# BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Financial Information required by the
Superintendency General of Financial Entities

Consolidated Financial Statements

As of March 31, 2023
*(With corresponding figures for 2022)*

**BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS OF MARCH 31, 2023 AND 2022 AND DECEMBER 31, 2022**
(In colones)

| | Note | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Cash and due from banks** | **9** | **1,398,646,693,202** | **1,470,874,684,814** | **1,462,759,162,039** |
| Cash | | 119,058,469,926 | 120,946,392,526 | 127,251,663,788 |
| BCCR | | 868,517,037,434 | 876,032,752,531 | 773,857,985,263 |
| Local Financial entities | | 1,185,267,835 | 704,838,436 | 812,896,941 |
| Foreign financial entities | | 279,671,537,093 | 339,557,541,465 | 426,551,036,276 |
| Notes payable on demand | | 9,624,545,515 | 7,446,883,299 | 8,111,431,897 |
| Restricted cash and due from banks | | 120,589,835,399 | 126,186,276,557 | 126,174,147,874 |
| **Investments in financial instruments** | **10** | **1,558,956,538,933** | **1,467,745,173,616** | **1,550,777,250,009** |
| At fair value through profit or loss | | 15,875,707,776 | 24,433,857,502 | 38,982,742,698 |
| At fair value through other comprehensive income | | 601,293,113,736 | 585,704,089,628 | 733,715,184,265 |
| At amortized cost | | 930,306,049,972 | 840,653,764,943 | 764,782,580,762 |
| Derivative financial instruments | **11** | 125,364,113 | 16,413,585 | 3,440,013,450 |
| Accrued interest receivable | | 13,941,541,704 | 19,867,240,764 | 12,760,605,874 |
| (Allowance for impairment of investments in financial instruments) | | (2,585,238,368) | (2,930,192,806) | (2,903,877,040) |
| **Loan portfolio** | **12** | **4,599,208,402,078** | **4,632,292,699,015** | **4,569,471,250,784** |
| Current | | 4,416,649,133,724 | 4,422,146,926,877 | 4,358,242,560,230 |
| Past due | | 172,255,186,030 | 190,260,399,038 | 162,462,498,566 |
| In legal collection | | 86,112,926,979 | 93,248,724,856 | 121,893,952,585 |
| Direct incemental costs related to loans | | 5,889,421,640 | 5,755,898,412 | 4,141,747,933 |
| (Deferred income on loan portfolio) | | (42,986,604,925) | (41,927,136,381) | (36,548,974,253) |
| Accrued interest receivable | | 100,787,575,029 | 102,173,613,358 | 110,866,530,065 |
| (Allowance for loan losses) | | (139,499,236,399) | (139,365,727,145) | (151,587,064,342) |
| **Accounts and fees and commissions receivable** | **13** | **7,398,319,775** | **9,967,610,496** | **5,732,628,333** |
| Commissions receivable | | 1,814,394,829 | 1,800,614,015 | 2,296,823,392 |
| Accounts receivable for transactions with related parties | | 21,022,827 | 14,608,355 | 23,041,905 |
| Deferred tax and income tax receivable | | 5,108,095,251 | 7,897,198,300 | 2,850,492,248 |
| Other receivables | | 4,782,856,465 | 4,584,146,968 | 4,661,493,330 |
| Accrued interest receivable | | 771,102 | 725,933 | 1,994,645 |
| (Allowance for impairment of accounts and fees and commissions receivable) | | (4,328,820,699) | (4,329,683,075) | (4,101,217,187) |
| **Assets held for sale** | **14** | **38,867,364,910** | **37,495,457,395** | **35,275,542,980** |
| Assets and securities acquired in lieu of payment | | 97,057,395,852 | 98,126,485,936 | 94,194,414,101 |
| Other assets for sale | | 55,884,628 | 55,884,628 | 55,884,629 |
| (Allowance for impairment of assets held for sale and per legal requirement) | | (58,245,915,570) | (60,686,913,169) | (58,974,755,750) |
| **Investments in other companies** | **15** | **67,334,240,649** | **73,366,699,575** | **79,700,155,756** |
| **Property, furniture, equipment and right-of-use assets, net** | **16** | **203,321,698,861** | **206,368,265,833** | **205,476,974,551** |
| **Other assets** | **17** | **45,519,507,057** | **69,244,449,061** | **58,070,524,794** |
| Deferred charges | | 10,740,346,694 | 14,330,485,937 | 25,095,003,855 |
| Intangible assets | | 7,572,085,452 | 8,977,676,831 | 8,507,170,107 |
| Other assets | | 27,207,074,911 | 45,936,286,293 | 24,468,350,832 |
| **TOTAL ASSETS** | | **7,919,252,765,465** | **7,967,355,039,805** | **7,967,263,489,246** |

The notes are an integral part of these consolidated financial statements

Continued…

**BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS OF MARCH 31, 2023 AND 2022 AND DECEMBER 31, 2022**
(In colones)

| **LIABILITIES AND EQUITY** | **Note** | **March 2023** | **December 2022** | **March 2022** |
|---|---|---|---|---|
| **LIABILITIES** | | | | |
| **Obligations with the public** | **18** | **6,188,922,117,614** | **6,142,055,961,261** | **6,005,415,624,491** |
| Demand obligations | | 4,185,759,284,746 | 4,314,717,356,387 | 4,325,729,565,033 |
| Term obligations | | 1,960,166,494,925 | 1,790,666,793,187 | 1,655,179,022,988 |
| Finance charges payable | | 42,996,337,943 | 36,671,811,687 | 24,507,036,470 |
| **Obligations with BCCR** | **19** | **161,225,681,554** | **166,961,956,341** | **195,558,918,341** |
| Term obligations | | 158,738,238,810 | 164,696,408,078 | 194,296,408,078 |
| Finance charges payable | | 2,487,442,744 | 2,265,548,263 | 1,262,510,263 |
| **Obligations with entities** | **20** | **616,661,761,194** | **664,921,757,098** | **828,478,931,906** |
| Demand obligations | | 67,975,669,500 | 45,264,635,945 | 111,410,794,347 |
| Term obligations | | 542,918,729,697 | 616,971,270,043 | 709,016,252,126 |
| Other obligations with entities | | - | (103,269,735) | (177,238,757) |
| Finance charges payable | | 5,767,361,997 | 2,789,120,845 | 8,229,124,190 |
| **Accounts payable and provisions** | | **120,740,751,868** | **154,044,435,178** | **113,479,314,368** |
| Provisions | 22 | 15,302,556,424 | 10,847,150,398 | 21,601,221,093 |
| Accounts payable for brokerage services | | 2,494,021,812 | 778,552,285 | 1,549,626,840 |
| Deferred tax | 21-b | 14,276,491,959 | 14,363,629,546 | 16,019,390,919 |
| Other sundry accounts payable | 23 | 88,667,681,673 | 128,055,102,949 | 74,309,075,516 |
| **Other liabilities** | **24** | **22,946,854,594** | **30,496,879,207** | **15,916,604,271** |
| Deferred income | | 81,458,934 | 100,946,981 | 110,256,453 |
| Other liabilities | | 22,865,395,660 | 30,395,932,226 | 15,806,347,818 |
| **Subordinated obligations** | **25** | **60,947,973,703** | **68,908,170,318** | **76,158,374,187** |
| Subordinated obligations | | 60,190,987,500 | 66,820,890,000 | 75,549,075,000 |
| Finance charges payable | | 756,986,203 | 2,087,280,318 | 609,299,187 |
| **TOTAL LIABILITIES** | | **7,171,445,140,527** | **7,227,389,159,403** | **7,235,007,767,564** |
| **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** | | **63,735,077,143** | **65,091,090,087** | **85,143,845,051** |
| **Reserves** | **26-b** | **422,699,142,585** | **387,165,279,581** | **387,864,850,024** |
| **Prior-period retained earnings** | | **32,713,238,870** | **33,719,121,136** | **33,845,016,950** |
| **Income for the period** | | **7,798,541,012** | **37,316,763,826** | **8,728,383,885** |
| **Capital contributions or special funds** | **26-c** | **48,624,595,226** | **44,436,595,670** | **44,436,595,670** |
| **TOTAL EQUITY** | | **747,807,624,938** | **739,965,880,402** | **732,255,721,682** |
| **TOTAL LIABILITIES AND EQUITY** | | **7,919,252,765,465** | **7,967,355,039,805** | **7,967,263,489,246** |
| **DEBIT MEMORANDA ACCOUNTS** | **27** | **419,110,383,999** | **443,749,725,955** | **525,200,214,253** |
| **TRUST ASSETS** | **28** | **2,934,314,307,820** | **3,310,308,330,129** | **2,998,597,824,726** |
| **TRUST LIABILITIES** | | **67,287,482,690** | **83,308,242,976** | **95,544,149,639** |
| **TRUST EQUITY** | | **2,867,026,825,130** | **3,227,000,087,153** | **2,903,053,675,087** |
| **TRUST MEMORANDA ACCOUNTS** | | **7,217,151,889** | **223,028,308,333** | **195,600,333,965** |
| **OTHER DEBIT MEMORANDA ACCOUNTS** | **29** | **31,364,259,669,605** | **39,494,091,556,694** | **32,052,330,144,658** |
| Own debit memoranda accounts | | 9,921,071,553,733 | 18,160,191,749,226 | 9,407,999,628,402 |
| Third-party debit memoranda accounts | | 4,653,626,886,604 | 4,722,010,921,517 | 4,932,408,012,922 |
| Own debit memoranda accounts for custodial activities | | 534,905,678,501 | 527,864,839,532 | 660,259,392,646 |
| Third-party debit memoranda accounts for custodial activities | | 16,254,655,550,767 | 16,084,024,046,419 | 17,051,663,110,688 |

BERNARDO JOSE ALFARO ARAYA (FIRMA)
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Bernardo Alfaro Araya
General Manager

ALEJANDRA MORALES CENTENO (FIRMA)
Firmado digitalmente por ALEJANDRA MORALES CENTENO (FIRMA)
Fecha: 2023.05.22 11:19:09 -06'00'

Alejandra Morales Centeno
General Accountant
CPI 21119

RICARDO ALONSO ARAYA JIMENEZ (FIRMA)
Digitally signed by RICARDO ALONSO ARAYA JIMENEZ (FIRMA)
Date: 2023.05.22 13:53:29 -06'00'

Ricardo Araya Jiménez
General Auditor

The notes are an integral part of these consolidated financial statements

Céd. 4000001021
BANCO NACIONAL DE COSTA RICA
Atención: SUGEF
Registro Profesional: 21119
Contador: MORALES CENTENO ALEJANDRA
Estado de Situación Financiera
2023-05-22 10:09:47 -0600

TIMBRE 300.0 COLONES

VERIFICACIÓN: FiXalNEp
https://timbres.contador.co.cr

**BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES**
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022**
(In colones)

| | Note | March 2023 | March 2022 |
|---|---|---|---|
| **Finance income** | | | |
| Cash and due from banks | **33** | 3,563,330,339 | 314,717,311 |
| Investments in financial instruments | **33** | 19,237,257,683 | 12,455,292,072 |
| Loan portfolio | **34** | 117,487,359,249 | 88,451,569,186 |
| Gain on foreign exchange differences and DU, net | **6-d** | - | 161,578,222 |
| Gain on financial instruments at fair value through profit or loss | | 152,711,616 | 50,083,487 |
| Gain on financial instruments at fair value through other comprehensive income | | 199,590,324 | 2,187,903,983 |
| Gain on derivative financial instruments, net | **11** | 118,972,679 | - |
| Other finance income | **35** | 835,608,115 | 6,359,571,048 |
| **Total finance income** | | **141,594,830,005** | **109,980,715,309** |
| **Finance costs** | | | |
| Obligations with the public | **36** | 55,309,756,291 | 24,114,517,670 |
| Obligations with BCCR | | 337,796,379 | 336,705,984 |
| Obligations with financial and non-financial entities | **37** | 8,604,119,764 | 8,080,874,336 |
| Subordinated, convertible and preferred obligations | | 1,634,160,239 | 1,118,943,026 |
| Loss on foreign exchange differences and DU, net | **6-d** | 1,842,645,616 | - |
| Loss on financial instruments at fair value through profit or loss | | 1,003,971,268 | 22,304,190 |
| Loss on financial instruments at fair value through other comprehensive income | | 413,229,965 | 625,525,420 |
| Loss on derivative financial instruments, net | **11** | - | 4,283,200,325 |
| Other finance costs | **38** | 1,911,895,771 | 259,490,901 |
| **Total finance costs** | | **71,057,575,293** | **38,841,561,852** |
| Allowance for impairment of assets | **39** | 12,014,034,743 | 21,634,680,000 |
| Recovery of assets and decrease in allowances | **40** | 5,169,654,701 | 6,883,087,360 |
| **FINANCE INCOME** | | **63,692,874,670** | **56,387,560,817** |
| **Other operating income** | | | |
| Service fees and commissions | **41** | 43,343,153,305 | 42,533,211,246 |
| Assets held for sale | | 2,771,081,910 | 1,767,210,160 |
| Gain on investments in other companies | **8** | 803,831,182 | 353,034,120 |
| Foreign currency exchange and arbitrage | | 9,064,208,826 | 6,748,746,362 |
| Other income from related parties | | 6,661,696 | - |
| Other operating income | **42** | 2,026,716,004 | 1,349,829,930 |
| **Total other operating income** | | **58,015,652,923** | **52,752,031,818** |

The notes are an integral part of these consolidated financial statements

Continued…

**BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES**
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022**
(In colones)

| | Note | March 2023 | March 2022 |
|---|---|---|---|
| **Other operating expenses** | | | |
| Service fees and commissions | | 11,198,732,674 | 10,929,508,998 |
| Assets held for sale | **43** | 2,853,505,823 | 4,727,481,429 |
| Provisions | **44** | 5,710,369,181 | 1,104,746,234 |
| Bonuses on fees and commissions of voluntary pension funds | | 43,192,906 | 91,920,463 |
| Foreign currency exchange and arbitrage | | 5,530,802 | 3,274,894 |
| Other expenses with related parties | | - | 5,382,526 |
| Other operating expenses | **45** | 16,589,742,305 | 15,055,908,407 |
| **Total other operating expenses** | | **36,401,073,691** | **31,918,222,951** |
| **GROSS OPERATING INCOME** | | **85,307,453,902** | **77,221,369,684** |
| **Administrative expenses** | | | |
| Personnel expenses | **46** | 40,065,213,723 | 35,235,393,576 |
| Other administrative expenses | **47** | 17,900,144,850 | 16,815,825,499 |
| **Total administrative expenses** | | **57,965,358,573** | **52,051,219,075** |
| **NET OPERATING INCOME BEFORE TAXES AND STATUTORY ALLOCATIONS** | | **27,342,095,329** | **25,170,150,609** |
| Current tax | **21-a** | 7,874,997,116 | 7,368,912,581 |
| Prior period income tax | **21-a** | 3,569,810,057 | 3,547,309,483 |
| Deferred tax | **21-a** | 859,260,081 | 282,171,872 |
| Decrease in prior-period income tax | **21-a** | 22,678 | - |
| Deferred tax income | **21-a** | 385,354,053 | 569,404,392 |
| Statutory allocations | **48** | 7,624,863,794 | 5,812,777,180 |
| **INCOME FOR THE PERIOD** | | **7,798,541,012** | **8,728,383,885** |
| **OTHER COMPREHENSIVE INCOME, NET OF TAX** | | | |
| **Items that will not be reclassified to profit or loss** | | | |
| Surplus from revaluation of property | | 57,763,628 | 54,993,137 |
| Other adjustments | | (6,370,298,669) | 833,608,402 |
| **Items that are or may be reclassified to profit or loss** | | | |
| Adjustment for valuation of investments at fail value through other comprehensive income | | 5,148,571,444 | (8,878,254,946) |
| Surplus from revaluation of other assets | | (212,605) | - |
| **OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX** | | **(1,164,176,202)** | **(7,989,653,407)** |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | **6,634,364,810** | **738,730,478** |

BERNARDO JOSE ALFARO ARAYA (FIRMA) Firmado digitalmente por BERNARDO JOSE ALFARO ARAYA (FIRMA) Fecha: 2023.05.23 11:33:20 -06'00'

Bernardo Alfaro Araya
General Manager

ALEJANDRA MORALES CENTENO (FIRMA) Firmado digitalmente por ALEJANDRA MORALES CENTENO (FIRMA) Fecha: 2023.05.22 11:20:01 -06'00'

Alejandra Morales Centeno
General Accountant
CPI 21119

RICARDO ALONSO ARAYA JIMENEZ (FIRMA) Digitally signed by RICARDO ALONSO ARAYA JIMENEZ (FIRMA) Date: 2023.05.22 13:54:02 -06'00'

Ricardo Araya Jiménez
General Auditor

The notes are an integral part of these consolidated financial statements

Céd. 4000001021
BANCO NACIONAL DE COSTA RICA
Atención: SUGEF
Registro Profesional: 21119
Contador: MORALES CENTENO ALEJANDRA
Estado de Resultados Integral
2023-05-22 10:10:00 -0600

CONTADOR PRIVADO INCORPORADO
MORALES CENTENO ALEJANDRA
CPI No. 21119
COSTA RICA

COSTA RICA
Aniversario 70
₡300 COLONES

TIMBRE 300.0 COLONES

VERIFICACIÓN: FiXalNEp
https://timbres.contador.co.cr

**BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, NET**
**FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022**
(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, 2021** | | **172,237,030,102** | **93,316,808,915** | **364,737,238,098** | **41,687,504,022** | **59,538,410,067** | **731,516,991,204** |
| *Transactions with owner booked directly in equity* | | | | | | | |
| Legal reserves | | - | - | 23,117,090,506 | - | (23,117,090,506) | - |
| Other statutory reserves | | - | - | 10,521,420 | - | (10,521,420) | - |
| Capital contributions in special funds | | - | - | - | 2,749,091,648 | (2,749,091,648) | - |
| Total transactions with owners booked directly in equity | | **-** | **-** | **23,127,611,926** | **2,749,091,648** | **(25,876,703,574)** | **-** |
| **Comprehensive income for the period:** | | | | | | | |
| Income for the period | | - | - | - | - | 8,728,383,885 | 8,728,383,885 |
| Surplus from revaluation of property | | - | 54,993,137 | - | - | - | 54,993,137 |
| Adjustment for valuation of investments at fail value through other comprehensive income | 10 | - | (8,878,254,946) | - | - | - | (8,878,254,946) |
| Other adjustments | | - | 833,608,402 | - | - | - | 833,608,402 |
| Realization of surplus from revaluation of property | | - | (183,310,457) | - | - | 183,310,457 | - |
| **Total comprehensive income for the period** | | **-** | **(8,172,963,864)** | **-** | **-** | **8,911,694,342** | **738,730,478** |
| **Balance at March 31, 2022** | **26** | **172,237,030,102** | **85,143,845,051** | **387,864,850,024** | **44,436,595,670** | **42,573,400,835** | **732,255,721,682** |

BERNARDO JOSE ALFARO ARAYA (FIRMA)
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Bernardo Alfaro Araya
General Accountant

ALEJANDRA MORALES CENTENO (FIRMA)
Firmado digitalmente por ALEJANDRA MORALES CENTENO (FIRMA)
Fecha: 2023.05.22 11:20:34 -06'00'

Alejandra Morales Centeno
General Accountant
CPI 21119

RICARDO ALONSO ARAYA JIMENEZ (FIRMA)
Digitally signed by RICARDO ALONSO ARAYA JIMENEZ (FIRMA)
Date: 2023.05.22 13:54:27 -06'00'

Ricardo Araya Jiménez
General Auditor

The notes are an integral part of these consolidated financial statements

Céd. 4000001021
BANCO NACIONAL DE COSTA RICA
Atención: SUGEF
Registro Profesional: 21119
Contador: MORALES CENTENO ALEJANDRA
Estado de Cambios en el Patrimonio
2023-05-22 10:10:06 -0600

CONTADOR PRIVADO INCORPORADO
MORALES CENTENO ALEJANDRA
CPI No. 21119
COSTA RICA

COSTA RICA
Aniversario 70
₡300 COLONES

TIMBRE 300.0 COLONES

VERIFICACIÓN: FiXalNEp
https://timbres.contador.co.cr

**BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, NET**
**FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022**
(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 owner booked directly in equity:* | | | | | | | |
| Legal reserves | | - | - | 37,365,747,265 | - | (37,365,747,265) | - |
| Other statutory reserves | | - | - | (1,831,884,261) | - | 1,831,884,261 | - |
| Capital contributions in special funds | | - | - | - | 4,187,999,556 | (4,187,999,556) | - |
| Total transactions with owners booked directly in equity | | **-** | **-** | **35,533,863,004** | **4,187,999,556** | **(39,721,862,560)** | **-** |
| **Comprehensive income for the period:** | | | | | | | |
| Income for the year | | - | - | - | - | 7,798,541,012 | 7,798,541,012 |
| Surplus from revaluation of property | | - | 57,763,628 | - | - | - | 57,763,628 |
| Adjustment for valuation of investments at fair value through other comprehensive income | **10** | - | 5,148,571,444 | - | - | - | 5,148,571,444 |
| Surplus from revaluation of other assets | | - | (212,605) | - | - | - | (212,605) |
| Other adjustments | | - | (6,370,298,669) | - | - | - | (6,370,298,669) |
| Realization of surplus from revaluation of property | | - | (191,836,743) | - | - | 191,836,743 | - |
| **Total comprehensive income for the period** | | **-** | **(1,356,012,945)** | **-** | **-** | **7,990,377,755** | **6,634,364,810** |
| **Balance at March 31, 2023** | **26** | **172,237,030,102** | **63,735,077,143** | **422,699,142,585** | **48,624,595,226** | **40,511,779,882** | **747,807,624,938** |

BERNARDO JOSE ALFARO ARAYA (FIRMA)
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Bernardo Alfaro Araya
General Manager

ALEJANDRA MORALES CENTENO (FIRMA)
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Fecha: 2023.05.22 11:20:59 -06'00'

Alejandra Morales Centeno
General Accountant
CPI 21119

RICARDO ALONSO ARAYA JIMENEZ (FIRMA)
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Date: 2023.05.22 13:55:07 -06'00'

Ricardo Araya Jiménez
General Auditor

The notes are an integral part of these consolidated financial statements

Céd. 4000001021
BANCO NACIONAL DE COSTA RICA
Atención: SUGEF
Registro Profesional: 21119
Contador: MORALES CENTENO ALEJANDRA
Estado de Cambios en el Patrimonio
2023-05-22 10:10:06 -0600

CONTADOR PRIVADO INCORPORADO
MORALES CENTENO ALEJANDRA
CPI No. 21119
COSTA RICA

COSTA RICA
Aniversario 70
₡300 COLONES

TIMBRE 300.0 COLONES

VERIFICACIÓN: FiXalNEp
https://timbres.contador.co.cr

**SCHEDULE D**


**BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES**
**CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022**
(In colones)

| | Note | March 2023 | March 2022 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Income for the period | | 7,798,541,012 | 8,728,383,885 |
| **Items not requiring cash** | | | |
| Depreciation and amortization | | 5,846,090,924 | 5,499,678,635 |
| (Gain) lost on foreign exchange differences and DU, net | | (63,908,857,487) | 28,027,351,282 |
| Loss on sale of non-financial assets | | 1,682,328,486 | 2,112,629,676 |
| Finance income | | (136,724,616,932) | (100,906,861,258) |
| Finance costs | | 38,610,652,042 | 22,333,884,340 |
| Allowance for investments, net | | (65,213,672) | (300,157,909) |
| Allowance for loan losses | | 11,245,212,208 | 21,037,001,317 |
| Allowance for other accounts receivable, net | | 155,315,538 | 82,471,437 |
| (Gain) losss on allowance for assets held for sale, net | | (2,440,997,599) | 79,277,361 |
| Severance provision | | 6,524,582 | (28,093,962) |
| Other provisions | | (4,429,931,662) | (19,679,625) |
| Share of profit of foreign associate, net | | (803,831,200) | (353,034,134) |
| Statutory allocations, net | | 7,624,863,794 | 5,812,777,180 |
| Income tax expense, net | **21-a** | 11,444,784,495 | 10,916,222,064 |
| Deferred tax, net | **21-a** | 473,906,028 | (287,232,520) |
| | | **(123,485,229,443)** | **2,734,617,769** |
| **Cash flows from operating activities** | | | |
| Loan portafolio | | (103,353,702,569) | (72,603,389,023) |
| Accounts and fees and commissions receivable | | (2,428,365,259) | (3,445,659,152) |
| Assets held for sale | | 10,135,821,948 | 3,859,379,214 |
| Other assets | | 19,893,552,455 | 17,734,134,937 |
| Obligations with the public | | 280,397,680,164 | (167,619,055,228) |
| Obligations with BCCR and other entities | | (50,093,111,213) | 15,572,638,592 |
| Obligations for accounts payable, fees and commissions payable and provisions | | 20,689,921,991 | 12,764,658,919 |
| Other liabilities | | (8,399,546,484) | (11,393,481,457) |
| | | **166,842,251,033** | **(205,130,773,198)** |
| Income tax paid | | (29,393,208,602) | (18,906,689,078) |
| Interest received on loan portfolio and investments | | 144,036,354,321 | 107,620,929,231 |
| Interest paid on term obligations with the public and financial entities | | (29,085,990,153) | (19,835,714,021) |
| Statutory allocations paid | | (23,464,949,153) | (14,965,512,391) |
| **Net cash flows from (used in) operating activities** | | **105,449,228,003** | **(148,483,141,688)** |
| **Cash flows from investing activities** | | | |
| Increase in financial instruments | | (255,292,346,271) | (248,556,447,162) |
| Decrease in financial instruments | | 288,409,026,403 | 269,765,983,001 |
| Acquisition of property and equipment | | (14,768,546,878) | (14,345,334,588) |
| Sale of property and equipment | | 37,326,031 | 50,949,155 |
| Acquisition of intangible assets | | (134,718,013) | (571,404,437) |
| **Net cash flows from investing activities** | | **18,250,741,272** | **6,343,745,969** |
| **Cash flows from financing activities** | | | |
| Settlement of financial obligations | | (6,601,135,472) | (2,721,091,006) |
| New financial obligations | | - | 29,600,000,000 |
| Payment of lease liabilities | | (502,159,634) | (519,664,732) |
| **Net cash (used in) from financing activities** | | **(7,103,295,106)** | **26,359,244,262** |
| **Net increase (decrease) in cash and cash equivalents** | | **116,596,674,169** | **(115,780,151,457)** |
| **Cash and cash equivalents at beginning of period** | | **1,578,737,708,410** | **1,611,376,144,164** |
| **Cash and cash equivalents at end of period** | 9 | **1,695,334,382,579** | **1,495,595,992,707** |

BERNARDO JOSE ALFARO ARAYA (FIRMA)
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Fecha: 2023.05.23 11:36:10 -06'00'

Bernardo Alfaro Araya
General Manager

ALEJANDRA MORALES CENTENO (FIRMA)
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Alejandra Morales Centeno
General Accountant
CPI 21119

RICARDO ALONSO ARAYA JIMENEZ (FIRMA)
Digitally signed by RICARDO ALONSO ARAYA JIMENEZ (FIRMA)
Date: 2023.05.22 13:56:15 -06'00'

Ricardo Araya Jiménez
General Auditor

The notes are an integral part of these consolidated financial statements

Céd. 4000001021
BANCO NACIONAL DE COSTA RICA
Atención: SUGEF
Registro Profesional: 21119
Contador: MORALES CENTENO ALEJANDRA
Estado de Flujos de Efectivo
2023-05-22 10:10:16 -0600

CONTADOR PRIVADO INCORPORADO
MORALES CENTENO ALEJANDRA
CPI No. 21119
COSTA RICA

COSTA RICA
Aniversario 70
₡300 COLONES

TIMBRE 300.0 COLONES

VERIFICACIÓN: FiXalNEp
https://timbres.contador.co.cr

(1) Reporting entity

Banco Nacional de Costa Rica (the Conglomerate) 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). The Bank's registered office is located in San José, Costa Rica.

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

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 health.

As of March 31, 2023, the Bank has 153 offices, 452 ATMs and along with its subsidiaries a total of 5,737 employees (2022: 156 offices, 464 ATMs and along with its subsidiaries a total of 5,569 employees). Employees are distributed as follows: Banco Nacional de Costa Rica – 5,270 employees (2022: 5,117); BN Valores Puesto de Bolsa, S.A. - 72 employees (2022: 71); BN Vital Operadora de Planes de Pensiones Complementarias, S.A. - 193 employees (2022: 191); BN Sociedad Administradora de Fondos de Inversión, S.A. - 95 employees (2022: 88); and BN Sociedad Corredora de Seguros, S.A. - 107 employees (2022: 102). The Bank's website is www.bncr.fi.cr.

(Continued)

The following subsidiaries are wholly owned by the subsidiary Banco Nacional de Costa Rica:

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).

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).

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, BICSA Financial Center building, Floor 50, Aquilino de la Guardia street and Balboa Avenue. Banco de Costa Rica holds the remaining 51% ownership interest.

(Continued)

As of March 31, the main components of the financial statements of the entities in which the Bank holds ownership interest are as follows:

| | | March 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 | ¢ | 64,563,139,758 | 14,367,087,866 | 13,483,456,915 | 9,321,989,456 | 480,621,771,236 |
| Liabilities | | 49,041,008,917 | 1,946,542,994 | 1,274,343,281 | 1,350,787,590 | 413,338,153,896 |
| Equity | | 15,522,130,841 | 12,420,544,872 | 12,209,113,634 | 7,971,201,866 | 67,283,617,340 |
| Income for the period | | 363,235,809 | 246,552,503 | 542,029,821 | 1,007,645,324 | 803,831,182 |
| Memoranda accounts | | 1,109,514,014,201 | 2,253,478,459,865 | 621,410,210,431 | - | - |

| | | December 2022 | | | | |
|---|---|---|---|---|---|---|
| | | 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 | ¢ | 53,998,448,234 | 13,868,650,585 | 15,927,288,029 | 9,783,029,447 | 588,931,766,217 |
| Liabilities | | 38,842,564,802 | 2,296,125,412 | 4,121,716,886 | 2,819,472,905 | 515,615,689,933 |
| Equity | | 15,155,883,432 | 11,572,525,173 | 11,805,571,143 | 6,963,556,542 | 73,316,076,284 |
| Income for the period | | 1.007.595.715 | 2,691,837,651 | 1,426,919,471 | 4,122,954,777 | 1,948,010,227 |
| Memoranda accounts | | 1,140,643,825,479 | 608,549,474,735 | 2,239,475,709,787 | - | - |

| | | March 2022 | | | | |
|---|---|---|---|---|---|---|
| | | 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 | ¢ | 44,151,651,182 | 13,345,124,129 | 14,956,990,206 | 7,679,135,256 | 604,444,160,969 |
| Liabilities | | 28,216,962,834 | 1,166,078,636 | 2,750,415,579 | 836,150,045 | 524,794,628,507 |
| Equity | | 15,934,688,348 | 12,179,045,493 | 12,206,574,627 | 6,842,985,211 | 79,649,532,462 |
| Income for the period | | 345,893,674 | 765,904,768 | 742,981,701 | 826,383,446 | 353,034,120 |
| Memoranda accounts | | 1,081,453,307,974 | 775,702,870,063 | 2,320,296,115,540 | - | - |

(Continued)

(2) Basis of accounting

(a) Basis of accounting

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

With the entrance into effect of CONASSIF Agreement 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, at fair value through profit or loss 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 fair value through profit or loss) 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.

(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.

(Continued)

*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 years ended March 31, 2023, 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.

## (5) Significant accounting policies

The Conglomerate has consistently applied the following accounting policies to the periods 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 March 31, 2023, the Bank has 49% ownership interest in Banco Internacional de Costa Rica, S.A. and Subsidiary (BICSA), a Panamanian entity.

Changes in the Bank's participation 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.

*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.

(Continued)

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 year.

*ii. Monetary unit and foreign exchange regulations*

The parity of the colon 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.

In conformity with the *Law to Strengthen Public Finances* (Law No. 9635), as of January 1, 2020, assets and liabilities in foreign currency must be expressed in colones, using the reference selling rate set by BCCR.

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

As of March 31, 2023, assets and liabilities in US dollars are valued at the exchange rate of ¢545.95 to US$1.00 (December and March 2022: ¢601.99 and ¢667.10 to US$1.00, respectively), which is the reference selling rate established by BCCR.

As of March 31, 2023, assets and liabilities denominated in euro are valued at the exchange rate of ¢594.76 to €1.00 (December and March 2022: ¢642.38 and ¢739.68 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 March 31, 2023, assets and liabilities denominated in Development Units (DU) were valued at the exchange rate of ¢1,026.41 to DU1.00 (December and March 2022: ¢1,028.84 and ¢966.09 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.

(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 fair value through profit or loss (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, fair value through other comprehensive income, or fair value through profit or loss, 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 fair value through profit or loss:

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

A financial asset is measured at fair value through other comprehensive income if it meets both of the following conditions and it is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

(Continued)

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

On initial recognition, the Conglomerate may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value through other comprehensive income as at fair value through profit or loss 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 the business model in which a financial 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;
- 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 of financial assets 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 held for trading or managed whose performance is assessed on a fair value basis are measured at fair value through profit or loss.

*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 a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, 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 this assessment, the Conglomerate considers:

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

(Continued)

*Subsequent measurement and gains and losses*

Financial assets at fair value through profit or loss 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 fair value through other comprehensive income 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.

Financial liabilities

*Classification*

Financial liabilities are classified as measured at amortized cost or fair value through profit or loss.

A financial liability is classified as at fair value through profit or loss 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 fair value through profit or loss 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 expected credit losses on the following assets that are not measured at fair value through profit or loss:

- Investments in financial instruments (amortized cost and OCI)
- Accrued interest receivable

(Continued)

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

Twelve-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.

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 fair value through other comprehensive income 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.

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

(Continued)

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 fair value through other comprehensive income, 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.

(d) 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.

(Continued)

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 from its consolidated statement of financial position 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.

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 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.

(Continued)

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

(e) 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 fair value through profit or loss.

(f) 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:

- the host contract is not itself carried at fair value through profit or loss;
- 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:

✓ *Derivatives held for risk management*

The Conglomerate obtained derivative instruments to hedge exposure to the LIBOR rate related to the issue of debt in October 2013 and April 2016 at a fixed rate in US dollars, with the purpose of compensating for changes in fair value attributable to changes in said benchmark rate.

LIBOR ceased to be applied in the market; however, the 3-month and 6-month settings will continue to be published until 2023. Therefore, information will still be reflected with the LIBOR rate until new rates are negotiated for contracts effective as of that date.

✓ *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.

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.

(g) Cash and cash equivalents

Cash and cash equivalents include demand deposits in other banks and deposits in BCCR with original maturities of less than three months 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.

(h) 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.

*(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 year. 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:

| Type of asset | Estimated useful life |
|---|---|
| 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 |

(i) 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.

(j) 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.

*(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 using 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.

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.

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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.

(k) 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.

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(l) 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.

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

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 March 31, 2023, increases in the allowance for loan losses are included in the accounting records in accordance with Article 10 of IRNBS.

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

The provisions of Article 35 of SUGEF Directive 9-20 Regulations to Authorize and Execute Operations with Foreign Exchange Derivatives are to be applied in calculating the allowance for clearing price risk in respect of each customer or counterparty. For such purposes, the capital requirement adjusted for clearing price risk (as defined in Article 28 of SUGEF Directive 3-06 Regulations on Capital Adequacy of Financial Entities) must be multiplied by the respective allowance percentage corresponding to the borrower rating included in SUGEF Directive 1-05.

(n) Other receivables

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

(o) Assets held for sale

Assets held for sale are assets owned by the Conglomerate for realization or sale (i.e. assets received in lieu of payment, assets awarded in judicial auctions, assets purchased to be leased under finance and operating leases, assets produced for sale, idle property and equipment and other assets held for sale).

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

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

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

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With the entrance into effect of CONASSIF Directive 06-18, communicated by means of Article 72 of IRNBS (Law No. 1644) the extension of the term from 24 months to 48 months, whereby the total (100%) allowance for impairment of assets held for sale must be applied. However, if it has not been sold within 24 months from the date of the award or receipt of the asset, the entity must request from the Superintendency an extension for an equal term for sale of the asset. The extension request may be denied by the Superintendency, providing adequate grounds for its decision, in which case it will require the creation of an allowance for 100% of the carrying amount. If the entity does not request an extension, it will also be required to create an allowance.

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

(p) Accounts payable and other liabilities

Accounts payable and other liabilities are carried at amortized cost.

(q) 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.

(r) 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.

*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.

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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.

*Vacation*

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

*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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*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 to analyze and book the provision starting as of the next period.

*(ii)* *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.

*(iii)* *Defined benefit plans*

The Bank's net obligation related to defined benefit plans is calculated separately for each plan, calculating the amount of the future benefit that employees have earned in exchange for their services in the current and previous periods, discounting that amount and deducting the fair value of 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.

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.

*(iv)* *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 practice 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.

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.

*(v)* *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 composed 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

(Continued)

- contributions made by employees equivalent to 5.00% (March 2022: 6.00%) 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.

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 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, Instituto Costarricense de Electricidad (ICE), Caja Costarricense de Seguro Social (CCSS) and Instituto Costarricense de Turismo (ICT).

(s) Deferred income

Deferred income corresponds to income received in advance by the Conglomerate 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.

(t) Legal reserve

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

(Continued)

*Other statutory reserves*

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 |

(u) Revaluation surplus

Revaluation surplus included in the consolidated statement of changes in equity may be transferred directly to prior period 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 period 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 year retained earnings for subsequent capitalization, in conformity with Article 8 of IRNBS (Law No. 1644).

(v) Income tax

Income tax is determined pursuant to the provisions of the *Income Tax Law*, which require that the Bank file its income tax returns for the 12 months ending 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 is the expected tax payable on taxable income for the year, using tax rates enacted at the date of the consolidated statement of financial position and any adjustment to tax payable in respect of previous years.

*ii. Deferred tax*

Deferred tax is recognized using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. In accordance with this method, temporary differences are identified as either taxable temporary differences (which result in future taxable amounts) or deductible temporary differences (which result in future deductible amounts). A deferred tax liability represents a taxable temporary difference, and a deferred tax asset represents a deductible temporary difference.

(Continued)

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

*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 *Comprehensive Amendment to Law No. 8634, Development Banking System Act and Amendment to Other Laws* (Law No. 9274), effective from November 27, 2014, that fund is exempt from income tax and from any other type of tax.

The 8% exemption on securities is effective from August 23, 2016, as evidenced in certification SRCST-TV-009-2016 of the Ministry of Finance issued for the period of one year, which was renewed indefinitely by means of resolution DGCN-146-2017, at the request of the banks that manage the fund, i.e. Banco Nacional de Costa Rica and Banco de Costa Rica. Pursuant to the *Law to Strengthen Public Finances* (Law No. 9635), a 15% exemption is effective from July 1, 2019.

(w) 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.

(x) 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 financial statements.

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

(Continued)

(y) 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 as they accrue. Interest income and interest expense include amortization of any premium or discount during the term of the instrument until maturity.

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 an allowance must be created with cutoff date as of October 2021. Of the balance booked in accrued interest receivable on the loan portfolio, the Bank must record ¢34,868 million, corresponding to accrued interest over 180 days. Allowances in the amount of ¢1,908 million have already been booked.

As of March 31, 2023, allowances booked amount to ¢10,747 million. According to the plan for accrued interest receivable, the total allowance to be booked is ¢25,588 million. This plan must be carried out during the next 36 months, with bi-annual cutoffs. The balance must be updated at the beginning of each semester, considering the payments made, refinancing, default and other effects.

| Semester | Minimum allowance percentage of the balance of accrued interest receivable over 180 days | Minimum allowance required |
|---|---|---|
| 2023-06 | 30% | 7,676 |
| 2023-12 | 42% | 10,747 |
| 2024-06 | 56% | 14,329 |
| 2024-12 | 70% | 17,912 |
| 2025-06 | 85% | 21,750 |
| 2025-12 | 100% | 25,588 |

*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.

(z) 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 20 of Law No. 6074.

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*, 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.

(aa) 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.

(Continued)

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.

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

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

(Continued)

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

(cc) Trust operations

Assets managed by the Conglomerate as trustee are not considered part of the Bank's equity and, therefore, are not included in the consolidated 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.

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 Conglomerate has established the following credit risk management procedures:

- The Conglomerate 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 Conglomerate has performed and reviewed the administrative loan follow-up procedures for branches and regional offices.

- The Conglomerate is performing a comprehensive assessment of the credit granting process and the procedures performed in offices, shared service centers, commercial areas and corporate center.

- The work plan for loan follow-up includes an evaluation of main borrowers (higher balances in the loan portfolio), which involves continuous monitoring and visits to regional offices.

At the date of the consolidated 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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of March 31, the Bank's financial instruments with exposure to credit risk are as follows:

| | | Direct loans | | Stand-by credits | |
|---|---|---|---|---|---|
| | | March 2023 | March 2022 | March 2023 | March 2022 |
| *Loan portfolio* | | | | | |
| Principal | ¢ | 4,675,017,246,733 | 4,642,599,011,381 | 320,564,909,752 | 365,041,102,627 |
| Accounts and accrued interest receivable | | 100,787,575,029 | 110,866,530,065 | - | - |
| Gross carrying amount | | 4,775,804,821,762 | 4,753,465,541,446 | 320,564,909,752 | 365,041,102,627 |
| Incremental direct costs related to loans | | 5,889,421,640 | 4,141,747,933 | - | - |
| Deferred income from loan portfolio | | (42,986,604,925) | (36,548,974,253) | - | - |
| Allowance for loan losses (accounting records) | | (137,544,640,215) | (151,587,064,342) | (1,109,775,772) | (1,191,054,108) |
| Net carrying amount | ¢ | 4,601,162,998,262 | 4,569,471,250,784 | 319,455,133,980 | 363,850,048,519 |

| | | Direct loans | | Stand-by credits | |
|---|---|---|---|---|---|
| | | March 2023 | March 2022 | March 2023 | March 2022 |
| Loan portfolio | | | | | |
| Total balances: | | | | | |
| 0 | ¢ | 40,943,768,087 | 37,926,068,480 | - | - |
| A1 | | 3,716,871,801,016 | 3,625,937,803,345 | 298,913,635,945 | 332,272,667,885 |
| A2 | | 60,844,675,335 | 61,755,681,733 | 1,209,759,733 | 1,496,553,221 |
| B1 | | 471,596,094,459 | 506,185,290,673 | 4,481,331,449 | 27,409,915,415 |
| B2 | | 26,984,069,377 | 25,667,512,910 | 106,363,823 | 118,766,660 |
| C1 | | 103,737,585,836 | 166,985,641,402 | 1,137,611,265 | 1,250,408,396 |
| C2 | | 9,617,213,078 | 15,171,241,293 | 40,716,074 | 160,389,207 |
| D | | 174,896,729,028 | 131,598,685,969 | 13,594,205,260 | 880,339,830 |
| E | | 170,312,885,546 | 182,237,615,641 | 1,081,286,203 | 1,452,062,013 |
| | | 4,775,804,821,762 | 4,753,465,541,446 | 320,564,909,752 | 365,041,102,627 |
| Structural allowance (subledger – database) | | (91,217,419,212) | (98,402,028,821) | (101,448,917) | (110,788,326) |
| Net carrying amount | ¢ | 4,684,587,402,550 | 4,655,063,512,625 | 320,463,460,835 | 364,930,314,301 |
| Individually assessed loans with allowance: | | | | | |
| 0 | ¢ | 38,966,648,221 | 37,552,476,283 | - | - |
| A1 | | 3,713,421,823,237 | 3,624,584,763,615 | 16,683,284,488 | 22,947,138,552 |
| A2 | | 60,844,675,335 | 61,755,681,733 | 72,467,077 | 30,187,079 |
| B1 | | 471,596,094,459 | 506,181,790,673 | 1,643,861,222 | 16,686,912,343 |
| B2 | | 26,984,069,377 | 25,667,512,910 | - | 9,248,480 |
| C1 | | 103,737,585,836 | 166,985,641,402 | 23,617,248 | 10,105,195 |
| C2 | | 9,617,213,078 | 15,171,241,293 | - | 3,674,428 |
| D | | 174,896,729,028 | 131,598,685,969 | 12,989,074,229 | 94,408,263 |
| E | | 170,312,885,546 | 182,237,615,641 | 47,954,125 | 45,679,022 |
| | | 4,770,377,724,117 | 4,751,735,409,519 | 31,460,258,389 | 39,827,353,362 |
| Structural allowance (subledger – database) | | (91,217,419,212) | (98,402,028,821) | (101,448,917) | (110,788,326) |
| Net carrying amount | ¢ | 4,679,160,304,905 | 4,653,333,380,698 | 31,358,809,472 | 39,716,565,036 |

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

| | | Direct loans | | Stand-by credits | |
|---|---|---|---|---|---|
| | | March 2023 | March 2022 | March 2023 | March 2022 |
| Current loan portfolio, without allowance: | | | | | |
| 0 | | 1,977,119,866 | 373,592,197 | - | - |
| A1 | | 3,449,977,779 | 1,353,039,730 | 282,230,351,458 | 309,325,529,333 |
| A2 | | - | - | 1,137,292,656 | 1,466,366,142 |
| B1 | | - | 3,500,000 | 2,837,470,227 | 10,723,003,072 |
| B2 | | - | - | 106,363,823 | 109,518,180 |
| C1 | | - | - | 1,113,994,017 | 1,240,303,201 |
| C2 | | - | - | 40,716,074 | 156,714,779 |
| D | | - | - | 605,131,030 | 785,931,567 |
| E | | - | - | 1,033,332,078 | 1,406,382,991 |
| Carrying amount | | 5,427,097,645 | 1,730,131,927 | 289,104,651,363 | 325,213,749,265 |
| Gross carrying amount | ¢ | 4,775,804,821,762 | 4,753,465,541,446 | 320,564,909,752 | 365,041,102,627 |
| Allowance for loan losses (database) | | (91,217,419,212) | (98,402,028,821) | (101,448,917) | (110,788,326) |
| Excess of allowance over structural allowance | | (46,327,221,003) | (53,185,035,521) | (1,008,326,855) | (1,080,265,782) |
| Incremental direct costs related to loans | | 5,889,421,640 | 4,141,747,933 | - | - |
| Deferred income from loan portfolio | | (42,986,604,925) | (36,548,974,253) | - | - |
| Net carrying amount | ¢ | 4,601,162,998,262 | 4,569,471,250,784 | 319,455,133,980 | 363,850,048,519 |
| Restructured loans | ¢ | 26,883,460,327 | 27,572,247,012 | - | - |

Set out below is an analysis of the Bank's loan portfolio balances As of March 31, gross and net of the allowance for loan losses, by risk rating according to SUGEF Directive 1-05 and SUGEF Directive 15-16 *Regulations on credit risk management and evaluation for the Development Banking System:*

| | | March 2023 | |
|---|---|---|---|
| | | Loans to customers | |
| | | Gross | Net |
| 0 | ¢ | 40,943,768,127 | 39,975,939,868 |
| A1 | | 3,716,871,800,976 | 3,649,335,186,605 |
| A2 | | 60,844,675,335 | 60,414,268,977 |
| B1 | | 471,596,094,459 | 466,759,871,967 |
| B2 | | 26,984,069,377 | 26,498,310,583 |
| C1 | | 103,737,585,836 | 99,898,965,150 |
| C2 | | 9,617,213,078 | 9,043,646,203 |
| D | | 174,896,729,028 | 157,208,251,722 |
| E | | 170,312,885,546 | 129,125,740,472 |
| | ¢ | 4,775,804,821,762 | 4,638,260,181,547 |

(Continued)

| | | March 2022 | |
|---|---|---|---|
| | | Loans to customers | |
| | | Gross | Net |
| 0 | ¢ | 37,926,068,480 | 36,927,991,936 |
| A1 | | 3,625,937,803,345 | 3,605,135,591,583 |
| A2 | | 61,755,681,733 | 61,433,685,780 |
| B1 | | 506,185,290,673 | 500,315,635,425 |
| B2 | | 25,667,512,910 | 25,325,391,292 |
| C1 | | 166,985,641,402 | 161,391,780,812 |
| C2 | | 15,171,241,293 | 13,174,464,070 |
| D | | 131,598,685,969 | 117,591,580,059 |
| E | | 182,237,615,641 | 133,767,391,668 |
| | ¢ | 4,753,465,541,446 | 4,655,063,512,625 |

As shown above, as of March 31, 2023, the gross portfolio amounts to ¢4.776 billion. Of that amount, 90.70% is classified in risk ratings “A+B” and 9.60% in risk ratings “C+D+E” (March 2022: ¢4.753 billion, of which 89.57% is classified in risk ratings “A+B” and 10.43% in risk ratings “C+D+E”).

Through Letter SGF-0506 dated March 11, 2022, SUGEF communicated the new regulation on the calculation of the allowance for loan losses applicable during the transition to the new methodology effective as of January 1, 2024.

During the transition period, the Conglomerate must submit quarterly impact reports with the following cut-off dates:

| Year | Cut-off dates |
|---|---|
| 2022 | September 30, 2022<br>December 31, 2022 |
| 2023 | March 31, 2023<br>June 30, 2023<br>September 30, 2023<br>December 31, 2023 |

In conformity with Transition Provision II, CONASSIF Directive 14-21 regarding the quarterly reports, the reports with cut-off dates as of September, December 2022 and March 2023 have been submitted to SUGEF.

Individually assessed loans with allowance:

Pursuant to SUGEF Directives 1-05, a risk rating is assigned to all borrowers. Applicable allowance percentages are determined based on that risk rating. Individually assessed loans with allowance are loan operations 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.

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

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

In Article 9 of Minutes of Meeting No. 1697-2021, held on November 1, 2021, CONASSIF unanimously established the following final decision: (i) to dismiss Transition Provisions XV), XVI), XVIII) and XIX) starting January 1, 2022; (ii) to extend the application of Transition Provisions XX and XXII until December 31, 2022; and (iii) to add Transition Provision XXIII effective January 1, 2022.

These measures are effective from January 1, 2022. This decision was published in Official Gazette No. 225 dated November 22, 2021. Transition Provision XXIII of SUGEF Directive 1-05 Regulation for Borrower Classification.

Starting January 1, 2022, the provisions established in Number 2, Subparagraph i) Special loan operation of Article 3 of SUGEF Directive 1-05 will be fully applied, regarding the determinations as "special" of the loan operation modified more than once within 24 months through restructuring, extension, refinancing or a combination thereof. For such purposes, that application will follow these considerations:

a. The number of modifications will begin to be calculated from zero starting January 1, 2022.
b. The term of 24 months will begin as of January 1, 2022, for all borrowers of the Entity' s loan portfolio as of December 31, 2021.
c. Subsequently, for the aforementioned borrowers and for new borrowers as of January 1, 2022, the term of 24 months will continue to be calculated in conformity with the provisions of the regulations, according to the specific situation of each borrower.

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

For purposes of Article 11bis, as of January 1, 2023, the term "borrower that generates cash flows in foreign currency" will be equivalent to "borrower without exposure to currency risk", and the term "borrower that does not generate cash flows in currency" will be equivalent to "borrower exposed to foreign currency risk." The foregoing does not affect the continuity of the application of the additional general allowance of 1.5% during 2023, for either a "borrower that does not generate cash flows in foreign currency" or a "borrower exposed to currency risk."

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 "Definitions" 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 one 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.

(Continued)

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 acquired 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. 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.

(Continued)

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.

Borrower classification

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.

The loan portfolio by borrower classification is as follows:

| | | Direct loans | | Stand-by credits | |
|---|---|---|---|---|---|
| Borrower classification | | March 2023 | March 2022 | March 2023 | March 2022 |
| Group 1 | ¢ | 2,521,372,345,150 | 2,596,619,174,731 | 37,432,042,354 | 48,785,679,631 |
| Group 2 | | 2,254,432,476,612 | 2,156,846,366,715 | 283,132,867,398 | 316,255,422,996 |
| | ¢ | 4,775,804,821,762 | 4,753,465,541,446 | 320,564,909,752 | 365,041,102,627 |

Risk ratings

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 creditworthiness, pursuant to Article 10 of SUGEF Directive 1-05, borrowers in Group 1 are classified based on arrears, historical payment behavior and creditworthiness; whereas, based on CONASSIF communication CNS-1775/07, pursuant to the Bank's internal policies and based on the credit web, borrowers in Group 2 are classified based on arrears and historical payment behavior.

- Group 1

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

- Group 2

| Risk rating | Arrears | Historical payment behavior |
|---|---|---|
| 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 microfinance, development and second-tier banking portfolios are subject to specific allowances according to the percentages in the following table:

| Risk rating | Specific allowance percentage (uncovered portion) |
|---|---|
| 1 | 0% |
| 2 | 5% |
| 3 | 25% |
| 4 | 50% |
| 5 | 70% |
| 6 | 100% |

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.

(Continued)

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*

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

a. *Financial position and expected cash flows*: Analysis of the stability and continuity of main sources of income. The effectiveness of the analysis depends on the quality and timeliness of information.
b. *Experience in the line of business and quality of management:* Analysis of the capacity of management to lead the business with appropriate controls and adequate support from the owners.
c. *Business environment:* Analysis of the main sector variables that affect the borrower's creditworthiness.
d. *Vulnerability to changes in interest rates and foreign exchange rates:* Analysis of the borrower's ability to confront unexpected adverse changes in interest rates and foreign exchange rates.
e. *Other factors:* Analysis of other factors that affect the borrower's creditworthiness. In the case of legal entities, considerations include but are not limited to environmental issues, technological aspects, operating licenses and permits, representation of products or foreign offices, relationship with significant customers and suppliers, sales agreements, legal risks and country risk (the latter for foreign-domiciled borrowers). In the case of individuals, the following borrower characteristics may be taken into consideration: marital status, age, level of education, profession, gender, etc.

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

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

*Analysis of historical payment behavior*

The Bank must determine a borrower's historical payment behavior based on the level assigned to the borrower by SUGEF's 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 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.

The allowance for the covered portion of each loan operation is equivalent to the result of multiplying the covered amount by the corresponding allowance percentage pursuant to Article 12 of SUGEF Directive 1-05.

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

Weightings lower than 100% apply for all guarantees except for the guarantees mentioned in subsections d through r, of Article 14 of SUGEF Directive 1-05. Weightings mentioned in subsection s, apply for trust assets whose nature corresponds to that of the assets mentioned in subsections a, through c, of Article 14 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% | 0.00% |
| A2 | 0% | 0.00% |
| 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 in level 3 should be calculated as follows:

| Arrears | Specific allowance percentage - Uncovered portion | Specific allowance percentage - Covered portion | Creditworthiness (Group 1 borrowers) | Creditworthiness (Group 2 borrowers) |
|---|---|---|---|---|
| Current | 5% | 0.50% | 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 |

Once Article 12 of SUGEF Directive 1-05enters into effect and until December 31, 2022, the balance of the allowances recorded for borrowers in risk rating E whose historical payment behavior is classified in level 3 cannot be decreased due to this amendment.

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 Conglomerate must book the general allowance for a minimum of 0.50% of the total outstanding balance for loan operations rated A1 and A2, without reducing the effect of guarantees. The provisions of Article 13 of the aforementioned Directive are to be applied to stand-by credits.

(Continued)

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

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

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:

| | | March 2023 | | |
|---|---|---|---|---|
| | | Allowance booked | Structural allowance | Excess of allowance |
| Allowance for direct loans | ¢ | 125,687,927,331 | (91,217,419,212) | 34,470,508,119 |
| Allowance for stand-by credits | | 1,109,775,772 | (101,448,917) | 1,008,326,855 |
| CNS 1698 allowance plan | | 10,746,937,108 | (10,746,937,108) | - |
| | | 137,544,640,211 | (102,065,805,237) | 35,478,834,974 |
| Counter-cyclical allowance (per SUGEF Directive 19-16) | | 1,954,596,184 | (1,954,596,184) | - |
| | ¢ | 139,499,236,395 | (104,020,401,421) | 35,478,834,974 |

(Continued)

| | | March 2022 | | |
|---|---|---|---|---|
| | | Allowance booked | Structural allowance | Excess of allowance |
| Allowance for direct loans | ¢ | 147,395,670,590 | (98,402,028,821) | 48,993,641,769 |
| Allowance for stand-by credits | | 1,191,054,108 | (110,788,326) | 1,080,265,782 |
| Allowance plan per CNS-1698 | | 3,000,000,000 | (3,000,000,000) | - |
| | | 151,586,724,698 | (101,512,817,147) | 50,073,907,551 |
| Counter-cyclical allowance (per SUGEF Directive 19-16) | | 339,644 | (339,644) | - |
| | ¢ | 151,587,064,342 | (101,513,156,791) | 50,073,907,551 |

*Counter-cyclical allowance*

In subparagraph II of Article 11 of Agreement CNS-1767-2022, dated October 31, 2022, SUGEF considered the reactivation of the counter-cyclical allowance.

In SUGEF Directive 19-16, *Regulations to Determine and Book Counter-cyclical Allowances*, Transition Provision IV establishes the gradual schedule of the counter-cyclical allowance, which entered into effect on January 1, 2023, as follows:

Starting January 1, 2023, each month entities must book the expense for the counter-cyclical component for a minimum of 7% of the positive result of the difference between the balance of the accounts 500 “Income” minus 400 “Expenses” plus 450 “Taxes and statutory allocations for each month.”

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

| Year | | Principal | Allowance | Number of operations | Number of customers |
|---|---|---|---|---|---|
| March 2022 | ¢ | 176,840,758,479 | 51,255,222,310 | 9,018 | 6,083 |
| June, 2022 | ¢ | 199,354,902,788 | 61,468,095,782 | 11,299 | 7,756 |
| September 2022 | ¢ | 179,228,674,021 | 56,045,652,130 | 13,223 | 7,900 |
| December 2022 | ¢ | 183,914,460,612 | 56,820,301,219 | 12,991 | 7,568 |
| March 2023 | ¢ | 156,619,307,087 | 46,494,899,340 | 10,195 | 6,114 |

Credit equivalent

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

(Continued)

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

Allowance for other assets

Allowances should be established for the following assets:

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 March 31, 2023, the balance of the allowance for impairment of assets held for sale and per legal requirement amounts to ¢58,245,915,570 (December and March 2022: ¢60,686,913,169 and ¢58,974,755,750, respectively).

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

| | | Direct loans | | Stand-by credits | |
|---|---|---|---|---|---|
| Sector | | March 2023 | March 2022 | March 2023 | March 2022 |
| Trade | ¢ | 388,970,225,325 | 365,536,394,290 | - | - |
| Services | | 1,073,897,508,735 | 1,102,836,555,578 | 40,866,645,858 | 50,882,874,670 |
| Financial services | | 112,795,014,505 | 87,822,386,435 | - | - |
| Mining | | 399,016,604 | 446,732,841 | - | - |
| Manufacturing and quarrying | | 175,734,514,780 | 173,118,465,625 | - | - |
| Construction | | 64,535,090,192 | 90,848,605,580 | - | - |
| Agriculture and forestry | | 106,917,514,981 | 117,260,521,562 | - | - |
| Livestock, hunting and fishing | | 76,308,030,689 | 74,044,480,743 | - | - |
| Electricity, water, sanitation and other related sectors | | 410,455,420,279 | 468,155,627,578 | - | - |
| Transportation and telecommunications | | 42,937,374,281 | 46,330,967,517 | - | - |
| Housing | | 1,471,724,157,853 | 1,417,495,148,612 | - | - |
| Personal or consumer | | 595,521,190,217 | 519,002,707,354 | 279,579,830,546 | 314,033,394,609 |
| Tourism | | 255,609,763,321 | 290,566,947,731 | 118,433,348 | 124,833,348 |
| | ¢ | 4,775,804,821,762 | 4,753,465,541,446 | 320,564,909,752 | 365,041,102,627 |

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

| | | Direct loans | | Stand-by credits | |
|---|---|---|---|---|---|
| | | March 2023 | March 2022 | March 2023 | March 2022 |
| Central America | ¢ | 4,775,804,821,762 | 4,753,465,541,446 | 320,564,909,752 | 365,041,102,627 |

The loan portfolio by type of guarantee is as follows:

| | | Direct loans | | Stand-by credits | |
|---|---|---|---|---|---|
| Type of guarantee | | March 2023 | March 2022 | March 2023 | March 2022 |
| Back-to-back | ¢ | 18,342,076,440 | 45,453,040,902 | 134,315,253 | 60,618,367 |
| Mortgage bond | | 54,855,649 | - | - | - |
| Assignment of loans | | 418,818,718,331 | 67,014,484 | - | - |
| Mortgage | | 1,706,526,919,887 | 2,089,712,652,719 | 144,420,994 | 132,912,610 |
| Surety | | 838,691,178,395 | 411,069,829,778 | 12,970,574,229 | - |
| Trust | | 495,262,762,818 | 577,861,891,105 | 32,729,587 | 33,355,000 |
| Securities | | 63,301,208,253 | 30,467,849,752 | - | - |
| Chattel mortgage | | 282,177,545,352 | 660,884,573,995 | - | 15,848,832,436 |
| Other | | 952,629,556,637 | 937,948,688,711 | 307,282,869,689 | 348,965,384,214 |
| | ¢ | 4,775,804,821,762 | 4,753,465,541,446 | 320,564,909,752 | 365,041,102,627 |

Guarantees:

a. Collateral: The Conglomerate 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.

b. Personal: Also accepts sureties from individuals or legal entities. The Conglomerate 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 March 31, 2023, 60.97% of the loan portfolio is secured by collateral guarantees (March 2022: 72.29%).

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

| | | Direct loans | | Stand-by credits | |
|---|---|---|---|---|---|
| Loan portfolio concentration | | March 2023 | March 2022 | March 2023 | March 2022 |
| ¢1 to ¢3,000,000 | ¢ | 143,180,983,299 | 134,600,550,803 | 109,139,953,707 | 94,350,860,333 |
| ¢3,000,001 to ¢15,000,000 | | 568,614,640,994 | 538,245,165,649 | 171,020,127,424 | 212,479,852,083 |
| ¢15,000,001 to ¢30,000,000 | | 488,843,927,896 | 447,291,365,865 | 5,588,308,373 | 11,838,874,096 |
| ¢30,000,001 to ¢50,000,000 | | 492,611,028,107 | 483,751,949,624 | 1,796,955,598 | 3,510,511,887 |
| ¢50,000,001 to ¢75,000,000 | | 474,500,705,602 | 459,533,995,414 | 2,400,142,881 | 2,539,107,192 |
| ¢75,000,001 to ¢100,000,000 | | 278,571,581,412 | 238,416,575,553 | 2,001,560,585 | 828,749,424 |
| ¢100,000,001 to ¢200,000,000 | | 258,650,518,307 | 243,395,589,630 | 4,778,934,118 | 3,714,745,118 |
| More than ¢200,000,000 | | 2,070,831,436,145 | 2,208,230,348,908 | 23,838,927,066 | 35,778,402,494 |
| | ¢ | 4,775,804,821,762 | 4,753,465,541,446 | 320,564,909,752 | 365,041,102,627 |

As of March 31, 2023, the portion of the loan portfolio (direct and stand-by loans) corresponding to economic interest groups amounts to ¢606,325,059,594, equivalent to 12.69% of the loan portfolio (March 2022: ¢700,179,492,005, equivalent to 14.73% of the loan portfolio).

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.

The Bank's loan portfolio is comprised 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 EL of the entire loan portfolio (from 2.61% in March 2022 to 2.51% in March 2023) is mainly explained by a reduction in the arrears

(Continued)

indicators. Arrears more than 90 days decreased from 2.64% in March 2022 to 2.16% in March 2023.

Compared to the results from March 2022, the behavior of EL for economic activities showed a mixed result (increases and decreases), but with a predominant downward trend. The activities with the largest decreases are Construction and Agriculture, exceeding 100 basis points (bps), while the activity with the greatest increase is Livestock, with a variation of 73 bps.

For the result of the VaR of the loan portfolio, a year-on-year decrease from 7.67% to 7.18% was booked, which is an expected behavior given the EL evolution and the decrease in arrears indicators.

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

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

Credit risk is considered to be minimal since the Investment Fund Manager's portfolio is 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 Conglomerate 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.

(Continued)

The Conglomerate 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.

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.

An allowance for ECL is booked for the managed portfolio, as follows:

| Allowance for expected credit losses | | | |
|---|---|---|---|
| Portfolio | | March 2023 | March 2022 |
| Investments in financial instruments at FVOCI | ¢ | 68,316,123 | 76,832,070 |

*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.

- 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.

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

For the March 2023 close, the accounting records showed investments in colones, investments in instruments issued by local issuers in US dollars ($CR) and investments issued by foreign issuers in US dollars ($USA). The Brokerage Firm holds no investments in DU. By currency, the largest portion continues to be concentrated in the portfolio in colones with 84.12% and in US dollars with 15.88%.

With respect to the consolidated portfolio, investments in instruments issued by the Government of Costa Rica correspond to 84.10%; and BNCR 0.02%.

The sum of these issuers represents 75.14% of the consolidated portfolio in colones. The portfolio in US dollars is represented by SDHA issues 13.12%, IHYA 2.60% and BNSFI 0.15%, for a total of 15.88%.

An allowance for ECL was booked for the managed portfolio, as follows:

| Portfolio | | March 2023 | March 2022 |
|---|---|---|---|
| Investments measured at FVOCI | ¢ | 23,160,508 | 19,612,257 |
| Amortized cost | ¢ | 316,794,559 | 216,627,994 |

*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.

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.

An allowance for ECL was booked for the managed portfolio, as follows:

| Fund | | March 2023 | March 2022 |
|---|---|---|---|
| Investments measured at FVOCI | ¢ | 43,036,535 | 108,219,405 |

*v.* *BN Sociedad 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.

An allowance for ECL was booked for the managed portfolio, as follows:

| Portfolio | | March 2023 | March 2022 |
|---|---|---|---|
| Investments measured at amortized cost | ¢ | 18,125,354 | 16,906,953 |

*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 fair value through other comprehensive income (FVOCI).

For instruments measured at fair value through profit or loss, 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 solely payments of principal and interest.

Instruments classified under model 2 (measured at fair value through other comprehensive income, 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 fair value through profit or loss. (FVTPL)

The classification of instruments by model is as follows:

| | | March 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 |

| | | March 2022 | | |
|---|---|---|---|---|
| Month | | Model 1 Amortized cost | Model 2 FVOCI | Total estimated losses |
| January | ¢ | 7,573,424,497 | 3,435,687,361 | 6,464,063,397 |
| February | | 7,499,112,619 | 3,386,947,129 | 6,347,020,433 |
| March | ¢ | 6,435,002,890 | 3,338,514,680 | 6,242,391,720 |

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.

| | 12-month PD range | | March 2023 Stage 1 | Total |
|---|---|---|---|---|
| Investments at amortized cost | 0.38% to 3.21%% | ¢ | 982,556,227,912 | 982,556,227,912 |
| Allowance | | | (2,583,218,359) | (2,583,218,359) |
| | | ¢ | 979,973,009,553 | 979,973,009,553 |

| | 12-month PD range | | December 2022 Stage 1 | Total |
|---|---|---|---|---|
| Investments at amortized cost | 0.34% to 3.21% | ¢ | 876,680,708,850 | 876,680,708,850 |
| Allowance | | | (2,930,192,805) | (2,930,192,805) |
| | | ¢ | 873,750,516,045 | 873,750,516,045 |

| | 12-month PD range | | March 2022 Stage 1 | Total |
|---|---|---|---|---|
| Investments at amortized cost | 0.34% to 3.21% | ¢ | 796,184,731,540 | 796,184,731,540 |
| Allowance | | | (2,886,970,087) | (2,886,970,087) |
| | | ¢ | 793,297,761,453 | 793,297,761,453 |

(Continued)

The following table sets out information about the credit quality of financial assets measured at fair value through other comprehensive income (FVOCI). Unless specifically indicated, for financial assets the amounts in the table represent gross carrying amounts.

| | | | March 2023 | |
|---|---|---|---|---|
| | 12-month PD range | | Stage 1 | Total |
| Investments at FVOCI | 0.24% to 3.21% | ¢ | 549,328,242,491 | 549,328,242,491 |
| Allowance | | | (2,961,243,082) | (2,961,243,082) |
| | | ¢ | 546,366,999,409 | 546,366,999,409 |

| | | | December 2022 | |
|---|---|---|---|---|
| | 12-month PD range | | Stage 1 | Total |
| Investments at FVOCI | 0.24% to 3.37% | ¢ | 552,870,403,336 | 552,870,403,336 |
| Allowance | | | (2,670,857,408) | (2,670,857,408) |
| | | ¢ | 550,199,545,928 | 550,199,545,928 |

| | | | March 2022 | |
|---|---|---|---|---|
| | 12-month PD range | | Stage 1 | Total |
| Investments at VRCORI | 0,24% to 3,58% | ¢ | 702,368,217,330 | 702,368,217,330 |
| Allowance | | | (3,184,850,540) | (3,184,850,540) |
| | | ¢ | 699,183,366,790 | 699,183,366,790 |

The following table sets out information about the credit quality of financial assets measured at fair value through profit or loss (FVTPL). Unless specifically indicated, for financial assets the amounts in the table represent gross carrying amounts.

| | | March 2023 | |
|---|---|---|---|
| | | Stage 1 | Total |
| Investments in financial instruments | ¢ | 5,667,775,323 | 5,667,775,323 |
| | ¢ | 5,667,775,323 | 5,667,775,323 |

| | | December 2022 | |
|---|---|---|---|
| | | Stage 1 | Total |
| Investments in financial instruments | ¢ | 4,057,391,271 | 4,057,391,271 |
| | ¢ | 4,057,391,271 | 4,057,391,271 |

| | | March 2022 | |
|---|---|---|---|
| | | Stage 1 | Total |
| Investments in financial instruments | ¢ | 4,644,713,763 | 4,644,713,763 |
| | ¢ | 4,644,713,763 | 4,644,713,763 |

Expected losses by currency are as follows:

| | | March 2023 | |
|---|---|---|---|
| | | Absolute | Relative |
| Colones | ¢ | 4,168,529,272 | 51.99% |
| US dollars | | 1,554,153,800 | 8.27% |
| | ¢ | 5,722,683,072 | 60.20% |

| | | December 2022 | |
|---|---|---|---|
| | | Absolute | Relative |
| Colones | ¢ | 4,061,719,794 | 34.57% |
| US dollars | | 1,694,091,701 | 5.84% |
| | ¢ | 5,755,811,495 | 40.35% |

| | | March 2022 | |
|---|---|---|---|
| | | Absolute | Relative |
| Colones | ¢ | 5,768,443,977 | 40.45% |
| US dollars | | 473,947,743 | 0.03% |
| | ¢ | 6,242,391,720 | 40.41% |

(Continued)

Investments by geographic location are as follows:

| | | March 2023 | | |
|---|---|---|---|---|
| Country | | Principal | Interest | Total |
| Costa Rica | ¢ | 1,031,295,924,882 | 11,855,189,928 | 1,043,151,114,811 |
| Panama | | 9,171,960,000 | 242,029,216 | 9,413,989,216 |
| Caribbean | | 177,189,989 | 827,529 | 178,017,518 |
| United States | | 449,935,009,924 | 1,547,619,064 | 451,482,628,988 |
| Canada | | 7,567,172,934 | 36,379,466 | 7,603,552,400 |
| Venezuela | | 5,008,505,517 | 58,096,669 | 5,066,602,185 |
| Europe | | 36,022,653,661 | 189,686,216 | 36,212,339,877 |
| Asia | | 3,787,527,579 | 11,457,776 | 3,798,985,355 |
| Australia | | 178,239,862 | 178,706 | 178,418,567 |
| New Zealand | | 297,833,299 | 697,604 | 298,530,903 |
| | ¢ | 1,543,442,017,647 | 13,942,162,174 | 1,557,384,179,820 |

| | | December 2022 | | |
|---|---|---|---|---|
| Country | | Principal | Interest | Total |
| Costa Rica | ¢ | 851,717,866,549 | 17,554,976,205 | 869,272,842,753 |
| Panama | | 10,113,432,000 | 169,533,959 | 10,282,965,959 |
| Caribbean | | 188,840,567 | 2,697,752 | 191,538,319 |
| United States | | 508,316,591,311 | 1,525,856,558 | 509,842,447,869 |
| Canada | | 12,971,475,573 | 94,213,096 | 13,065,688,669 |
| Venezuela | | 10,324,064,442 | 84,626,002 | 10,408,690,445 |
| Europe | | 47,382,340,124 | 336,376,065 | 47,718,716,189 |
| Asia | | 3,737,321,430 | 22,268,019 | 3,759,589,449 |
| Australia | | 5,762,794,833 | 74,193,173 | 5,836,988,005 |
| New Zealand | | 324,306,726 | 2,499,932 | 326,806,658 |
| | ¢ | 1,450,839,033,555 | 19,867,240,761 | 1,470,706,274,315 |

(Continued)

| | | March 2022 | | |
|---|---|---|---|---|
| Country | | Principal | Interest | Total |
| Costa Rica | ¢ | 989,516,693,481 | 11,088,983,465 | 1,000,605,676,947 |
| Panama | | 13,338,470,541 | 23,162,266 | 13,361,632,806 |
| Caribbean | | 463,812,969 | 2,036,183 | 465,849,152 |
| United States | | 485,148,055,474 | 1,501,023,438 | 486,649,078,912 |
| Canada | | 16,159,436,864 | 84,254,930 | 16,243,691,794 |
| Venezuela | | 18,261,907,169 | 190,974,753 | 18,452,881,922 |
| Europe | | 58,359,144,298 | 307,624,419 | 58,666,768,718 |
| Asia | | 13,973,163,570 | 50,764,842 | 14,023,928,412 |
| Australia | | 7,394,301,134 | 46,840,833 | 7,441,141,967 |
| New Zealand | | 372,129,100 | 852,407 | 372,981,507 |
| | ¢ | 1,602,987,114,600 | 13,296,517,536 | 1,616,283,632,137 |

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.

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 SUGEF Directive 1-05.

| 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 |

- 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 of SUGEF Directive 1-05.

| 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

Criteria for significant increase in credit risk (Stage 2)

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

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. (Reference: paragraph 5.5.9 of IFRS 9 *Financial Instruments*.)

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.

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).

(Continued)

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 investment policy.

<u>Probability of Default (PD)</u>

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 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.

<u>Segmentation</u>

IFRS 9 allows the Conglomerate 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<br>Local currency | |
| Corporate | North America (NA) | Corporate Financial<br>Corporate Non-financial |
| | Europe and East Asia (EMEA) | Corporate Financial<br>Corporate Non-financial |
| | Asia Pacific and Oceania (APAC) | Corporate Financial |
| | Latin America (LATAM) | Corporate Non-financial<br>Corporate Financial<br>Corporate Non-Financial |

- *Allowance for expected credit losses*

The reconciliation of the opening balance and closing balance of ECL by type of instrument is as follows:

| | | Stage 1 | Total |
|---|---|---|---|
| *Investments at amortized cost* | | | |
| Balance as of January 1, 2023 | ¢ | 2,930,192,806 | 2,930,192,806 |
| Update of the allowance | | (4,053,303) | (4,053,303) |
| Allowance for new investments | | 8,288,250 | 8,288,250 |
| Decrease in allowance | | (351,209,393) | (351,209,393) |
| Balance as of March 31, 2023 | ¢ | 2,583,218,360 | 2,583,218,360 |

| | | Stage 1 | Total |
|---|---|---|---|
| *Investments at amortized cost* | | | |
| Balance as of January 1, 2022 | ¢ | 2,801,506,973 | 2,801,506,973 |
| Update of the allowance | | (5,752,177) | (5,752,177) |
| Allowance for new investments | | 209,012,234 | 209,012,234 |
| Decrease in allowance | | (100,889,990) | (100,889,990) |
| Balance as of March 31, 2022 | ¢ | 2,903,877,040 | 2,903,877,040 |

| | | Stage 1 | Total |
|---|---|---|---|
| *Investments at FVOCI* | | | |
| Balance as of January 1, 2023 | ¢ | 2,670,857,408 | 2,670,857,408 |
| Update of the allowance | | (12,667,564) | (12,667,564) |
| Allowance for new investments | | 420,989,263 | 420,989,263 |
| Decrease in allowance | | (117,936,025) | (117,936,025) |
| Balance as of March 31, 2023 | ¢ | 2,961,243,082 | 2,961,243,082 |

| | | Stage 1 | Total |
|---|---|---|---|
| *Investments at FVOCI* | | | |
| Balance as of January 1, 2022 | ¢ | 3,565,890,660 | 3,565,890,660 |
| Update of the allowance | | 32,627 | 32,627 |
| Allowance for new investments | | 110,375,895 | 110,375,895 |
| Decrease in allowance | | (542,448,233) | (542,448,233) |
| Balance as of March 31, 2022 | ¢ | 3,133,850,949 | 3,133,850,949 |

*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. Below is the LCR indicator as of the year ended March 2023 and 2022, 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 195% as of March 2023, which is 12% higher than that for 2022. This is related to an 8.0% increase in the stock of liquid assets (HQLA) (¢109 billion, especially investments in the MIL), which had a greater impact than the increase in net cash outflows of 3% (¢17 billion, especially wholesale commitments). The indicator is considerably above the appetite level of 130%, equivalent to ¢417 billion.

As of March 31, 2023, the LCR indicator in US dollars closed at 259%, showing a significant increase of 47% with regard to the previous year (2022: 212%). This was due to an increase in HQLA of 8% (US$136 million, mainly in investments and cash and due from banks abroad, Level 1A), together with a decrease in net outflows of 12% (US$75 million, mainly due to the increase in wholesale commitments). The LCR indicator is considerably above the appetite level of 130%, equivalent to US$800 million.

As of March 31, the LCR percentage indicator by currency is as follows:

| Indicator | March 2023 | March 2022 | Variation | Level |
|---|---|---|---|---|
| LCR – colones | 195% | 183% | 12% | Appetite |
| LCR – US dollars | 259% | 212% | 47% | 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.

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of March 31, 2023, the terms of the Bank and its Subsidiaries' assets and liabilities denominated in local currency are matched as follows:

| | | Days | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Past due | Demand | 1 to 30 | 31 to 60 | 61 to 90 | 91 to 180 | 181 to 365 | More than 365 | Total |
| Cash and due from banks | ¢ | - | 186,255,519,009 | - | - | - | - | - | - | 186,255,519,009 |
| Minimum legal deposit in BCCR | | - | 342,432,308,495 | 21,004,755,520 | 18,886,957,904 | 12,908,656,239 | 57,430,601,143 | 74,273,049,836 | 34,203,733,484 | 561,140,062,621 |
| Investments | | - | 3,998,746,670 | 255,876,307,455 | 521,929,858 | 11,610,451,085 | 40,508,500,750 | 112,946,685,988 | 468,851,256,510 | 894,313,878,316 |
| Loan portfolio | | 192,919,558,476 | - | 54,187,697,764 | 43,954,021,981 | 75,114,788,935 | 105,301,208,646 | 146,456,074,457 | 2,950,452,499,347 | 3,568,385,849,606 |
| Recovery of assets | ¢ | 192,919,558,476 | 532,686,574,174 | 331,068,760,739 | 63,362,909,743 | 99,633,896,259 | 203,240,310,539 | 333,675,810,281 | 3,453,507,489,341 | 5,210,095,309,552 |
| | | | | | | | | | | |
| Obligations with the public | ¢ | - | 2,743,584,176,288 | 100,890,745,327 | 99,438,869,717 | 157,817,720,182 | 324,712,854,784 | 481,866,899,137 | 241,436,962,646 | 4,149,748,228,081 |
| Obligations with BCCR | | - | - | - | - | - | - | - | 158,738,238,810 | 158,738,238,810 |
| Obligations with financial entities | | - | 42,609,301,325 | 106,729,795,278 | 4,786,600,000 | 6,851,797,274 | 18,320,015,407 | 34,379,406,642 | 39,119,951,059 | 252,796,866,985 |
| Charges payable | | - | 15,309,791,878 | 7,463,835,745 | 4,202,617,977 | 2,284,099,094 | 3,810,242,083 | 2,986,945,259 | 3,892,915,545 | 39,950,447,581 |
| Maturity of liabilities | ¢ | - | 2,801,503,269,491 | 215,084,376,350 | 108,428,087,694 | 166,953,616,550 | 346,843,112,274 | 519,233,251,038 | 443,188,068,060 | 4,601,233,781,457 |
| Difference | ¢ | 192,919,558,476 | (2,268,816,695,317) | 115,984,384,389 | (45,065,177,951) | (67,319,720,291) | (143,602,801,735) | (185,557,440,757) | 3,010,319,421,281 | 608,861,528,095 |

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of March 31, 2022, the terms of the Bank and its Subsidiaries' assets and liabilities denominated in local currency are matched as follows:

| | | Days | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Past due | Demand | 1 to 30 | 31 to 60 | 61 to 90 | 91 to 180 | 181 to 365 | More than 365 | Total |
| Cash and due from banks | ¢ | - | 175,980,652,800 | - | - | - | - | - | - | 175,980,652,800 |
| Minimum legal deposit in BCCR | | - | 274,963,017,263 | 11,561,386,584 | 10,032,732,272 | 10,662,400,246 | 28,348,891,534 | 43,382,349,805 | 20,541,267,599 | 399,492,045,303 |
| Investments | | - | 3,818,518,253 | 3,466,955,511 | 10,827,258,849 | 2,437,828,218 | 8,371,604,816 | 160,900,584,907 | 695,008,904,563 | 884,831,655,117 |
| Loan portfolio | | 189,152,278,505 | - | 76,487,685,809 | 56,352,323,165 | 49,217,096,353 | 96,753,213,446 | 135,374,753,491 | 2,648,029,531,173 | 3,251,366,881,942 |
| Recovery of assets | ¢ | 189,152,278,505 | 454,762,188,316 | 91,516,027,904 | 77,212,314,286 | 62,317,324,817 | 133,473,709,796 | 339,657,688,203 | 3,363,579,703,335 | 4,711,671,235,162 |
| | | | | | | | | | | |
| Obligations with the public | ¢ | - | 2,674,136,002,213 | 84,864,457,701 | 81,512,167,583 | 97,237,333,043 | 229,857,631,307 | 311,724,750,947 | 169,774,013,629 | 3,649,106,356,423 |
| Obligations with BCCR | | - | - | 29,600,000,000 | - | - | - | - | 164,696,408,078 | 194,296,408,078 |
| Obligations with financial entities | | - | 63,298,465,949 | 107,755,805,609 | 12,174,400,000 | 8,766,288,315 | 33,506,172,580 | 10,252,885,866 | 41,280,198,021 | 277,034,216,340 |
| Charges payable | | - | 7,419,864,034 | 2,671,345,378 | 1,734,258,381 | 1,232,498,067 | 1,678,385,576 | 1,558,907,375 | 2,628,974,829 | 18,924,233,640 |
| Maturity of liabilities | | - | 2,744,854,332,196 | 224,891,608,688 | 95,420,825,964 | 107,236,119,425 | 265,042,189,463 | 323,536,544,188 | 378,379,594,557 | 4,139,361,214,481 |
| Difference | ¢ | 189,152,278,505 | (2,290,092,143,880) | (133,375,580,784) | (18,208,511,678) | (44,918,794,608) | (131,568,479,667) | 16,121,144,015 | 2,985,200,108,778 | 572,310,020,681 |

As of March 31, 2023, the terms of the Bank's assets and liabilities denominated in foreign currency, expressed in local currency, are matched as follows:

| | | Days | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Past due | Demand | 1 to 30 | 31 to 60 | 61 to 90 | 91 to 180 | 181 to 365 | More than 365 | Total |
| Cash and due from banks | ¢ | - | 343,660,180,954 | - | - | - | - | - | 213,955,804 | 343,874,136,758 |
| Minimum legal deposit in BCCR | | - | 218,281,965,201 | 7,161,263,119 | 7,972,588,150 | 7,530,388,469 | 22,083,428,697 | 22,356,105,223 | 21,991,235,954 | 307,376,974,813 |
| Investments | | - | 1,630,102,418 | 14,025,442,397 | 20,635,160,579 | 45,640,356,429 | 120,786,448,374 | 271,825,896,707 | 192,684,492,081 | 667,227,898,985 |
| Loan portfolio | | 56,080,237,919 | - | 26,316,204,017 | 20,798,762,880 | 25,541,387,138 | 62,465,052,920 | 86,437,252,194 | 892,682,891,803 | 1,170,321,788,871 |
| Recovery of assets | ¢ | 56,080,237,919 | 563,572,248,573 | 47,502,909,533 | 49,406,511,609 | 78,712,132,036 | 205,334,929,991 | 380,619,254,124 | 1,107,572,575,642 | 2,488,800,799,427 |
| | | | | | | | | | | |
| Obligations with the public | ¢ | - | 1,442,175,108,458 | 51,248,805,079 | 64,724,241,112 | 56,572,986,044 | 121,159,323,493 | 152,933,288,592 | 109,642,576,706 | 1,998,456,329,484 |
| Obligations with financial entities | | - | 25,978,299,346 | 105,080,451,781 | 356,889,699 | 34,690,995 | 51,178,467 | 159,800,744,853 | 66,795,277,071 | 358,097,532,212 |
| Charges payable | | - | 2,637,329,901 | 853,182,418 | 3,436,991,128 | 2,034,083,334 | 745,398,321 | 863,780,252 | 729,929,750 | 11,300,695,104 |
| Maturity of liabilities | ¢ | - | 1,470,790,737,705 | 157,182,439,278 | 68,518,121,939 | 58,641,760,373 | 121,955,900,281 | 313,597,813,697 | 177,167,783,527 | 2,367,854,556,800 |
| Difference | ¢ | 56,080,237,919 | (907,218,489,132) | (109,679,529,745) | (19,111,610,330) | 20,070,371,663 | 83,379,029,710 | 67,021,440,427 | 930,404,792,115 | 120,946,242,627 |

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of March 31, 2022, the terms of the Bank's assets and liabilities denominated in foreign currency, expressed in local currency, are matched as follows:

| | | Days | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Past due | Demand | 1 to 30 | 31 to 60 | 61 to 90 | 91 to 180 | 181 to 365 | More than 365 | Total |
| Cash and due from banks | ¢ | - | 512,471,048,581 | - | - | - | - | - | 449,475,396 | 512,920,523,977 |
| Minimum legal deposit in BCCR | | - | 268,180,385,880 | 12,163,394,295 | 8,362,953,952 | 9,002,923,151 | 27,446,649,902 | 25,490,081,849 | 23,719,550,931 | 374,365,939,960 |
| Investments | | - | 4,644,713,763 | 3,899,339,753 | 6,180,044,539 | 18,917,657,446 | 59,361,862,740 | 130,220,204,986 | 445,625,648,704 | 668,849,471,931 |
| Loan portfolio | | 146,282,328,626 | - | 36,419,531,492 | 22,093,365,318 | 28,577,823,520 | 59,927,084,028 | 103,605,827,237 | 1,072,785,472,964 | 1,469,691,433,185 |
| Recovery of assets | ¢ | 146,282,328,626 | 785,296,148,224 | 52,482,265,540 | 36,636,363,809 | 56,498,404,117 | 146,735,596,670 | 259,316,114,072 | 1,542,580,147,995 | 3,025,827,369,053 |
| Obligations with the public | ¢ | - | 1,651,593,562,819 | 60,239,585,044 | 68,285,897,798 | 77,207,806,067 | 162,718,559,476 | 179,246,760,697 | 132,562,849,141 | 2,331,855,021,042 |
| Obligations with financial entities | | - | 49,524,577,739 | 115,632,940,842 | 2,026,397,636 | 213,472,000 | 5,062,230,599 | 3,364,983,265 | 367,568,228,052 | 543,392,830,133 |
| Charges payable | | - | 2,302,715,111 | 943,628,155 | 6,511,761,782 | 2,763,136,659 | 858,595,798 | 873,857,452 | 820,742,326 | 15,074,437,283 |
| Maturity of liabilities | ¢ | - | 1,703,420,855,669 | 176,816,154,041 | 76,824,057,216 | 80,184,414,726 | 168,639,385,873 | 183,485,601,414 | 500,951,819,519 | 2,890,322,288,458 |
| Difference | ¢ | 146,282,328,626 | (918,124,707,445) | (124,333,888,501) | (40,187,693,407) | (23,686,010,609) | (21,903,789,203) | 75,830,512,658 | 1,041,628,328,476 | 135,505,080,595 |

(Continued)

*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.

Management of liquidity risk

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 Department. 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.

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.

(Continued)

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.

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.

(Continued)

Management of liquidity risk

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 company and the characteristics of the pension plan, according to the need arising from the nature of the Pension Fund Manager itself.

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

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

*v.* *BN Sociedad 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.

Management of liquidity risk

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 meets 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).

| Indicator | Limit | Level |
|---|---|---|
| Consolidated VaR | 3.20% | Appetite |
| Currency risk | 3.50% | Appetite |
| Interest rate risk – colones | 2.00% | Appetite |
| Interest rate risk – foreign currency | 2.00% | Appetite |

The main indicator used is the market VaR of the Bank's investments, which is measured by means of an internal methodology and quantified 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.

As of March 31, the portfolios by currency are as follows:

| | Face value of investments by currency | | |
|---|---|---|---|
| Currency | March 2023 | March 2022 | Variation |
| Colones | 800,742,050,000 | 772,022,950,000 | 28,719,100,000 |
| US dollars - local issuers | 260,697,366 | 71,717,861 | 188,979,505 |
| US dollars - international issuers | 946,704,000 | 910,762,000 | 35,942,000 |

The duration for each currency has presented variations according to strategic portfolio management, with an increase in colones, local US dollars and international US dollars.

| Currency | March 2023 | March 2022 | Variation |
|---|---|---|---|
| Colones | 0.70 | 1.22 | (0.52) |
| US dollars - local issuers | 1.05 | 1.09 | (0.04) |
| US dollars - international issuers | 0.99 | 1.24 | (0.45) |

*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.

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.

Management of market risks

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 selected.

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

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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.

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

| | March 2023 | March 2022 |
|---|---|---|
| VaR indicator (99%) | 0.58% | 0.71% |

*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 and, therefore, any changes in market conditions directly affect the Brokerage Firm's net income, Market risk is the risk that the fair value of those instruments will fluctuate as a result of changes in interest rates, foreign exchange rates or equity prices.

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.

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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 low and has been controlled through investments.

The Brokerage Firm uses the historical method to calculate VaR, as established in the risk regulations issued by SUGEVAL, based on a confidence level of 95% and a 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.

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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.

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.

v. *BN Sociedad 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*

As of March 31, the Bank's consolidated VaR regarding the market value of investments increased during the last year. During the last 12 months until March 2023, this indicator continued to present a behavior with an upward trend, with an average VAR value of 0.52%, due to a higher volatility observed in the prices of the instruments in the investment portfolio

| Type of risk | March 2023 | March 2022 | Variation |
|---|---|---|---|
| Consolidated VaR | 0.31% | 0.44% | (0.12%) |

The results of the individual VaR by currency regarding the market value at the March 2023 close and the variation with respect to the same period of the previous year are as follows:

| Currency | March 2032 | March 2022 | Variation |
|---|---|---|---|
| Colones | 0.37% | 0.55% | (0.18) |
| US dollars - local | 0.19% | 0.48% | (0.29) |
| US dollars - international | 0.45% | 0.49% | (0.05) |

- *Interest rate risk*

Interest rate risk is the risk of losses in the value of a financial asset or liability arising from fluctuations in interest rates when changes in interest rates for the asset and liability portfolios are mismatched and 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 24-00 *Regulations for Determining the Economic and Financial Position of Regulated Entities* and reports monthly on its performance to the Bank's Corporate Risk Committee. As of March 31, interest rate risk is as follows:

| Type of risk | March 2023 | March 2022 | Variation | Level |
|---|---|---|---|---|
| Interest rate risk - In colones | 0.13% | 0.18% | (0.05%) | Normal |
| Interest rate risk - In foreign currency | 0.11% | 0.11% | (0.42%) | Normal |

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

The interest rate risk indicator in colones decreased mainly due to the decrease in the duration of equity in colones and a lower expected variation of the base deposit rate, given that it increased during the 2022. By the end of the year, the rate of growth of that reference rate decelerated. In US dollars, the increase is also due to the increase in the expected variation of the 3-month LIBOR rate from the second quarter of 2022.

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of March 31, 2023, the interest rate terms for the Conglomerate’s 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 |
|---|---|---|---|---|---|---|---|---|---|
| *Local currency (LC)* | | | | | | | | | |
| Investments | ¢ | 3,998,746,670 | 255,852,549,683 | 12,071,459,253 | 40,412,023,816 | 112,906,781,657 | 204,971,349,058 | 263,114,813,789 | 893,327,723,926 |
| Loan portfolio | | - | 3,028,241,667,478 | 121,834,303,512 | 116,208,821,363 | 16,509,024,509 | 17,252,816,298 | 107,917,582,392 | 3,407,964,215,552 |
| Recovery of rate-sensitive assets LC (A) | ¢ | 3,998,746,670 | 3,284,094,217,161 | 133,905,762,765 | 156,620,845,179 | 129,415,806,166 | 222,224,165,356 | 371,032,396,181 | 4,301,291,939,478 |
| Obligations with the public | ¢ | - | 180,223,176,252 | 275,381,704,243 | 346,843,112,274 | 512,024,235,129 | 122,707,187,191 | 136,267,969,802 | 1,573,447,384,891 |
| Obligations with BCCR | | - | 35,750,000,000 | - | - | - | 161,100,037,142 | 125,644,412 | 196,975,681,554 |
| Obligations with financial entities LC | | - | 139,802,299 | - | - | - | - | 30,434,850,432 | 30,574,652,731 |
| Maturity of rate-sensitive liabilities LC (B) | ¢ | - | 216,112,978,551 | 275,381,704,243 | 346,843,112,274 | 512,024,235,129 | 283,807,224,333 | 166,828,464,646 | 1,800,997,719,176 |
| Difference in LC, recovery of assets less maturity of liabilities (A - B) | ¢ | 3,998,746,670 | 3,067,981,238,610 | (141,475,941,478) | (190,222,267,095) | (382,608,428,963) | (61,583,058,977) | 204,203,931,535 | 2,500,294,220,302 |
| *Foreign currency (FC)* | | | | | | | | | |
| Investments | ¢ | - | 15,650,532,174 | 60,069,511,500 | 126,961,082,357 | 269,219,164,614 | 109,670,756,442 | 85,367,448,045 | 666,938,495,132 |
| Loan portfolio | | - | 1,000,082,364,388 | 37,246,068,126 | 21,783,910,393 | 2,394,916,090 | 20,009,644,007 | 56,464,286,519 | 1,137,981,189,523 |
| Recovery of rate-sensitive assets FC (C) | ¢ | - | 1,015,732,896,562 | 97,315,579,626 | 148,744,992,750 | 271,614,080,704 | 129,680,400,449 | 141,831,734,564 | 1,804,919,684,655 |
| Obligations with the public | ¢ | | 150,497,869,473 | 124,869,094,899 | 121,941,928,848 | 249,298,562,213 | 57,618,447,750 | 80,500,125,187 | 784,726,028,370 |
| Obligations with BCCR | | - | 9,444,935,000 | - | - | - | - | - | 9,444,935,000 |
| Obligations with entities | | - | - | 1,958,672,244 | 24,453,625 | 57,508,844,236 | - | 43,676,000,000 | - |
| Maturity of rate-sensitive liabilities FC (D) | ¢ | - | 159,942,804,473 | 126,827,767,143 | 121,966,382,473 | 306,807,406,449 | 57,618,447,750 | 124,176,125,187 | 897,338,933,475 |
| Difference in FC, recovery of assets less maturity of liabilities (C - D) | ¢ | | 855,790,092,089 | (29,512,187,517) | 26,778,610,277 | (35,193,325,745) | 72,061,952,699 | - | 907,580,751,180 |
| Recovery of rate-sensitive assets 1/ (A + C) | ¢ | 3,998,746,670 | 4,299,827,113,723 | 231,221,342,391 | 305,365,837,929 | 401,029,886,870 | 351,904,565,805 | 512,864,130,745 | 6,106,211,624,133 |
| Maturity of rate-sensitive liabilities 2/ (B + D) | ¢ | - | 376,055,783,024 | 402,209,471,386 | 468,809,494,747 | 818,831,641,578 | 341,425,672,083 | 291,004,589,833 | 2,698,336,652,651 |
| Difference in LC + FC, recovery of assets less maturity of liabilities (item 1 - item 2) | ¢ | 3,998,746,670 | 3,923,771,330,699 | (170,988,128,995) | (163,443,656,818) | (417,801,754,708) | 10,478,893,722 | 221,859,540,912 | 3,407,874,971,482 |

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of March 31, 2022, the interest rate terms for the Conglomerate’s 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 |
|---|---|---|---|---|---|---|---|---|---|
| *Local currency (LC)* | | | | | | | | | |
| Investments | ¢ | 3,118,469,642 | 4,166,955,511 | 13,234,555,381 | 8,314,916,475 | 160,899,259,025 | 357,332,926,383 | 337,476,416,737 | 884,543,499,154 |
| Loan portfolio | | - | 2,755,456,884,515 | 110,864,276,818 | 105,747,993,764 | 15,040,804,299 | 15,725,368,838 | 95,843,258,952 | 3,098,678,587,186 |
| Recovery of rate-sensitive assets LC (A) | ¢ | 3,118,469,642 | 2,759,623,840,026 | 124,098,832,199 | 114,062,910,239 | 175,940,063,324 | 373,058,295,221 | 433,319,675,689 | 3,983,222,086,340 |
| Obligations with the public | ¢ | - | 171,611,345,758 | 199,905,134,629 | 265,061,630,140 | 320,007,578,070 | 98,483,233,505 | 85,473,883,300 | 1,140,542,805,402 |
| Obligations with BCCR | | - | 46,379,672,222 | 3,000,000,000 | - | - | - | 165,956,246,119 | 215,335,918,341 |
| Obligations with financial entities LC | | - | 7,563,678,945 | - | - | - | - | 33,549,764,294 | 41,113,443,239 |
| Maturity of rate-sensitive liabilities LC (B) | ¢ | - | 225,554,696,925 | 202,905,134,629 | 265,061,630,140 | 320,007,578,070 | 98,483,233,505 | 284,979,893,713 | 1,396,992,166,982 |
| Difference in LC, recovery of assets less maturity of liabilities (A - B) | ¢ | 3,118,469,642 | 2,534,069,143,101 | (78,806,302,430) | (150,998,719,901) | (144,067,514,746) | 274,575,061,716 | 148,339,781,976 | 2,586,229,919,358 |
| *Foreign currency (FC)* | | | | | | | | | |
| Investments | ¢ | - | 8,474,357,881 | 18,278,148,028 | 66,037,237,878 | 92,029,731,132 | 387,241,878,885 | 93,348,104,683 | 665,409,458,487 |
| Loan portfolio | | - | 1,236,031,106,783 | 46,033,507,287 | 26,923,373,346 | 2,959,946,991 | 24,730,505,515 | 69,617,958,529 | 1,406,296,398,451 |
| Recovery of rate-sensitive assets FC (C) | ¢ | - | 1,244,505,464,664 | 64,311,655,315 | 92,960,611,224 | 94,989,678,123 | 411,972,384,400 | 162,966,063,212 | 2,071,705,856,938 |
| Obligations with the public | ¢ | - | 171,780,762,847 | 154,835,004,733 | 168,579,625,761 | 181,665,450,740 | 276,561,186,284 | 102,124,105,109 | 1,055,546,135,474 |
| Obligations with BCCR | | - | 5,403,510,000 | - | - | - | - | - | 5,403,510,000 |
| Obligations with entities | | - | - | 2,120,677,592 | 59,760,112 | - | 73,830,892,240 | 50,032,500,000 | 126,043,829,944 |
| Maturity of rate-sensitive liabilities FC (D) | ¢ | - | 177,184,272,847 | 156,955,682,325 | 168,639,385,873 | 181,665,450,740 | 350,392,078,524 | 152,156,605,109 | 1,186,993,475,418 |
| Difference in FC, recovery of assets less maturity of liabilities (C - D) | ¢ | - | 1,067,321,191,817 | (92,644,027,010) | (75,678,774,649) | (86,675,772,617) | 61,580,305,876 | 10,809,458,103 | 884,712,381,520 |
| Recovery of rate-sensitive assets 1/ (A + C) | ¢ | 3,118,469,642 | 4,004,129,304,690 | 188,410,487,514 | 207,023,521,463 | 270,929,741,447 | 785,030,679,621 | 596,285,738,901 | 6,054,927,943,278 |
| Maturity of rate-sensitive liabilities 2/ (B + D) | ¢ | - | 402,738,969,772 | 359,860,816,954 | 433,701,016,013 | 501,673,028,810 | 448,875,312,029 | 437,136,498,822 | 2,583,985,642,400 |
| Difference in LC + FC, recovery of assets less maturity of liabilities (item 1 - item 2) | ¢ | 3,118,469,642 | 3,601,390,334,918 | (171,450,329,440) | (226,677,494,550) | (230,743,287,363) | 336,155,367,592 | 159,149,240,079 | 3,470,942,300,878 |

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*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 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 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 consolidated VaR of the Pension Fund Manager's own funds has a slight decreasing trend, with a maximum of 5.3% and a minimum of 0.4% for an average of 1.9%, equivalent to ¢207.27 million. As of March 31, 2023, the indicator closed at 2.08% (2022: 0.62%), showing an increase related to the portfolio's portion of fixed-rate investments, because the indicator shows the portfolio volatility with respect to market interest rates.

*iv.* *BN Sociedad 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 fair value through profit or loss 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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*d)* *Currency risk*

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

On July 31, 2019, the Corporate Risk Committee approved to lengthen the foreign currency position, which has been ratified by the General Board of Directors on August 20, 2019, and is monitored daily by the Market Risk Division.

*i.* *Banco Nacional de Costa Rica*

The Conglomerate’s 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 Conglomerate’s calculates the SUGEF currency risk indicator on a monthly basis, which remains at the appetite level in both years. The indicator has increased due to an increase in the foreign currency position and a greater volatility of the exchange rate, which is reflected in an increase in the expected variation of the US dollar. As of March 31, the result is as follows:

| Type of risk | March 2023 | March 2022 | Variation | Level |
|---|---|---|---|---|
| Currency risk | 4.22% | 0.71% | 3.51% | 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.

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 5$^{th}$ and 95$^{th}$ percentiles of the distribution of projected variations in exchange rates taken from an exchange rate model.

(Continued)

With the calibrated model and through Montecarlo simulations, exchange rate forecasts are created for different periods. The 5th and 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. As of March 31, the result is as follows:

| Internal currency risk | March 2023 | March 2022 | Level |
|---|---|---|---|
| 5th percentile | 0.20% | 0.42% | Normal |
| 95th percentile | 0.35% | 0.51% | Normal |

As of March 31, assets and liabilities denominated in foreign currency are as follows:

| | | US dollars | |
|---|---|---|---|
| | | March 2023 | March 2022 |
| *Assets:* | | | |
| Cash and due from banks | US$ | 1,134,004,037 | 1,279,756,424 |
| Investments in financial instruments | | 1,202,769,309 | 1,002,622,503 |
| Loan portfolio | | 2,081,652,608 | 2,124,983,447 |
| Accounts and accrued interest receivable | | 528,509 | 1,142,641 |
| Investments in other companies | | 123,241,354 | 119,396,691 |
| Property, furniture and equipment | | 1,583,550 | 571,653 |
| Other assets | | - | 1,691,494 |
| | US$ | 4,543,779,367 | 4,530,164,853 |
| *Liabilities:* | | | |
| Obligations with the public | US$ | 3,616,162,104 | 3,457,040,622 |
| Obligations with entities | | 648,803,602 | 824,851,981 |
| Accounts payable and provisions | | 111,636,549 | 13,243,861 |
| Other liabilities | | 15,242,216 | 2,291,141 |
| Subordinated obligations | | 6,201,619 | 114,163,355 |
| | US$ | 4,398,046,090 | 4,411,590,960 |
| Net position in US dollars | US$ | 145,733,277 | 118,573,893 |

| | | Euro | |
|---|---|---|---|
| | | March 2023 | March 2022 |
| *Assets*: | | | |
| Cash and due from banks | € | 49,780,452 | 45,372,260 |
| Other assets | € | 125,697 | - |
| | | 49,906,149 | 45,372,260 |
| *Liabilities:* | | | |
| Obligations with the public | € | 48,254,855 | 44,465,516 |
| Obligations with entities | | 1,805,207 | 1,015,915 |
| Accounts payable and provisions | | 98,123 | 68,067 |
| | € | 50,158,185 | 45,549,498 |
| Net position in euro | € | (252,036) | (177,238) |

| | | DU | |
|---|---|---|---|
| | | March 2023 | March 2022 |
| *Assets:* | | | |
| Loan portfolio | | (95,767) | 756,260 |
| | UD | (95,767) | 756,260 |
| *Liabilities*: | | | |
| Accounts payable and provisions | UD | 23,446 | 40,153 |
| | UD | 23,446 | 40,153 |
| Net position in DU | UD | (119,213) | 716,107 |

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 three months ended on March 31, the valuation in colones of monetary assets and liabilities in foreign currency gave rise to foreign exchange gains and losses, as follows:

| | | March 2023 | March 2022 |
|---|---|---|---|
| Gain on foreign exchange differences | ¢ | 316,239,250,676 | 99,984,057,799 |
| Loss on foreign exchange differences | | (318,081,896,292) | (99,822,479,577) |
| Net loss (gain) | ¢ | (1,842,645,616) | 161,578,222 |

Additionally, the valuation of other assets and other liabilities for the three months ended March 31 gave rise to gains and losses, which are booked in "Other operating income" and "Other operating expenses", respectively, as follows:

| | | March 2023 | March 2022 |
|---|---|---|---|
| Gain on net valuation of other assets (Note 42) | ¢ | 482,508,587 | 40,394,855 |
| Loss on net valuation of other liabilities | | (132,601,966) | (53,978,373) |
| Net gain (loss) | ¢ | 349,906,621 | (13,583,518) |

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.

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 is maintained 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 March 31, 2023, the Pension Fund Manager's exposure to currency risk, considering its net assets in US dollars, was 11.64% (¢1,445,68 million) of total net assets, representing a decrease in comparison to March 31, 2022, where it closed at 11.17% (¢1,388,26 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 March 31, 2023 | | | |
|---|---|---|---|
| 1% | 2% | (1)% | (2)% |
| 2,500,000 | 5,000,000 | (2,500,000) | (5,000,000) |

| Impact on profit or loss as of March 31, 2022 | | | |
|---|---|---|---|
| 1% | 2% | (1)% | (2)% |
| 57,500,000 | 115,000,000 | (57,500,000) | (115,000,000) |

As of March 31, 2023, an increase of 5% in the exchange rate of the functional currency with respect to the US dollar would generate a loss of ¢72,28 million. A decrease of 5% would generate the opposite effect.

As of March 31, 2022, an increase of 5% in the exchange rate of the functional currency with respect to the US dollar would generate a loss of ¢71,78 million. A decrease of 5% would generate the opposite effect.

*v.* *BN Sociedad 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.

(Continued)

*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.

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 legal risk, the Bank 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 and the possible outcomes.

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

*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.

- 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.

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*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:

- 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; and
- integrity, security and availability of the Brokerage Firm's information technology (IT).

Fair value of financial instruments

Fair value estimates are made at a specific date, based on relevant market information and information concerning the financial instruments. These estimates do not reflect any premium or discount that could result from offering for sale a particular financial instrument at a given point in time.

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

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

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

*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.

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

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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.

As of March 31, 2023, 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 ¢31,146,248(2022: ¢35,440,501 that covers the lawsuits against the Pension Fund Manager, out of seven pending lawsuits.

*v.* *BN Sociedad 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 Comprehensive Risk Management Unit (Unidad de Administración Integral del Riesgo, UAIR) furnishes necessary operational risk results. Compliance with the standards established by the Bank at the financial conglomerate level is supported by a program of periodic reviews undertaken by Internal Audit. The results of such reviews are discussed with the personnel of the Insurance Brokerage Firm.

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. The Insurance Brokerage Firm is regulated by the Superintendency General of Insurance (SUGESE), which establishes the capital requirements.

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.

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.

(Continued)

- 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, which is in first instance and is estimated in the amount of ¢3,500,000 (2022: ¢2,840,000).

*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.

The Bank'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, 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 entity's subscribed and paid-in capital and its 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, 2007 in order to comply with the disclosure of objectives, policies and procedures for managing capital and quantitative information. The Bank and its subsidiaries adhere to SUGEF's Chart of Accounts, Articles 10, 11 and 12 of IRNBS, Decision AGB 8-86, *Regulations for Authorizing the Organization, Opening and Operation of Private Banks* and SUGEF official communication 043-2005.

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. 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.

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, CAMELS indicators, budget execution and capital adequacy.

As of March 31, 2023 and 2022, the Bank'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 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 (account No. 311) (see Note 26).

COVID 19 implications for the Conglomerate

During 2020, the COVID-19 virus largely affected all health systems globally, and measures were taken to mitigate it. These measures significantly affected various areas of production, namely in sectors such as transport, commerce and tourism. In Costa Rica as of the March 2023 close there were 1,219,074 confirmed cases and 9,291 deaths.

Meanwhile, the conflict between Russia and the Ukraine since the end of February 2022 has generated pressure to increase energy and food prices. This has caused an increase in interest rates by central banks to contain inflation, thus leading to an economic deceleration. In March 2023, three large banks in the United States collapsed (Silicon Valley Bank, Silvergate and Signature Bank), which had significant exposure to the technology sector and cryptocurrency. In addition, Credit Suisse had to recur to sale to its largest competitor, UBS Group AG, in order to avoid bankruptcy.

*Economic outlook*

A summary of the country’s main indicators, as of the most recent cutoff, is provided below:

| Indicator | Values |
|---|---|
| Unemployment | 11.8% |
| Monthly index of economic activity (IMAE) year-on-year | 4.2% |
| Financial deficit | 0.7% of GDP |
| Primary deficit | 0.3% of GDP |
| Trade balance (cumulative) | US$(943) M |
| Central government debt | 59% of GDP |
| CPI March | (0.85%) per month<br>5.58% year-on-year |

*International context:*

Inflation rates continue to be high. In the United States, the year-on-year inflation increased to 5% in March, which was lower than the rate in February and January (6% and 6.4%, respectively). This continues the downward trend, with the goal of 2% for the year. In the eurozone, inflation year-on-year located at 6.9% in March, which was lower than that of the two previous months (8.5% and 8.6% in February and January, respectively). The underlying component in the eurozone increased from 5.6% in February to 5.7% in March, reaching a new historical high. During March, the main component for inflation is food, alcohol and tobacco, with an annual inflation of 15.4% (0.4% increase with regards to February), while energy had a significant decrease in annual inflation, closing at 0.9%, while it was 13.7% in February.

The short-term indicators suggest that the economic slowdown will remain in the fourth quarter of 2023, while the World Bank forecasts that the world growth will slow down at 1.7% in 2023. The confidence indicators for the member countries of the Organization for Economic Cooperation and Development (OECD) show an impairment in the confidence of both consumers and businessmen.

The World Bank foresees a low growth for Latin America and the Caribbean in 2023. The economic recovery that the Latin American region has experienced during 2022 after the COVID-19 crisis is noticeable. The World Bank has foreseen a growth of 3.6% of the Gross Domestic Product (GDP) in Latin America and the Caribbean for 2022. However, it is forecasted that the regional growth will drop to 1.3% in 2023 and 2.4% in 2024 as a result of the increase in raw material prices, more restrictive policies or financial stress to face high inflation, high interest rates the global uncertainty generated by the conflict between Russia and Ukraine and the little confidence from consumers and businessmen

Thus, with slow growth in the United States and China, a reduction in the demand for exports is foreseen.

*National context*:

Economic activity has increased slightly as of September 2022, in comparison to the second semester of 2021. The cycle trend of the Monthly Economic Activity Index (IMAE) showed a year-on-year variation of 4.2% as of January, decreasing by 4.1% with respect to the previous year, but increasing 0.3% with respect to the prior month. The increase is due to the increase in production of companies under special regimes (year-on-year variation of 22.9%), which have had an accelerated growth since June 2022 (BCCR 2023). This growth is mainly due to the manufacturing of medical devices, professional services and software development, all destined to markets abroad (BCCR 2023).

At the March close, the year-on-year variation of the consumer price index (CPI) was 4.4%, with a monthly CPI variation of (0.23%), while the average of the indicators for underlying inflation was 4.8% in February. The largest year-on-year variation for February was in food and non-alcoholic beverages (14.30%), followed by alcoholic beverages and tobacco (9.06%). Both the general inflation and the average indicators of underlying inflation show a downward trend after August 2022, when they reached a maximum year-on-year variation of 12.1% and 7%, respectively (Banco Central de Costa Rica, 2023).

Actions taken by the Conglomerate

As indicated in previous reports, the Conglomerate has adopted a series of measures to offset the effects of the pandemic and protect the entities' capital. Those measures have been adapted as the pandemic evolves and to the adjustments in the health and regulatory measures taken by the authorities.

- *Credit risk*

For the loan portfolio, a number of strategies were implemented, including:

- implementation of a plan to monitor repayment capacity (creditworthiness) from a quantitative point of view and with a greater qualitative focus
- development of the "Juntos al Amanecer" program to provide affected customers with working capital
- program to restructure principal and interest payments, for terms of three to nine months
- restructuring strategy by profiles
- Strategy to decrease and freeze the rate for clients affected by significant increases in interest rates.
- Modify scenarios for interest rate sensitivity according to market scenarios.

The following continue in effect:

- ongoing monitoring of high-risk customers
- improvements in collection strategies and plans
- creation of an allowance "cushion" amounting to ¢35,479 million as of the March close.

- *Interest rate risk*

  - Ongoing monitoring of interest rate indicators.

- Promote the use of the interbank rate (TRI) as reference for loans since it best reflects market conditions.
- Perform stress tests on interest rates.

• *Liquidity risk*

- The liquidity coverage ratio for 5 and 10 days is sent weekly as part of the information requested by the Central Bank for analysis of the last-minute loan requests.
- Daily monitoring of the main liquidity indicators.
- Bi-weekly stress testing of liquidity indicators reported to the board of directors.
- Lines of credit with foreign entities are requested.

• *Price risk*

- Ongoing monitoring of concentration of instruments in the investment portfolio by currency, sector, rating and other.
- Monitoring of prices and ratings of local and international securities.
- Constant monitoring of the main price risk indicators, including internal VaR and SUGEF VaR, as well as stress testing to determine possible impacts on solvency ratios.

• *Currency risk*

- Periodic monitoring of systemic indicators to analyze the exchange rate. It is presented to the board of directors weekly.

These measures are constantly being reviewed in order to adjust them to changing market conditions and to foresee risks.

## (7) Collateralized or restricted assets

Collateralized or restricted assets are as follows:

| Restricted asset | Cause of restriction | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|---|
| *Cash and due from banks:* | | | | | |
| Checking account – colones (Note 9) | Minimum legal deposit | ¢ | 639,919,061,851 | 602,974,731,866 | 454,434,294,492 |
| Checking account – US dollars (Note 9) | Minimum legal deposit | | 311,251,493,419 | 338,611,316,346 | 367,589,334,408 |
| Checking account – euro (Note 9) | Minimum legal deposit | | 4,376,868,542 | 5,270,508,245 | 4,962,593,989 |
| Other cash and due from banks (Note 9) | Margin calls – derivative financial instruments | | - | 22,409,216 | 19,449,240 |
| Other cash and due from banks (Note 9) | Contingent guarantee of the deposits guarantee fund (FGD) | | 120,375,879,599 | 125,997,691,316 | 125,705,223,234 |
| Other cash and due from banks (Note 9) | FOGABONA | | 213,955,800 | 166,176,025 | 449,475,400 |
| | | ¢ | 1,076,137,259,211 | 1,073,042,833,014 | 953,160,370,763 |
| *Investments in financial instruments:* | | | | | |
| Investments in financial instruments | Liquidity market operations | ¢ | 57,171,915,941 | 45,872,694,079 | 34,746,502,291 |
| Securities issued by BCCR and the Government | Investments securing repurchase agreements | | 2,609,797,677 | 2,306,487,720 | 2,566,929,024 |
| Sovereign bond in USD | Bofa Swaps | | 1,078,087,064 | 1,181,869,342 | - |
| Sovereign bond in USD | GAR. Nomura Bank | | 79,193,271,506 | 87,204,354,223 | - |
| Sovereign bond in USD | BNY Mellon | | 3,083,632,019 | - | - |
| Sovereign bond in USD | JP-SWAPS | | 401,962,256 | - | - |
| External debt bonds | Nomura Bank guarantee | | - | - | 97,038,726,492 |
| External debt bonds | SINPE guarantee | | - | - | 256,280,090,926 |
| BEM Colones | SINPE guarantee | ¢ | - | - | 9,918,552,239 |
| Sovereign bond in USD | SINPE guarantee | | 169,898,332,352 | 219,986,936,563 | - |
| Sovereign bond in USD | SINPE guarantee | | - | 2,789,019,670 | - |
| TP USD | SINPE guarantee | | - | 14,922,877,513 | - |
| *Other assets* | | | 313,436,998,815 | 374,264,239,111 | 400,550,800,972 |
| Other assets (Note 17) | Security deposits | ¢ | 573,499,389 | 532,881,813 | 730,590,889 |

As of March 31, 2023, the Brokerage Firm has restricted assets in the amount of ¢57,171,915,941 (December and March 2022: ¢45,782,694,079 and ¢34,746,502,291, respectively), corresponding to guarantees for tri-party repurchase agreements, operations in the liquidity market and contributions to the liquidation and compensation risk management fund.

As of March 31, 2023, the Pension Fund Manager has restricted assets in the amount of ¢2,209,797,677 (December and March 2022: ¢2,306,487,720 and 2,566,929,024, 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:

The aforementioned balances and transactions with related parties correspond to:

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| *Assets:* | | | | |
| Checking accounts in foreign financial entities *(1)* (Note 9) | ¢ | 38,222,112,797 | 46,029,904,199 | 38,104,189,955 |
| Investments in financial instruments and accrued interest receivable *(2)* | | 6,303,766,661 | 7,801,199,980 | 23,161,267,271 |
| Accounts receivable | | - | - | 228,512 |
| Investments in other companies *(4)* | | 67,232,994,041 | 73,265,452,967 | 79,598,909,156 |
| | ¢ | 111,758,873,499 | 127,096,557,146 | 140,864,594,894 |
| *Liabilities:* | | | | |
| Demand obligations with entities *(3)* | | 7,279,790 | 44,277,901 | 21,857,553 |
| Accounts due to related parties *(4)* | | 4,108,956 | 967,596 | 1,222,998 |
| | ¢ | 11,388,746 | 45,245,497 | 23,080,551 |
| *Income:* | | | | |
| Gain on investments in other foreign companies | | 803,831,182 | 1,952,980,119 | 353,034,120 |
| | | 803,831,182 | 1,952,980,119 | 353,034,120 |
| *Expenses:* | | | | |
| Finance costs | | - | - | - |
| Operating expenses *(5)* | | 166,600,411 | 44,171,143 | 5,498,752 |
| | ¢ | 166,600,411 | 44,171,143 | 5,498,752 |

*(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.

(Continued)

*a) Compensation to key personnel*

Compensation to key personnel is as follows:

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| Short-term benefits | ¢ | 580,326,873 | 2,214,747,107 | 508,599,044 |
| Long-term benefits | | 75,442,493 | 287,917,124 | 66,117,876 |
| Per diem – Board of directors | | 50,097,985 | 126,607,460 | 39,407,620 |
| | ¢ | 705,867,351 | 2,629,271,691 | 614,124,540 |

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 Bank performs a transfer pricing study.

(9) Cash and cash equivalents

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

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| Cash and due from banks | ¢ | 1,398,646,693,202 | 1,470,874,684,814 | 1,462,759,162,039 |
| Investments with maturities of less than two months | | 296,687,689,376 | 107,863,023,596 | 32,836,830,668 |
| | ¢ | 1,695,334,382,578 | 1,578,737,708,410 | 1,495,595,992,707 |

(Continued)

Cash and due from banks is as follows:

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| Cash on hand and in vaults | ¢ | 64,192,584,712 | 71,076,632,513 | 72,825,418,562 |
| Cash in transit | | 54,865,885,214 | 49,869,760,013 | 54,426,245,226 |
| Checking account in BCCR *(1)* | | 53,280,940,766 | 47,649,998,049 | 58,419,793,151 |
| Minimum legal deposits in BCCR *(2)* | | 815,236,096,668 | 828,382,754,482 | 715,438,192,112 |
| Checking accounts and demand deposits in State-owned commercial banks and banks created under special laws | | 255,076,550 | 216,788,828 | 264,084,114 |
| Checking accounts and other demand accounts in private financial entities | | 930,191,285 | 488,049,608 | 548,812,827 |
| Checking accounts in foreign financial entities | | 237,470,584,522 | 291,062,460,495 | 386,505,200,442 |
| Deposits and other demand accounts in foreign financial entities | | 994,246,860 | 4,802,609 | 176,665,347 |
| Checking accounts and demand deposits in related parties (Note 8) | | 38,222,112,797 | 46,029,904,199 | 38,104,189,955 |
| Overnight deposits in foreign financial entities | | 2,984,592,914 | 2,460,374,162 | 1,764,980,532 |
| Transfers through the Interbank Electronic Payment System (SINPE) | | 3,416,219,093 | 1,476,067,946 | 2,838,915,575 |
| Local notes receivable | | 4,794,920,378 | 4,614,692,783 | 4,090,677,439 |
| Foreign notes receivable | | 1,413,406,044 | 1,356,122,570 | 1,181,838,883 |
| Margin calls – derivative financial instruments (Note 7) | | - | 22,409,216 | 19,449,240 |
| Fondo de Garantía de la Bolsa Nacional de Valores (FOGABONA) | | 213,955,800 | 166,176,025 | 449,475,400 |
| Contingent guarantee of the deposits guarantee fund (Fondo de Garantía de Depósitos, FGD) | | 120,375,879,599 | 125,997,691,316 | 125,705,223,234 |
| | ¢ | 1,398,646,693,202 | 1,470,874,684,814 | 1,462,759,162,039 |

*(1)* Checking accounts and demand deposits in BCCR include the balances of the minimum legal deposits required for each period, 2023 and 2022 (see Note 7)

*(2)* As of June 16, 2019, as per Note GD-5879/09, the percentage for the minimum legal deposit is 12% and 15% in colones and US dollars, respectively. The amount of that legal deposit must be deposited in cash in BCCR in conformity with the current banking legislation. The legal deposit is calculated as a percentage of third-party deposits, which varies based on the term and form of deposit-taking used by the Bank. Additionally, the board of directors of BCCR, in number 6 of Article 5 of Minutes of Meeting No. 5923-2020, held on March 20, 2020, specifies that, during the legal deposit control period, the end-of-day balance of deposits in BCCR must not be less than 90% of the minimum legal deposit required in the second half of the previous month.

As per note BCCR JD-6066/08 dated June 17, 2022, for December the percentage for the minimum legal deposit in colones will be applied as follows:

| Minimum legal deposit rates |
|---|
| 15% |

## (10) Investments in financial instruments

Investments in financial instruments are as follows:

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| Investments at FVTPL | ¢ | 15,875,707,776 | 24,433,857,502 | 38,982,742,698 |
| Investments at FVOCI | | 601,293,113,736 | 585,704,089,628 | 733,715,184,265 |
| Investments at amortized cost | | 930,306,049,972 | 840,653,764,944 | 764,782,580,762 |
| | ¢ | 1,547,474,871,484 | 1,450,791,712,074 | 1,537,480,507,725 |
| Interest rate futures – Hedges | | 35,537,938 | 4,185,715 | 3,440,013,450 |
| Sale of FX futures – Other than hedges | | 89,826,175 | 12,227,870 | - |
| Allowance for impairment of investments | | (2,583,218,360) | (2,930,192,806) | (2,903,877,040) |
| Allowance for impairment of derivative instruments other than hedges | | (2,020,008) | - | - |
| Accrued interest receivable on investments | | 13,941,541,704 | 19,867,240,763 | 12,760,605,874 |
| | ¢ | 1,558,956,538,933 | 1,467,745,173,616 | 1,550,777,250,009 |

### a) *Investments at fair value through profit or loss*

Investments at fair value through profit or loss are as follows:

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| Local issuers | | | | |
| Private banks | | - | - | 110,939,557 |
| Private issuers | | 14,337,176,998 | 20,476,710,400 | 34,338,028,942 |
| | ¢ | 14,337,176,998 | 20,476,710,400 | 34,448,968,499 |

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| Foreign issuers | | | | |
| Private issuers | | 1,538,530,778 | 3,957,147,102 | 4,533,774,199 |
| | | 1,538,530,778 | 3,957,147,102 | 4,533,774,199 |
| | ¢ | 15,875,707,776 | 24,433,857,502 | 38,982,742,698 |

*b)* *Investments at fair value through other comprehensive income*

Investments at fair value through other comprehensive income are as follows:

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| Local issuers | | | | |
| Government of Costa Rica | ¢ | 444,699,569,838 | 404,669,651,038 | 455,364,626,679 |
| BCCR | | 29,923,289,506 | 13,252,898,512 | 34,816,039,808 |
| State-owned banks | | 1,373,608 | (24,500,000) | 1,802,901,677 |
| Private banks | | - | - | 3,667,955,479 |
| Private issuers | | 2,609,797,677 | 2,306,487,720 | 2,566,929,024 |
| | ¢ | 477,234,030,629 | 420,204,537,270 | 498,218,452,667 |

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| Foreign issuers | | | | |
| Governments | ¢ | 25,290,470,617 | 37,513,503,153 | 54,985,651,364 |
| Private issuers | | 48,867,814,155 | 51,069,926,429 | 105,934,025,269 |
| Private banks | | 49,900,798,335 | 76,916,122,776 | 74,577,054,965 |
| | | 124,059,083,107 | 165,499,552,358 | 235,496,731,598 |
| | ¢ | 601,293,113,736 | 585,704,089,628 | 733,715,184,265 |

*c)* *Investments at amortized cost*

Investments at amortized cost are as follows:

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| Local issuers | | | | |
| Government of Costa Rica | ¢ | 250,288,290,490 | 320,405,325,593 | 290,712,097,421 |
| BCCR | | 283,072,036,398 | 73,797,417,371 | 89,746,371,154 |
| Private banks | | 6,496,805,000 | 12,461,193,000 | 7,338,100,000 |
| Private issuers | | 3,900,439,182 | 4,325,361,390 | 3,548,032,803 |
| | ¢ | 543,757,571,070 | 410,989,297,354 | 391,344,601,378 |
| Foreign issuers | | | | |
| Governments | ¢ | 361,629,515,446 | 402,225,250,075 | 358,641,578,065 |
| Private issuers | | 2,772,059,836 | 3,074,135,134 | 8,361,667,373 |
| Private banks | | 22,146,903,620 | 24,365,082,380 | 6,434,733,946 |
| | | 386,548,478,902 | 429,664,467,589 | 373,437,979,384 |
| | ¢ | 930,306,049,972 | 840,653,764,943 | 764,782,580,762 |

As of March 31, 2023, the valuation of investments in financial instruments and restricted financial instruments gave rise to unrealized gains, net of deferred tax, in the amount of ¢5,148,571,444 (December and March 2022: unrealized gains in the amount of ¢20,572,807,920 and ¢8,878,254,946, respectively). The cumulative balance of equity adjustments arising from the valuation of those investments is equivalent to unrealized gains of ¢4,362,813,174 (December and March 2022: unrealized gains in the amount of ¢9,511,384,618 and ¢2,183,168,356, respectively).

The following table shows the rating of investments by classification:

| | | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|---|
| Central Bank of Costa Rica | | | | | |
| | AA+ | ¢ | - | - | 3,000,487,080 |
| | B | | 657,149,172 | 87,700,862,520 | 124,148,996,582 |
| | B+ | | 101,692,478,741 | - | - |
| State-owned bank | | | | | |
| | BB | | - | - | 2,062,978,920 |
| | F1+ | | 1,637,850,000 | 3,636,440,000 | 8,005,582,340 |
| Foreign private banks | | | | | |
| | A | | 10,371,403,142 | 15,947,430,505 | 17,685,822,824 |
| | A2 | | 6,988,160,000 | - | - |
| | A- | | 13,136,911,185 | 18,835,855,917 | 19,235,277,062 |
| | A+ | | 4,887,287,921 | 8,751,341,536 | 8,706,506,633 |
| | AA- | | 3,436,719,414 | 5,418,432,479 | 3,211,693,558 |
| | AAA | | 4,716,984,857 | 9,335,987,584 | 4,704,465,917 |
| | BBB | | 2,293,414,733 | 3,087,954,594 | 5,398,425,484 |
| | BBB- | | 3,318,833,440 | 4,405,018,542 | |
| | BBB+ | | 7,693,527,318 | 8,260,688,298 | 10,892,121,160 |
| | F3 | | | 7,705,472,000 | 13,338,470,541 |
| | P1 | | 2,680,469,479 | 2,925,289,004 | - |
| Foreign private issuers | | | | | |
| | A | | 3,728,936,635 | 5,394,774,104 | 9,328,648,343 |
| | A- | | 12,149,384,935 | 11,795,522,072 | 13,419,001,532 |
| | A+ | | 2,055,877,173 | 12,829,085,529 | 32,804,570,160 |
| | AA | | 2,439,187,423 | 2,811,732,843 | 3,040,955,384 |
| | AA- | | 6,868,911,963 | 1,778,668,182 | 2,160,340,129 |
| | AA+ | | - | - | 4,026,349,427 |
| | AAA | | - | 1,198,953,167 | 1,330,795,375 |
| | BB | | - | - | 201,099,063 |
| | BB+ | | - | 175,932,619 | - |
| | BBB | | 25,360,289,990 | 26,751,790,905 | 37,886,263,702 |
| | BBB- | | 5,821,364,679 | 7,641,206,269 | 16,548,893,647 |
| | BBB+ | | 15,731,674,764 | 16,130,016,034 | 25,577,305,122 |
| Local private issuers | | | | | |
| | B+ | | 7,864,291,050 | 6,789,358,293 | 7,841,804,482 |
| | BB | | 6,342,388,089 | 13,544,186,077 | 26,448,660,243 |
| Government of Costa Rica | | | | | |
| | B | | 62,045,308,367 | 711,768,417,359 | 733,270,206,179 |
| | B2 | | 11,858,130,989 | 11,159,049,529 | 11,715,186,515 |
| | B+ | | 619,024,291,756 | - | 3,288,018,862 |
| Foreign governments | | | | | |
| | A | | 565,431,041 | 725,667,852 | 538,938,036 |
| | AA+ | | 354,701,819,489 | 399,568,790,691 | 375,575,065,028 |
| | P1 | | 21,660,972,328 | 23,688,409,085 | 3,323,702,852 |
| Unrated | | | | | |
| | N/A | | 225,745,421,324 | 20,450,425,494 | 8,763,875,545 |
| | | ¢ | 1,547,474,871,475 | 1,450,212,759,082 | 1,537,480,507,724 |

(Continued)

(11) Derivative financial instruments

The Conglomerate holds the following types of derivative financial instruments:

✓ *Derivatives as risk hedging instruments*

The Conglomerate obtained interest rate hedges to hedge exposure to the LIBOR rate on international debt issues 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:

| | | March 2023 | | | |
|---|---|---|---|---|---|
| Issuing bank | | Notional amount | | Valuation | Purpose |
| JP Morgan | US$ | 45,833,000 | US$ | (1,090,012) | Swaps to hedge 10-year |
| Bank of America | | 128,631,000 | | (3,059,136) | issues (maturing in |
| | US$ | 174,464,000 | US$ | (4,149,148) | 2023) |
| Amount in colones o | ¢ | 95,248,620,800 | ¢ | (2,265,227,247) | |
| Chicago Board of Trade | US$ | 10,200,000 | US$ | 40,274 | Standardized futures contracts (maturing in |
| Amount in colones | ¢ | 5,568,690,000 | ¢ | 21,987,290 | 2023) |

| | | December 2022 | | | |
|---|---|---|---|---|---|
| Issuing bank | | Notional amount | | Valuation | Purpose |
| JP Morgan | US$ | 45,833,000 | US$ | (1,099,733) | Swaps to hedge 10-year |
| Bank of America | | 128,631,000 | | (3,086,417) | issues (maturing in |
| | US$ | 174,464,000 | US$ | (4,186,150) | 2023) |
| Amount in colones | ¢ | 105,025,583,360 | ¢ | (2,520,020,583) | |
| Chicago Board of Trade | US$ | 8,900,000 | US$ | (5,141) | Standardized futures contracts (maturing in |
| Amount in colones | ¢ | 5,357,711,000 | ¢ | (3,094,602) | 2023) |

(Continued)

| | | March 2022 | | | |
|---|---|---|---|---|---|
| Issuing bank | | Notional amount | | Valuation | Purpose |
| Citibank | US$ | 100,000,000 | US$ | 1,596,048 | Swaps to hedge 10-year issues (maturing in 2023) |
| JP Morgan | | 46,533,000 | | 742,689 | |
| Bank of America | | 173,588,000 | | 2,770,549 | |
| | US$ | 320,121,000 | US$ | 5,109,286 | |
| Amount in colones | ¢ | 213,552,719,100 | ¢ | 3,408,404,918 | |
| Chicago Board of Trade | US$ | 8,700,000 | US$ | (31,750) | Standardized futures contracts (maturing in 2022) |
| Amount in colones | ¢ | 5,803,770,000 | ¢ | (21,180,425) | |

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

For purposes of the valuation the aforementioned interest rate swaps, the Conglomerate elected to apply the “Fair Value Hedge Method,” while the “Dollar Offset Method” is used to test hedge effectiveness. The latter method was defined by SUGEF and prescribes that effectiveness is to be assessed retrospectively. A hedge is considered highly effective if the ratio of the changes in the derivative and primary instruments ranges between 80% and 125%.

The effectiveness of the valuation of derivative financial instruments is as follows:

| | Rate of effectiveness | | |
|---|---|---|---|
| | March 2023 | December 2022 | March 2022 |
| 10-year issue (maturing in 2023) | 42.90% | 23.67% | 104.25% |

The linear regression methodology is taken into account to measure the effectiveness of the derivative financial instrument, reflecting a result of 0.99, which is above the lowest threshold of 0.8, for which the hedge is effective.

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 March 31, 2023 and 2022
- 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

(Continued)

- 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.

As of March 31, standardized futures contracts were negotiated as part of the management of the financial derivatives portfolio as follows:

| | March 2023 | |
|---|---|---|
| | US dollars | Colones |
| Notional amount | 10,200,000 | 5,568,690,000 |
| *Valuation* | | |
| Positive valuation | 65,094 | 35,537,938 |
| Negative valuation | (24,820) | (13,550,648) |
| Net valuation | 40,274 | 21,987,290 |

| | December 2022 | |
|---|---|---|
| | US dollars | Colones |
| Notional amount | 8,900,000 | 5,357,711,000 |
| *Valuation* | | |
| Positive valuation | 6,953 | 4,185,715 |
| Negative valuation | (12,094) | (7,280,317) |
| Net valuation | (5,141) | (3,094,602) |

| | March 2022 | |
|---|---|---|
| | US dollars | Colones |
| Notional amount | 8,700,000 | 5,803,770,000 |
| *Valuation* | | |
| Positive valuation | 47,382 | 31,608,532 |
| Negative valuation | (79,132) | (52,788,957) |
| Net valuation | (31,750) | (21,180,425) |

As of March 31, the total notional amount (swaps and standardized futures contracts) and its valuation is as follows:

| | Marzo 2023 | |
|---|---|---|
| | US dollars | Colones |
| Notional amount | 174,464,000 | 95,248,620,800 |
| *Valuation* | | |
| Negative Valuation | (4,149,148) | (2,265,227,247) |
| Net valuation | (4,149,148) | (2,265,227,247) |

| | December 2022 | |
|---|---|---|
| | US dollars | Colones |
| Notional amount | 174,464,000 | 105,025,583,360 |
| *Valuation* | | |
| Negative Valuation | (4,186,150) | (2,520,020,583) |
| Net valuation | (4,186,150) | (2,520,020,583) |

| | March 2022 | |
|---|---|---|
| | US dollars | Colones |
| Notional amount | 320,121,000 | 213,552,719,100 |
| *Valuation* | | |
| Positive Valuation | 5,109,286 | 3,408,404,918 |
| Net valuation | 5,109,286 | 3,408,404,918 |

✓ *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.

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.

(Continued)

As of March 31, 2023, the total notional amounts of forwards contracts are as follows

| | | March 2023 | | December 2022 | |
|---|---|---|---|---|---|
| | | US dollars | Colones | US dollars | Colones |
| Total notional amount | ¢ | 4,150,000 | 2,265,692,500 | 250,000 | 150,497,500 |
| *Valuation* | | | | | |
| Positive Valuation | | - | 89,826,175 | - | 12,227,870 |
| Net valuation | ¢ | - | 89,826,175 | - | 12,227,870 |

As of March 31, 2022, there were no notional amounts or forwards contracts.

The total notional amount (swaps, standardized futures contracts and forwards contracts) and its valuation as of March 31, is as follows:

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| Total notional amount | ¢ | 103,083,003,300 | 110,533,791,860 | 219,356,489,100 |
| *Positive valuation* | | | | |
| Swaps | | - | - | 3,408,404,918 |
| Standardized futures contracts | | 35,537,938 | 4,185,715 | 31,608,532 |
| Forwards contracts | | 89,826,175 | 12,227,870 | - |
| | | 125,364,113 | 16,413,585 | 3,440,013,450 |
| Negative valuation | | | | |
| Swaps | | (2,265,227,247) | (2,520,020,583) | - |
| Standardized futures contracts | | (13,550,648) | (7,280,317) | (52,788,957) |
| | | (2,278,777,895) | (2,527,300,900) | (52,788,957) |
| Net valuation | ¢ | (2,153,413,782) | (2,510,887,315) | 3,387,224,493 |

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

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| Gains on derivative financial instruments | ¢ | 1,135,834,265 | 5,985,148,376 | 2,022,994,595 |
| Losses on derivative financial instruments | | (1,016,861,586) | (12,979,298,545) | (6,306,194,920) |
| Net (losses) gains | ¢ | 118,972,679 | (6,994,150,169) | (4,283,200,325) |

(Continued)

(12) Loan portfolio

*(a) Loan portfolio by sector*

The loan portfolio by sector is as follows:

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| Trade | ¢ | 380,345,106,931 | 342,969,138,183 | 355,433,400,881 |
| Services *(1)* | | 1,053,206,653,789 | 1,095,059,447,030 | 1,079,651,260,747 |
| Financial services *(1)* | | 112,235,297,515 | 109,720,870,239 | 87,434,340,058 |
| Mining | | 389,612,659 | 398,427,532 | 437,669,385 |
| Manufacturing and quarrying | | 173,143,409,896 | 178,994,270,719 | 169,939,856,613 |
| Construction | | 63,823,789,780 | 61,758,622,977 | 88,885,194,458 |
| Agriculture and forestry | | 104,269,633,553 | 103,712,943,915 | 113,948,665,681 |
| Livestock, hunting and fishing | | 73,866,358,206 | 73,772,137,199 | 71,706,079,302 |
| Electricity, water, sanitation and other related sectors | | 404,538,153,265 | 418,966,686,202 | 464,169,724,787 |
| Transportation and telecommunications | | 41,170,840,526 | 40,346,931,588 | 43,650,961,048 |
| Housing | | 1,437,096,604,006 | 1,444,538,734,270 | 1,383,461,588,859 |
| Personal or consumer loans | | 582,246,876,218 | 566,079,512,647 | 505,004,016,771 |
| Tourism | | 248,684,910,389 | 269,338,328,270 | 278,876,252,791 |
| Total direct loans | | 4,675,017,246,733 | 4,705,656,050,771 | 4,642,599,011,381 |
| Incremental direct costs related to loans | | 5,889,421,640 | 5,755,898,412 | 4,141,747,933 |
| (Deferred income from loan portfolio) | | (42,986,604,925) | (41,927,136,381) | (36,548,974,253) |
| Accrued interest receivable | | 100,787,575,029 | 102,173,613,358 | 110,866,530,065 |
| Allowance for loan losses | | (139,499,236,399) | (139,365,727,145) | (151,587,064,342) |
| Loan portfolio | ¢ | 4,599,208,402,078 | 4,632,292,699,015 | 4,569,471,250,784 |

*(1)* As of March 31, 2023, the portfolio purchased by the Bank amounts to ¢97,765,284,763 distributed among the services and financial services sectors.

(Continued)

Annual interest rates on loans receivable are as follows:

| | March 2023 | | December 2022 | | March 2022 | |
|---|---|---|---|---|---|---|
| Currency | Rates | Average *(1)* | Rates | Average *(1)* | Rates | Average *(1)* |
| Colones | 0.55% to 45.00% | 14.04% | 0,55% to 45.00% | 13.60% | 0.55% to 45.00% | 12.15% |
| US dollars | 1.45% to 28.71% | 11.10% | 1,45% to 28.00% | 10.96% | 0.80% to 29.00% | 7.95% |
| DU | 3.85% to 9.91% | 4.74% | 3,85% to 10.00% | 5.81% | 3.85% to 10.00% | 5.68% |

*(1)* Simple average of the minimum and maximum values of the portfolio as of March 31, 2023 and 2022.

*(b)* *Loan portfolio by arrears*

The loan portfolio by arrears is as follows:

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| Current | ¢ | 4,416,740,656,927 | 4,422,303,618,346 | 4,358,513,044,196 |
| 1 to 30 days | | 61,781,688,447 | 63,091,714,270 | 68,517,864,112 |
| 31 to 60 days | | 84,186,571,496 | 68,068,728,025 | 69,842,182,595 |
| 61 to 90 days | | 11,864,272,798 | 28,917,000,212 | 23,930,237,898 |
| 91 to 120 days | | 5,000,370,029 | 7,245,310,645 | 7,859,142,153 |
| 121 to 180 days | | 10,303,461,414 | 22,972,652,418 | 10,147,782,075 |
| More than 180 days | | 85,140,225,622 | 93,057,026,855 | 103,788,758,352 |
| | | 4,675,017,246,733 | 4,705,656,050,771 | 4,642,599,011,381 |
| Incremental direct costs related to loans | | 5,889,421,640 | 5,755,898,412 | 4,141,747,933 |
| (Deferred income from loan portfolio) | | (42,986,604,925) | (41,927,136,381) | (36,548,974,253) |
| Accrued interest receivable | | 100,787,575,029 | 102,173,613,358 | 110,866,530,065 |
| Allowance for loan losses | | (139,499,236,399) | (139,365,727,145) | (151,587,064,342) |
| | ¢ | 4,599,208,402,078 | 4,632,292,699,015 | 4,569,471,250,784 |

*(c)* *Allowance for loan losses*

For the three months ended March 31, movement in the allowance for loan losses is as follows:

| | | March 2023 | March 2022 |
|---|---|---|---|
| Opening balance | ¢ | 139,365,727,145 | 135,831,283,295 |
| Allowance expense for the period (Note 39) | | 11,245,212,208 | 21,037,082,745 |
| Write-offs | | (7,097,267,768) | (6,948,491,131) |
| Decrease in allowance | | - | (81,428) |
| Foreign exchange differences | | (4,014,435,185) | 1,667,270,861 |
| Closing balance | ¢ | 139,499,236,399 | 151,587,064,342 |

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 stand-by credits*

For the three months ended March 31, the allowance for stand-by credits is as follows:

| | | March 2023 | March 2022 |
|---|---|---|---|
| Opening balance | ¢ | 1,186,743,415 | 862,169,136 |
| Allowance expense for the year (Note 36) | | - | 300,000,000 |
| Foreign exchange differences | | (76,967,643) | 28,884,972 |
| Closing balance | ¢ | 1,109,775,772 | 1,191,054,108 |

(13) Accounts and fees and commissions receivable

Accounts and fees and commissions receivable are as follows:

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| Fees and commissions | ¢ | 1,814,394,829 | 1,800,614,015 | 2,296,823,392 |
| Accounts due from employees | | 21,022,827 | 14,608,355 | 23,041,905 |
| Deferred tax (Note 21-b) | | 4,997,655,980 | 7,524,931,381 | 2,760,981,421 |
| Income tax receivable *(1)* | | 95,484,620 | 348,610,077 | 75,006,951 |
| Value added tax | | 14,954,651 | 23,656,842 | 14,503,876 |
| Sundry accounts receivable related to credit cards | | 398,744,123 | 463,439,223 | 406,985,161 |
| Other expenses receivable | | 22,364,714 | 22,769,687 | 23,240,204 |
| Credit fraud | | 742,752,108 | 742,752,108 | 742,752,108 |
| Other accounts receivable | | 1,707,875,188 | 1,890,199,082 | 1,965,524,990 |
| Items due from or applicable to third parties | | 232,717,326 | - | - |
| Cash collectors | | 216,908,645 | - | - |
| Misappropriation and theft | | 1,461,494,361 | 1,464,986,868 | 1,522,990,867 |
| Accrued interest receivable on other sundry accounts receivable | | 771,102 | 725,933 | 1,994,645 |
| Allowance for impairment of accounts receivable | | (4,328,820,699) | (4,329,683,075) | (4,101,217,187) |
| | ¢ | 7,398,319,775 | 9,967,610,496 | 5,732,628,333 |

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

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| Banco Nacional de Costa Rica | ¢ | 30,497,211 | 145,577,899 | 32,134,308 |
| BN Vital Operadora de Planes de Pensiones Complementarias, S.A. | | - | 20,521 | 11,014 |
| BN Sociedad Corredora de Seguros, S.A. | | 64,987,409 | 203,011,657 | 42,861,629 |
| | ¢ | 95,484,620 | 348,610,077 | 75,006,951 |

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

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| Opening balance | ¢ | 4,329,683,075 | 4,073,541,909 | 4,073,541,909 |
| Allowance expense (Note 39) | | 319,972,962 | 2,064,918,116 | 218,406,814 |
| Decrease in allowance (Note 40) | | (163,433,566) | (786,561,237) | (135,093,874) |
| Write-offs | | (117,168,036) | (977,168,662) | (69,802,337) |
| Foreign exchange differences | | (40,233,736) | (45,047,051) | 14,164,675 |
| Closing balance | ¢ | 4,328,820,699 | 4,329,683,075 | 4,101,217,187 |

(14) Assets held for sale

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

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| Assets acquired in lieu of payment | ¢ | 97,057,395,852 | 98,126,485,936 | 94,194,414,101 |
| Idle property, furniture and equipment | | 55,884,628 | 55,884,628 | 55,884,629 |
| Allowance for impairment of assets held for sale and per legal requirements | | (58,245,915,570) | (60,686,913,169) | (58,974,755,750) |
| | ¢ | 38,867,364,910 | 37,495,457,395 | 35,275,542,980 |

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

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| Opening balance | ¢ | 60,686,913,169 | 58,895,478,390 | 58,895,478,390 |
| Allowance expense (Note 43) | | 5,307,861 | 7,860,283,102 | 1,563,542,962 |
| Decrease in allowance | | (2,446,305,460) | (6,068,848,323) | (1,484,265,602) |
| Closing balance | ¢ | 58,245,915,570 | 60,686,913,169 | 58,974,755,750 |

## (15) Investments in other companies

Investments in other companies are as follows:

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| Investment in other financial and non-financial entities *(1)* | ¢ | 50,623,300 | 50,623,300 | 50,623,300 |
| Banco Internacional de Costa Rica, S.A. and Subsidiary (BICSA) *(2)* | | 67,283,617,349 | 73,316,076,275 | 79,649,532,456 |
| | ¢ | 67,334,240,649 | 73,366,699,575 | 79,700,155,756 |

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

| | | March 2023 | December 2022 | March 2022 | Concept |
|---|---|---|---|---|---|
| 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 Art 24 Ley 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 |
| | ¢ | 50,623,300 | 50,623,300 | 50,623,300 | |

*(2)* The Bank holds 49% ownership interest in BICSA, which for 2023 and 2022 is represented by 6,506,563 ordinary shares with a par value of US$10.

(Continued)

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

### *a) Historical cost and depreciation*

Property, furniture and equipment is as follows:

| | | March 2023 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Land | Buildings | Furniture and equipment | Computer hardware | Vehicles | Total |
| *Cost:* | | | | | | | |
| Historical cost at beginning of period | ¢ | 4,281,149,678 | 73,195,840,170 | 77,142,375,451 | 52,779,484,353 | 283,116,885 | 207,681,966,537 |
| Revalued cost at beginning of period | | 49,667,757,458 | 65,580,690,063 | (7,662,255) | (32,078,911) | - | 115,208,706,355 |
| Additions | | - | 44,529,950 | 308,585,914 | 462,590,901 | - | 815,706,765 |
| Disposals | | - | - | (403,062,508) | (1,618,935,113) | - | (2,021,997,621) |
| Closing balance | | 53,948,907,136 | 138,821,060,183 | 77,040,236,602 | 51,591,061,230 | 283,116,885 | 321,684,382,036 |
| *Accumulated depreciation:* | | | | | | | |
| Opening balance | | - | 53,833,621,251 | 47,672,251,728 | 42,640,291,354 | 164,152,940 | 144,310,317,273 |
| Depreciation expense on historical cost | | - | 390,452,253 | 1,934,657,423 | 942,244,394 | 4,061,318 | 3,271,415,388 |
| Depreciation expense on revalued cost | | - | 191,624,139 | - | - | - | 191,624,139 |
| Disposals | | - | - | (367,032,558) | (1,617,639,032) | - | (1,984,671,590) |
| Closing balance | ¢ | - | 54,415,697,643 | 49,239,876,593 | 41,964,896,716 | 168,214,258 | 145,788,685,210 |
| Net closing balance | ¢ | 53,948,907,136 | 84,405,362,540 | 27,800,360,009 | 9,626,164,514 | 114,902,627 | 175,895,696,826 |

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

| | | December 2022 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Land | Buildings | Furniture and equipment | Computer hardware | Vehicles | Total |
| *Cost:* | | | | | | | |
| Historical cost at beginning of period | ¢ | 4,281,149,677 | 72,438,846,477 | 72,850,199,952 | 52,323,902,443 | 405,181,156 | 202,299,279,705 |
| Revalued cost at beginning of period | | 49,374,508,222 | 65,580,690,063 | (10,462,254) | (34,287,876) | - | 114,910,448,155 |
| Additions | | - | 756,993,692 | 8,980,137,897 | 3,752,714,555 | 1,500,000 | 13,491,346,144 |
| Disposals | | 293,249,237 | - | - | - | - | 293,042,080 |
| Sales | | - | - | (4,688,093,450) | (3,296,881,594) | - | (7,984,975,044) |
| Adjustments | | - | - | - | - | (123,564,271) | (123,564,271) |
| Reclassifications | | - | - | 2,680,000 | 2,208,965 | - | 4,888,965 |
| Closing balance | | - | - | 251,051 | (251,051) | - | - |
| *Accumulated depreciation*: | | 53,948,907,136 | 138,776,530,232 | 77,134,713,196 | 52,747,405,442 | 283,116,885 | 322,890,672,891 |
| Opening balance | | | | | | | |
| Depreciation expense on historical cost | | - | 51,251,241,262 | 44,854,279,721 | 41,725,835,190 | 271,403,052 | 138,102,759,225 |
| Depreciation expense on revalued cost | | - | 1,611,532,572 | 7,400,891,710 | 4,147,494,465 | 16,314,159 | 13,176,232,906 |
| Disposals | | - | 970,847,417 | - | - | - | 970,847,417 |
| Sales | | - | - | (4,583,170,754) | (3,232,787,250) | - | (7,815,958,004) |
| Adjustments | | - | - | - | - | (123,564,271) | (123,564,271) |
| Reclassifications | | - | - | 251,051 | (251,051) | - | - |
| Closing balance | ¢ | - | 53,833,621,251 | 47,672,251,728 | 42,640,291,354 | 164,152,940 | 144,310,317,273 |
| Net closing balance | ¢ | 53,948,907,136 | 84,942,908,981 | 29,462,461,468 | 10,107,114,088 | 118,963,945 | 178,580,355,618 |

(Continued)

| | | March 2022 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Land | Buildings | Furniture and equipment | Computer hardware | Vehicles | Total |
| *Cost:* | | | | | | | |
| Historical cost at beginning of period | ¢ | 4,281,149,677 | 72,438,846,477 | 72,850,199,952 | 52,323,902,442 | 405,181,156 | 202,299,279,704 |
| Revalued cost at beginning of period | | 49,374,508,221 | 65,580,690,063 | (10,462,254) | (34,287,874) | - | 114,910,448,156 |
| Additions | | - | - | 693,738,901 | 39,320,373 | - | 733,059,274 |
| Disposals | | - | - | (1,799,431,048) | (38,792,317) | - | (1,838,223,365) |
| Reclassifications | | - | - | 875,206 | - | - | 875,206 |
| Closing balance | | 53,655,657,898 | 138,019,536,540 | 71,734,920,757 | 52,290,142,624 | 405,181,156 | 316,105,438,975 |
| *Accumulated depreciation:* | | | | | | | |
| Opening balance | | - | 51,251,241,262 | 44,854,279,722 | 41,725,835,190 | 271,403,052 | 138,102,759,226 |
| Depreciation expense on historical cost | | - | 401,794,262 | 1,774,761,410 | 1,038,011,067 | 4,023,821 | 3,218,590,560 |
| Depreciation expense on revalued cost | | - | 219,281,804 | - | - | - | 219,281,804 |
| Disposals | | - | - | (1,791,504,804) | (38,792,317) | - | (1,830,297,121) |
| Closing balance | ¢ | - | 51,872,317,328 | 44,837,536,328 | 42,725,053,940 | 275,426,873 | 139,710,334,469 |
| Net closing balance | ¢ | 53,655,657,898 | 86,147,219,212 | 26,897,384,429 | 9,565,088,684 | 129,754,283 | 176,395,104,506 |

(Continued)

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***

The right of use assets comprise the lease of building and vehicles, as follows:

| | | March 2023 | | |
|---|---|---|---|---|
| | | Right-of-use of building | Right-of-use of vehicles | Total |
| *Cost:* | | | | |
| Historical cost at beginning of period | ¢ | 38,679,978,342 | 142,975,127 | 38,822,953,469 |
| Adjustments | | 356,340,607 | - | 356,340,607 |
| Closing balance | | 39,036,318,949 | 142,975,127 | 39,179,294,076 |
| *Accumulated depreciation:* | | | | |
| Opening balance | | 10,915,631,416 | 119,411,840 | 11,035,043,256 |
| Depreciation expense on historical cost | | 708,095,798 | 8,836,231 | 716,932,029 |
| Adjustments | | 1,316,756 | - | 1,316,756 |
| Closing balance | | 11,625,043,970 | 128,248,071 | 11,753,292,041 |
| Net closing balance | ¢ | 27,411,274,979 | 14,727,056 | 27,426,002,035 |

| | | December 2022 | | |
|---|---|---|---|---|
| | | Right-of-use of building | Right-of-use of vehicles | Total |
| *Cost:* | | | | |
| Historical cost at beginning of period | ¢ | 38,662,163,871 | 107,630,182 | 38,769,794,053 |
| Additions | | 716,822,874 | - | 716,822,874 |
| Revaluation of assets | | (37,094,502) | - | (37,094,502) |
| Disposals | | (965,626,670) | - | (965,626,670) |
| Adjustments | | 303,712,771 | 35,344,945 | 339,057,716 |
| Closing balance | | 38,679,978,344 | 142,975,127 | 38,822,953,471 |
| *Accumulated depreciation:* | | | | |
| Opening balance | | 8,604,657,643 | 88,061,098 | 8,692,718,741 |
| Depreciation expense on historical cost | | 2,854,742,747 | 31,350,741 | 2,886,093,488 |
| Disposals | | (458,900,351) | - | (458,900,351) |
| Adjustments | | (84,868,622) | - | (84,868,622) |
| Closing balance | | 10,915,631,417 | 119,411,839 | 11,035,043,256 |
| Net closing balance | ¢ | 27,764,346,927 | 23,563,288 | 27,787,910,215 |

(Continued)

| | | March 2022 | | |
|---|---|---|---|---|
| | | Right-of-use of building | Right-of-use of vehicles | Total |
| *Cost:* | | | | |
| Historical cost at beginning of period | ¢ | 38,662,163,871 | 107,630,182 | 38,769,794,053 |
| Additions | | 18,735,897 | - | 18,735,897 |
| Revaluation of assets | | (42,700,172) | - | (42,700,172) |
| Disposals | | (263,548,012) | - | (263,548,012) |
| Adjustments | | (201,319,041) | - | (201,319,041) |
| Closing balance | | 38,173,332,543 | 107,630,182 | 38,280,962,725 |
| *Accumulated depreciation:* | | | | |
| Opening balance | | 8,604,657,644 | 88,061,093 | 8,692,718,737 |
| Depreciation expense on historical cost | | 700,048,214 | 7,338,425 | 707,386,639 |
| Disposals | | 322,739 | - | 322,739 |
| Adjustments | | (16,394) | - | (16,394) |
| Reclassifications | | (201,319,041) | - | (201,319,041) |
| Closing balance | | 9,103,693,162 | 95,399,518 | 9,199,092,680 |
| Net closing balance | ¢ | 29,069,639,381 | 12,230,664 | 29,081,870,045 |

c) *Lease liabilities*

i. *Amounts recognized in profit or loss*

The amounts recognized in profit or loss are as follows:

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| Interest on lease liability | ¢ | 770,390,6877 | 3,601,050,576 | 818,679,217 |
| Expenses for leases of low-value assets, excluding short-term assets | ¢ | 178,824,549 | 719,978,467 | 117,817,272 |

ii. *Amounts recognized in the statement of cash flows*

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

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| Cash outflows for leases | ¢ | (502,159,634) | (2,975,953,849) | 485,453,024 |

## (17) Other assets

Other assets are as follows:

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| *Deferred charges:* | | | | |
| Leasehold improvements *(1)* | ¢ | 3,896,206 | 4,925,965 | 8,068,372 |
| Cost of issue of financial instruments, net *(2)* | | 65,478,490 | 102,345,247 | 210,117,408 |
| Cost of subordinated debt project | | 23,999,809 | 28,212,520 | 37,725,819 |
| Other deferred charges | | 10,646,972,188 | 14,195,002,205 | 24,839,092,256 |
| | | 10,740,346,694 | 14,330,485,937 | 25,095,003,855 |
| *Intangible assets:* | | | | |
| Software *(3)* | | 7,563,253,969 | 8,968,845,348 | 8,498,771,306 |
| Other intangible assets *(3)* | | 8,831,483 | 8,831,483 | 8,398,801 |
| | | 7,572,085,452 | 8,977,676,831 | 8,507,170,107 |
| *Other assets:* | | | | |
| Prepaid taxes | | 5,736,030,783 | 25,673,751,490 | 7,375,798,341 |
| Prepaid insurance policy | | 338,949,562 | 228,429,816 | 301,284,382 |
| Other prepaid expenses | | 6,993,011,386 | 5,349,770,814 | 7,374,721,739 |
| Stationery, office supplies and other materials | | 859,843,970 | 1,013,805,560 | 772,508,973 |
| Leased assets | | 118,363,741 | 118,708,632 | 119,762,467 |
| Library and artwork | | 404,704,948 | 404,704,948 | 404,704,948 |
| Construction work in progress | | 237,781,136 | 214,941,893 | 1,594,243,517 |
| Automated applications under development | | 143,126,460 | 143,126,460 | 170,702,974 |
| Payments to welfare and trade associations | | 350,000 | 350,000 | 350,000 |
| Other sundry assets | | 153,486,106 | 153,486,106 | 158,557,669 |
| Operations pending settlement | | 11,452,805,442 | 11,988,708,377 | 5,340,833,094 |
| Other operations pending application | | 195,121,988 | 113,620,383 | 124,291,838 |
| Security deposits (Note 7) | | 359,727,804 | 320,427,052 | 563,769,159 |
| Legal and administrative deposits (Note 7) | | 213,771,585 | 212,454,762 | 166,821,731 |
| | | 27,207,074,911 | 45,936,286,293 | 24,468,350,832 |
| | ¢ | 45,519,507,057 | 69,244,449,061 | 58,070,524,794 |

*(1)* As of March 31, 2023, the amortization expense for leasehold improvements amounts to ¢1,029,759 (December and March 2022: ¢4,831,259 and ¢1,688,851, respectively).

*(2)* As of March 31, the costs of issue of financial instruments are as follows:

| | | March 2023 | | |
|---|---|---|---|---|
| | | 5-year issue (maturing in 2021) | 10-year issue (maturing in 2023) | Total |
| Commission - structuring banks | ¢ | 272,975,000 | 272,975,000 | 545,950,000 |
| Commission - Moody's Investors Service | | 136,487,500 | 136,487,500 | 272,975,000 |
| Commission - Société de la Bourse de Luxembourg S.A. | | 6,672,055 | 6,672,055 | 13,344,110 |
| RR Donnelley | | 5,976,515 | 5,976,492 | 11,953,007 |
| BNY Mellon | | 2,158,140 | 2,158,141 | 4,316,281 |
| Moody's issuer rating | | 18,070,945 | 18,070,945 | 36,141,890 |
| Fitch Ratings | | 136,487,500 | 136,487,500 | 272,975,000 |
| Milbank | | 80,342,002 | 80,342,002 | 160,684,004 |
| Shearman & Sterling | | 80,446,278 | 80,446,279 | 160,892,557 |
| External audit | | 103,730,500 | 103,730,500 | 207,461,000 |
| | | 843,346,435 | 843,346,414 | 1,686,692,849 |
| Amortization | | (843,346,435) | (777,867,924) | (1,621,214,359) |
| | ¢ | - | 65,478,490 | 65,478,490 |

| | | December 2022 | | |
|---|---|---|---|---|
| | | 5-year issue (maturing in 2021) | 10-year issue (maturing in 2023) | Total |
| Commission - structuring banks | ¢ | 300,995,000 | 300,995,000 | 601,990,000 |
| Commission - Moody's Investors Service | | 150,497,500 | 150,497,500 | 300,995,000 |
| Commission - Société de la Bourse de Luxembourg S.A. | | 7,356,921 | 7,356,921 | 14,713,841 |
| RR Donnelley | | 6,589,985 | 6,589,960 | 13,179,945 |
| BNY Mellon | | 2,379,667 | 2,379,666 | 4,759,333 |
| Moody's issuer rating | | 19,925,869 | 19,925,869 | 39,851,738 |
| Fitch Ratings | | 150,497,500 | 150,497,500 | 300,995,000 |
| Milbank | | 88,588,848 | 88,588,849 | 177,177,697 |
| Shearman & Sterling | | 88,703,828 | 88,703,828 | 177,407,656 |
| External audit | | 114,378,100 | 114,378,101 | 228,756,201 |
| | | 929,913,217 | 929,913,192 | 1,859,826,410 |
| Amortization | | (929,913,217) | (827,567,946) | (1,757,481,163) |
| | ¢ | - | 102,345,246 | 102,345,247 |

| | | March 2022 | | |
|---|---|---|---|---|
| | | 5-year issue (maturing in 2021) | 10-year issue (maturing in 2023) | Total |
| Commission - structuring banks | ¢ | 333,550,000 | 333,550,000 | 667,100,000 |
| Commission - Moody's Investors Service | | 166,775,000 | 166,775,000 | 333,550,000 |
| Commission - Société de la Bourse de Luxembourg S.A. | | 8,152,629 | 8,152,629 | 16,305,258 |
| RR Donnelley | | 7,302,717 | 7,302,744 | 14,605,461 |
| BNY Mellon | | 2,637,046 | 2,637,046 | 5,274,092 |
| Moody's issuer rating | | 22,081,010 | 22,081,010 | 44,162,020 |
| Fitch Ratings | | 166,775,000 | 166,775,000 | 333,550,000 |
| Milbank | | 98,170,436 | 98,170,436 | 196,340,872 |
| Shearman & Sterling | | 98,297,852 | 98,297,852 | 196,595,704 |
| External audit | | 126,749,027 | 126,748,974 | 253,498,001 |
| | | 1,030,490,717 | 1,030,490,691 | 2,060,981,408 |
| Amortization | | (1,030,490,717) | (820,373,283) | (1,850,864,000) |
| | ¢ | - | 210,117,408 | 210,117,408 |

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

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

| | | March 2023 | | |
|---|---|---|---|---|
| | | Software | Other intangible assets | Total |
| *Cost:* | | | | |
| Opening balance | ¢ | 39,900,777,789 | 8,831,483 | 39,909,609,272 |
| Additions | | 134,718,013 | 8,831,483 | 143,549,496 |
| Disposals | | (4,605,227,459) | - | (4,605,227,459) |
| Adjustments | | - | (8,831,483) | (8,831,483) |
| Closing balance | | 35,430,268,343 | 8,831,483 | 35,439,099,826 |
| *Accumulated amortization:* | | | | |
| Opening balance | | 30,931,932,440 | - | 30,931,932,440 |
| Expense for the period | | 1,500,313,331 | 8,831,483 | 1,509,144,814 |
| Disposals | | (4,551,308,045) | - | (4,551,308,045) |
| Adjustments | | (13,923,352) | (8,831,483) | (22,754,835) |
| Closing balance | | 27,867,014,374 | - | 27,867,014,374 |
| Net closing balance | ¢ | 7,563,253,969 | 8,831,483 | 7,572,085,452 |

| | | December 2022 | | |
|---|---|---|---|---|
| | | Software | Other intangible assets | Total |
| *Cost:* | | | | |
| Opening balance | ¢ | 35,209,164,296 | 50,494,355 | 35,259,658,651 |
| Additions | | 5,534,205,217 | 35,832,956 | 5,570,038,173 |
| Disposals | | (796,116,331) | (42,095,559) | (838,211,890) |
| Adjustments | | (46,475,393) | (35,400,268) | (81,875,661) |
| Closing balance | | 39,900,777,789 | 8,831,483 | 39,909,609,273 |
| *Accumulated amortization:* | | | | |
| Opening balance | | 26,045,610,452 | 42,095,559 | 26,087,706,011 |
| Expense for the year | | 5,603,292,401 | 35,325,934 | 5,638,618,335 |
| Disposals | | (667,390,964) | (42,095,559) | (709,486,523) |
| Reclassifications | | (49,579,447) | (35,325,935) | (84,905,382) |
| Adjustments | | 30,931,932,442 | - | 30,931,932,442 |
| Closing balance | ¢ | 8,968,845,348 | 8,831,483 | 8,977,676,831 |

| | | March 2022 | | |
|---|---|---|---|---|
| | | Software | Other intangible assets | Total |
| *Cost:* | | | | |
| Opening balance | ¢ | 35,209,164,296 | 50,494,352 | 35,259,658,648 |
| Additions | | 563,005,642 | 8,398,795 | 571,404,437 |
| Disposals | | (10,659,270) | - | (10,659,270) |
| Reclassifications | | - | (8,398,789) | (8,398,789) |
| Closing balance | | 35,761,510,668 | 50,494,358 | 35,812,005,026 |
| *Accumulated amortization:* | | | | |
| Opening balance | | 26,045,610,450 | 42,095,559 | 26,087,706,009 |
| Expense for the period | | 1,227,788,180 | 8,398,792 | 1,236,186,972 |
| Reclassifications | | (10,659,270) | (8,398,792) | (19,058,062) |
| Closing balance | | 27,262,739,360 | 42,095,559 | 27,304,834,919 |
| Net closing balance | ¢ | 8,498,771,308 | 8,398,799 | 8,507,170,107 |

(18) Obligations with the public

Obligations with the public by cumulative amount are as follows:

| | March 2023 | December 2022 | March 2022 |
|---|---|---|---|
| *Demand deposits:* | | | |
| Checking accounts | ¢ 1,947,601,716,410 | 2,043,303,492,671 | 2,159,042,237,491 |
| Certified checks | 945,121,807 | 82,905,436 | 36,531,118 |
| Savings deposits | 2,207,276,564,736 | 2,235,282,084,991 | 2,126,904,893,080 |
| Matured term deposits | 13,745,085,823 | 19,669,968,927 | 19,140,487,754 |
| Other demand deposits | 97,940,478 | 106,460,320 | 121,822,385 |
| Drafts and transfers payable | 53,112,560 | 40,420,863 | 33,562,137 |
| Cashier’s checks | 4,483,519,346 | 4,531,280,930 | 9,277,865,400 |
| Advance collections from customers for credit cards | 11,521,331,025 | 11,663,506,960 | 11,153,516,261 |
| Trust fund obligation | 34,892,561 | 37,235,289 | 18,649,407 |
| | 4,185,759,284,746 | 4,314,717,356,387 | 4,325,729,565,033 |
| *Term deposits:* | | | |
| Deposits from the public | 1,862,695,369,221 | 1,693,242,933,309 | 1,624,616,481,610 |
| Other term deposits | 97,471,125,704 | 97,423,859,878 | 30,562,541,378 |
| | 1,960,166,494,925 | 1,790,666,793,187 | 1,655,179,022,988 |
| *Other obligations with the public:* | | | |
| Finance charges payable | 42,996,337,943 | 36,671,811,687 | 24,507,036,470 |
| | ¢ 6,188,922,117,614 | 6,142,055,961,261 | 6,005,415,624,491 |

As of March 31, 2023, deposits in checking accounts in colones bear interest at a maximum rate of 3.05% per annum on full balances (both December and March 2022: 3.05%, and 1.15% per annum) and at a minimum rate of 0.00% per annum on balances greater than or equal to ¢500,001 (December and March 2022: 0.00% per annum, respectively). Deposits in checking accounts in US dollars bear interest at a maximum rate of 0.20% per annum on full balances (December and March 2022: 0.20% per annum, respectively) and at a minimum rate of 0.00% per annum on balances greater than or equal to US$1,000 (December and March 2022: 0.00% per annum and 0.00% per annum, respectively).

(Continued)

Term deposits correspond to term certificates of deposit in colones, US dollars and euro. As of March 31, term certificates bear annual interest at the following rates:

| Currency | March 2023 | December 2022 | March 2021 |
|---|---|---|---|
| Colones | 4.76% a 9.77% | 4.30% a 9.54% | 0.77% to 5.95% |
| US dollars | 1.36% a 4.72% | 0.10% a 3.80% | 0.10% to 3.80% |

The Conglomerate has term certificates of deposit that are restricted to secure certain loan operations. As of March 31, 2023, the balance of those term certificates of deposit is ¢78,036,722,845 (December and March 2022: ¢82,625,362,702 and ¢80,694,825,700, respectively). 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:

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| Financing of loans using internal funds - BCCR *(i)* | | 158,612,594,399 | 164,570,763,666 | 164,570,763,666 |
| Financing of loans using external funds *(ii)* | ¢ | 125,644,411 | 125,644,412 | 125,644,412 |
| Other term obligations with BCCR | | - | - | 29,600,000,000 |
| Finance charges payable | | 2,487,442,744 | 2,265,548,263 | 1,262,510,263 |
| | ¢ | 161,225,681,554 | 166,961,956,341 | 195,558,918,341 |

*i.* Corresponds to the partial redemption of deferred term operations.

*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 Conglomerate 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.

## (20) Obligations with financial entities

Obligations with financial entities are as follows:

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| *Demand:* | | | | |
| Checking accounts with local financial entities | ¢ | 64,675,748,888 | 43,916,537,730 | 108,023,888,876 |
| Savings deposits with local financial entities | | 31,792,747 | 34,658,874 | 52,224,030 |
| Outstanding checks | | 3,249,560,920 | 1,208,142,711 | 3,145,323,888 |
| Matured term deposits | | 11,287,155 | 61,018,729 | 167,500,000 |
| Checking accounts and obligations with related parties (Note 8) | | 7,279,790 | 44,277,901 | 21,857,553 |
| | | 67,975,669,500 | 45,264,635,945 | 111,410,794,347 |
| *Term:* | | | | |
| Term deposits with local financial entities | | 85,555,082,821 | 87,641,877,298 | 83,547,138,796 |
| Term obligations with foreign financial entities *(2)* | | 95,795,095,513 | 103,761,660,525 | 214,145,567,328 |
| Obligations for funds from the liquidity market | | 42,847,350,000 | 36,675,790,002 | 25,180,509,996 |
| Loans from local financial entities *(3)* | | 101,184,844,340 | 111,571,141,028 | - |
| Loans from foreign financial entities *(3) (4)* | | 29,869,796,817 | 32,276,066,066 | 123,863,392,240 |
| Lease liabilities *(1)* | | - | 33,000,000,000 | 35,632,595,123 |
| Obligations for deferred liquidity operations | | 30,434,850,432 | 31,181,086,370 | 7,445,000,000 |
| Notes payable for BNCR financing | | 157,231,709,774 | 180,863,648,754 | 33,549,764,294 |
| Obligations with funds from the Development Credit Fund | | 542,918,729,697 | 616,971,270,043 | 185,652,284,349 |
| | | - | (103,269,735) | 709,016,252,126 |
| (Deferred fees and commissions on own loan portfolio) | | - | (103,269,735) | (177,238,757) |
| | | 123,637,115 | 77,816,225 | (177,238,757) |
| Charges payable for other demand and term obligations with financial entities – foreign currency | | 123,637,115 | 77,816,225 | 50,060,992 |
| Charges payable for other demand and term obligations with financial entities – local currency | | 1,167,848,860 | 1,025,796,679 | 393,655,880 |
| Charges payable for loans with foreign financial entities *(3)(4)* | | 1,908,744,090 | 509,773,987 | 2,180,437,837 |
| Charges payable for loans with local financial entities *(3)* | | 86,699,052 | 81,717,408 | 43,700,711 |
| Charges payable for term deposits with foreign financial entities *(2)* | | 2,480,432,880 | 1,094,016,546 | 5,561,268,770 |
| | | 5,767,361,997 | 2,789,120,845 | 8,229,124,190 |
| | ¢ | 616,661,761,194 | 664,921,757,098 | 828,478,931,906 |

*(1) Lease liabilities*

As of March 31, 2023, long-term lease liabilities and their current portion amount to ¢7,380,454,833 and US$39,540,315, for a total in colones of ¢28,967,490,003, using an exchange rate of ¢545,95 (2022: ¢7,148,807,318 and US$40,175,051, for a total in colones of ¢31,333,786,038 and ¢35,214,772,504, using an exchange rate of ¢601,99 and 315,81).

Lease operations are as follows:

| | March 2023 | | | March 2022 | | |
|---|---|---|---|---|---|---|
| | No. of operations | Interest rates | Maturity dates | No. of operations | Interest rates | Maturity dates |
| In colones | 19 | 5.56% and 15% per annum | 2023 and 2047 | 17 | 5.56 % and 15.00% per annum | 2022 and 2041 |
| In US dollars | 54 | 3.57% and 8.85% per annum | 2023 and 2041 | 58 | 3.57% and 8.85% per annum | 2022 and 2040 |
| | 73 | | | 75 | | |

Future minimum lease payments are as follows:

| | | March 2023 | | |
|---|---|---|---|---|
| | | Future minimum lease payments | Interest | Present value of minimum lease payments |
| Less than one year | ¢ | 4,599,320,343 | 2,822,158,803 | 1,777,163,369 |
| Between one and five years | | 21,975,541,049 | 11,175,503,752 | 10,800,047,450 |
| More than five years | | 25,120,865,525 | 7,828,303,846 | 17,292,585,999 |
| | ¢ | 51,695,726,917 | 21,825,966,401 | 29,869,796,817 |

| | | March 2022 | | |
|---|---|---|---|---|
| | | Future minimum lease payments | Interest | Present value of minimum lease payments |
| Less than one year | ¢ | 5,347,895,528 | 3,273,658,027 | 2,074,241,984 |
| Between one and five years | | 24,811,445,130 | 13,302,130,834 | 11,509,336,711 |
| More than five years | | 30,770,242,672 | 9,145,125,742 | 21,625,152,493 |
| | ¢ | 60,929,583,330 | 25,720,914,603 | 35,208,731,188 |

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

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| Balance at beginning of period | ¢ | 32,276,066,066 | 35,793,605,766 | 35,041,666,758 |
| New financial obligations | | - | 393,322,020 | - |
| Settlements or withdrawals | | - | (662,645,977) | (43,502,329) |
| Adjustments | | 356,340,623 | 576,526,206 | (263,187,029) |
| Payment of obligations | | (502,159,639) | (2,138,603,082) | (485,453,024) |
| Foreign exchange differences | | (2,260,450,231) | (1,686,137,928) | 959,206,812 |
| Balance at end of period | ¢ | 29,869,796,817 | 32,276,067,005 | 35,208,731,188 |

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

| Date of issue | Face value (in millions) | Characteristics |
|---|---|---|
| 10/19/2007 | US$20 | Traded amount: 100%<br>Term: 16 years<br>Interest rate: 6.20 per coupon |
| 09/04/2007 | US$20 | Traded amount: 100%<br>Term: 16 years<br>Interest rate: 6.20 per coupon |
| 05/07/2007 | US$10 | Traded amount: 100%<br>Term: 17 years<br>Interest rate: 6.20 per coupon |
| 12/03/2007 | US$75 | Traded amount: 100%<br>Term: 22 years<br>Interest rate: 6.65 per coupon |
| 11/24/2020 | US$10 | Traded amount: 100%<br>Term: 3 years<br>Interest rate:4.66 per coupon |
| 01/05/2021 | US$40 | Traded amount: 100%<br>Term: 3 years<br>Interest rate: 4.66 per coupon |
| 07/21/2016 | US$8.1 | Traded amount: 100%<br>Term: 7 years<br>Interest rate: 3.32 per coupon |
| 04/27/2016 | US$1.6 | Traded amount: 100%<br>Term: 8 years<br>Interest rate: 3.32 per coupon |
| 04/27/2016 | US$15.8 | Traded amount: 100%<br>Term: 8 years<br>Interest rate: 3.32 per coupon |
| 11/01/2013 | US$500 | Traded amount: 99.07%<br>Term: 10 years<br>Interest rate: 6.25% per coupon |
| 11/30/2015 | US$2.8 | Traded amount: 100%<br>Term: 8 years<br>Interest rate: 3.32 per coupon |

(Continued)

| | | |
|---|---|---|
| 05/13/2015 | US$5.4 | Traded amount: 100%<br>Term: 9 years<br>Interest rate: 3.32 per coupon |
| 02/09/2015 | US$2.8 | Traded amount: 100%<br>Term: 9 years<br>Interest rate: 3.32 per coupon |
| 01/30/2015 | US$3.1 | Traded amount: 100%<br>Term: 9 years<br>Interest rate: 3.32 per coupon |
| 12/14/2022 | US$5.0 | Traded amount: 100%<br>Term: 8 years<br>Interest rate: 9.90 per coupon |

*Obligations with international issuers*

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

| | | March 2023 | |
|---|---|---|---|
| | | 10-year issue (maturing in 2023) | Total |
| Issue | ¢ | 94,364,713,599 | 94,364,713,599 |
| Adjustment to fair value of hedged item measured at cost of international issues | | 621,190,433 | 621,190,433 |
| Amortization of discount in traded amount of issues | | 809,191,481 | 809,191,481 |
| | | 95,795,095,513 | 95,795,095,513 |
| Finance charges payable | | 2,480,432,880 | 2,480,432,880 |
| | ¢ | 98,275,528,393 | 98,275,528,393 |

| | | December 2022 | |
|---|---|---|---|
| | | 10-year issue (maturing in 2023) | Total |
| Issue | ¢ | 104,050,945,946 | 104,050,945,946 |
| Adjustment to fair value of hedged item measured at cost of international issues | | (1,145,892,786) | (1,145,892,786) |
| Amortization of discount in traded amount of issues | | 856,607,365 | 856,607,365 |
| | | 103,761,660,525 | 103,761,660,525 |
| Finance charges payable | | 1,094,016,546 | 1,094,016,546 |
| | ¢ | 104,855,677,071 | 104,855,677,071 |

(Continued)

| | | March 2022 | |
|---|---|---|---|
| | | 10-year issue (maturing in 2023) | Total |
| Issue | ¢ | 211,570,949,867 | 211,570,949,867 |
| Adjustment to fair value of hedged item measured at cost of international issues | | 1,009,831,511 | 1,009,831,511 |
| Amortization of discount in traded amount of issues | | 1,564,785,950 | 1,564,785,950 |
| | | 214,145,567,328 | 214,145,567,328 |
| Finance charges payable | | 5,561,268,770 | 5,561,268,770 |
| | ¢ | 219,706,836,098 | 219,706,836,098 |

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

| | | March 2023 | | |
|---|---|---|---|---|
| | | Local | Foreign | Total |
| Less than one year | ¢ | - | 58,532,637,602 | 58,532,637,602 |
| One to two years | | 86,699,050 | - | 86,699,050 |
| Three to five years | | 2,980,990,400 | - | 2,980,990,400 |
| More than five years | | 27,453,860,034 | 44,635,332,607 | 72,089,192,640 |
| | ¢ | 30,521,549,484 | 103,167,970,208 | 133,689,519,692 |

| | | December 2022 | | |
|---|---|---|---|---|
| | | Local | Foreign | Total |
| Less than one year | ¢ | - | 105,857,727,682 | 105,857,727,682 |
| One to two years | | 81,717,408 | 3,213,237,333 | 3,294,954,741 |
| Three to five years | | 3,178,742,647 | - | 3,178,742,647 |
| More than five years | | 28,002,343,723 | 3,024,880,857 | 31,027,224,580 |
| | ¢ | 31,262,803,778 | 112,095,845,872 | 143,358,649,650 |

| | | March 2022 | | |
|---|---|---|---|---|
| | | Local | Foreign | Total |
| One to two years | ¢ | 43,700,712 | 74,911,518,444 | 74,955,219,156 |
| Three to five years | | 2,673,333,961 | - | 2,673,333,961 |
| More than five years | | 30,876,430,332 | 51,132,311,633 | 82,008,741,965 |
| | ¢ | 33,593,465,005 | 126,043,830,077 | 159,637,295,082 |

*(4)* As of March 31, 2023, loans due to foreign financial entities bear interest at rates ranging from 3.32% to 9.90% per annum (2022: from 3.32% to 6.92% and 2.84% and 6.65% to December and March to 2022, respectably).

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

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| Opening balance | ¢ | 142,752,227,398 | 154,159,108,956 | 154,159,108,956 |
| New financial obligations | | - | 3,014,300,000 | - |
| Settlement of financial obligations | | (746,235,938) | (6,621,048,346) | (802,938,062) |
| Foreign exchange differences | | (10,386,296,688) | (7,800,133,212) | 4,056,985,640 |
| Cash flows from financing activities | | (11,132,532,626) | (11,406,881,558) | 3,254,047,578 |
| Closing balance | ¢ | 131,619,694,772 | 142,752,227,398 | 157,413,156,534 |

## (21) Income tax

Pursuant to the Costa Rican *Income Tax Law*, the Conglomerate is required to file income tax returns each year. As of March 31, income tax is as follows:

### a) *Income tax for the year*

For the three months ended March 31, the income tax expense is as follows:

| | | March 2023 | March 2022 |
|---|---|---|---|
| *Current tax:* | | | |
| Current tax expense for the year | ¢ | 7,874,997,116 | 7,368,912,581 |
| Prior-period income tax expense | | 3,569,810,057 | 3,547,309,483 |
| | | 11,444,807,173 | 10,916,222,064 |
| *Current tax* | | | |
| Current tax expense for the year | | 7,874,997,116 | 7,368,912,581 |
| | | 7,874,997,116 | 7,368,912,581 |
| *Prior-period income tax* | | | |
| Prior-period income tax expense | | 3,569,810,057 | 3,547,309,483 |
| Decrease in prior-period income tax | | (22,678) | - |
| | | 3,569,787,379 | 3,547,309,483 |
| *Deferred tax:* | | | |
| Deferred tax expense | | 859,260,081 | 282,171,872 |
| Deferred tax income | | (385,354,053) | (569,404,392) |
| Deferred tax, net | | 473,906,028 | (287,232,520) |
| Income tax, net | ¢ | 11,918,690,523 | 10,628,989,544 |

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:

| | | March 2023 | | March 2022 | |
|---|---|---|---|---|---|
| Profit before tax | ¢ | 27,342,095,329 | | 25,170,150,609 | |
| *Plus (less) tax effect of*: | | | | | |
| Non-deductible expenses | | 326,121,853,970 | 1242% | 9,696,807,620 | 39% |
| Deductible expenses | | (6,142,447,900) | 23% | (3,011,434,789) | 12% |
| Non-taxable income | | (321,106,059,881) | 1223% | (7,314,919,989) | 30% |
| Taxable income | | 34,548,853 | 0% | 22,438,477 | 0% |
| Tax base | | 26,249,990,371 | | 24,563,041,928 | |
| Tax rate | | 30% | | 30% | |
| Income tax expense | | 7,874,997,116 | 30% | 7,368,912,581 | 30% |
| Prior-period income tax expense | | 3,569,810,057 | 14% | 3,547,309,483 | 14% |
| Decrease in prior-period income tax | | (22,678) | | - | |
| Deferred tax expense | | 859,260,081 | 3% | 282,171,872 | 1% |
| Deferred tax income | | (385,354,053) | 1% | (569,404,392) | 2% |
| Deferred tax expense, net | | 473,906,028 | 2% | (287,232,520) | (1%) |
| Net income tax expense | ¢ | 11,918,690,523 | 45% | 10,628,989,544 | 43% |

*b)* *Deferred tax*

Deferred tax assets and liabilities are as follows:

| | | March 2023 | | |
|---|---|---|---|---|
| | | Assets | Liabilities | Net |
| Unrealized losses on valuation of investments | ¢ | 4,247,375,845 | - | 4,247,375,845 |
| Provisions | | 24,253,786 | - | 24,253,786 |
| Right-of-use assets | | 726,026,349 | - | 726,026,349 |
| Unrealized gains on valuation of investments | | - | (842,518,838) | (842,518,838) |
| Revaluation of property | | - | (8,985,360,708) | (8,985,360,708) |
| Tax base of property and equipment | | - | (4,448,612,413) | (4,448,612,413) |
| | ¢ | 4,997,655,980 | (14,276,491,959) | (9,278,835,979) |

(Continued)

| | | December 2022 | | |
|---|---|---|---|---|
| | | Assets | Liabilities | Net |
| Unrealized losses on valuation of investments | ¢ | 6,272,437,619 | | 6,272,437,619 |
| Provisions | | (80,540,126) | | (80,540,126) |
| Right-of-use assets | | 1,333,033,888 | | 1,333,033,888 |
| Unrealized gains on valuation of investments | | | (758,036,573) | (758,036,573) |
| Revaluation of property | | | (9,042,911,732) | (9,042,911,732) |
| Tax base of property and equipment | | | (4,562,681,241) | (4,562,681,241) |
| | ¢ | 7,524,931,381 | (14,363,629,546) | (6,838,698,165) |

| | | March 2022 | | |
|---|---|---|---|---|
| | | Assets | Liabilities | Net |
| Unrealized losses on valuation of investments | ¢ | 887,360,481 | - | 887,360,481 |
| Provisions | | (107,048,989) | - | (107,048,989) |
| Right-of-use assets | | 1,955,607,206 | - | 1,955,607,206 |
| Impairment of investments | | 12,686,297 | - | 12,686,297 |
| Depreciation of assets | | 12,376,426 | - | 12,376,426 |
| Lease liabilities | | - | (1,221,832) | (1,221,832) |
| Unrealized gains on valuation of investments | | - | (2,274,165,031) | (2,274,165,031) |
| Revaluation of property | | - | (8,793,600,177) | (8,793,600,177) |
| Tax base of property and equipment | | - | (4,950,403,879) | (4,950,403,879) |
| | ¢ | 2,760,981,421 | (16,019,390,919) | (13,258,409,498) |

(Continued)

Deferred tax assets and liabilities are as follows:

| | | December 2022 | Included in the income statement | Included in equity | March 2023 |
|---|---|---|---|---|---|
| Unrealized losses on valuation of investments | ¢ | 6,272,437,619 | (317,577,991) | (1,707,483,783) | 4,247,375,845 |
| Provisions | | (80,540,126) | 104,793,912 | - | 24,253,786 |
| Right-of-use assets | | 1,333,033,888 | (607,007,539) | - | 726,026,349 |
| Unrealized gains on valuation of investments | | (758,036,573) | 312,157,260 | (396,639,525) | (842,518,838) |
| Revaluation of property | | (9,042,911,732) | - | 57,551,024 | (8,985,360,708) |
| Tax base of property and equipment | | (4,562,681,241) | 114,068,828 | - | (4,448,612,413) |
| | ¢ | (6,838,698,165) | (393,565,530) | (2,046,572,284) | (9,278,835,979) |

| | | December 2021 | Included in the income statement | Included in equity | December 2022 |
|---|---|---|---|---|---|
| Unrealized losses on valuation of investments | ¢ | 1,085,414,530 | - | 5,187,023,089 | 6,272,437,619 |
| Provisions | | (102,817,740) | 22,277,614 | - | (80,540,126) |
| Right-of-use assets | | 1,608,334,393 | (1,316,649,692) | 1,041,349,187 | 1,333,033,888 |
| Unrealized gains on valuation of investments | | (3,814,233,918) | 13,464,553 | 3,042,732,792 | (758,036,573) |
| Revaluation of property | | (8,836,563,020) | - | (206,348,712) | (9,042,911,732) |
| Tax base of property and equipment | | (4,738,688,539) | (698,806,087) | 874,813,385 | (4,562,681,241) |
| | ¢ | (14,798,554,294) | (1,979,713,612) | 9,939,569,741 | (6,838,698,165) |

| | | December 2021 | Included in the income statement | Included in equity | March 2022 |
|---|---|---|---|---|---|
| Unrealized losses on valuation of investments | ¢ | 1,107,598,481 | - | (220,238,000) | 887,360,481 |
| Provisions | | (151,396,094) | 44,347,105 | - | (107,048,989) |
| Right-of-use assets | | 1,619,240,561 | (158,432,166) | 494,798,811 | 1,955,607,206 |
| Impairment of investments | | 12,686,297 | - | - | 12,686,297 |
| Depreciation of assets | | 12,376,426 | - | - | 12,376,426 |
| Lease liabilities | | (1,221,832) | - | - | (1,221,832) |
| Unrealized gains on valuation of investments | | (3,712,707,527) | (394,387) | 1,438,936,883 | (2,274,165,031) |
| Revaluation of property | | (8,848,593,314) | - | 54,993,137 | (8,793,600,177) |
| Tax base of property and equipment | | (4,826,962,804) | (123,441,075) | - | (4,950,403,879) |
| | ¢ | (14,788,979,806) | (237,920,523) | 1,768,490,831 | (13,258,409,498) |

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

As of March 31, 2023, the Bank has not recognized a deferred tax liability in the amount of ¢6,817,750,349 (2022: ¢4,079,928,406 and 6,165,477,295 to December and March respectably), given that it controls the moment when the subsidiaries pay dividends.

Tax returns filed by the Conglomerate for the years ended December 31, 2022 and the tax return that will be filed for the year ended December 31, 2023 are open to review by the Tax Authorities.

## (22) Provisions

Provisions are as follows:

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| Severance benefits | ¢ | 319,972,404 | 312,966,075 | 341,763,155 |
| Litigation | | 5,488,377,262 | 3,980,700,568 | 8,153,170,330 |
| Inactive checking and savings accounts liquidated | | 649,705,230 | 715,837,949 | 799,520,378 |
| Manager commissions *(1)* | | - | - | 6,428,676,967 |
| Variation in RIVM methodology | | 490,003,103 | 490,003,103 | 490,003,103 |
| Notice of deficiency | | 7,625,772,778 | 4,714,347,682 | 4,714,347,682 |
| Other | | 728,725,647 | 633,295,021 | 673,739,478 |
| | ¢ | 15,302,556,424 | 10,847,150,398 | 21,601,221,093 |

*(1)* During 2022, the study on the inspection of the employee-employer contributions and interest made by Caja Costarricense de Seguro Social (CCSS) was completed. Therefore, CCSS performed the collection to the Conglomerate regarding the recognition of manager commissions as salary.

Movement in provisions is as follows:

| | | March 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 | | 7,017,770 | 1,544,376,127 | 4,158,975,284 | 5,710,369,181 |
| Used | | 481,747 | (30,540,777) | (1,217,754,040) | (1,247,813,070) |
| Decrease in provision | | (493,188) | (6,158,656) | (498,241) | (7,150,085) |
| Balance as of March 31, 2023 | ¢ | 319,972,404 | 5,488,377,262 | 9,494,206,758 | 15,302,556,424 |

| | | December 2022 | | | |
|---|---|---|---|---|---|
| | | Severance benefits | Litigation | Other | Total |
| Balance as of December 31, 2021 | ¢ | 314,133,990 | 6,952,427,372 | 21,375,324,034 | 28,641,885,396 |
| Increase in provision | | 95,454,560 | 440,227,797 | 5,057,286,616 | 5,592,968,973 |
| Used | | 57,365,375 | 819,647,992 | (19,805,731,708) | (18,928,718,341) |
| Decrease in provision | | (153,987,850) | (4,231,602,593) | (73,395,187) | (4,458,985,630) |
| Balance as of December 31, 2022 | ¢ | 312,966,075 | 3,980,700,568 | 6,553,483,755 | 10,847,150,398 |

| | | March 2022 | | | |
|---|---|---|---|---|---|
| | | Severance benefits | Litigation | Other | Total |
| Balance as of December 31, 2021 | ¢ | 314,133,990 | 6,952,427,372 | 21,375,324,034 | 28,641,885,396 |
| Increase in provision | | 5,383,976 | 132,361,864 | 967,000,393 | 1,104,746,233 |
| Used | | 55,723,127 | 1,068,389,927 | (9,235,794,220) | (8,111,681,166) |
| Decrease in provision | | (33,477,938) | (8,833) | (242,599) | (33,729,370) |
| Balance as of March 31, 2022 | ¢ | 341,763,155 | 8,153,170,330 | 13,106,287,608 | 21,601,221,093 |

(Continued)

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

| | Claimed amount | | | Provision | | |
|---|---|---|---|---|---|---|
| Type | March 2023 | December 2022 | March 2022 | March 2023 | December 2022 | March 2022 |
| Ordinary - in colones | 15,452,779,983 | 16,836,533,174 | 19,834,478,975 | 1,389,027,867 | 599,701,381 | 4,446,534,422 |
| Ordinary - in US dollars | 78,944,492,713 | 81,982,715,884 | 138,263,892,098 | 3,190,673,212 | 3,254,231,270 | 3,051,062,598 |
| Criminal - in colones | 1,084,799,813 | 1,020,877,223 | 1,020,877,223 | - | - | - |
| Labor - in colones | 709,050,501 | 866,092,477 | 955,498,846 | 908,676,183 | 126,767,917 | 655,573,310 |
| | 96,191,123,010 | 100,706,218,758 | 160,074,747,142 | 5,488,377,262 | 3,980,700,568 | 8,153,170,330 |

## (23) Other sundry accounts payable

Other sundry accounts payable are as follows:

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| Professional fees | ¢ | 22,366,811 | 2,124,000 | 12,680,040 |
| Creditors - goods and services | | 6,181,668,527 | 6,444,687,376 | 5,350,554,136 |
| Income tax | | 7,874,997,116 | 29,111,096,949 | 7,368,912,581 |
| Value added tax | | 224,308,385 | 282,111,653 | 191,226,796 |
| Employer contributions | | 11,159,274,714 | 12,585,351,304 | 8,672,547,363 |
| Court-ordered withholdings | | 3,998,415,406 | 4,242,069,805 | 3,889,286,482 |
| Tax withholdings | | 2,322,848,047 | 2,166,235,676 | 1,808,433,364 |
| Employee withholdings | | 944,806,160 | 918,129,686 | 785,434,177 |
| Other third-party withholdings | | 132,174,578 | 9,494,494 | 91,210,117 |
| Compensation | | 17,553,642,067 | 21,254,809,763 | 12,688,053,545 |
| Statutory allocations | | 14,755,744,313 | 30,595,829,657 | 12,943,657,679 |
| Obligations on loans with related parties | | - | - | 1,707,718 |
| Clearing house operations | | - | 106,576,220 | 202,750,597 |
| Accrued vacation | | 6,219,915,850 | 5,796,450,453 | 5.427.915.220 |
| Accrued statutory Christmas bonus | | 4,586,252,286 | 2,402,631,606 | 3.809.009.876 |
| Contribution to the superintendencies’ budget | | - | - | 6,111,241 |
| Assets held for sale | | 40,082,821 | 81,392,010 | 202,213,727 |
| Provisional deposits for the payment of premiums | | 2,261,736,299 | 1,724,766,840 | 2,611,609,228 |
| Property | | - | 902,931,071 | - |
| Direct contracts with the Government Purchases department - various | | - | - | 655,723,811 |
| International operations | | - | - | 455,921,011 |
| SICOP guarantees | | 1,208,923,657 | 1,257,167,862 | 1,488,035,205 |
| Property | | 686,412,028 | - | 683,649,268 |
| Amounts received for partial sales of assets held for sale | | 987,876,911 | 809,316,748 | 513,538,735 |
| Master Card and Visa payments | | 1,845,524,838 | 1,909,533,657 | 1,754,756,538 |
| Various creditors | | 3,381,932,964 | 2,925,095,219 | 2,641,348,104 |
| Interest rate futures - Hedges (Note 9) | | 2,278,777,895 | 2,527,300,900 | 52,788,957 |
| | ¢ | 88,667,681,673 | 128,055,102,949 | 74,309,075,516 |

*(1)* Accounts due to customers are related to dividends, sales or liquidations pending instructions from foreign investors.

## (24) Other liabilities

Other liabilities are as follows:

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| *Deferred income:* | | | | |
| Deferred fees and commissions for trust management | ¢ | 81,458,934 | 100,946,981 | 110,256,453 |
| | | 81,458,934 | 100,946,981 | 110,256,453 |
| *Operations pending application:* | | | | |
| Operations pending settlement | | 3,517,729,684 | 14,112,053,303 | 3,044,625,255 |
| Other operations pending settlement | | 19,347,665,976 | 16,283,878,923 | 12,761,722,563 |
| | | 22,865,395,660 | 30,395,932,226 | 15,806,347,818 |
| | ¢ | 22,946,854,594 | 30,496,879,207 | 15,916,604,271 |

## (25) Subordinated obligations

The Conglomerate's subordinated obligations are as follows:

| Entity | Annual interest rate | Term | Maturity | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|---|---|---|
| BID | 6-month LIBOR + 6.30% in the first 5 years and 6-month LIBOR + 6.80% thereafter | 10 | 02/18/2032 | US$ | 45,000,000 | 45,000,000 | 45,000,000 |
| BCIE | 6-month LIBOR + 5.25% in the first 5 years and 6-month LIBOR + 5.75% thereafter | 15 | 10/23/2029 | | 20,250,000 | 21,000,000 | 23,250,000 |
| AFD | 8.28% per annum *(1)* | 10 | 09/29/2031 | | 15,000,000 | 15,000,000 | 15,000,000 |
| FINDEV | 6-month LIBOR + 6.30%, in the first 5 years and 6-month LIBOR + 6.80% thereafter | 10 | 02/18/2032 | | 30,000,000 | 30,000,000 | 30,000,000 |
| | | | | US$ | 110,250,000 | 111,000,000 | 113,250,000 |
| | | Total equivalent in colones | | ¢ | 60.190.987.500 | 66.820.890.000 | 75,549,075,000 |
| | | Finance charges payable | | | 756.986.203 | 2.087.280.318 | 609,299,187 |
| | | | | ¢ | 60,947,973,703 | 68,908,170,318 | 76,158,374,187 |

(Continued)

*(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.

In accordance with IRNBS 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:

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| 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 |
| | ¢ | 172,237,030,102 | 172,237,030,102 | 172,237,030,102 |

### (b) Capital reserves

Capital reserves are as follows:

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| Legal reserve | ¢ | 403,604,716,090 | 366,238,968,825 | 366,290,915,456 |
| Statutory reserve for assets held for sale | | 4,244,304,312 | 4,532,818,969 | 3,892,824,791 |
| Excess of statutory reserve for loans | | 5,465,499,499 | 6,069,719,151 | 6,142,339,487 |
| Statutory dynamic provision | | 9,384,622,684 | 10,323,772,636 | 11,538,770,290 |
| | ¢ | 422,699,142,585 | 387,165,279,581 | 387,864,850,024 |

(c) Equity of the Development Financing Fund

As of March 31, 2023, the allocation of the Bank's earnings for the creation of the Development Financing Fund (FOFIDE) amounts to ¢48,624,595,226 (December and March 2022: ¢44,436,595,670).

(27) Commitments and contingencies

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

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| Performance bonds | ¢ | 36,037,492,990 | 41,588,492,525 | 44,878,384,566 |
| Bid bonds | | 3,284,544,267 | 3,621,690,761 | 1,761,248,068 |
| Other guarantees | | 462,928,376 | 128,434,913 | - |
| Letters of credit | | 1,081,680,225 | 3,778,668,632 | 4,243,242,036 |
| Credits pending disbursement | | 118,433,348 | 118,433,348 | 124,833,348 |
| | | 40,985,079,206 | 49,235,720,179 | 51,007,708,018 |
| Pre-approved lines of credit | | 279,579,830,546 | 293,573,614,230 | 314,033,394,607 |
| Other contingencies not related to credits | | 83,658,101 | 83,658,103 | 83,658,102 |
| Other contingencies - Pending litigation and lawsuits (Note 51) | | 96,196,123,646 | 100,706,235,943 | 160,075,453,526 |
| | | 375,859,612,293 | 394,363,508,276 | 474,192,506,235 |
| Sales of FX futures - Other than hedges | | 2,265,692,500 | 150,497,500 | - |
| | ¢ | 419,110,383,999 | 443,749,725,955 | 525,200,214,253 |

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)

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 March 31, 2023, trust capital is invested in the following assets:

| Nature of trust | Cash or property management | Securitization | Portfolio management | Guaranty | Testamentary | Custody of stock with testamentary clause | Custody of stock and cash management | Guaranties and cash management | Custody of stock | Management, custody and guaranty | Management, custody and stock | Rentier management and investment | Premium protection | Equity planning | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Trust assets* | | | | | | | | | | | | | | | |
| Cash and due from banks | ¢ 1,017,706,858 | 6,933,936 | 20,301,574 | 1,091,900 | 4,319,067 | - | - | 1,560,189 | - | 20,740,903 | 5,000 | - | 63,402,812 | - | 1,136,062,239 |
| Investments in financial instruments | 23,389,353,669 | 6,823,030,124 | 618,989,188 | 2,542,141,601,203 | 2,841,459,979 | - | 2,625,309 | 51,656,315 | - | 27,829,231 | - | 131,949,602 | 118,217,502 | 552,862 | 2,576,147,264,984 |
| Loan portfolio | 3,983,756,478 | - | 947,086,543 | - | - | - | - | - | - | - | - | - | - | - | 4,930,843,021 |
| Accounts and accrued interest receivable | 133,577,240,547 | 29,174,986,995 | 2,131,117,844 | 69,573,044 | 6,975,140 | - | - | 201,073,278 | - | - | 488,443 | - | - | - | 165,161,455,291 |
| Assets held for sale | 35,601,926 | - | 2,334,704 | - | - | - | - | - | - | - | - | - | - | - | 37,936,630 |
| Investments in other companies | - | - | - | 4,595,000,000 | 24,296,595 | 164,000 | - | - | 25,206,000 | - | - | - | - | - | 4,644,666,595 |
| Property and equipment | 702,732,863 | 30,578,522,324 | 1,430,244 | 121,144,487,811 | 1,069,780,959 | - | - | 8,719,375,327 | - | - | 283,559,514 | - | - | - | 162,499,889,042 |
| Other assets | 9,030,834,796 | 4,343,757,528 | 317,756 | 1,200,973,866 | 3,011,600 | - | - | - | - | 5,177,294,472 | - | - | - | - | 19,756,190,018 |
| | ¢ 171,737,227,137 | 70,927,230,907 | 3,721,577,853 | 2,669,152,727,824 | 3,949,843,340 | 164,000 | 2,625,309 | 8,973,665,109 | 25,206,000 | 5,225,864,606 | 284,052,957 | 131,949,602 | 181,620,314 | 552,862 | 2,934,314,307,820 |

As of December 31, 2022, trust capital is invested in the following assets:

| Nature of trust | Cash or property management | Securitization | Portfolio management | Guaranty | Testamentary | Custody of stock with testamentary clause | Custody of stock and cash management | Guaranties and cash management | Custody of stock | Management, custody and guaranty | Management, custody and stock | Rentier management and investment | Premium protection | Equity planning | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Trust assets* | | | | | | | | | | | | | | | |
| Cash and due from banks | ¢ 457,418,164 | 7,006,259 | 17,831,456 | 1,203,980 | 8,738 | - | - | 38,035 | - | 26,992,654 | 5,593 | - | 6,019,900 | - | 516,524,779 |
| Investments in financial instruments | 164,263,111,120 | 10,025,137,476 | 583,185,836 | 2,748,159,222,037 | 3,596,855,860 | - | 2,588,698 | 62,100,897 | - | 35,087,081 | 619,851 | 108,698,902 | 27,206,716 | 604,776 | 2,926,864,419,250 |
| Loan portfolio | 3,897,648,287 | - | 979,913,152 | - | - | - | - | - | - | - | - | - | - | - | 4,877,561,439 |
| Accounts and accrued interest receivable | 144,708,190,437 | 29,141,446,846 | 2,094,588,836 | 81,263,368 | 9,479,903 | - | - | 207,247,468 | - | - | 244,221 | - | - | - | 176,242,461,079 |
| Assets held for sale | 48,920,810 | - | 3,213,881 | - | - | - | - | - | - | - | - | - | - | - | 52,134,691 |
| Investments in other companies | - | - | - | 4,595,000,000 | 24,302,199 | 164,000 | - | - | 25,206,000 | - | 2,740,000 | - | - | - | 4,647,412,199 |
| Property and equipment | 712,952,407 | 29,574,355,173 | 1,505,520 | 122,871,300,086 | 1,069,780,959 | - | - | 8,719,375,327 | - | - | 1,549,346,718 | - | - | - | 164,498,616,190 |
| Other assets | 23,881,926,228 | 3,517,659,752 | 334,480 | - | 4,581,665 | - | - | - | - | 5,204,698,377 | - | - | - | - | 32,609,200,502 |
| | ¢ 337,970,167,453 | 72,265,605,506 | 3,680,573,161 | 2,875,707,989,471 | 4,705,009,324 | 164,000 | 2,588,698 | 8,988,761,727 | 25,206,000 | 5,266,778,112 | 1,552,956,383 | 108,698,902 | 33,226,616 | 604,776 | 3,310,308,330,129 |

(Continued)

As of March 31, 2022, trust capital is invested in the following assets:

| Nature of trust | | Cash or property management | Securitization | Portfolio management | Guaranty | Testamentary | Custody of stock with testamentary clause | Custody of stock and cash management | Guaranties and cash management | Custody of stock | Management, custody and guaranty | Guaranty and custody of stock | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Trust assets* | | | | | | | | | | | | | |
| Cash and due from banks | ¢ | 197,738,260 | 10,039,423 | 12,898,230 | 200 | 6,621 | - | - | 16,411 | - | 20,507,784,654 | 5,593 | 20,728,489,392 |
| Investments in financial instruments | | 220,470,728,258 | 9,352,104,139 | 81,127,047 | 2,353,311,937,746 | 4,069,531,807 | - | 2,530,514 | 68,240,967 | - | 283,388,895 | 680,969 | 2,587,640,270,342 |
| Loan portfolio | | 3,825,651,649 | - | 1,093,516,442 | - | - | - | - | - | - | - | - | 4,919,168,091 |
| Accounts and accrued interest receivable | | 153,936,838,175 | 29,102,911,670 | 1,989,689,089 | 85,221,689 | 2,702,269 | - | - | 188,792,088 | - | - | 241,116 | 185,306,396,096 |
| Assets held for sale | | 145,614,246 | - | 5,900,257 | - | - | - | - | - | - | - | - | 151,514,503 |
| Investments in other companies | | - | - | - | 4,595,000,000 | 24,308,710 | 164,000 | - | - | 25,206,000 | 609,425,156 | 4,740,000 | 5,258,843,866 |
| Property and equipment | | 741,181,018 | 29,703,724,351 | - | 120,810,868,028 | 878,546,947 | - | - | 8,719,375,327 | - | - | 3,004,248,009 | 163,857,943,680 |
| Other assets | | 23,023,907,896 | 206,848,760 | 1,262 | 235,000,000 | 9,801,159 | - | - | 728,546 | - | 5,584,405,816 | 1,674,505,317 | 30,735,198,756 |
| | ¢ | 402,341,659,502 | 68,375,628,343 | 3,183,132,327 | 2,479,038,027,663 | 4,984,897,513 | 164,000 | 2,530,514 | 8,977,153,339 | 25,206,000 | 26,985,004,521 | 4,684,421,004 | 2,998,597,824,726 |

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.

(Continued)

## (29) Other debit memoranda accounts

Other debit memoranda accounts are as follows:

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| Pension Fund Manager's own investments in custody – Face value of principal (unaudited) | ¢ | 10,883,846,997 | 11,909,502,397 | 11,324,095,997 |
| Pension Fund Manager's own investments in custody – Coupons (unaudited) | | 6,621,832,135 | 8,258,756,860 | 2,913,148,985 |
| Pension Fund Manager's own investments in custody – Number of shares (unaudited) | | 23 | 23 | 23 |
| Guarantees received in the Bank's custody | | 1,669,543,210 | 1,537,758,245 | 1,146,311,602 |
| Guarantees on financial instruments | | 282,605,012 | 8,673,472 | - |
| Other guarantees received in the Bank's custody | | 8,441,528,808,732 | 16,272,001,230,419 | 7,758,649,331,801 |
| Lines of credit granted but unused | | 323,246,855,799 | 385,726,062,498 | 387,949,970,680 |
| Loans pending disbursement | | 151,564,572,740 | 160,078,072,925 | 144,043,839,067 |
| Unused overdrafts | | 51,202,741 | 53,979,253 | 65,653,076 |
| Loans settled | | 442,891,323,642 | 457,054,589,644 | 457,855,133,205 |
| Other accounts receivable settled | | 24,065,099,818 | 24,011,040,515 | 21,900,851,748 |
| Accrued interest receivable settled | | 41,394,188,527 | 41,915,053,706 | 40,765,493,749 |
| Interest income on non-accrual loans of loan portfolio | | 36,653,519,137 | 37,366,216,301 | 36,452,950,658 |
| Supporting documentation received in the Bank's custody | | 9,003,662 | 9,003,537 | 9,003,235 |
| Securities issued pending placement | | 97,233,000,000 | 97,233,000,000 | 34,444,000,000 |
| Lines of credit or overdrafts obtained but unused | | 5,841,664,998 | 6,019,899,998 | 6,670,999,997 |
| Notified letters of credit | | 5,915,012,616 | 5,706,280,400 | 5,327,313,785 |
| Notional value subject to interest rate futures (Note 11) | | 100,817,310,800 | 110,383,294,360 | 219,356,489,100 |
| Reversals made to income accounts for the year | | 4,193,472,740 | 39,818,861,196 | 6,120,504,431 |
| Reversals made to expense accounts for the year | | 8,405,952,931 | 191,552,930,770 | 9,967,376,638 |
| Non-deductible expenses | | 40,867,557,589 | 40,867,557,589 | 23,231,315,038 |
| Non-taxable income | | 45,834,899,311 | 45,834,899,311 | 28,031,902,872 |
| Other memoranda accounts | | 131,100,280,573 | 222,845,085,807 | 211,773,942,715 |
| | | 9,921,071,553,733 | 18,160,191,749,226 | 9,407,999,628,402 |
| Third-party debit memoranda accounts *(1)* | | 4,653,626,886,604 | 4,722,010,921,517 | 4,932,408,012,922 |
| Own debit memoranda accounts for custodial activities | | 534,905,678,501 | 527,864,839,532 | 660,259,392,646 |
| Third-party debit memoranda accounts for custodial activities | | 16,254,655,550,767 | 16,084,024,046,419 | 17,051,663,110,688 |
| | | 21,443,188,115,872 | 21,333,899,807,468 | 22,644,330,516,256 |
| | ¢ | 31,364,259,669,605 | 39,494,091,556,694 | 32,052,330,144,658 |

(Continued)

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

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| Management of banking mandates | ¢ | 1,711,956,222,863 | 1,811,845,820,166 | 1,749,697,333,393 |
| "TUDES" securities received in custody from affiliates under Article 75 of Law No. 7531 | | 932,266,894 | 833,199,135 | 628,234,659 |
| Pension funds (Note 32) | | 2,234,968,313,152 | 2,218,384,850,204 | 2,305,319,266,678 |
| Investment funds (Note 31) | | 621,349,154,599 | 608,484,320,423 | 775,661,158,622 |
| Portfolio management | | 84,420,929,096 | 82,462,731,589 | 101,102,019,570 |
| | ¢ | 4,653,626,886,604 | 4,722,010,921,517 | 4,932,408,012,922 |

Other memoranda accounts by entity are as follows:

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| Banco Nacional de Costa Rica | ¢ | 27,379,856,985,108 | 35,505,422,546,693 | 27,874,877,851,081 |
| BN Valores Puesto de Bolsa, S.A. (Note 30) | | 1,109,514,014,201 | 1,140,643,825,479 | 1,081,453,307,974 |
| BN Sociedad Administradora de Fondos de Inversión, S.A. (Note 31) | | 621,410,210,431 | 608,549,474,735 | 775,702,870,062 |
| BN Vital Operadora de Planes de Pensiones Complementarias, S.A. (Note 32) | | 2,253,478,459,865 | 2,239,475,709,787 | 2,320,296,115,541 |
| | ¢ | 31,364,259,669,605 | 39,494,091,556,694 | 32,052,330,144,658 |

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

Memoranda accounts for brokerage operations are summarized below:

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| *Own* | | | | |
| Futures contracts pending settlement | | 45,526,281,234 | 36,962,540,909 | 25,932,382,940 |
| Own trading securities (Note 30-a) | | 4,535,691,822 | 3,972,147,106 | 4,548,774,206 |
| Other own memoranda accounts | | 5,870,284,588 | 6,054,317,608 | 6,703,383,830 |
| | | 55,932,257,644 | 46,989,005,623 | 37,184,540,976 |
| *Third party* | | | | |
| Trading securities received as guarantees | | 41,362,614,743 | 49,041,958,781 | 19,225,335,545 |
| Trading securities pending receipt | | 5,460,428,145 | - | 4,497,370,402 |
| Signed contracts pending settlement | | 6,767,161,205 | 4,302,906 | 4,778,301,931 |
| Futures contracts pending settlement | | 76,207,937,622 | 79,075,858,326 | 72,882,809,294 |
| Third-party trading securities (Note 30-a) | | 836,868,664,116 | 882,291,435,071 | 840,233,303,604 |
| Cash and accounts receivable | | 2,494,021,630 | 778,533,183 | 1,549,626,652 |
| Portfolio management | | 84,420,929,096 | 82,462,731,589 | 101,102,019,570 |
| | | 1,053,581,756,557 | 1,093,654,819,856 | 1,044,268,766,998 |
| Memoranda accounts (Note 29) | ¢ | 1,109,514,014,201 | 1,140,643,825,479 | 1,081,453,307,974 |

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

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

(Continued)

a) Securities held in custody are as follows:

| Location | Type of custody | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|---|
| *Own custodial activities* | | | | | |
| Local | International custody - Vault | | 4,520,691,820 | 3,957,147,104 | 4,533,774,204 |
| Local | Vault | | 15,000,002 | 15,000,002 | 15,000,002 |
| | | | 4,535,691,822 | 3,972,147,106 | 4,548,774,206 |
| *Custodial activities on behalf of third parties* | | | | | |
| Local | CEVAL - private | | 154,326,253,665 | 146,511,305,137 | 136,814,815,672 |
| Foreign | CEVAL - private | | 72,648,489,852 | 119,918,718,396 | 59,531,771,467 |
| Local | CEVAL - public | | 544,187,365,969 | 557,325,800,650 | 594,314,390,008 |
| Foreign | International custody | | 65,566,670,519 | 58,382,495,516 | 49,380,208,680 |
| Local | Vault | | 8,024,829 | 8,024,829 | 8,024,829 |
| Local- Foreign | Securities that are doubtful, in arrears or in litigation | | 131,859,282 | 145,090,543 | 184,092,948 |
| | | | 836,868,664,116 | 882,291,435,071 | 840,233,303,604 |
| | | ¢ | 841,404,355,938 | 886,263,582,177 | 844,782,077,810 |

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

March 2023

| | Term buyer | | | | Term seller | | | |
|---|---|---|---|---|---|---|---|---|
| | Colones | US dollars | US dollars expressed in colones | Total | Colones | US dollars | US dollars expressed in colones | Total |
| Own | 36,037,290,209 | 17,380,696 | 9,488,991,025 | 45,526,281,234 | - | - | - | - |
| Third parties | 8,830,113,958 | 66,693,871 | 36,411,518,704 | 45,241,632,662 | 10,871,543,250 | 36,806,963 | 20,094,761,710 | 30,966,304,960 |
| | 44,867,404,167 | 84,074,567 | 45,900,509,729 | 90,767,913,896 | 10,871,543,250 | 36,806,963 | 20,094,761,710 | 30,966,304,960 |

December 2022

| | Term buyer | | | | Term seller | | | |
|---|---|---|---|---|---|---|---|---|
| | Colones | US dollars | US dollars expressed in colones | Total | Colones | US dollars | US dollars expressed in colones | Total |
| Own | 24,259,739,896 | 21,101,349 | 12,702,801,013 | 36,962,540,909 | - | - | - | - |
| Third parties | 6,076,255,439 | 59,010,598 | 35,523,790,106 | 41,600,045,545 | 10,440,999,005 | 44,909,075 | 27,034,813,776 | 37,475,812,781 |
| | 30,335,995,335 | 80,111,947 | 48,226,591,119 | 78,562,586,454 | 10,440,999,005 | 44,909,075 | 27,034,813,776 | 37,475,812,781 |

(Continued)

| | March 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Term buyer | | | | Term seller | | | |
| | Colones | US dollars | US dollars expressed in colones | Total | Colones | US dollars | US dollars expressed in colones | Total |
| Own | 19,823,220,878 | 8,108,400 | 5,409,113,451 | 25,232,334,329 | 700,048,611 | - | - | 700,048,611 |
| Third parties | 6,747,812,916 | 76,917,166 | 51,311,441,219 | 58,059,254,135 | 3,752,485,898 | 16,595,817 | 11,071,069,261 | 14,823,555,159 |
| | 26,571,033,794 | 85,025,566 | 56,720,554,670 | 83,291,588,464 | 4,452,534,509 | 16,595,817 | 11,071,069,261 | 15,523,603,770 |

As of March 31, 2023, term buyer and seller positions in tri-party repurchase agreements in US dollars were valued at the exchange rate of ¢545.95 to US$1.00 (¢601.99 to US$1.00 and ¢667.10 to U$1.00 as of December and March 2022, respectively).

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

| | March 2023 | | | |
|---|---|---|---|---|
| | Term buyer | | Term seller | |
| | Colones | US dollars | Colones | US dollars |
| *Own* | | | | |
| 1 to 30 days | ¢ 19,379,581,944 | 6,114,604 | - | - |
| 31 to 60 days | 16,657,708,265 | 11,266,092 | - | - |
| | 36,037,290,209 | 17,380,696 | - | - |
| *Third-party* | | | | |
| 1 to 30 days | 387,882,551 | 1,116,980 | 336,152,246 | 638,851 |
| 31 to 60 days | 3,827,937,076 | 26,201,917 | 4,116,453,383 | 16,549,325 |
| 61 to 90 days | 3,109,082,277 | 36,859,594 | 4,913,725,566 | 17,103,407 |
| More than 91 days | 1,505,212,054 | 2,515,380 | 1,505,212,055 | 2,515,380 |
| | 8,830,113,958 | 66,693,871 | 10,871,543,250 | 36,806,963 |
| | ¢ 44,867,404,167 | 84,074,567 | 10,871,543,250 | 36,806,963 |

| | December 2022 | | | |
|---|---|---|---|---|
| | Term buyer | | Term seller | |
| | Colones | US dollars | Colones | US dollars |
| *Own* | | | | |
| 1 to 30 days | ¢ 2,151,893,199 | 2,007,423 | - | - |
| 31 to 60 days | 22,107,846,697 | 19,093,926 | - | - |
| | 24,259,739,896 | 21,101,349 | - | - |
| *Third-party* | | | | |
| 1 to 30 days | 185,858,208 | 3,067,189 | 615,785,861 | 2,516,090 |
| 31 to 60 days | 2,617,053,355 | 18,784,558 | 4,144,534,629 | 16,743,872 |
| 61 to 90 days | 483,709,847 | 32,997,292 | 2,891,044,484 | 21,331,803 |
| More than 91 days | 2,789,634,029 | 4,161,559 | 2,789,634,031 | 4,317,310 |
| | 6,076,255,439 | 59,010,598 | 10,440,999,005 | 44,909,075 |
| | ¢ 30,335,995,335 | 80,111,947 | 10,440,999,005 | 44,909,075 |

| | March 2022 | | | |
|---|---|---|---|---|
| | Term buyer | | Term seller | |
| | Colones | US dollars | Colones | US dollars |
| *Own* | | | | |
| 1 to 30 days | ¢ 3,006,007,639 | 1,701,557 | 700,048,611 | - |
| 31 to 60 days | 16,817,213,239 | 6,406,843 | - | - |
| | 19,823,220,878 | 8,108,400 | 700,048,611 | - |
| *Third-party* | | | | |
| 1 to 30 days | 587,898,518 | 1,557,966 | 368,816,141 | 114,964 |
| 31 to 60 days | 3,261,303,675 | 19,274,850 | 266,165,986 | 2,275,124 |
| 61 to 90 days | 214,148,657 | 51,441,789 | 35,441,706 | 9,563,168 |
| More than 91 days | 2,684,462,066 | 4,642,561 | 3,082,062,065 | 4,642,561 |
| | 6,747,812,916 | 76,917,166 | 3,752,485,898 | 16,595,817 |
| | ¢ 26,571,033,794 | 85,025,566 | 4,452,534,509 | 16,595,817 |

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.

(31) Investment fund management agreements

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

| | | March 2023 | | |
|---|---|---|---|---|
| Fund | | Net value | Shares | Value per share |
| *Funds in colones:* | | | | |
| Súper Fondo colones | ¢ | 166,904,461,462 | 36,125,872,036 | 4.62 |
| Fon Depósito colones | | 57,475,670,619 | 34,565,839,152 | 1.66 |
| Creci Fondo colones | | 5,851,895,943 | 850,370,051 | 6.88 |
| Redi Fondo colones | | 15,983,052,012 | 3,269,809,454 | 4.89 |
| Diner Fondo colones | | 76,807,186,363 | 24,908,369,401 | 3.08 |
| | ¢ | 323,022,266,399 | 99,720,260,094 | |
| *Funds in US dollars* | | | | |
| Creci Fondo *US dollars* | | 16,459,280 | 7,182,254 | 2.29 |
| Redi Fondo *US dollars* | | 33,498,743 | 17,945,849 | 1.87 |
| Diner Fondo *US dollar*s | | 122,369,882 | 88,465,196 | 1.38 |
| Fon Depósito *US dollars* | | 50,710,995 | 43,871,984 | 1.16 |
| Súper Fondo Plus US dollar | | 259,797,011 | 224,832,777 | 1.16 |
| Fondo Internacional liquidez | | 33,575,736 | 21,750 | 1.543,71 |
| BN internacional Valor | | 338,051 | 344,825 | 0.98 |
| BN internacional Suma | | 3,645,524 | 3,701,883 | 0.98 |
| BN internacional Crece | | 3,025,366 | 3,068,724 | 0.99 |
| BN Infraestructura Pública -1 | | 3,411,709 | 3,345,275 | 1.02 |
| FI Desarrollo de Proyecto BN I | | 19,603,985 | 19,795 | 990.35 |
| | US$ | 546,436,282 | 392,800,312 | |
| | ¢ | 298,326,888,200 | 214,449,330,336 | |
| Assets of managed funds | ¢ | 621,349,154,599 | 314,169,590,430 | |
| *Guarantees:* | | | | |
| Performance bonds | | 59,080,528 | | |
| Outstanding checks | | 1,975,304 | | |
| | | 61,055,832 | | |
| Memoranda accounts (Note 29) | ¢ | 621,410,210,431 | | |

| | | December 2022 | | |
|---|---|---|---|---|
| Fund | | Net value | Shares | Value per share |
| *Funds in colones:* | | | | |
| Súper Fondo colones | ¢ | 145,688,746,541 | 31,985,110,382 | 4.55 |
| Fon Depósito colones | | 58,455,561,075 | 35,661,741,426 | 1.64 |
| Creci Fondo colones | | 7,200,367,505 | 1,067,912,127 | 6.74 |
| Redi Fondo colones | | 20,557,487,566 | 4,299,912,873 | 4.78 |
| Diner Fondo colones | | 55,648,123,500 | 18,299,424,286 | 3.04 |
| | ¢ | 287,550,286,187 | 91,314,101,094 | |
| *Funds in US dollars:* | | | | |
| Creci Fondo *US* dollars | | 18,196,408 | 8,071,753 | 2.25 |
| Redi Fondo *US* dollars | | 33,010,042 | 17,932,685 | 1.84 |
| Diner Fondo *US* dollars | | 109,729,968 | 79,751,404 | 1.38 |
| Fon Depósito *US* dollars | | 50,049,398 | 43,397,524 | 1.15 |
| Súper Fondo Plus *US* dollars | | 258,807,536 | 225,370,381 | 1.15 |
| Fondo Internacional liquidez | | 33,388,446 | 21,750 | 1.535,10 |
| BN internacional Valor | | 335,391 | 344,617 | 0.97 |
| BN internacional Suma | | 3,528,587 | 3,691,934 | 0.96 |
| BN internacional Crece | | 2,900,771 | 3,082,536 | 0.94 |
| BN Infraestructura Pública -1 | | 3,477,300 | 3,434,918 | 1.01 |
| FI Desarrollo de Proyecto BN I | | 19,698,023 | 19,795 | 995.10 |
| | US$ | 533,121,870 | 385,119,297 | |
| | ¢ | 320,934,034,236 | 231,837,965,601 | |
| Assets of managed funds | ¢ | 608,484,320,423 | 323,152,066,695 | |
| *Guarantees:* | | | | |
| Performance bonds | | 63,179,008 | | |
| Outstanding checks | | 1,975,304 | | |
| | | 65,154,312 | | |
| Memoranda accounts (Note 29) | ¢ | 608,549,474,735 | | |

| Fund | | March 2022 Net value | Shares | Value per share |
|---|---|---|---|---|
| *Funds in colones:* | | | | |
| Súper Fondo colones | ¢ | 150,396,430,005 | 33,693,357,122 | 4.46 |
| Fon Depósito colones | | 69,938,900,142 | 43,442,144,629 | 1.61 |
| Creci Fondo colones | | 18,029,004,692 | 2,673,413,392 | 6.74 |
| Redi Fondo colones | | 52,174,445,945 | 11,003,139,785 | 4.74 |
| Diner Fondo colones | | 73,332,654,418 | 24,577,315,432 | 2.98 |
| | ¢ | 363,871,435,202 | 115,389,370,360 | |
| *Funds in US dollars* | | | | |
| Creci Fondo *US dollar* | | 27,848,612 | 12,436,927 | 2.24 |
| Redi Fondo *US dollar* | | 57,245,809 | 31,390,453 | 1.82 |
| Diner Fondo *US dollar*s | | 172,217,019 | 126,053,465 | 1.37 |
| Fon Depósito *US dollar* | | 61,897,040 | 53,792,001 | 1.15 |
| Súper Fondo Plus US dollars | | 241,502,855 | 212,283,214 | 1.14 |
| Fondo Hipotecario US dollars | | 31,172,728 | 21,750 | 1,433.23 |
| Fondo Internacional liquidez | | 332,476 | 342,074 | 0.97 |
| BN internacional Valor | | 3,838,218 | 3,807,668 | 1.01 |
| BN internacional Suma | | 3,202,933 | 3,101,652 | 1.03 |
| BN internacional Crece | | 3,086,117 | 3,081,194 | 1.00 |
| BN Infraestructura Pública -1 | | 14,939,543 | 15,000 | 995.97 |
| | US$ | 617,283,350 | 446,325,398 | |
| | ¢ | 411,789,723,420 | 297,743,673,006 | |
| Assets of managed funds | ¢ | 775,661,158,622 | 413,133,043,366 | |
| *Guarantees:* | | | | |
| Performance bonds | | 39,736,136 | | |
| Outstanding checks | | 1,975,304 | | |
| | | 41,711,440 | | |
| Memoranda accounts (Note 29) | ¢ | 775,702,870,062 | | |

(Continued)

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

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

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

- *BN SuperFondo Colones No Diversificado 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.
- *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-1*: (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. As of December 31, 2021, this fund does not have operations.
- *Fondo de Inversión de Desarrollo Inmobiliario de Infraestructura Pública – 1*: (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.

(Continued)

- *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.
- *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.

(Continued)

- *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
- *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:

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| Mandatory Pension Fund (ROP) | ¢ | 1,868,966,878,934 | 1,846,946,571,652 | 1,965,130,088,698 |
| Mandatory Retirement Savings Account (FCL) | | 96,581,309,412 | 95,069,302,597 | 99,661,857,103 |
| Voluntary Pension Fund in Colones A (FPC A) | | 89,446,045,400 | 98,490,441,114 | 140,878,768,104 |
| Voluntary Pension Fund in Colones B (FPC B) | | 37,135,932,873 | 38,120,721,096 | 44,218,193,875 |
| Notary Guarantee Fund | | 101,715,018,024 | 95,983,473,819 | 27,474,260,216 |
| Voluntary Pension Fund in US dollars A (FPD A) *(i)* | | 20,559,971,680 | 22,268,367,548 | 21,362,134,581 |
| Voluntary Pension Fund in US dollars B (FPD B) *(ii)* | | 14,187,514,506 | 14,975,399,413 | 6,593,964,101 |
| ICT employee pension fund | | 6,375,642,323 | 6,530,572,965 | - |
| Assets of managed funds (Note 29) | | 2,234,968,313,152 | 2,218,384,850,204 | 2,305,319,266,678 |
| Securities and assets in own custody | | 17,505,679,156 | 20,168,259,281 | 14,237,245,006 |
| Bid and performance bonds – colones | | 18,482,940 | 28,581,781 | 31,291,875 |
| Bid and performance bonds – US dollars (iii) | | 53,717,724 | 60,819,387 | 80,077,323 |
| Securities in DU | | 932,266,893 | 833,199,134 | 628,234,659 |
| Memoranda accounts (Note 29) | ¢ | 2,253,478,459,865 | 2,239,475,709,787 | 2,320,296,115,541 |

*i.* As of March 31, 2023, this fund amounts to US$37,659,074 (December and March 2022: US$36,991,258 and US$32,022,387, respectively) and is valued at the exchange rate of ¢545,95 to US$1.00 (December and March 2022: ¢601.99 and ¢667.10, respectively).

*ii.* As of March 31, 2023, this fund amounts to US$25,986,839 (December and March, 2022: US$24,876,492 and US$9,884,521, respectively) and is valued at the exchange rate of ¢545.95 to US$1.00 (December and March, 2022: ¢601.99 and ¢667.10, respectively).

*iii.* As of March 31, 2023, this fund amounts to US$98,393 (December and March, 2022: US$101,031 and US$120,038, respectively) and is valued at the exchange rate of ¢545.95 to US$1.00 (December and March, 2022: ¢601.99 and ¢667.10, respectively

(33) Income from financial instruments

For the three-months ended March 31, income from financial instruments is as follows:

| | | March 2023 | March 2022 |
|---|---|---|---|
| *Cash and due from banks:* | | | |
| Deposits in BCCR | ¢ | 28,280,677 | 1,436,021 |
| Checking accounts and demand deposits in local entities | | 24,388,477 | 10,511,853 |
| Checking accounts and demand deposits in foreign entities | | 3,510,661,185 | 302,769,437 |
| | | 3,563,330,339 | 314,717,311 |
| *Financial instruments*: | | | |
| Investments at fair value through profit or loss | | 84,742,876 | 51,281,272 |
| Investments at fair value through other comprehensive income | | 7,978,395,062 | 7,065,768,341 |
| Investments at amortized cost | | 10,505,035,635 | 5,128,253,179 |
| Investments in past due and restricted securities | | 669,084,110 | 209,989,280 |
| | | 19,237,257,683 | 12,455,292,072 |
| | ¢ | 22,800,588,022 | 12,770,009,383 |

## (34) Income from loan portfolio

For the three months ended March 31, finance income from the loan portfolio is as follows:

| | | March 2023 | March 2022 |
|---|---|---|---|
| *Current loans:* | | | |
| Individuals | ¢ | 48,015,574,398 | 30,800,331,126 |
| Development Banking System | | 2,067,175,254 | 817,863,568 |
| Business | | 19,000,326,886 | 9,174,460,538 |
| Corporate | | 25,812,837,378 | 17,062,200,185 |
| Public sector | | 3,955,021,893 | 3,061,317,998 |
| Financial sector | | 1,878,827,411 | 990,639,785 |
| | | 100,729,763,220 | 61,906,813,200 |
| *Past due loans and loans in legal collection:* | | | |
| Individuals | | 7,765,711,250 | 2,757,067,995 |
| Development Banking System | | 230,315,264 | 69,164,922 |
| Business | | 4,611,007,674 | 702,674,415 |
| Corporate | | 1,677,168,528 | 722,953,859 |
| Public sector | | 56,920,835 | 8,321,374 |
| Financial sector | | 845,482 | 2,387 |
| In legal collection | | 2,193,599,631 | 22,025,920,703 |
| Amortization of net commission of incremental direct costs related to credits | | 222,027,365 | 258,650,331 |
| | | 16,757,596,029 | 26,544,755,986 |
| | ¢ | 117,487,359,249 | 88,451,569,186 |

## (35) Other finance income

For the three months ended March 31, other finance income is as follows:

| | | March 2023 | March 2022 |
|---|---|---|---|
| Fees and commissions on letters of credit | ¢ | 4,036,463 | 4,048,219 |
| Fees and commissions on guarantees granted | | 139,826,494 | 95,874,592 |
| Gain on sale of financial instruments | | - | 2,188 |
| Gain on fair value hedge for item measured at cost | | - | 42,810,915 |
| Other sundry finance income | | - | 5,525,847,934 |
| Fees and commissions on letters of credit | | 116,342,938 | 690,987,200 |
| Charges for overdue operations | | 367,573,137 | - |
| Sundry finance income from late fees | | 207,829,083 | - |
| | ¢ | 835,608,115 | 6,359,571,048 |

(36) Finance costs for obligations with the public

For the three months ended March 31, finance costs for obligations with the public are as follows:

| | | March 2023 | March 2022 |
|---|---|---|---|
| Demand deposits | ¢ | 24,344,494,907 | 9,739,956,616 |
| Term deposits | | 30,965,261,384 | 14,374,561,054 |
| | ¢ | 55,309,756,291 | 24,114,517,670 |

(37) Finance costs for obligations with financial entities

For the three months ended March 31, finance costs for obligations with financial entities are as follows:

| | | March 2023 | March 2022 |
|---|---|---|---|
| Demand obligations | ¢ | 1,296,525,485 | 458,257,034 |
| Term obligations | | 7,307,594,279 | 7,622,617,302 |
| | ¢ | 8,604,119,764 | 8,080,874,336 |

(38) Other finance costs

For the three months ended March 31, other finance costs are as follows:

| | | March 2023 | March 2022 |
|---|---|---|---|
| Fees and commissions on letters of credit obtained | ¢ | 63,990,481 | 57,234,244 |
| Loss on hedged item measured at cost from fair value hedge on interest rate risk | | 1,752,622,721 | 59,890 |
| Other sundry finance costs | | 95,282,569 | 202,196,767 |
| | ¢ | 1,911,895,771 | 259,490,901 |

(39) Expenses for allowance for impairment of assets

For the three months ended March 31, expenses for allowance for impairment of assets are as follows:

| | | March 2023 | March 2022 |
|---|---|---|---|
| Allowance for loan losses (Note 12) | ¢ | 9,282,257,686 | 19,537,082,745 |
| Allowance for impairment of other accounts receivable (Note 13) | | 319,972,962 | 218,406,814 |
| Allowance for stand-by credit losses (Note 24) | | - | 300,000,000 |
| General and counter-cyclical allowance for loan losses (Note 12) | | 1,962,954,522 | 1,200,000,000 |
| Allowance for impairment of investments at fair value through other comprehensive income (FVOCI) | | 426,703,858 | 140,800,094 |
| Allowance for impairment of financial instruments at amortized cost | | 7,899,588 | 207,341,673 |
| Allowance for impairment of operations with derivative financial instruments | | 14,246,127 | 31,048,674 |
| | ¢ | 12,014,034,743 | 21,634,680,000 |

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

For the three months ended March 31, income from recovery of assets and decreases in allowances and provisions is as follows:

| | | March 2023 | March 2022 |
|---|---|---|---|
| Recovery of loan write-offs | ¢ | 4,490,934,031 | 6,067,722,203 |
| Recovery of accounts receivable write-offs | | 1,223,858 | 841,503 |
| Decrease in allowance for loan losses (Note 6) | | - | 81,428 |
| Decrease in allowance for impairment of other accounts receivable (Note 13) | | 163,433,566 | 135,093,874 |
| Decrease in allowance for impairment of investments in financial instruments (Note 10) | | 514,063,246 | 679,348,352 |
| | ¢ | 5,169,654,701 | 6,883,087,360 |

(Continued)

(41) Income from service fees and commissions

For the three months ended March 31, operating income from service fees and commissions is as follows:

| | | March 2023 | March 2022 |
|---|---|---|---|
| Drafts and transfers | ¢ | 3,002,522,768 | 2,828,533,948 |
| Certified checks | | 547,484 | 529,352 |
| Trusts | | 466,145,566 | 537,392,285 |
| Custodial services | | 601,390,526 | 563,233,300 |
| Banking mandates | | 67,336 | 6,240 |
| Collections | | 5,318,113 | 5,590,689 |
| Credit cards | | 17,849,441,515 | 17,176,329,786 |
| Management services | | 903,861,954 | 1,231,653,821 |
| Management of investment funds | | 1,635,403,012 | 1,872,799,526 |
| Management of pension funds | | 2,526,511,072 | 2,823,909,866 |
| Insurance underwriting | | 2,600,324,749 | 1,981,001,206 |
| Brokerage operations (third parties in local market) | | 666,906,604 | 547,776,635 |
| Brokerage operations (third parties in other markets) | | 139,637,207 | 77,953,759 |
| Transactions with related parties | | 19,795,920 | 17,280,919 |
| Commissions charged to other affiliates due to covenants | | 3,514,071,862 | 3,355,913,003 |
| Servibanca local interchange | | 6,551,230,677 | 6,450,910,379 |
| Other service fees and commissions | | 2,859,976,940 | 3,062,396,532 |
| | ¢ | 43,343,153,305 | 42,533,211,246 |

(42) Other operating income

For the three months ended March 31, other operating income is as follows:

| | | March 2023 | March 2022 |
|---|---|---|---|
| Recovery of expenses *(1)* | ¢ | 764,484,606 | 454,145,238 |
| Net valuation of other assets (Note 6) | | 482,508,587 | 40,394,855 |
| Other income from accounts receivable | | 269,906 | 212,637 |
| Savings accounts liquidation | | 43,848,485 | - |
| PMEP administrative charges | | 57,217,572 | - |
| Liquidation of term certificate of deposit not claimed | | 108,927,646 | 138,911,740 |
| Liquidation of checks | | 26,472,113 | - |
| Withholdings from vendors | | 61,414,760 | - |
| Fines applied to vendors | | - | 91,912,733 |
| Sundry income | | - | 113,718,209 |
| Excess cash from human teller | | 47,843,216 | - |
| Card commissions | | 236,433,283 | 134,714,170 |
| Other operating income | | 190,145,744 | 342,090,978 |
| Decrease in provisions *(2)* | | 7,150,086 | 33,729,370 |
| | ¢ | 2,026,716,004 | 1,349,829,930 |

*(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.

(43) Expenses for assets held for sale

For the three months ended March 31, expenses for assets held for sale are as follows:

| | | March 2023 | March 2022 |
|---|---|---|---|
| Property and other assets acquired in lieu of payment | ¢ | - | 7,496,325 |
| Loss on sale of assets awarded in judicial auctions | | 1,682,328,487 | 2,105,133,352 |
| Management of assets received in lieu of payment | | 1,616,642 | 6,065,913 |
| Management of assets awarded in judicial auctions | | 1,160,830,444 | 1,043,220,977 |
| Loss on impairment of assets held for sale (Note 14) | | 5,307,861 | 333,540 |
| Loss on allowance for impairment of assets held for sale and per legal requirement (Note 14) | | - | 1,563,209,422 |
| Other expenses for assets held for sale | | 3,422,389 | 2,021,900 |
| | ¢ | 2,853,505,823 | 4,727,481,429 |

(44) Provision expenses

For the three months ended March 31, provision expenses are as follows:

| | | March 2023 | March 2022 |
|---|---|---|---|
| Severance benefits | ¢ | 7,017,770 | 5,383,976 |
| Pending litigation | | 1,544,376,127 | 132,361,865 |
| “BN Premios” points program | | 873,604,785 | 599,862,036 |
| Notice of deficiency | | 2,911,425,096 | - |
| Other provision | | 373,945,403 | 367,138,357 |
| | ¢ | 5,710,369,181 | 1,104,746,234 |

## (45) Other operating expenses

For the three months ended March 31, other operating expenses are as follows:

| | | March 2023 | March 2022 |
|---|---|---|---|
| Penalties for noncompliance with regulatory legal provisions | ¢ | 18,483 | 594,181 |
| Net valuation of other liabilities | | 132,601,966 | 53,978,373 |
| Value-added tax expense | | 282,869,729 | 331,576,839 |
| Income tax on foreign remittances | | 1,729,716 | 1,954,759 |
| Income tax (8%) on interest from investments in financial instruments | | 121,722,093 | 131,222,006 |
| Property tax | | 75,326,405 | 66,447,502 |
| Patents | | 139,916,878 | 158,888,842 |
| Other local taxes | | 32,680,627 | 8,082,602 |
| Other foreign taxes | | 6,841 | 7,885 |
| Transfer to FINADE | | 1,102,221,313 | 156,912,001 |
| Costs of microfinance insurance policies | | 1,012,799,096 | 879,640,957 |
| Customer remittances | | 430,000,000 | - |
| Amortization of deferred direct costs related to loans | | 137,736,960 | 106,035,783 |
| Authorization abroad | | 831,584,169 | 765,943,690 |
| Base I and II fund disbursements | | 5,658,258,649 | 5,660,085,904 |
| Life insurance policy – debit balance | | 3,121,432,081 | 2,830,977,434 |
| Software maintenance and licenses | | 2,069,583,779 | 2,387,697,077 |
| Other expenses for sundry assets | | 1,439,253,520 | 1,515,862,572 |
| | ¢ | 16,589,742,305 | 15,055,908,407 |

(46) Personnel expenses

For the three months ended March 31, personnel expenses are as follows:

| | | March 2023 | March 2022 |
|---|---|---|---|
| Salaries and bonuses, permanent staff | ¢ | 19,698,581,175 | 17,729,785,394 |
| Salaries and bonuses, contractors | | 494,135,834 | 186,464,194 |
| Compensation for directors and statutory examiners | | 49,049,911 | 49,888,370 |
| Overtime | | 153,406,424 | 108,345,123 |
| Travel expenses | | 84,518,866 | 44,165,720 |
| Statutory Christmas bonus | | 2,195,177,828 | 1,930,224,782 |
| Vacation | | 1,982,507,730 | 1,561,571,550 |
| Incentives | | 1,032,964,044 | 1,171,794,039 |
| Other compensation | | 1,585,582,565 | 1,389,480,142 |
| Severance benefits | | 1,281,431,996 | 1,149,111,763 |
| Employer social security taxes | | 8,768,736,572 | 7,660,021,055 |
| Refreshments | | 19,301,028 | 9,928,601 |
| Uniforms | | 3,293,910 | - |
| Training | | 43,315,463 | 68,018,006 |
| Employee insurance | | 69,192,522 | 67,466,607 |
| Back-to-school bonus | | 2,045,305,026 | 1,628,401,366 |
| Mandatory retirement savings account | | 429,033,798 | 376,561,886 |
| Other personnel expenses | | 129,679,031 | 104,164,978 |
| | ¢ | 40,065,213,723 | 35,235,393,576 |

(47) Other administrative expenses

For the three months ended March 31, other administrative expenses are as follows:

| | | March 2023 | March 2022 |
|---|---|---|---|
| Outsourcing | ¢ | 6,557,858,276 | 5,591,318,993 |
| Transportation and communications | | 876,031,118 | 940,400,156 |
| Infrastructure | | 6,112,248,466 | 6,073,118,436 |
| Overhead | | 4,354,006,990 | 4,210,987,914 |
| | ¢ | 17,900,144,850 | 16,815,825,499 |

(48) Statutory allocations

For the three months ended March 31, statutory allocations are as follows:

| | | March 2023 | March 2022 |
|---|---|---|---|
| CONAPE - 5% | ¢ | 1,292,893,967 | 1,137,794,365 |
| CNE - 3% | | 820,262,860 | 755,104,519 |
| INFOCOOP - 10% | | 1,710,392,084 | 1,523,008,990 |
| Public capital pension operators | | 246,552,503 | 742,981,707 |
| RIVM - 15% | | 3,554,762,380 | 1,653,887,599 |
| | ¢ | 7,624,863,794 | 5,812,777,180 |

(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:

| | | March 2023 | | | |
|---|---|---|---|---|---|
| | | Carrying amount | Level | Fair value | Level |
| *Financial assets:* | | | | | |
| Cash and due from banks | ¢ | 1,398,646,693,202 | | 1,398,646,693,202 | |
| Amortized cost | | 930,306,049,972 | | 918,189,760,146 | |
| Loan portfolio | | 4,738,707,638,477 | (3) | 4,495,674,165,506 | (3) |
| | ¢ | 7,067,660,381,651 | | 6,812,510,618,854 | |
| *Financial liabilities:* | | | | | |
| Demand deposits from the public and financial entities | ¢ | 4,280,638,436,697 | (3) | 4,280,638,436,697 | (3) |
| Other demand obligations with the public | | 16,092,855,492 | | 16,092,855,492 | |
| Term deposits from the public and financial entities | | 2,664,310,906,176 | (3) | 2,618,298,677,600 | (3) |
| | ¢ | 6,961,042,198,365 | | 6,915,029,969,789 | |

| | | December 2022 | | | |
|---|---|---|---|---|---|
| | | Carrying amount | Level | Fair value | Level |
| *Financial assets:* | | | | | |
| Cash and due from banks | ¢ | 1,470,874,684,814 | | 1,470,874,684,814 | |
| Amortized cost | | 840,653,764,943 | | 820,095,244,824 | |
| Loan portfolio | | 4,771,658,426,160 | (3) | 4,947,318,927,889 | (3) |
| | ¢ | 7,083,186,875,917 | | 7,238,288,857,527 | |
| *Financial liabilities:* | | | | | |
| Demand deposits from the public and financial entities | ¢ | 4,380,381,359,979 | (3) | 4,380,381,359,979 | (3) |
| Other demand obligations with the public | | 16,272,444,040 | | 16,272,444,040 | |
| Term deposits from the public and financial entities | | 2,574,600,019,571 | (3) | 2,516,381,412,394 | (3) |
| | ¢ | 6,971,253,823,590 | | 6,913,035,216,413 | |

| | | March 2022 | | | |
|---|---|---|---|---|---|
| | | Carrying amount | Level | Fair value | Level |
| *Financial assets:* | | | | | |
| Cash and due from banks | ¢ | 1,462,759,162,039 | | 1,462,759,162,039 | |
| Amortized cost | | 764,782,580,762 | | 764,062,636,660 | |
| Loan portfolio | | 4,721,058,315,126 | (3) | 4,159,556,574,302 | (3) |
| | ¢ | 6,948,600,057,927 | | 6,386,378,373,001 | |
| *Financial liabilities:* | | | | | |
| Demand deposits from the public and financial entities | ¢ | 4,441,163,802,645 | (3) | 4,441,163,802,645 | (3) |
| Other demand obligations with the public | | 20,483,593,205 | | 20,483,593,205 | |
| Term deposits from the public and financial entities | | 2,559,754,193,455 | (3) | 2,543,004,048,392 | (3) |
| | ¢ | 7,021,401,589,305 | | 7,004,651,444,242 | |

*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 consolidated balance sheet:

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

The carrying amounts approximate fair value 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 March 31, 2022 and 2021.

*(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.

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

| | March 2023 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Fair value through profit or loss | 1,630,102,420 | 10,341,134,741 | 3,904,470,615 | 15,875,707,776 |
| Fair value through other comprehensive income | 601,293,113,736 | - | - | 601,293,113,736 |
| Derivative financial instruments | - | - | 57,525,228 | 57,525,228 |
| Term obligations with foreign financial entities | - | - | 95,795,095,513 | 95,795,095,513 |

(Continued)

| | December 2022 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Fair value through profit or loss | 4,057,391,272 | 16,071,214,347 | 4,305,251,883 | 24,433,857,502 |
| Fair value through other comprehensive income | 585,704,089,628 | - | - | 585,704,089,628 |
| Derivative financial instruments | - | - | 4,185,715 | 4,185,715 |
| Term obligations with foreign financial entities | - | - | 103,761,660,525 | 103,761,660,525 |

| | | March 2022 | | | |
|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | Total |
| Fair value through profit or loss | ¢ | 4,644,713,755 | 29,567,129,873 | 4,770,899,070 | 38,982,742,698 |
| Fair value through other comprehensive income | | 724,984,734,805 | 8,730,449,460 | - | 733,715,184,265 |
| Derivative financial instruments | | - | - | 3,408,404,918 | 3,408,404,918 |
| Term obligations with foreign financial entities | | - | - | 214,145,567,328 | 214,145,567,328 |

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:

| | | March 2023 | | | March 2022 | | |
|---|---|---|---|---|---|---|---|
| | | Fair value through profit or loss | Derivative financial instruments | Term obligations with foreign financial entities | Fair value through profit or loss | Derivative financial instruments | Term obligations with foreign financial entities |
| Opening balance | ¢ | 4,305,251,883 | - | 103,761,660,525 | 4,616,192,330 | 7,723,704,438 | 212,580,207,606 |
| Valuation | | 2,520,380 | 21,987,454 | 1,767,083,219 | - | (4,576,846,291) | (5,481,973,609) |
| Amortizations | | - | - | (47,415,884) | - | - | 117,599,776 |
| Exchange differences | | (403,301,648) | 35,537,774 | (9,686,232,347) | 154,706,740 | 261,546,771 | 6,929,733,555 |
| Closing balance | ¢ | 3,904,470,615 | 57,525,228 | 95,795,095,513 | 4,770,899,070 | 3,408,404,918 | 214,145,567,328 |

## (50) Segments

The Conglomerate has defined its business segments based on the administrative and reporting structure and on the structure of banking, stock brokerage, investment and pension fund management and insurance brokerage services it provides. Profit or loss, assets and liabilities of each segment are as follows:

| | | As of March 31, 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Bank | Brokerage Firm | Investment Fund Manager | Pension Fund Manager | Insurance Brokerage Firm | Total | Eliminations and reclassifications | Consolidated |
| ASSETS | | | | | | | | | |
| Cash and due from banks | ¢ | 1,394,556,563,430 | 3,168,109,031 | 145,200,379 | 948,196,610 | 109,648,696 | 1,398,927,718,146 | 281,024,954 | 1,398,646,693,192 |
| Investments in financial instruments | | 1,468,579,822,432 | 59,473,188,925 | 12,232,173,949 | 11,018,912,707 | 7,938,368,091 | 1,559,242,466,104 | 285,927,170 | 1,558,956,538,934 |
| Loan portfolio, net | | 4,601,555,987,077 | - | - | - | - | 4,601,555,987,077 | 2,347,585,000 | 4,599,208,402,077 |
| Fees and commissions receivable | | 4,685,807,362 | 246,237,935 | 175,266,106 | 1,731,485,369 | 616,035,543 | 7,454,832,315 | 56,512,524 | 7,398,319,791 |
| Commissions receivable | | 412,511,622 | 28,386,763 | 24,135,782 | 898,764,293 | 503,698,919 | 1,867,497,379 | 53,102,534 | 1,814,394,845 |
| Accounts due from related parties | | 16,698,955 | 3,570,401 | - | 4,131,890 | 31,572 | 24,432,818 | 3,409,990 | 21,022,828 |
| Deferred tax and income tax receivable | | 3,895,404,831 | 211,968,165 | 149,577,877 | 740,503,478 | 110,640,900 | 5,108,095,251 | - | 5,108,095,251 |
| Other accounts receivable | | 4,619,734,784 | 2,312,606 | 7,544,453 | 151,600,470 | 1,664,152 | 4,782,856,465 | - | 4,782,856,465 |
| Accrued interest | | 771,102 | - | - | - | - | 771,102 | - | 771,102 |
| Allowance for impairment | | (4,259,313,932) | - | (5,992,006) | (63,514,762) | - | (4,328,820,700) | - | (4,328,820,700) |
| Assets held for sale, net | | 38,867,364,910 | - | - | - | - | 38,867,364,910 | - | 38,867,364,910 |
| Investments in other companies | | 115,427,231,852 | 30,000,000 | - | - | - | 115,457,231,852 | 48,122,991,212 | 67,334,240,640 |
| Property, furniture and equipment, net | | 201,483,981,960 | 454,701,396 | 520,611,631 | 467,364,033 | 395,039,842 | 203,321,698,862 | - | 203,321,698,862 |
| Other assets | | 43,454,373,313 | 1,190,902,472 | 410,204,850 | 201,129,149 | 262,897,275 | 45,519,507,059 | - | 45,519,507,059 |
| TOTAL ASSETS | ¢ | 7,868,611,132,336 | 64,563,139,759 | 13,483,456,915 | 14,367,087,868 | 9,321,989,447 | 7,970,346,806,325 | 51,094,040,860 | 7,919,252,765,465 |
| LIABILITIES AND EQUITY | | | | | | | | | |
| LIABILITIES | | | | | | | | | |
| Obligations with the public | ¢ | 6,188,922,117,614 | - | - | - | - | 6,188,922,117,614 | - | 6,188,922,117,614 |
| Obligations with BCCR | | 161,225,681,554 | - | - | - | - | 161,225,681,554 | - | 161,225,681,554 |
| Obligations with entities | | 573,340,326,695 | 45,582,656,080 | 334,896,565 | - | 314,428,631 | 619,572,307,971 | 2,910,546,775 | 616,661,761,196 |
| Accounts payable and provisions | | 113,416,562,893 | 3,458,352,837 | 939,446,716 | 1,946,542,994 | 1,036,358,958 | 120,797,264,398 | 56,512,531 | 120,740,751,867 |
| Other liabilities | | 22,950,844,942 | - | - | - | - | 22,950,844,942 | 3,990,349 | 22,946,854,593 |
| Subordinated obligations | | 60,947,973,703 | - | - | - | - | 60,947,973,703 | - | 60,947,973,703 |
| TOTAL LIABILITIES | ¢ | 7,120,803,507,401 | 49,041,008,917 | 1,274,343,281 | 1,946,542,994 | 1,350,787,589 | 7,174,416,190,182 | 2,971,049,655 | 7,171,445,140,527 |

(Continued)

# BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

As of March 31, 2023

| | | Bank | Brokerage Firm | Investment Fund Manager | Pension Fund Manager | Insurance Brokerage Firm | Total | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| EQUITY | | | | | | | | | |
| Share capital | ¢ | 172,237,030,102 | 6,600,000,000 | 5,000,000,000 | 6,816,322,539 | 369,700,000 | 191,023,052,641 | 18,786,022,539 | 172,237,030,102 |
| Non-capitalized capital contributions | | - | - | - | 2,078,602,470 | - | 2,078,602,470 | 2,078,602,470 | - |
| Equity adjustments | | 63,735,077,143 | (11,047,059) | (62,672,427) | (145,781,007) | - | 63,515,576,650 | (219,500,492) | 63,735,077,142 |
| Capital reserves | | 422,699,142,585 | 1,320,000,000 | 898,628,741 | 300,000,000 | 73,940,000 | 425,291,711,326 | 2,592,568,730 | 422,699,142,596 |
| Prior year retained earnings | | 32,713,238,870 | 7,249,942,091 | 5,831,127,498 | 3,124,848,367 | 6,519,916,542 | 55,439,073,368 | 22,725,834,498 | 32,713,238,870 |
| Income for the period | | 7,798,541,010 | 363,235,809 | 542,029,821 | 246,552,503 | 1,007,645,324 | 9,958,004,467 | 2,159,463,465 | 7,798,541,002 |
| FOFIDE | | 48,624,595,226 | - | - | - | - | 48,624,595,226 | - | 48,624,595,226 |
| TOTAL EQUITY | ¢ | 747,807,624,936 | 15,522,130,841 | 12,209,113,633 | 12,420,544,872 | 7,971,201,866 | 795,930,616,148 | 48,122,991,210 | 747,807,624,938 |
| TOTAL LIABILITIES AND EQUITY | ¢ | 7,868,611,132,337 | 64,563,139,758 | 13,483,456,914 | 14,367,087,866 | 9,321,989,455 | 7,970,346,806,330 | 51,094,040,865 | 7,919,252,765,465 |
| Debit memoranda accounts | ¢ | 419,048,059,156 | 22,677,960 | - | 36,146,883 | 3,500,000 | 419,110,383,999 | - | 419,110,383,999 |
| Income from cash and due from banks and financial instruments | ¢ | 2,933,674,391,212 | 639,916,608 | - | - | - | 2,934,314,307,820 | - | 2,934,314,307,820 |
| Trust liabilities | ¢ | 67,278,235,666 | 9,247,024 | - | - | - | 67,287,482,690 | - | 67,287,482,690 |
| Trust equity | ¢ | 2,866,396,155,546 | 630,669,584 | - | - | - | 2,867,026,825,130 | - | 2,867,026,825,130 |
| Other debit memoranda accounts | ¢ | 27,379,856,985,108 | 1,109,514,014,201 | 621,410,210,431 | 2,253,478,459,865 | - | 31,364,259,669,605 | - | 31,364,259,669,605 |

As of March 31, 2023

| | | Bank | Brokerage Firm | Investment Fund Manager | Pension Fund Manager | Insurance Brokerage Firm | Total | Eliminations and reclassifications | Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| Finance income | ¢ | 139,611,472,957 | 1,294,072,311 | 275,435,211 | 283,037,613 | 136,023,968 | 141,600,042,060 | 5,212,055 | 141,594,830,005 |
| Finance costs | | 70,053,453,771 | 806,124,710 | 44,794,809 | 146,478,924 | 11,935,133 | 71,062,787,347 | 5,212,054 | 71,057,575,293 |
| Allowance expense | | 11,982,342,578 | 12,226,119 | 4,429,894 | 7,136,565 | 7,899,587 | 12,014,034,743 | - | 12,014,034,743 |
| Income from recovery of assets | | 5,141,257,812 | 2,036,093 | 7,395,184 | 15,300,969 | 3,664,643 | 5,169,654,701 | - | 5,169,654,701 |
| FINANCE INCOME | | 62,716,934,420 | 477,757,575 | 233,605,692 | 144,723,093 | 119,853,891 | 63,692,874,671 | - | 63,692,874,670 |
| Other operating income | | 53,112,678,423 | 1,279,107,997 | 1,641,080,696 | 2,537,021,511 | 2,246,847,257 | 60,816,735,884 | 2,801,082,961 | 58,015,652,923 |
| Other operating expenses | | 36,084,332,950 | 227,022,520 | 149,832,993 | 511,270,975 | 43,450,310 | 37,015,909,748 | 614,836,057 | 36,401,073,691 |
| GROSS OPERATING INCOME | | 79,745,279,893 | 1,529,843,052 | 1,724,853,395 | 2,170,473,629 | 2,323,250,838 | 87,493,700,807 | 2,186,246,905 | 85,307,453,902 |
| Personnel expenses | | 36,535,142,009 | 859,911,276 | 722,979,999 | 1,234,683,920 | 712,496,519 | 40,065,213,723 | - | 40,065,213,723 |
| Other administrative expenses | | 17,352,258,550 | 120,192,076 | 168,605,218 | 187,592,654 | 98,279,783 | 17,926,928,281 | 26,783,431 | 17,900,144,850 |
| Total administrative expenses | | 53,887,400,559 | 980,103,352 | 891,585,217 | 1,422,276,574 | 810,776,302 | 57,992,142,004 | 26,783,431 | 57,965,358,573 |
| NET OPERATING INCOME BEFORE STATUTORY ALLOCATIONS AND TAXES | | 25,857,879,333 | 549,739,699 | 833,268,179 | 748,197,055 | 1,512,474,537 | 29,501,558,803 | 2,159,463,474 | 27,342,095,329 |
| Income tax | | 11,120,701,308 | 190,968,611 | 281,736,715 | 243,306,160 | 467,354,460 | 12,304,067,254 | - | 12,304,067,254 |
| Decrease in income tax | | 330,363,909 | 20,956,910 | 15,496,403 | 10,660,023 | 7,899,485 | 385,376,730 | - | 385,376,730 |
| Statutory allocations | | 7,269,000,924 | 16,492,191 | 24,998,046 | 268,998,415 | 45,374,218 | 7,624,863,794 | - | 7,624,863,794 |
| INCOME FOR THE YEAR | ¢ | 7,798,541,010 | 363,235,807 | 542,029,821 | 246,552,503 | 1,007,645,344 | 9,958,004,485 | 2,159,463,474 | 7,798,541,012 |

(Continued)

# BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

| | | As of March 31, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Bank | Brokerage Firm | Investment Fund Manager | Pension Fund Manager | Insurance Brokerage Firm | Total | Eliminations and reclassifications | Consolidated |
| ASSETS | | | | | | | | | |
| Cash and due from banks | ¢ | 1,459,950,891,356 | 2,674,531,227 | 811,019,366 | 673,233,897 | 73,809,909 | 1,464,183,485,755 | 1,424,323,716 | 1,462,759,162,039 |
| Investments in financial instruments | | 1,480,534,736,274 | 40,142,520,273 | 11,802,406,265 | 11,900,074,822 | 6,669,324,375 | 1,551,049,062,009 | 271,812,000 | 1,550,777,250,009 |
| Loan portfolio, net | | 4,569,471,250,785 | - | - | - | - | 4,569,471,250,785 | - | 4,569,471,250,785 |
| Fees and commissions receivable | | 658,120,458 | 32,514,897 | 29,242,659 | 1,228,738,121 | 422,615,043 | 2,371,231,178 | 74,407,785 | 2,296,823,393 |
| Accounts due from related parties | | 43,261,109 | 4,662,460 | - | 11,441 | 321,658 | 48,256,668 | 25,214,766 | 23,041,902 |
| Deferred tax and income tax receivable | | 1,986,409,833 | 106,769,608 | 89,654,036 | 587,151,568 | 80,507,205 | 2,850,492,250 | - | 2,850,492,250 |
| Other accounts receivable | | 4,235,558,097 | 342,651,885 | 7,576,840 | 71,765,754 | 3,940,755 | 4,661,493,331 | - | 4,661,493,331 |
| Accrued interest | | 1,994,645 | - | - | - | - | 1,994,645 | - | 1,994,645 |
| Allowance for impairment | | (4,034,508,962) | - | (6,609,619) | (60,098,606) | - | (4,101,217,187) | - | (4,101,217,187) |
| Assets held for sale, net | | 35,275,542,979 | - | - | - | - | 35,275,542,979 | - | 35,275,542,979 |
| Investments in other companies | | 126,833,449,441 | 30,000,000 | - | - | - | 126,863,449,441 | 47,163,293,687 | 79,700,155,754 |
| Property, furniture and equipment, net | | 204,117,081,931 | 571,563,577 | 249,590,891 | 399,173,953 | 139,564,201 | 205,476,974,553 | - | 205,476,974,553 |
| Other assets | | 57,015,852,478 | 246,437,255 | 362,243,692 | 156,939,258 | 289,052,112 | 58,070,524,795 | - | 58,070,524,795 |
| TOTAL ASSETS | ¢ | 7,936,089,640,424 | 44,151,651,183 | 13,345,124,130 | 14,956,990,206 | 7,679,135,257 | 8,016,222,541,200 | 48,959,051,954 | 7,967,263,489,246 |
| LIABILITIES AND EQUITY | | | | | | | | | |
| LIABILITIES | | | | | | | | | |
| Obligations with the public | ¢ | 6,005,415,624,491 | - | - | - | - | 6,005,415,624,491 | - | 6,005,415,624,491 |
| Obligations with BCCR | | 195,558,918,341 | - | - | - | - | 195,558,918,341 | - | 195,558,918,341 |
| Obligations with entities | | 804,542,700,051 | 25,620,293,196 | - | - | - | 830,162,993,247 | 1,684,061,342 | 828,478,931,905 |
| Accounts payable and provisions | | 106,229,623,028 | 2,596,669,638 | 1,166,078,636 | 2,750,415,578 | 836,150,046 | 113,578,936,926 | 99,622,558 | 113,479,314,368 |
| Other liabilities | | 15,928,678,647 | - | - | - | - | 15,928,678,647 | 12,074,375 | 15,916,604,272 |
| Subordinated obligations | | 76,158,374,187 | - | - | - | - | 76,158,374,187 | - | 76,158,374,187 |
| TOTAL LIABILITIES | ¢ | 7,203,833,918,745 | 28,216,962,834 | 1,166,078,636 | 2,750,415,578 | 836,150,046 | 7,236,803,525,839 | 1,795,758,275 | 7,235,007,767,564 |

(Continued)

# BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

As of March 31, 2022

| | | Bank | Brokerage Firm | Investment Fund Manager | Pension Fund Manager | Insurance Brokerage Firm | Total | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| EQUITY | | | | | | | | | |
| Share capital | ¢ | 172,237,030,102 | 6,600,000,000 | 5,000,000,000 | 7,262,426,573 | 369,700,000 | 191,469,156,675 | 19,232,126,573 | 172,237,030,102 |
| Non-capitalized capital contributions | | - | - | - | 1,632,498,435 | - | 1,632,498,435 | 1,632,498,435 | - |
| Equity adjustments | | 85,143,845,051 | 237,805,712 | 366,222,136 | 3,909,394 | - | 85,751,782,293 | 607,937,241 | 85,143,845,052 |
| Capital reserves | | 387,864,850,024 | 1,320,000,000 | 764,036,859 | 300,000,000 | 73,940,000 | 390,322,826,883 | 2,457,976,859 | 387,864,850,024 |
| Prior year retained earnings | | 33,845,016,950 | 7,430,988,961 | 5,282,881,730 | 2,264,758,526 | 5,572,961,765 | 54,396,607,932 | 20,551,590,981 | 33,845,016,951 |
| Income for the period | | 8,728,383,882 | 345,893,674 | 765,904,768 | 742,981,701 | 826,383,446 | 11,409,547,471 | 2,681,163,588 | 8,728,383,883 |
| FOFIDE | | 44,436,595,670 | - | - | - | - | 44,436,595,670 | - | 44,436,595,670 |
| TOTAL EQUITY | ¢ | 732,255,721,679 | 15,934,688,347 | 12,179,045,493 | 12,206,574,629 | 6,842,985,211 | 779,419,015,359 | 47,163,293,677 | 732,255,721,682 |
| TOTAL LIABILITIES AND EQUITY | ¢ | 7,936,089,640,424 | 44,151,651,181 | 13,345,124,129 | 14,956,990,207 | 7,679,135,257 | 8,016,222,541,198 | 48,959,051,952 | 7,967,263,489,246 |
| Debit memoranda accounts | ¢ | 525,084,793,096 | 76,434,274 | - | 36,146,883 | 2,840,000 | 525,200,214,253 | - | 525,200,214,253 |
| Income from cash and due from banks and financial instruments | ¢ | 2,998,515,621,778 | 82,202,948 | - | - | - | 2,998,597,824,726 | - | 2,998,597,824,726 |
| Trust liabilities | ¢ | 95,543,549,312 | 600,327 | - | - | - | 95,544,149,639 | - | 95,544,149,639 |
| Trust equity | ¢ | 2,902,972,072,466 | 81,602,621 | - | - | - | 2,903,053,675,087 | - | 2,903,053,675,087 |
| Other debit memoranda accounts | ¢ | 27,874,877,851,080 | 1,081,453,307,974 | 775,702,870,062 | 2,320,296,115,542 | - | 32,052,330,144,658 | - | 32,052,330,144,658 |

As of March 31, 2022

| | | Bank | Brokerage Firm | Investment Fund Manager | Pension Fund Manager | Insurance Brokerage Firm | Total | Eliminations and reclassifications | Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| Finance income | ¢ | 107,964,837,228 | 395,335,832 | 273,516,271 | 1,318,508,762 | 33,154,991 | 109,985,353,084 | 4,637,775 | 109,980,715,309 |
| Finance costs | | 38,707,121,012 | 106,622,524 | 30,208,708 | 2,247,383 | - | 38,846,199,627 | 4,637,775 | 38,841,561,852 |
| Allowance expense | | 21,459,052,915 | 31,042,441 | 4,928,939 | 135,871,155 | 3,784,550 | 21,634,680,000 | - | 21,634,680,000 |
| Income from recovery of assets | | 6,760,484,159 | 6,804,104 | 5,026,744 | 106,261,613 | 4,510,740 | 6,883,087,360 | - | 6,883,087,360 |
| FINANCE INCOME | | 54,559,147,460 | 264,474,971 | 243,405,368 | 1,286,651,837 | 33,881,181 | 56,387,560,817 | - | 56,387,560,817 |
| Other operating income | | 48,069,402,553 | 1,349,740,120 | 1,876,595,664 | 2,824,468,765 | 1,962,110,609 | 56,082,317,711 | 3,330,285,893 | 52,752,031,818 |
| Other operating expenses | | 31,624,625,036 | 212,374,108 | 208,639,323 | 462,547,016 | 31,670,234 | 32,539,855,717 | 621,632,766 | 31,918,222,951 |
| GROSS OPERATING INCOME | | 71,003,924,977 | 1,401,840,983 | 1,911,361,709 | 3,648,573,586 | 1,964,321,556 | 79,930,022,811 | 2,708,653,127 | 77,221,369,684 |
| Personnel expenses | | 31,956,942,173 | 781,207,831 | 642,341,521 | 1,205,624,785 | 649,277,266 | 35,235,393,576 | - | 35,235,393,576 |
| Other administrative expenses | | 16,291,095,515 | 112,477,628 | 125,844,817 | 232,708,061 | 81,189,015 | 16,843,315,036 | 27,489,537 | 16,815,825,499 |
| Total administrative expenses | | 48,248,037,688 | 893,685,459 | 768,186,338 | 1,438,332,846 | 730,466,281 | 52,078,708,612 | 27,489,537 | 52,051,219,075 |
| NET OPERATING INCOME BEFORE STATUTORY ALLOCATIONS AND TAXES | | 22,755,887,288 | 508,155,524 | 1,143,175,371 | 2,210,240,740 | 1,233,855,276 | 27,851,314,199 | 2,681,163,590 | 25,170,150,609 |
| Income tax | | 9,608,865,384 | 164,732,890 | 356,023,243 | 690,957,534 | 377,814,885 | 11,198,393,936 | - | 11,198,393,936 |
| Decrease in income tax | | 498,294,643 | 17,715,706 | 13,047,901 | 32,987,427 | 7,358,715 | 569,404,392 | - | 569,404,392 |
| Statutory allocations | | 4,916,932,665 | 15,244,666 | 34,295,261 | 809,288,930 | 37,015,658 | 5,812,777,180 | - | 5,812,777,180 |
| INCOME FOR THE YEAR | ¢ | 8,728,383,882 | 345,893,674 | 765,904,768 | 742,981,703 | 826,383,448 | 11,409,547,475 | 2,681,163,590 | 8,728,383,885 |

(Continued)

## (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 | |
|---|---|---|---|---|---|---|
| | March 2023 | March 2022 | | | March 2023 | March 2022 |
| Banco Nacional de Costa Rica | 292 | 326 | First instance | ¢ | 56,392,649,544 | 102,217,149,330 |
| | 13 | 17 | Second instance | | 23,687,146,747 | 9,187,193,938 |
| | 60 | 49 | Appeal | | 16,054,002,511 | 48,555,689,100 |
| | 365 | 392 | | | 96,133,798,802 | 159,960,032,368 |
| BN Vital | 7 | 7 | First instance | | 36,146,884 | 36,146,883 |
| | 2 | 2 | Appeal | | - | - |
| BN Valores | 1 | 1 | First instance | | 22,677,960 | 76,434,274 |
| BN Corredora | 1 | 1 | First instance | | 3,500,000 | 2,840,000 |
| | 376 | 403 | (Note 27) | ¢ | 96,196,123,646 | 160,075,453,525 |

The legal actions filed against the entities in 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 | | | | Total estimated amount | |
|---|---|---|---|---|---|
| March 2023 | March 2022 | Stage | | March 2023 | March 2022 |
| 287 | 323 | First instance | ¢ | 72,439,423,165 | 79,479,205,306 |
| 1 | 1 | Second instance | | 375,839,600 | 375,839,600 |
| 2 | 2 | Appeal | | 2,844,233,566 | 2,844,233,566 |
| 290 | 326 | | ¢ | 75,659,496,331 | 82,699,278,472 |

Additionally, the Bank is a defendant in one lawsuit related to the payment of SEDI, the file for such proceedings is File No. 15-008666-1027-CA of the Administrative Court, at 10:45 hours of November 20, 2015, received on December 15, 2015. As of March 31, 2023, this provision was eliminated, given that the ruling in these proceedings was in favor of the Bank.

The following lawsuits are also worth noting:

- *File No. 14-003379-1027-CA*

  - ✓ Statement of facts: The plaintiffs seek the payment of damages by the Bank to all the plaintiffs as well as 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 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 expert fees 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. 11-001042-0612-PE*

  - ✓ Court: Office of Economic, Tax and Customs Crimes
  - ✓ Statement of facts: Irregularities were reported with respect to the company Zion and the process to grant credits to that company, misuse of resources, presentation of fake documents to Banco Nacional de Costa Rica to obtain credit approval and the apparent participation of some of the employees of Banco Nacional de Costa Rica.
  - ✓ Through ruling dated November 2, 2021, at 16:11 hours, the Criminal Court of Finance provided the date for the preliminary hearing, from April 5 to June 30, 2022. However, due to the requests from the defense to change the summons, and due to sick leaves and tight agendas, through ruling dated April 4, 2022, at 14:45 hours, the summons was dismissed. Through a new ruling dated August 11, 2022, at 11:22 hours, a preliminary hearing was summoned from April 11 to May 1, 2023, from 8:30 hours to 16:30 hours.

(Continued)

- ✓ Current status: The cause has a request for accusation and proceedings of opening of the trail. The Bank filed a complaint and a civil action. Civil actions have been filed against the Bank.

- *File No. 14-008626-1027-CA*

  - ✓ Statement of facts: The plaintiffs seek Banco Nacional de Costa Rica to be declared liable for the payment of damages to all investors of the "Management Trust for the Real Estate Development and Private issue of Securities of Playa Coyote Project" (Fideicomiso de Administración de Desarrollo Inmobiliario y de Emisión Privada de Valores Proyecto Playa Coyote).
  - ✓ Current status: A new appeal for review was filed before the First Chamber, insofar as the new resolution of first instance requires Banco Nacional de Costa Rica to pay damages to the plaintiffs, in relation to the issue of Series A bonds, Therefore, Banco Nacional de Costa Rica will file a new remedy.

(52) Emergency caused by COVID-19

In December 2019 the appearance of a new strain of coronavirus was identified, causing the COVID-19 global pandemic during the first quarter of 2020. The coronavirus has negatively affected the economic conditions of companies worldwide, generating a macroeconomic uncertainty that may significantly affect our operations as well as those of our customers and vendors.

The general effect of the coronavirus outbreak is uncertain at this time, Consequently, we are still in the process of analyzing and forecasting the potential impact on our operations. The Bank's management will continue to monitor and modify its operating and financial strategies to mitigate the potential risks to our business.

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 March 31, 2023, the loan portfolio that required at least one modification to the originally agreed conditions amounts to ¢1.490.187.758.468 representing 31.86% of the total loan portfolio (2022: ¢(¢1.926.804.038.538 representing 41.50% of the total loan portfolio).

The loan portfolio, restructured at least once due to COVID-19, by economic activity, is as follows:

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| Agriculture and forestry | ¢ | 35,100,257,655 | 38,043,804,589 | 50,390,846,783 |
| Trade | | 128,067,246,323 | 139,906,885,549 | 169,893,873,420 |
| Construction | | 31,997,510,300 | 39,084,698,917 | 52,479,570,954 |
| Consumer or personal loans | | 97,280,823,720 | 104,770,214,017 | 131,471,309,046 |
| Electricity, water, sanitation and other related sectors | | 147,294,287,434 | 24,834,021,726 | 31,695,581,569 |
| Mining | | 277,941,203 | 56,579,482,565 | 87,115,997,442 |
| Livestock, hunting and fishing | | 23,313,459,768 | 428,764,218,666 | 521,385,481,445 |
| Industry | | 50,486,775,041 | 28,010,476,880 | 32,162,931,807 |
| Services | | 399,835,681,129 | 30,690,792,689 | 37,329,211,012 |
| Financial services | | 25,227,749,104 | 103,169,667,550 | 146,449,912,479 |
| Transportation, communication and storage | | 21,484,272,819 | 454,735,064,809 | 496,020,602,372 |
| Tourism | | 90,289,195,233 | 149,277,954,802 | 170,104,439,998 |
| Housing | | 439,532,558,739 | 279,119,435 | 304,280,211 |
| Sub-total | | 1,490,187,758,468 | 1,598,146,402,194 | 1,926,804,038,538 |
| Accounts and accrued interest receivable | | 2,417,335,549 | 2,433,088,971 | 2,340,992,908 |
| Loans restructured due to COVID-19 | | 1,492,605,094,017 | 1,600,579,491,165 | 1,929,145,031,446 |
| Allowance for doubtful accounts | | (39,295,101,685) | (46,291,100,287) | (50,416,331,634) |
| Total loan portfolio, net | ¢ | 1,453,309,992,332 | 1,554,288,390,878 | 1,878,728,699,812 |

For the three months ended March 31, the loan portfolio, restructured at least once due to COVID-19, by arrears, is as follows:

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| Current | ¢ | 1,355,260,464,517 | 1,440,921,652,002 | 1,760,024,045,388 |
| 1 to 30 days | | 38,081,504,256 | 35,576,424,249 | 45,939,181,784 |
| 31 to 60 days | | 54,326,462,424 | 45,012,045,725 | 53,822,623,734 |
| 61 to 90 days | | 6,055,433,413 | 20,576,319,470 | 19,275,130,594 |
| 91 to 120 days | | 2,475,809,313 | 3,188,010,948 | 4,813,407,096 |
| 121 to 150 days | | 2,806,142,024 | 16,256,314,729 | 2,927,007,729 |
| In legal collection | | 31,181,942,521 | 36,615,635,071 | 40,002,642,213 |
| | | 1,490,187,758,468 | 1,598,146,402,194 | 1,926,804,038,538 |
| Accounts and accrued interest receivable | | 2,417,335,549 | 2,433,088,971 | 2,340,992,908 |
| Total loans restructured due to COVID-19 | | 1,492,605,094,017 | 1,600,579,491,165 | 1,929,145,031,446 |
| Allowance for loan losses | | (39,295,101,685) | (46,291,100,287) | (50,416,331,634) |
| Loan portfolio, net | ¢ | 1,453,309,992,332 | 1,554,288,390,878 | 1,878,728,699,812 |

The loan portfolio, restructured at least once due to COVID-19, by guarantee, is as follows:

| | | March 2023 | December 2022 | March 2022 |
|---|---|---|---|---|
| Collateral | ¢ | 31,349,008,478 | 35,686,788,099 | 52,893,827,064 |
| Surety | | 13,835,023,431 | 15,149,890,641 | 19,160,736,263 |
| Assignment of loans | | 46,676,648,481 | 49,919,949,933 | 82,339,487,789 |
| Back-to-back | | 2,373,971,192 | 2,664,853,940 | 3,457,779,487 |
| Mortgage | | 654,056,924,889 | 682,199,540,249 | 771,742,969,113 |
| Trust | | 126,698,691,733 | 146,715,324,573 | 195,133,411,107 |
| Surety - Mortgage | | 144,538,275,053 | 154,986,406,086 | 183,723,655,005 |
| Surety - Trust | | 166,435,128,016 | 197,714,226,031 | 261,928,201,297 |
| Other | | 247,842,730,869 | 252,800,353,245 | 286,841,026,792 |
| Not assigned | | 2,724,006,033 | 2,809,295,736 | 3,058,870,548 |
| Surety - Collateral | | 4,859,686,943 | 5,387,269,340 | 8,655,118,289 |
| Collateral - Mortgage | | 697,938,416 | 858,234,889 | 1,143,068,010 |
| Collateral - Securities | | 7,610,171 | 8,207,802 | 15,861,431 |
| Surety - Collateral - Mortgage | | 2,233,269,439 | 2,412,966,802 | 3,128,986,263 |
| Securities | | 23,151,439,977 | 25,868,924,298 | 29,786,436,881 |
| Mortgage - Trust | | 92,469,116 | 93,013,458 | 199,998,868 |
| Collateral - Back-to-back | | - | - | 8,078,995 |
| Surety - Securities | | 28,104,490 | 48,426,591 | 58,219,232 |
| Bond guaranteed by mortgage | | - | - | 8,973,295 |
| Collateral - Trust | | 22,586,831,741 | 22,822,730,481 | 23,519,332,809 |
| | | 1,490,187,758,468 | 1,598,146,402,194 | 1,926,804,038,538 |
| Accounts and accrued interest receivable | | 2,417,335,549 | 2,433,088,971 | 2,340,992,908 |
| Loans restructured due to COVID-19 | | 1,492,605,094,017 | 1,600,579,491,165 | 1,929,145,031,446 |
| Allowance for loan losses | | (39,295,101,685) | (46,291,100,287) | (50,416,331,634) |
| Loan portfolio, net | ¢ | 1,453,309,992,332 | 1,554,288,390,878 | 1,878,728,699,812 |

As of March 31, 2023, ¢1,490,187,758,468 maintain temporary credit conditions, which represents 31.86% of the total loan portfolio (December and March 2022: ¢1,598,146,402,194 and ¢1,926,804,038,538, which represent 33.96% and 41.50% of the total loan portfolio, respectively).

a) Operating measures

- The Bank constantly encourages customers to use digital channels: BN MOVIL, SINPE MOVIL, webpage and Contact Center.
- As of the date of this report, the Bank has 3,276 employees working from home, representing 56% of total employees. All positions that permit work from home have been implemented.
- Some of the auto banks that were not in operation were activated once again.

- The Bank's Emergency Institutional Commission meets continuously to implement the measures recommended by the Ministry of Health

b) Measures to support customers with credits

The Bank offered the Covid-19 related benefit to 60,591 customers, corresponding to 85,764 operations, with a principal balance amounting to 1,996 billion colones, representing 44% of the total principal as of December 2021.

As of March 31, 20223 there are no active extensions as a result of loan restructuring due to Covid-19.

The Bank is currently taking the following steps related to COVID-19:

- Maintaining the plan to restructure the portfolio of repeat customers due to changes in market conditions.

- Recovering the extended balances of principal and interest or balances of unpaid operations, through a medium-term plan.

- Maintaining a more personalized attention through the archetypes and segments so as to provide customers with better advisory if needed.

c) Liquidity measures

The situation caused by the COVID-19 pandemic has impacted the national and global economy leading to a reduction of risk positions and a search for a safe shelter before the increased volatility that has emerged. The Corporate Office of Finance has been monitoring the developments in order to prevent any events, based on a process of three stages with defined functions and responsibilities, where "Stage I" is mild, attention is paid to early warning signs and preventive measures are taken, up to "Stage III", with more stressed conditions.

The Bank's Treasury Office has daily reports that allow the Bank to know about the liquidity status to make timely decisions and monitor regulatory indicators, such as term matching and the liquidity coverage ratio (LCR), for which capacity, appetite and tolerance levels are defined, and for which the need for differentiated actions is established.

d) Measures in the portfolio of investments at amortized cost

Due to the COVID-19 pandemic, the Bank has directly followed up on the corporate bonds portfolio, which has been affected by the crisis, making timely and proactive decisions according to the different perspectives and analysis of international specialists. Locally, quotes and negotiations of securities in the primary and secondary market are monitored daily, by participating in real time in the brokerage sessions of the National Stock Exchange. As of March 31, 2023, recurring to the sale of securities measured at amortized cost is not considered necessary and is not expected in the short term.

(53) Relevant Events

*a) Tax audit process – Costa Rican Tax Administration Fiscal Year 2017*

As of December 31, 2021, Banco Nacional de Costa Rica is in 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.

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.

(Continued)

*b)* *Deferred term operations*

The country is undergoing a national emergency due to COVID-19, Therefore, the board of directors of BCCR approved the creation of a medium-term special credit facility for SUGEF-regulated financial intermediaries.

As of March 31, 2023, 2,905 loan operations were placed under this modality, applying a discount to the interest rate on the loans in colones in the amount of ¢161,438 million, reaching an average rate of the operations already processed of 6,03%, The remaining average maturity term is 12.66 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 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.

(54) Reclassification of the loan portfolio in legal collection

At the March 2023 close, there were no reclassifications of the loan portfolio in legal collection to the past due loans account, in conformity with the chart of accounts of CONASSIF Agreement 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 March 31, 2023, the amount of ¢2,177,973,191 was reclassified (2022: ¢81,671,053,225).

(Continued)

(55) Subsequent events

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".*

Consequently, the Bank will apply the tax treatment foreseen in Official Letter DGT-R-09-2022, with the recording of the effects of that recognition in the 2023 period and will calculate the respective obligations that are affected, in accordance with the criteria issued by the Costa Rican Tax Administration.

(56) 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.

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) 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 month 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.

b) 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.

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.

CONASSIF requires an allowance for impairment to be booked as one-forty-eighth of the value of the asset, until reaching 100% of its carrying amount.

During the term of 24 months from the date when the asset is awarded or received, the entity may request from the Superintendency an extension of 2 years to sell the asset. The Superintendency may deny the request for an extension (providing reasonable grounds) and require the creation of an allowance for 100% of the asset's carrying amount during the first 24 months. If an extension is provided, the allowance can be created over the term approved by the Superintendency.

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

For application of IFRS 9, particularly the measurement of ECL, the prudential regulations issued by CONASSIF will be maintained for the loan portfolio, accounts receivable and stand-by credits granted, until this Standard is modified.

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 accrual suspension term should not exceed 180 days.

e) <u>IFRS 12: Income Taxes</u>

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.

iii. 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 CONASSIF Directive 6-18, that would be used until the resolution or settlement of the tax obligation.

(57) 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.