
June	¢	1,721,723,615	969,921,302	2,691,644,917

		June 2023		
Month		Model 1 Amortized cost	Model 2 FVOCI	Total estimated losses
January	¢	2,841,757,301	2,760,888,014	5,602,645,315
February	¢	2,600,821,134	2,725,373,887	5,326,195,021
March	¢	2,583,218,359	2,961,243,082	5,544,461,441
April	¢	2,553,631,109	3,687,351,413	6,240,982,522
May	¢	2,314,094,884	4,328,699,921	6,642,794,805
June	¢	2,394,295,085	3,899,757,092	6,294,052,177

Starting in November 2023, an adjustment was made to the methodology for the calculation of the loss allowance on investment portfolios. These adjustments mainly include calibrating the probability of default (PD) and of the EAD component.

The following table sets out information about the credit quality of financial assets measured at amortized cost. Unless specifically indicated, for financial assets the amounts in the table represent gross carrying amounts.

		June 2024	
	12-month PD ranges	Stage 1	Total
Investments at amortized cost (1)	0.21% to 0.60%	¢ 1,019,884,763,144	1,019,884,763,144
Loss allowance		¢ (1,721,723,616)	(1,721,723,616)
		¢ <u>1,018,163,039,528</u>	<u>1,018,163,039,528</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		December 2023	
	12-month PD ranges	Stage 1	Total
	0.21% to		
Investments at amortized cost (1)	1.75%	¢ 787,920,956,099	787,920,956,099
Loss allowance		(1,416,262,629)	(1,416,262,629)
		¢ 786,504,693,470	786,504,693,470
		June 2023	
	12-month PD ranges	Stage 1	Total
	0.38% to		
Investments at amortized cost	3.21%	¢ 764,045,824,599	764,045,824,599
Loss allowance		(2,394,295,087)	(2,394,295,087)
		¢ 761,651,529,512	761,651,529,512

(1) The classification of investments by type of instrument and the corresponding risk rating are detailed in Note 10 Financial Instruments.

The following table sets out information about the credit quality of financial assets measured at FVOCI. Unless specifically indicated, for financial assets the amounts in the table represent gross carrying amounts.

		June 2024	
	12-month PD ranges	Stage 1	Total
	0.19% to		
Investments at FVOCI (1)	1.46%	¢ 500,266,690,343	500,266,690,343
Loss allowance		(969,921,302)	(969,921,302)
		¢ 499,296,769,041	499,296,769,041

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Notes to the Consolidated Financial Statements

		December 2023	
	12-month PD ranges	Stage 1	Total
Investments at FVOCI (1) Loss allowance	0.19% to		
	1.75%	¢ 557,199,687,781	557,199,687,781
		(1,409,951,768)	(1,409,951,768)
		¢ 555,789,736,013	555,789,736,013
		June 2023	
	12-month PD ranges	Stage 1	Total
Investments at FVOCI Loss allowance	0.20% to		
	3.21	¢ 690,763,801,169	690,763,801,169
		(3,899,757,092)	(3,899,757,092)
		¢ 686,864,044,077	686,864,044,077

(1) The classification of investments by type of instrument and their corresponding risk rating is detailed in Note 10 Financial Instruments.

The following table sets out information about the credit quality of financial assets measured at FVTPL. Unless specifically indicated, for financial assets the amounts in the table represent gross carrying amounts.

		June 2024	
		Stage 1	Total
Investments in financial instruments at FVTPL	¢	2,026,436,180	2,026,436,180
	¢	2,026,436,180	2,026,436,180
		December 2023	
		Stage 1	Total
Investments in financial instruments at FVTPL	¢	4,479,693,009	4,479,693,009
	¢	4,479,693,009	4,479,693,009

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		June 2023	
		Stage 1	Total
Investments in financial instruments at FVTPL	¢	4,130,563,702	4,130,563,702
	¢	4,130,563,702	4,130,563,702

Expected credit losses, by currency, are as follows:

		June 2024	
		Absolute	Relative
Colones	¢	2,521,489,385	49.75%
US dollars		233,647,034	10.35%
	¢	2,755,136,419	60.09%

		December 2023	
		Absolute	Relative
Colones	¢	2,666,224,011	51.30%
US dollars		475,433,574	8.88%
	¢	3,141,657,585	60.15%

		June 2023	
		Absolute	Relative
Colones	¢	5,237,518,801	52.21%
US dollars		1,241,134,766	8.08%
	¢	6,478,653,567	60.21%

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Notes to the Consolidated Financial Statements

Investments by geographic location are as follows:

Country	June 2024		
	Principal	Interest	Total
Costa Rica	¢ 1,191,805,079,152	20,342,422,272	1,212,147,501,423
Panama	4,243,280,000	239,698,172	4,482,978,172
Caribbean	695,538,419	6,916,106	702,454,525
United States	301,238,150,022	2,362,286,958	303,600,436,980
Canada	2,559,839,823	27,437,229	2,587,277,052
Europe	30,924,337,507	502,091,193	31,426,428,699
Asia	969,042,474	7,160,641	976,203,114
	¢ 1,532,435,267,397	23,488,012,570	1,555,923,279,965

Country	December 2023		
	Principal	Interest	Total
Costa Rica	¢ 1,008,798,073,937	19,805,674,719	1,028,603,748,656
Panama	4,215,040,000	105,984,841	4,321,024,841
Caribbean	528,127,520	5,708,745	533,836,265
United States	322,488,920,995	1,679,404,373	324,168,325,367
Canada	3,329,886,142	37,270,859	3,367,157,001
Europe	28,298,404,924	246,262,295	28,544,667,219
Asia	834,016,872	4,594,241	838,611,113
New Zealand	293,546,882	2,188,017	295,734,900
	¢ 1,368,786,017,272	21,887,088,090	1,390,673,105,362

Country	June 2023		
	Principal	Interest	Total
Costa Rica	¢ 959,765,881,036	22,432,297,843	982,198,178,880
Panama	26,023,372,800	267,438,878	26,290,811,678
Caribbean	178,668,356	2,462,434	181,130,791
United States	414,290,897,324	1,288,689,570	415,579,586,894
Canada	7,966,207,927	56,054,488	8,022,262,415
Venezuela	8,247,524,945	11,375,384	8,258,900,329
Europe	38,882,745,336	238,934,762	39,121,680,098
Asia	4,313,943,391	33,079,630	4,347,023,021
Australia	178,202,985	978,058	179,181,043
New Zealand	297,883,356	2,281,871	300,165,225
	¢ 1,460,145,327,456	24,333,592,918	1,484,478,920,374

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Notes to the Consolidated Financial Statements

Key inputs for the measurement of ECL under IFRS 9

The inputs considered are based on the different methodologies and approaches that were used in modelling the calculation of ECL under the guidelines of accounting standard IFRS 9.

The ECL model allows the Bank to calculate ECL based on three key inputs: Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

Definition of ratings

Investment instruments are given a rating based on the different reports and/or sources used by international and local rating agencies in their assessment. Consequently, it is necessary to determine the equivalence of the different ratings granted by international and local rating agencies to securities in local or foreign currency.

For the Conglomerate, two types of equivalence of information are used depending on the source chosen:

- Equivalence of international ratings:

It consists of determining the equivalence of the ratings granted by international rating agencies to securities in local and foreign currencies and to determine the equivalence of these rating reports.

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Notes to the Consolidated Financial Statements

The following table shows the equivalence of ratings of the different international risk rating agencies where, for instance, the equivalent for Moody's Baa1 would be Fitch's BBB+, according to CONASSIF Directive 14-21.

S&P	Moody's	Fitch
AAA	Aaa	AAA
AA+	Aa1	AA+
AA	Aa2	AA
AA-	Aa3	AA-
A+	A1	A+
A	A2	A
A-	A3	A-
BBB+	Baa1	BBB+
BBB	Baa2	BBB
BBB-	Baa3	BBB-
BB+	Ba1	BB+
BB	Ba2	BB
BB-	Ba3	BB-
B+	B1	B+
B	B2	B
B-	B3	B-
CCC(+)	Caa(123)	CCC(+)
CC	Ca(123)	CC
C	C	C
D		DDD
		DD
		D

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Notes to the Consolidated Financial Statements

- Equivalence of local ratings (Ceiling test)

In addition to the aforementioned equivalence of ratings, a Ceiling Test process is implemented. It assigns a rating, which is accepted as internationally valid, to those ratings issued by local or regional risk rating agencies, such as SCR and PCR, so that each risk rating does not exceed the country risk. The following table shows the equivalence of the national ratings used by the Conglomerate in accordance with the methodology to determine the equivalents of national risk rating scales.

Costa Rica	International scale
AAA	B
AA+	B-
AA	B-
AA-	B-
A+	B-
A	CCC+
A-	CCC+
BBB+	CCC+
BBB	CCC
BBB-	CCC
BB+	CCC
BB	CCC-
BB-	CCC-
B+	CC
B	CC
B-	CC
C	C

Amounts arising from expected credit losses

- *Significant increase in credit risk*

IFRS 9 establishes that ECL must be calculated based on the classification of operations into three stages of credit risk:

- Stage 1 - Assets that are not credit-impaired
- Stage 2 - Assets with a significant increase in credit risk but that are not credit-impaired
- Stage 3 - Assets that are credit-impaired

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Criteria for significant increase in credit risk (Stage 2)

To measure a significant increase in risk, IFRS 9 indicates the following:

IFRS 9: At each reporting date, an entity shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, an entity shall use the change in the risk if a default occurring over the expected life of the financial instrument instead of the change in the amount of ECL's.

To make that assessment, an entity shall compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information that is available without undue cost or effort that is indicative of significant increases in credit risk since initial recognition.

The methods used to determine whether the credit risk of a financial instrument has increased significantly since initial recognition should consider the characteristics of the financial instrument (or group of financial instruments) and previous default patterns for comparable financial instruments. Despite the requirement in paragraph 5.5.9 for financial instruments for which default patterns are not concentrated at a specific point during the expected life of the financial instrument, changes in the risk of a default within the following 12 months may be a reasonable approximation of the changes in the lifetime ECL.

Criteria for objective impairment (Stage 3)

For a financial instrument to be considered impaired, any of the following characteristics must be met:

- Significant arrears in the payment of interest or principal, or both. The usual criteria for loans are 90 days past due or more. The standard expressly indicates 90 days past due for any financial instrument unless it is refuted. For investments it tends to be stricter in practice, with the default at 30 days past due or less.
- Contracts subject to judicial or preliminary proceedings.
- The investment or issuer has a Default or Partial Default rating.
- The issuer files for bankruptcy.

Additionally, the objective criteria for impairment can be extended when an increase in risk is determined such that, above that investment grade, the instruments become credit-impaired.

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Therefore, a PD of 1 is assigned to loans categorized in this stage, since the loan is already considered in default and the PD is 100%.

The Conglomerate determines the increase in risk by analyzing any changes from the original rating at the time of purchase to the rating at the date of calculation (threshold methodology).

This analysis is performed in a differentiated manner:

- For securities with an initial rating that is within the Conglomerate's investment policy or 3 investment grades below the minimum rating (BBB-), a fall of more than 3 notches in the rating is considered a significant increase in risk. According to the current policy from August 2022, these correspond to ratings above BB-.
- For securities with an initial rating above CCC+ that do not belong in the item above, falls in the rating below B- are considered a significant increase in risk.
- For ratings below B-, a significant increase in risk is defined by falls exceeding 1 *notch*.
- Initial impairment ratings below CCC- are considered instruments in *Stage 3*, observing an increase in risk by two grades above the minimum rating defined in the Conglomerate's investment policy.

Probability of Default (PD)

Under IFRS 9, the new mechanism to measure impairment is based on the portion of probable losses that must be provisioned. One of the parameters that allows determining that condition is the probability that a financial instrument or a counterparty will default over a time horizon, in such a way that there are two types of PD:

- 12-month PD: Probability that a borrower will fail to comply with its obligations during the following 12 months.
- Lifetime PD: Lifetime probability of default is assessed over the remaining term of the operation.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

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Segmentation

IFRS 9 allows the Bank to measure the ECL on exposures collectively if they have similar risk characteristics. Moreover, IFRS 9 is flexible regarding the entities that should make this segmentation.

Consequently, the following criteria are used to define the PD of assets in the investment portfolio:

- External (third parties) or internal credit ratings or scores
- Type of instrument
- Geographic location
- Issuer's currency.

The following table shows the granularity scheme for the segmentation of the PD. For securities from sovereign issuers, PD is assigned is based on the sovereign risk rating if the instrument is denominated in local or foreign currency. For corporate securities, the region associated with the issuer's country as well as the type of investment (financial and non-financial) is added to the instrument's rating.

Segment	Category	
Sovereign	Foreign currency	
	Local currency	
Corporate	North America (NA)	Corporate Financial
		Corporate Non-financial
	Europe and East Asia (EMEA)	Corporate Financial
		Corporate Non-financial
	Asia Pacific and Oceania (APAC)	Corporate Financial
	Latin America (LATAM)	Corporate Financial
		Corporate Non-Financial

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Notes to the Consolidated Financial Statements

• *ECL (expected credit losses)*

As of June 30, 2024, the reconciliation of the opening balance and closing balance of the ECL by type of instrument is as follows:

	Stage 1	Total
<i><u>Investments at amortized cost</u></i>		
Balance as of January 1, 2024	¢ 1,416,262,629	1,416,262,628
Update of the allowance	(918,253)	(918,253)
Allowance for new investments	375,944,841	375,944,841
Decrease in allowance	(69,565,601)	(69,565,601)
Balance as of June 30, 2024	¢ <u>1,721,723,616</u>	<u>1,721,723,615</u>
<i><u>Investments at FVOCI</u></i>		
Balance as of January 1, 2024	¢ 1,409,951,769	1,409,951,769
Update of the allowance	27,358,752	27,358,752
Allowance for new investments	134,300,304	134,300,304
Decrease in allowance	(601,689,523)	(601,689,523)
Balance as of June 30, 2024	¢ <u>969,921,302</u>	<u>969,921,302</u>
Total loss allowance	¢ <u>2,691,644,916</u>	<u>2,691,644,916</u>

As of June 30, 2023, the reconciliation of the opening balance and closing balance of ECL by type of instrument is as follows:

	Stage 1	Total
<i><u>Investments at amortized cost</u></i>		
Balance as of January 1, 2023	¢ 2,930,192,806	2,930,192,806
Update of the allowance	(4,147,826)	(4,147,826)
Allowance for new investments	83,596,829	83,596,829
Decrease in allowance	(615,346,723)	(615,346,723)
Balance as of June 30, 2023	¢ <u>2,394,295,086</u>	<u>2,394,295,086</u>
<i><u>Investments at FVOCI</u></i>		
Balance as of January 1, 2023	¢ 2,670,857,408	2,670,857,408
Update of the allowance	(8,803,217)	(8,803,217)
Allowance for new investments	1,618,466,921	1,618,466,921
Decrease in allowance	(380,764,020)	(380,764,020)
Balance as of June 30, 2023	¢ <u>3,899,757,092</u>	<u>3,899,757,092</u>
Total loss allowance	¢ <u>6,294,052,178</u>	<u>6,294,052,178</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

i. Banco Nacional de Costa Rica

To support liquidity risk management, the Market Risk Division (MRD) monitors indicators such as liability structure, daily changes and trends in demand and term account balances, volatility of deposit-taking from the public (VaR of liquidity) liquidity coverage ratio (LCR), systemic liquidity indicators and variables with the greatest impact on SUGEF's term matching indicators.

LCR results are compared with the risk appetite limit approved by the General Board of Directors, which was set at 130% for the LCR in colones and in US dollars. The LCR indicator at the June 2023 and June 2024 close, term during which the indicators are considerably above the risk appetite level in both currencies. This means that commitments and net cash outflows for 30 days can be met in an adverse scenario.

Year on year, the LCR indicator in colones closed at 202.3% as of the June 2024 close, which is 2.8% lower than the previous year, related to a 19% increase in the stock of liquid assets (HQLA) (¢285,000 million, mainly in investments in the integrated liquidity market (MIL) and government instruments, which was exceeded by the 21% increase in net cash outflows (¢149,400 million, mainly in wholesale commitments). The LCR indicator has ample leeway regarding the appetite level of 130%, equivalent to ¢557,800 million.

As of June 30, 2024, the LCR indicator in US dollars closed at 205.5%, showing a decrease of 37% with regard to the previous year. This was due to a 14% decrease in HQLA (-US\$176.5 million, mainly in Government instruments and Level 1A investments) and a 3% increase in net outflows (-US\$19 million, mainly due to wholesale commitments). The LCR indicator has ample leeway regarding the appetite level of 130%, equivalent to US\$455 million.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The LCR indicator by currency is as follows:

<u>Indicator</u>	<u>June 2024</u>	<u>June 2023</u>	<u>Variation</u>	<u>Level</u>
LCR colones	202%	205%	3%	Appetite
LCR US dollars	205%	242%	(37%)	Appetite

This information is communicated to management in a monthly report that is reviewed by the Corporate Risk Committee and subsequently presented to the board of directors.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of June 30, 2024, the terms of the Conglomerate's assets and liabilities denominated in local currency are matched as follows:

		Days							Total
		Past due	Demand	1 to 30	31 to 60	61 to 90	91 to 180	181 to 365	
Cash and due from banks	¢	-	184,041,756,394	-	-	-	-	-	184,041,756,394
Minimum legal deposit in BCCR		-	453,044,656,919	18,711,727,907	18,413,179,318	17,363,234,713	64,120,316,139	93,881,103,354	695,361,577,327
Investments		-	1,588,624,674	190,429,909,791	8,978,175,982	16,963,401,005	15,939,724,668	206,199,283,722	1,207,431,835,782
Loan portfolio		193,583,006,599	-	51,337,857,707	42,178,340,496	57,300,491,744	97,678,903,782	153,686,841,987	3,233,505,862,138
Recovery of assets	¢	193,583,006,599	638,675,037,987	260,479,495,405	69,569,695,796	91,627,127,462	177,738,944,589	453,767,229,063	5,916,106,473,956
Obligations with the public	¢	-	3,154,795,058,128	110,282,613,279	109,132,225,746	102,776,018,267	446,904,020,275	686,388,735,174	4,790,784,429,004
Obligations with BCCR		-	-	-	-	-	-	133,909,721,096	134,035,365,508
Obligations with financial entities		-	51,266,511,616	72,986,515,895	7,628,740,954	7,613,428,454	25,985,735,401	16,402,073,461	260,577,463,054
Charges payable		-	22,466,616,979	4,509,963,846	5,224,982,841	4,691,563,974	4,889,766,466	6,114,347,315	48,911,435,909
Maturity of liabilities	¢	-	3,228,528,186,723	187,779,093,020	121,985,949,541	115,081,010,695	477,779,522,142	842,814,877,046	5,234,308,693,475
Difference	¢	193,583,006,599	(2,589,853,148,736)	72,700,402,385	(52,416,253,745)	(23,453,883,233)	(300,040,577,553)	(389,047,647,983)	681,797,780,481

As of June 30, 2023, the terms of the Conglomerate's assets and liabilities denominated in local currency are matched as follows:

		Days							Total
		Past due	Demand	1 to 30	31 to 60	61 to 90	91 to 180	181 to 365	
Cash and due from banks	¢	-	177,199,019,610	-	-	-	-	-	177,199,019,610
Minimum legal deposit in BCCR		-	363,098,017,068	26,111,355,761	16,831,442,642	22,652,240,960	59,739,559,747	65,495,730,087	589,645,585,752
Investments		-	1,733,483,894	15,713,580,266	8,216,723,692	31,055,321,786	42,563,723,872	87,798,313,022	869,642,151,154
Loan portfolio		179,029,508,273	-	57,771,765,814	33,667,981,293	59,996,189,715	97,901,518,617	147,231,189,419	3,619,760,556,355
Recovery of assets	¢	179,029,508,273	542,030,520,572	99,596,701,841	58,716,147,627	113,703,752,461	200,204,802,236	300,525,232,528	5,256,247,312,871
Obligations with the public	¢	-	2,711,126,918,522	110,291,571,165	150,321,483,204	114,756,296,079	424,052,964,283	375,232,955,240	4,142,466,874,835
Obligations with BCCR		-	-	16,000,000,000	-	-	-	-	169,164,553,584
Obligations with financial entities		-	39,294,391,414	126,795,036,795	5,051,226,016	5,700,749,000	20,480,917,486	38,862,331,278	274,947,704,293
Charges payable		-	21,426,404,270	7,411,906,508	6,212,092,085	3,001,932,472	4,829,143,403	4,034,742,520	50,441,224,811
Maturity of liabilities	¢	-	2,771,847,714,206	260,498,514,468	161,584,801,305	123,458,977,551	449,363,025,172	418,130,029,038	4,637,020,357,523
Difference	¢	179,029,508,273	(2,229,817,193,634)	(160,901,812,627)	(102,868,653,678)	(9,755,225,090)	(249,158,222,936)	(117,604,796,510)	619,226,955,348

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of June 30, 2024, the terms of the Conglomerate's assets and liabilities denominated in foreign currency, expressed in local currency, are matched as follows:

		Days							Total
		Past due	Demand	1 to 30	31 to 60	61 to 90	91 to 180	181 to 365	
Cash and due from banks	¢	-	348,573,181,549	-	-	-	-	-	348,746,102,123
Minimum legal deposit in BCCR		-	237,485,740,314	10,021,131,794	9,286,413,967	9,392,950,229	16,382,882,073	21,786,483,410	322,780,263,507
Investments		-	91,757,397	6,057,238,473	9,646,958,070	482,050,181	15,228,029,484	12,135,261,242	348,635,612,142
Loan portfolio		41,200,408,616	-	23,749,717,797	13,098,661,779	20,789,309,070	47,897,438,961	70,671,406,236	1,391,944,395,584
Recovery of assets	¢	41,200,408,616	586,150,679,260	39,828,088,064	32,032,033,816	30,664,309,480	79,508,350,518	104,593,150,888	2,412,106,373,356
Obligations with the public	¢	-	1,569,855,049,055	60,129,517,603	67,790,791,631	48,248,895,932	111,561,432,387	150,389,417,481	2,129,700,126,793
Obligations with financial entities		-	8,873,568,914	78,569,830,262	10,818,523	15,912,300	161,775,050	151,898,789	172,570,302,809
Charges payable		-	5,782,326,337	1,247,185,248	1,061,426,439	557,980,378	1,307,423,123	1,187,029,230	11,737,509,700
Maturity of liabilities		-	1,584,510,944,306	139,946,533,113	68,863,036,593	48,822,788,610	113,030,630,560	151,728,345,500	2,314,007,939,302
Difference	¢	41,200,408,616	(998,360,265,046)	(100,118,445,049)	(36,831,002,777)	(18,158,479,130)	(33,522,280,042)	(47,135,194,612)	98,098,434,054

As of June 30, 2023, the terms of the Conglomerate's assets and liabilities denominated in foreign currency, expressed in local currency, are matched as follows:

		Days							Total
		Past due	Demand	1 to 30	31 to 60	61 to 90	91 to 180	181 to 365	
Cash and due from banks	¢	-	331,352,787,401	-	-	-	-	-	331,591,319,827
Minimum legal deposit in BCCR		-	233,790,336,398	10,072,980,138	8,071,772,598	7,962,781,499	18,484,842,364	25,090,306,274	323,915,614,099
Investments		-	92,639,108	18,029,172,449	89,946,917,778	15,510,266,973	153,609,575,434	241,070,047,260	617,721,713,424
Loan portfolio		63,757,355,267	-	17,430,215,101	16,800,281,107	18,321,305,440	58,700,440,461	84,519,749,281	1,058,432,374,119
Recovery of assets	¢	63,757,355,267	565,235,762,907	45,532,367,688	114,818,971,483	41,794,353,912	230,794,858,259	350,680,102,815	2,591,190,368,126
Obligations with the public	¢	-	1,528,316,946,745	58,898,550,475	58,470,486,333	46,572,377,177	124,862,908,506	176,440,477,468	2,101,391,796,272
Obligations with financial entities		-	11,664,518,212	87,666,296,354	16,302,121	16,484,400	158,737,396,099	5,420,909,226	356,590,591,090
Charges payable		-	3,472,518,581	876,733,292	500,350,889	446,961,104	2,421,286,582	1,429,217,921	9,752,488,397
Maturity of liabilities		-	1,543,453,983,538	147,441,580,121	58,987,139,343	47,035,822,681	286,021,591,187	183,290,604,615	2,467,734,875,759
Difference	¢	63,757,355,267	(978,218,220,631)	(101,909,212,433)	55,831,832,140	(5,241,468,769)	(55,226,732,928)	167,389,498,200	123,455,492,367

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

ii. BN Sociedad Administradora de Fondos de Inversión, S.A.

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

It is worth noting that liquidity risk management is closely related to credit risk management, meaning that instruments or securities present in the financial market are included to facilitate their negotiation.

Liquidity risk management

The board of directors sets the Investment Fund Manager's strategy for managing liquidity risk and oversight of the implementation is administered by the General Risk Division. It approves the Investment Fund Manager's liquidity policies and procedures. The Treasury department manages the liquidity position on a day-to-day basis and reviews daily reports on the liquidity position.

It is worth noting that liquidity risk management is closely related to credit risk management, meaning that securities listed in the financial market are included in order to facilitate their negotiation.

iii. BN Valores Puesto de Bolsa, S.A.

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.

Management of liquidity risk

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.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

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.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Marketability of instruments 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.

iv. *BN Vital Operadora de Planes de Pensiones Complementarias, S.A.*

Liquidity risk is the risk that the Pension Fund Manager will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which is inherent to the Pension Fund Manager's operations and investments.

Liquidity risk management

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 three 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.

Risk management policies establish a liquidity limit which determines that a sufficient liquidity level will be maintained to address the investment needs and operations of the Pension Fund Manager 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.

Additionally, according to the portfolio's nature, the Pension Fund Manager has established limits to manage liquidity risk that allow determining liquidity levels.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

v. BN Corredora de Seguros, S.A.

Liquidity risk is the risk that the Insurance Brokerage Firm will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which is inherent to the Insurance Brokerage Firm's operations and investments.

Liquidity risk management

The board of directors sets the Insurance Brokerage Firm's strategy for managing liquidity risk and oversight of the implementation is administered by the Corporate Risks Committee. This Committee approves Insurance Brokerage Firm's liquidity policies and procedures. The Financial Administrative Unit manages the liquidity position on a day-to-day basis and reviews daily reports on the liquidity position.

The Insurance Brokerage Firm's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. A key element of the Insurance Brokerage Firm's liquidity strategy is to carry a portfolio of highly liquid assets that match the maturities of the main liabilities.

c) Market risk

i. Banco Nacional de Costa Rica

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 so as to maintain a risk appetite (risk limits approved by the board of directors).

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

<u>Indicator</u>	<u>Limit</u>	<u>Level</u>
Consolidated VaR	2.80%	Appetite
Currency risk	3.00%	Appetite
Interest rate risk – colones	1.20%	Appetite
Interest rate risk – foreign currency	1.00%	Appetite

The main indicator used is the market VaR of the Bank's investments, which is quantified by means of an internal methodology and measured for each currency in which the Bank holds positions. That indicator is complemented with the duration and return, which show the Bank's risk-return profile derived from holding an investment portfolio.

The Market Risk Division periodically analyzes and follows-up on the investment portfolio on a periodic basis through the Comprehensive Risk Assessment Report, which is submitted to the Corporate Risk Committee and the board of directors.

The portfolios by currency are as follows:

<u>Currency</u>	<u>Face value of investments by currency</u>		
	<u>June 2024</u>	<u>June 2023</u>	<u>Variation</u>
Colones	1,066,721,201,462	748,701,200,000	318,020,001,462
US dollars - local issuers	38,574,526	191,176,279	(152,601,754)
US dollars - international issuers	605,987,000	922,177,000	(316,190,000)

The duration by currency has presented variations according to strategic portfolio management, with an increase in the duration of the international portfolios in colones and in US dollars.

<u>Currency</u>	<u>June 2024</u>	<u>June 2023</u>	<u>Variation</u>
Colones	1.42	1.42	0.00
US dollars - local issuers	0.84	0.82	0.02
US dollars - international issuers	1.53	0.66	0.87

ii. BN Sociedad Administradora de Fondos de Inversión, S.A.

Market risk refers to potential losses in the market value of the financial instruments portfolio or trading position during the time elapsed until the position is liquidated; losses are equivalent to the difference between the opening and closing market values. The magnitude of market risk depends on the liquidation period, market volatility and the instruments' liquidity.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 the corresponding risk limits.

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

For such purposes, the RiMeR methodology is used, 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 specified.

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 the 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 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.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

	June 2024	June 2023
VaR indicator (99%)	0.43%	1.00%

iii. BN Valores Puesto de Bolsa, S.A.

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; 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.

Market risk management

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 includes aspects such as identifying risk factors, monitoring any such factors identified using market analyses and assessing 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.

Market risk exposure

The Brokerage Firm mainly measures and controls market 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 very low and has been controlled through investments.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 22-day holding period. 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 RiMer approach.

iv. *BN Vital Operadora de Planes de Pensiones Complementarias, S.A.*

For the Pension Fund Manager, market risk is the risk that changes in market prices, e.g. interest rates and foreign exchange rates, will affect the Pension Fund Manager's income or the value of its holdings of financial instruments. The objective of the Pension Fund Manager's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Pension Fund Manager's solvency while optimizing the return on risk.

Market risk management

The objective of market risk management is to manage and control market risk exposures to ensure solvency while optimizing the return on risk.

For liquidity risk, the Risk Committee and Investment Committee are responsible for ensuring an efficient market risk management for the Pension Fund Manager. Specific levels of authority and responsibility have been assigned to the appropriate market risk committees regarding market risk management.

Market risks are calculated since the end of 2003. A database is in place to determine the corresponding limits. The potential loss is calculated daily in view of the changes in risk factors that affect the valuation of positions, such as interest rate changes. For such purposes, the RiMeR methodology is used, 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.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

From November 2022, a total VaR of price and rates is calculated, which includes the VaR of fixed-income instruments and the VaR of variable-income instruments, using methodologies approved for consolidation and estimation of the total VaR, considering the total financial instruments of the investment portfolio.

v. BN Corredora de Seguros, S.A.

For the Insurance Brokerage Firm, market risk is the risk that changes in market prices, e.g. interest rates and foreign exchange rates, will affect the Insurance Brokerage Firm's income or the value of its holdings of financial instruments. The objective of the Insurance Brokerage Firm's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Insurance Brokerage Firm's solvency while optimizing the return on risk.

Market risk management

Management of the Insurance 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 Insurance Brokerage Firm operates.

Additionally, the Insurance Brokerage Firm's approach to market risk management includes aspects, such as identifying risk factors, monitoring any such factors identified using market analyses and assessing positions that are subject to price risk using models that measure potential losses on those positions as a result of changes in prices, interest rates or foreign exchange rates.

• Market risk of investments

i. Banco Nacional de Costa Rica

The Bank's consolidated VaR of the market value of investments had a mixed behavior during the last year. For the last 12 months until June 2024, this indicator continued to have a downward trend, with an annual average VAR of 0.55%. A number of factors explain the behavior of the VaR during the last year, including mainly lower volatility in the prices of instruments in the investment portfolio.

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

<u>Type of risk</u>	<u>June 2024</u>	<u>June 2023</u>	<u>Variation</u>
Consolidated VaR	0.39%	0.83%	(0.45%)

The results of the individual VaR by currency of the market value at the June 2024 close and the variation with respect to the same period of the previous year are as follows:

<u>Currency</u>	<u>June 2024</u>	<u>June 2023</u>	<u>Variation</u>
Colones	0.38%	1.22%	(0.84%)
US dollars - local	0.37%	0.29%	0.08%
US dollars - international	0.72%	0.79%	(0.07%)

- Interest rate risk

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

The Market Risk Division monitors this risk regularly through the indicators established by SUGEF Directive 24-22 *Regulations for Qualifying Supervised Entities* and reports monthly on its performance to the Bank's Corporate Risk Committee. Interest rate risk is as follows:

<u>Type of risk</u>	<u>June 2024</u>	<u>June 2023</u>	<u>Variation</u>	<u>Level</u>
Interest rate risk in colones	0.15%	0.53%	(0.38%)	Normal
Interest rate risk in foreign currency	0.05%	0.05%	0.00%	Normal

For the Bank, both indicators closed considerably below SUGEF's regulatory limits.

The decrease in the interest rate risk indicator in colones is mainly due to the decrease in the average duration of equity in colones and a lower expected variation in the base deposit rate. In US dollars, the indicator keeps at the same level as June of the prior year, where the duration of equity in US dollars has remained stable, and the expected variation of the 3-month LIBOR rate has increased.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

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As of June 30, 2024, the interest rate terms for the Bank and its Subsidiaries' assets and liabilities are matched as follows (differences between the recovery of assets and the maturity of liabilities):

		Demand	1 to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	361 to 720 days	More than 720 days	Total
<i>Local currency (LC)</i>									
Investments	¢	1,588,624,674	190,380,834,047	25,623,268,197	15,923,932,657	206,199,283,723	244,067,982,423	522,141,469,210	1,205,925,394,931
Loan portfolio		-	3,261,345,341,834	131,210,889,287	125,151,462,892	17,772,788,504	18,570,940,110	123,356,301,615	3,677,407,724,242
Recovery of rate-sensitive assets LC (A)	¢	1,588,624,674	3,451,726,175,881	156,834,157,484	141,075,395,549	223,972,072,227	262,638,922,533	645,497,770,825	4,883,333,119,173
Obligations with the public	¢	-	201,092,912,994	235,071,226,064	491,476,335,829	679,873,078,269	101,470,723,158	93,096,710,535	1,802,080,986,849
Obligations with BCCR		-	40,650,000,000	-	-	137,331,323,016	-	125,644,412	178,106,967,428
Obligations with financial entities LC		-	113,741,134	-	-	-	132,925,015	26,395,222,846	26,641,888,995
Maturity of rate-sensitive liabilities LC (B)	¢	-	241,856,654,128	235,071,226,064	491,476,335,829	817,204,401,285	101,603,648,173	119,617,577,793	2,006,829,843,272
Difference in LC, recovery of assets less maturity of liabilities (A - B)	¢	1,588,624,674	3,209,869,521,753	(78,237,068,580)	(350,400,940,280)	(593,232,329,058)	161,035,274,360	525,880,193,032	2,876,503,275,901
<i>Foreign currency (FC)</i>									
Investments	¢	-	6,148,995,870	10,119,647,342	15,228,029,481	12,135,261,236	188,191,244,707	116,708,090,511	348,531,269,147
Loan portfolio		-	1,203,545,444,946	44,823,643,763	26,215,766,881	2,882,152,965	24,080,532,521	68,734,319,724	1,370,281,860,800
Recovery of rate-sensitive assets FC (C)	¢	-	1,209,694,440,816	54,943,291,105	41,443,796,362	15,017,414,201	212,271,777,228	185,442,410,235	1,718,813,129,947
Obligations with the public	¢	-	145,722,111,377	113,685,354,849	113,882,270,043	146,986,602,842	74,854,905,794	90,467,443,230	685,598,688,135
Obligations with entities		-	-	-	211,921,528	-	-	42,432,800,000	42,644,721,528
Maturity of rate-sensitive liabilities FC (D)	¢	-	145,722,111,377	113,685,354,849	114,094,191,571	146,986,602,842	74,854,905,794	132,900,243,230	728,243,409,663
Difference in FC, recovery of assets less maturity of liabilities (C - D)	¢	-	1,063,972,329,439	(58,742,063,744)	(72,650,395,209)	(131,969,188,641)	137,416,871,434	52,542,167,005	990,569,720,284
Recovery of rate-sensitive assets 1/ (A + C)	¢	1,588,624,674	4,661,420,616,697	211,777,448,589	182,519,191,911	238,989,486,428	474,910,699,761	830,940,181,060	6,602,146,249,120
Maturity of rate-sensitive liabilities 2/ (B + D)	¢	-	387,578,765,505	348,756,580,913	605,570,527,400	964,191,004,127	176,458,553,967	252,517,821,023	2,735,073,252,935
Difference in LC + FC, recovery of assets less maturity of liabilities (item 1 - item 2)	¢	1,588,624,674	4,273,841,851,192	(136,979,132,324)	(423,051,335,489)	(725,201,517,699)	298,452,145,794	578,422,360,037	3,867,072,996,185

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of June 30, 2023, the interest rate terms for the Bank and its Subsidiaries' assets and liabilities are matched as follows (differences between the recovery of assets and the maturity of liabilities):

		Demand	1 to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	361 to 720 days	More than 720 days	Total
<i>Local currency (LC)</i>									
Investments	¢	1,733,483,894	15,625,485,572	39,099,428,399	42,508,106,065	65,249,512,038	222,277,773,378	481,242,733,667	867,736,523,013
Loan portfolio		-	3,090,425,689,724	124,335,224,474	118,593,763,467	16,844,476,727	17,602,080,926	109,274,758,185	3,477,075,993,503
Recovery of rate-sensitive assets LC (A)	¢	1,733,483,894	3,106,051,175,296	163,434,652,873	161,101,869,532	82,093,988,765	239,879,854,304	590,517,491,852	4,344,812,516,516
Obligations with the public	¢	-	185,318,993,347	285,043,778,854	449,352,050,172	412,995,811,738	139,292,307,905	132,413,161,549	1,604,416,103,565
Obligations with BCCR		-	58,488,444,444	-	-	-	155,735,504,264	125,644,412	214,349,593,120
Obligations with financial entities LC		-	17,771,064,225	-	-	-	-	29,691,313,492	47,462,377,717
Maturity of rate-sensitive liabilities LC (B)	¢	-	261,578,502,016	285,043,778,854	449,352,050,172	412,995,811,738	295,027,812,169	162,230,119,453	1,866,228,074,402
Difference in LC, recovery of assets less maturity of liabilities (A - B)	¢	1,733,483,894	2,844,472,673,280	(121,609,125,981)	(288,250,180,640)	(330,901,822,973)	(55,147,957,865)	428,287,372,399	2,478,584,442,114
<i>Foreign currency (FC)</i>									
Investments	¢	-	12,223,711,370	111,347,220,698	153,613,370,816	241,030,999,920	22,841,888,315	76,519,627,553	617,576,818,672
Loan portfolio		-	1,126,995,408,546	41,972,690,709	24,548,345,084	2,698,837,149	22,548,919,694	63,610,303,770	1,282,374,504,952
Recovery of rate-sensitive assets FC (C)	¢	-	1,139,219,119,916	153,319,911,407	178,161,715,900	243,729,837,069	45,390,808,009	140,129,931,323	1,899,951,323,624
Obligations with the public	¢	-	146,200,420,813	105,976,004,095	227,757,865,012	179,631,700,300	50,993,930,826	110,016,106,119	820,576,027,165
Obligations with BCCR		-	7,941,634,440	-	-	-	-	-	7,941,634,440
Obligations with entities		-	-	-	55,508,919,965	1,466,477,555	-	43,958,400,000	100,933,797,520
Maturity of rate-sensitive liabilities FC (D)	¢	-	154,142,055,253	105,976,004,095	283,266,784,977	181,098,177,855	50,993,930,826	153,974,506,119	929,451,459,125
Difference in FC, recovery of assets less maturity of liabilities (C - D)	¢	-	985,077,064,663	47,343,907,312	(105,105,069,077)	62,631,659,214	(5,603,122,817)	(13,844,574,796)	970,499,864,499
Recovery of rate-sensitive assets 1/ (A + C)	¢	1,733,483,894	4,245,270,295,212	316,754,564,280	339,263,585,432	325,823,825,834	285,270,662,313	730,647,423,175	6,244,763,840,140
Maturity of rate-sensitive liabilities 2/ (B + D)	¢	-	415,720,557,269	391,019,782,949	732,618,835,149	594,093,989,593	346,021,742,995	316,204,625,572	2,795,679,533,527
Difference in LC + FC, recovery of assets less maturity of liabilities (item 1 - item 2)	¢	1,733,483,894	3,829,549,737,943	(74,265,218,669)	(393,355,249,717)	(268,270,163,759)	(60,751,080,682)	414,442,797,603	3,449,084,306,613

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

ii. BN Sociedad Administradora de Fondos de Inversión, S.A.

The Investment Fund Manager faces interest rate risk when it holds assets or liabilities subject to interest rate changes. Exposure to losses exists on the value of a financial asset or liability arising from fluctuations in interest rates when interest rates for investments are mismatched and when the Investment Fund Manager does not have the necessary flexibility to make a timely adjustment.

iii. BN Vital Operadora de Planes de Pensiones Complementarias, S.A.

The Pension Fund Manager faces interest rate risk when it holds assets or liabilities subject to interest rate changes. Exposure to losses exist on the value of a financial asset or liability that arises from rate fluctuations when mismatches occur in the changes in investment rates, without having the flexibility required for a timely adjustment.

The total VaR of price and rates of the Pension Fund Manager's own funds has an increasing trend, with a maximum of 2.57% and a minimum of 0.46% for an average of 1.25%, equivalent to ₡178.73 million. As of June 30, 2024, the indicator closed at 0.46% (June 2023: 2.62%), showing an increase due to the higher volatility observed in the prices of the instruments in the investments portfolio

iv. BN Corredora de Seguros, S.A.

The Insurance Brokerage Firm faces interest rate risk when it holds assets or liabilities subject to interest rate changes. Exposure to losses exist on the value of a financial asset or liability arising from fluctuations in interest rates when interest rates for investments are mismatched and when the Insurance Brokerage Firm does not have the necessary flexibility to make a timely adjustment.

The Insurance Brokerage Firm has investments in open investment funds managed by BN Sociedad Administradora de Fondos de Inversiones S.A. which are financial assets measured at FVTPL and subject to interest rate changes due to fluctuations in the stock market since short-term positions are constituted to meet investor's liquidity needs. The remainder of the investment portfolio is kept in financial instruments measured at amortized cost, whose market interest rate variations are monitored on an ongoing basis by BN Valores, in its role as manager of the portfolio of BN Corredora with quarterly reports to the Insurance Brokerage Firm. The Insurance Brokerage Firm holds no liabilities subject to interest rate variations.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

d) Currency risk

Pursuant to SUGEF Directive 2-10 *Regulation on comprehensive risk management*, 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.

The Conglomerate's foreign currency position is monitored daily by the Market Risk Division.

i. Banco Nacional de Costa Rica

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

The Bank calculates the SUGEF currency risk indicator on a monthly basis, which remains at the appetite level as of June 2024. The indicator increased during the last quarter, which is an expected behavior due to the higher exchange rate (depreciation of the colón in relation to the US dollar) during the second quarter of 2024.

<u>Type of risk</u>	<u>June 2024</u>	<u>June 2023</u>	<u>Variation</u>	<u>Level</u>
Currency risk	1.83%	4.20%	(2.37%)	Normal

In addition to the regulatory currency risk indicator, the Bank's Market Risk Division calculates another currency risk indicator for management and monitoring purposes. A VaR of exchange rate is created based on the exposure level and foreign exchange rate stress scenarios.

The VaR of exchange rate measures the losses that a financial entity could have (using a certain probability and a 1-month time horizon) due to a mismatch of its assets and liabilities in foreign currency, in the event of exchange rate fluctuations.

Inputs used to measure the VaR of exchange rate include the exchange rate at a specific time and time horizon, the net position in foreign currency (difference between assets and liabilities in foreign currency) and the percentage variation in the exchange rate at different time periods and the base capital.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The VaR of exchange rate assumes that the exchange rate risk exists only if there is a mismatch between assets and liabilities in foreign currency. The variation in the exchange rate corresponds to the 5th or 95th percentiles of the distribution of projected variations in exchange rates taken from an exchange rate model.

As of June 30, with the calibrated model and through Montecarlo simulations, exchange rate forecasts are created for different periods. The 5th or 95th percentiles of the distribution of those forecasts are used as the percentage variation of the exchange rate in order to calculate the indicator of the VaR of exchange rate. The result is as follows:

<u>Internal currency risk</u>	<u>June 2024</u>	<u>June 2023</u>	<u>Level</u>
5th percentile	0.22%	0.34%	Normal
95th percentile	0.31%	0.50%	Normal

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

	<u>US dollars</u>	
	<u>June 2024</u>	<u>June 2023</u>
<u>Assets:</u>		
Cash and due from banks	US\$ 1,207,907,467	1,138,939,700
Investments in financial instruments	657,294,569	1,124,193,262
Loan portfolio	2,574,938,928	2,331,896,266
Accounts and accrued interest receivable	947,233	875,000
Investments in other companies	131,415,489	124,665,055
Property, furniture and equipment	230,107	397,801
Other assets	2,487,911	2,111,330
	<u>US\$ 4,575,221,704</u>	<u>4,723,078,414</u>
<u>Liabilities:</u>		
Obligations with the public	US\$ 3,981,669,745	3,784,806,271
Obligations with entities	323,992,876	650,123,656
Subordinated obligations	110,344,056	113,363,921
Accounts payable and provisions	16,333,121	18,726,320
Other liabilities	10,387,461	11,668,359
	<u>US\$ 4,442,727,259</u>	<u>4,578,688,527</u>
Excess of assets over liabilities in US dollars	<u>US\$ 132,494,445</u>	<u>144,389,887</u>

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		Euro	
		June 2024	June 2023
<u>Assets:</u>			
Cash and due from banks	€	54,344,863	49,463,160
	€	54,344,863	49,463,160
<u>Liabilities:</u>			
Obligations with the public	€	51,546,519	47,476,760
Obligations with entities		1,731,576	1,651,788
Accounts payable and provisions		104,353	54,591
Other liabilities		1,179,087	593,544
	€	54,561,535	49,776,683
Deficit of assets over liabilities in euro	€	(216,672)	(313,523)
		DU	
		June 2024	June 2023
<u>Assets:</u>			
Loan portfolio		373,616	(136,268)
	UD	373,616	(136,268)
<u>Liabilities:</u>			
Accounts payable and provisions	UD	8,738	22,673
	UD	8,738	22,673
Excess (deficit) of assets over liabilities in DU	UD	364,878	(158,941)

The Conglomerate's net position is not hedged. However, the Conglomerate considers its position to be acceptable and in compliance with the internal policy limits established by ALCO.

For the six months ended June 30, the valuation in colones of monetary assets and liabilities in foreign currency gave rise to foreign exchange gains and losses, as follows:

		June 2024	June 2023
Gain on foreign exchange differences	¢	202,850,130,655	371,294,359,581
Loss on foreign exchange differences		(202,991,343,508)	(373,034,288,256)
Net loss	¢	(141,212,853)	(1,739,928,675)

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Additionally, the valuation of other assets and other liabilities for the six months ended June 30, gave rise to gains and losses, which are booked in “Other operating income” and “Other operating expenses”, respectively, as follows:

	June 2024	June 2023
Gain on net valuation of other assets (Note 42) ¢	276,390,718	509,225,369
Loss on net valuation of other liabilities	(235,875,547)	(195,394,676)
Net gain ¢	40,515,171	313,830,693

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

ii. BN Sociedad Administradora de Fondos de Inversión, S.A.

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 the Investment Fund Manager 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.

The risk of capital requirement due to currency risk corresponds to the amount resulting from multiplying the absolute value of the total net position in foreign currency by 10%.

iii. BN Valores Puesto de Bolsa, S.A.

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.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Regarding its assets and liabilities denominated in US dollars, the Brokerage Firm aims to ensure that its net exposure remains at an acceptable level by holding sufficient assets in US dollars to be able to settle its liabilities in that currency.

iv. BN Vital Operadora de Planes de Pensiones Complementarias, S.A.

As of June 30, 2024, the Pension Fund Manager's exposure to currency risk, considering its net assets in US dollars, was 13.34% (¢1,946 million) of total net assets, representing an increase in comparison to June 30, 2024, where it closed at 10.99% (¢1,466.27 million).

Sensitivity analysis

In managing interest rates and currency risks, the Pension Fund Manager seeks to reduce the impact of short-term fluctuations on its profit. However, over the long-term permanent changes in foreign currency and interest rates may affect profit.

The Pension Fund Manager performed a sensitivity analysis to determine the effect on profit of interest rate variations of rate-sensitive assets and liabilities.

Management performs a base analysis to determine the impact on financial assets and liabilities of an increase or decrease of 1 and 2 basis points in the interest rates of rate-sensitive assets and liabilities, as follows:

Impact on profit or loss as of June 30, 2024			
1%	2%	(1)%	(2)%
-	-	-	-
Impact on profit or loss as of June 30, 2023			
1%	2%	(1)%	(2)%
2,500,000	5,000,000	(2,500,000)	(5,000,000)

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of June 30, 2024, an increase of 5% in the exchange rate of the functional currency with respect to the US dollar would generate a loss of ¢97.3 million (2023: ¢73.31 million). A decrease of 5% would generate the opposite effect.

v. BN Corredora de Seguros, S.A.

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

e) Operational risk

i. Banco Nacional de Costa Rica

Operational risk is the risk of potential loss resulting from failures or deficiencies in processes, personnel, information systems, internal and external events. This definition includes litigation risk but excludes strategic or business risks and reputational risks.

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

That policy is implemented through a management framework that includes:

- defining operational risk and best practices
- goals of the operational risk function
- institutional principles to manage operational risk
- roles and relationships
- specific framework to manage legal risk.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

One of the Conglomerate's fundamental principles for operational risk management is transparency, which means that all risk events should be identified, documented and reported in order to adequately measure risk events and carry out any necessary corrective, preventive or mitigation measures in a timely manner, including insurance claims where applicable.

Operational risk management's main activity is the valuation 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 litigation risk, the Conglomerate applies a model that permits estimating the expected losses and VaR of lawsuits, considering the expert opinion of the legal counsel, the subject matter of the cases when calculating the probability of an unfavorable ruling and a continuous model for the duration of the lawsuits. This model provides a direct estimate of the duration of each lawsuit in the corresponding court. In addition, there is another model to calculate litigation provisions based on historical probability, by lawyer and by subject matter, which allows addressing potential unfavorable rulings.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 Conglomerate's upper management through a periodic information system that determines risk exposure.

ii. *BN Sociedad Administradora de Fondos de Inversiones, S.A.*

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 operational 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.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

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- **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 (BCP).
- **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:** Senior management informs employees of risk management trends and strategies as well the results of assessments through meetings with employees or announcements.

iii. BN Valores Puesto de Bolsa, S.A.

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 the following aspects are considered which allow the Brokerage Firm to manage and control the exposure to these risks:

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 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) Investments held for sale 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.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

iv. BN Vital Operadora de Planes de Pensiones Complementarias, S.A.

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 action
- comprehensive planning for resuming activities, including plans to restore key operations and internal and external support to ensure services are not interrupted
- personnel training.

Additionally, the General Risk Division of the Bank's Financial Conglomerate 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.

Capital risk: This is the risk that the Pension Fund Manager will not have sufficient capital to meet the minimum regulatory requirements in all jurisdictions where regulated activities are performed, so as to support its credit rating and its strategic and growth options.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Pension Fund Manager is regulated by the Pensions Superintendency (SUPEN), which establishes the capital requirements.

Capital risk management

The General Risk Division (Dirección General del Riesgos, DGR) is responsible for guaranteeing the efficient capital risk management of the Pension Fund Manager. The specific levels of authority and responsibility regarding capital risk management have been assigned to the appropriate committees.

Capital risk is measured and monitored using limits set in relation to capital (Common Equity Tier 1 (CET1), Total Capital Level 1) and the debt-to-equity ratio, which is calculated according to the relevant regulatory requirements.

Legal risk: This risk focuses on the legal contingencies that result from the nature and operation of the industry when applying and interpreting pension 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 Area is in charge of reviewing in a systematic and comprehensive manner any departure from regulations.

Litigation risk: The General Risk Division 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 ECL and VaR.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

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As of June 30, 2024, the results of the VaR by legal risk for the Pension Fund Manager correspond to an estimate of the provision for pending litigation in the amount of ¢101,766,459 (2023: ¢31,146,248) that covers the lawsuits against the Pension Fund Manager, out of four pending lawsuits.

v. *BN Corredora de Seguros, S.A.*

Operational risk is the risk of possible direct or indirect loss arising from operating 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 Insurance Brokerage Firm 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 reputational damages.

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 action
- comprehensive planning for resuming activities, including plans to restore key operations and internal and external support to ensure services are not interrupted
- personnel training.

At the conglomerate level, the Risk Management Area provides 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 Internal Audit. The results of such reviews are discussed with the personnel of the Insurance Brokerage Firm.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

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Capital risk: This is the risk that the Insurance Brokerage Firm will not have sufficient capital to meet the minimum regulatory requirements in all jurisdictions where regulated activities are performed, so as to support its credit rating and its strategic and growth options. CONASSIF establishes the capital adequacy requirements for the Insurance Brokerage Firm, through specific guidelines issued by SUGESE and SUGEF, considering that the entity is part of the financial conglomerate of Banco Nacional de Costa Rica.

Capital risk management

The Corporate Risk Committee is responsible for guaranteeing the efficient capital risk management of the Insurance Brokerage Firm. The specific levels of authority and responsibility regarding capital risk management have been assigned to the appropriate committees.

Capital risk is measured and monitored using limits set in relation to capital (Common Equity Tier 1 (CET1), Total Equity Level 1) and the debt-to-equity ratio, which is calculated according to the relevant regulatory requirements.

Exposure to capital risk

The Insurance Brokerage Firm's regulatory capital consists of:

- Common Equity Tier 1 (CET1), which includes ordinary shares, retained earnings and reserves after the adjustments for dividends declared payable, intangible assets, and other regulatory adjustments related to items included in equity but treated differently for capital adequacy purposes. The Insurance Brokerage Firm's capital plans have the goal of maintaining sufficient capital of adequate quality to support its risk profile and the regulatory and business needs. The Insurance Brokerage Firm has met the minimum capital requirements indicated by the regulator.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

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Legal risk: Refers to legal contingencies that arise in the entity's operations and due to the nature of the industry in the application and interpretation of the law and the processing of customer claims.

Legal risk management covers three types of events:

- Contract risk: to the extent that the clauses included in the contracts adhere to the regulations in effect and guarantee compliance by the parties. Legal actions are coordinated and support is obtained from the Bank so that, from a legal perspective, all documents subscribed with third parties are reasonably secure.
- Risk of regulatory compliance: regarding the scope and the adoption of regulations in effect on the Insurance Brokerage Firm's operations, there is a Regulatory Compliance area. Its main functions include a systematic and comprehensive review of the elements of specific regulations in the event of a deviation.
- Litigation risk: UAIR follows up monthly on the lawsuits in which the Insurance Brokerage Firm is involved. These are duly communicated and registered by management in the database of the Bank's Legal Department. Mathematical models are applied to calculate the amounts of expected losses and value at risk.

The Bank's General Risk Division communicates monthly the results of the VaR due to legal risks for the Brokerage Firm and estimated losses. Currently there is only one lawsuit against the entity.

Capital management:

Regulatory capital

The Bank's capital must always comply with the capital adequacy indicators established by SUGEF, which require that banks maintain a Capital Adequacy Ratio (CAR) of at least 10%. That ratio is calculated by dividing the Bank's base capital by total risk-weighted exposures. Management periodically monitors these requirements and reports to the board of directors on compliance.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Conglomerate's capital, including the capital of its statutorily created departments, may be increased by law or by capitalization of earnings. In the latter case, the capitalization must be approved by the board of directors of BCCR based on a report issued by SUGEF.

Financial entities regulated by SUGEF may increase their capital by amending their articles of incorporation and paying such increases in full. Such entities may also decrease their capital, provided that it remains above the minimum required by law.

In accordance with Article 135 of the *Internal Regulations of the Central Bank of Costa Rica* (Law No. 7558), CONASSIF will establish limits for credit operations, whether direct or stand-by, that financial entities regulated by SUGEF may enter into with individuals or legal entities under the modalities offered by regulated entities.

The maximum limit will be equivalent to twenty percent (20%) of the Bank's subscribed and paid-in capital and non-redeemable capital reserves. Regulated entities may internally define their own limits, provided that such limits adhere to the above parameters and do not exceed the maximum limits established by CONASSIF.

From January 1, 2020, in order to comply with the disclosure of objectives, policies and procedures for managing capital and quantitative information, the Conglomerate adheres to Articles 10, 11 and 12 of IRNBS (Law No. 1644), and SUGEF's Chart of Accounts, CONASSIF Directive 6-18 and appendixes.

The Bank's own contributions to share capital and amounts capitalized from other equity accounts are recognized in share capital (account No. 310) in accordance with Article 11 of IRNBS (Law No. 1644). Debits and credits applied against that account must be generated by operations that comply with all legal requirements for modifying the entity's capital and that have been approved by BCCR or CONASSIF, as appropriate.

Article 11 of the aforementioned regulations establishes that banks must use the calendar year as their financial year and that gains and losses be presented on a net basis at the close of the last business day of each half of the year must be liquidated. Such liquidations must be reported to SUGEF.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The main purpose of capital management is to maintain an appropriate CAR that is above the current minimum level of 10% established in SUGEF Directive 3-06 *Regulations on Capital Adequacy of Financial Entities*.

The strengthening of the Conglomerate's capital includes defining internal appetites, focused on an adequate risk management and its risk profile. The current limits are as follows:

Internal limits on capital adequacy ratio as per SUGEF Directive 3-06			
Indicator	Appetite	Tolerance	Capacity
CAR	$x \geq 12\%$	$11\% \leq x \leq 12\%$	$x \leq 11\%$

As part of the Bank's approach to capital management, the Bank's CAR is monitored monthly and reported to the general board of directors in a detailed financial report that covers all main items of interest: consolidated statement of financial position, consolidated statement of comprehensive income, indicators, budget execution and capital adequacy.

As of June 30, 2024 and 2023, the Conglomerate's CAR is above the minimum level required by applicable regulations, which indicates that capital levels are above the minimum required by laws and regulations.

Moreover, in applying the *Law on the Ordinary and Extraordinary Budget of the Republic for Tax Year 2008* (Law No. 8627), published in the Official Gazette on December 23, 2008, effective immediately, the Government of Costa Rica capitalized State-owned banks. As part of that capitalization, the Bank received Central Bank bonds in DU for a total of DU42,165,060, equivalent to ¢27,618,957,837, which was credited against the "Paid-in capital" account No. 311 (see Note 26).

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(7) Collateralized or restricted assets

Collateralized or restricted assets are as follows:

Restricted asset	Cause of restriction		June 2024	December 2023	June 2023
<u>Cash and due from banks:</u>					
Checking account - colones (Note 9)	Minimum legal deposit	¢	737,527,333,807	674,624,219,747	639,016,471,380
Checking account - US dollars (Note 9)	Minimum legal deposit		324,497,015,280	310,665,848,876	326,191,263,178
Checking account - euro (Note 9)	Minimum legal deposit		4,436,082,649	3,780,738,253	4,342,521,341
Other cash and due from banks (Note 9)	Margin calls – derivative financial instruments		2,628,515	-	39,545,378
Other cash and due from banks (Note 9)	Contingent guarantee of the deposit guarantee fund (FGD)		138,294,264,505	132,853,293,782	129,598,354,949
Other cash and due from banks (Note 9)	FOGABONA		172,920,850	184,034,892	238,532,429
		¢	<u>1,204,930,245,606</u>	<u>1,122,108,135,550</u>	<u>1,099,426,688,655</u>
<u>Investments in financial instruments:</u>					
Investments in financial instruments	Liquidity market operations	¢	62,647,190,228	62,550,320,611	63,848,481,245
Securities issued by BCCR and the Government	Investments securing repurchase agreements		2,332,634,307	2,922,590,178	2,697,705,840
Sovereign bond in USD	BofA-Swaps		-	-	1,091,420,981
Sovereign bond in USD	Nomura Bank guarantee		47,861,770,200	47,437,394,548	79,733,867,017
Sovereign bond in USD	BNY Mellon guarantee		-	42,196,961,996-	28,273,333,132
Sovereign bond in USD	JP-SWAPS		-	-	407,367,707
Sovereign bond in USD	JPMIM-PLEDGED ASSET		-	-	83,377,950
Sovereign bond in USD	JPMIM-ASSET-		68,097,279	-	-
TP USD	SINPE guarantee		-	-	31,773,843,152
TP CRC	SINPE guarantee		32,773,064,861	-	-
BEM CRC	SINPE guarantee		30,520,600,396	-	-
BEM CRC	BN CUSTODY		5,093,368,141	-	-
Sovereign bond in USD	SINPE guarantee		101,202,727,435	23,610,825,591	124,903,560,253
		¢	<u>282,499,452,847</u>	<u>178,718,092,924</u>	<u>332,812,957,277</u>
Other assets					
Other assets (Note 17)	Security deposits	¢	<u>1,206,508,560</u>	<u>970,273,927</u>	<u>741,118,760</u>

As of June 30, 2024, the Brokerage Firm has restricted assets in the amount of ¢62,647,190,228 (December and June 2023: ¢62,550,320,611 and ¢63,848,481,245, respectively), corresponding to guarantees for tri-party repurchase agreements, operations in the liquidity market and contributions to the liquidation and compensation risk management fund.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

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As of June 30, 2024, the Pension Fund Manager has restricted assets in the amount of ¢2,332,634,307 (December and June 2023: ¢2,922,590,178 and ¢2,697,705,840, respectively) corresponding to investments pledged to secure repurchase agreements.

(8) Balances and transactions with related parties

Balances and transactions with related parties are as follows:

	June 2024	December 2023	June 2023
<u>Assets:</u>			
Checking accounts in foreign financial entities (1) (Note 9)	¢ 35,545,640,340	35,092,573,776	37,970,353,948
Investments in financial instruments and accrued interest receivable (2)	6,061,831,861	3,650,528,982	1,038,699,342
Investments in other companies (2)	68,603,466,101	66,225,192,279	68,450,331,195
	¢ <u>110,210,938,302</u>	<u>104,968,295,037</u>	<u>107,459,384,485</u>
<u>Liabilities:</u>			
Demand obligations with entities (3)	44,776,830	14,005,187	56,851,197
Accounts due to related parties (4)	21,484,082	21,841,512	19,211,532
	¢ <u>66,260,912</u>	<u>35,846,699</u>	<u>76,062,729</u>
<u>Income:</u>			
Operating income	68,779,466	-	-
Gain on investments in other foreign companies	2,010,932,529	3,298,387,922	1,639,561,285
	<u>2,079,711,995</u>	<u>3,298,387,922</u>	<u>1,639,561,285</u>
<u>Expenses:</u>			
Operating expenses (5)	494,258,486	211,152,634	841,439,948
	¢ <u>494,258,486</u>	<u>211,152,634</u>	<u>841,439,948</u>

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The aforementioned balances and transactions with related parties correspond to:

- (1) Balances in foreign checking accounts with Banco Internacional de Costa Rica, S.A., which bear interest at 2.25% per annum for both years
- (2) Investments in the share capital of entities over which the Bank exercises control or significant influence
- (3) Movements in transit of the subsidiaries' checking accounts with the Bank
- (4) Balance of the subsidiaries' term certificates of deposit with the Bank
- (5) Services of the Bank's procedures and self-issue insurance unit (*Unidad de Trámites y Autoexpedibles*) and custody rental system.

a) *Compensation to key personnel*

Compensation to key personnel is as follows:

		June 2024	December 2023	June 2023
Short-term benefits	¢	1,078,782,548	2,427,733,371	1,274,183,095
Long-term benefits		140,241,731	315,605,338	165,643,802
Per diem – Board of directors		74,413,325	124,301,695	70,640,255
	¢	<u>1,293,437,604</u>	<u>2,867,640,404</u>	<u>1,510,467,152</u>

The price for services in transactions with subsidiaries are established by the Conglomerate at market value. In conformity with Directive 20/03 dated June 10, 2003, Decree No. 37898-H dated June 5, 2013, and judgements of the Constitutional Chamber of the Supreme Court of Justice No. 2012008739 and No. 2012004940, the Conglomerate performs a transfer pricing study.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(9) Cash and cash equivalents

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

	June 2024	December 2023	June 2023
Cash and due from banks	¢ 1,550,929,699,350	1,429,362,414,317	1,422,351,539,288
Investments with maturities of less than two months	216,792,664,390	219,166,903,211	133,732,517,186
	¢ 1,767,722,363,740	1,648,529,317,528	1,556,084,056,474

Cash and due from banks is as follows:

	June 2024	December 2023	June 2023
Cash on hand and in vaults	¢ 85,164,234,444	82,485,478,747	62,091,463,614
Cash in transit	13,418,625,515	20,232,690,853	43,073,751,312
Checking account in BCCR (1)	111,465,777,765	48,415,632,964	62,224,598,007
Minimum legal deposits in BCCR (2)	906,676,063,069	878,225,354,683	851,336,601,844
Checking accounts and demand deposits in State-owned commercial banks and banks created under special laws	191,910,109	208,831,452	491,308,922
Checking accounts and other demand accounts in private financial entities	1,261,552,931	577,900,183	265,318,865
Checking accounts in foreign financial entities	249,990,574,712	222,086,875,167	225,527,303,298
Deposits and other demand accounts in foreign financial entities	663,999,584	17,081,237	2,074,687,507
Checking accounts and demand deposits in related parties (Note 8)	35,545,640,340	35,092,573,776	37,970,353,948
Overnight deposits in foreign financial entities	1,381,842,866	1,187,797,197	382,961,630
Transfers through the Interbank Electronic Payment System (SINPE)	1,730,551,206	1,358,743,570	2,018,886,751
Local notes receivable	4,152,998,033	4,748,056,422	4,114,782,486
Foreign notes receivable	816,114,906	1,688,069,394	903,088,348
Margin calls – derivative financial instruments (Note 7)	2,628,516	-	39,545,378
Fondo de Garantía de la Bolsa Nacional de Valores (FOGABONA)	172,920,850	184,034,893	238,532,429
Contingent guarantee of the deposit guarantee fund (Fondo de Garantía de Depósitos, FGD)	138,294,264,504	132,853,293,781	129,598,354,949
	¢ 1,550,929,699,350	1,429,362,414,317	1,422,351,539,288

(1) Checking accounts and demand deposits in BCCR include the balances of the minimum legal deposits required for each period, 2024 and 2023 (see Note 7).

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (2) As per note BCCR JD-6066/08 dated June 17, 2022, for June the percentage for the minimum legal deposit in colones applied is 15%.

(10) Investments in financial instruments

Investments in financial instruments are as follows:

	June 2024	December 2023	June 2023
Investments at FVTPL	¢ 14,274,909,524	23,521,412,984	8,185,106,541
Investments at FVOCI	557,894,380,574	614,745,008,392	749,622,282,412
Investments at amortized cost	960,265,977,301	730,519,651,897	705,141,219,354
	¢ 1,532,435,267,399	1,368,786,073,273	1,462,948,608,307
Interest rate futures – Hedges	9,360,910	81,481,170	4,138,271
Purchase of FX futures – Other than hedges	-	-	2,887
Sale of FX futures – Other than hedges	134,807,046	282,823,967	77,522,198
Allowance for impairment of investments	(1,721,723,616)	(1,416,262,629)	(2,394,295,085)
Allowance for operations with derivatives other than hedges	(674,035)	(1,414,120)	(652,173)
Accrued interest receivable on investments	23,488,012,570	21,887,088,090	24,333,592,916
	¢ 1,554,345,050,274	1,389,619,789,751	1,484,968,917,321

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Notes to the Consolidated Financial Statements

a) Investments at FVTPL

Investments at FVTPL are as follows:

	June 2024	December 2023	June 2023
<u>Local issuers</u>			
Government of Costa Rica	307,015,933	-	-
BCCR	-	970,850,737	-
Private issuers	13,967,893,591	22,550,562,247	8,185,106,541
¢	<u>14,274,909,524</u>	<u>23,521,412,984</u>	<u>8,185,106,541</u>

b) Investments at FVOCI

Investments at FVOCI are as follows:

	June 2024	December 2023	June 2023
<u>Local issuers</u>			
Government of Costa Rica	¢ 331,601,199,739	428,835,070,195	585,021,657,459
BCCR	86,798,070,615	83,911,118,412	53,298,688,071
Private issuers	2,332,634,307	2,922,590,178	2,697,705,840
¢	<u>420,731,904,661</u>	<u>515,668,778,785</u>	<u>641,018,051,370</u>
<u>Foreign issuers</u>			
Governments	¢ 50,107,313,213	38,225,271,615	22,981,715,418
Private issuers	29,466,065,345	33,254,466,882	43,900,541,216
Private banks	57,589,097,355	27,596,491,109	41,721,974,408
	<u>137,162,475,913</u>	<u>99,076,229,606</u>	<u>108,604,231,042</u>
¢	<u>557,894,380,574</u>	<u>614,745,008,391</u>	<u>749,622,282,412</u>

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

c) Investments at amortized cost

Investments at amortized cost are as follows:

		June 2024	December 2023	June 2023
<u>Local issuers</u>				
Government of Costa Rica	¢	430,128,622,273	348,755,364,004	266,327,572,322
BCCR		326,645,142,730	119,790,981,728	43,131,765,837
State-owned banks		24,500,000	24,500,000	-
Private banks		-	-	-
Private issuers		-	1,037,092,659	3,906,665,778
	¢	<u>756,798,265,003</u>	<u>469,607,938,391</u>	<u>313,366,003,937</u>
<u>Foreign issuers</u>				
Governments	¢	174,224,432,298	250,382,013,856	341,678,365,185
Private issuers		-	8,947,102,750	47,322,871,177
Private banks		29,243,280,000	1,582,596,900	2,773,979,055
		<u>203,467,712,298</u>	<u>260,911,713,506</u>	<u>391,775,215,417</u>
	¢	<u>960,265,977,301</u>	<u>730,519,651,897</u>	<u>705,141,219,354</u>

As of June 30, 2024, the valuation of investments in financial instruments, including restricted financial instruments, gave rise to unrealized losses, net of deferred tax, in the amount of ¢-679,004,974 (December and June 2023: unrealized gains, net of deferred tax, in the amount of ¢13,142,311,960 and ¢10,958,068,513, respectively). The cumulative balance of equity adjustments arising from the valuation of those investments is equivalent to unrealized gains of ¢2,951,922,368 (December and June 2023: unrealized gains of ¢3,630,927,342 and ¢1,446,683,895, respectively).

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The following table shows the rating of investments by classification:

		June 2024	December 2023	June 2023
<u>BCCR</u>				
	B	-	2,148,226,594	663,818,718
	B+	-	170,524,723,874	96,430,453,907
	BB-	215,148,299,886	-	-
	F1+	21,753,944,318	-	-
<u>Foreign private banks</u>				
	A	2,228,505,978	1,505,691,104	10,330,540,522
	A2	-	4,215,040,000	23,825,452,800
	A-	8,714,245,080	11,783,156,069	11,678,333,771
	A+	17,075,601,927	6,082,132,506	5,260,294,068
	A2	4,243,280,000	-	-
	AA-	1,791,875,887	201,895,906	3,478,072,991
	AAA	2,640,339,714	4,696,480,315	4,775,209,745
	BBB	285,325,785	289,679,736	2,600,049,717
	BBB-	-	-	2,817,015,830
	BBB+	9,052,956,467	8,635,696,153	4,738,405,283
	P1	25,000,000,000	-	10,915,841,892
<u>Foreign private issuers</u>				
	A	3,763,333,223	198,491,750	3,343,287,338
	A-	7,665,425,156	4,956,240,279	7,656,270,678
	A+	4,453,994,580	245,702,590	1,667,773,794
	AA	-	279,089,010	-
	AA-	726,383,595	298,548,670	3,611,168,108
	B+	-	3,380,204,694	-
	BBB	18,048,953,817	18,309,659,426	25,710,761,385
	BBB-	5,388,366,645	7,660,298,178	5,366,402,958
	BBB+	5,275,304,508	6,976,021,044	15,831,258,955
	P1	-	-	5,398,709,476
<u>Local private issuers</u>				
	AA+	1,588,624,674	-	-
	BB	8,371,812,692	15,263,063,032	2,429,267,462
	BB+	-	3,778,656,909	1,733,483,893
	BB-	3,876,660,608	-	3,890,538,192
<u>Government of Costa Rica</u>				
	B	-	64,662,547,828	67,183,967,413
	B2	-	11,148,610,067	10,202,410,895
	B+	-	692,053,538,986	767,728,166,164
	BB-	752,777,957,437	-	-
<u>Foreign governments</u>				
	A	-	565,327,472	837,160,710
	AA+	214,683,126,798	280,937,982,309	325,620,992,157
	A1+	-	2,150,810,816	-
	P1	9,593,169,120	-	24,916,444,037
<u>Unrated</u>				
	N/A	188,287,779,504	45,838,557,956	12,307,055,448
	¢	<u>1,532,435,267,399</u>	<u>1,368,786,073,273</u>	<u>1,462,948,608,307</u>

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(11) Derivative financial instruments

The Conglomerate holds the following types of derivative financial instruments:

i. Derivatives as risk hedging instruments

The Conglomerate obtained interest rate hedges to hedge exposure to the LIBOR rate on the international debt issue made in October 2013 in US dollars at a fixed rate. The purpose of these financial instruments is to offset the changes in fair value attributable to fluctuations in such reference rate.

Derivative financial instruments are as follows:

		June 2024		Purpose
Issuing bank		Notional amount	Valuation	
Chicago Board of Trade	US\$	17,600,000	US\$ 5,125	Standardized futures contracts (maturing in 2024)
Amount in colones	¢	9,335,216,000	¢ 2,718,351	
		December 2023		Purpose
Issuing bank		Notional amount	Valuation	
Chicago Board of Trade	US\$	21,100,000	US\$ 39,672	Standardized futures contracts (maturing in 2024)
Amount in colones	¢	11,117,168,000	¢ 20,902,320	
		June 2023		Purpose
Issuing bank		Notional amount	Valuation	
JP Morgan	US\$	45,833,000	US\$ (618,171)	Swaps to hedge 10-year issues (maturing in 2023)
Bank of America		128,631,000	(1,734,908)	
	US\$	174,464,000	US\$ (2,353,079)	
Amount in colones	¢	95,864,478,720	¢ (1,292,969,772)	
Chicago Board of Trade	US\$	10,200,000	US\$ (92,672)	Standardized futures contracts (maturing in 2023)
Amount in colones	¢	5,604,696,000	¢ (50,921,345)	

Gains and losses on the valuation of derivative financial instruments are booked under asset and liability accounts, respectively.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Regarding the first international issue negotiated in 2013 through a bond for \$500 million, for which Interest Rate Swaps (IRS) were also negotiated to hedge that issue with different counterparties abroad, the issue matured on November 1, 2023. As established in the contract, the outstanding balance of \$174.4 million was paid and the different hedge derivatives (IRS) were liquidated, thus settling the issue, interests, valuation and other corresponding items, thus complying with the bond's maturity and the corresponding hedge derivatives.

A valuation was performed to calculate the change in the fair value of the primary and derivative instruments based on the following inputs:

- a 10-year or 5-year LIBOR rate at the issue of the bond
- discount rates from Bloomberg
- zero rates corresponding to the swap curve as of June 30, 2024 and 2023
- only a portion of the bond cash flows is hedged (corresponding to the 5-year 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
- the linear regression methodology is taken into account to measure the effectiveness of the derivative financial instrument.

Standardized futures contracts were negotiated as part of the management of the financial derivatives portfolio, as follows:

	June 2024	
	US dollars	Colones
Notional amount	17,600,000	9,335,216,000
<u>Valuation</u>		
Negative valuation	17,648	9,360,910
Net valuation	(12,523)	(6,642,558)
Notional amount	<u>5,125</u>	<u>2,718,351</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	December 2023	
	US dollars	Colones
Notional amount	21,100,000	11,117,168,000
<u>Valuation</u>		
Positive valuation	154,648	81,481,170
Negative valuation	(114,977)	(60,578,850)
Net valuation	39,672	20,902,320

	June 2023	
	US dollars	Colones
Notional amount	10,200,000	5,604,696,000
<u>Valuation</u>		
Positive valuation	7,531	4,138,271
Negative valuation	(100,203)	(55,059,616)
Net valuation	(92,672)	(50,921,345)

As of June 30, 2024, the Conglomerate has no swaps, as they matured in November 2023.

As of June 30, 2023, the total notional amount of swaps and its valuation is as follows:

	June 2023	
	US dollars	Colones
Notional amount	174,464,000	95,864,478,720
<u>Valuation</u>		
Negative valuation	(2,353,079)	(1,292,969,772)
Net valuation	(2,353,079)	(1,292,969,772)

iii. Derivatives other than hedges

Currency forwards:

The Conglomerate entered into currency forwards with several clients. Under these derivative financial instruments, the Conglomerate 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.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

These types of instruments are products which the Bank can offer to its clients pursuant to the authorization provided by BCCR to operate exchange rate derivatives.

For 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 market interest rates in colones and in US dollars, applicable to the different terms.

The total notional amount and valuation of forwards contracts is as follows:

		June 2024		December 2023		June 2023	
		US dollars	Colones	US dollars	Colones	US dollars	Colones
Total notional amount	¢	9,015,347	4,781,830,330	13,530,694	7,129,052,308	7,861,000	4,319,462,280
<u>Valuation</u>							
Positive valuation		-	134,807,046	-	282,823,967	-	77,525,085
Negative valuation		-	(79,175,900)	-	(101,908,050)	-	(10,975,000)
Net valuation	¢	-	55,631,146	-	180,915,917	-	66,550,085

The total notional amount (swaps, standardized futures contracts and forwards contracts) and its valuation is as follows:

		June 2024	December 2023	June 2023
Total notional amount	¢	14,117,046,330	18,246,220,308	105,788,637,000
<u>Positive valuation</u>				
Standardized futures contracts		9,360,909	81,481,170	4,138,271
Forwards		134,807,046	282,823,967	77,525,085
		144,167,956	364,305,137	81,663,356
<u>Negative valuation</u>				
Swaps		-	-	(1,292,969,772)
Standardized futures contracts		(6,642,558)	(60,578,850)	(55,059,616)
Forwards		(79,175,900)	(101,908,050)	(10,975,000)
		(85,818,458)	(162,486,900)	(1,359,004,388)
Net valuation	¢	58,349,498	201,818,237	(1,277,341,032)

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

		June 2024	December 2023	June 2023
Gain on derivative financial instruments	¢	2,345,032,692	5,087,635,474	2,127,576,668
Loss on derivative financial instruments		(2,302,302,900)	(5,115,197,936)	(2,242,957,707)
Net gains (losses)	¢	42,729,792	(27,562,462)	(115,381,039)

(12) Loan portfolio

(a) Loan portfolio by sector

The loan portfolio by sector is as follows:

		June 2024	December 2023	June 2023
Trade	¢	404,227,551,521	371,781,559,841	386,031,849,010
Services (1)		1,262,876,337,190	1,194,584,316,434	1,188,878,077,882
Financial services (1)		76,226,623,508	81,391,063,023	112,088,963,880
Mining		477,197,352	350,175,300	376,348,946
Manufacturing and quarrying		157,213,645,391	162,916,740,222	160,234,023,382
Construction		73,844,308,497	59,369,407,971	63,690,414,490
Agriculture and forestry		107,914,150,893	111,481,852,965	109,684,396,606
Livestock, hunting and fishing		75,875,014,280	75,217,860,111	74,446,731,659
Electricity, water, sanitation and other related sectors		400,841,047,438	408,149,689,347	415,894,023,120
Transportation and telecommunications		43,887,601,298	38,350,015,905	40,228,553,644
Housing		1,517,293,189,159	1,488,855,876,419	1,455,284,090,316
Personal or consumer loans		775,875,955,791	698,675,675,272	611,892,461,017
Tourism		281,028,668,962	267,194,961,624	263,350,216,435
Total direct loans		5,177,581,291,280	4,958,319,194,434	4,882,080,150,387
Incremental direct costs related to loans		6,903,471,720	6,360,771,801	5,997,216,309
(Deferred income from loan portfolio)		(51,133,491,509)	(48,113,222,075)	(45,168,114,099)
Accrued interest receivable		87,864,428,546	90,753,414,848	94,813,024,533
Allowance for loan losses		(151,657,745,107)	(129,697,632,868)	(136,068,178,131)
Loan portfolio	¢	5,069,557,954,930	4,877,622,526,140	4,801,654,098,999

(1) As of June 30, 2024, the portfolio purchased by the Bank in November 2021 amounts to ¢76,982,400,846 distributed among the services and financial services sectors.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Annual interest rates on loans receivable are as follows:

Currency	June 2024		December 2023		June 2023	
	Rates	Average (I)	Rates	Average (I)	Rates	Average (I)
Colones	1% to 47.5%	13.59%	0.55% to 45.00%	13.93%	0.55% to 45.00%	13.78%
US dollars	1.45% to 30.53%	11.47%	1.45% to 28.00%	11.53%	1.45% to 28.71%	11.50%
DU	3.85% to 6.91%	3.85%	3.85% to 6.91%	4.72%	3.85% to 6.91%	4.74%

(I) Simple average of the minimum and maximum values of the portfolio at the end of the periods indicated.

(b) Loan portfolio by arrears

The loan portfolio by arrears is as follows:

	June 2024	December 2023	June 2023
Current	¢ 4,861,639,666,148	4,662,741,006,200	4,600,294,880,767
1 to 30 days	133,020,717,531	71,108,212,985	95,704,610,392
31 to 60 days	38,127,138,512	70,798,742,194	38,902,738,911
61 to 90 days	30,747,575,981	30,738,298,218	35,831,619,733
91 to 120 days	11,629,043,775	15,698,248,759	15,548,473,862
121 to 180 days	13,592,990,070	22,961,539,684	11,892,464,171
More than 180 days	88,824,159,263	84,273,146,394	83,905,362,551
	5,177,581,291,280	4,958,319,194,434	4,882,080,150,387
Incremental direct costs related to loans	6,903,471,720	6,360,771,801	5,997,216,309
(Deferred income from loan portfolio)	(51,133,491,509)	(48,113,222,075)	(45,168,114,099)
Accrued interest receivable	87,864,428,546	90,753,414,848	94,813,024,533
Allowance for loan losses	(151,657,745,107)	(129,697,632,868)	(136,068,178,131)
	¢ 5,069,557,954,930	4,877,622,526,140	4,801,654,098,999

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(c) Allowance for loan losses

For the six months ended June 30, movement in the allowance for loan losses is as follows:

		June 2024	June 2023
Opening balance	¢	129,697,632,868	139,365,727,145
Allowance expense for the period (Note 39)		38,381,303,478	19,353,391,098
Write-offs		(16,712,154,891)	(18,864,330,453)
Adjustments due to reclassification of allowance		103,418,159	-
Foreign exchange differences		187,545,493	(3,786,609,659)
Closing balance	¢	<u>151,657,745,107</u>	<u>136,068,178,131</u>

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

(d) Allowance for impairment of stand-by credits

For the six months ended June 30, movement the allowance for stand-by credits is as follows:

		June 2024	June 2023
Opening balance	¢	1,084,106,020	1,186,743,415
Allowance expense for the period (Note 36)		11,489,856	-
Foreign exchange differences		(907,657,028)	(72,123,376)
Closing balance	¢	<u>187,938,848</u>	<u>1,114,620,039</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(13) Accounts and fees and commissions receivable

Accounts and fees and commissions receivable are as follows:

	June 2024	December 2023	June 2023
Fees and commissions	¢ 2,498,977,191	2,200,365,080	2,302,275,284
Brokerage transactions	-	-	213,389
Accounts due from employees	36,949,842	22,176,642	31,354,570
Deferred tax (Note 21-b)	3,130,748,852	2,245,759,834	3,261,895,007
Income tax receivable (1)	179,994,736	378,114,928	177,108,608
Value added tax	15,575,559	36,247,812	14,395,923
Sundry accounts receivable related to credit cards	411,043,905	359,743,781	360,145,982
Other expenses receivable	22,478,414	22,226,905	22,390,223
Credit fraud	362,797,508	362,797,508	366,912,508
Other accounts receivable	1,978,377,786	2,713,995,107	2,125,114,865
Misappropriation and theft	5,511,693,645	4,758,193,197	1,663,231,890
Accrued interest receivable on other sundry accounts receivable	1,235,279	2,012,794	1,054,295
Allowance for impairment of accounts receivable	(7,610,395,972)	(7,613,470,373)	(3,944,829,347)
	¢ <u>6,539,476,745</u>	<u>5,488,163,215</u>	<u>6,381,263,197</u>

(1) Income tax receivable, by entity, is as follows:

	June 2024	December 2023	June 2023
Banco Nacional de Costa Rica	¢ 62,071,474	133,040,592	62,021,663
BN Sociedad Corredora de Seguros, S.A.	117,923,262	245,074,336	115,086,945
	¢ <u>179,994,736</u>	<u>378,114,928</u>	<u>177,108,608</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

	June 2024	December 2023	June 2023
Opening balance	¢ 7,613,470,373	4,329,683,075	4,329,683,075
Allowance expense (Note 39)	941,469,745	4,673,937,125	587,718,269
Decrease in allowance (Note 40)	(470,593,140)	(280,020,795)	(194,113,128)
Write-offs	(426,742,980)	(1,049,359,965)	(739,513,445)
Foreign exchange differences	(47,208,026)	(60,769,067)	(38,945,424)
Closing balance	¢ 7,610,395,972	7,613,470,373	3,944,829,347

(14) Assets held for sale

Assets held for sale are presented net of the allowance for impairment and per legal requirements are as follows:

	June 2024	December 2023	June 2023
Assets acquired in lieu of payment	¢ 98,294,212,204	98,643,910,547	98,128,950,666
Idle property, furniture and equipment	-	-	50,816,861
Allowance for impairment of assets held for sale and per legal requirements	(53,038,871,212)	(62,186,753,305)	(59,639,046,901)
	¢ 45,255,340,992	36,457,157,242	38,540,720,626

Movement in the allowance for impairment of assets held for sale and per legal requirements is as follows:

	June 2024	December 2023	June 2023
Opening balance	¢ 62,186,753,305	60,686,913,169	60,686,913,169
Allowance expense (Note 43)	65,688,455	5,570,428,707	1,846,970,145
Disposal of assets held for sale	-	(55,884,627)	(5,067,767)
Decrease in allowance	(9,213,570,548)	(4,014,703,944)	(2,889,768,646)
Closing balance	¢ 53,038,871,212	62,186,753,305	59,639,046,901

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(15) Investments in other companies

Investments in other companies are as follows:

		<u>June 2024</u>	<u>December 2023</u>	<u>June 2023</u>
Investment in other financial and non-financial entities (1)	¢	1,100,623,300	1,100,623,300	50,623,300
Banco Internacional de Costa Rica, S.A. and Subsidiary (BICSA) (2)		<u>69,704,089,401</u>	<u>67,325,815,587</u>	<u>68,500,954,503</u>
	¢	<u>70,804,712,701</u>	<u>68,426,438,887</u>	<u>68,551,577,803</u>

(1) The Conglomerate's investments in other entities are as follows:

	<u>June 2024</u>	<u>December 2023</u>	<u>June 2023</u>	<u>Concept</u>
Bolsa Nacional de Valores	¢ 15,000,000	15,000,000	15,000,000	To operate in the electronic custody of securities
Central de Valores de la Bolsa Nacional de Valores, S.A.	15,000,000	15,000,000	15,000,000	To operate in the electronic custody of securities
Interclear Central de Valores	15,000,000	15,000,000	15,000,000	To operate in the electronic custody of securities
Depósito Libre Comercial Golfito (Golfito Duty Free Shopping Center) per Article 24 of Law No. 7131	5,200,000	5,200,000	5,200,000	Golfito Duty Free Shopping Center
Other financial entities (cooperatives)	423,300	423,300	423,300	Investments in various cooperatives
Shares in BN Centro de Procesos S.A.	<u>1,050,000,000</u>	<u>1,050,000,000</u>	-	BN Centro de Procesos S.A.
	¢ <u>1,100,623,300</u>	<u>1,100,623,300</u>	<u>50,623,300</u>	

(2) The Bank holds 49% ownership interest in BICSA, which for 2024 and 2023, is represented by 6,506,563 ordinary shares with a par value of US\$10.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(16) Property, furniture, equipment and right-of-use assets, net

a) Historical cost and depreciation

Property, furniture and equipment is as follows:

	June 2024					
	Land	Buildings	Furniture and equipment	Computer hardware	Vehicles	Total
<u>Cost:</u>						
Historical cost at beginning of period	¢ 4,303,234,680	70,579,059,825	81,664,855,237	52,265,835,824	273,115,097	209,086,100,663
Revalued cost at beginning of period	54,245,913,475	75,367,357,290	(7,666,877)	(32,078,911)	-	129,573,524,977
Additions	-	-	2,337,974,513	1,108,626,970	-	3,446,601,483
Disposals	-	-	(3,105,840,257)	(1,839,300,817)	-	(4,945,141,074)
Adjustments	-	-	1,956,546	45,020,923	-	46,977,469
Balance at end of period	58,549,148,155	145,946,417,115	80,891,279,162	51,548,103,989	273,115,097	337,208,063,518
<u>Accumulated depreciation:</u>						
Balance at beginning of period	-	57,735,668,583	50,311,723,730	41,777,736,196	170,465,414	149,995,593,923
Depreciation expense on historical cost	-	797,534,753	4,105,536,138	2,113,395,025	7,676,553	7,024,142,469
Depreciation expense on revalued cost	-	579,832,231	-	-	-	579,832,231
Disposals	-	-	(3,016,226,965)	(1,677,996,251)	-	(4,694,223,216)
Balance at end of period	-	59,113,035,567	51,401,032,903	42,213,134,970	178,141,967	152,905,345,407
Net balance at end of period	¢ 58,549,148,155	86,833,381,548	29,490,246,259	9,334,969,019	94,973,130	184,302,718,111

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		December 2023					
		Land	Buildings	Furniture and equipment	Computer hardware	Vehicles	Total
<u>Cost:</u>							
Historical cost at beginning of year	¢	4,281,149,678	73,195,840,170	77,142,375,450	52,779,484,355	283,116,885	207,681,966,538
Revalued cost at beginning of year		49,667,757,458	65,580,690,062	(7,662,255)	(32,078,911)	-	115,208,706,354
Additions		-	64,189,113	9,834,661,010	4,163,014,654	-	14,061,864,777
Disposals		-	-	(5,326,900,114)	(4,860,631,910)	(10,001,788)	(10,197,533,812)
Revaluation of assets		4,578,156,017	9,786,667,228	-	-	-	14,364,823,245
Adjustments		22,085,002	(2,680,969,458)	3,785,144	194,897,850	-	(2,460,201,462)
Reclassifications		-	-	10,929,127	(10,929,127)	-	-
Balance at end of year		58,549,148,155	145,946,417,115	81,657,188,362	52,233,756,911	273,115,097	338,659,625,640
<u>Accumulated depreciation:</u>							
Balance at beginning of year		-	53,833,621,251	47,672,251,728	42,640,291,354	164,152,940	144,310,317,273
Depreciation expense on historical cost		-	1,609,532,380	7,845,331,289	3,957,903,632	16,039,470	13,428,806,771
Depreciation expense on revalued cost		-	809,901,101	-	-	-	809,901,101
Disposals		-	-	(5,212,911,122)	(4,812,761,227)	(9,726,995)	(10,035,399,344)
Sales		-	1,482,613,851	(78,535)	(567,193)	-	1,481,968,123
Reclassifications		-	-	7,130,368	(7,130,368)	-	-
Balance at end of year		-	57,735,668,583	50,311,723,728	41,777,736,198	170,465,415	149,995,593,924
Net balance at end of year	¢	58,549,148,155	88,210,748,532	31,345,464,634	10,456,020,713	102,649,682	188,664,031,716

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		June 2023					
		Land	Buildings	Furniture and equipment	Computer hardware	Vehicles	Total
<u>Cost:</u>							
Historical cost at beginning of period	¢	4,281,149,678	73,195,840,170	77,142,375,450	52,779,484,355	283,116,885	207,681,966,538
Revalued cost at beginning of period		49,667,757,458	65,580,690,062	(7,662,255)	(32,078,911)	-	115,208,706,354
Additions		-	64,189,113	2,761,714,099	844,588,895	-	3,670,492,107
Disposals		-	-	(1,490,101,096)	(3,601,930,866)	-	(5,092,031,962)
Reclassifications		-	-	10,929,127	(10,929,127)	-	-
Balance at end of period		53,948,907,136	138,840,719,345	78,417,255,325	49,979,134,346	283,116,885	321,469,133,037
<u>Accumulated depreciation:</u>							
Balance at beginning of period		-	53,833,621,251	47,672,251,728	42,640,291,354	164,152,940	144,310,317,273
Depreciation expense on historical cost		-	801,024,472	3,839,705,562	1,923,349,933	8,163,917	6,572,243,884
Depreciation expense on revalued cost		-	385,377,433	-	-	-	385,377,433
Disposals		-	-	(1,431,505,076)	(3,595,482,961)	-	(5,026,988,037)
Adjustments		-	-	-	22,316	-	22,316
Reclassifications		-	-	7,130,368	(7,130,368)	-	-
Balance at end of period		-	55,020,023,156	50,087,582,582	40,961,050,274	172,316,857	146,240,972,869
Net balance at end of period	¢	53,948,907,136	83,820,696,189	28,329,672,743	9,018,084,072	110,800,028	175,228,160,168

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The appraisals of the Conglomerate's land and buildings were performed by an independent appraiser. The net realizable value obtained was compared to the carrying amount to determine the equity increase and the effects on the accumulated depreciation and revaluation accounts. Based on the valuation techniques used, those items are classified as Level 3 of the fair value hierarchy.

b) Right-of-use assets

Right-of-use assets comprise the lease of building and vehicles, as follows:

	June 2024	
	Right-of-use of building	Total
<u>Cost:</u>		
Opening balance	¢ 65,146,900,992	65,146,900,992
Additions	842,316	842,316
Disposals	(45,502,635)	(45,502,635)
Adjustments	234,967,523	234,967,523
Closing balance	65,337,208,196	65,337,208,196
<u>Accumulated depreciation:</u>		
Opening balance	15,183,121,600	15,183,121,600
Depreciation expense	2,294,819,933	2,294,819,933
Disposals	(6,294,085)	(6,294,085)
Adjustments	(3,470,060)	(3,470,060)
Closing balance	17,468,177,388	17,468,177,388
Net closing balance	¢ 47,869,030,808	47,869,030,808

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 2023			
	Right-of-use of building	Right-of-use of vehicles	Total
<i><u>Cost:</u></i>			
Opening balance	¢ 38,679,978,342	142,975,127	38,822,953,469
Additions	25,698,198,598	-	25,698,198,598
Disposals	(34,400,827)	(142,975,127)	(177,375,954)
Adjustments	803,124,880	-	803,124,880
Closing balance	65,146,900,993	-	65,146,900,993
<i><u>Accumulated depreciation:</u></i>			
Opening balance	10,915,631,416	119,411,840	11,035,043,256
Depreciation expense	4,297,564,813	23,563,285	4,321,128,098
Disposals	(35,192,849)	(142,975,124)	(178,167,973)
Adjustments	5,118,219	-	5,118,219
Closing balance	15,183,121,599	-	15,183,121,600
Net closing balance	¢ 49,963,779,394	-	49,963,779,393
June 2023			
	Right-of-use of building	Right-of-use of vehicles	Total
<i><u>Cost:</u></i>			
Opening balance	¢ 38,679,978,342	142,975,111	38,822,953,453
Additions	24,341,742,532	-	24,341,742,532
Adjustments	2,167,734,881	-	2,167,734,881
Closing balance	65,189,455,755	142,975,111	65,332,430,866
<i><u>Accumulated depreciation:</u></i>			
Opening balance	10,915,631,416	119,411,840	11,035,043,256
Depreciation expense	1,758,848,734	17,672,464	1,776,521,198
Adjustments	2,571,990	-	2,571,990
Closing balance	12,677,052,140	137,084,304	12,814,136,444
Net closing balance	¢ 52,512,403,615	5,890,807	52,518,294,422

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Lease liabilities

i. Amounts recognized in profit or loss

The amounts recognized in profit or loss are as follows:

		June 2024	December 2023	June 2023
Interest on lease liabilities	¢	<u>2,187,921,356</u>	<u>4,131,919,195</u>	<u>1,808,252,035</u>
Expenses for leases of low-value assets, excluding short-term assets	¢	<u>160,197,615</u>	<u>337,499,414</u>	<u>389,469,851</u>

ii. Amounts recognized in the statement of cash flows

The amounts recognized in the statement of cash flows are as follows:

		June 2024	December 2023	June 2023
Cash outflows for leases	¢	<u>(1,249,544,005)</u>	<u>(2,982,590,930)</u>	<u>(1,033,864,510)</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(17) Other assets

Other assets are as follows:

	June 2024	December 2023	June 2023
<i><u>Deferred charges:</u></i>			
Leasehold improvements (1)	¢ -	806,930	2,866,447
Cost of issue of financial instruments, net (2)	-	-	38,085,508
Cost of subordinated debt project	46,038,602	18,687,959	22,576,485
Other deferred charges	1,441,068	2,882,137	7,098,942,171
	<u>47,479,670</u>	<u>22,377,026</u>	<u>7,162,470,611</u>
<i><u>Intangible assets:</u></i>			
Software (3)	4,409,522,771	5,618,585,210	6,395,547,503
Other intangible assets (3)	12,202,018	9,313,390	10,277,204
	<u>4,421,724,789</u>	<u>5,627,898,600</u>	<u>6,405,824,707</u>
<i><u>Other assets:</u></i>			
Prepaid taxes	35,517,097,376	33,951,805,282	14,925,154,843
Prepaid insurance policy	506,114,441	245,656,900	202,106,273
Other prepaid expenses	9,138,787,624	7,076,154,757	6,535,181,046
Stationery, office supplies and other materials	940,214,611	857,105,884	843,518,693
Leased assets	128,153,725	128,583,896	118,015,017
Library and artwork	402,524,870	404,667,948	404,704,948
Construction work in progress	269,399,646	214,941,893	253,129,665
Automated applications under development	-	132,498,126	132,498,126
Payments to welfare and trade associations	350,000	350,000	350,000
Other sundry assets	153,486,106	153,486,106	153,486,106
Operations pending settlement	12,065,272,956	11,514,246,773	14,408,130,573
Other operations pending application	115,362,875	87,848,438	171,460,631
Security deposits (Note 7)	794,181,486	686,148,648	484,722,909
Legal and administrative deposits (Note 7)	412,327,073	284,125,278	256,395,850
	<u>60,443,272,789</u>	<u>55,737,619,929</u>	<u>38,888,854,680</u>
¢	<u>64,912,477,248</u>	<u>61,387,895,555</u>	<u>52,457,149,998</u>

(1) As of June 30, 2024, the amortization expense for leasehold improvements amounts to ¢806,930 (December and June 2023: ¢4,119,034 and ¢2,059,517, respectively).

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(2) The costs of issue of financial instruments are as follows:

June 2024			
	5-year issue (maturing in 2021)	10-year issue (maturing in 2023)	Total
Commission - structuring banks	¢ 265,205,000	265,205,000	530,410,000
Commission - Moody's Investors Service	132,602,500	132,602,500	265,205,000
Commission - Société de la Bourse de Luxembourg S.A.	6,482,141	6,482,140	12,964,281
RR Donelley	5,806,398	5,806,398	11,612,796
BNY Mellon	2,096,711	2,096,711	4,193,422
Moody's issuer rating	17,556,571	17,556,571	35,113,142
Fitch Ratings	132,602,500	132,602,500	265,205,000
Milbank	78,055,136	78,055,136	156,110,272
Shearman & Sterling	78,156,443	78,156,444	156,312,887
External audit	100,777,900	100,777,900	201,555,800
	819,341,300	819,341,300	1,638,682,600
Amortization	(819,341,300)	(819,341,300)	(1,638,682,600)
¢	-	-	-
December 2023			
	5-year issue (maturing in 2021)	10-year issue (maturing in 2023)	Total
Commission - structuring banks	¢ 263,440,000	263,440,000	526,880,000
Commission - Moody's Investors Service	131,720,000	131,720,000	263,440,000
Commission - Société de la Bourse de Luxembourg S.A.	6,439,000	6,439,000	12,878,000
RR Donelley	5,767,755	5,767,755	11,535,510
BNY Mellon	2,082,757	2,082,757	4,165,514
Moody's issuer rating	17,439,728	17,439,728	34,879,456
Fitch Ratings	131,720,000	131,720,000	263,440,000
Milbank	77,535,661	77,535,661	155,071,322
Shearman & Sterling	77,636,295	77,636,295	155,272,590
External audit	100,107,200	100,107,200	200,214,400
	813,888,396	813,888,396	1,627,776,792
Amortization	(813,888,396)	(813,888,396)	(1,627,776,792)
¢	-	-	-

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	June 2023		
	5-year issue (maturing in 2021)	10-year issue (maturing in 2023)	Total
Commission - structuring banks	¢ 274,740,000	274,740,000	549,480,000
Commission - Moody's Investors Service	137,370,000	137,370,000	274,740,000
Commission - Société de la Bourse de Luxembourg S.A.	6,715,195	6,715,195	13,430,390
RR Donelley	6,015,158	6,015,136	12,030,294
BNY Mellon	2,172,094	2,172,094	4,344,188
Moody's issuer rating	18,187,788	18,187,788	36,375,576
Fitch Ratings	137,370,000	137,370,000	274,740,000
Milbank	80,861,451	80,861,477	161,722,928
Shearman & Sterling	80,966,427	80,966,427	161,932,854
External audit	104,401,200	104,401,200	208,802,400
	848,799,313	848,799,317	1,697,598,630
Amortization	(848,799,313)	(810,713,809)	(1,659,513,122)
	¢ -	38,085,508	38,085,508

(3) Intangible assets, net, are as follows:

	June 2024		
	Software	Other intangible assets	Total
<i>Cost:</i>			
Opening balance	¢ 36,398,003,910	9,313,390	36,407,317,300
Additions	1,023,640,998	21,515,408	1,045,156,406
Disposals	(58,935,515)	-	(58,935,515)
Adjustments	(3,500,554)	(18,626,780)	(22,127,334)
Closing balance	37,359,208,839	12,202,018	37,371,410,857
<i>Accumulated amortization:</i>			
Opening balance	30,779,418,696	-	30,779,418,696
Expense for the period	2,185,220,873	18,626,780	2,203,847,653
Adjustments	(14,953,501)	(18,626,780)	(33,580,281)
Closing balance	32,949,686,068	-	32,949,686,068
Net closing balance	¢ 4,409,522,771	12,202,018	4,421,724,789

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		December 2023		
		Software	Other intangible assets	Total
<u>Cost:</u>				
Opening balance	¢	39,900,777,778	8,831,483	39,909,609,261
Additions		2,205,747,714	37,735,467	2,243,483,181
Disposals		(5,708,521,584)	-	(5,708,521,584)
Adjustments		-	(37,253,560)	(37,253,560)
Closing balance		<u>36,398,003,908</u>	<u>9,313,390</u>	<u>36,407,317,298</u>
<u>Accumulated amortization:</u>				
Opening balance		30,931,932,440	-	30,931,932,440
Expense for the year		5,411,170,267	37,253,560	5,448,423,827
Disposals		(5,477,014,407)	-	(5,477,014,407)
Adjustments		(86,669,602)	(37,253,560)	(123,923,162)
Closing balance		<u>30,779,418,698</u>	<u>-</u>	<u>30,779,418,698</u>
Net closing balance	¢	<u>5,618,585,210</u>	<u>9,313,390</u>	<u>5,627,898,600</u>
		June 2023		
		Software	Other intangible assets	Total
<u>Cost:</u>				
Opening balance	¢	39,900,777,789	8,831,483	39,909,609,272
Additions		447,239,670	19,108,687	466,348,357
Disposals		(4,631,811,599)	-	(4,631,811,599)
Adjustments		-	(17,662,966)	(17,662,966)
Closing balance		<u>35,716,205,860</u>	<u>10,277,204</u>	<u>35,726,483,064</u>
<u>Accumulated amortization:</u>				
Opening balance		30,931,932,440	-	30,931,932,440
Expense for the period		2,955,524,998	17,662,966	2,973,187,964
Disposals		(4,551,308,045)	-	(4,551,308,045)
Adjustments		(15,491,036)	(17,662,966)	(33,154,002)
Closing balance		<u>29,320,658,357</u>	<u>-</u>	<u>29,320,658,357</u>
Net closing balance	¢	<u>6,395,547,503</u>	<u>10,277,204</u>	<u>6,405,824,707</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(18) Obligations with the public

Obligations with the public by cumulative amount are as follows:

	June 2024	December 2023	June 2023
<i><u>Demand deposits:</u></i>			
Checking accounts	¢ 2,297,837,060,447	2,067,740,723,971	1,958,881,370,135
Certified checks	876,605	40,454,579	63,349,902
Savings deposits	2,384,881,647,023	2,335,834,266,373	2,245,324,074,378
Matured term deposits	13,705,556,931	18,980,585,108	16,069,454,586
Other demand deposits	122,039,357	102,743,561	102,602,272
Drafts and transfers payable	65,533,114	50,888,624	2,805,005,704
Cashier's checks	4,456,439,759	2,921,088,857	4,423,975,917
Advance collections from customers for credit cards	12,069,888,869	11,842,530,241	11,742,097,997
Trust fund obligations	11,511,065,078	11,776,361	31,934,377
	<u>4,724,650,107,183</u>	<u>4,437,525,057,675</u>	<u>4,239,443,865,268</u>
<i><u>Term deposits:</u></i>			
Deposits from the public	2,116,681,566,537	1,865,534,883,102	1,914,290,692,765
Other term deposits	79,067,063,618	88,860,097,273	88,765,108,687
	<u>2,195,748,630,155</u>	<u>1,954,394,980,375</u>	<u>2,003,055,801,452</u>
<i><u>Other obligations with the public:</u></i>			
Finance charges payable	56,153,061,255	58,484,221,323	54,430,829,660
	<u>¢ 6,976,551,798,593</u>	<u>6,450,404,259,373</u>	<u>6,296,930,496,380</u>

As of June 30, 2024, deposits in checking accounts in colones bear interest at a maximum rate of 3.05% per annum on full balances and at a minimum rate of 0% per annum on balances greater than or equal to ¢500,001 (December and June 2023: interest at 3.05% and 0% per annum, respectively). Deposits in checking accounts in US dollars bear interest at a maximum rate of 0.20% per annum on full balances and at a minimum rate of 0% per annum on balances greater than or equal to US\$1,000 (December and June 2023: interest at 0.20% and 0% per annum, respectively).

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Term deposits correspond to term certificates of deposit in colones and US dollars. Term certificates bear annual interest rates between the following ranges:

Currency	June 2024	December 2023	June 2023
Colones	3.01% to 6.07%	4.07% to 6.66%	4.76% to 7.89%
US dollars	1.24% to 4.89%	1.24% to 4.89%	1.83% to 4.95%

The Conglomerate has term certificates of deposit that are restricted to secure certain loan operations. As of June 30, 2024, the balance of those term certificates of deposit is ¢80,310,907,307 (December and June 2023: ¢79,378,893,158 and ¢78,836,356,601). As of that date, the Conglomerate has no inactive deposits with State-owned entities or other banks.

(19) Obligations with BCCR

Obligations with BCCR are as follows:

	June 2024	December 2023	June 2023
Financing of loans using internal funds - BCCR (i)	133,909,721,096	144,346,236,100	153,038,909,172
Financing of loans using external funds (ii)	¢ 125,644,411	125,644,412	125,644,412
Other term obligations with BCCR	-	-	16,000,000,000
Finance charges payable	3,421,601,921	3,115,180,965	2,700,039,537
	¢ <u>137,456,967,428</u>	<u>147,587,061,477</u>	<u>171,864,593,121</u>

- i. Corresponds to the partial redemption of deferred term obligations (ODP).
- ii. According to Agreement MAG/AID 515-T-027 signed December 15, 1981, obligations related to financing of loans using external funds correspond to the agreement between the Government of Costa Rica and the Bank regarding management of the funds of the Agricultural Production Systems Project. This loan bears no interest and the agreement shall remain effective until otherwise agreed.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(20) Obligations with financial entities

Obligations with financial entities are as follows:

	June 2024	December 2023	June 2023
<i><u>Demand:</u></i>			
Checking accounts with local financial entities	¢ 57,604,859,392	59,476,704,619	46,276,756,284
Savings deposits with local financial entities	36,286,060	42,687,081	40,881,385
Outstanding checks	1,861,121,606	704,527,230	3,921,543,835
Matured term deposits	129,258,110	54,975,010	38,350,000
Checking accounts and obligations with related parties (Note 8)	44,776,830	14,005,187	56,851,197
	<u>59,676,301,998</u>	<u>60,292,899,127</u>	<u>50,334,382,701</u>
<i><u>Term:</u></i>			
Lease liabilities (1)	51,849,056,896	52,434,361,272	55,765,377,505
Term obligations with foreign financial entities (2)	-	-	95,817,210,571
Term obligations with financial entities (3)(4)	26,528,147,863	28,146,736,965	29,691,313,492
Loans from foreign financial entities (4)	42,432,800,000	42,150,400,000	100,372,742,328
Term deposits with local financial entities	72,448,528,987	85,404,630,023	93,759,204,442
Obligations with funds from the liquidity market	42,494,789,314	43,310,478,402	44,218,609,400
Obligations for deferred liquidity operations	-	-	17,635,000,000
Obligations with funds from the Development Credit Fund	137,718,140,804	140,350,657,066	143,944,454,944
	<u>373,471,463,866</u>	<u>391,797,263,728</u>	<u>581,203,912,682</u>
Charges payable for term deposits with foreign financial entities (2)	-	-	998,588,368
Charges payable for loans with local financial entities (3)	51,275,343	64,154,159	82,080,138
Charges payable for loans with foreign financial entities	205,754,722	211,684,857	554,679,592
Charges payable for other demand and term obligations with financial entities – foreign currency	32,042,881	45,747,568	56,571,253
Charges payable for other demand and term obligations with financial entities – local currency	785,209,488	1,822,957,538	1,370,924,660
	<u>1,074,282,434</u>	<u>2,144,544,122</u>	<u>3,062,844,011</u>
¢	<u>434,222,048,298</u>	<u>454,234,706,977</u>	<u>634,601,139,394</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(1) Lease liabilities

As of June 30, 2024, long-term lease liabilities and their current portion amount to ¢8,691,653,011 and US\$79,870,217 (December 2023: ¢8,130,593,259 and US\$82,317,598; June 2023: ¢7,318,210,641 and US\$86,569,937, respectively) for a total in colones of ¢51,055,614,579 (December and June 2023: ¢51,502,089,230 and ¢54,886,659,525, respectively) using an exchange rate of ¢506.60 (December and June 2023: ¢526.88 and ¢549.48, respectively).

Lease operations are as follows:

	June 2024			June 2023		
	No. of operations	Interest rates	Maturity	No. of operations	Interest rates	Maturity
In colones	20	5.56 % and 15.00% per annum	2024 and 2048	19	5.56 % and 15.00% per annum	2023 and 2048
In US dollars	52	3.57% and 8.85% per annum	2024 and 2048	54	3.57% and 8.85% per annum	2023 and 2048
	72			73		

Future minimum lease payments are as follows:

	June 2024		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	¢ 6,845,027,055	4,220,870,704	2,624,157,456
Between one and five years	33,553,120,141	17,042,191,102	16,510,938,903
More than five years	45,529,038,154	12,815,099,599	32,713,960,535
	¢ 85,927,185,350	34,078,161,405	51,849,056,896

	December 2023		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	¢ 6,854,164,763	4,297,831,186	2,556,335,537
Between one and five years	33,482,250,458	17,583,037,242	15,899,223,014
More than five years	47,852,991,404	13,874,211,304	33,978,802,915
	¢ 88,189,406,626	35,755,079,732	52,434,361,272

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	June 2023		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	¢ 6,913,610,818	4,555,385,629	2,358,227,233
Between one and five years	34,971,501,775	18,923,978,169	16,047,533,825
More than five years	52,645,442,731	15,285,850,070	37,359,616,653
	¢ 94,530,555,325	38,765,213,868	55,765,377,505

The reconciliation of the lease liabilities with cash flows from financing activities is as follows:

	June 2024	December 2023	June 2023
Opening balance	¢ 52,434,361,467	32,276,066,066	32,276,066,066
New financial obligations	-	25,687,018,581	24,341,742,515
Settlements	(31,743,845)	-	-
Adjustments	446,094,099	1,338,717,228	2,167,734,881
Payment of obligations	(1,249,544,005)	(2,982,590,929)	(1,033,864,512)
Foreign exchange differences	249,889,179	(3,884,849,672)	(1,986,301,442)
Closing balance	¢ 51,849,056,895	52,434,361,272	55,765,377,506

(2) The characteristics of obligations with foreign financial entities are as follows:

<u>Date of issue</u>	<u>Fair value</u>	<u>Characteristics</u>
03/12/2007	US\$75	Traded amount: 100% Term: 22 years Interest rate: 6.65 per coupon
14/12/2022	US\$5.0	Traded amount: 100% Term: 8.5 years Interest rate: 10.46 per coupon

As of June 30, 2024, the following operations were settled:

- loan with Nomura Bank
- loan with China Development Bank
- loan with KFW Bank.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Obligations with international issuers

The balances according to the term of the obligations are as follows:

June 2023		
	10-year issue (maturing in 2023)	Total
Issue	¢ 94,974,856,357	94,974,856,357
Adjustment to fair value of hedged item measured at cost of international issues	2,695,091	2,695,091
Amortization of discount in traded amount of issues	839,659,123	839,659,123
	95,817,210,571	95,817,210,571
Finance charges payable	998,588,368	998,588,368
	¢ 96,815,798,939	96,815,798,939

As of June 30, 2024 and December 31, 2023, there are no balances according to the term of the obligations.

(3) The maturity of loans, term obligations and charges due to financial entities is as follows:

June 2024			
	Local	Foreign	Total
One to two years	2,018,510,678	-	2,018,510,678
More than five years	24,560,912,525	42,644,721,687	67,205,634,212
	¢ 26,579,423,203	42,644,721,687	69,224,144,890

December 2023			
	Local	Foreign	Total
One to two years	¢ 1,714,219,091	-	1,714,219,091
Three to five years	727,828,554	-	727,828,554
More than five years	25,768,843,478	42,368,951,842	68,137,795,320
	¢ 28,210,891,123	42,368,951,842	70,579,842,966

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		June 2023		
		Local	Foreign	Total
Less than one year	¢	-	56,771,094,647	56,771,094,647
One to two years		282,020,546	-	282,020,546
Three to five years		2,581,765,391	-	2,581,765,391
More than five years		26,909,607,693	44,162,702,708	71,072,310,401
	¢	<u>29,773,393,630</u>	<u>100,933,797,355</u>	<u>130,707,190,985</u>

As of June 30, 2024, loans due to financial entities abroad bear interest at rates ranging from 6.65% and 10.46% per annum (December and June 2023: 6.65% and 10.43% and 3.32% and 10.44% per annum, respectively).

(4) The reconciliation of notes payable with cash flows from financing activities, as required by IAS 7, is as follows:

	June 2024	December 2023	June 2023
Opening balance	¢ 70,297,136,965	142,752,227,398	142,752,227,398
Settlement of financial obligations	(1,618,589,103)	(59,467,572,285)	(2,948,696,498)
Foreign exchange differences	282,400,000	(12,987,518,148)	(9,739,475,080)
Cash flows from financing activities	<u>(1,336,189,103)</u>	<u>(72,455,090,433)</u>	<u>(12,688,171,578)</u>
Closing balance	¢ <u>68,960,947,862</u>	<u>70,297,136,965</u>	<u>130,064,055,820</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(21) Income tax

Pursuant to the Costa Rican *Income Tax Law*, the Conglomerate is required to file income tax returns each year. As of June 30, income tax is as follows:

a) Income tax for the year

For the six months ended June 30, the income tax expense is as follows:

	June		Quarter from April 1 to June 30	
	2024	2023	2024	2023
<u>Current tax:</u>				
Current tax expense for the period	¢ 15,695,043,001	16,342,557,857	11,723,835,359	8,467,560,741
Prior-period income tax expense	277,934	7,117,119,540	-	3,547,309,483
Decrease in prior-period income tax	-	(22,678)	-	-
	15,695,320,935	23,459,654,719	11,723,835,359	12,014,870,224
<u>Deferred tax:</u>				
Deferred tax expense	431,595,677	1,400,409,361	58,700,173	541,149,280
Deferred tax income	(909,162,281)	(1,008,504,470)	(792,318,068)	(623,150,417)
Deferred tax expense, net	(477,566,604)	391,904,890	(733,617,894)	(82,001,138)
Tax expense, net	¢ 15,217,754,332	23,851,559,609	10,990,217,465	11,932,869,086

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The difference between the income tax expense and the amount that would result from applying the corresponding tax rate to pre-tax income (30%) is reconciled as follows:

			June 2024		June 2023	
Income before income tax	¢		57,571,482,221		54,441,160,596	
<i>Plus (less) tax effect of:</i>						
Non-deductible expenses		225,808,763,101	719%	391,710,933,570	40%	
Deductible expenses		(7,513,832,890)	19%	(10,280,737,971)	13%	
Non-taxable income		(227,343,920,822)	700%	(381,465,261,053)	32%	
Taxable income		3,794,318,397	0%	69,097,706	0%	
Tax base		52,316,810,007		54,475,192,848		
Tax rate		30%		30%		
Income tax expense		15,695,043,001	30%	16,342,557,857	30%	
Prior-period income tax expense		277,934		7,117,119,540		
Decrease in prior-period income tax		-		(22,678)		
Deferred tax expense		431,595,677		1,400,409,361		
Deferred tax income		(909,162,281)		(1,008,504,470)		
Deferred tax expense, net		(477,566,603)		391,904,890		
Income tax expense, net	¢	15,217,754,332	26%	23,851,559,609	43%	

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Deferred tax

Deferred tax assets and liabilities are as follows:

	June 2024		
	Assets	Liabilities	Net
Unrealized losses on valuation of investments	¢ 1,976,609,862	-	1,976,609,862
Provisions	(29,565,054)	-	(29,565,054)
Right-of-use assets (1)	1,183,704,044	-	1,183,704,044
Unrealized gains on valuation of investments	-	(2,561,089,145)	(2,561,089,145)
Revaluation of property	-	(11,106,233,919)	(11,106,233,919)
Tax base of property and equipment	-	(4,811,377,338)	(4,811,377,338)
	¢ <u>3,130,748,852</u>	<u>(18,478,700,402)</u>	<u>(15,347,951,550)</u>
	December 2023		
	Assets	Liabilities	Net
Unrealized losses on valuation of investments	¢ 1,499,279,119	-	1,499,279,119
Provisions	17,544,151	-	17,544,151
Right-of-use assets (1)	728,936,564	-	728,936,564
Unrealized gains on valuation of investments	-	(1,861,606,167)	(1,861,606,167)
Revaluation of property	-	(11,279,487,556)	(11,279,487,556)
Tax base of property and equipment	-	(4,682,862,055)	(4,682,862,055)
	¢ <u>2,245,759,834</u>	<u>(17,823,955,778)</u>	<u>(15,578,195,944)</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		June 2023		
		Assets	Liabilities	Net
Unrealized losses on valuation of investments	¢	2,337,256,715	-	2,337,256,715
Provisions		(40,451,063)	-	(40,451,063)
Right-of-use assets (1)		965,089,355	-	965,089,355
Unrealized gains on valuation of investments		-	(852,460,182)	(852,460,182)
Revaluation of property		-	(8,927,170,230)	(8,927,170,230)
Tax base of property and equipment		-	(4,538,497,620)	(4,538,497,620)
	¢	<u>3,261,895,007</u>	<u>(14,318,128,032)</u>	<u>(11,056,233,025)</u>

(1) As of June 30, 2024, deferred income tax, net, arises from the right-of-use assets and lease liabilities in the amount of ¢15,316,684,374 and ¢14,132,980,330, respectively.

Deferred tax assets and liabilities are as follows:

		December 2023	Included in the income statement	Included in equity	June 2024
Unrealized losses on valuation of investments	¢	1,499,279,119	-	477,330,743	1,976,609,862
Provisions		17,544,151	(47,109,205)	-	(29,565,054)
Right-of-use assets		728,936,564	454,767,480	-	1,183,704,044
Unrealized gains on valuation of investments		(1,861,606,167)	18,116,052	(717,599,030)	(2,561,089,145)
Revaluation of property		(11,279,487,556)	-	173,253,637	(11,106,233,919)
Tax base of property and equipment		(4,682,862,055)	(128,515,283)	-	(4,811,377,338)
	¢	<u>(15,578,195,944)</u>	<u>297,259,044</u>	<u>(67,014,650)</u>	<u>(15,347,951,550)</u>

		December 2022	Included in the income statement	Included in equity	December 2023
Unrealized losses on valuation of investments	¢	6,272,437,619	-	(4,773,158,500)	1,499,279,119
Provisions		(80,540,126)	98,084,277	-	17,544,151
Right-of-use assets		1,333,033,888	(604,097,324)	-	728,936,564
Unrealized gains on valuation of investments		(758,036,573)	(228,229,319)	(875,340,275)	(1,861,606,167)
Revaluation of property		(9,042,911,732)	-	(2,236,575,824)	(11,279,487,556)
Tax base of property and equipment		(4,562,681,241)	(120,180,814)	-	(4,682,862,055)
	¢	<u>(6,838,698,165)</u>	<u>(854,423,180)</u>	<u>(7,885,074,599)</u>	<u>(15,578,195,944)</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	December 2022	Included in the income statement	Included in equity	June 2023
Unrealized losses on				
valuation of investments	¢ 6,272,437,619	(317,577,991)	(3,617,602,913)	2,337,256,715
Provisions	(80,540,126)	40,089,063	-	(40,451,063)
Right-of-use assets	1,333,033,888	(367,944,533)	-	965,089,355
Unrealized gains on				
valuation of investments	(758,036,573)	309,657,884	(404,081,493)	(852,460,182)
Revaluation of property	(9,042,911,732)	-	115,741,502	(8,927,170,230)
Tax base of property and equipment	(4,562,681,241)	24,183,621	-	(4,538,497,620)
	¢ (6,838,698,165)	(311,591,956)	(3,905,942,904)	(11,056,233,025)

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

As of June 30, 2024, the Bank has not recognized a deferred tax liability in the amount of ¢6,105,167,522 (December and June 2023: ¢4,194,660,781 and ¢4,892,984,279, respectively), given that it controls the moment when the subsidiaries pay dividends.

Tax returns filed by the Conglomerate for the years ended December 31, 2023 and the tax return that will be filed for the year ended December 31, 2024, are open to review by the Tax Authorities.

(22) Provisions

Provisions are as follows:

	June 2024	December 2023	June 2023
Severance benefits	¢ 344,703,482	323,861,303	330,155,071
Litigation	10,697,769,457	7,914,742,118	3,818,541,298
Inactive checking and savings accounts			
liquidated	619,596,488	620,538,390	651,019,873
Variation in RIVM methodology	490,003,103	490,003,103	490,003,103
Notice of deficiency	-	13,208,825,814	7,385,975,623
Deposit guarantee fund	372,722,574	359,766,964	369,033,179
Other	470,104,539	368,831,095	700,945,222
	¢ 12,994,899,643	23,286,568,787	13,745,673,369

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Movement in provisions is as follows:

		June 2024			
		Severance benefits	Litigation	Other	Total
Balance as of December 31, 2023	¢	323,861,303	7,914,742,118	15,047,965,366	23,286,568,787
Increase in provision		29,589,926	3,820,386,479	9,283,017,991	13,132,994,396
Used		(5,974,617)	(339,732,284)	(22,375,531,799)	(22,721,238,700)
Decrease in provision		(2,773,130)	(697,626,856)	(3,024,854)	(703,424,840)
Balance as of June 30, 2024	¢	<u>344,703,482</u>	<u>10,697,769,457</u>	<u>1,952,426,704</u>	<u>12,994,899,643</u>
		December 2023			
		Severance benefits	Litigation	Other	Total
Balance as of December 31, 2022	¢	312,966,075	3,980,700,568	6,553,483,755	10,847,150,398
Increase in provision		57,993,579	6,852,663,570	16,424,657,761	23,335,314,910
Used		6,348,095	(2,699,125,206)	(4,777,241,510)	(7,470,018,621)
Decrease in provision		(53,446,446)	(219,496,814)	(3,152,934,640)	(3,425,877,900)
Balance as of December 31, 2023	¢	<u>323,861,303</u>	<u>7,914,742,118</u>	<u>15,047,965,366</u>	<u>23,286,568,787</u>
		June 2023			
		Severance benefits	Litigation	Other	Total
Balance as of December 31, 2022	¢	312,966,075	3,980,700,568	6,553,483,755	10,847,150,398
Increase in provision		18,506,771	2,365,330,291	8,597,029,434	10,980,866,496
Used		6,348,096	(2,311,492,747)	(2,400,830,513)	(4,705,975,164)
Decrease in provision		(7,665,871)	(215,996,814)	(3,152,705,676)	(3,376,368,361)
Balance as of June 30, 2023	¢	<u>330,155,071</u>	<u>3,818,541,298</u>	<u>9,596,977,000</u>	<u>13,745,673,369</u>

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Conglomerate is a defendant in pending lawsuits, for which the potential outflow of economic benefits is considered. As of June 30, the Conglomerate has estimated future outflows and made the following provisions:

Type	Claimed amount			Provision		
	June 2024	December 2023	June 2023	June 2024	December 2023	June 2023
Ordinary - in colones	12,220,719,723	9,163,884,654	12,344,080,937	6,505,438,840	4,621,167,575	2,414,731,214
Ordinary - in US dollars	46,776,909,565	50,905,903,822	73,663,534,416	875,582,074	493,184,731	161,099,081
Criminal - in colones	1,081,199,813	1,081,199,813	1,084,799,813	-	-	-
Labor - in colones	266,044,301	688,472,273	690,924,678	3,316,748,543	2,800,389,812	1,242,711,003
	<u>60,344,873,402</u>	<u>61,839,460,562</u>	<u>87,783,339,844</u>	<u>10,697,769,457</u>	<u>7,914,742,118</u>	<u>3,818,541,298</u>

(23) Other sundry accounts payable

Other sundry accounts payable are as follows:

	June 2024	December 2023	June 2023
Professional fees	¢ 16,237,309	10,256,779	19,740,657
Creditors - goods and services	8,287,309,734	8,873,685,625	5,457,235,173
Income tax payable	15,695,043,000	18,379,918,877	16,342,557,857
Value added tax	299,137,335	368,983,792	236,511,144
Employer contributions	12,508,226,368	14,692,110,139	12,262,200,632
Court-ordered withholdings	4,017,714,004	3,768,539,376	3,841,673,808
Tax withholdings	1,993,662,588	2,488,430,837	2,528,649,910
Employee withholdings	803,226,261	959,705,730	947,036,846
Other third-party withholdings	248,125,561	9,663,712	326,274,893
Compensation	20,645,858,334	26,037,915,147	19,994,814,102
Statutory allocations	16,211,749,362	33,851,893,738	22,249,916,267
Clearing house operations	-	29,509,914	34,096,469
Accrued vacation	6,662,119,658	6,265,582,809	6,419,133,030
Accrued statutory Christmas bonus	6,855,012,528	2,770,781,999	6,755,018,820
Accounts payable – assets held for sale	42,872,989	74,718,277	382,095,546
Provisional deposits for the payment of premiums	1,641,777,795	1,738,380,030	1,822,098,004
SICOP guarantees	845,269,238	1,191,484,721	1,175,879,594
Property	312,034,291	499,480,720	496,741,768
Fee from international organizations	1,020,700,000	-	1,021,000,000
Amounts received for partial sales of assets held for sale	930,857,479	741,645,816	904,883,672
Master Card and Visa payments	2,641,527,864	2,318,945,542	1,909,983,414
Other various creditors	4,938,722,782	4,430,979,104	3,469,853,279
Interest rate futures - Hedges (Note 9)	6,642,558	60,578,850	1,348,029,388
Purchase of FX futures	79,175,900	101,908,050	10,975,000
	<u>¢ 106,703,002,938</u>	<u>129,665,099,584</u>	<u>109,956,399,273</u>

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(24) Other liabilities

Other liabilities are as follows:

		June 2024	December 2023	June 2023
<u>Deferred income:</u>				
Deferred fees and commissions for trust management	¢	79,244,797	88,687,508	80,275,434
		<u>79,244,797</u>	<u>88,687,508</u>	<u>80,275,434</u>
<u>Operations pending application:</u>				
Operations pending settlement		6,523,825,759	16,556,080,166	6,557,040,128
Other operations pending settlement		22,845,327,837	16,466,611,653	26,643,649,770
		<u>29,369,153,596</u>	<u>33,022,691,819</u>	<u>33,200,689,898</u>
	¢	<u>29,448,398,393</u>	<u>33,111,379,327</u>	<u>33,280,965,332</u>

(25) Subordinated obligations

The Conglomerate's subordinated obligations are as follows:

Entity	Interest rate per annum	Term	Maturity	June 2024	December 2023	June 2023
	6-month LIBOR + 6.30% in the first 5 years and 6-month LIBOR + 6.80% thereafter	10	18/02/2032	45,000,000	45,000,000	45,000,000
IDB						
	6-month LIBOR + 5.25% in the first 5 years and 6-month LIBOR + 5.75% thereafter	15	23/10/2029	16,500,000	18,000,000	19,500,000
CABEI						
	Fixed rate at 8.28% over the entire term (1)	10	29/09/2031	15,000,000	15,000,000	15,000,000
AFD						
	6-month LIBOR + 6.30% in the first 5 years and 6-month LIBOR + 6.80% thereafter	10	18/02/2032	30,000,000	30,000,000	30,000,000
FINDEV						
				US\$ 106,500,000	108,000,000	109,500,000
				¢ 56,488,665,000	56,903,040,000	60,168,060,000
				2,038,925,663	2,162,739,037	2,123,147,157
				¢ 58,527,590,663	59,065,779,037	62,291,207,157

(1) Credit facility agreement CCR1006 02 subscribed by Banco Nacional de Costa Rica and the French Development Agency, authorized by SUGEF on December 23, 2021.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Through Note SGF 1878-2023 dated July 28, 2023, SUGEF authorizes the proposed changes to the provisions on the inclusion of the secured overnight financing rate (SOFR) as a benchmark rate to replace LIBOR, modifying debt agreement No. 2137 subscribed by Banco Centroamericano de Integración Económica (BCIE) and Banco Nacional de Costa Rica.

In accordance with IRNBS (Law No. 1644), 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 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.

(26) Equity

(a) Share capital

The Conglomerate's share capital is as follows:

		June 2024	December 2023	June 2023
Capital under Law No. 1644	¢	144,618,072,265	144,618,072,265	144,618,072,265
Bank capitalization bonds		27,618,957,837	27,618,957,837	27,618,957,837
	¢	<u>172,237,030,102</u>	<u>172,237,030,102</u>	<u>172,237,030,102</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Capital reserves

Capital reserves are as follows:

	June 2024	December 2023	June 2023
Legal reserve	¢ 442,629,403,835	403,604,716,089	403,604,716,090
Statutory reserve for assets held for sale	5,577,433,739	5,469,216,249	4,436,035,650
Excess of statutory reserve for loans	6,857,486,026	3,474,656,733	5,388,081,093
Statutory dynamic provision	10,692,948,810	9,649,609,539	9,426,281,302
	¢ <u>465,757,272,410</u>	<u>422,198,198,610</u>	<u>422,855,114,135</u>

(c) Equity of the Development Financing Fund

As of June 30, 2024, the allocation of the Bank's earnings for the creation of the Development Financing Fund (FOFIDE) amounts to ¢55,759,613,349 (December and June 2023: ¢48,624,595,226 and ¢48,624,595,226, respectively).

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(27) Memoranda accounts

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

	June 2024	December 2023	June 2023
Sureties	¢ 1,562,307	1,562,307	-
Performance bonds	28,190,264,239	34,129,139,530	40,592,353,086
Bid bonds	1,423,370,898	971,873,015	3,575,160,504
Other guarantees	1,067,441,266	607,314,326	737,424,086
Letters of credit	1,196,274,828	1,249,911,325	1,780,991,689
Credits pending disbursement	115,233,348	115,233,348	118,433,348
	<u>31,994,146,886</u>	<u>37,075,033,851</u>	<u>46,804,362,713</u>
Pre-approved lines of credit	347,853,748,847	305,513,773,333	296,628,034,365
Other contingencies not related to credits	6,583,686	6,583,686	83,658,101
Other contingencies - Pending litigation and lawsuits (Note 51)	<u>60,436,468,655</u>	<u>61,807,146,925</u>	<u>87,786,685,737</u>
	<u>408,296,801,188</u>	<u>367,327,503,944</u>	<u>384,498,378,203</u>
Sale of FX futures – Other than hedges	4,781,830,330	7,129,052,308	4,319,462,280
¢	<u>445,072,778,404</u>	<u>411,531,590,103</u>	<u>435,622,203,196</u>

Letters of credit, guarantees and sureties granted expose the Bank to credit loss in the event of noncompliance by the customer. The Conglomerate'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 for the Conglomerate. Most letters of credit are used and those used are generally available on demand, issued and confirmed by correspondent banks and payable immediately.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

(28) Trust assets

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

The types of trusts managed are as follows:

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of June 30, 2024, trust capital is invested in the following assets:

Nature of trust	Cash or property management	Management and Investment	Guaranty	Testamentary	Custody of stock	Custody of stock and cash management	Guaranties and cash management	Management, custody and guaranty	Public works	Trusts with public funds	Guaranty and custody of stock	Rentier management and investment	Premium protection	Equity planning	Total
<i>Trust assets</i>															
Cash and due from banks	¢ 5,796,384	30,710,138	11,684,057,054	450,132	-	-	-	-	8,932,774	126,867,423	-	47,339	202,939,309	-	12,059,800,553
Investments in financial instruments	1,724,370,600	195,947,078	2,509,614,099,969	2,827,198,057	1,948,562	826,515	-	-	14,986,923,226	16,289,423,331	-	474,240,920	2,558,011,326	58,831,092	2,548,731,820,676
Loan portfolio	-	-	-	-	-	-	-	-	-	5,343,178,617	-	-	-	-	5,343,178,617
Accounts and accrued interest receivable	8,075,571	-	91,373,903	6,437,247	-	-	216,426,970	-	55,124,060,296	94,429,895,838	502,469	-	-	-	149,876,772,294
Assets held for sale	-	-	-	-	-	-	-	-	-	50,558,859	-	-	-	-	50,558,859
Investments in other companies	-	-	4,903,010,000	14,143,041	25,160,000	-	-	-	-	-	-	-	-	13,773,291	4,956,086,332
Property, furniture and equipment	7,175,334,166	-	120,900,381,713	1,069,780,959	-	-	1,544,041,161	-	30,309,502,528	448,381,354	283,559,514	-	-	337,565,998	162,068,547,393
Other assets	82,491,444	-	2,884,703,303	4,053,440	-	-	-	4,827,787,909	24,676,265,092	1,398,344,924	-	-	-	29,727	33,873,675,839
¢	8,996,068,165	226,657,216	2,650,077,625,942	3,922,062,876	27,108,562	826,515	1,760,468,131	4,827,787,909	125,105,683,916	118,086,650,346	284,061,983	474,288,259	2,760,950,635	410,200,108	2,916,960,440,563

As of December 31, 2023, trust capital is invested in the following assets:

Nature of trust	Cash or property management	Management and Investment	Guaranty	Testamentary	Custody of stock	Guaranties and cash management	Management, custody and guaranty	Public works	Custody of stock and cash management	Trusts with public funds	Guaranty and custody of stock	Rentier management and investment	Premium protection	Equity planning	Total
<i>Trust assets</i>															
Cash and due from banks	¢ 81,692,425	30,786,916	1,053,760	451,296	-	-	-	6,875,417	-	127,540,443	-	263,108	265,357,798	-	514,021,163
Investments in financial instruments	1,789,411,491	194,555,114	2,455,475,514,901	2,782,697,883	1,910,879	-	-	13,592,157,660	810,531	16,200,900,322	-	744,174,713	2,277,188,737	75,180,552	2,493,134,502,783
Loan portfolio	-	-	-	-	-	-	-	-	-	5,251,717,346	-	-	-	-	5,251,717,346
Accounts and accrued interest receivable	23,552,039	-	89,910,406	7,530,828	-	206,022,430	-	60,612,840,304	-	87,735,074,689	746,690	-	-	306,279	148,675,983,665
Assets held for sale	-	-	-	-	-	-	-	-	-	59,775,957	-	-	-	-	59,775,957
Investments in other companies	-	-	4,902,010,000	11,142,688	25,160,000	-	-	-	-	-	-	-	-	460,000	4,938,772,688
Property, furniture and equipment	7,175,334,166	-	118,367,261,922	1,069,780,959	-	1,544,041,161	-	30,421,442,290	-	436,468,877	283,559,514	-	-	337,565,998	159,635,454,887
Other assets	83,107,486	-	3,087,897,448	3,107,427	-	-	5,106,159,561	20,896,629,206	-	1,523,349,187	-	-	-	29,727	30,700,280,039
¢	9,153,097,607	225,342,030	2,581,923,648,437	3,874,711,081	27,070,879	1,750,063,591	5,106,159,561	125,529,944,877	810,531	111,334,826,821	284,306,204	744,437,821	2,542,546,535	413,542,556	2,842,910,508,528

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of June 30, 2023, trust capital is invested in the following assets:

Nature of trust	Cash or property management	Securitizations	Portfolio management	Guaranty	Testamentary	Custody of stock with testamentary clauses	Custody of stock and cash management	Guarantees and cash management	Custody of stock	Management, custody and guaranty	Guaranty and custody of stock	Rentier management and investment	Premium protection	Equity planning	Total
<i>Trust assets</i>															
Cash and due from banks	¢ 247,767,424	6,363,859	17,336,692	1,098,960	4,347,418	-	-	4,498	-	14,402,135	5,000	-	13,397,421	-	304,723,407
Investments in financial instruments	26,935,855,836	7,618,927,159	651,130,575	2,482,808,208,680	2,866,085,076	-	2,662,615	49,356,629	-	23,949,397	-	133,516,646	379,182,692	561,371	2,521,469,436,676
Loan portfolio	4,125,968,901	-	973,759,830	-	-	-	-	-	-	-	-	-	-	-	5,099,728,731
Accounts and accrued interest receivable	132,517,466,320	29,207,005,363	2,155,537,864	52,187,912	6,014,322	-	-	222,582,992	-	-	244,221	-	-	-	164,161,038,994
Assets held for sale	81,586,956	-	1,445,758	-	-	-	-	-	-	-	-	-	-	-	83,032,714
Investments in other companies	-	-	-	4,595,000,000	24,296,948	164,000	-	-	25,206,000	-	-	-	-	-	4,644,666,948
Property, furniture and equipment	748,300,011	30,456,160,273	1,354,968	119,721,751,173	1,069,780,959	-	-	8,719,375,327	-	-	283,559,514	-	-	-	161,000,282,225
Other assets	9,301,232,000	5,017,738,798	301,032	2,151,842,600	5,603,082	-	-	-	-	5,161,069,882	-	-	-	-	21,637,787,394
¢	173,958,177,448	72,306,195,452	3,800,866,719	2,609,330,089,325	3,976,127,805	164,000	2,662,615	8,991,319,446	25,206,000	5,199,421,414	283,808,735	133,516,646	392,580,113	561,371	2,878,400,697,089

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The types of trusts managed by the Conglomerate 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 socioeconomic 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 per the instructions 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.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(29) Other debit memoranda accounts

Other debit memoranda accounts are as follows:

	June 2024	December 2023	June 2023
Pension Fund Manager's own investments in custody – Face value of principal	¢ 13,480,398,437	12,570,995,357	11,545,679,197
Pension Fund Manager's own investments in custody – Coupons	3,713,381,303	7,144,123,377	7,295,288,976
Pension Fund Manager's own investments in custody – Number of shares	23	23	23
Guarantees received in the Bank's custody	39,208,378,930	4,624,785,721	1,657,666,680
Guarantees on financial instruments	812,951,339	1,022,606,729	461,970,365
Other guarantees received in the Bank's custody	11,584,260,144,652	9,907,734,566,392	8,889,256,692,639
Lines of credit granted but unused	438,209,022,705	431,997,000,239	389,574,923,303
Loans pending disbursement	153,711,355,588	145,801,796,899	155,732,665,525
Unused overdrafts	4,999,999	55,000,000	54,649,373
Loans settled	469,223,752,484	457,744,467,939	451,826,015,468
Other accounts receivable settled	27,303,645,889	25,037,420,793	24,629,949,072
Accrued interest receivable settled	45,275,446,389	44,134,262,935	42,465,943,346
Interest income on non-accrual loans of loan portfolio	38,840,258,320	37,569,403,174	37,384,866,548
Supporting documentation received in the Bank's custody	4,968	5,102	4,759
Securities issued pending placement	62,380,000,000	69,037,000,000	97,233,000,000
Lines of credit or overdrafts obtained but unused	1,972,064,382	1,954,724,798	2,034,174,958
Notified letters of credit	926,968,952	2,909,592,202	5,093,122,662
Notional value subject to interest rate futures (Note 11)	9,335,216,000	11,117,168,000	101,634,018,720
Reversals made to income accounts for the period	12,278,002,477	32,235,526,621	7,969,663,037
Reversals made to expense accounts for the period	88,746,597,213	156,620,327,279	63,563,315,392
Non-deductible expenses	531,225,826,310	531,225,826,310	40,867,557,589
Non-taxable income	542,329,450,425	542,004,604,878	45,834,899,311
Other memoranda accounts	159,511,344,453	123,619,061,443	127,106,201,545
	<u>14,222,749,211,238</u>	<u>12,546,160,266,211</u>	<u>10,503,222,268,488</u>
Third-party debit memoranda accounts (1)	5,297,054,426,151	4,956,547,223,229	4,810,733,816,951
Own debit memoranda accounts for custodial activities	549,798,208,106	640,304,967,101	723,585,307,599
Third-party debit memoranda accounts for custodial activities	<u>18,556,575,264,147</u>	<u>17,304,662,026,826</u>	<u>16,900,137,388,230</u>
	<u>24,403,427,898,404</u>	<u>22,901,514,217,156</u>	<u>22,434,456,512,780</u>
¢	<u><u>38,626,177,109,642</u></u>	<u><u>35,447,674,483,367</u></u>	<u><u>32,937,678,781,268</u></u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(1) Third-party debit memoranda accounts are as follows:

	June 2024	December 2023	June 2023
Management of banking mandates	¢ 1,691,697,684,125	1,668,740,260,281	1,698,915,741,431
“TUDES” securities received in custody from affiliates under Article 75 of Law No. 7531	1,100,987,059	974,083,918	956,424,603
Pension funds (Note 32)	2,749,386,371,816	2,526,046,391,386	2,394,732,902,545
Investment funds (Note 31)	771,766,816,271	682,616,250,291	633,200,591,032
Portfolio management	83,102,566,880	78,170,237,353	82,928,157,340
¢	<u>5,297,054,426,151</u>	<u>4,956,547,223,229</u>	<u>4,810,733,816,951</u>

Other memoranda accounts by entity are as follows:

	June 2024	December 2023	June 2023
Banco Nacional de Costa Rica	¢ 33,962,968,384,130	31,107,077,262,393	28,725,398,323,075
BN Valores Puesto de Bolsa, S.A. (Note 30)	1,123,626,999,455	1,111,429,293,218	1,164,414,532,287
BN Sociedad Administradora de Fondos de Inversión, S.A. (Note 31)	771,854,617,142	682,701,900,813	633,263,355,799
BN Vital Operadora de Planes de Pensiones Complementarias, S.A. (Note 32)	2,767,727,108,915	2,546,790,872,490	2,414,602,570,107
¢	<u>38,626,177,109,642</u>	<u>35,447,999,328,914</u>	<u>32,937,678,781,268</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Memoranda accounts for brokerage operations are summarized below:

	June 2024	December 2023	June 2023
<u>Own</u>			
Futures contracts pending settlement	48,657,331,422	49,518,947,553	50,720,264,582
Own trading securities (Note 30-a)	8,258,082,369	7,629,635,176	7,930,408,164
Other own memoranda accounts	2,000,738,330	1,977,791,713	2,055,198,491
	<u>58,916,152,121</u>	<u>59,126,374,442</u>	<u>60,705,871,237</u>
<u>Third party</u>			
Trading securities received as guarantees	24,888,422,336	30,550,174,834	35,926,468,889
Trading securities pending receipt	83,619,728	261,634,400	2,795,360,507
Signed contracts pending settlement	729,925,691	378,001,029	3,832,798,134
Futures contracts pending settlement	37,940,583,449	48,864,525,218	70,160,470,207
Third-party trading securities (Note 30-a)	916,891,423,059	893,595,141,141	905,286,673,852
Cash and accounts receivable	1,074,306,192	483,204,800	2,778,732,121
Portfolio management	83,102,566,880	78,170,237,353	82,928,157,340
	<u>1,064,710,847,335</u>	<u>1,052,302,918,775</u>	<u>1,103,708,661,050</u>
Memoranda accounts (Note 29) ¢	<u>1,123,626,999,456</u>	<u>1,111,429,293,217</u>	<u>1,164,414,532,287</u>

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 Central de Valores de la Bolsa Nacional de Valores, S.A. (CEVAL) or in foreign entities with which CEVAL has custody agreements.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

a) Securities held in custody are as follows:

Location	Type of custody	June 2024	December 2023	June 2023
<u>Own custodial activities</u>				
Local	International custody - Vault	8,243,082,367	7,614,635,176	7,915,408,164
Local	Vault	15,000,002	15,000,000	15,000,000
		<u>8,258,082,369</u>	<u>7,629,635,176</u>	<u>7,930,408,164</u>
<u>Custodial activities on behalf of third parties</u>				
Local	CEVAL - private	106,487,486,819	109,235,460,511	151,068,333,156
Foreign	CEVAL - private	193,183,039,704	119,005,700,111	113,304,685,852
Local	CEVAL - public	506,795,777,035	560,872,842,433	570,719,961,286
Foreign	International custody	110,189,510,984	104,287,043,655	70,055,325,193
Local	Vault	8,162,748	8,161,731	8,161,753
Local - Foreign	Securities that are doubtful, in arrears or in litigation	<u>227,445,769</u>	<u>185,932,700</u>	<u>130,206,612</u>
		<u>916,891,423,059</u>	<u>893,595,141,141</u>	<u>905,286,673,852</u>
		<u>¢ 925,149,505,428</u>	<u>901,224,776,317</u>	<u>913,217,082,016</u>

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

June 2024								
Term buyer					Term seller			
	Colones	US dollars	US dollars expressed in colones	Total	Colones	US dollars	US dollars expressed in colones	Total
Own	40,799,760,048	14,814,146	7,857,571,373	48,657,331,421	-	-	-	-
Third								
parties	1,169,557,969	34,971,908	18,549,449,743	19,719,007,712	1,169,557,967	32,148,749	17,052,017,770	18,221,575,737
	<u>41,969,318,017</u>	<u>49,786,054</u>	<u>26,407,021,116</u>	<u>68,376,339,133</u>	<u>1,169,557,967</u>	<u>32,148,749</u>	<u>17,052,017,770</u>	<u>18,221,575,737</u>
December 2023								
Term buyer					Term seller			
	Colones	US dollars	US dollars expressed in colones	Total	Colones	US dollars	US dollars expressed in colones	Total
Own	41,864,356,853	14,528,148	7,654,590,700	49,518,947,553	-	-	-	-
Third								
parties	3,379,991,642	41,115,994	21,663,194,792	25,043,186,434	5,172,135,629	35,395,542	18,649,203,155	23,821,338,784
	<u>45,244,348,495</u>	<u>55,644,142</u>	<u>29,317,785,492</u>	<u>74,562,133,987</u>	<u>5,172,135,629</u>	<u>35,395,542</u>	<u>18,649,203,155</u>	<u>23,821,338,784</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 2023								
	Term buyer				Term seller			
	Colones	US dollars	US dollars expressed in colones	Total	Colones	US dollars	US dollars expressed in colones	Total
Own	42,750,692,764	14,503,843	7,969,571,818	50,720,264,582	-	-	-	-
Third								
parties	8,052,915,895	60,452,337	33,217,350,408	41,270,266,303	9,237,793,759	35,765,469	19,652,410,145	28,890,203,904
	<u>50,803,608,659</u>	<u>74,956,181</u>	<u>41,186,922,226</u>	<u>91,990,530,885</u>	<u>9,237,793,759</u>	<u>35,765,469</u>	<u>19,652,410,145</u>	<u>28,890,203,904</u>

As of June 30, 2024, term buyer and seller positions in tri-party repurchase agreements in US dollars were valued at the exchange rate of ¢530.41 to US\$1.00 (December and June 2023: ¢526.88 to US\$1.00 and ¢549.48 to US\$1.00, respectively).

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

June 2024				
	Term buyer		Term seller	
	Colones	US dollars	Colones	US dollars
<u>Own</u>				
1 to 30 days	¢ 40,799,760,048	14,814,146	-	-
	<u>40,799,760,048</u>	<u>14,814,146</u>	<u>-</u>	<u>-</u>
<u>Third parties</u>				
1 to 30 days	-	617,604	-	278,131
31 to 60 days	-	15,474,880	-	13,964,798
61 to 90 days	367,568,984	16,816,618	367,568,984	15,843,014
More than 91 days	801,988,985	2,062,806	801,988,983	2,062,806
	<u>1,169,557,969</u>	<u>34,971,908</u>	<u>1,169,557,967</u>	<u>32,148,749</u>
	¢ <u>41,969,318,017</u>	<u>49,786,054</u>	<u>1,169,557,967</u>	<u>32,148,749</u>
December 2023				
	Term buyer		Term seller	
	Colones	US dollars	Colones	US dollars
<u>Own</u>				
1 to 30 days	¢ 41,864,356,853	14,528,148	-	-
	<u>41,864,356,853</u>	<u>14,528,148</u>	<u>-</u>	<u>-</u>
<u>Third parties</u>				
1 to 30 days	-	1,770,175	1,491,288,548	1,770,175
31 to 60 days	413,352,535	13,794,990	299,400,000	15,627,485
61 to 90 days	1,067,747,531	22,085,851	1,482,555,505	14,532,905
More than 91 days	1,898,891,576	3,464,978	1,898,891,576	3,464,977
	<u>3,379,991,642</u>	<u>41,115,994</u>	<u>5,172,135,629</u>	<u>35,395,542</u>
	¢ <u>45,244,348,495</u>	<u>55,644,142</u>	<u>5,172,135,629</u>	<u>35,395,542</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		June 2023			
		Term buyer		Term seller	
		Colones	US dollars	Colones	US dollars
<u>Own</u>					
1 to 30 days	¢	33,534,804,222	14,503,843	-	-
31 to 60 days		9,215,888,542	-	-	-
		42,750,692,764	14,503,843	-	-
<u>Third parties</u>					
1 to 30 days		819,840,614	1,571,834	190,229,226	1,397,833
31 to 60 days		1,887,002,642	21,495,544	2,070,198,655	12,493,751
61 to 90 days		4,073,049,860	36,785,110	4,592,771,710	21,274,036
More than 91 days		1,273,022,779	599,849	2,384,594,168	599,849
		8,052,915,895	60,452,337	9,237,793,759	35,765,469
	¢	50,803,608,659	74,956,180	9,237,793,759	35,765,469

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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(31) Investment fund management agreements

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

	June 2024		
Fund	Net value	Shares	Value per share
<i>Funds in colones:</i>			
Súper Fondo colones	¢ 236,436,454,205	48,402,495,217	4.88
Fon Depósito colones	62,036,071,396	35,443,300,271	1.75
Creci Fondo colones	5,686,319,540	766,387,330	7.42
Redi Fondo colones	22,966,590,534	4,318,136,103	5.32
Diner Fondo colones	81,826,819,435	25,147,857,303	3.25
	¢ <u>408,952,255,110</u>	<u>114,078,176,224</u>	
<i>Funds in US dollars:</i>			
Creci Fondo US dollars	18,004,071	7,402,165	2.43
Redi Fondo US dollars	37,963,081	19,235,425	1.97
Diner Fondo US dollars	123,426,590	85,918,052	1.44
Fon Depósito US dollars	48,150,465	40,700,957	1.18
Súper Fondo Plus US dollars	360,338,562	298,463,922	1.21
Fondo Internacional liquidez	32,798,569	21,750	1,507.98
BN internacional Valor	891,622	881,874	1.01
BN internacional Suma	3,940,295	3,612,803	1.09
BN internacional Crece	4,727,610	4,131,171	1.14
BN Infraestructura Pública -1	27,496,374	25,688,040	1.07
FI Desarrollo de Proyecto BN I	26,289,384	19,795	1,328.08
	US\$ <u>684,026,623</u>	<u>486,075,954</u>	
	¢ <u>362,814,561,161</u>	<u>257,819,546,761</u>	
Assets of managed funds	¢ <u>771,766,816,271</u>	<u>371,897,722,985</u>	
<i>Guarantees:</i>			
Performance bonds	85,825,567		
Outstanding checks	<u>1,975,304</u>		
	<u>87,800,871</u>		
Memoranda accounts (Note 29)	¢ <u>771,854,617,142</u>		

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	December 2023		
Fund	Net value	Shares	Value per share
<i>Funds in colones:</i>			
Súper Fondo colones	¢ 206,209,720,665	42,966,446,136	4.80
Fon Depósito colones	58,688,813,355	34,039,876,036	1.72
Creci Fondo colones	5,632,836,053	780,636,086	7.22
Redi Fondo colones	17,942,175,434	3,473,615,080	5.17
Diner Fondo colones	82,898,398,261	25,898,679,344	3.20
	¢ <u>371,371,943,768</u>	<u>107,159,252,682</u>	
<i>Funds in US dollars:</i>			
Creci Fondo <i>US dollars</i>	15,983,196	6,721,022	2.38
Redi Fondo <i>US dollars</i>	30,529,769	15,777,944	1.93
Diner Fondo <i>US dollars</i>	110,330,417	78,029,364	1.41
Fon Depósito <i>US dollars</i>	42,694,518	36,414,868	1.17
Súper Fondo Plus <i>US dollars</i>	306,978,897	258,816,637	1.19
Fondo Internacional liquidez	32,439,369	21,750	1,491.47
BN internacional Valor	238,464	237,316	1.00
BN internacional Suma	3,592,019	3,444,693	1.04
BN internacional Crece	3,723,952	3,499,702	1.06
BN Infraestructura Pública -1	18,205,292	17,348,285	1.05
FI Desarrollo de Proyecto BN I	26,015,026	19,795	1,314.22
	US\$ <u>590,730,919</u>	<u>420,331,376</u>	
	¢ <u>311,244,306,523</u>	<u>221,464,195,387</u>	
Assets of managed funds	¢ <u>682,616,250,291</u>	<u>328,623,448,069</u>	
<i>Guarantees:</i>			
Performance bonds	83,675,218		
Outstanding checks	<u>1,975,304</u>		
	<u>85,650,522</u>		
Memoranda accounts (Note 29)	¢ <u>682,701,900,813</u>		

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	June 2023		
Fund	Net value	Shares	Value per share
<i>Funds in colones:</i>			
Súper Fondo colones	¢ 168,131,188,582	35,872,384,765	4.69
Fon Depósito colones	61,912,695,407	36,695,053,507	1.69
Creci Fondo colones	5,644,425,170	804,381,409	7.02
Redi Fondo colones	15,398,864,371	3,073,302,784	5.01
Diner Fondo colones	80,251,906,546	25,632,002,512	3.13
	¢ <u>331,339,080,076</u>	<u>102,077,124,977</u>	
<i>Funds in US dollars:</i>			
Creci Fondo <i>US dollars</i>	15,711,506	6,778,884	2.32
Redi Fondo <i>US dollars</i>	31,911,023	16,912,528	1.89
Diner Fondo <i>US dollars</i>	114,188,377	82,022,607	1.39
Fon Depósito <i>US dollars</i>	50,807,522	43,794,109	1.16
Súper Fondo Plus <i>US dollars</i>	267,406,955	229,671,702	1.16
Fondo Internacional liquidez	33,738,220	21,750	1,551.18
BN internacional Valor	343,382	348,485	0.99
BN internacional Suma	3,670,481	3,651,446	1.01
BN internacional Crece	3,331,564	3,273,777	1.02
BN Infraestructura Pública -1	8,764,686	8,522,813	1.03
FI Desarrollo de Proyecto BN I	19,484,789	19,795	984.33
	US\$ <u>549,358,505</u>	<u>395,017,896</u>	
	¢ <u>301,861,510,956</u>	<u>217,054,433,494</u>	
Assets of managed funds	¢ <u>633,200,591,032</u>	<u>319,131,558,471</u>	
<i>Guarantees:</i>			
Performance bonds	60,789,463		
Outstanding checks	<u>1,975,304</u>		
	<u>62,764,767</u>		
Memoranda accounts (Note 29)	¢ <u>633,263,355,799</u>		

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

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 colones (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.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- *BN SuperFondo dólares Diversificado* (diversified - US 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 - US 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 - US dólares No Diversificado (quarterly, non-diversified - US 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 - US 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 - US 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 SuperFondo Dólares Plus No Diversificado (US dólares)* (non-diversified - US dollars): This fund is aimed at conservative investors looking for short-term investments and who are to manage capital or funds in transit, with a minimum recommended period of 5 days. The funds can be requested at any time and are deposited on the next day, complying with the cutoff time and generating no withdrawal commissions. Benefits are calculated and applied on a daily basis but are effective when a partial or total withdrawal of the investment takes place. The fund has monthly statements of account.
- *Fondo de Inversión de Desarrollo Inmobiliario BN-I*: (real estate development): This fund invests in the development and subsequent operation of buildings, to be leased by Banco Nacional de Costa Rica for a definite term.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- *Fondo de Inversión de Desarrollo Inmobiliario de Infraestructura Pública – I:* (real estate development - US dollars): This fund will invest in the construction of buildings to be occupied by the Maximum Deconcentration Organizations and other entities of BCCR. Once the works are completed, the buildings will be leased with a purchase option to BCCR or sold to BCCR or to a real estate fund managed by BN Fondos and investors thus realize their potential gains. If the buildings are sold to a real estate fund, such fund will lease the buildings to BCCR.
- *BN Internacional Valor No Diversificado (non-diversified - US dollars):* This is an international, mixed portfolio investment fund, ideal for conservative customers who primarily seek to maintain their capital, even if it entails obtaining returns much lower than those of the market. It is addressed to the investor that would like to invest in a portfolio comprised of debt securities issued by the public or private sector and investment funds.
- *BN Internacional Suma No Diversificado (non-diversified - US dollars):* This is an international, mixed portfolio investment fund, addressed to investors with a balanced-risk profile, that is, willing to assume losses in the short- and mid-term to obtain returns higher than those of the market in the mid- and long-term. It is addressed to the investor that would like to invest in a portfolio comprised of debt securities issued by the public or private sector and in variable-return instruments and investment funds.
- *BN Internacional Crece No Diversificado (non-diversified - US dollars):* This is a long term, international, mixed portfolio investment fund addressed to investors with an aggressive-risk profile, i.e. willing to assume significant losses while aiming to obtain returns higher than those of the market. It is addressed to the investor that would like to invest in a portfolio comprised of debt securities issued by the public or private sector and in variable-return instruments and investment funds.
- *Fondo de Inversión BN Internacional Liquidez No Diversificado (non-diversified liquidity investment fund):* This is fund is an international investment fund aimed at conservative investors looking or short-term investments. It is a good alternative for meeting present or future liquidity needs. The long-term fund is aimed at investors looking for meeting future liquidity needs.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- *BN Internacional Liquidez No Diversificado (non-diversified liquidity investment fund – US dollars):* This is an international investment fund intended for conservative investors looking for short-term investments. It is a good alternative for meeting present or future liquidity needs. The Bank's international liquidity portfolio comprises debt securities issued by the international public or private sectors and investment funds. The securities in which the fund invests are denominated in US dollars and are registered in the international market. This fund does not require the investor to have ample experience in the securities market, though it requires awareness of potential volatilities, including a decrease in the value of their investment. Benefits are calculated and applied on a daily basis but are effective when a partial or total withdrawal of the investment takes place. The account statements for this fund are sent monthly.
- *BN Internacional Valor (US dollars):* This is an international, mixed portfolio investment fund, ideal for conservative customers who primarily seek to maintain their capital, even if it entails obtaining returns much lower than those of the market. It is addressed to the investor that would like to invest in a portfolio comprised of debt securities issued by the public or private sectors and investment funds.
- *BN Internacional Suma (US dollars):* This is an international, mixed portfolio investment fund, addressed to investors with a balanced risk profile, i.e. willing to assume losses in the short and medium term to obtain returns higher than those of the market in the medium and long term. It is for investors who would like to invest in a portfolio comprising public and private debt securities, variable rate instruments and investment funds.
- *BN Internacional Crece (US dollars):* This is a long term, international, mixed portfolio investment fund addressed to investors with an aggressive-risk profile, i.e. willing to assume significant losses while aiming to obtain returns higher than those of the market. It is addressed to the investor that would like to invest in a portfolio comprised of debt securities issued by the public or private sector and in variable-return instruments and investment funds.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- *BN Fondo de Inversión de Desarrollo de Proyectos BN I:* (real estate development): This fund invests in the development and operation of several buildings that will be leased for a definite term. It is addressed to both local and foreign investors who wish to participate in a project development investment fund dedicated to the construction of eight buildings on land owned by the Bank. For the development of this project, the land was assigned to the fund through the assignment of usufruct rights, for subsequent leasing to the Bank or to third parties and, ultimately, sale of the buildings. Information on the main conditions of the agreement of assignment of usufruct rights and lease agreements, which were signed as of August 2018, is included in the prospectus. Furthermore, information is provided on the situations in which the usufruct rights may be revoked; conditions for use of the assets and limitations on their use, asset restrictions or commitments, administrative contract and appeals regimes applicable to the fund.

(32) Pension fund management agreements

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

	June 2024	December 2023	June 2023
Mandatory Pension Fund (ROP) ¢	2,322,449,073,592	2,117,961,892,314	2,003,701,875,177
Mandatory Retirement Savings Account (FCL)	113,389,155,884	107,180,546,084	103,226,645,898
Voluntary Pension Fund in Colones A (FPC A)	108,722,838,638	101,692,891,275	94,641,700,219
Voluntary Pension Fund in Colones B (FPC B)	45,046,577,271	52,134,023,208	40,763,023,383
Employee Protection and Retirement Fund	112,975,218,241	104,168,518,592	108,832,780,897
Voluntary Pension Fund in US dollars A (FPD A) (i)	24,778,879,479	22,385,160,495	22,061,792,569
Voluntary Pension Fund in US dollars B (FPD B) (ii)	16,005,915,217	14,129,942,815	15,101,355,933
ICT employee pension fund	6,018,713,494	6,393,416,603	6,403,728,469
Assets of managed funds (Note 29)	2,749,386,371,816	2,526,046,391,386	2,394,732,902,545
Securities and assets in own custody	17,193,779,763	19,715,118,757	18,840,968,196
Bid and performance bonds – colones	19,226,087	18,539,072	18,482,940
Bid and performance bonds – US dollars (iii)	26,744,190	36,739,357	53,791,823
Securities in DU	1,100,987,058	974,083,917	956,424,602
Memoranda accounts (Note 29) ¢	2,767,727,108,914	2,546,790,872,489	2,414,602,570,106

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- i. As of June 30, 2024, this fund amounts to US\$46,716,464 (December and June 2023: US\$42,486,260 and US\$40,150,310, respectively) and is valued at the exchange rate of ¢530.41 to US\$1.00 (December and June 2023: ¢526.88 and ¢549.48 to US\$1.00, respectively).
- ii. As of June 30, 2024, this fund amounts to US\$30,176,496 (December and June 2023: US\$26,818,142 and US\$27,482,995, respectively) and is valued at the exchange rate of ¢530.41 to US\$1.00 (December and June 2023: ¢526.88 and ¢549.48 to US\$1.00, respectively).
- iii. As of June 30, 2024, this fund amounts to US\$50,422 (December and June 2023: US\$69,730 and US\$97,896, respectively) and is valued at the exchange rate of ¢530.41 to US\$1.00 (December and June 2023: ¢526.88 and ¢549.48 to US\$1.00, respectively).

(33) Income from financial instruments

For the six months ended June 30, income from financial instruments is as follows:

	June		Quarter from April 1 to June 30	
	2024	2023	2024	2023
<u>Cash and due from banks:</u>				
Deposits in BCCR	¢ 60,353,542	66,406,369	28,275,889	38,125,692
Checking accounts and demand deposits in local entities	34,368,812	39,730,187	13,370,289	15,341,710
Checking accounts and demand deposits in foreign entities	8,254,719,004	7,091,808,760	4,421,080,937	3,581,147,575
	<u>8,349,441,358</u>	<u>7,197,945,316</u>	<u>4,462,727,115</u>	<u>3,634,614,977</u>
<u>Financial instruments:</u>				
Investments at FVTPL	177,120,535	169,118,019	86,625,679	84,375,143
Investments FVOCI	19,511,997,216	19,204,766,692	9,614,712,352	11,226,371,630
Investments at amortized cost	24,400,115,354	21,110,467,016	11,956,325,589	10,605,431,381
Investments in past due and restricted securities	4,890,156,385	1,399,416,368	2,969,455,275	730,332,258
	<u>48,979,389,490</u>	<u>41,883,768,095</u>	<u>24,627,118,895</u>	<u>22,646,510,412</u>
¢	<u><u>57,328,830,848</u></u>	<u><u>49,081,713,411</u></u>	<u><u>29,089,846,010</u></u>	<u><u>26,281,125,389</u></u>

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(34) Income from loan portfolio

For the six months ended June 30, income from the loan portfolio is as follows:

	June		Quarter from April 1 to June 30	
	2024	2023	2024	2023
<u><i>Current loans:</i></u>				
Individuals	¢ 106,415,028,709	97,949,422,654	53,495,960,134	49,933,848,256
Development Banking System	4,857,079,991	4,388,273,184	2,402,012,944	2,321,097,930
Business	41,832,033,957	40,175,056,257	20,268,573,564	21,174,729,371
Corporate	49,415,880,904	51,409,348,769	24,895,418,968	25,596,511,391
Public sector	8,402,374,474	7,990,517,062	4,745,197,481	4,035,495,169
Financial sector	2,430,447,592	3,981,457,243	1,276,940,931	2,102,629,832
	<u>213,352,845,627</u>	<u>205,894,075,169</u>	<u>107,084,104,022</u>	<u>105,164,311,949</u>
<u><i>Past due loans and loans in legal collection:</i></u>				
Individuals	11,445,640,439	15,012,416,427	5,848,845,759	7,246,705,177
Development Banking System	255,905,574	444,458,473	136,741,529	214,143,209
Business	3,508,712,692	8,306,645,138	1,706,415,041	3,695,637,464
Corporate	1,545,328,073	3,320,632,127	1,141,240,922	1,643,463,599
Public sector	20,556,030	103,970,521	6,731,153	47,049,686
Financial sector	-	3,148,454	-	2,302,972
In legal collection	2,274,478,575	4,030,149,779	958,071,630	1,836,550,143
Amortization of net commission of incremental direct costs related to credits	<u>546,236,121</u>	<u>528,640,260</u>	<u>318,054,656</u>	<u>306,612,900</u>
	<u>19,596,857,504</u>	<u>31,750,061,179</u>	<u>10,116,100,690</u>	<u>14,992,465,150</u>
¢	<u><u>232,949,703,131</u></u>	<u><u>237,644,136,348</u></u>	<u><u>117,200,204,712</u></u>	<u><u>120,156,777,099</u></u>

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(35) Other finance income

For the six months ended June 30, other finance income is as follows:

	June		Quarter from April 1 to June 30	
	2024	2023	2024	2023
Fees and commissions on letters of credit	¢ 7,828,493	7,760,618	3,420,400	3,724,153
Fees and commissions on guarantees granted	149,920,158	250,609,811	77,833,829	110,783,317
Gain on negotiation of financial instruments	463,179	12,638,140	463,179	12,638,140
Gain on hedged item measured at cost from fair value hedge	-	1,747,111,890	-	1,747,111,890
Other sundry finance income	36,241,831	113,726,288	120,949,367	89,169,041
Charges for overdue operations	909,769,889	894,960,444	366,506,342	435,601,618
Sundry finance income from late fees	561,836,901	397,888,110	151,661,912	190,059,027
	¢ <u>1,666,060,451</u>	<u>3,424,695,301</u>	<u>720,835,029</u>	<u>2,589,087,186</u>

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(36) Finance costs for obligations with the public

For the six months ended June 30, finance costs for obligations with the public are as follows:

		June		Quarter from April 1 to June 30	
		2024	2023	2024	2023
Demand deposits	¢	47,863,839,330	50,911,725,579	22,867,358,016	26,567,230,672
Term deposits		60,799,990,663	67,515,148,605	29,633,819,519	36,549,887,221
	¢	<u>108,663,829,993</u>	<u>118,426,874,184</u>	<u>52,501,177,535</u>	<u>63,117,117,893</u>

(37) Finance costs for obligations with financial entities

For the six months ended June 30, finance costs for obligations with financial entities are as follows:

		June		Quarter from April 1 to June 30	
		2024	2023	2024	2023
Demand obligations	¢	2,091,787,318	2,591,093,646	1,001,276,512	1,294,568,161
Term obligations		8,285,973,524	15,429,142,611	3,984,552,621	8,121,548,332
	¢	<u>10,377,760,842</u>	<u>18,020,236,257</u>	<u>4,985,829,133</u>	<u>9,416,116,493</u>

(38) Other finance costs

For the six months ended June 30, other finance costs are as follows:

		June		Quarter from April 1 to June 30	
		2024	2023	2024	2023
Fees and commissions on letters of credit obtained	¢	115,620,328	124,992,789	57,435,109	61,002,307
Loss on hedged item measured at cost from fair value hedge on interest rate risk		-	2,867,674,187	-	1,115,051,466
Other sundry finance costs		186,567,420	186,427,740	90,713,823	91,145,172
	¢	<u>302,187,748</u>	<u>3,179,094,716</u>	<u>148,148,932</u>	<u>1,267,198,945</u>

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(39) Expenses for allowance for impairment of assets

For the six months ended June 30, expenses for the allowance for impairment of assets are as follows:

	June		Quarter from April 1 to June 30	
	2024	2023	2024	2023
Allowance for loan losses (Note 12)	¢ 28,857,766,063	15,476,112,652	17,000,690,317	6,193,854,966
Allowance for impairment of other accounts receivable (Note 13)	941,469,745	587,718,269	295,179,473	267,745,307
Allowance for stand-by credit losses (Note 24)	11,468,516	-	10,807,459	-
General and counter-cyclical allowance for loan portfolio (Note 12)	9,512,047,560	3,877,278,446	5,112,848,472	1,914,323,924
General and counter-cyclical allowance for stand-by loans	21,340	-	21,340	-
Allowance for impairment of investments at FVOCI	190,065,946	1,628,396,060	40,141,025	1,201,692,202
Allowance for impairment of financial instruments at amortized cost	377,076,348	83,273,178	177,496,928	75,373,590
Allowance for impairment of operations with derivative financial instruments (Note 10)	606,778	52,991,257	91,195	38,745,130
	¢ <u>39,890,522,296</u>	<u>21,705,769,862</u>	<u>22,637,276,209</u>	<u>9,691,735,119</u>

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

For the six months ended June 30, income from recovery of assets and decreases in allowances and provisions is as follows:

	June		Quarter from April 1 to June 30	
	2024	2023	2024	2023
Recovery of loan write-offs	¢ 6,531,793,950	7,894,061,581	3,455,764,802	3,403,127,550
Recovery of accounts receivable write-offs	33,226,060	3,265,467	28,381,831	2,041,609
Decrease in allowance for impairment of other accounts receivable (Note 13)	470,593,140	194,113,128	18,691,139	30,679,562
Decrease in allowance for impairment of investments in financial instruments (Note 10)	<u>702,847,631</u>	<u>1,075,407,323</u>	<u>313,732,009</u>	<u>561,344,077</u>
	<u>¢ 7,738,460,781</u>	<u>9,166,847,499</u>	<u>3,816,569,781</u>	<u>3,997,192,798</u>

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(41) Income from service fees and commissions

For the six months ended June 30, operating income from service fees and commissions is as follows:

	June		Quarter from April 1 to June 30	
	2024	2023	2024	2023
Drafts and transfers	¢ 5,785,537,927	6,138,278,353	2,930,039,985	3,135,755,585
Certified checks	347,488	864,947	118,128	317,461
Trusts	853,907,076	912,551,400	426,516,815	446,405,834
Custodial services	1,219,062,010	1,176,983,044	640,714,741	575,592,518
Banking mandates	-	105,129	-	37,793
Collections	5,433,590	9,234,303	2,352,578	3,916,190
Credit cards	31,944,134,543	33,440,806,480	15,439,456,367	15,591,364,963
Management services	1,367,537,099	1,758,470,029	713,782,958	854,608,075
Management of investment funds	4,248,921,706	3,330,057,387	2,187,460,119	1,694,654,375
Management of pension funds	6,312,940,902	5,811,492,346	3,332,576,520	3,284,981,274
Insurance underwriting	5,289,391,159	5,061,077,134	2,826,224,402	2,460,752,385
Brokerage operations (third parties in local market)	1,034,301,607	1,311,465,576	476,605,616	644,558,972
Brokerage operations (third parties in other markets)	555,675,295	305,236,016	288,812,431	165,598,808
Transactions with related parties	86,697,682	43,892,118	26,896,339	24,096,200
Commissions charged to other affiliates due to covenants	6,817,741,307	6,826,497,033	3,352,112,425	3,312,425,171
Servibanca local interchange	11,606,261,195	12,460,306,835	5,589,411,622	5,909,076,158
Other service fees and commissions	7,345,801,981	5,545,344,482	3,698,739,241	2,685,367,545
	¢ <u>84,473,692,567</u>	<u>84,132,662,612</u>	<u>41,931,820,287</u>	<u>40,789,509,307</u>

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(42) Other operating income

For the six months ended June 30, other operating income is as follows:

	June		Quarter from April 1 to June 30	
	2024	2023	2024	2023
Recovery of expenses (1) ¢	1,807,489,084	1,008,848,213	858,807,651	244,363,607
Net valuation of other assets (Note 6)	276,390,718	509,225,369	122,278,107	26,716,782
Other income from accounts receivable	986,065	759,684	272,401	489,778
Liquidation of check - own accounts	112,779,341	311,229,932	73,207,258	284,757,819
Administrative charges - PMEP	151,950,921	115,559,930	80,113,124	58,342,358
Liquidation of term certificate of deposit not claimed	423,669,028	232,290,509	131,519,981	123,362,863
Withholdings applied to vendors	220,578,945	106,295,302	119,793,529	44,880,542
Commission due to markup of BN cards	530,743,692	478,060,299	260,044,461	241,627,016
Excess cash from human teller	92,450,413	91,457,431	42,744,057	43,614,215
Other operating income	640,050,392	557,913,225	292,036,264	323,918,996
Decrease in provisions (2)	703,424,840	3,376,368,360	5,597,500	3,369,218,274
¢	<u>4,960,513,439</u>	<u>6,788,008,254</u>	<u>1,986,414,333</u>	<u>4,761,292,250</u>

(1) When the *Law of Public Administration's Salaries* (Law No. 9908) became effective, the provision for the payment of employee annuities was reversed.

(2) During April 2022, the Bank liquidated the provision related to the payment of SEDI, which was processed under file number 15-008666-1027-CA of the Administrative Court, given that the ruling was in favor of the Bank.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(43) Expenses for assets held for sale

For the six months ended June 30, expenses for assets held for sale are as follows:

	June		Quarter from April 1 to June 30	
	2024	2023	2024	2023
Loss on sale of assets awarded in judicial auctions	2,206,608,426	2,944,974,172	1,487,778,492	1,262,645,685
Management of assets received in lieu of payment	1,937,239	3,540,897	862,119	1,924,255
Management of assets awarded in judicial auctions	3,121,777,060	2,798,237,037	1,514,772,437	1,637,406,593
Loss due to impairment of assets held for sale (Note 14)	65,688,454	9,663,368	64,288,661	4,355,508
Loss on allowance for impairment and legal disposal of assets held for sale (Note 14)	-	1,837,306,777	-	1,837,306,777
Other expenses for assets held for sale	13,109,324	6,120,850	6,393,353	2,698,460
¢	<u>5,409,120,503</u>	<u>7,599,843,101</u>	<u>3,074,095,062</u>	<u>4,746,337,278</u>

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(44) Provision expenses

For the six months ended June 30, provision expenses are as follows:

	June		Quarter from April 1 to June 30	
	2024	2023	2024	2023
Severance benefits	¢ 29,589,926	18,506,771	15,779,434	11,489,000
Pending litigation	3,820,386,478	2,365,330,291	2,482,605,867	820,954,164
“BN Premios” points program	1,801,728,143	2,031,329,182	881,438,740	1,157,724,397
Notice of deficiency	6,719,152,496	5,822,850,191	3,326,821,180	2,911,425,095
Deposit Guarantee Fund	762,137,353	742,850,061	385,011,545	368,904,659
	¢ <u>13,132,994,396</u>	<u>10,980,866,496</u>	<u>7,091,656,766</u>	<u>5,270,497,315</u>

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(45) Other operating expenses

For the six months ended June 30, other operating expenses are as follows:

	June		Quarter from April 1 to June 30	
	2024	2023	2024	2023
Penalties for noncompliance with regulatory legal provisions	¢ 20,015,086	20,792	20,010,466	2,309
Net valuation of other liabilities (Note 6)	235,875,547	195,394,676	164,846,847	62,792,710
Value-added tax	735,953,229	547,946,025	388,224,994	265,076,296
Income tax on foreign remittances	3,122,919	3,340,513	1,545,677	1,610,797
8% and 15% tax on income from interest on investments in financial instruments	51,110,689	179,106,632	13,548,444	57,384,539
Property tax	140,451,301	141,280,064	63,780,250	65,953,659
Patents	685,663,038	665,469,695	332,201,961	525,552,817
Other local taxes	54,981,513	48,049,082	26,925,503	15,368,455
Other foreign taxes	12,099	12,706	5,092	5,865
Transfer to FINADE	1,800,359,846	1,881,709,153	580,869,510	779,487,840
Costs of microfinance insurance policies	2,254,578,646	2,093,768,956	1,121,966,210	1,080,969,860
Customer remittances	307,254,191	290,127,380	153,303,884	152,390,420
Amortization of deferred direct costs related to loans	1,520,559,600	1,521,907,125	708,815,134	690,322,956
Authorization abroad	13,052,560,994	11,086,217,998	6,608,373,717	5,427,959,349
Base I and II fund disbursements	6,962,178,401	6,213,407,768	3,521,877,316	3,091,975,687
Life insurance unpaid balance	7,969,695,179	5,512,665,453	4,353,441,061	3,443,081,674
Software maintenance and licenses	4,180,980,997	3,993,783,725	2,030,934,060	2,124,530,205
	¢ 39,975,353,275	34,374,207,743	20,090,670,126	17,784,465,438

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(46) Personnel expenses

For the six months ended June 30, personnel expenses are as follows:

		June		Quarter from April 1 to June 30	
		2024	2023	2024	2023
Salaries and bonuses, permanent staff	¢	39,499,532,151	39,563,235,920	19,876,363,952	19,864,654,744
Salaries and bonuses, contractors		1,186,839,601	1,197,223,365	601,864,489	703,087,532
Compensation for directors and statutory examiners		99,986,355	94,955,597	51,774,905	45,905,686
Overtime		456,201,951	312,153,393	210,012,663	158,746,969
Travel expenses		239,876,247	202,514,107	145,187,496	117,995,241
Statutory Christmas bonus		4,486,953,947	4,399,609,532	2,224,379,174	2,204,431,704
Vacation		3,634,463,567	3,565,115,516	1,594,828,927	1,582,607,786
Incentives		2,432,382,284	2,046,627,197	882,365,138	1,013,663,153
Other compensation		4,023,012,187	3,276,710,544	2,107,676,222	1,691,127,979
Severance benefits		2,620,754,009	2,579,704,529	1,283,067,774	1,298,272,533
Employer social security taxes		17,948,474,071	17,610,198,162	8,839,083,677	8,841,461,590
Refreshments		53,411,467	29,816,740	41,328,090	10,515,712
Uniforms		7,063,912	3,389,459	4,997,537	95,549
Training		164,547,222	227,972,286	123,428,374	184,656,823
Employee insurance		150,270,521	144,532,455	75,547,656	75,339,933
Back-to-school bonus		4,025,165,529	3,984,886,766	1,958,842,050	1,939,581,740
Mandatory retirement savings account		876,824,292	857,019,229	433,685,502	427,985,431
Other personnel expenses		215,940,649	285,588,798	99,373,359	155,909,767
	¢	<u>82,121,699,962</u>	<u>80,381,253,595</u>	<u>40,553,806,985</u>	<u>40,316,039,872</u>

(47) Other administrative expenses

For the six months ended June 30, other administrative expenses are as follows:

		June		Quarter from April 1 to June 30	
		2024	2023	2024	2023
Outsourcing	¢	15,783,910,334	14,659,270,025	8,985,819,243	8,101,411,748
Transportation and communications		2,179,826,416	1,745,010,833	1,087,751,961	868,979,715
Infrastructure		15,125,365,121	12,908,152,851	7,495,968,713	6,795,904,385
Overhead		10,305,304,343	9,244,278,223	5,872,310,983	4,890,271,234
	¢	<u>43,394,406,214</u>	<u>38,556,711,932</u>	<u>23,441,850,900</u>	<u>20,656,567,082</u>

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(48) Statutory allocations

For the six months ended June 30, statutory allocations are as follows:

		June		Quarter from April 1 to June 30	
		2024	2023	2024	2023
CONAPE - 5%	¢	2,618,856,023	2,542,420,910	1,285,257,570	1,249,526,943
CNE - 3%		1,717,399,100	1,633,234,818	842,626,181	812,971,958
INFOCOOP - 10%		3,635,413,469	3,310,525,343	1,380,217,350	1,600,133,259
Public capital pension operators		1,337,085,881	747,048,959	508,221,453	500,496,456
RIVM - 15%		6,845,497,215	6,885,805,726	3,371,832,097	3,331,043,346
	¢	<u>16,154,251,688</u>	<u>15,119,035,756</u>	<u>7,388,154,651</u>	<u>7,494,171,962</u>

(49) Fair value of financial instruments

The 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 2024			
		Carrying amount	Level	Fair value	Level
<u>Financial assets:</u>					
Cash and due from banks	¢	1,550,929,699,350		1,550,929,699,350	
Investments at amortized cost		960,265,977,301		965,767,011,455	
Loan portfolio		5,221,215,700,037	(3)	5,211,460,160,535	(3)
	¢	<u>7,732,411,376,688</u>		<u>7,728,156,871,340</u>	
<u>Financial liabilities:</u>					
Demand deposits from the public and financial entities	¢	4,812,376,543,615	(3)	4,812,376,543,615	(3)
Other demand obligations with the public		28,102,926,821		28,102,926,821	
Term deposits from the public and financial entities		2,706,677,061,449	(3)	2,680,367,255,660	(3)
	¢	<u>7,547,156,531,885</u>		<u>7,520,846,726,096</u>	

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		December 2023			
		Carrying amount	Level	Fair value	Level
<u>Financial assets:</u>					
Cash and due from banks	¢	1,429,362,414,317		1,429,362,414,317	
Investments at amortized cost		730,519,651,897		730,631,631,884	
Loan portfolio		5,007,320,159,008	(3)	5,078,215,432,860	(3)
	¢	<u>7,167,202,225,222</u>		<u>7,238,209,479,061</u>	
<u>Financial liabilities:</u>					
Demand deposits from the public and financial entities	¢	4,541,475,894,042	(3)	4,541,475,894,042	(3)
Other demand obligations with the public		14,826,284,083		14,826,284,083	
Term deposits from the public and financial entities		2,493,784,423,797	(3)	2,469,749,126,024	(3)
	¢	<u>7,050,086,601,922</u>		<u>7,026,051,304,149</u>	
		June 2023			
		Carrying amount	Level	Fair value	Level
<u>Financial assets:</u>					
Cash and due from banks	¢	1,422,351,539,288		1,422,351,539,288	
Investments at amortized cost		705,141,219,354		697,976,008,247	
Loan portfolio		4,937,722,277,130	(3)	4,630,385,891,480	(3)
	¢	<u>7,065,215,035,772</u>		<u>6,750,713,439,015</u>	
<u>Financial liabilities:</u>					
Demand deposits from the public and financial entities	¢	4,325,206,063,634	(3)	4,325,206,063,634	(3)
Other demand obligations with the public		19,003,013,995		19,003,013,995	
Term deposits from the public and financial entities		2,756,124,307,255	(3)	2,724,926,806,624	(3)
	¢	<u>7,100,333,384,884</u>		<u>7,069,135,884,253</u>	

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Fair value estimates

i. Valuation techniques and significant unobservable inputs

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, demand deposits from the public and accrued interest payable.

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

- (b) 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 date. Future expected cash flows for loans are discounted at the interest rates offered for similar loans to new borrowers as of June 30, 2024 and 2023.

- (c) 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.

- (d) Obligations with entities

The fair value of obligations with entities is based on discounting cash flows at the interest rates in effect.

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 accuracy. Estimates could vary significantly if changes are made to those assumptions.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Financial instruments measured at fair value by level in the fair value hierarchy are as follows:

		June 2024			
		Level 1	Level 2	Level 3	Total
FVPTL	¢	91,757,396	10,267,453,344	3,915,698,784	14,274,909,524
FVOCI		557,894,381,107	-	-	557,894,381,107
Derivative financial instruments		-	-	12,079,260	12,079,260
		December 2023			
		Level 1	Level 2	Level 3	Total
FVPTL	¢	1,061,437,041	18,643,267,761	3,816,708,183	23,521,412,985
FVOCI		614,745,008,541	-	-	614,745,008,541
Derivative financial instruments		-	-	102,383,490	102,383,490
		June 2023			
		Nivel 1	Nivel 2	Nivel 3	Total
FVPTL	¢	92,639,107	4,162,751,318	3,929,716,116	8,185,106,541
FVOCI		749,622,282,269	-	-	749,622,282,269
Derivative financial instruments		-	-	4,138,271	4,138,271
Term obligations with foreign financial entities	¢	-	-	95,817,210,572	95,817,210,572

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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).

ii. *Recurring Level 3 fair values*

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

	June 2024			June 2023		
	FVTPL	Derivative financial instruments	Term obligations with foreign financial entities	FVTPL	Derivative financial instruments	Term obligations with foreign financial entities
Opening balance	¢ 3,816,708,183	102,383,490	-	4,305,251,883	-	103,761,660,525
Valuation	73,263,839	(18,324,011)	-	2,361,620	-	1,148,587,877
Amortizations	-	-	-	-	-	(16,948,241)
Foreign exchange differences	25,726,762	(71,980,219)	-	(377,897,387)	4,138,271	(9,076,089,590)
Closing balance	¢ 3,915,698,784	12,079,260	-	3,929,716,116	4,138,271	95,817,210,571

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(50) Segments

The Conglomerate has defined its business segments based on the administrative and reporting structure and the services provided by the Bank, the Brokerage Firm, the Investment Fund Manager, the Pension Fund Manager and the Insurance Brokerage Firm. Profit or loss, assets and liabilities of each segment are as follows:

As of June 30, 2024								
	Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	Total	Eliminations and reclassifications	Consolidated
<i>ASSETS</i>								
Cash and due from banks	€ 1,547,473,829,893	2,207,481,377	213,358,177	1,302,332,006	166,658,808	1,551,363,660,261	433,960,906	1,550,929,699,355
Investments in financial instruments	1,456,776,210,953	63,655,215,767	13,493,910,518	14,543,917,720	5,921,107,316	1,554,390,362,274	45,312,000	1,554,345,050,274
Loan portfolio, net	5,075,542,040,550	-	-	-	-	5,075,542,040,550	5,984,085,620	5,069,557,954,930
Accounts and fees and commissions receivable, net	2,385,771,557	245,063,258	156,132,997	2,737,087,156	1,081,510,706	6,605,565,674	66,088,929	6,539,476,745
Fees and commissions receivable	449,503,769	51,343,857	86,812,378	1,049,113,583	924,658,223	2,561,431,810	62,454,618	2,498,977,192
Accounts due from related parties	32,874,733	3,623,140	-	1,523,507	2,562,772	40,584,152	3,634,310	36,949,842
Deferred tax and income tax receivable	1,246,123,384	184,082,319	67,218,549	1,685,070,523	143,824,372	3,326,319,147	-	3,326,319,147
Other accounts receivable	8,196,386,964	6,013,940	7,220,712	66,304,302	10,465,340	8,286,391,258	-	8,286,391,258
Accrued interest receivable	1,235,279	-	-	-	-	1,235,279	-	1,235,279
Allowance for impairment	(7,540,352,572)	-	(5,118,640)	(64,924,761)	-	(7,610,395,973)	-	(7,610,395,973)
Assets held for sale, net	45,255,340,993	-	-	-	-	45,255,340,993	-	45,255,340,993
Investments in other companies	121,376,848,669	30,000,000	-	-	-	121,406,848,669	50,602,135,975	70,804,712,694
Property, furniture and equipment, net	230,670,176,166	288,934,145	467,335,873	410,083,563	335,219,173	232,171,748,920	-	232,171,748,920
Other assets	61,240,936,797	1,324,853,564	860,061,952	738,547,295	748,077,640	64,912,477,248	-	64,912,477,248
TOTAL ASSETS	€ 8,540,721,155,578	67,751,548,109	15,190,799,519	19,731,967,738	8,252,573,644	8,651,648,044,588	57,131,583,429	8,594,516,461,159
<i>LIABILITIES AND EQUITY</i>								
<i>LIABILITIES</i>								
Obligations with the public	€ 6,976,551,798,593	-	-	-	-	6,976,551,798,593	-	6,976,551,798,593
Obligations with BCCR	137,456,967,428	-	-	-	-	137,456,967,428	-	137,456,967,428
Obligations with entities	391,294,174,087	48,712,467,305	331,219,162	33,203,850	310,956,195	440,682,020,599	6,459,972,302	434,222,048,297
Accounts payable and provisions	128,380,091,742	2,477,980,348	1,531,116,082	5,108,591,895	1,819,218,193	139,316,998,260	66,088,922	139,250,909,338
Other liabilities	29,451,784,618	-	-	-	-	29,451,784,618	3,386,224	29,448,398,394
Subordinated obligations	58,527,590,663	-	-	-	-	58,527,590,663	-	58,527,590,663
TOTAL LIABILITIES	€ 7,721,662,407,131	51,190,447,653	1,862,335,244	5,141,795,745	2,130,174,388	7,781,987,160,161	6,529,447,448	7,775,457,712,713

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of June 30, 2024								
	Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	Total	Eliminations and reclassifications	Consolidated
<i>EQUITY</i>								
Share capital	¢ 172,237,030,107	6,600,000,000	5,000,000,000	8,075,109,507	369,700,000	192,281,839,614	20,044,809,507	172,237,030,107
Non-capitalized capital contributions	-	-	-	819,815,502	-	819,815,502	819,815,502	-
Equity adjustments	78,696,122,434	3,652,310	118,752,210	154,981,224	-	78,973,508,178	277,385,743	78,696,122,435
Capital reserves	465,757,272,410	1,320,000,000	1,000,000,000	300,000,000	73,940,000	468,451,212,410	2,693,940,000	465,757,272,410
Prior period retained earnings	20,409,233,944	7,803,287,588	5,649,821,801	3,903,179,879	2,994,269,142	40,759,792,354	20,350,558,406	20,409,233,948
Income for the period	26,199,476,203	834,160,558	1,559,890,264	1,337,085,881	2,684,490,114	32,615,103,020	6,415,626,823	26,199,476,197
FOFIDE	55,759,613,349	-	-	-	-	55,759,613,349	-	55,759,613,349
TOTAL EQUITY	¢ 819,058,748,447	16,561,100,456	13,328,464,275	14,590,171,993	6,122,399,256	869,660,884,427	50,602,135,981	819,058,748,446
TOTAL LIABILITIES AND EQUITY	¢ 8,540,721,155,578	67,751,548,109	15,190,799,519	19,731,967,738	8,252,573,644	8,651,648,044,588	57,131,583,429	8,594,516,461,159
Debit memoranda accounts	¢ 444,621,167,097	229,888,923	-	221,722,384	-	445,072,778,404	-	445,072,778,404
Income from cash and due from banks and financial instruments	¢ 2,916,948,921,500	11,519,063	-	-	-	2,916,960,440,563	-	2,916,960,440,563
Trust liabilities	¢ 65,742,164,591	8,907,716	-	-	-	65,751,072,307	-	65,751,072,307
Trust equity	¢ 2,851,206,756,909	2,611,347	-	-	-	2,851,209,368,256	-	2,851,209,368,256
Other debit memoranda accounts	¢ 33,962,968,384,130	1,123,626,999,455	771,854,617,142	2,767,727,108,915	-	38,626,177,109,642	-	38,626,177,109,642

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of June 30, 2024								
	Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	Total	Eliminations and reclassifications	Consolidated
Finance income	293,878,881,281	2,702,138,266	530,039,574	1,841,347,833	249,113,680	299,201,520,634	23,077,487	299,178,443,147
Finance costs	122,291,448,628	1,390,649,316	110,225,857	7,483,898	32,206,044	123,832,013,743	23,077,487	123,808,936,256
Allowance expense	39,845,466,375	2,352,851	10,255,813	28,932,689	3,514,568	39,890,522,296	-	39,890,522,296
Income from recovery of assets	7,702,462,342	1,812,806	10,088,422	21,411,546	2,685,665	7,738,460,781	-	7,738,460,781
FINANCE INCOME	139,444,428,620	1,310,948,905	419,646,326	1,826,342,792	216,078,733	143,217,445,376	-	143,217,445,376
Other operating income	106,938,071,044	2,629,113,194	4,250,592,324	6,431,800,601	5,508,835,058	125,758,412,221	7,654,780,597	118,103,631,624
Other operating expenses	77,078,248,291	681,010,962	367,935,197	1,193,723,357	89,028,292	79,409,946,099	1,176,457,496	78,233,488,603
GROSS OPERATING INCOME	169,304,251,373	3,259,051,137	4,302,303,453	7,064,420,036	5,635,885,499	189,565,911,498	6,478,323,101	183,087,588,397
Personnel expenses	74,899,402,766	1,686,222,808	1,536,635,249	2,594,858,638	1,404,580,501	82,121,699,962	-	82,121,699,962
Other administrative expenses	42,027,728,141	300,616,967	415,728,918	493,930,993	219,097,473	43,457,102,492	62,696,278	43,394,406,214
Total administrative expenses	116,927,130,907	1,986,839,775	1,952,364,167	3,088,789,631	1,623,677,974	125,578,802,454	62,696,278	125,516,106,176
NET OPERATING INCOME BEFORE STATUTORY ALLOCATIONS AND TAXES	52,377,120,466	1,272,211,362	2,349,939,286	3,975,630,405	4,012,207,525	63,987,109,044	6,415,626,823	57,571,482,221
Income tax	12,432,430,102	454,282,835	749,592,128	1,264,379,577	1,226,231,970	16,126,916,612	-	16,126,916,612
Decrease in income tax	723,651,990	54,398,377	30,041,284	82,189,844	18,880,787	909,162,282	-	909,162,282
Statutory allocations	14,468,866,148	38,166,341	70,498,179	1,456,354,793	120,366,227	16,154,251,688	-	16,154,251,688
INCOME FOR THE PERIOD	26,199,476,202	834,160,563	1,559,890,263	1,337,085,879	2,684,490,115	32,615,103,022	6,415,626,820	26,199,476,202

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of June 30, 2023								
	Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	Total	Eliminations and reclassifications	Consolidated
<i>ASSETS</i>								
Cash and due from banks	1,418,473,728,441	3,622,297,035	92,943,027	381,260,476	77,602,172	1,422,647,831,151	296,291,872	1,422,351,539,279
Investments in financial instruments	1,391,178,862,582	65,023,854,214	10,429,093,498	12,649,792,606	5,733,438,420	1,485,015,041,320	46,124,000	1,484,968,917,320
Loan portfolio, net	4,807,862,124,039	-	-	-	-	4,807,862,124,039	6,208,025,040	4,801,654,098,999
Accounts and fees and commissions receivable, net	3,064,989,925	244,078,997	110,306,877	2,118,523,384	897,135,178	6,435,034,361	53,771,151	6,381,263,210
Fees and commissions receivable	443,959,386	23,952,013	24,085,296	1,113,567,966	747,182,501	2,352,747,162	50,471,877	2,302,275,285
Accounts receivable – brokerage services	-	213,389	-	-	-	213,389	-	213,389
Accounts due from related parties	23,800,965	3,428,531	-	2,588,530	4,835,832	34,653,858	3,299,287	31,354,571
Deferred tax and income tax receivable	2,078,428,169	212,893,782	85,446,707	939,587,415	137,043,465	3,453,399,538	-	3,453,399,538
Other accounts receivable	4,394,329,098	3,591,282	6,631,068	125,170,640	8,073,381	4,537,795,469	-	4,537,795,469
Accrued interest receivable	1,054,295	-	-	-	-	1,054,295	-	1,054,295
Allowance for impairment	(3,876,581,987)	-	(5,856,193)	(62,391,168)	-	(3,944,829,348)	-	(3,944,829,348)
Assets held for sale, net	38,540,720,625	-	-	-	-	38,540,720,625	-	38,540,720,625
Investments in other companies	114,167,151,997	30,000,000	-	-	-	114,197,151,997	45,645,574,185	68,551,577,812
Property, furniture and equipment, net	225,965,951,346	414,160,524	483,468,684	502,204,261	380,669,775	227,746,454,590	-	227,746,454,590
Other assets	48,903,771,477	1,426,781,366	768,961,275	625,418,987	732,216,893	52,457,149,998	-	52,457,149,998
TOTAL ASSETS	8,048,157,300,433	70,761,172,136	11,884,773,362	16,277,199,713	7,821,062,439	8,154,901,508,083	52,249,786,261	8,102,651,721,822
<i>LIABILITIES AND EQUITY</i>								
<i>LIABILITIES</i>								
Obligations with the public	6,296,930,496,381	-	-	-	-	6,296,930,496,381	-	6,296,930,496,381
Obligations with BCCR	171,864,593,121	-	-	-	-	171,864,593,121	-	171,864,593,121
Obligations with entities	589,685,732,371	50,811,920,049	334,196,020	-	313,770,901	641,145,619,341	6,544,479,946	634,601,139,395
Accounts payable and provisions	131,213,957,624	3,925,109,014	1,202,596,617	2,938,822,345	1,572,218,515	140,852,704,115	53,771,161	140,798,932,954
Other liabilities	33,286,926,299	-	-	-	-	33,286,926,299	5,960,966	33,280,965,333
Subordinated obligations	62,291,207,157	-	-	-	-	62,291,207,157	-	62,291,207,157
TOTAL LIABILITIES	7,285,272,912,953	54,737,029,063	1,536,792,637	2,938,822,345	1,885,989,416	7,346,371,546,414	6,604,212,073	7,339,767,334,341

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of June 30, 2023

	Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	Total	Eliminations and reclassifications	Consolidated
EQUITY								
Share capital	172,237,030,102	6,600,000,000	5,000,000,000	7,197,869,390	369,700,000	191,404,599,492	19,167,569,390	172,237,030,102
Non-capitalized capital contributions	-	-	-	1,697,055,619	-	1,697,055,619	1,697,055,619	-
Equity adjustments	70,945,847,205	12,431,872	59,512,362	863,441,934	-	71,881,233,373	935,386,168	70,945,847,205
Capital reserves	422,855,114,135	1,320,000,000	898,628,741	300,000,000	73,940,000	425,447,682,876	2,592,568,741	422,855,114,135
Prior period retained earnings	32,751,235,582	7,249,942,091	3,267,127,498	2,532,961,465	3,259,916,545	49,061,183,181	16,309,947,596	32,751,235,585
Income for the period	15,470,565,233	841,769,109	1,122,712,125	747,048,960	2,231,516,492	20,413,611,919	4,943,046,691	15,470,565,228
FOFIDE	48,624,595,226	-	-	-	-	48,624,595,226	-	48,624,595,226
TOTAL EQUITY	762,884,387,483	16,024,143,072	10,347,980,726	13,338,377,368	5,935,073,037	808,529,961,686	45,645,574,205	762,884,387,481
TOTAL LIABILITIES AND EQUITY	8,048,157,300,436	70,761,172,135	11,884,773,363	16,277,199,713	7,821,062,453	8,154,901,508,100	52,249,786,278	8,102,651,721,822
Debit memoranda accounts	435,531,064,578	51,491,735	-	36,146,883	3,500,000	435,622,203,196	-	435,622,203,196
Income from cash and due from banks and financial instruments	2,877,729,683,115	671,013,974	-	-	-	2,878,400,697,089	-	2,878,400,697,089
Trust liabilities	68,930,784,560	9,249,222	-	-	-	68,940,033,782	-	68,940,033,782
Trust equity	2,808,798,898,555	661,764,752	-	-	-	2,809,460,663,307	-	2,809,460,663,307
Other debit memoranda accounts	28,725,398,323,075	1,164,414,532,287	633,263,355,799	2,414,602,570,107	-	32,937,678,781,268	-	32,937,678,781,268

As of June 30, 2023

	Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	Total	Eliminations and reclassifications	Consolidated
Finance income	290,135,391,620	2,888,667,791	575,613,152	541,851,927	283,440,734	294,424,965,224	6,757,248	294,418,207,976
Finance costs	145,263,068,765	1,802,884,018	82,542,392	137,809,497	24,798,519	147,311,103,191	6,757,248	147,304,345,943
Allowance expense	21,623,874,038	50,096,067	8,556,528	15,207,510	8,035,719	21,705,769,862	-	21,705,769,862
Income from recovery of assets	9,132,217,222	2,063,773	12,812,251	15,929,425	3,824,828	9,166,847,499	-	9,166,847,499
FINANCE INCOME	132,380,666,039	1,037,751,479	497,326,483	404,764,345	254,431,324	134,574,939,670	-	134,574,939,670
Other operating income	103,019,008,425	2,665,150,373	3,343,856,982	5,853,823,909	4,797,102,292	119,678,941,981	6,168,203,129	113,510,738,852
Other operating expenses	73,848,867,635	513,325,143	299,959,133	1,123,469,521	80,203,988	75,865,825,420	1,159,273,021	74,706,552,399
GROSS OPERATING INCOME	161,550,806,829	3,189,576,709	3,541,224,332	5,135,118,733	4,971,329,628	178,388,056,231	5,008,930,108	173,379,126,123
Personnel expenses	73,332,836,129	1,705,641,682	1,468,624,747	2,460,907,581	1,413,243,456	80,381,253,595	-	80,381,253,595
Other administrative expenses	37,369,552,501	228,091,960	366,434,475	436,856,193	221,660,220	38,622,595,349	65,883,417	38,556,711,932
Total administrative expenses	110,702,388,630	1,933,733,642	1,835,059,222	2,897,763,774	1,634,903,676	119,003,848,944	65,883,417	118,937,965,527
NET OPERATING INCOME BEFORE STATUTORY ALLOCATIONS AND TAXES	50,848,418,198	1,255,843,066	1,706,165,111	2,237,354,959	3,336,425,953	59,384,207,287	4,943,046,691	54,441,160,596
Income tax	22,141,385,823	435,295,242	563,897,112	699,913,714	1,019,594,868	24,860,086,759	-	24,860,086,759
Decrease in income tax	879,445,990	58,896,569	31,629,080	23,777,324	14,778,187	1,008,527,150	-	1,008,527,150
Statutory allocations	14,115,913,132	37,675,292	51,184,954	814,169,608	100,092,770	15,119,035,756	-	15,119,035,756
INCOME FOR THE PERIOD	15,470,565,233	841,769,101	1,122,712,125	747,048,961	2,231,516,502	20,413,611,922	4,943,046,691	15,470,565,231

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(51) Contingencies

Banco Nacional de Costa Rica (the Bank), BN Vital Operadora de Planes de Pensiones Complementarias, S.A. (the Pension Fund Manager), BN Valores Puesto de Bolsa, S.A. (the Brokerage Firm) and BN Sociedad Administradora de Fondos de Inversión, S.A. (the Investment Fund Manager) are defendants in ordinary, labor and criminal lawsuits, as follows:

	Number of cases		Stage	Total estimated amount	
	June 2024	June 2023		June 2024	June 2023
Banco Nacional de Costa Rica	227	270	First instance	¢ 51,259,940,438	83,328,803,400
	22	14	Second instance	101,497,750	32,925,633,291
	50	58	Appeal	8,623,419,160	51,555,325,893
	<u>299</u>	<u>342</u>		<u>59,984,857,348</u>	<u>167,809,762,584</u>
BN Vital	3	7	First instance	221,722,385	36,146,883
	-	2	Appeal	-	-
BN Valores	1	1	First instance	229,888,923	76,434,274
BN Corredora	-	1	First instance	-	3,500,000
	<u>303</u>	<u>353</u>	(Note 27)	¢ <u>60,436,468,656</u>	<u>167,925,843,741</u>

The legal actions filed against the Conglomerate are booked in memoranda accounts under “Other contingencies - pending litigation and lawsuits.”

The entities in the Conglomerate are claimants in ordinary, labor and criminal lawsuits for which the outcome is uncertain. These are not booked in the accounting records.

Number of cases		Stage	Total estimated amount	
June 2024	June 2023		June 2024	June 2023
219	308	First instance	¢ 82,196,567,498	73,731,797,939
0	1	Second instance	-	375,839,600
1	2	Appeal	15,255,204,109	2,844,233,566
<u>220</u>	<u>311</u>		¢ <u>97,451,771,607</u>	<u>76,951,871,105</u>

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Additionally, the Bank was a defendant in one lawsuit related to the payment of SEDI. The file for such proceedings is File No. 5-008666-1027-CA of the Administrative Court, dated November 20, 2015, received on December 15, 2015. As of June 30, 2024, this provision has been settled since the sentence for that lawsuit was in favor of the Bank.

On October 24, 2023, the Bank filed a claim before the Public Prosecutor's Office for the theft of money from the treasury, by means of file No. 23-000369-1218-PE of the Assistant Prosecutor's Office of Integrity, Transparency and Anti-corruption. The Bank has provided all of the evidence requested by the Prosecutor's Office and has actively collaborated in the investigation. The case is currently in the investigation phase.

The following lawsuits are also worth noting:

- File No.: 08-000232-0419-AG.
 - ✓ Statement of the facts: These proceedings were filed by the Bank against Surcoop, R.L., seeking to nullify the auction, awarding and registration of lots processed through file No. 97-010656-1701 AG of the Agrarian Court of Corredores.
 - ✓ Current status: The judgment was in favor of the Bank.
 - ✓ Latest activity: Through Vote No. 1859-F-S1-2021, the First Chamber confirmed the appealed ruling. The proceedings are currently in the execution of judgment stage.
- File No.: 11-001042-0612-PE.
 - ✓ Court: Office of Economic, Tax, and Customs Crimes
 - ✓ Statement of the facts: Irregularities were reported regarding Zion company and the process to grant credits to that company, misuse of resources, presentation of fake documents to the Bank to obtain credit approval, and the alleged participation of some of the employees of the Bank in the facts.

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- ✓ Latest activity: The order of November 2, 2021, at 15:01, set the date for the preliminary hearing from September 2 to November 29, 2024.
- ✓ Current status: The Bank filed a complaint and a civil lawsuit.
- *File No. 14-003379-1027-CA*
 - ✓ Statement of the facts: The plaintiffs seek the payment of damages by the Bank to all plaintiffs and compensation for pain and suffering caused due to the inability to acquire decent housing, as a result of apparent anomalies regarding the management of credits for Grupo Zion, S.A. to build the Bariloche Real condominium. Additionally, it has had media coverage.
 - ✓ On November 15, 2021, a hearing for the correction of procedural errors was held, in which the Court made a series of findings and reviewed the new evidence filed by the plaintiff. The Court decided to suspend the hearing and return the proceedings to the processing stage so that the corresponding corrections can be made and to include the legal entity PROSUM. The payment of fees to the expert witness was processed, but it is premature due to the status of the proceedings.
 - ✓ Current status: The proceedings have been returned to the preliminary hearing phase.
- *File No.: 15-010837-1027-CA (joined with 13-003698-1027-CA)*
 - ✓ Court: Contentious Administrative Court.
 - ✓ Statement of the facts: Caja Costarricense del Seguro Social (CCSS, Costa Rican Social Security) made an administrative charge to the Bank based on Article 78 of the *Employee Protection Law* and Executive Decree No. 37127-MTSS. However, it used as taxable base for the parafiscal contribution the gross profit of the Bank and its consolidated financial statements, not the individual financial statements, ignoring the statutory allocation established in the Internal Regulations of the National Banking System (IRNBS).

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- ✓ Latest activity: An extraordinary appeal for review by a higher court was filed in due time and form. A resolution by the First Chamber of the Supreme Court of Justice is pending.
- ✓ Current status: Through judgment No. 80-2022-VIII of Contentious Administrative Court of the Second Judicial Circuit of San José, at 13:20 of August 30, 2022, the complaint was partially admitted, ordering CCSS to return the excess amounts related to Article 78 of the *Employee Protection Law*, corresponding to the difference between the calculation made based on the consolidated financial statements of the State-owned commercial banks and the individual financial statements thereof, along with the legal interest derived from the reimbursement under protest, to be calculated from the date when this ruling becomes final to the date when the payment is made. Notwithstanding the foregoing, the Court set the taxable base as the net profit before income tax and statutory allocations, which were sufficient grounds to file an extraordinary appeal for review by a higher court to take up the matter of the taxable base for the calculation, since it considered that the Court made a mistake in this regard.
- File No.: 18-011428-1027-CA
 - ✓ Court: Contentious Administrative Court
 - ✓ Statement of the facts: The Bank filed ordinary administrative proceedings against ICE for the termination of the contract for the construction of Capulín San Pablo Hydroelectric Project, in which the Bank is a creditor of the developer, Hidrotárcoles S.A. The Bank claims that due to the termination of the contract with the company, ICE must recognize the contractor's debt with the Bank.
 - ✓ Latest activity: Awaiting the oral public trial, set for May 8 and 9, 2024.
 - ✓ Current status: The preliminary hearing was held, in which documentary and testimonial evidence submitted by the parties was admitted. The trial was set for May 8 and 9, 2024.

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- File No.: 19-007376-1027-CA
 - ✓ Court: First Associate Civil Court of San José
 - ✓ Statement of the facts: The Bank filed a lawsuit against Océánica de Seguros S.A. for the unjustified non-payment of US\$15,500,000.00 corresponding to the surety bonds that secured the contributions made by the contractor Hidrotárcoles S.A. for the construction of the dam and production of the electromechanic equipment of the Capulín San Pablo Hydroelectric Project.
 - ✓ Latest activity: A motion for reconsideration was filed against the resolution that rejected the defense of failure to join. That motion is currently pending resolution. If rejected, the proceedings would go to a preliminary hearing.
 - ✓ Current status: The First Chamber of the Supreme Court of Justice resolved the lack of jurisdiction declared ex officio by the Administrative Court and forwarded the matter to the First Associate Civil Court of San José. The latter has not yet served the lawsuit to the defendant.
- File No.: 23-000226-1027-CA
 - ✓ Court: Administrative Court
 - ✓ Statement of the facts: The plaintiff claims damages and administrative liability of the Bank for remitting its operation to legal collection without accepting the proposed payment in kind and omitting the insurance policy for disability, old age and death.
 - ✓ Latest activity: The answer to the complaint was filed in due time and form.
 - ✓ Current status: Awaiting the preliminary hearing to be set.

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(52) Emergency caused by COVID-19

As part of the measures adopted to contain the crisis caused by the pandemic, the Bank evaluated the loans of borrowers who requested it since their payment capacity was affected, providing a temporary modification to help them face the COVID-19 crisis.

As a result, as of June 30, 2024, the loan portfolio that required at least one modification to the originally agreed conditions amounts to ¢1,226,183,473,876 representing 23.66% of the total loan portfolio (June 30, 2023: ¢1,436,000,541,012 representing 29.38% of the total loan portfolio).

The loan portfolio, restructured at least once due to COVID-19, by economic activity, is as follows:

		June 2024	December 2023	June 2023
Agriculture and forestry	¢	26,090,031,770	27,930,051,024	31,938,514,497
Trade		88,899,909,613	101,587,782,118	121,858,502,166
Construction		22,698,534,081	23,746,122,736	30,758,920,782
Consumer or personal loans		67,633,816,442	78,475,192,293	90,718,115,117
Electricity, water, sanitation and other related sectors		138,620,229,630	140,834,903,322	143,281,471,618
Mining		250,423,260	262,574,377	272,533,305
Livestock, hunting and fishing		17,633,855,827	19,365,099,282	22,060,126,045
Industry		39,520,674,608	42,531,009,820	48,573,133,155
Services		318,498,846,673	345,622,322,816	383,182,987,739
Financial services		22,582,197,996	23,249,333,712	24,989,542,405
Transportation, communication and storage		14,127,288,703	15,643,776,134	18,919,546,038
Tourism		78,456,528,637	82,556,612,628	88,967,236,417
Housing		391,171,136,636	410,888,073,838	430,479,911,728
Subtotal		1,226,183,473,876	1,312,692,854,100	1,436,000,541,012
Accounts and accrued interest receivable		2,468,814,712	2,359,575,276	2,403,564,495
Loans restructured due to COVID-19		1,228,652,288,588	1,315,052,429,376	1,438,404,105,507
Allowance for doubtful accounts		(48,110,847,028)	(37,413,455,849)	(326,470,183)
Total loan portfolio, net	¢	1,180,541,441,560	1,277,638,973,527	1,438,077,635,324

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The loan portfolio, restructured at least once due to COVID-19, by arrears, is as follows:

	June 2024	December 2023	June 2023
Current	¢ 1,078,278,249,502	1,160,232,297,800	1,278,024,323,312
1 to 30 days	72,297,442,772	38,977,129,524	59,633,791,803
31 to 60 days	21,507,208,011	45,737,237,629	27,805,179,480
61 to 90 days	15,215,539,094	14,669,105,915	26,733,290,970
91 to 120 days	4,430,713,915	5,263,928,539	10,139,012,924
121 to 150 days	1,563,016,655	2,593,238,158	2,679,982,580
In legal collection	32,891,303,927	45,219,916,535	30,984,959,943
	<u>1,226,183,473,876</u>	<u>1,312,692,854,100</u>	<u>1,436,000,541,012</u>
Accounts and accrued interest receivable	2,468,814,712	2,359,575,276	2,403,564,495
Loans restructured due to COVID-19	<u>1,228,652,288,588</u>	<u>1,315,052,429,376</u>	<u>1,438,404,105,507</u>
Allowance for loan losses	<u>(48,110,847,028)</u>	<u>(37,413,455,849)</u>	<u>(326,470,183)</u>
Loan portfolio, net	<u>¢ 1,180,541,441,560</u>	<u>1,277,638,973,527</u>	<u>1,438,077,635,324</u>

The loan portfolio, restructured at least once due to COVID-19, by guarantee, is as follows:

	June 2024	December 2023	June 2023
Collateral	¢ 15,410,307,609	21,052,318,468	27,807,349,207
Surety	7,983,677,527	9,655,517,340	11,701,917,995
Assignment of loans	35,422,039,728	39,010,985,819	43,885,316,360
Back-to-back	1,633,700,881	1,915,900,090	2,285,810,568
Mortgage	557,015,717,782	593,164,016,788	634,463,203,212
Trust	97,974,786,113	102,101,169,773	123,613,677,351
Surety - Mortgage	112,113,111,350	124,090,497,068	136,217,840,683
Surety - Trust	131,131,535,321	143,549,822,378	157,677,627,924
Other	218,653,077,266	227,438,307,702	244,022,234,680
Not assigned	2,199,780,383	2,349,998,065	2,620,850,440
Surety - Collateral	1,890,087,550	2,478,302,178	3,614,874,367
Collateral - Mortgage	567,244,942	608,650,253	676,592,641
Collateral - Securities	-	-	6,492,051
Surety - Collateral - Mortgage	1,870,377,122	2,042,793,834	2,202,810,559
Securities	20,981,192,133	21,413,418,170	22,965,784,739
Mortgage - Trust	89,773,569	90,917,308	91,983,383
Surety - Securities	23,732,394	25,399,658	27,246,057
Collateral - Trust	<u>21,223,332,206</u>	<u>21,704,839,208</u>	<u>22,118,928,795</u>
	<u>1,226,183,473,876</u>	<u>1,312,692,854,100</u>	<u>1,436,000,541,012</u>
Accounts and accrued interest receivable	<u>2,468,814,712</u>	<u>2,359,575,276</u>	<u>2,403,564,495</u>
Loans restructured due to COVID-19	<u>1,228,652,288,588</u>	<u>1,315,052,429,376</u>	<u>1,438,404,105,507</u>
Allowance for loan losses	<u>(48,110,847,028)</u>	<u>(37,413,455,849)</u>	<u>(326,470,183)</u>
Loan portfolio, net	<u>¢ 1,180,541,441,560</u>	<u>1,277,638,973,527</u>	<u>1,438,077,635,324</u>

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As of June 30, 2024, the amount of ¢1,226,183,473,876 maintains temporary credit conditions, which represents 23.66% of the total loan portfolio (December and June 2023: ¢1,312,692,854,100 and ¢1,436,000,541,012, representing 26.44% and 29.38% of the loan portfolio, respectively).

(53) Relevant events

a) *Tax audit process – Costa Rican Tax Administration Fiscal Year 2017*

As of December 31, 2021, the Bank went through a verification and investigation process by the National Large Taxpayer Audit Area of the Costa Rican Tax Administration, in order to perform a review of the income tax for fiscal year 2017.

This tax audit was notified through document DGCN-SF-PD-25-2021 on March 31, 2021 and is currently in a review process by the Tax Administration.

On December 31, 2022, the Bank received a notice from the tax auditors to attend the final hearing to deliver results through the document DGCN-SF-PD-25-2021-26-331-03. It took place on October 10, 2022.

Through Official Letter DGCN-SF-PD-25-2021-07-41-03, on October 28, 2022, a notice of deficiency and observations is communicated, which was challenged by the Bank on November 11, 2022. Through Official Letter DCGN-SF-PS-25-2021-24-5138-03, on November 24, 2022, a sanctioning notice of deficiency is communicated due to Article 81 of the Tax Code of Standards and Procedures, which was challenged by the Bank on December 7, 2022.

On December 21, 2022, through Official Letter DGCN-373-DF-DT-UT-2022, the Tax Administration communicates the determination resolution for the 2017 fiscal period. The Tax Administration was aware of the challenge filed by the Bank; therefore, the Bank has 30 business days to file the motion for reconsideration before the Tax Administration and 30 days after that, before the Tax Court.

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On February 1, 2023, through Official Communication GG-063-23, the Bank filed a motion for reconsideration against resolution DGCN-373-DF-DT-UT-2022. A response was received on July 3, 2023, from the Ministry of Finance through communication MH-DGT-DGCN-DF-REV-0175-2023, indicating that the Bank has 30 business days as of that date to file the appeal before the Tax Court.

Through resolution no. MH-DGT-DGCN-DF-REV-0175-2023, notified on July 3, 2023, the Tax Administration heard the motion for reconsideration of resolution DGCN-373-DF-DT-UT-2022; it rejected the remedy filed.

On August 11, 2023, resolution MH-DGT-DGCN-DF-REV-0175-2023 was appealed before the Tax Court.

Through Resolution MH-DGT-DGCN-DF-APD-AUTO-0081-2023 dated August 23, 2023, the Tax Administration admitted the appeal and summoned the Bank before the Tax Court to present its damages regarding the appeal filed. Consequently, on October 3, 2023, the writ with the response was submitted before said court.

On March 22, 2024, Resolution TFA No.111-P-2024 was notified, dismissing the appeal and exhausting the administrative venue. Subsequently, on May 31, 2024, payment requirement No. 1911002477255 was received from the Tax Administration, granting the Bank a term of 15 business days to pay the amount of the notice of deficiency and interest.

On June 21, 2024, the Bank paid under protest the notice of deficiency, interest and penalty for a total of ¢39,102,783,764 and is preparing a claim to initiate legal proceedings.

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b) Deferred term operations

Due to the COVID-19 national emergency, the board of directors of BCCR approved the creation of a medium-term special credit facility for SUGEF-regulated financial intermediaries.

As of June 30, 2024, 2,764 loan operations were placed under this modality, applying a discount to the interest rate on the loans in colones in the amount of ¢132,582,598,197, reaching an average rate of the operations already processed of 6.00%. The remaining average maturity term is 10.4 years.

c) Law for Creation of the Deposit Guarantee Fund and of the Resolution Mechanisms of Financial Intermediaries

According to the *Law for Creation of the Deposit Guarantee Fund and of the Resolution Mechanisms of Financial Intermediaries* (Law No. 9816), a deposit guarantee fund is created to strengthen the financial safety network of the national financial system through the creation of the Deposit Guarantee Fund and Resolution Mechanisms of Regulated Financial Intermediaries.

Pursuant to Article 8 of the *Regulation of the management of the Deposit Guarantee Fund and other guarantee funds*, entities that contribute to the DGF shall make an annual contribution that may not exceed 0.15% of the deposits guaranteed by the entity.

d) Treatment of foreign exchange differences as per ruling DGT-R-09-2022

The Bank filed a consultation before the Costa Rican Tax Administration pursuant to Article 119 of the Tax Code of Standards and Procedures, in relation to the treatment of the exchange differences provided through Ruling DGT-R-09-2022. That consultation was served and communicated via e-mail according to Official Letter MH-DGT-OF-119-0001-2023, dated January 31, 2023. The answer reads as follows:

In accordance with the above, considering that the consulting party is an entity regulated by the Superintendency General of Financial Entities (SUGEF), for purposes of calculation of exchange differences, the calculation is made according to the regulation on the position in foreign currency of foreign exchange intermediaries set forth in Article 4 of the Cash Operations Regulations, issued by the Board of Directors of the Central Bank of Costa Rica and Number 4 of Ruling DGT-R-009-2022...Take into account that such ruling is applicable to the 2022 fiscal period, in accordance with Number 5 of the mentioned ruling.

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(54) Reclassification of the loan portfolio in legal collection

As of the June 2024 close, there were reclassifications of the loan portfolio in legal collection to the past due loans account, in conformity with the chart of accounts of CONASSIF Directive 06-18, which reads as follows:

Loans must be transferred to this account when the entity has complied with its administrative collection proceedings and has filed the lawsuit that begins judicial collection.

In compliance with the foregoing, as of June 30, 2024, the amount of ¢1,123,872,606 was reclassified (2023: ¢14,766,468,428).

(55) Transition to International Financial Reporting Standards (IFRS)

On September 11, 2018, CONASSIF issued SUGEF Directive 30-18 *Regulation on Financial Information* (RFI), which seeks to regulate the application of IFRS and its interpretations (SIC and IFRIC) issued by the International Accounting Standards (IASB), considering prudential or regulatory accounting treatments, as well as the definition of a specific treatment or methodology when IFRS suggest two or more alternatives for application. Moreover, RFI establishes the content, preparation, referral, presentation, and publication of the financial statements of individual financial entities, groups and conglomerates regulated by the four superintendencies. RFI is effective from January 1, 2020, with some exceptions.

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The Conglomerate's management does not determine the financial measurement of the existing differences since it considers that due to the accounting basis used, described in Note 2, which is different from IFRS, makes this determination impractical.

A summary of some of the main differences between the accounting regulations issued by CONASSIF and IFRS, as well as IFRS or Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) yet to be adopted, is presented below:

a) IFRS 12: Income Taxes

Article 10 of IAS 12 *Income Taxes* and IFRIC 23 *Uncertainty over Income Tax Treatments*:

- i. The provisions of Article 10 of IAS 12 *Income Taxes* and IFRIC 23 *Uncertainty over Income Tax Treatments* became effective from January 1, 2019. On initial application of IFRIC 23, entities had to apply the transition established in item (b) of paragraph B2 of that Interpretation.
- ii. The amount of the provision for the tax treatments in dispute notified before December 31, 2018, corresponding to tax periods 2017 and previous periods, was booked at the greater of the best estimate of the amount payable to the Tax Authorities regarding the notice of deficiency (principal, interest, and fines), according to IAS 12, and 50% of the principal from the correction of the self-assessment of the tax obligation.

The booking of the provision for tax treatments in dispute for the periods indicated in the paragraph above could be accounted for in any of the following ways:

- a. Booking against profit or loss for the year, in monthly installments, using the straight-line method, no later than December 31, 2021, or
- b. Booking a single adjustment to the opening balance of prior period retained earnings until reaching the provision amount. Adjustments derived from subsequent evaluations of the amounts in dispute will be treated as adjustments to allowances, for which IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* will be applied.

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- c. If the provision amount were greater than the opening balance of prior-period retained earnings, the adjustment would be attributed first to the opening balance of prior-period retained earnings, and for complementing, the indications of item a. will be followed.

On January 31, 2019 at the latest, the entity, with tax treatments in dispute for the years indicated in this provision, had to report with the respective superintendency the method (a), (b) or (c) above, based on SUGEF Directive 30-18, that would be used until the resolution or settlement of the tax obligation.

Aligned with the above, the new CONASSIF Directive 6-18, which replaces SUGEF Directive 30-18 as of January 1, 2020, establishes in its first provision *Entrance into Force* that what was mentioned above concerning IAS 12 and IFRIC 23 will remain in effect until the resolution and will be evaluated according to the aforementioned framework, i.e. SUGEF 30-18.

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

CONASSIF requires that the financial statements of regulated entities be presented in Costa Rican colones as the functional currency.

Additionally, regulated entities must use the reference sell exchange rate set by BCCR that prevails at the time that the operation to record the translation of the foreign currency into the official currency, 'the Costa Rican colon,' is made.

At each monthly close, the corresponding reference exchange rate will be used as indicated in the paragraph above, effective at the last day of each month, for the recognition of the adjustment due to foreign exchange differences in the monetary items in foreign currency.

According to this Standard, in preparing the financial statements, each entity will determine its functional currency. The entity will translate the items in foreign currency into the functional currency and will report on the effects of this translation. As indicated above, CONASSIF determined that both the presentation of financial information and the accounting records of foreign currency transactions should be translated into colones, irrespective of the functional currency.

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

This Standard establishes that entities shall measure non-current assets (or disposal groups) classified as held for sale at the lower of the carrying amount and fair value less cost to sell.

To close the gaps with IFRS, through Minutes of Meeting No. 1836-2023, held on November 27, 2023, CONASSIF modified Article 16 of CONASSIF Directive 6-18 *Regulation on Financial Information* (RFI), eliminating allowance requirements and determining which will be reclassified to account 188 “Other assets held for sale outside the scope of IFRS 5”. This change is applicable from January 1, 2024, according to Transition Provision XX of RFI, which allows a gradual period ending December 31, 2024. The effects of this change will be applied prospectively.

d) IFRS 9: Financial Instruments

- a) For the application of IFRS 9, specifically the measurement of ECL, the prudential regulation issued by CONASSIF continues to be used, applicable to the loan portfolio, accounts receivable and stand-by credits granted, until the standard is modified.
- b) For the measurement of ECL on money market investment funds, for the portion of the portfolio of financial instruments classified as at amortized cost, CONASSIF established a threshold that determines whether those ECL should be recorded, as provided by Article 36 BIS and Transition Provision XV of the *General Regulation of Corporations and Investment Funds*, which includes a graduality table that establishes the percentages of deviation of the value of the investment portfolio. IFRS 9 does not indicate the possibility of establishing thresholds or minimum allowances for financial instruments.
- c) Regulated entities should have policies and procedures in place to determine the amount of the suspension of the booking of the accrual of commissions and interest on loan operations. However, the term of the suspension of the accrual should not exceed 180 days.

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e) 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 statement of financial position. However, those expenses must be fully amortized using the straight-line method over a maximum of five years. This is not in accordance with IAS 38.

f) Revised Conceptual Framework

IASB published a revised version of the Conceptual Framework for Financial Reporting with a balance between high-level concepts and details provided that make it a practical tool for the development of new standards, to ensure that the standards to be issued are conceptually consistent and that similar transactions are treated in the same way. The content of the revised Conceptual Framework includes better definitions, guidance on the scope of the elements of the financial statements, measurement, among others. The new version contains eight chapters and a glossary and restates that the framework is not a standard. It is effective starting January 2020. This Conceptual Framework has not been considered by CONASSIF.

g) Sustainability standards:

The IFRS Foundation comprises the IASB, which issues the International Financial Reporting Standards (IFRS Accounting), as indicated above, and the International Sustainability Standards Board (ISSB), which develops the standards for reporting on the impact of climate change and sustainability.

These ISSB standards are designed to ensure that companies provide comprehensive sustainability information along with the financial statements issued during their regular reporting periods. On June 26, 2023, ISSB issued the two first standards that will be effective internationally from January 1, 2024.

The first standard of IFRS Sustainability Disclosure Standards (IFRS S1) sets out the *General Requirements for Disclosure of Sustainability-related Financial Information*.

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The second standard of the IFRS Sustainability Disclosure Standards (IFRS S2) is about *Climate-related Disclosures*.

IFRS S1 and S2 were adopted by the Costa Rican Institute of Public Accountants as of January 1, 2024. Their application is voluntary as of January 1, 2024 and they will be mandatory as follows:

- Companies with a public obligation of accountability that are supervised and regulated by CONASSIF, will report in 2026 the information on the fiscal year ended December 31, 2025.
- Companies categorized as large taxpayers before the Tax Administration that are not part of subsection a), will report in 2027 the information on tax year ended December 31, 2026.
- Other entities outside of the categories mentioned in subsections a) and b) that apply IFRS can adopt IFRS S1 AND S2 during the period that the entity considers convenient.
- For entities that apply IFRS for SMEs, it will not be mandatory until it is required by the standard.

Entities usually prepare non-financial reports on their sustainability programs, which will be substituted by the entrance into effect of this regulation once it is adopted by CONASSIF.

(56) Disclosure of economic impact of departure from IFRS

Since the basis of accounting used by the Bank's management described in Note 2 differs from IFRS, discrepancies may arise related to certain account balances.

The Bank's management has chosen not to determine the economic impact of those differences since it considers such determination impractical.